DONEGAL INVESTMENT GROUP PLC

PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015
29 April 2016

Donegal Investment Group plc ('DIG') ('Group') reports its results for 2015. Similar to 2014, the year saw continued challenges for our produce seed potato business and further progress in our speciality dairy business with continued strong momentum.

- Group revenue increased by 2.7% to €82.9m contributing to a marginal increase in adjusted operating profit from €0.9m in 2014 to €1.0m in 2015
- Speciality dairy, which trades under the NOMADIC brand, continued to grow to plan in both UK and Irish markets
- Smyths, our animal feeds business, had a satisfactory 2015 with moderate increase in volumes sold being offset by a slightly reduced selling price
- The segmental result before exceptional costs of our Food-Agri & Property division of €1.9m, is €0.4m ahead of like for like performance in 2014
- The Company's produce seed potato business was adversely impacted by a number of factors during 2015 which has resulted in a segmental loss of €0.7m in comparison with a segmental loss of €0.8m in 2014
- The contribution from our associates decreased by €1.1m in the year. A key associate Monaghan Middlebrook Mushrooms ('MMM') whilst again performing well in its core UK and Irish markets was impacted by the performance of a European subsidiary
- Exceptional items (a net gain of €0.6m before tax) are substantially related to legal costs, which were awarded by the courts in favour of the Group in relation to its shareholder oppression claim relating to its holding in Elst (the holding company of the MMM business) as well as the accounting for the 5% option deemed by the courts to have been exercised in early 2015. In our 2014 results we reported exceptional costs of €4.4m, principally related to this matter as well as restructuring costs related to the Group's speciality dairy business
- There were no significant disposals of non-core assets during the year
- Adjusted EPS of 26.6c down by 17.6c on 2014
- Net debt decreased by €4.6m to €12.1m partly due to the proceeds received from the sale of the Ballyraine Halls student accommodation, which whilst the sale was agreed in late 2014, the proceeds were received in early 2015
- During the course of the year 2.3% of the ordinary share capital of the Company was re-purchased as treasury shares at a cost of €1.3m
- Dividend per share maintained at 16c
- Net asset value per share increased by €0.23 to €6.01
- In 2016 the Group will continue to review options to further release capital from non-core businesses and assets and has recently appointed an international real estate firm to consider the future ownership of the Grianan Estate farm.

SUMMARY
FINANCIAL HIGHLIGHTS

Continuing operations – pre-exceptional		**2015**	**Restated 2014**	**Change**
Revenue - continuing operations	€'000	82,883	80,739	+€2.1m
Adjusted operating profit	€'000	1,004	853	+€0.2m
Profit before tax – continuing operations	€'000	3,755	4,204	-€0.5 m
Operating cash flow before interest & tax	€'000	4,891	660	+€4.2m
Adjusted earnings per share*	Cent	26.6c	44.2c	-17.6c
Basic earnings per share – continuing operations	Cent	35.7c	5.2c	+30.5c
Net debt	€'000	12,118	16,700	-€4.6m
Dividend per share	Cent	16c	16c	-
Investment property carrying value	€'000	18,634	18,177	+€0.5m
Net asset value per share**	€	6.01	5.78	+€0.23

** 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*

Enquiries:

Investors & Analysts	Media
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Chairman's Statement

During 2015 the Group continued to experience considerable growth in its speciality dairy business whilst its animal feeds business returned a solid performance. However a number of specific factors contributed to a further poor performance, albeit in line with the 2014 result, in its produce seed potato business.

The first six months of 2015 were impacted by a reduction in demand for certified seed potato across Europe and as a result, lower prices in both seed and ware potato markets. This resulted in surplus seed potato stock being sold into weak ware markets. The second half of 2015 was impacted negatively by two key factors, difficult trading conditions in Middle Eastern markets and import regulation changes in a key North African market.

We have taken a number of actions to improve the performance of produce seed potato with a view to returning it to profitability.

Our animal feeds business experienced a satisfactory 2015 with reduced selling prices being offset by expansion into new areas and increased tonnage.

The exceptional progress in the development and scaling of our speciality dairy business has continued throughout the year with new product development gaining traction in the market with demand and listings for our established products continuing to grow at a significant rate.

