Donegal

Donegal Investment Group plc

Annual Report & Financial Statements

for the year ended 31 August 2017

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

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Financial Highlights
continuing operations – pre-exceptional

Revenue – continuing operations
€77.0m 62% ▲
77.0
47.5

Adjusted operating profit
€4.5m €3.2m ▲
4.5
1.3

Profit/(loss) before tax – continuing operations
€3.5m €4.0m ▲
3.5
(0.5)

Operating cash flow before interest & tax
€3.3m €2.6m ▲
3.3
0.7

Adjusted earnings per share*
35.3c 24.4c ▲
35.3
10.9

Basic earnings/(loss) per share – continuing operations
23.0c 37.7c ▲
23.0
(14.7)

Cash at bank
€12.2m €12.2m ▲
12.2
-

Debt
(€5.1m) (€9.8m) ▼
(5.1)
(14.9)

Investment property carrying value
€3.5m (€15.5m) ▼
3.5
19.0

Net asset value per share**
€5.94 €0.18 ▲
5.94
5.76

* Adjusted earnings per share before the impact of change in fair value of investment properties in group & associates and the related deferred tax
**Net assets are total equity attributable to equity holders of the Company

The Directors present their report and the audited financial statements for the year ended 31 August 2017. The comparative amounts relate to the 8 months ended 31 August 2016.

Group revenue was €77.0m for the 12 months to August 2017 compared to €47.5m for the 8 month period ended 31 August 2016.

Adjusted operating profits were €4.5m, an increase of €3.2m on the 8 months ended August 2016.

Speciality dairy, which trades under the NOMADIC brand, continued to deliver significant growth in the UK and Irish markets.

Smyths, our animal feeds business, had a satisfactory 2017 with a small increase in volumes sold being offset by marginally reduced selling prices.

Our Food-Agri & Property division delivered a segmental result of €2.4m, which included the net profit/loss on the disposal of various investments, investment properties and the London based Chef in a Box business.

Performance in our produce seed potato business was in line with expectations for the year with a segmental result of €2.2m.

Exceptional items (a net loss of €1.1m) are substantially legal costs relating to the Monaghan Middlebrook Mushrooms case, along with disposal of subsidiaries.

There were a significant amount of non-core asset disposals during 2017 including the sale of the Grianan Estate, Chef in a Box and a number of investment property assets located in the Donegal area.

Adjusted EPS of 35.3c, an increase of 24.4c on the 8 months to 31 August 2016.

Following on from the strategic disposal of non-core assets during the course of 2017 the Group has a net positive cash position of €7.1m at the year end.

During the course of the year 0.8% of the ordinary share capital of the Company was re-purchased as treasury shares at a cost of €0.3m

Net asset value per share increased by €0.18 to €5.94.

Board of Directors and Other Information

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

Non-Executive Directors

Geoffrey Vance (aged 66) 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 64), was appointed to the Board on 29 June 2011. Frank previously served on the Board of Donegal Investment Group plc from 1996 to 2006. He holds no other directorships.

Michael Griffin (aged 70) was appointed to the Board on 1 March 2010. Michael is a graduate of UCC and has over 36 years experience in the food industry in Ireland and the UK. Prior to this, he served as an executive director of the Kerry Group plc from 1990 until his retirement in 2004.

Patrick Kelly Jnr (aged 44) was appointed to the Board on 7 July 2004. He is chairman of the Audit Committee. He is also a former director of Teagasc and former National Chairman of Macra na Feirme.

Geoffrey McClay (aged 52) was appointed to the Board on 1 July 2010. Geoffrey previously served on the Board of Donegal Investment Group plc during the period 2001 to 2006. He is also a director of Mullinacross Enterprises Limited.

Executive Directors

Henry McGarvey (aged 50) was appointed to the Board on 28 August 2013. Henry was previously Managing Director of Pramerica Systems Ireland Limited and is currently a board member of the Western Development Commission. Previously, he worked in senior executive positions with Almarai in Saudi Arabia and Motorola and Accenture in Dublin.

Ian Ireland (Managing Director), BSC, MBA, Chartered Director (aged 56) 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.

Norman Witherow (aged 65) was appointed to the Board on 2 July 2003. He is vice chairman of the Board and chairman of the Remuneration Committee.

Padraic Lenehan (Finance Director) BCOMM, FCCA (aged 43) was appointed to the Board on 1 July 2015. Padraic joined Donegal Investment Group plc in 2008 as Financial Controller of its Dairy business, where he subsequently became Financial Controller of the merged Aurivo and Donegal Creameries milk business. In 2013 he returned to Donegal Investment Group plc as Head of Finance. Prior to that he worked for RTÉ, Accenture and in financial services in Dublin.

Secretary and registered office

P Lenehan
Ballyraine
Letterkenny
Co Donegal

Independent auditor

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

Solicitors

VP McMullin & Son
Letterkenny
Co Donegal

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Principal Bankers

Allied Irish Bank plc
Letterkenny
Co Donegal

Registered number

162921

Chairman's Statement

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

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

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

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

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

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

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

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

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

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

AGM

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

Geoffrey Vance
Chairman

Managing Director's Review

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.

Produce Division

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

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

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

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

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

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

Managing Director's Review *(continued)*

Food – Agri & Property Division

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

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

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

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

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

Associates

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

Finance and Balance Sheet

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

Substantial Shareholdings

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

HSBC Global Custody Nominee (UK) Limited - Argos Investment Managers S.A	952,000	9.26%
Goodbody Stockbroker Nominees Limited	811,880	7.89%
Aurum Nominees Limited - Donegal Investment Group plc	646,263	6.28%
Aurum Nominees Limited – Danbywiske	495,000	4.81%
Pageant Investments Ltd	473,796	4.61%

Outlook

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

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

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

Ian Ireland
Managing Director

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 August 2017. The comparative amounts relate to the 8 months ended 31 August 2016.

In 2016, the Group changed the company's year end from 31 December to 31 August 2016. This allows the Group to have greater visibility on the seasonal performance of its produce and animal feeds business in advance of each new year ending in August.

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 and property assets.

Business review

The Chairman's statement and Managing Director's review include a comprehensive review of the Group's businesses. Turnover from continuing operations in the year was €77.0m (2016: €47.5m). The Group recorded an operating profit of €4.5m before exceptional items in comparison with a profit of €0.8m in 2016. Adjusted earnings per share increased from 10.9 cent in 2016 to 35.3 cent in 2017. 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*	12 months ended 31 August 2017	8 months ended 31 August 2016	Change
Operating profit	€4.5m	€0.8m	+€3.7m
Profit/(loss) before tax	€3.5m	(€0.5m)	+€4.0m
Cash and overdraft, net	€12.2m	(€3.6m)	+€15.8m
Debt	(€5.1m)	(€14.9m)	(€9.8m)
Net assets attributable to shareholders	€58.2m	€56.8m	+€1.4m

* Stated before exceptional items

Profits and dividends

Profit for the financial year amounted to €2.1 million (2016: loss of €1.4 million). A dividend for 2016 of 5.0 cent per share was paid on 19 December 2016.

The results for the financial year ended 31 August 2017 are set out in detail on pages 31 to 90.

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;

- Inability to sell commodities and/or achieve a committed price when there is a commitment to purchase fixed quantities at a fixed price;
- Excess supply and/or reduced consumer demand resulting in reduced selling prices;
- Exposure to end customer markets which are impacted by commodity prices;
- Exposure to changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Group operates;
- Contamination of product cycle;
- Ability to sustain commercial relationships with key customers in a competitive environment;
- Ability to utilise debt capacity or obtain financing from financial institutions;
- 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 17 to 21 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.

Future developments in the business

A review of future developments in the business is included in the Managing Director's Review on pages 8 to 11.

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

Events since the year end

The Group purchased 113,690 ordinary shares of 13 cent held as treasury shares subsequent to the year end, for a total cost of €803,700. There have been no other significant events subsequent to the year end, which would require adjustment to, or disclosure in, the financial statements.

Board of Directors

The Directors of the Company on 31 August 2017 are listed on pages 4 and 5. Richard Whelan resigned from the Board on 20 January 2017. Padraic Lenehan and Norman Witherow retire by rotation, and intend to stand for re-election at the AGM.

The interest of the Directors and secretary are disclosed in the report of the remuneration committee on pages 23 to 26.

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 328 of the Companies Act 2014). The aggregate nominal value of shares authorised to be so acquired was not to exceed 15% of the aggregate nominal value of the issued share capital of the Company. This authority was renewed at subsequent Annual General Meetings.

At the year ended 31 August 2017, 532,573 ordinary shares of 13 cent each were held as treasury shares by Donegal Investment Group plc (2016: 490,695). This represented 5.23% of the called up share capital of the Company (2016: 4.77%). The company purchased 46,878 (2016:195,239) treasury shares at a total cost of €272,000 during 2017 (2016: €1,099,000).

Substantial holdings

As at 12 January 2018, the Company had received notification of the following interests in its ordinary share capital:

Name	Holding	%
HSBC Global Custody Nominee (UK) Limited - Argos Investment Managers S.A	952,000	9.26%
Goodbody Stockbroker Nominees Limited	811,880	7.89%
Aurum Nominees Limited - Donegal Investment Group plc	646,263	6.28%
Aurum Nominees Limited – Danbywiske	495,000	4.81%
Pageant Investments Ltd	473,796	4.61%

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

Accounting records

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

Research and development

The Group subsidiary, IPM Potato Group Limited, has invested in potato variety innovation for over 30 years by funding the variety breeding programme at Oak Park Research Centre, Carlow, Ireland. The breeding programme uses the most current breeding techniques and does not utilise genetic modification (G.M.). The development of new and better potato varieties is one of the key elements for a vibrant and resourceful potato industry. IPM consistently release new varieties to cater for the ever-changing requirements of our customers worldwide. 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.

Relevant audit information

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

Directors' Report *(continued)*

Directors Compliance Statement

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

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

Corporate Governance

Compliance with the Group's system of internal control is set out on pages 17 to 21. The report on Corporate Governance is deemed to form part of the Directors Report.

Auditor

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

Tax status

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

Subsidiary and associated undertakings

Information relating to subsidiary and associated undertakings is included in note 35 to the financial statements.

Political contributions

The Group did not make any political donations or incur any political expenditure during the year.

AGM

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

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	*Director*

12 January 2018

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 are two Executive and seven Non-Executive Directors. Biographical details are set out on pages 4 and 5.

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

The roles of the Chairman and the Managing Director

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

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

Senior Independent Director

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

Directors and Directors' Independence

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

The Board currently comprises the Chairman, two Executive Directors and six non-Executive Directors. The names of the Directors together with their biographical details are set out on pages 4 and 5. 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 Boards decision making.

The Group's policy requires the Chairman to hold meetings with the Non-Executive Directors without the Executive Directors being present. Procedures in this regard are formalised, took place in 2017 and are held on a periodic basis and as requested by individual Directors.

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

Corporate Governance Report *(continued)*

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

The Board believes that all Directors bring the appropriate judgement, knowledge and experience to the Board's deliberations. The Board has in place an annual process to evaluate the independence of Directors and the most recent review concluded that all the Non-Executive Directors are independent, notwithstanding the fact that 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 is not considered a material relationship. 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.

The Board notes that a relative of non-executive director, Norman Witherow, rented 795 acres of farm land at the Grianan Estate, an investment property of DIG plc, during 2017. The Grianan Estate was sold in June 2017 and negotiations in respect of amendments to the lease were finalised prior to the sale in order to maximise the proceeds received by the Group on the sale.

Professional development

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

Nomination Committee

The Nomination Committee at 31 August 2017 was comprised of three Non-Executive Directors, Geoffrey Vance, who acts as chairman, Patrick Kelly Jnr and Norman Witherow.

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

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

Performance evaluation

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

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

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

The Company Secretary

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

Information

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

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

Communication with shareholders

The Company has regular dialogue with institutional and major shareholders throughout the year, other than during close periods. All Directors are available to meet with such shareholders throughout the year. The Company also encourages communication with shareholders throughout the year and welcomes their participation at general meetings. The views of the shareholders and the market in general are communicated to the Board on a regular basis, as are expressed views on corporate governance and strategy, as well as the outcome of analyst and broker briefings. Analyst reports on the Group are also circulated to the Board members on a regular basis. The Group's website, www.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 each of the Board's committees is available at the Annual General Meeting. Notice of the Annual General Meeting, together with the Annual Report and Financial Statements, are sent to shareholders at least twenty working days before the meeting, and details of the proxy votes for and against each resolution and the number of abstentions are announced after each vote on a show of hands.

