

**PRELIMINARY ANNOUNCEMENT OF RESULTS
 FOR THE YEAR ENDED 31 DECEMBER 2014
 9 April 2015**

Donegal Investment Group plc (DIG) reports its results for 2014. This year has presented significant challenges for our produce seed potato business, but was one of significant progress and development in speciality dairy.

SUMMARY

- Group revenue decreased by 6.9% to €80.7m contributing to a reduction in adjusted operating profit from €2.9m in 2013 to €0.9m in 2014
- The reduction in revenue and profitability in 2014 is attributable to the performance of our animal feeds business, Smyths, and our produce seed potato business
- The animal feeds business experienced a reduction in both price and volume in comparison with 2013 due to the exceptional adverse weather conditions experienced in the first half of 2013 which drove demand for our animal feeds products.
- The Company's produce seed potato business was adversely impacted by a number of factors during 2014 which has resulted in a segmental loss of €0.8m in comparison with a segmental profit of €1.8m in 2013
- Within our Food Agri & Property Division our Speciality Dairy business, now trading under our new NOMADIC brand, continued to make progress throughout 2014. Segmental result of €2.0m was achieved, an increase of 74% on the €1.1m achieved in 2013
- In relation to our key associate Monaghan Middlebrook Mushrooms whilst the performance of its UK and Ireland business remained strong, conditions in a number of other markets were challenging
- Exceptional costs relate to a combination of costs associated with the Group's shareholder oppression claim relating to its holding in Elst (the holding company of the Monaghan Middlebrook Mushrooms business) and the successful restructuring of the Group's Speciality Dairy Businesses
- Further non-core asset disposals took place during the year with a number of property holdings sold which in aggregate generated net proceeds of €6.0m, including the Ballyraine Halls student accommodation
- Adjusted EPS of 28.2c down 44.0% versus 2013
- Net debt increased by €0.9m to €16.7m
- Dividend per share maintained at 16c
- Net asset value per share down €0.18 to €5.70
- During 2015 the Group will continue to review options to release capital from non-core businesses and assets

FINANCIAL HIGHLIGHTS

Continuing operations – pre-exceptional		2014	2013	Change
Revenue - continuing operations	€'000	80,739	86,760	-€6.0m
Adjusted operating profit	€'000	853	2,927	-€2.1m
Profit after tax – continuing operations	€'000	2,707	4,855	-€2.1m
Operating cash flow before interest & tax	€'000	660	4,525	-€3.9m
Adjusted earnings per share*	Cent	28.2c	50.4c	-22.2c
Basic (loss)/ earnings per share – continuing operations	Cent	(10.9c)	46.0c	-56.9c
Net debt	€'000	16,700	15,735	+ €0.9m
Dividend per share	Cent	16c	16c	-
Investment property carrying value	€'000	18,177	24,389	-€6.2m
Net asset value per share**	€	5.70	5.88	-€0.18

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

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

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Chairman's Statement

During 2014 the Group experienced extremely difficult trading conditions in its produce seed potato business resulting in a segmental loss of €0.8m in comparison with a segmental profit of €1.8m in 2013, which has materially impacted overall 2014 financial performance. The significant surplus of seed as a result of strong European harvest yields and a weak ware potato market resulted in downward pressure on tonnage prices in the last quarter of 2014.

Our animal feeds business experienced reductions in both price and volume during the year as trading reverted to more normalised levels following the very strong performance in 2013.

Exceptional progress in the development and scaling of our Speciality Dairy business was made during the year with increased listings for existing Nomadic products in the UK market and further new product development.

The contribution from our key associate Monaghan Middlebrook Mushrooms was down on 2013 impacted by difficult trading conditions in a number of markets as well as a reduction in the level of EU funding received.

We are pleased with the outcome of a number of non-core asset property disposals which in aggregate generated net proceeds of €6.0m, including the completion of the sale of Ballyraine Halls.