The contribution from our associate investments, primarily Monaghan Middlebrook Mushrooms ('MMM'), decreased by €1.1m for 2015. Whilst the core UK and Irish business performed well, the Group results were impacted by the performance of a European subsidiary.

Overall, Group revenue increased by 2.7% to €82.9m and adjusted operating profit increased from €0.9m to €1.0m. This resulted in adjusted earnings per share of 26.6c, a decrease of 17.6c on 2014.The Group's balance sheet remains strong with shareholder funds of €60.7m. Net debt reduced by €4.6m, primarily due to the proceeds of the sale of the Ballyraine Halls student accommodation.

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 26 August 2016 to those shareholders on the register on 5 August 2016. This will bring the total dividend per share to 16 cent, maintaining the 2014 dividend payment.

AGM
The Group's AGM will take place on Wednesday 6 July 2016 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 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. The seed potato business enters into seasonal purchase agreements which expose the business to the risk of losses arising from any inability to sell on these committed quantities and/or achieve the committed price. Whilst our seed potato business is exposed to a number of operational risks typical of a seed production business, it has over time 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 2015 turnover was maintained at €33.4m, delivering a segmental loss of €0.7m, a slight improvement on the €0.8m loss in 2014.

The excess production from the 2014 potato crop in Europe resulted in an oversupplied market into the first half of 2015 across the region leading to very low prices and poor market absorption of total quantities. This led to very challenging seed market conditions which impacted negatively on new seed purchase by growers across Europe and overall lower prices and a subsequent reduction in the area planted in Europe in 2015. Whilst the reduced planting in 2015 boosted market prospects for the 2015/16 potato season, the second part of 2015 was marked by very difficult trading conditions in the early export markets as a consequence of the well reported conflicts and political instability in the Middle East. Furthermore, late and unexpected changes in import regulations in North Africa also impacted negatively on trading conditions towards the latter part of 2015.

The surplus seed potato stock which resulted from these factors will be sold into the ware potato market. 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. The prospects for the latter half of 2016 are much improved for European markets with higher overall potato prices and greater demand for seed expected.

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 in developing and securing markets for our seed potatoes and 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 segment. Developing seed potato for the processing sector has been a key focus for the business and we are pleased to announce that we have successfully launched new varieties for the processing industry which we are confident will give IPM a greater presence in this sector.

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. However, the Board is conscious of the need to return the business to profitability and has taken a number of actions to do so including strengthening the management team, a re-assessment of growth objectives in certain markets and the incorporation of greater flexibility into seasonal planting.

Food – Agri & Property Division

Overall, revenues in the Food-Agri & Property division increased by €2.3m to €49.5m. This resulted in a segmental result of €1.9m, an increase of 26% 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.

Nomadic dairy had a very satisfactory year on the back of the launch of the NOMADIC brand in September 2014 where good progress was made in growing sales and distribution of Adult Dairy Drinks – a key growth platform for the business. 2016 has started positively and further NPD is planned for Q3 2016 which will further enhance our leading position in adult dairy drinks for convenience and impulse shoppers across UK and Ireland.

Smyths had a satisfactory performance in 2015 where volumes were up marginally versus 2014. We have had a satisfactory start to 2016, nevertheless our customers remained challenged with the volatility in milk and beef prices.

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 pro-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.

Associates

Our main associate investment is Monaghan Middlebrook Mushrooms ('MMM'). The contribution from our key associate MMM decreased by €1.1m for 2015. Whilst the core UK and Irish business performed well, results were impacted by the performance of a European subsidiary. The results of the Group have also been impacted by the decision by MMM to account for its subsidiary MG Coöperatief WA ('Walkro') as a 100% subsidiary. While MMM currently owns 55% of Walkro, it has a put and call option over the remaining 45% which together effectively require Walkro to be accounted for as a fully owned subsidiary for accounting purposes.

As advised previously, the Company took a shareholder oppression claim relating to its shareholding in MMM (the 'Oppression Action'). The respondents (being the majority shareholders in Elst) ('Respondents') admitted specified and unspecified acts of oppression and on 21 May 2015, the Commercial Court ordered the Respondents to purchase the shares held by the Company in MMM (the 'Donegal Shareholding') (the 'Remedy'). The Company appealed the Remedy ('Remedy Appeal') and the valuation placed by the Commercial Court on the Company's 30% shareholding in Elst (€26,228,570) ('Valuation Appeal').