Internal Control

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

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

Corporate Governance Report *(continued)*

The Directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2017, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls and reports from the external auditor on matters identified in the course of its statutory audit work.

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

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

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

Eight meetings of the Board, one meetings of the Remuneration Committee, four meetings of the Audit Committee and one meeting of the Nomination Committee were held during the year ended 31 August 2017 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	-	-	-	-	1	1
Ian Ireland	8	8	-	-	-	-	-	-
Frank Browne	8	8	-	-	-	-	-	-
Michael Griffin	8	7	1	1	-	-	-	-
Patrick Kelly Jnr	8	6	-	-	4	4	1	1
P Lenehan	8	8	-	-	-	-	-	-
Geoffrey McClay	8	8	-	-	4	4	-	-
Henry McGarvey	8	8	1	1	2	2	-	-
Norman Witherow	8	8	1	1	-	-	1	1
Richard Whelan	2	2	-	-	2	2	-	-

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

Remuneration Committee

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

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

The report of the Remuneration Committee on behalf of the Board is set out on pages 23 to 26.

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors – Patrick Kelly Jnr (Chairman), Geoffrey McClay and Henry McGarvey. Richard Whelan resigned from the audit committee on 20 January 2017. Henry McGarvey was appointed to the audit committee on 29 March 2017. The Committee held four formal meetings during 2017. When necessary, Non-Committee members are invited to attend.

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

The engagement of the external auditor to provide any Non-audit services must be pre-approved by the Committee where the fee exceeds 20% of the audit fee. During the financial year to 31 August 2017, fees charged in relation to non-audit related services totalled €118,000 (2016: €75,000) 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 2017 the Audit Committee discharged its responsibilities by: reviewing the Group's financial statements for 2016, meeting and reviewing with the external auditor prior to Board approval of the financial statements;

- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact in the Group's financial statements of significant matters and changes arising during the year;
- reviewing and approving the audit fee and reviewing Non-audit fees that may be payable to the Group auditor;
- considered the external auditor's plan for the audit of the Group's financial statements for 2017;
- 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*

12 January 2018

Corporate Social Responsibility Report

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

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 17 to 21.

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.

Health and safety

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

The community

The Group is also actively involved in the local community within which it operates supporting many important social and community activities such as 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 the Executive Directors are reviewed annually having regard to personal performance, Group performance, changes in responsibilities and competitive market practice in the area of operation. Employment related benefits consist principally of a car allowance and participation in the share option scheme. No fees are payable to the Executive Directors.

Incentive plan

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

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. The scheme expired on 27 January 2005, ten years after the adoption date.

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

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

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

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 24 and 25, details of Directors' share options and shareholdings are given on pages 25 and 26 and details of Directors' pensions are set out on page 25.

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

	12 months ended 31 August 2017 €	8 months ended 31 August 2016 €
Salaries and benefits		
Basic salary	**396,686**	244,284
Benefits (1)	**43,806**	25,817
Pension charge (3)	**82,608**	52,972
	523,100	323,073
Performance related		
Annual incentives (2)	**173,650**	115,765
Total executive directors' remuneration	**696,750**	438,838
Average number of Executive Directors	**2**	2
Average salary per Executive Director	**348,375**	219,419

	12 months ended 31 August 2017 €	8 months ended 31 August 2016 €
Non-Executive Directors		
Fees and other emoluments		
Fees (4)	**148,915**	115,805
Other emoluments and benefits	**-**	-
	148,915	115,805
Other remuneration	-	-
Total Non-Executive Directors' remuneration	**148,915**	115,805
Average number of non-Executive Directors	**7**	8
Total Directors' Remuneration	**845,665**	554,643

In addition, an expense of €125,307 (2016: €134,623) has been recognised with respect to share options (equity & cash-settled) granted to Executive Directors and management.

Notes to Directors' Remuneration
1. Benefits principally relate to a car allowance and expenses paid to Directors.
2. The incentive plan is outlined on page 23.
3. The pension charge represents contributions made to defined contribution scheme pension funds.
4. Eight non-Executive Directors received fees in 2017 (2016: Eight).

	Basic salary €	Incentive bonus €	Benefits €	Pension & other related costs €	12 months ended 31 August 2017 Total €	8 months ended 31 August 2016 Total €
Executive Directors						
I Ireland	**283,741**	**144,000**	**33,806**	**71,313**	**532,860**	339,924
P Lenehan	**112,945**	**29,650**	**10,000**	**11,295**	**163,890**	98,914
	396,686	**173,650**	**43,806**	**82,608**	**696,750**	438,838
Non-Executive Directors						
G Vance (Chairman)	**44,842**	-	-	-	**44,842**	29,506
F Browne	**13,034**	-	-	-	**13,034**	8,547
M Griffin	**16,602**	-	-	-	**16,602**	11,903
P Kelly Jnr	**15,414**	-	-	-	**15,414**	10,888
G McClay	**14,274**	-	-	-	**14,274**	9,767
H McGarvey	**16,602**	-	-	-	**16,602**	11,903
R Whelan (resigned 20 January 2017)	**8,952**	-	-	-	**8,952**	18,903
N Witherow	**19,195**	-	-	-	**19,195**	14,388
	148,915	-	-	-	**148,915**	115,805

Directors' and secretary's share options

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

	At 31 August 2016	Granted in 2017	Expired in 2017	Exercised in 2017	At 31 August 2017	Average Option Price 2017 €
I Ireland	150,000	-	-	-	**150,000**	**4.70**
	70,000	-	-	-	**70,000**	**6.00**
	220,000	-	-	-	**220,000**	-
P Lenehan	60,000	-	-	-	**60,000**	**6.00**
	60,000	-	-	-	**60,000**	-

The market price of the Company's shares at 31 August 2017 was €6.25 (2016: €5.60) and the range during 2017 was €4.90 to €6.25 (2016: €5.10 to €6.10). See note 26 of the financial statements for further information in this regard. Options are exercisable between the third anniversary of the date of grant and the seventh anniversary of the date of grant.

Report of the Remuneration Committee *(continued)*

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

	At 31 August 2016	Granted in 2017	Expired in 2017	Exercised in 2017	At 31 August 2017	Average Fair value 2017 €
I Ireland	80,000	**40,000**	-	-	**120,000**	**1.23**
	80,000	**40,000**	-	-	**120,000**	**1.23**
P Lenehan	60,000	**30,000**	-	-	**90,000**	**1.23**
	60,000	**30,000**	-	-	**90,000**	**1.23**

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

Directors' and secretary's interests in shares

The beneficial interests, including family interests, of the Directors and secretary in office at 31 August 2017 in the ordinary shares of the Company at 31 August 2017 (or date of appointment, if later) and 31 August 2016 are set out below:

	31 August 2017	31 August 2016
Directors:		
G Vance (Chairman)	**187,889**	187,889
F Browne	**8,717**	6,917
M Griffin	**25,000**	25,000
I Ireland	**179,274**	174,274
P Kelly Jnr	**2,401**	2,401
P Lenehan	**-**	-
G McClay	**16,107**	16,107
H McGarvey	**9,377**	7,377
N Witherow	**50,471**	50,471

All movements in shareholdings noted above represent purchases / sales on the open market by the Executive Directors.

Statement of Directors' Responsibilities
in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable laws 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable laws and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Act 2014.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable IFRS as adopted by the EU; 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.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Group and Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility 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. Under applicable law, the Directors are also responsible for preparing a Directors' Report that complies with the Companies Act 2014.

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

On behalf of the Board

Geoffrey Vance	**Ian Ireland**
Director	*Director*

12 January 2018

Independent Auditor's Report
to the members of Donegal Investment Group plc

1 Opinion: our opinion is unmodified
We have audited the financial statements of Donegal Investment Group plc ("the Company") for the year ended 31 August 2017 which comprise the Consolidated statement of profit or loss and comprehensive income, Consolidated and Company statements of financial position, Consolidated and Company statements of changes in equity, Consolidated and Company statements of cash flows and the related notes, including the accounting policies in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:
- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 August 2017 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 August 2017;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities are further described in the Auditor's Responsibilities section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA). We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

In arriving at our audit opinion above, the key audit matter was as follows:

Asset held for sale – Investment in Elst Unlimited Company (Group €23.8million, Parent Company €4.4 million)
Refer to Note 3 (Significant accounting policies) and Note 32 (Asset held for sale – financial disclosures)

The key audit matter
Recoverability of asset held for sale. The Group holds a 30% equity interest in Elst Unlimited Company, the holding company of the Monaghan Mushrooms business, which is classified as an asset held for sale at 31 August 2017. The Group initiated a claim in the Irish courts in 2013 with regard oppression of a minority interest. An out of court settlement was reached on 18 October 2017, and formally approved by the Company's shareholders on 27 November 2017, for an amount in excess of the carrying amount.

How the matter was addressed in our audit
Our audit procedures included:
a. obtaining an update on legal proceedings from the Group and corroboration of same through inspection of court documents;
b. consideration as to the recoverability of the carrying amount of the Group's interest through inspection of the settlement agreement dated 18 October 2017, for an amount in excess of the carrying amount;
c. consideration as to whether the continued classification of the investment as an asset held for sale remains appropriate;
d. consideration of the Group's disclosures in the financial statements.

Based on the evidence obtained, we concluded that the risk surrounding the recoverability of the asset held for sale has been reduced to an acceptably low level. We found the disclosures to be adequate.

3 Our application of materiality and an overview of the scope of our audit
Materiality for the Group financial statements as a whole was set at €150,000. Materiality for the Company financial statements was set at €50,000.

For the Group, materiality has been calculated as 5% of the benchmark of expected Group profit before tax and exceptional items (this estimated amount was based on discussions with management at the planning stage of the audit), which we have determined in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing the financial performance of the Group. For the Parent Company, materiality has been calculated based on an allocation of total Group materiality.

We report to the Audit Committee all corrected and uncorrected audit misstatements we identified through our audit in excess of €7,500, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The structure of the Group's finance function is such that certain transactions and balances are accounted for by the central Group finance team, with the remainder accounted for in the Group's reporting components. We performed comprehensive audit procedures, including those in relation to the significant risk set out above, on those transactions accounted for at Group and component level. At a component level, audits for Group reporting purposes were performed for key identified reporting components. Our audits covered 93% of total Group revenue and 98% of Group total assets, including 100% of the Parent Company's revenue and total assets.

The audits undertaken for Group reporting purposes at the key reporting components were all performed to component materiality levels. These component materiality levels were set individually for each component and ranged from €50,000 to €115,000. The Group audit team were also auditors of the significant components.

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

5 We have nothing to report on the other information in the annual report
The directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

6 Our opinions on other matters prescribed by the Companies Act 2014 are unmodified
Based solely on the work undertaken in the course of the audit, we report that:
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We also report that, based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

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

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's statement of financial position and the profit and loss account is in agreement with the accounting records.