Overall, Group revenue was down by 6.9% to €80.7m and adjusted operating profit was down €2.1m from the €2.9m achieved in 2013. This resulted in adjusted earning per share of 28.2c, a decrease of 44.0% on 2013. The Group's balance sheet remains strong with shareholder funds of €58.1m. Net debt increased by €0.9m, primarily due to the exceptional costs incurred during the year.

The Group has and will continue to focus on its three key strategic areas of produce seed potato, speciality dairy and key associate investments.

Dividend

The Directors are recommending a final dividend of 9 cent per share. If approved, this dividend will be paid on 21 August 2015 to those shareholders on the register on 31 July 2015. This will bring the total dividend per share to 16 cent, maintaining the 2013 dividend payment.

AGM

The Group's AGM will take place on Wednesday 1 July 2015 at 11.30am at the Silver Tassie Hotel, Letterkenny, Co. Donegal.

Geoffrey Vance
Chairman

Managing Director's Review

Produce Division

Our Produce Division comprises the seed potato business IPM Potato Group (IPM), AJ Allan in Scotland, Donegal Potatoes and An Grianan Grain in Ireland. 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. Whilst our seed potato business is exposed to a number of operational risks typical of a seed production business, it has overtime generated strong operating profit margins, low capital expenditure requirements and yielded strong returns on capital. It will be the key strategic focus for the Group going forward.

During 2014 turnover was maintained at €33.6m, delivering a segmental loss of €0.8m, a reduction of €2.6m versus 2013. While overall volumes remained strong and our position in key markets improved, the performance of the business was impacted by a number of factors. Firstly strong harvest yields in European growing regions resulted in a significant increase in supply of seed and ware potatoes with resultant downward pressure on tonnage prices towards the end of the year. This has resulted in a reduction in the areas planted across Europe in 2015 which has not significantly impacted demand for our seed. Weak pricing and modest demand for surplus seed potato impacted the first half of 2014. The risk of surplus seed and the ability to mitigate this risk through the disposal of surplus seed into the ware market is a factor for all businesses in seed production and we will continue to manage this as effectively as possible.

Donegal Potatoes ceased the trading of ware potatoes during 2014 and €0.3m of losses are included in the segmental result for the year (2013: losses €0.1m).

As advised in 2013 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 in developing and securing markets for our seed potato product and remain very positive about the future potential for our business in these geographical areas.

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

Food – Agri & Property Division

Overall, revenues in the Food-Agri & Property Division fell by 10.8% to €47.1m. Despite this a segmental profit of €2m was achieved, an increase of 74% on the prior year performance.

Our Speciality Dairy business based in Killygordon, Co. Donegal produces a range of ethnic and on-the-go dairy based yogurt products, housed under our newly launched NOMADIC brand which will allow us to maximise the sales and operational synergies in these niche categories. With an established distribution base of over 10,000 outlets in the UK, our new brand has been warmly received by the trade and consumers alike as evidenced by the strong sales growth since NOMADIC was introduced in September 2014.

Our animal feed business continues to perform well despite a reduction in animal feed prices and volumes and will continue to generate good cash flows for the Group going forward.

As per IFRS reporting requirements all investments including food-agri related property are revalued each year. As outlined previously the Group has decided that it will increase the active 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. The sale of 245 acres of the Grianan Farm was completed in early 2014 while the Ballyraine Halls student accommodation sale was signed in December 2014 and proceeds of €3.3m received post year end.

Associates

Our main associate investment is Monaghan Middlebrook Mushrooms (MMM). While the performance of its UK and Ireland business remained strong during 2014 difficult trading conditions were experienced in a number of markets, along with a significant reduction in the level of EU funding received resulting in segmental profit of €1.7m (2013 €2.7m).

As previously advised in our 2013 year-end results announcement on 10 April 2014 and in our AGM Announcement of 2 July 2014, the Company has taken a shareholder oppression claim relating to its holding in Elst (the holding company of the Monaghan Middlebrook Mushrooms business).

While this matter is ongoing before the Irish Courts, the Commercial Court gave judgment in December 2014 on an individual module of the case, being the price at which the respondents (being the majority shareholders in Elst) might purchase the Company's interest in Elst. The Court determined this price to be €30.6m. This price is based on a shareholding of 35% in Elst. The judgment is not an order to sell or buy the Company's interest in Elst. The Company is currently appealing this judgment. The directors are satisfied that the court appointed value is greater than the carrying value of the Company's investment in Monaghan Middlebrook Mushrooms.