The Commercial Court, a division of the High Court, gave judgement on 5 June 2015 in relation to the costs of the Oppression Action. The Judge observed that it had been necessary for the Company to bring the Oppression Action and the costs of the Oppression Action (including the valuation module of the Oppression Action) were awarded in favour of the Company ('Action Costs'). The Respondents cross appealed certain aspects of the judgment of the Commercial Court in relation to parts of the make up of the value of the Donegal Shareholding.

The Court of Appeal heard Donegal's Valuation Appeal and Remedy Appeal and the Respondent's Appeal on 5, 6 and 7 April 2016. The Costs Appeal was deferred until all issues between the parties have been determined. The Court of Appeal did not give a date on when it expected to deliver its ruling, and accordingly, it is not clear when the issue will be finally determined. The Company will provide a further update at the appropriate time.

Finance and Balance Sheet

The Group has committed bank facilities of €24.3m. Net debt at the year-end was €12.1m (2014: €16.7m). The decrease in net debt was mainly due to the proceeds received from the sale of the Ballyraine Halls student accommodation in early 2015.

The Group made principal loan repayments of €1.2m during the year, incurred €0.8m in capital expenditure, made dividend payments to shareholders of €1.6m and bought back €1.3m of shares.

Substantial Shareholdings

The issued share capital of Donegal Investment Group plc at 29 April 2016 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 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 shares (9.26%)
- Goodbody Stockbrokers Nominees Limited – 896,262 (8.71%)
- Aurum Nominees Limited - Danbywiske – 495,000 shares (4.81%)

Outlook

Currently all our businesses other than produce seed potato are on plan for the first quarter of 2016. However, the impact from the challenging conditions at the end of 2015 will continue to be felt in the first few months of 2016 as surplus seed is disposed of in the ware potato market.

During 2016, the Group will further review options to release capital from its non-core businesses and assets. The Board has appointed an international real estate firm to consider the future ownership of the Grianan Estate.

The Group continues to concentrate financial and management resources on the strategic areas of produce 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 2015, 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 2015 or 2014. The financial information for 2014 is derived from the statutory Group and company accounts for 2014 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 2014 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 2015 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 2015 or 2014 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 2016.

Donegal Investment Group plc

Condensed consolidated statement of profit or loss and comprehensive income

for the year ended 31 December 2015

	Note	**Pre-Exceptional €'000**	**Note 11 Exceptional €'000**	**2015 Total €'000**	Restated Pre-Exceptional €'000	Note 11 Exceptional €'000	Restated 2014 Total €'000
Continuing operations							
Revenue	5	**82,883**	**-**	**82,883**	80,739	-	80,739
Cost of sales		**(62,508)**	**-**	**(62,508)**	(61,842)	-	(61,842)
Gross profit		**20,375**	**-**	**20,375**	18,897	-	18,897
Other income		**512**	**-**	**512**	1,001	-	1,001
Other expenses		**(25)**	**-**	**(25)**	(322)	-	(322)
Distribution expenses		**(9,590)**	**-**	**(9,590)**	(9,113)	-	(9,113)
Administrative expenses		**(10,274)**	**1,284**	**(8,990)**	(9,850)	(3,587)	(13,437)
Profit/(loss) from operating activities		**998**	**1,284**	**2,282**	613	(3,587)	(2,974)
Finance income		**666**	**-**	**666**	473	-	473
Finance expenses		**(654)**	**-**	**(654)**	(692)	-	(692)
Net finance income/(expense)		**12**	**-**	**12**	(219)	-	(219)
Share of profit of associates (net of tax)		**2,745**	**(663)**	**2,082**	3,810	(807)	3,003
Profit/(loss) before income tax		**3,755**	**621**	**4,376**	4,204	(4,394)	(190)
Income tax charge/(credit)		**(265)**	**(390)**	**(655)**	140	449	589
Profit/(loss) for the year	5	**3,490**	**231**	**3,721**	4,344	(3,945)	399
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign currency translation differences for foreign operations				**36**			214
Currency translation adjustment in associate undertaking				**339**			385
Revaluation of financial instrument in associate undertaking				**(259)**			392
Recycle of currency translation in associate undertaking on exercise of option over financial asset				**(46)**			-
Recycle of change in fair value of financial instrument in associate undertaking on exercise of option over financial asset				**274**			-
Revaluation of property on reclassification to investment property				**31**			-
Tax on revaluation of property on reclassification to investment property				**(10)**			-
Revaluation of available for sale financial assets				**364**			328
Tax on revaluation of available for sale financial assets				**(120)**			(108)
Total comprehensive income for the year				**4,330**			1,610
Profit attributable to:							
Equity holders of the Company				**3,617**			528
Non-controlling interest				**104**			(129)
				3,721			399