7 We have nothing to report on other matters on which we are required to report by exception
The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

Independent Auditor's Report
to the members of Donegal Investment Group plc *(continued)*

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 27, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

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

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

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

Conall O'Halloran
for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

12 January 2018

Consolidated statement of profit or loss and comprehensive income

for the year ended 31 August 2017

	Note	Pre-exceptional	(Note 8) Exceptional	12 Months ended 31 August 2017 Total	Pre-exceptional	(Note 8) Exceptional	8 months ended 31 August 2016 Total
		€'000	€'000	€'000	€'000	€'000	€'000
Continuing operations							
Revenue	6	**77,018**	**-**	**77,018**	47,501	-	47,501
Cost of sales		**(56,399)**	**-**	**(56,399)**	(36,109)	-	(36,109)
Gross profit		**20,619**	**-**	**20,619**	11,392	-	11,392
Other income	7	**1,491**	**293**	**1,784**	546	-	546
Other expenses	7	**-**	**-**	**-**	(657)	-	(657)
Distribution expenses		**(7,859)**	**-**	**(7,859)**	(3,707)	-	(3,707)
Administrative expenses		**(9,795)**	**(1,067)**	**(10,862)**	(6,809)	(2,545)	(9,354)
Profit/(loss) from operating activities		**4,456**	**(774)**	**3,682**	765	(2,545)	(1,780)
Finance income	11	**92**	**-**	**92**	61	-	61
Finance expenses	11	**(949)**	**(370)**	**(1,319)**	(1,371)	-	(1,371)
Net finance expense	11	**(857)**	**(370)**	**(1,227)**	(1,310)	-	(1,310)
Share of loss of associates (net of tax)		**(94)**	**-**	**(94)**	-	-	-
Profit/(loss) before income tax		**3,505**	**(1,144)**	**2,361**	(545)	(2,545)	(3,090)
Income tax (expense)/credit	12	**(222)**	**-**	**(222)**	1,262	450	1,712
Profit/(loss) for the year/period		**3,283**	**(1,144)**	**2,139**	717	(2,095)	(1,378)
Other comprehensive income							
Items that are or may be reclassified to profit or loss:							
Foreign currency translation differences for foreign operations	11			**(257)**			(528)
Recycle of currency translation differences for foreign operations				**370**			-
Recycle of change in fair value of available for sale financial asset				**(558)**			(264)
Tax on recycle of change in fair value of available for sale financial asset				**184**			88
Revaluation of available for sale financial asset	17			**35**			5
Tax on revaluation of available for sale financial asset	18			**(12)**			(2)
				(238)			(701)
Total comprehensive income for the year/period				**1,901**			(2,079)

Consolidated statement of profit or loss and comprehensive income for the year ended 31 August 2017 *(continued)*

	Note	12 Months ended 31 August 2017 €'000	8 Months ended 31 August 2016 €'000
Profit/(loss) attributable to:			
Equity holders of the Company		**2,252**	(1,460)
Non-controlling interest		**(113)**	82
		2,139	(1,378)
Total comprehensive income attributable to:			
Equity holders of the Company		**1,998**	(2,014)
Non-controlling interest		**(97)**	(65)
		1,901	(2,079)
Earnings/(loss) per share			
Basic earnings/(loss) per share (euro cent):			
Continuing	23	**23.0**	(14.7)
Diluted earnings/(loss) per share (euro cent):			
Continuing	23	**22.8**	(14.7)

The notes on pages 40 to 90 are an integral part of these consolidated financial statements.

Geoffrey Vance	**Ian Ireland**
Director	*Director*

Consolidated statement of financial position
as at 31 August 2017

	Note	31 August 2017 €'000	31 August 2016 €'000
Assets			
Property, plant and equipment	13	**8,708**	12,696
Goodwill	14	**3,388**	3,633
Intangible assets	14	**393**	399
Investment property	15	**3,552**	19,021
Investment in associates	16	**781**	1,008
Other investments	17	**187**	1,144
Prepayment	20	**-**	188
Total non-current assets		**17,009**	38,089
Inventories	19	**4,514**	4,419
Trade and other receivables	20	**18,030**	17,800
Current tax		**-**	43
Cash at bank	21	**12,733**	-
Current financial instrument	28	**5**	53
Total current assets before asset held for sale		**35,282**	22,315
Asset held for sale	32	**23,835**	23,835
Total current assets		**59,117**	46,150
Total assets		**76,126**	84,239
Equity			
Share capital	22	**1,337**	1,337
Share premium	22	**2,975**	2,975
Other reserves	22	**(3,335)**	(2,430)
Retained earnings		**57,236**	54,951
Total equity attributable to equity holders of the Company		**58,213**	56,833
Non-controlling interest		**1,083**	1,224
Total equity		**59,296**	58,057
Liabilities			
Loans and borrowings	24	**5,079**	2
Deferred income	27	**71**	94
Deferred tax liabilities	18	**487**	1,797
Total non-current liabilities		**5,637**	1,893
Trade and other payables	27	**9,446**	9,350
Current tax		**1,198**	-
Bank overdraft	21	**527**	3,621
Loans and borrowings	24	**22**	11,318
Total current liabilities		**11,193**	24,289
Total liabilities		**16,830**	26,182
Total equity and liabilities		**76,126**	84,239

The notes on pages 40 to 90 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Company statement of financial position
as at 31 August 2017

	Note	31 August 2017 €'000	31 August 2016 €'000
Assets			
Property, plant and equipment	13	**390**	3,133
Intangible assets	14	**13**	16
Investment property	15	**700**	15,739
Investment in associates	16	**781**	975
Other investments	17	**3,674**	4,487
Total non-current assets		**5,558**	24,350
Trade and other receivables	20	**6,536**	8,144
Current tax		**-**	24
Deferred tax		**93**	-
Cash at bank		**11,161**	-
Total current assets before asset held for sale		**17,790**	8,168
Asset held for sale	16	**4,389**	4,389
Total current assets		**22,179**	12,557
Total assets		**27,737**	36,907
Equity			
Share capital	22	**1,337**	1,337
Share premium	22	**2,975**	2,975
Other reserves	22	**(1,542)**	(1,036)
Retained earnings		**14,995**	5,917
Total equity		**17,765**	9,193
Liabilities			
Loans and borrowings	24	**5,000**	-
Deferred income	27	**-**	2
Deferred tax liabilities	18	**-**	1,170
Total non-current liabilities		**5,000**	1,172
Trade and other payables	27	**4,130**	3,187
Current tax		**842**	-
Bank overdraft	21	**-**	12,055
Loans and borrowings	24	**-**	11,300
Total current liabilities		**4,972**	26,542
Total liabilities		**9,972**	27,714
Total equity and liabilities		**27,737**	36,907

The notes on pages 40 to 90 are an integral part of these consolidated financial statements.

Geoffrey Vance
Director

Ian Ireland
Director

Consolidated statement of changes in equity

for the year ended 31 August 2017

	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 September 2016		1,337	2,975	(2,879)	(2,739)	4,190	(1,511)	509	54,951	56,833	1,224	58,057
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	2,252	2,252	(113)	2,139
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	(203)	-	-	-	-	-	(203)	(54)	(257)
Recycle of currency translation differences for foreign operation		-	-	300	-	-	-	-	-	300	70	370
Recycle of change in fair value of available for sale financial asset, net of tax		-	-	-	-	-	(374)	-		(374)	-	(374)
Change in fair value of available for sale financial assets, net of tax		-	-	-	-	-	23	-	-	23	-	23
Change in fair value of property, net of tax		-	-	-	-	(496)	-	-	496	-	-	-
Other comprehensive income		-	-	97	-	(496)	(351)	-	496	(254)	16	(238)
Total comprehensive income for the year		**-**	**-**	**97**	**-**	**(496)**	**(351)**	**-**	**2,748**	**1,998**	**(97)**	**1,901**
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Dividends paid	22	-	-	-	-	-	-	-	(490)	(490)	(44)	(534)
Acquisition of treasury shares		-	-	-	(272)	-	-	-	-	(272)	-	(272)
Shared based payments	26	-	-	-	(12)	-	-	129	27	144	-	144
Total contributions by and distributions to owners		**-**	**-**	**-**	**(284)**	**-**	**-**	**129**	**(463)**	**(618)**	**(44)**	**(662)**
Balance at 31 August 2017		**1,337**	**2,975**	**(2,782)**	**(3,023)**	**3,694**	**(1,862)**	**638**	**57,236**	**58,213**	**1,083**	**59,296**

€615,000 of the translation reserve and €2,292,000 of the fair value reserve will be recycled to profit or loss on realisation of the investment in associate which is classified as an asset held for sale.

The notes on pages 40 to 90 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 August 2017 *(continued)*

	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 2016		1,337	2,975	(2,498)	(1,640)	4,190	(1,338)	369	57,293	60,688	1,347	62,035
Total comprehensive income for the year												
Loss for the period		-	-	-	-	-	-	-	(1,460)	(1,460)	82	(1,378)
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	(381)	-	-	-	-	-	(381)	(147)	(528)
Recycle of change in fair value of available for sale financial asset, net of tax		-	-	-	-	-	(176)	-		(176)	-	(176)
Change in fair value of available for sale financial assets, net of tax		-	-	-	-	-	3	-	-	3	-	3
Other comprehensive income		-	-	(381)	-	-	(173)	-	-	(554)	(147)	(701)
Total comprehensive income for the period		**-**	**-**	**(381)**	**-**	**-**	**(173)**	**-**	**(1,460)**	**(2,014)**	**(65)**	**(2,079)**
Transactions with owners recorded directly in equity												
Contributions by and distributions to owners												
Dividends paid	22	-	-	-	-	-	-	-	(882)	(882)	(58)	(940)
Acquisition of treasury shares		-	-	-	(1,099)	-	-	-	-	(1,099)	-	(1,099)
Shared based payments	26	-	-	-	-	-	-	140	-	140	-	140
Total contributions by and distributions to owners		**-**	**-**	**-**	**(1,099)**	**-**	**-**	**140**	**(882)**	**(1,841)**	**(58)**	**(1,899)**
Balance at 31 August 2016		**1,337**	**2,975**	**(2,879)**	**(2,739)**	**4,190**	**(1,511)**	**509**	**54,951**	**56,833**	**1,224**	**58,057**

€615,000 of the translation reserve and €2,292,000 of the fair value reserve will be recycled to profit or loss on realisation of the investment in associate which is classified as an asset held for sale.

The notes on pages 40 to 90 are an integral part of these consolidated financial statements.

Company statement of changes in equity
for the year ended 31 August 2017

	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 2016		**1,337**	**2,975**	**(1,640)**	**751**	**616**	**369**	**8,008**	**12,416**
(Loss)/profit for the period		-	-	-	-	-	-	(1,209)	(1,209)
Recycle of change in fair value of available for sale financial asset, net of tax		-	-	-	(176)	-	-	-	(176)
Net change in fair value of available for sale financial assets, net of tax		-	-	-	3	-	-	-	3
Total comprehensive income for the period		**-**	**-**	**-**	**(173)**	**-**	**-**	**(1,209)**	**(1,382)**
Transactions with owners recorded directly in equity									
Dividends to equity holders		-	-	-	-	-	-	(882)	(882)
Share based payments	26						140	-	140
Acquisition of treasury shares		-	-	(1,099)	-	-	-	-	(1,099)
Total contributions by and distributions to owners		-	-	(1,099)	-	-	140	(882)	(1,841)
Balance at 31 August 2016		**1,337**	**2,975**	**(2,739)**	**578**	**616**	**509**	**5,917**	**9,193**
Profit for the year		-	-	-	-	-	-	9,541	9,541
Recycle of change in fair value of available for sale financial asset, net of tax		-	-	-	(374)	-	-	-	(374)
Net change in fair value of available for sale financial assets, net of tax		-	-	-	23	-	-	-	23
Total comprehensive income for the year		**-**	**-**	**-**	**(351)**	**-**	**-**	**9,541**	**9,190**
Transactions with owners recorded directly in equity									
Dividends to equity holders		-	-	-	-	-	-	(490)	(490)
Share based payments	26	-	-	(12)	-	-	129	27	144
Acquisition of treasury shares		-	-	(272)	-	-	-	-	(272)
Total contributions by and distributions to owners		-	-	(284)	-	-	129	(463)	(618))
Balance at 31 August 2017		**1,337**	**2,975**	**(3,023)**	**227**	**616**	**638**	**14,995**	**17,765**

The notes on pages 40 to 90 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 August 2017

	Note	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Cash flows from operating activities			
Profit/(loss) for the year/period		**2,139**	(1,378)
Adjustments for:			
Depreciation	13	**1,095**	755
Amortisation of intangibles	14	**91**	103
Change in fair value of investment property	15	**(52)**	576
Net finance expense	11	**857**	1,310
Share of loss of associates		**94**	-
Gain on sale of property, plant and equipment	7	**(41)**	(17)
(Gain)/loss on sale of investment property	7	**(288)**	81
Loss on sale of subsidiary	7	**225**	-
Gain on sale of other investments	7	**(657)**	(285)
Share-based payment transactions	26	**201**	190
Income tax expense/(credit)		**222**	(1,712)
Change in inventories		**(416)**	472
Change in trade and other receivables		**(515)**	14,376
Change in trade and other payables		**337**	(13,759)
Cash generated from operating activities		**3,292**	712
Interest paid		**(289)**	(204)
Income tax (paid)/refunded		**(22)**	142
Net cash from operating activities		**2,981**	650
Cash flows from investing activities			
Interest received		**12**	6
Dividends received		**4**	2
Proceeds from sale of investment property and property, plant and equipment		**18,318**	113
Proceeds from disposal of other investments		**1,205**	386
Proceeds from disposal of subsidiary undertakings		**1,255**	-
Proceeds from disposal of associate investment		**140**	-
Exercise of share options		**15**	-
Acquisition of property, plant and equipment		**(454)**	(894)
Acquisition of intangibles		**(48)**	(37)
Net cash generated/(outflow) from investing activities		**20,447**	(424)
Cash flows from financing activities			
Repayment of borrowings	24	**(6,300)**	(900)
Payment of finance lease liabilities		**(27)**	(65)
Dividend paid to non-controlling interest		**(44)**	(58)
Acquisition of treasury shares		**(272)**	(1,099)
Dividends paid	22	**(490)**	(882)
Net cash flow from financing activities		**(7,133)**	(3,004)
Net increase/(decrease) in cash and cash equivalents		**16,295**	(2,778)
Cash and cash equivalents at start of year/period		**(3,621)**	82
Effect of exchange rate fluctuations on cash held		**(468)**	(925)
Cash and cash equivalents at end of year/period	21	**12,206**	(3,621)

The notes on pages 40 to 90 are an integral part of these consolidated financial statements.