Certain of the respondents in the oppression claim have taken a separate case against the Company over an alleged option they claimed to hold, which claim, if ultimately successful, would reduce the Company's shareholding in Elst from 35% to 30%. The Commercial Court gave judgment on 16 January 2015, agreeing that the plaintiffs are entitled to exercise the 5% option on payment of €350,000. This option continues to be provided for on our statement of financial position. The Company is currently appealing this judgement.

Finance and Balance Sheet

The Group has committed bank facilities of €25.5m. Net Debt at the year-end was €16.7m (2013: €15.7m). The increase in net debt was mainly due to the exceptional cost of our ongoing legal case related to our holding in Elst (Monaghan Middlebrook Mushrooms). The Group made principal loan repayments of €1.2m during the year, incurred €1.5m in capital expenditure and made dividend payments to shareholders of €1.6m.

Outlook

Currently all our businesses other than produce seed potato are ahead of plan and ahead of the first three months trading performance of 2014. The seed potato business is expected to be challenging for the first half of the year due to continued weak commodity markets caused by oversupply in Western Europe. Notwithstanding this, overall we expect 2015 to be a year of progress for the Group.

As with 2014 the Group will continue to review options to release capital from its non-core businesses and assets during 2015. This will further narrow the strategic focus of the Group and concentrate financial and management resources on the strategic areas of seed potato, speciality dairy and key associate investments.

Ian Ireland
Managing Director

General information and accounting policies

At the date of issue of this Announcement, the group's statutory accounts for the year ended 31 December 2014, and therefore the results shown in the Announcement, are unaudited. In the opinion of the directors, the Announcement includes all adjustments necessary for a fair presentation of the results for the periods presented.

The financial information set out in this Announcement does not constitute the group or company's statutory accounts for the years ended 31 December 2014 or 2013. The financial information for 2013 is derived from the statutory group and company accounts for 2013 which have been delivered to the Companies Registration Office as an annex to the company's Annual Return for that year. The auditors have reported on the 2013 accounts; their report was (i) unqualified and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. The group and company statutory accounts for 2014 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Companies Registration Office in due course.

The financial information set out in this document does not constitute full statutory financial statements for the years ended 31 December 2014 or 2013 but is derived from same. The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), applicable Irish law and Listing Rules of the Irish Stock Exchange. The Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial asset investments and financial liabilities (including derivative financial instruments and biological assets), which are held at fair value. The Group's accounting policies will be included in the Annual Report & Accounts to be published in June 2015.

Donegal Investment Group plc
Condensed consolidated statement of comprehensive income
for the year ended 31 December 2014

	Note	Pre- Exceptio nal €'000	Note 10 Excepti onal €'000	2014 Total €'000	Pre- Exceptio nal €'000	Excepti onal €'000	2013 Total €'000
Continuing operations							
Revenue	5	80,739	-	80,739	86,760	-	86,760
Cost of sales		(61,842)	-	(61,842)	(66,132)	-	(66,132)
Gross profit		18,897	-	18,897	20,628	-	20,628
Other income		1,001	-	1,001	1,024	-	1,024
Other expenses		(322)	-	(322)	(297)	-	(297)
Distribution expenses		(9,113)	-	(9,113)	(8,632)	-	(8,632)
Administrative expenses		(9,850)	(3,587)	(13,437)	(10,093)	(251)	(10,344)
Profit/(loss) from operating activities		613	(3,587)	(2,974)	2,630	(251)	2,379
Finance income		473	-	473	58	-	58
Finance expenses		(692)	-	(692)	(1,296)	-	(1,296)
Net finance expense		(219)	-	(219)	(1,238)	-	(1,238)
Share of profit of associates (net of tax)		2,173	(807)	1,366	2,925	9	2,934
Profit/(loss) before income tax		2,567	(4,394)	(1,827)	4,317	(242)	4,075
Income tax credit		140	449	589	538	-	538
Profit/(loss) for the year – continuing operations	5	2,707	(3,945)	(1,238)	4,855	(242)	4,613
Discontinued operations							
Loss from discontinued operations		-	-	-	(420)	-	(420)
Profit/(loss) for the year		2,707	(3,945)	(1,238)	4,435	(242)	4,193
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign currency translation differences for foreign operations				214			(209)
Currency translation adjustment in associate undertaking				385			(509)
Revaluation of available for sale financial assets				328			146
Tax on revaluation of available for sale financial assets				(108)			(48)
Total comprehensive income for the year				(419)			3,573
Profit attributable to:							
Equity holders of the Company				(1,109)			4,239
Non-controlling interest				(129)			(46)
				(1,238)			4,193