	Note	2015 €'000	Restated 2014 €'000
Total comprehensive income attributable to:			
Equity holders of the Company		**4,231**	1,711
Non-controlling interest		**99**	(101)
		4,330	1,610
Earnings per share			
Basic earnings per share (euro cent)			
Continuing	**6**	**35.7**	5.2
Diluted earnings per share (euro cent)			
Continuing	**6**	**35.4**	5.1

Donegal Investment Group plc

Condensed consolidated statement of financial position

As at 31 December 2015

	Note	2015 €'000	Restated 2014 €'000
Assets			
Property, plant and equipment	**8**	**14,127**	15,076
Investment property	**9**	**18,634**	18,177
Goodwill		**3,633**	3,633
Intangible assets		**458**	534
Investment in associates	**10**	**24,904**	26,322
Other investments		**1,505**	1,141
Prepayment		**189**	190
Total non-current assets		**63,450**	65,073
Inventories		**4,822**	5,565
Trade and other receivables		**31,997**	33,046
Current tax		**137**	246
Cash at bank		**82**	-
Current financial instrument		**92**	-
Total current assets		**37,130**	38,857
Total assets		**100,580**	103,930
Equity			
Share capital		**1,337**	1,337
Share premium		**2,975**	2,975
Other reserves		**(917)**	(453)
Retained earnings		**57,293**	55,287
Total equity attributable to equity holders of the Company		**60,688**	59,146
Non-controlling interest		**1,347**	1,335
Total equity		**62,035**	60,481
Liabilities			
Loans and borrowings		**11,018**	12,276
Deferred income		**120**	130
Derivatives		**-**	3,925
Deferred tax liabilities		**3,560**	2,963
Total non-current liabilities		**14,698**	19,294
Trade and other payables		**22,579**	19,577
Bank overdraft		**-**	3,300
Loans and borrowings		**1,268**	1,278
Total current liabilities		**23,847**	24,155
Total liabilities		**38,545**	43,449
Total equity and liabilities		**100,580**	103,930

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the year ended 31 December 2015

	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 2015	1,337	2,975	(2,832)	(351)	4,169	(1,597)	158	55,287	59,146	1,335	60,481
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	3,617	3,617	104	3,721
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	41	-	-	-	-	-	41	(5)	36
Currency translation adjustment in associate undertaking	-	-	339	-	-	-	-	-	339	-	339
Net change in fair value of property on reclassification to investment property, net of tax	-	-	-	-	21	-	-	-	21	-	21
Change in fair value of financial instrument in associate undertaking	-	-	-	-	-	(259)	-		(259)	-	(259)
Recycle of currency translation in associate undertaking on exercise of option over financial asset	-	-	(46)	-	-	-	-	-	(46)	-	(46)
Recycle of change in fair value of financial instrument in associate undertaking on exercise of option over financial asset	-	-	-	-	-	274	-	-	274	-	274
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	244	-	-	244	-	244
Other comprehensive income	-	-	334	-	21	259	-	-	614	(5)	609
Total comprehensive income for the year	-	-	334	-	21	259	-	3,617	4,231	99	4,330

Donegal Investment Group plc
Condensed consolidated statement of changes in equity *(continued)*
for the year ended 31 December 2015