Company statement of cash flows
for the year ended 31 August 2017

	Note	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Cash flows from operating activities			
Profit/(loss) for the year/period		**9,541**	(1,209)
Adjustments for:			
Depreciation	13	**25**	18
Amortisation	14	**3**	3
Change in fair value of investment property	15	**-**	137
Share of profit of associate		**39**	-
Net finance (income)/expense		**(11,441)**	264
Gain/(loss) on sale of investment property		**(381)**	81
Gain on sale of other investments		**(657)**	(285)
Share-based payment transactions	26	**201**	190
Income tax expense/(credit)		**222**	(1,135)
Change in trade and other receivables		**1,178**	(581)
Change in trade and other payables		**1,003**	2,553
Cash generated from operating activities		**(267)**	36
Interest paid		**(289)**	(213)
Income tax paid		**(1)**	(1)
Net cash from operating activities		**(557)**	(178)
Cash flows from investing activities			
Interest received		**4**	4
Dividend received		**11,878**	2
Acquisition of property, plant and equipment		**-**	(41)
Proceeds from disposal of investment property		**17,850**	76
Proceeds from disposal of other investments		**948**	386
Proceeds from disposal of associate undertaking		**140**	-
Exercise of share options		**15**	-
Net cash generated from investing activities		**30,835**	427
Cash flows from financing activities			
Repayment of borrowings	24	**(6,300)**	(900)
Acquisition of treasury shares		**(272)**	(1,099)
Dividends paid	22	**(490)**	(882)
Net cash flow from financing activities		**(7,062)**	(2,881)
Net increase/(decrease) in cash and cash equivalents		**23,216**	(2,632)
Cash and cash equivalents at start of year/period		**(12,055)**	(9,423)
Cash and cash equivalents at end of year/period	21	**11,161**	(12,055)

The notes on pages 40 to 90 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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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 August 2017 consolidate the financial statements of the Company and its subsidiaries (together referred to as the "Group") and include the Group's interest in associates using the equity method of accounting. The Company financial statements deal with the Company as a single entity. The Group is primarily involved in the development, purchase and sale of seed potatoes, the manufacture, sale and distribution of farm inputs and dairy products by its Food-Agri business segment and the rental and sales of Food-Agri property assets.

The consolidated and Company financial statements were authorised for issuance on 12 January 2018.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended 31 August 2017 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (together IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union ('EU IFRS). The Company financial statements have been prepared in accordance with EU IFRS, as applied in accordance with the Companies Act 2014, which permits a Company that publishes its consolidated and Company financial statements together to take advantage of the exemption in Section 304 of the Companies Act 2014 from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The Standards and Interpretations applied were those that were effective for accounting year ending on or before 31 August 2017.

(b) Basis of preparation

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

The financial statements have been prepared on the going concern basis.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in prior years (in respect of the carrying value of goodwill (note 14), deferred tax (note 18), financial assets and liabilities (note 28)).

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

(d) Changes in accounting policies

There were no new standards, amendments and interpretations which were applicable in the financial year beginning 1 September 2016 and required the Group to change its accounting policies.

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 exposure or rights to variable returns and the ability to affect those returns through its power over an investee. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the consolidated financial statements *(continued)*

3. Significant accounting policies *(continued)*

(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. When the associate is classified as held for sale, equity accounting also ceases.

(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. These are recycled to the profit and loss on disposal.

(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(n).

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.

3. Significant accounting policies *(continued)*

(ii) Derivative financial instruments

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

(d) Share capital

(i) Ordinary shares

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

(ii) Repurchase of share capital (treasury shares)

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) 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

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

Notes to the consolidated financial statements *(continued)*

3. Significant accounting policies *(continued)*

(f) Intangible assets

(i) Goodwill

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

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

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

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

Subsequent measurement

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

(ii) 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
- Customer lists and brand related intangibles 3-10 years

(g) Investment property

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

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

3. Significant accounting policies *(continued)*

(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.

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.

Notes to the consolidated financial statements *(continued)*

3. Significant accounting policies *(continued)*

(i) Employee benefits

Defined contribution plans

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

(j) Share-based payment arrangements

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

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

(k) Provisions

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

(l) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised 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.

(m) Lease payments

(i) Operating lease payments

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

(ii) Finance lease payments

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

3. Significant accounting policies *(continued)*

(n) Finance income and expenses

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

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

(o) 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 substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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.

(p) Segment reporting

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

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

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

(q) Discontinued operations

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

Notes to the consolidated financial statements *(continued)*

3. Significant accounting policies *(continued)*

(r) Earnings per share

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

(s) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

(t) Exceptional Items

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

(t) Asset held for sale

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

3. Significant accounting policies *(continued)*

(u) New standards and interpretations not yet adopted

A number of new International Financial Reporting Standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 September 2017, 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.

Standard	IASB effective date (years beginning)	EU companies effective date (years beginning)
Amendments to IAS 7: Disclosure Initiative (29 January 2016)	1 January 2017 (early adoption permitted)	Not endorsed, expected to be endorsed Q4 2017
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses (19 January 2016)	1 January 2017 (early adoption permitted)	Not endorsed, expected to be endorsed Q4 2017
IFRS 15: Revenue from contracts with customers (May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (11 September 2015)	1 January 2018 (early adoption permitted)	1 January 2018 (early adoption permitted)
IFRS 9 Financial Instruments (24 July 2014)	1 January 2018 (early adoption permitted)	1 January 2018 (early adoption permitted)
Clarifications to IFRS 15: Revenue from Contracts with Customers (12 April 2016)	1 January 2018 (early application permitted)	Not endorsed, expected to be endorsed Q4 2017
Amendments to IFRS 2: Classification and measurement of share-based payment transactions (20 June 2016)	1 January 2018 (early application permitted)	Not endorsed, expected to be endorsed Q4 2017
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (12 September 2016)	1 January 2018	Not endorsed, expected to be endorsed Q4 2017
Annual Improvements to IFRS 2014 -2016 Cycle (8 December 2016)	1 January 2017 / 1 January 2018	Not endorsed, expected to be endorsed Q4 2017
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration (8 December 2016)	1 January 2018	Not endorsed, expected to be endorsed Q4 2017
Amendments to IAS 40: Transfers of Investment Property (8 December 2016)	1 January 2018	Not endorsed, expected to be endorsed Q4 2017
IFRS 16: Leases (13 January 2016)	1 January 2019 (early adoption permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard)	Not endorsed, expected to be Q4 2017
IFRIC Interpretation 23: Uncertainty over Income Tax Treatments (7 June 2017)	1 January 2019	Not endorsed, expected during 2018
IFRS 17: Insurance contracts (18 May 2017)	1 January 2021	Not endorsed. No indication of expected endorsement date
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (11 September 2014)	Deferred indefinitely (pending outcome of research project on the equity method of accounting)	Endorsement postponed. Awaiting IASB developments

The Group is still reviewing these upcoming changes to determine the extent of their impact.

Notes to the consolidated financial statements *(continued)*

4. Determination of fair values

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

(i) Investment property

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

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

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

(ii) Investments in equity and debt securities

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

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

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

(iv) Derivatives

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

(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.

Trade and other receivables

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

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

The Group establishes an allowance for impairment that represents its estimate of 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 August 2017 the Group had committed bank facilities of €14.8m (31 August 2016: €22.3m), including a group overdraft facility of €9.8m (31 August 2016: €11.0m) for working capital requirements.

Notes to the consolidated financial statements *(continued)*

5. Financial risk management *(continued)*

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.

Currency risk

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

Overdrafts and borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Euro and GBP. This provides an economic hedge. In 2016 and 2017, the group entered into a foreign exchange hedge to further mitigate foreign currency exposure.

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 €62.2m, at 31 August 2017 (2016: €60.7m).

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

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

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.

The Group comprises the following reportable business segments:
Produce: The growing, sales and distribution of seed potatoes.
Food – Agri and Property: The manufacture, sale and distribution of farm inputs and dairy products and rental and sale of property assets.

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

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 year to acquire segment assets that are expected to be used for more than one accounting year, excluding expenditure relating to business combinations.

	Produce		Food-Agri & Property		Total – Group	
	12 months ended 31 August 2017	8 months ended 31 August 2016	**12 months ended 31 August 2017**	8 months ended 31 August 2016	**12 months ended 31 August 2017**	8 months ended 31 August 2016
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Group						
Revenue – continuing operations	**30,160**	13,745	**46,858**	33,756	**77,018**	47,501
Inter-segment revenue	**-**	-	**-**	-	**-**	-
Segment result before exceptional items	**2,179**	(515)	**2,384**	1,470	**4,563**	955
Inter-segment charges	**-**	-	**-**	-	**-**	-
Segmental result from continuing operations before exceptional items	**2,179**	(515)	**2,384**	1,470	**4,563**	955
Exceptional items					**(1,144)**	(2,545)
Share option expense					**(201)**	(190)
Net finance expense					**(857)**	(1,310)
Income tax (expense)/credit					**(222)**	1,712
Profit/(loss) for the year/period– continuing operations					**2,139**	(1,378)

Notes to the consolidated financial statements *(continued)*

6. Segment reporting *(continued)*

	Produce		Food-Agri & Property		Total – Group	
	2017	2016	**2017**	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Segment assets	**8,353**	8,850	**31,200**	51,101	**39,553**	60,351
Cash at bank (unallocated)					**12,733**	-
Asset held for sale (unallocated)					**23,835**	23,835
Current financial instrument (unallocated)					**5**	53
Total assets as reported in Group Balance Sheet					**76,126**	84,239
Segment liabilities	**707**	1,843	**10,008**	7,601	**10,715**	9,444
Bank overdraft (unallocated)					**527**	3,621
Loans and borrowings (unallocated)					**5,101**	11,320
Deferred tax (unallocated)					**487**	1,797
Total liabilities as reported in Group Balance Sheet					**16,830**	26,182
Other segment information						
Capital expenditure	**218**	161	**330**	770	**548**	931
Depreciation and amortisation	**340**	275	**846**	585	**1,186**	860
Change in fair value of investment property and other assets	**-**	-	**87**	571	**(87)**	571

	Island of Ireland		Europe		Rest of world		Total – Group	
	12 months ended 31 August 2017	8 months ended 31 August 2016	**12 months ended 31 August 2017**	8 months ended 31 August 2016	**12 months ended 31 August 2017**	8 months ended 31 August 2016	**12 months ended 31 August 2017**	8 months ended 31 August 2016
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Total revenue from external customers (by origin)	**72,138**	73,238	**4,232**	9,262	**649**	383	**77,018**	82,883
Segment assets as reported in Group Balance Sheet	**72,722**	94,438	**2,224**	5,477	**1,180**	665	**76,126**	100,580
Capital expenditure	**357**	656	**190**	83	**1**	12	**548**	751

The Group had one customer that comprised 13% of its total revenue in 2017(2016: None).

7. Other income/(expense) – continuing operations

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Income from investment property rentals	**453**	244
Change in fair value of investment property	**52**	-
Gain on disposal of property, plant and equipment	**41**	17
Gain on disposal of investment property	**288**	-
Gain on disposal of other investments	**99**	21
Recycle of change in fair value of available for sale financial asset	**558**	264
	1,491	546
Change in fair value of investment property	**-**	(13)
Revaluation on reclassification of land and buildings to investment property	**-**	(563)
Loss on disposal of investment property	**-**	(81)
	-	(657)
	1,491	(111)

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:

		12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Restructuring costs	a	**(141)**	(141)
Reversal of legal costs receivable in respect of oppression action with Monaghan Middlebrook Mushrooms (MMM)	b	**-**	(1,800)
Gain on disposal of subsidiaries		**293**	-
Cost of disposal of subsidiaries	c	**(148)**	-
Recycle of currency translation differences of subsidiary disposed	d	**(370)**	-
Legal costs in respect of the ongoing legal case with MMM	e	**(778)**	(569)
Legal costs in respect of other legal cases	f	**-**	(35)
		(1,144)	(2,545)
Income tax credit in respect of exceptional items		**-**	450
		(1,144)	(2,095)

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

b) Estimated legal costs receivable in respect of costs awarded by the Courts in 2015 to the Group in respect of the Oppression Action and overturned by the Courts in 2016.

c) Costs of disposal of subsidiaries include legal & taxation advice and brokerage fees

d) Non cash recycle of currency translation differences of subsidiaries disposed

e) Legal costs are costs in respect of the ongoing legal case with MMM.

f) Legal costs are costs in respect of the other legal cases.