Donegal Investment Group plc
 Condensed consolidated statement of comprehensive income *(continued)*
 for the year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Total comprehensive income attributable to:			
Equity holders of the Company		(318)	3,649
Non-controlling interest		(101)	(76)
		<u>(419)</u>	<u>3,573</u>
(Loss)/earnings per share			
Basic (loss)/earnings per share (euro cent)			
Continuing	6	(10.9)	46.0
Discontinued		-	(4.2)
		<u>(10.9)</u>	<u>41.8</u>
Diluted (loss)/earnings per share (euro cent)			
Continuing	6	(10.9)	45.4
Discontinued		-	(4.1)
		<u>(10.9)</u>	<u>41.3</u>

Donegal Investment Group plc
Condensed consolidated statement of financial position
As at 31 December 2014

	Note	2014 €'000	2013 €'000
Assets			
Property, plant and equipment	8	15,076	14,806
Investment Property	9	18,177	24,389
Goodwill		3,633	3,633
Intangible assets		534	532
Investment in associates		25,337	23,580
Other investments		1,141	813
Prepayment		190	191
Total non-current assets		64,088	67,944
Inventories		5,565	4,783
Trade and other receivables		33,046	29,839
Current tax		246	-
Total current assets		38,857	34,622
Total assets		102,945	102,566
Equity			
Share capital		1,337	1,337
Share premium		2,975	2,975
Other reserves		1,462	914
Retained earnings		52,387	55,072
Total equity attributable to equity holders of the Company		58,161	60,298
Non-controlling interest		1,335	1,468
Total equity		59,496	61,766
Liabilities			
Loans and borrowings		12,276	13,487
Deferred income		130	138
Derivatives		3,925	3,925
Deferred tax liabilities		2,963	3,567
Total non-current liabilities		19,294	21,117
Trade and other payables		19,577	17,048
Bank overdraft		3,300	1,135
Loans and borrowings		1,278	1,288
Current tax		-	212
Total current liabilities		24,155	19,683
Total liabilities		43,449	40,800
Total equity and liabilities		102,945	102,566

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 December 2014

	Share Capital €'000	Share Premium €'000	Trans- lation Reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total Equity €'000
Balance at 1 January 2014	1,337	2,975	(3,403)	(144)	4,169	98	194	55,072	60,298	1,468	61,766
Total comprehensive income for the year											
Loss for the year	-	-	-	-	-	-	-	(1,109)	(1,109)	(129)	(1,238)
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	186	-	-	-	-	-	186	28	214
Currency translation adjustment in associate undertaking	-	-	385	-	-	-	-	-	385	-	385
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	220	-	-	220	-	220
Other comprehensive income	-	-	571	-	-	220	-	-	791	28	819
Total comprehensive income/(loss) for the year	-	-	571	-	-	220	-	(1,109)	(318)	(101)	(419)

Donegal Investment Group plc
Condensed consolidated statement of changes in equity *(continued)*
for the year ended 31 December 2014