	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	-	-	-	-	-	-	-	(1,611)	(1,611)	(87)	(1,698)
Acquisition of treasury shares	-	-	-	(1,289)	-	-	-	-	(1,289)	-	(1,289)
Shared based payments	-	-	-	-	-	-	211	-	211	-	211
Total contributions by and distributions to owners	-	-	-	(1,289)	-	-	211	(1,611)	(2,689)	(87)	(2,776)
Balance at 31 December 2015	**1,337**	**2,975**	**(2,498)**	**(1,640)**	**4,190**	**(1,338)**	**369**	**57,293**	**60,688**	**1,347**	**62,035**

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 Restated	Total €'000 Restated	Non-controlling interest €'000	Total equity €'000 Restated
Balance at 1 January 2014	1,337	2,975	(3,403)	(144)	4,169	(2,209)	194	56,335	59,254	1,468	60,722
Total comprehensive income for the year											
Profit/(loss) for the year	-	-	-	-	-	-	-	528	528	(129)	399
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	186	-	-	-	-	-	186	28	214
Currency translation adjustment in associate undertaking	-	-	385	-	-	-	-	-	385	-	385
Change in fair value of financial instrument in associate undertaking	-	-	-	-	-	392	-	-	392	-	392
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	220	-	-	220	-	220
Other comprehensive income	-	-	571	-	-	612	-	-	1,183	28	1,211
Total comprehensive income/(loss) for the year	-	-	571	-	-	612	-	528	1,711	(101)	1,610

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 Restated	Total €'000 Restated	Non-controlling interest €'000	Total Equity €'000 Restated
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**	**(1,597)**	**158**	**55,287**	**59,146**	**1,335**	**60,481**

Donegal Investment Group plc
Condensed consolidated statement of cash flows
for the year ended 31 December 2015

	2015 €'000	Restated 2014 €'000
Cash flows from operating activities		
Profit for the year	**3,721**	399
Adjustments for:		
Depreciation	**1,317**	1,266
Amortisation of intangibles	**106**	135
Change in fair value of investment property	**(5)**	240
Net finance (income)/expense	**(12)**	219
Share of profit of associates	**(2,082)**	(3,003)
Gain on exercise of option over financial assets	**(436)**	-
Gain on sale of property, plant and equipment	**(38)**	(69)
Loss on sale of investment property	**19**	82
Loss on sale of subsidiary	**6**	-
Equity-settled share-based payment transactions	**211**	131
Income tax expense/(credit)	**655**	(589)
Change in inventories	**492**	(970)
Change in trade and other receivables	**(1,789)**	855
Change in trade and other payables	**2,726**	1,964
	4,891	660
Interest paid	**(376)**	(534)
Income tax refunded/(paid)	**65**	(647)
Net cash from operating activities	**4,580**	(521)
Cash flows from investing activities		
Interest received	**20**	34
Dividends received	**39**	19
Proceeds from sale of property, plant and equipment	**69**	78
Proceeds from repayment of loan stock in associate	**-**	-
Proceeds from exercise of option over financial assets	**350**	-
Proceeds from disposal of investment property	**3,224**	2,653
Acquisition of subsidiaries	**-**	-
Acquisition of treasury shares	**(1,289)**	(465)
Exercise of share options	**-**	150
Acquisition of property, plant and equipment	**(714)**	(1,332)
Acquisition of intangibles	**(37)**	(136)
Net cash used in investing activities	**1,662**	1,001

Donegal Investment Group plc
Condensed consolidated statement of cash flows *(continued)*
for the year ended 31 December 2015

	2015 €'000	Restated 2014 €'000
Cash flows from financing activities		
Repayment of borrowings	**(1,200)**	(1,200)
Payment of finance lease liabilities	**(68)**	(64)
Dividend paid to non-controlling interest	**(87)**	(32)
Dividends paid	**(1,611)**	(1,635)
Net cashflow from financing activities	**(2,966)**	(2,931)
Net increase/(decrease) in cash and cash equivalents	**3,276**	(2,451)
Cash and cash equivalents at 1 January	**(3,300)**	(1,135)
Effect of exchange rate fluctuations on cash held	**106**	286
Cash and cash equivalents at 31 December	**82**	(3,300)

(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 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

(2) Basis of preparation

The consolidated financial statements for the year ended 31 December 2015 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 2015.