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:

	12 months ended 31 August 2017 Number	8 months ended 31 August 2016 Number
Production	**142**	132
Stores	**12**	13
Transport	**14**	17
Administration	**80**	90
	248	252

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

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Wages and salaries	**8,995**	6,109
Social welfare costs	**956**	646
Pension costs (note 25)	**471**	330
Share option benefits (note 26)	**201**	190
	10,623	7,275

The director's costs for the year were:

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Wages and salaries	**764**	522
Social welfare costs	**70**	49
Pension costs (note 25)	**83**	75
Share option benefits (note 26)	**125**	166
	1,042	812

Company

Employees

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

	12 months ended 31 August 2017 Number	8 months ended 31 August 2016 Number
Administration	**8**	9
	8	9

9. Personnel expenses *(continued)*

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

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Wages and salaries	**1,100**	667
Social welfare costs	**108**	67
Pension costs (note 25)	**127**	80
Share option benefits (note 26)	**201**	190
	1,536	1,004

The director's costs for the year were:

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Wages and salaries	**764**	376
Social welfare costs	**70**	35
Pension costs (note 25)	**83**	53
Share option benefits (note 26)	**125**	135
	1,042	599

10. Statutory and other information

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

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Grant income	**-**	-
Depreciation	**1,095**	755
Amortisation of intangible assets	**81**	103
Auditor's remuneration – group:		
– audit fees	**81**	88
– taxation services	**95**	46
– other non-audit services	**23**	25
Auditor's remuneration – company:		
– audit fees	**30**	30
– taxation services	**10**	10
– other non-audit services	**23**	25

Amounts paid to Directors are disclosed in the report of the Remuneration Committee on pages 23 to 26.

Notes to the consolidated financial statements *(continued)*

11. Finance income and expense – continuing operations

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Recognised in profit or loss		
Interest income on bank deposits	**9**	4
Interest income on associate loan stock	**3**	2
Bad debts recovered	**71**	-
Fair value gain on forward currency contract	**5**	53
Dividends received	**4**	2
Finance income	**92**	61
Interest expense on bank loans and overdraft	**(289)**	(204)
Net foreign exchange loss	**(508)**	(1,034)
Impairment loss on trade receivables	**(152)**	(70)
Foreign exchange on associate investment	**-**	(63)
Finance expense	**(949)**	(1,371)
Net finance (expense)/income recognised in profit or loss	**(857)**	(1,310)

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Recognised directly in other comprehensive income		
Foreign currency translation differences for foreign operations	**(257)**	(528)
Finance expense recognised in other comprehensive income, net of tax	**(257)**	(528)
Finance expense recognised in other comprehensive income, net of tax		
Recognised in:		
Translation reserve	**(203)**	(381)
Non-Controlling interest	**(54)**	(147)
	(257)	(528)

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

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Current tax expense/(credit)		
Current year	**1,335**	11
Adjustment for prior years	**(18)**	(58)
	1,317	(47)
Deferred tax credit		
Origination and reversal of temporary differences	**(1,095)**	(1,665)
	(1,095)	(1,665)
Income tax expense/(credit) excluding share of income tax of associates	**222**	(1,712)

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. Finance Act 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016. Together this will reduce the company's future tax charges accordingly. UK deferred tax balances have been calculated based on the rate applicable to when the balance is expected to unwind (18%).

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Tax reconciliation		
Profit/(loss) for year/period before tax – continuing activities	**2,361**	(3,090)
Adjustment for share of loss of associates	**94**	-
Profit/(loss) for year before tax, excluding share of profit of associates	**2,455**	(3,090)
Tax at 12.5% (2016: 12.5%)	**307**	(386)
Expenses not allowable for tax purposes	**169**	113
Income not taxable	**(171)**	(83)
Income taxed at higher rate	**131**	44
Remeasurement of tax base costs of certain investment properties	**-**	(1,204)
Movement in deferred tax	**-**	(239)
Expenses deductible at higher rate	**(162)**	(33)
Utilisation of unrecognized losses	**(68)**	-
Income tax withheld	**2**	2
Group relief surrendered	**-**	(71)
Losses utilised forward	**-**	169
Foreign exchange differences	**(4)**	(82)
Adjustment in respect of prior years	**18**	58
Income tax expense/(credit)	**222**	(1,712)

Notes to the consolidated financial statements *(continued)*

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

Income tax recognised directly in other comprehensive income:

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Tax on available-for-sale financial assets revaluation	**(172)**	(86)
Total income tax recognised directly in other comprehensive income	**(172)**	(86)

13. Property, plant and equipment

	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Motor vehicles & tanks €'000	Total €'000
Group					
Cost or deemed cost					
Balance at 1 January 2016	12,681	12,322	1,393	1,360	27,756
Additions	237	317	70	270	894
Disposals	(273)	(8)	(2)	(118)	(401)
Revaluation on reclassification to investment property	(770)	-	-	-	(770)
Reclassification to investment property	(500)	-	-	-	(500)
Effect of movements in exchange rates	(281)	(581)	(138)	(13)	(1,013)
Balance at 31 August 2016	11,094	12,050	1,323	1,499	25,966
Balance at 1 September 2016	11,094	12,050	1,323	1,499	25,966
Additions	32	353	24	45	454
Disposals	(2,820)	(802)	(820)	(202)	(4,644)
Effect of movements in exchange rates	(140)	(231)	(86)	(8)	(465)
Balance at 31 August 2017	**8,166**	**11,370**	**441**	**1,334**	**21,311**
Depreciation and impairment losses					
Balance at 1 January 2016	3,018	8,956	648	1,007	13,629
Depreciation for the period	172	376	52	155	755
Disposals	(273)	(8)	(2)	(98)	(381)
Revaluation on reclassification to investment property	(207)	-	-	-	(207)
Effect of movements in exchange rates	(42)	(391)	(83)	(10)	(526)
Balance at 31 August 2016	2,668	8,933	615	1,054	13,270
Balance at 1 September 2016	2,668	8,933	615	1,054	13,270
Depreciation for the year	217	545	149	184	1,095
Disposals	(257)	(623)	(462)	(175)	(1,517)
Effect of movements in exchange rates	(22)	(179)	(40)	(4)	(245)
Balance at 31 August 2017	**2,606**	**8,676**	**262**	**1,059**	**12,603**
Carrying amounts					
At 1 January 2016	9,663	3,366	745	353	14,127
At 31 August 2016	8,426	3,117	708	445	12,696
At 1 September 2016	8,426	3,117	708	445	12,696
At 31 August 2017	**5,560**	**2,694**	**179**	**275**	**8,708**

13. Property, plant and equipment *(continued)*

Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements (see note 24). At 31 August 2017 the net carrying amount of leased plant and machinery was €133,000 (2016: €27,000). Depreciation charged on leased plant and machinery was €6,600 (2016:€4,600).

Land assets

The carrying value of land not subject to depreciation at 31 August 2017 was €1.6m (2016: €4.8m).

	Land and buildings €'000	Plant and equipment €'000	Fixtures and fittings €'000	Total €'000
Company				
Cost or deemed cost				
Balance at 1 January 2016	3,760	130	36	3,926
Additions	41	-	-	41
Disposal	(273)	(5)	-	(278)
Balance at 31 August 2016	3,528	125	36	3,689
Balance at 1 September 2016	3,528	125	36	3,689
Additions	27	-	-	27
Disposal	(2,893)	(97)	-	(2,990)
Balance at 31 August 2017	**662**	**28**	**36**	**726**
Depreciation and impairment losses				
Balance at 1 January 2016	715	74	27	816
Depreciation for the period	12	4	2	18
Disposal	(273)	(5)	-	(278)
Balance at 31 August 2016	454	73	29	556
Balance at 1 September 2016	454	73	29	556
Depreciation for the year	17	5	3	25
Disposal	(169)	(76)	-	(245)
Balance at 31 August 2017	**302**	**2**	**32**	**336**
Carrying amounts				
At 1 January 2016	3,074	56	9	3,110
At 31 August 2016	3,074	52	7	3,133
At 1 September 2016	3,074	52	7	3,133
At 31 August 2017	**360**	**26**	**4**	**390**

The carrying value of land not subject to depreciation at 31 August 2017 was €0.36m (2016: €2.8m). The Company holds no finance leases (2016: Nil).

Notes to the consolidated financial statements *(continued)*

14. Intangible assets – Group

	Goodwill €'000	Software €'000	Acquisition related intangibles €'000	Total €'000
Cost				
Balance at 1 January 2016	4,815	643	358	5,816
Additions	-	37	-	37
Translation adjustment	-	2	-	2
Balance at 31 August 2016	4,815	682	358	5,855
Balance at 1 September 2016	4,815	682	358	5,855
Additions	-	94	-	94
Disposals	(245)	(18)	-	(263)
Translation adjustment	-	1	-	1
Balance at 31 August 2017	**4,570**	**758**	**358**	**5,686**
Amortisation and impairment losses				
Balance at 1 January 2016	1,182	504	39	1,725
Amortisation for the period	-	82	21	103
Translation adjustment	-	(5)	-	(5)
Balance at 31 August 2016	1,182	581	60	1,823
Balance at 1 September 2016	1,182	581	60	1,823
Amortisation for year	-	42	49	91
Disposal	-	(9)	-	(9)
Balance at 31 August 2017	**1,182**	**614**	**109**	**1,905**
Carrying amounts				
At 1 January 2016	3,633	139	319	4,091
At 31 August 2016	3,633	101	298	4,032
At 1 September 2016	3,633	101	298	4,032
At 31 August 2017	**3,388**	**144**	**249**	**3,781**

Intangible assets are amortised to the income statement over their estimated useful lives as follows: Software – 4 years; Acquisition related intangibles – 3-50 years.

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

14. Intangible assets – Group *(continued)*

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.

	2017		2016	
	Food-Agri	Produce	Food-Agri	Produce
	€'000	€'000	€'000	€'000
Goodwill at start of year/period	**3,069**	**564**	3,069	564
Sale of subsidiaries	**(245)**	**-**	-	-
Goodwill at end of year/period	**2,824**	**564**	3,069	564

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 cash flows are based on management approved budgets for 2018 projected forward for an additional five years with a terminal value, based on the year five cash flows used thereafter. Growth, estimated at 5% per annum, is based on historical 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 4.5% (2016: 4.5%), 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 discount rate used would not have led to any impairment. The business risk is included in the determination of the cashflows.

No impairment of goodwill was identified in 2017 as a result of this review (2016: Nil).

Notes to the consolidated financial statements *(continued)*

14. Intangible assets – Group *(continued)*

Intangible assets – Company

	Software €'000
Cost	
Balance at 1 January 2016	55
Additions	-
Balance at 31 August 2016	55
Balance at 1 September 2016	55
Additions	-
Balance at 31 August 2017	**55**
Amortisation and impairment losses	
Balance at 1 January 2016	**36**
Amortisation for the period	3
Balance at 31 August 2016	39
Balance at 1 September 2016	39
Amortisation for the year	3
Balance at 31 August 2017	**42**
Carrying amounts	
At 1 January 2016	19
At 31 August 2016	16
At 1 September 2016	16
At 31 August 2017	**13**

15. Investment property

	2017 €'000	2016 €'000
Group		
Balance at start of year/period	**19,021**	18,634
Change in fair value	**52**	(13)
Disposal	**(15,509)**	(73)
Reclassification from property plant & equipment	**-**	500
Effect of movement in exchange rates	**(12)**	(27)
Balance at end of year/period	**3,552**	19,021

Investment property includes the Oatfield site in Letterkenny along with other land and property assets.

15. Investment property *(continued)*

	2017 €'000	2016 €'000
Company		
Balance at start of year/period	**15,739**	15,675
Change in fair value	**-**	137
Disposal	**(15,039)**	(73)
Balance at end of year/period	**700**	15,739

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.

Where properties are leased over a long period, 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. Lands yields in 2017 were between 1-2% (2016: 1-2%).

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 year 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 or decrease in these inputs would result in a corresponding change in the fair value measurement.