	Share Capital €'000	Share Premium €'000	Trans- lation Reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total Equity €'000
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners											
Dividends paid	-	-	-	-	-	-	-	(1,635)	(1,635)	(32)	(1,667)
Acquisition of treasury shares	-	-	-	(465)	-	-	-	-	(465)	-	(465)
Shared based payments	-	-	-	258	-	-	(36)	59	281	-	281
Total contributions by and distributions to owners	-	-	-	(207)	-	-	(36)	(1,576)	(1,819)	(32)	(1,851)
Balance at 31 December 2014	1,337	2,975	(2,832)	(351)	4,169	318	158	52,387	58,161	1,335	59,496

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 December 2013

	Share Capital €'000	Share Premium €'000	Trans- lation Reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total Equity €'000
Balance at 1 January 2013	1,337	2,975	(2,715)	(348)	4,169	-	389	52,486	58,293	675	58,968
Total comprehensive income for the year											
Profit/(loss) for the year	-	-	-	-	-	-	-	4,239	4,239	(46)	4,193
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	(179)	-	-	-	-	-	(179)	(30)	(209)
Currency translation adjustment in associate undertaking	-	-	(509)	-	-	-	-	-	(509)	-	(509)
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	98	-	-	98	-	98
Other comprehensive income	-	-	(688)	-	-	98	-	-	(590)	(30)	(620)
Total comprehensive income/(loss) for the year	-	-	(688)	-	-	98	-	4,239	3,649	(76)	3,573

Donegal Investment Group plc
Condensed consolidated statement of changes in equity (continued)
for the year ended 31 December 2013

	Share Capital €'000	Share Premium €'000	Trans- lation Reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total Equity €'000
Transactions with owners recorded directly in equity											
Changes in ownership interests											
Sale of non-controlling interest	-	-	-	-	-	-	-	(324)	(324)	899	575
Contributions by and distributions to owners											
Dividends paid	-	-	-	-	-	-	-	(1,625)	(1,625)	(30)	(1,655)
Acquisition of Treasury Shares	-	-	-	(148)	-	-	-	-	(148)	-	(148)
Shared based payments	-	-	-	352	-	-	(195)	296	453	-	453
Total contributions by and distributions to owners	-	-	-	204	-	-	(195)	(1,329)	(1,320)	(30)	(1,350)
Balance at 31 December 2013	1,337	2,975	(3,403)	(144)	4,169	98	194	55,072	60,298	1,468	61,766

Donegal Investment Group plc
Condensed consolidated statement of cash flows
for the year ended 31 December 2014

	2014	2013
	€'000	€'000
Cash flows from operating activities		
Profit for the year	(1,238)	4,193
Adjustments for:		
Depreciation	1,266	1,272
Amortisation of intangibles	135	105
Change in fair value of investment property	240	297
Net finance expense	219	1,238
Share of profit of associates	(1,366)	(2,934)
Gain on sale of property, plant and equipment	(69)	(19)
Loss/(profit) on sale of investment property	82	(60)
Equity-settled share-based payment transactions	131	18
Income tax credit	(589)	(538)
Change in inventories	(970)	620
Change in trade and other receivables	855	5,929
Change in trade and other payables	1,964	(5,596)
	<u>660</u>	<u>4,525</u>
Interest paid	(534)	(545)
Income tax paid	(647)	(281)
	<u>(521)</u>	<u>3,699</u>
Net cash from operating activities		
Cash flows from investing activities		
Interest received	34	29
Dividends received	19	29
Proceeds from sale of property, plant and equipment	78	206
Proceeds from repayment of loan stock in associate	-	406
Proceeds from disposal of discontinued operations	-	2,500
Proceeds from disposal of investment property	2,653	1,040
Acquisition of subsidiaries	-	(264)
Acquisition of treasury shares	(465)	(148)
Exercise of share options	150	435
Acquisition of property, plant and equipment	(1,332)	(330)
Acquisition of intangibles	(136)	(109)
	<u>1,001</u>	<u>3,794</u>
Net cash used in investing activities		

Donegal Investment Group plc
Condensed consolidated statement of cash flows *(continued)*
for the year ended 31 December 2014

	2014 €'000	2013 €'000
Cash flows from financing activities		
Repayment of borrowings	(1,200)	(2,797)
Payment of finance lease liabilities	(64)	(117)
Dividend paid to non-controlling interest	(32)	(30)
Dividends paid	<u>(1,635)</u>	<u>(1,625)</u>
Net cashflow from financing activities	<u>(2,931)</u>	<u>(4,569)</u>
Net (decrease)/increase in cash and cash equivalents	(2,451)	2,924
Cash and cash equivalents at 1 January	(1,135)	(4,318)
Effect of exchange rate fluctuations on cash held	<u>286</u>	<u>259</u>
Cash and cash equivalents at 31 December	<u>(3,300)</u>	<u>(1,135)</u>

(1) Reporting entity

Donegal Investment Group Plc (the “Company”) is a company domiciled in Ireland. The condensed consolidated financial statements of the Group as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and jointly controlled entities.

(2) Basis of preparation

The consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (together IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (‘EU IFRS’).

The Standards and Interpretations applied were those that were effective for accounting periods ending on or before 31 December 2014.

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

(3) Accounting policies

Detailed below is a list of standards and interpretations which were required to be adopted from 1 January 2014.

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities. In addition, IAS 27 Separate Financial Statements (2011), which supersedes IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2011), which supersedes IAS 28 (2008);
- Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32);
- IFRS 10 Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36);
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39).

As a result of the adoption of IFRS 10 the Company re-considered the companies which it exercises control over in order to assess which companies are considered to be subsidiaries for the purposes of the consolidated financial statements. This did not result in any changes to the subsidiaries of the Company.

The adoption of IFRS 12 resulted in more comprehensive disclosures relating to the nature, risks and financial effects of interests in subsidiaries and associates.

For all other changes to standards as detailed above, the Group has changed its accounting policies accordingly, which did not have a material impact on the financial statements.

(4) Estimates

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

(5) Segment Information

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

The Group comprises the following reportable business segments:

- Produce: The growing, sales and distribution of seed potatoes and organic produce.
- Food-Agri & Property: The manufacture, sale and distribution of farm inputs and dairy products and management of food-agri property assets.
- Associates: Associates is comprised of our existing investments in Monaghan Middlebrook Mushrooms, North Western Livestock Holdings and Leapgrange.

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

(5) Segment information (continued)

Business segments *(continued)*

	Produce		Food-Agri & Property		Associates		Total-Group	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Total revenues	33,609	33,910	47,130	53,286	118,294	119,300	199,033	206,496
Less : Revenue from associates	-	-	-	-	(118,294)	(119,300)	(118,294)	(119,300)
Less : Revenue from discontinued operations	-	-	-	(436)	-	-	-	(436)
Revenue – continuing operations	33,609	33,910	47,130	52,850	-	-	80,739	86,760
Inter-segment revenue	-	-	-	-	-	-	-	-
Segment result before exceptional items	(761)	1,800	1,505	428	2,173	2,925	2,917	5,153
Inter-segmental charges	-	-	447	249	(447)	(249)	-	-
Add: segmental loss from discontinued operations	-	-	-	420	-	-	-	420
Segmental result from continuing operations before exceptional items	(761)	1,800	1,952	1,097	1,726	2,676	2,917	5,573
Exceptional items							(4,394)	(242)
Net finance expense							(219)	(1,238)
Income tax credit							589	538
Share option expense							(131)	(18)
(Loss)/profit for the year – continuing operations							(1,238)	4,613

Donegal Investment Group plc
Notes to the preliminary financial statements *(continued)*
for the year ended 31 December 2014

(5) Segment Information (continued)