16. Investment in associates

Group

The Group's share of after tax profits in its associates for the year was a loss of €94,000 (2016: €Nil).

	2017 Interest in associate €'000	2017 Loans to associate €'000	2017 Total €'000	2016 Interest in associate €'000	2016 Loans to associate €'000	2016 Total €'000
Balance at start of year/period	**239**	**769**	**1,008**	24,074	830	24,904
Share of decrease in net assets after tax	**(94)**	**-**	**(94)**	-	-	-
Interest charged	**-**	**12**	**12**	-	2	2
Impairment of loan to associate	**-**	**-**	**-**	-	(63)	(63)
Disposal of investment in associate	**(145)**	**-**	**(145)**	-	-	-
Transfer to asset held for sale (note 32)	**-**	**-**	**-**	(23,835)	-	(23,835)
Balance at end of year/period	**-**	**781**	**781**	239	769	1,008

Investments in associates comprise primarily of North Western Livestock Holdings Limited (NWLH) and Leapgrange Limited. The Group's investment in Leapgrange was sold during the year.

Notes to the consolidated financial statements *(continued)*

16. Investment in associates *(continued)*

The total loan notes and interest outstanding from North Western Livestock Holdings Limited at 31 August 2017 is €0.374million (2016: €0.374 million).

At 31 August 2017, land held as investment property by associated companies was re-valued by an independent professional valuer, resulting in an impairment of €Nil (2016: impairment €63,000) attributable to the Group, which is included in the finance expense and income in the statement of profit or loss and comprehensive income.

The Group's share in Monaghan Middlebrook Mushrooms was transferred to as asset held for sale as at 1 January 2016.

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

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

	2017 €'000	2016 €'000
Non-current assets	**-**	600
Net assets	**-**	600
Attributable to NCI	**-**	-
Attributable to investee shareholders	**-**	600
Groups interest in net assets of associate at start of year/period	**239**	24,074
Total comprehensive income attributable to Group	**(94)**	-
Disposal of investment in associate	**(145)**	-
Transfer to asset held for sale	**-**	(23,835)
Carrying amount of interest in associate at end of the year/period	**-**	239

	2017 Interest in Associate €'000	**2017 Loans to Associate €'000**	**2017 Total €'000**	2016 Interest in Associate €'000	2016 Loans to Associate €'000	2016 Total €'000
Company						
Balance at start of year/period	**170**	**805**	**975**	4,559	803	5,362
Share of decrease in net assets after tax	**(94)**	**-**	**(94)**	-	-	-
Interest charged	**-**	**12**	**12**	-	2	2
Impairment of loan to associate	**-**	**(36)**	**(36)**	-	-	-
Disposal of investment in associate	**(76)**	**-**	**(76)**	-	-	-
Transfer to asset held for sale	**-**	**-**	**-**	(4,389)	-	(4,389)
Balance at end of year/period	**-**	**781**	**781**	170	805	975

The movements in the Company balance are explained above.

17. Other investments

	2017 €'000	2016 €'000
Group		
Non-current investments		
Available-for-sale equity investments	**187**	1,144

Available-for-sale equity investments include €53,600 quoted shares (2016: €49,700), prize bonds held of €Nil (2016: €100,000) and €133,400 unquoted shares (2016: €994,800). Quoted shares have been stated at market value in the manner stated in Note 4 and Note 28. The fair value of unquoted shares with a carrying value of €133,400 (2016: €994,800) has been based upon recent market transactions.

	2017 €'000	2016 €'000
Movement during the year		
Balance at start of year/period	**1,144**	1,505
Revaluation of available for sale financial assets	**35**	4
Disposal	**(992)**	(365)
Balance at end of year/period	**187**	1,144

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

	2017 €'000	2016 €'000
Company		
Non-current investments		
Available-for-sale financial assets	**182**	995
Investments in subsidiaries	**3,492**	3,492
	3,674	4,487

	2017 Available-for-sale investments €'000	2017 Investments in subsidiaries €'000	2017 Total €'000	2016 Available-for-sale investments €'000	2016 Investments in subsidiaries €'000	2016 Total €'000
Movement during the year						
Balance at start of year/period	**995**	**3,492**	**4,487**	1,355	3,492	4,847
Revaluation of available-for-sale financial assets	**35**	**-**	**35**	5	-	5
Disposal	**(848)**	**-**	**(848)**	(365)	-	(365)
Balance at end of year/period	**182**	**3,492**	**3,674**	995	3,492	4,487

Available-for-sale equity investments include €48,900 quoted shares (2016: €49,700), prize bonds held of €Nil (2016: €100,000) and €133,400 unquoted shares (2016: €845,300). Quoted shares have been stated at market value in the manner stated in Note 4 and Note 28. The director's estimate of the fair value of the remaining unquoted shares is not significantly different from their cost, being their carrying value.

Notes to the consolidated financial statements *(continued)*

18. Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	**-**	-	**(436)**	(1,175)	**(436)**	(1,175)
Investment property	**-**	1,580	**(179)**	(2,292)	**(179)**	(712)
Available-for-sale financial assets	**-**	-	**(12)**	(33)	**(12)**	(33)
Share-based payments	**80**	63	**-**	-	**80**	63
Other deferred tax assets/(liabilities)	**60**	60	**-**	-	**60**	60
Deferred tax assets/(liabilities)	**140**	1,703	**(627)**	(3,500)	**(487)**	(1,797)
Set off of tax	**(140)**	(1,703)	**140**	1,703	**-**	-
Net deferred tax liabilities	**-**	-	**(487)**	(1,797)	**(487)**	(1,797)

Group

Unrecognised deferred tax assets

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

	2017	2016
	€'000	€'000
Tax losses	**1,667**	1,568
Investment property	**995**	1,002

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	
	2017	2016	2017	2016	2017	2016
	€'000	€'000	€'000	€'000	€'000	€'000
Property, plant and equipment	**-**	-	**(105)**	(806)	**(105)**	(806)
Investment property	**70**	1,580	**-**	(2,033)	**70**	(454)
Available for sale financial asset	**-**	-	**(12)**	(33)	**(12)**	(33)
Share-based payments	**80**	63	**-**	-	**80**	63
Other deferred tax assets/(liabilities)	**60**	60	**-**	-	**60**	60
Deferred tax assets/(liabilities)	**210**	1,703	**(117)**	(2,872)	**93**	(1,170)
Set off of tax	**(210)**	(1,703)	**210**	1,703	**-**	-
Net deferred tax assets/(liabilities)	**-**	-	**93**	(1,179)	**93**	(1,170)

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

Unrecognised deferred tax assets

The Company had no unrecognised deferred tax assets or liabilities at 31 August 2017 (2016: €Nil).

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Balance at 1 Jan 16	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 31 Aug 16	Recognised in profit or loss	Recognised in other comprehensive income	Foreign exchange	Balance at 31 Aug 17
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Group									
Property, plant and equipment	(1,235)	48	-	12	**(1,175)**	**696**	**-**	**43**	**(436)**
Investment property	(1,950)	1,238	-	-	**(712)**	**533**	**-**	**-**	**(179)**
Available-for-sale financial assets	(31)	(88)	86	-	**(33)**	**(151)**	**172**	**-**	**(12)**
Share based payment	46	17	-	-	**63**	**17**	**-**	**-**	**80**
Other deferred tax liabilities	(390)	450	-	-	**60**	**-**	**-**	**-**	**60**
	(3,560)	1,665	86	12	**(1,797)**	**1,095**	**172**	**43**	**(487)**

	Balance 1 Jan 16	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Aug 16	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 Aug 17
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Company							
Property, plant and equipment	(803)	(3)	-	**(806)**	**701**	**-**	**(105)**
Investment property	(1,301)	847	-	**(454)**	**524**	**-**	**70**
Available for sale financial asset	(31)	-	(2)	**(33)**	**(151)**	**172**	**(12)**
Other deferred tax liabilities	(390)	450	-	**60**	**-**	**-**	**60**
Share based payment	46	17	-	**63**	**17**	**-**	**80**
	(2,479)	1,311	(2)	**(1,170)**	**1,091**	**172**	**93**

19. Inventories

	2017	2016
	€'000	€'000
Group		
Dairy	**126**	148
Animal feeds	**1,580**	1,545
Packaging and other stocks	**1,741**	1,562
Biological assets	**1,067**	1,164
	4,514	4,419

The fair value measurement of produce biological assets has been categorised as Level 2 fair values based on observable market sales data. Produce has been valued using discounted cashflows which considers the present value of the net cashflows expected to be generated by the produce. The estimated fair value would increase or decrease if the estimated price per tonne were higher or lower, the estimated yields per hectare were higher or lower, the estimated harvest and transportation costs were lower or higher and the risk-adjusted discount rates were lower or higher.

Notes to the consolidated financial statements *(continued)*

19. Inventories *(continued)*

	2017 €'000	2016 €'000
Inventories impairment		
Balance at 1 September	**-**	20
Provision for impairment	**60**	-
Impairment reversal	**-**	(20)
Balance at 31 August	**60**	-

In 2017, the impairment of inventories to net realisable value amounted to €60,000 (2016: €Nil). The impairment is included in cost of sales. Total inventory costs of €46,480,000 (2016: €30,706,000) were charged to the statement of profit or loss and comprehensive income.

20. Trade and other receivables

	2017 €'000	2016 €'000
Group		
Current trade and other receivables		
Trade receivables	**14,140**	14,516
Other receivables due from related parties	**66**	39
Value added tax	**379**	975
Other receivables	**1,845**	365
Prepayments	**1,600**	1,905
	18,030	17,800
Non-current trade and other receivables		
Long leasehold interest prepaid	**-**	188
	18,030	17,988

	2017 €'000	2016 €'000
Company		
Trade receivables	**71**	255
Other receivables due from subsidiary undertakings	**5,185**	7,472
Other receivables	**1,057**	57
Value added tax	**-**	5
Prepayments	**223**	370
	6,536	8,159

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

21. Cash and cash equivalents

	2017 €'000	2016 €'000
Group		
Cash at bank	**12,733**	10,424
Bank overdraft	**(527)**	(14,045)
Bank balances including overdrafts/ (bank overdraft) due within one year, net	**12,206**	(3,621)

	2017 €'000	2016 €'000
Company		
Bank balances including overdrafts due within one year, net	**11,161**	(9,423)

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

22. Capital and reserves

Share capital and share premium

	Ordinary shares 2017 Number	2016 Number
In issue at start of year – Ordinary shares of 13 cent each	**10,285,590**	10,285,590
In issue at end of year – Ordinary shares of 13 cent each	**10,285,590**	10,285,590

The Group also has issued share options (see note 26).

At 31 August 2017, the authorised share capital comprised 50,000,000 ordinary shares of 13 cent each. (2065: 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.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 August 2017, the Group held 537,573 of the Company's shares (2016: 490,695). This represented 5.23% (2016: 4.77%) of the issued share capital of the Company. The distribution of retained earnings is restricted by the value of own shares held.

Fair value reserve

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

Notes to the consolidated financial statements *(continued)*

22. Capital and reserves *(continued)*

Revaluation reserve

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

Share option reserve

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

Dividends

The following dividends were declared and paid by the Group:

	2017 €'000	2016 €'000
€0.05 per qualifying ordinary share (2016: €0.09)	**490**	882

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

23. Earnings per share

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

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Profit/(loss) attributable to ordinary shareholders		
Profit/(loss) attributable to ordinary shareholders	**2,252**	(1,460)

	2017 Number '000	2016 Number '000
Weighted average number of ordinary shares in thousands of shares		
Weighted average number of ordinary shares in issue for the year	**10,286**	10,286
Weighted average number of treasury shares	**(502)**	(369)
Denominator for basic earnings per share	**9,784**	9,917
Effect of share options in issue	**79**	-
Weighted average number of ordinary shares (diluted) at year end	**9,863**	9,917

The Group purchased 46,878 (2016: 195,239) treasury shares at a total price of €272,000 (2016: €1,099,000) including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme.

23. Earnings per share *(continued)*

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

	12 months ended 31 August 2017	8 months ended 31 August 2016
Earnings/(loss) per share:		
Basic earnings/(loss) per share (euro cent):		
Continuing	**23.0**	(14.7)
Diluted earnings/(loss) per share (euro cent):		
Continuing	**22.8**	(14.7)

24. Loans and borrowings

Group

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

	2017 €'000	2016 €'000
Non-current liabilities		
Secured bank loans	**5,000**	-
Finance lease liabilities	**79**	2
	5,079	2
Current liabilities		
Secured bank loans	**-**	11,300
Finance lease liabilities	**22**	18
	22	11,318
Total	**5,101**	11,320

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	**31 August 2017 Face value €'000**	**31 August 2017 Carrying amount €'000**	31 August 2016 Face value €'000	31 August 2016 Carrying amount €'000
Secured bank loan	eur	Euribor+1.80%	2019	**5,000**	**5,000**	-	-
Secured bank loan	eur	Euribor+1.82%	2017	**-**	**-**	11,000	11,000
Secured bank loan	eur	Euribor+2.25%	2016	**-**	**-**	150	150
Secured bank loan	eur	Euribor+3.00%	2016	**-**	**-**	150	150
Finance lease liabilities	eur	6%	2017	**116**	**101**	23	20
Total interest-bearing liabilities				**5,116**	**5,101**	11,323	11,320

Notes to the consolidated financial statements *(continued)*

24. Loans and borrowings *(continued)*

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2017 €'000	Interest 2017 €'000	Present value of minimum lease payments 2017 €'000	Future minimum lease payments 2016 €'000	Interest 2016 €'000	Present value of minimum lease payments 2016 €'000
Less than one year	**25**	**3**	**22**	20	2	18
Between one and five years	**91**	**12**	**79**	3	1	2
	116	**15**	**101**	23	3	20

	2017 €'000	2016 €'000
Company		
Non-current liabilities		
Secured bank loans	**5,000**	-
Current liabilities		
Secured bank loans	**-**	11,300
Total	**5,000**	11,300

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 August 2017 Face value €'000	31 August 2017 Carrying amount €'000	31 August 2016 Face value €'000	31 August 2016 Carrying amount €'000
Secured bank loan	eur	Euribor+1.80%	2019	**5,000**	**5,000**	-	-
Secured bank loan	eur	Euribor+1.82%	2017	**-**	**-**	11,000	11,000
Secured bank loan	eur	Euribor+2.25%	2016	**-**	**-**	150	150
Secured bank loan	eur	Euribor+3.00%	2016	**-**	**-**	150	150
Total interest-bearing liabilities				**5,000**	**5,000**	11,300	11,300

25. Employee benefits

The Group 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 represents contributions payable by the companies to the funds and totalled €471,000 for the year ended 31 August 2017 (2016: €330,000). At 31 August 2017, €45,500 (2016: €28,200) was included within creditors in respect of defined contribution pension liabilities.

26. Share-based payments

Equity settled share based payments

On 27 July 2005, the Group established an equity settled share option programme that entitles key management personnel and senior employees to purchase shares in the Company. On 22 October 2009, 215,000 options were granted under the scheme, which expired in 2017. A further 150,000 were granted on 1 October 2013. 120,000 share options were granted on 27 May 2014 and 205,000 share options were granted on 1 September 2014. Options granted in 2009 are exercisable at a price of €3. Options granted in 2013 are exercisable at a price of €4.70. Options granted in 2014 are exercisable at a price of €6.05 and €5.95 respectively. The scheme permits the grant of options limited to 3% of the ordinary share capital of the Company in any three year period. Options vest three years after the date of grant and no option is capable of exercise later than seven years after the date of grant. Options are granted at the discretion of the Remuneration Committee. The scheme expired on 27 January 2005, ten years after the adoption date.

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

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 22 October 2009	215	3 years' service	7 years
Option grant on 1 October 2013	150	3 years' service	7 years
Option grant on 27 May 2014	120	3 years' service	7 years
Option grant on 1 September 2014	205	3 years' service	7 years
Total share options granted	**690**		

At 31 August 2017 there were 67,000 (2016: 67,000) options outstanding with a grant date pre 7 November 2002.

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

	Weighted average exercise price 2017	Number of options 2017	Weighted average exercise price 2016	Number of options 2016
In thousands of options				
Outstanding at 1 January:				
Pre 2002 options	**€0.13**	**67**	€0.13	67
Options issued in 2009	**-**	**-**	€3.00	15
Options issued in 2013	**€4.70**	**150**	€4.70	150
Options issued in 2014	**€6.05**	**120**	€6.05	120
Options issued in 2014	**€5.95**	**205**	€5.95	205
Outstanding at 31 August	**€5.97**	**542**	€5.97	557
Exercisable at 31 August:	**€0.13**	**67**	€0.13	67
	€4.70	**150**	€3.00	15
	€6.05	**120**	€4.70	150
			€6.05	120

The options outstanding at 31 August 2017 have an exercise price in the range of €0.13 to €6.05 and a weighted average remaining contractual life of 2.5 years. In accordance with accounting standards, the fair value of options granted pre 2002 have not been reflected in these financial statements. The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model. There were no share options granted in 2017 (2016: None).

Notes to the consolidated financial statements *(continued)*

26. Share-based payments *(continued)*

Cash settled share based payments

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

Details of awards granted under Share Performance Plan	Share price at award	Year to earliest release date	Initial award	Net outstanding	Exercisable at year end	Fair value at year end	Fair value at prior period end
Granted in 2017	**€5.32**	**1**	**70,000**	**70,000**	**-**	**€1.40**	**-**
Granted in 2016	€5.25	-	70,000	70,000	23,333	**€1.28**	€0.96
Granted in 2015	€5.77	-	70,000	70,000	66,666	**€1.10**	€0.81

	2017 €'000	2016 €'000
Employee expenses		
Equity settled share options granted in 2013	**16**	47
Equity settled share options granted in 2014	**113**	93
Share performance plan options granted in 2015	**15**	27
Share performance plan options granted in 2016	**38**	23
Share performance plan options granted in 2017	**19**	-
Total expense recognised as employee costs	**201**	190

27. Trade and other payables

	2017 €'000	2016 €'000
Group		
Trade payables	**4,894**	5,303
PAYE	**223**	207
PRSI	**113**	56
Accrued expenses	**4,197**	3,777
Value added tax	**19**	7
	9,446	9,350
Deferred income		
Capital grant	**71**	94
	9,517	9,444

27. Trade and other payables *(continued)*

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

	2017 €'000	2016 €'000
Company		
Trade payables due to subsidiary undertakings	**2,532**	1,636
Other trade payables	**213**	129
PAYE	**26**	24
PRSI	**11**	18
Accrued expenses	**1,337**	1,380
Value added tax	**11**	-
	4,130	3,187
Deferred income		
Capital grant	**-**	2
	4,130	3,189

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

28. Financial instruments

The Group's financial instruments at 31 August 2017 were classified as follows:

	Loans and receivables at amortised cost €'000	Available for sale financial assets at fair value €'000	Derivatives at fair value €'000	Liability at amortised cost €'000
Group				
31 August 2017				
Equity investments	**-**	**187**	**-**	**-**
Loan to associates	**781**	**-**	**-**	**-**
Cash at bank	**12,733**	**-**	**-**	**-**
Trade receivables due from related parties	**66**	**-**	**-**	**-**
Trade receivables	**14,140**	**-**	**-**	**-**
Other receivables	**1,845**	**-**	**-**	**-**
Forward currency contract – asset	**-**	**-**	**5**	**-**
Bank overdraft				**(527)**
Loans and borrowings	**-**	**-**	**-**	**(5,000)**
Trade and other payables	**-**	**-**	**-**	**(9,446)**
	29,565	**187**	**5**	**(14,973)**

Notes to the consolidated financial statements *(continued)*

28. Financial instruments *(continued)*

	Loans and receivables at amortised cost €'000	Available for sale financial assets at fair value €'000	Derivatives at fair value €'000	Liability at amortised cost €'000
Group				
31 August 2016				
Equity investments	-	1,144	-	-
Loan to associates	769	-	-	-
Trade receivables due from related parties	39	-	-	-
Trade receivables	14,516	-	-	-
Other receivables	365	-	-	-
Forward currency contract – asset	-	-	53	-
Bank overdraft				(3,621)
Loans and borrowings	-	-	-	(11,300)
Trade and other payables	-	-	-	(9,350)
	15,689	1,144	53	(24,271)

	Loans and receivables at amortised cost €'000	**Available for sale financial assets at fair value €'000**	**Derivatives at fair value €'000**	**Liability at amortised cost €'000**
Company				
31 August 2017				
Equity investments	**-**	**182**	**-**	**-**
Loan to associates	**781**	**-**	**-**	**-**
Other trade receivables due from subsidiary undertakings	**5,185**	**-**	**-**	**-**
Trade receivables	**71**	**-**	**-**	**-**
Other receivables	**1,357**	**-**	**-**	**-**
Bank overdraft	**-**	**-**	**-**	**-**
Loans and borrowings	**-**	**-**	**-**	**(5,000)**
Payables due to related parties	**-**	**-**	**-**	**(2,532)**
Trade and other payables	**-**	**-**	**-**	**(1,550)**
	7,394	**182**	**-**	**(9,082)**

28. Financial instruments *(continued)*

	Loans and receivables at amortised cost	Available for sale financial assets at fair value	Derivatives at fair value	Liability at amortised cost
	€'000	€'000	€'000	€'000
Company				
31 August 2016				
Equity investments	-	995	-	-
Loan to associates	805	-	-	-
Other trade receivables due from subsidiary undertakings	7,472	-	-	-
Trade receivables	255	-	-	-
Other receivables	57	-	-	-
Bank overdraft	-	-	-	(12,055)
Loans and borrowings	-	-	-	(11,300)
Payables due to related parties	-	-	-	(1,636)
Trade and other payables	-	-	-	(1,501)
	8,589	995	-	(26,492)

Credit risk

Exposure to credit risk

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

	Note	Carrying amount	
		2017	2016
		€'000	€'000
Group			
Loans due from associates	16	**781**	769
Available-for-sale equity investments	17	**189**	1,144
Trade receivables from related parties	20	**66**	39
Trade receivables	20	**14,140**	14,516
Other receivables	20	**1,845**	365
		17,021	16,833

	Note	Carrying amount	
		2017	2016
		€'000	€'000
Company			
Loans due from associates	16	**781**	805
Available-for-sale financial assets	17	**182**	995
Trade receivables from subsidiary undertakings	20	**5,185**	7,472
Trade and other receivables	20	**1,428**	312
		7,576	9,584

Notes to the consolidated financial statements *(continued)*

28. Financial instruments *(continued)*

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

	Carrying amount 2017 €'000	Carrying amount 2016 €'000
Group		
Domestic	**7,020**	7,128
United Kingdom	**872**	5,601
Other Euro-zone countries	**5,066**	1,123
Other regions	**1,182**	664
	14,140	14,516

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:

	Carrying amount 2017 €'000	Carrying amount 2016 €'000
Company		
Domestic	**71**	255

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:

	Carrying amount 2017 €'000	Carrying amount 2016 €'000
Group		
Wholesale customers	**1,002**	1,770
Retail customers	**13,138**	12,746
	14,140	14,516

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

	Carrying amount 2017 €'000	Carrying amount 2016 €'000
Company		
Wholesale customers	**71**	255

28. Financial instruments *(continued)*

The ageing of trade receivables at the reporting date was:

	Gross 2017 €'000	Impairment 2017 €'000	Gross 2016 €'000	Impairment 2016 €'000
Group				
Not past due	**5,966**	**-**	5,788	7
Past due < 30 days	**1,455**	**-**	1,294	2
Past due 30 – 365 days	**6,709**	**193**	6,634	169
Past due > 365 days	**7,823**	**7,620**	8,263	7,285
	21,953	**7,813**	21,979	7,463

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

	2017 €'000	2016 €'000
Balance at 1 September	**7,463**	7,296
Fully impaired debts written off	**-**	(3)
Debts recovered	**(71)**	-
Impairment	**421**	170
Balance at 31 August	**7,813**	7,463

Based on historic default rates, the Group 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 for 0% of the balance past due less than 30 days (2016: 0%), 2.9% of the balance past due from 30 to 365 days (2016:2.5%) and 97% of balances past due in excess of 365 (2016: 88%) 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 2017 (2016: €Nil).

	Gross 2017 €'000	Impairment 2017 €'000	Gross 2016 €'000	Impairment 2016 €'000
Company				
Not past due	**5**	**-**	5	-
Past due < 30 days	**5**	**-**	2	-
Past due 30 – 365 days	**-**	**-**	46	-
Past due > 365 days	**5,402**	**5,341**	5,614	5,412
	5,412	**5,341**	5,667	5,412

Notes to the consolidated financial statements *(continued)*

28. Financial instruments *(continued)*

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

	2017 €'000	2016 €'000
Balance at 1 September	**5,412**	5,242
Debts recovered	**(71)**	-
Impairment	**-**	170
Balance at 31 August	**5,341**	5,412

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% (2016: 0%) of the balance past due less than 30 days, 0% of the balance past due from 30 to 365 days (2016: 0%) and 99% of balances past due in excess of 365 days (2016: 96%) 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 2017 (2016: €Nil).