Business segments *(continued)*

	Produce		Food-Agri & Property		Associates		Total-Group	
	2014	2013	2014	2013	2014	2013	2014	2013
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment assets	22,069	20,322	55,539	58,664	-	-	77,608	78,986
Investments in associates	-	-	-	-	25,337	23,580	25,337	23,580
Assets held for sale	-	-	-	-	-	-	-	-
Total assets	22,069	20,322	55,539	58,664	25,337	23,580	102,945	102,566
Segment liabilities	10,766	8,787	8,941	8,604	-	-	19,707	17,391
Bank overdraft (unallocated)							3,300	1,135
Derivatives (unallocated)							3,925	3,925
Loans and borrowings (unallocated)							13,554	14,775
Deferred tax (unallocated)							2,963	3,574
Total liabilities							43,449	40,800
Capital expenditure	292	113	1,176	279	-	-	1,468	392
Depreciation and amortisation	511	499	890	878	-	-	1,401	1,377
Revaluation of investment property and other assets	-	-	(88)	151	-	-	(88)	151
	Island of Ireland		Europe		Rest of World		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue from external customers	69,950	76,570	10,666	9,934	123	256	80,739	86,760
Segment assets	96,849	96,470	5,859	5,859	237	237	102,945	102,566
Capital expenditure	1,325	279	111	110	32	3	1,468	392

Donegal Investment Group plc
Notes to the preliminary financial statements *(continued)*
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(5) Segment Information (continued)
Business segments (continued)

Entity-wide disclosures

Section 1: Information about products and services

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

Section 2: Information about geographical areas and customers

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

Seasonality

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

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

(6) (Loss)/earnings per share

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

	2014	2013
	€'000	€'000
(Loss)/profit for the year	(1,238)	4,193
(Loss)/profit attributable to ordinary shareholders	(1,109)	4,239
Weighted average number of ordinary shares	2014	2013
<i>In thousands of shares</i>		
Weighted average number of ordinary shares in issue for the year	10,286	10,286
Weighted average number of treasury shares	(29)	(155)
Denominator for basic earnings per share	10,257	10,131
Effect of share options in issue	129	130
Weighted average number of ordinary shares (diluted) at 31 December	10,386	10,261

The Group purchased 75,568 treasury shares at a total purchase price of €465,000 including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme. As the Group incurred a loss in the current year, share options have an anti dilutive impact and as such have not been included in the diluted (loss)/earnings per share calculation.

	2014	2013
Basic (loss)/earnings per share (euro cent)		
Continuing	(10.9)	46.0
Discontinued	-	(4.2)
	(10.9)	41.8
Diluted (loss)/earnings per share (euro cent)		
Continuing	(10.9)	45.4
Discontinued	-	(4.1)
	(10.9)	41.3

(7) Dividends

	2014	2013
	€'000	€'000
€0.16 per qualifying ordinary share (2013: €0.16)	1,635	1,625

The Board has proposed the payment of a final dividend of 9.0 cent per share on 21 August 2015 to holders of shares on 31 July 2015. The proposed dividends were not provided for and there are no income tax consequences.

(8) Property, plant and equipment

Additions and disposals

During the year ended 31 December 2014, the Group acquired assets for €1,332,000 (2013: €330,000). Assets with a net book value of €164,000 were disposed of during the year ended 31 December 2014 (2013: €187,000), resulting in a gain on disposal of €69,000 (2013: gain of €19,000).

(9) Investment property	2014	2013
	€'000	€'000
Balance at 1 January	24,389	25,675
Change in fair value	(240)	(297)
Disposal	(5,990)	(980)
Effect of movement in exchange rates	18	(9)
Balance at 31 December	18,177	24,389

Investment property includes the Grianan estate, the Oatfield site in Letterkenny, the Bridgend property and development land in Donegal.

Additions and disposals

During the year ended 31 December 2014, the Group did not acquire any investment properties (2013: €nil). The Group disposed of investment property with a carrying value of €5,990,000 during the year (2013: €980,000) resulting in a loss on disposal of €82,000 (2013: gain of €60,000).

10) 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:

		2014	2013
		€'000	€'000
Restructuring costs	a	(968)	(251)
Associate exceptional income/(costs), net	b	(807)	9
Legal costs	c	(2,619)	-
Tax benefit in respect of exceptional items		449	-
		<hr/> (3,945)	<hr/> (242)

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

b) Associate exceptional costs include costs in respect of a change in EU grant funding models, redundancy costs and income/(costs incurred) in respect of company and asset acquisitions during 2014.

c) Legal costs are costs in respect of the legal case with MMM, including an allocation of management time, as outlined in Managing Directors review.