Liquidity risk

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

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6-12 mths €'000	1-2 years €'000	2-5 years €'000	More than 5 years €'000
31 August 2017							
Group							
Forward currency contract – asset	**(5)**	**5**	**5**	**-**	**-**	**-**	**-**
Secured bank loans	**5,000**	**(5,206)**	**(52)**	**(52)**	**(5,102)**	**-**	**-**
Finance lease liabilities	**101**	**(116)**	**(12)**	**(13)**	**(45)**	**(46)**	**-**
Bank overdraft	**527**	**(527)**	**(527)**	**-**	**-**	**-**	**-**
Trade and other payables	**9,446**	**(9,446)**	**(9,446)**	**-**	**-**	**-**	**-**
	15,069	**(15,290)**	**(10,032)**	**(65)**	**(5,147)**	**(46)**	**-**

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6-12 mths €'000	1-2 years €'000	2-5 years €'000	More than 5 years €'000
31 August 2016							
Group							
Forward currency contract – asset	(53)	53	53	-	-	-	-
Secured bank loans	11,300	(11,439)	(11,439)	-	-	-	-
Finance lease liabilities	20	(23)	(10)	(10)	(3)	-	-
Bank overdraft	3,621	(3,621)	(3,621)	-	-	-	-
Trade and other payables	9,350	(9,350)	(9,350)	-	-	-	-
	(24,238)	(24,380)	(24,367)	(10)	(3)	-	-

28. Financial instruments *(continued)*

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6-12 mths €'000	1-2 years €'000	2-5 years €'000	More than 5 years €'000
31 August 2017							
Company							
Secured bank loans	**5,000**	**(5,206)**	**(52)**	**(52)**	**(5,102)**	**-**	**-**
Payables due to subsidiary undertakings	**2,532**	**(2,532)**	**(2,532)**	**-**	**-**	**-**	**-**
Trade and other payables	**1,550**	**(1,550)**	**(1,550)**	**-**	**-**	**-**	**-**
Bank overdraft	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	9,082	**(9,288)**	**(4,134)**	**(52)**	**(5,102)**	**-**	**-**

	Carrying amount €'000	Contractual cash flows €'000	6 mths or less €'000	6 – 12 mths €'000	1 – 2 years €'000	2 – 5 years €'000	More than 5 years €'000
31 August 2016							
Company							
Secured bank loans	11,300	(11,439)	(11,439)	-	-	-	-
Payables due to subsidiary undertakings	1,636	(1,636)	(1,636)	-	-	-	-
Trade and other payables	1,720	(1,720)	(1,720)	-	-	-	-
Bank overdraft	12,055	(12,055)	(12,055)	-	-	-	-
	26,711	(26,850)	(26,850)	-	-	-	-

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:

	2017 €'000	2016 €'000
Trade receivables	**4,778**	5,618
Bank balance	**3,783**	1,351
Forward currency contract – asset	**5**	53
Trade payables	**(1,367)**	(2,318)
Gross balance sheet exposure	**7,199**	4,704

The following significant exchange rates applied during the year:

	Average rate 2017	Average rate 2016	Reporting date spot rate 2017	Reporting date spot rate 2016
GBP to Euro	**1.15**	1.28	**1.09**	1.18

Notes to the consolidated financial statements *(continued)*

28. Financial instruments *(continued)*

Sensitivity analysis

A 10 percent strengthening of the euro against the following currencies at 31 August 2017 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 2016.

	Equity €'000	Profit or loss €'000
GBP		
31 August 2017	**(685)**	**(348)**
31 August 2016	(732)	(235)

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

Interest rate risk

Profile

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss		Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 August 2017				
Cash flow sensitivity (net)	**(264)**	**264**	**(264)**	**264**
31 August 2016				
Cash flow sensitivity (net)	(79)	79	(79)	79

Equity Risk

The value of the Group and Company's available-for-sale financial assets are exposed to fluctuations in the Irish equity market. A 5% strengthening of equity prices at 31 August 2017 would have increased equity and profit or loss by €57,200 (2016: €57,200). A 5% weakening of equity prices would have had an equal but opposite effect.

Derivative financial instruments

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

	2017 €'000	2016 €'000
Forward currency contract – within one year – current asset	**5**	53

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

The fair value gain arising on forward currency contract reflected in the consolidated statement of profit or loss and comprehensive income in 2017 was €5,000 (2016: €53,000).

28. Financial instruments *(continued)*

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 August 2017		31 August 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	€'000	€'000	€'000	€'000
Available-for-sale financial assets	**187**	**187**	1,144	1,144
Loans and receivables	**14,140**	**14,140**	14,920	14,920
Cash at bank	**12,733**	**12,733**		
Secured bank loans	**(5,000)**	**(5,000)**	(11,300)	(11,300)
Finance lease liabilities	**(101)**	**(101)**	(20)	(20)
Trade and other payables	**(9,446)**	**(9,446)**	(9,350)	(9,350)
Forward currency contract – asset	**5**	**5**	53	53
Bank overdraft	**(527)**	**(527)**	(3,621)	(3,621)
	11,991	**11,991**	(8,174)	(8,174)

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

Fair Value Hierarchy

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

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

At 31 August 2017 and 31 August 2016, the Group recognised and measured the following financial instruments at fair value:

	2017	2017	2017	2017
	Total	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Available-for-sale financial assets – equity investments	**187**	**-**	**-**	**187**
Forward currency contract – asset	**5**	**-**	**5**	**-**

	2016	2016	2016	2016
	Total	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Available-for-sale financial assets – equity investments	1,144	149	-	995
Forward currency contract – asset	53	-	53	-

Notes to the consolidated financial statements *(continued)*

28. Financial instruments *(continued)*

Valuation techniques and significant unobservable inputs

Available for sale investments

The fair value of unquoted shares has been based upon recent market transactions.

Forward exchange contract

Fair value is determined based on a market comparison technique obtained through a broker quote. Similar contracts are traded in an active market and the quote reflects such transactions.

Additional disclosures for level 3 fair value measurements

	2017 €'000	2016 €'000
Unquoted equity investments		
At beginning of year/period	**995**	1,355
Disposal	**(843)**	(365)
Gain recognised in other comprehensive income	**35**	5
At the end of the year/period	**187**	995

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:

	2017	2016
Derivatives	**3.1%**	3.1%
Loans and borrowings	**1.8%**	2.5%
Leases	**6.0%**	6.0%

29. Operating leases

Leases as lessor

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

	2017 €'000	2016 €'000
Less than one year	**154**	358
Between one and five years	**375**	661
	529	1,019

During the year ended 31 August 2017 €777,000 was recognised as rental income in the income statement (8 months ended 31 August 2016: €527,000). Expense charges against this income was as follows: maintenance costs €41,000 (8 months ended 31 August 2016: €34,000), management expenses €262,000 (8 months ended 31 August 2016: €234,000) and depreciation €21,000 (8 months ended 31 August 2016: €15,000).

30. Capital and other commitments

At the year end there were capital commitments of €136,000 authorised by the Directors and not provided for in the financial statements (2016: €28,000). The Group currently has financial commitments in respect of the planting of seed potatoes for the 2017/18 season totalling 1,996 hectares (2016: 1,988 hectares).

31. Contingencies

Capital grants up to a maximum of €2,000 (2016: €2,000) could become repayable in certain circumstances as set out in the agreements.

32. Asset held for sale

	2017 €'000	2016 €'000
Group		
Transfer from investment in associates (note 16)	**23,835**	23,835
	23,835	23,835

As outlined in note 16, as a result of the Court of Appeal decision to uphold the High Court Remedy Order, the Group's share in Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016.

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

33. Disposal of subsidiaries

	2017 €'000	2016 €'000
Group		
Other income		
Gain on disposal of subsidiaries	**293**	-
Exceptional items:		
Cost of disposal	**(148)**	-
Non cash recycle of currency translation differences of subsidiary disposed	**(370)**	-
Loss on disposal of subsidiaries, net	**(225)**	-

The Group disposed of Biogreen Foods Limited on 31 October 2016, Chef in a Box Limited on 26 June 2017 and An Grianan Grain Co Limited on 4 July 2017.

The carrying value of net identifiable assets disposed of amounts to €1,332,000, resulting in a loss on disposal of €225,000.

Notes to the consolidated financial statements *(continued)*

34. Related parties

Parent and ultimate controlling party

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

Transactions with key management personnel

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

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

Key management personnel compensation comprised:

	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000
Short-term employee benefits	**614**	298
Post-employment benefits	**83**	53
Share-based payments	**125**	135
	822	486

Key management personnel and director transactions

Directors of the Company control 4.70% (2016: 5.15%) of the voting shares of the Company as at 31 August 2017.

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 (2016: €Nil) and €349,017 (2016: €192,489), respectively. Directors received a dividend per qualifying share held at dividend date.

A relative of non-executive director, Norman Witherow, rented 795 acres of farm land at the Grianan Estate, an investment property of DIG plc, during 2017. The Grianan Estate was sold in June 2017 and negotiations in respect of amendments to the lease were finalised prior to the sale in order to maximise the proceeds received by the Group on the sale.

Related party transactions – Group

	Transaction value		Balance outstanding	
	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000	**2017 €'000**	2016 €'000
Sale of goods and services				
Sales by Group to Directors	**349**	192	**66**	39

Other related party transactions – Company

	Transaction value		Balance outstanding	
	12 months ended 31 August 2017 €'000	8 months ended 31 August 2016 €'000	**2017 €'000**	2016 €'000
Sale of goods and services				
By parent to subsidiaries	**1,470**	1,226	**2,532**	1,635
To parent from subsidiaries	**-**	-	**5,185**	7,472

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.

35. Group entities

Subsidiaries

	Country of incorporation	Ownership interest 2017 %	2016 %
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 Registered office: 602 Q House, Furze Rd, Sandyford Industrial Estate, Dublin 18	Ireland	**100**	100
Donegal Potatoes Limited Registered office: Colehill, Newtoncunningham, Co Donegal	Ireland	**100**	100
Nomadic Dairy Limited Registered office: Crossroads, Killygordon, Co Donegal	Ireland	**80**	80
Biogreen Foods Limited Registered office: 65 Cavendish Street, London, W1G 7LS	UK	**-**	80
McCorkell Holdings Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	**75**	75
Burke Shipping Services Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	**75**	75
Maybrook Dairy Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	**100**	100
Euro-Agri Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	Northern Ireland	**100**	100
Estuary Trading Limited Registered office: Administration Building, Lisahally Terminal, Derry, BT47 6FL	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 Co Limited Registered office: Ballyraine, Letterkenny, Co Donegal	Ireland	**-**	100
Donra Dairies Registered office: Ballyraine, Letterkenny, Co Donegal	Ireland	**100**	100
AJ Allan (Potato Merchants) Limited Registered office: East Mill, Brechin, Angus, UK, DD9 7HJ	UK	**100**	100
Chef in a Box Limited Registered office: 762A/763A Henley Rd, Slough Trading Estate, Slough, Berks, SL1 4JW	UK	**-**	100
AJ Allan (Brechin) 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)*

35. Group entities *(continued)*

Subsidiaries	Country of incorporation	Ownership interest 2017 %	2016 %
IPM Brasil Registered office: Avenida Dr José Bonifácio Coutinho Nogueira no. 214, Sala 232, Jardim Madalena CEP 13091-611, Campinas-SP, Brazil.	Brazil	**100**	100
IPM France Registered office: 1 rue de Bellonne 62490 Noyelles Sous Bellonne, France	France	**100**	100
IPM Portugal Batatas de Semente e Produtos Agrícolas, Unipessoal Lda Rua Domingos Sequeira no. 27-3rd J,1350-119 Lisbon Portugal	Portugal	**100**	100
Associated undertakings:			
Monaghan Middlebrook Mushrooms Registered office: Tyholland, Monaghan, Co Monaghan	Ireland	**30**	30
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

Biogreen Foods Limited, Chef in a Box Limited and An Grianan Grain Co Limited were sold during the year.

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

36. Post balance sheet events

The group purchased 113,690 ordinary shares of 13 cent held as treasury shares subsequent to the year end, for a total cost of €803,700. There have been no other significant events subsequent to the year end, which would require adjustment to, or disclosure in, the financial statements.

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

37. Approval of consolidated financial statements

The consolidated financial statements were approved by the Directors on 12 January 2018.

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Donegal

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