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

(3) Accounting policies

The following standards, amendments and interpretations were applicable in the financial year beginning 1 January 2015.

1. Annual Improvements to IFRS 2010-2012 Cycle and 2011-2013 Cycle

As part of its annual improvements process, the IASB has published non-urgent but necessary amendments to IFRS. Together, the two cycles cover a total of nine standards, with consequential amendments to other standards. The amendments apply prospectively for annual periods beginning on or after 1 July 2014. The topics covered in these revisions are listed below.

Annual Improvements to IFRS 2010-2012 Cycle

- IFRS 2 Share-based Payment: definition of a vesting condition.
- IFRS 3 Business Combinations: accounting for contingent consideration in a business combination.
- IFRS 8 Operating Segments: (i) aggregation of operating segments and (ii) reconciliation of the total of the reportable segments' assets to the entity's assets.
- IFRS 13 Fair Value Measurement: short-term receivables and payables.
- IAS 16 Property, Plant and Equipment: revaluation method – proportionate restatement of accumulated depreciation.
- IAS 24 Related Party Disclosures: key management personnel services.
- IAS 38 Intangible Assets: revaluation method; proportionate restatement of accumulated amortisation.

(3) Accounting policies *(continued)*

Annual Improvements to IFRS 2011-2013 Cycle

- IFRS 1 First-time adoption of IFRS: meaning of 'effective IFRS'.
- IFRS 3 Business Combinations: scope exceptions for joint ventures.
- IFRS 13 Fair Value Measurement: scope of paragraph 52 (portfolio exception).
- IAS 40 Investment Property: clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

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

(4) Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in prior 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	
						Restated		Restated
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Total revenues	**33,419**	33,609	**49,464**	47,130	**101,548**	118,294	**184,431**	199,033
Less : Revenue from associates	**-**	-	**-**	-	**(101,548)**	(118,294)	**(101,548)**	(118,294)
Revenue – continuing operations	**33,419**	33,609	**49,464**	47,130	**-**	-	**82,883**	80,739
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**-**	-
Segment result before exceptional items	**(682)**	(761)	**1,891**	1,505	**2,745**	3,810	**3,954**	4,554
Inter-segmental charges	**-**	-	**-**	447	**-**	(447)	**-**	-
Segmental result from continuing operations before exceptional items	**(682)**	(761)	**1,891**	1,952	**2,745**	3,363	**3,954**	4,554
Exceptional items							**621**	(4,394)
Net finance income/(expense)							**12**	(219)
Income tax (expense)/credit							**(655)**	589
Equity-settled share-based payment transactions							**(211)**	(131)
Profit for the year – continuing operations							**3,721**	399

(5) Segment Information (continued)

Business segments *(continued)*

	Produce		Food-Agri & Property		Associates		Total-Group	
						Restated		Restated
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Segment assets	**22,770**	22,069	**52,732**	55,539	**-**	-	**75,502**	77,608
Investments in associates	-	-	-	-	**24,904**	26,322	**24,904**	26,322
Cash at bank (unallocated)	-	-	-	-	-	-	**82**	-
Current financial instrument (unallocated)	-	-	-	-	-	-	**92**	-
Total assets	**22,770**	22,069	**52,732**	55,539	**24,904**	26,322	**100,580**	103,930
Segment liabilities	**13,929**	10,766	**8,770**	8,941	**-**	-	**22,699**	19,707
Bank overdraft (unallocated)							**-**	3,300
Derivatives (unallocated)							**-**	3,925
Loans and borrowings (unallocated)							**12,286**	13,554
Deferred tax (unallocated)							**3,560**	2,963
Total liabilities							**38,545**	43,449
Capital expenditure	**137**	292	**614**	1,176	**-**	-	**751**	1,468
Depreciation and amortisation	**482**	511	**941**	890	**-**	-	**1,423**	1,401
Revaluation of investment property and other assets	**-**	-	**(369)**	(88)	**-**	-	**(369)**	(88)

	Island of Ireland		Europe		Rest of World		Consolidated	
		Restated						Restated
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Revenue from external customers	**73,238**	69,950	**9,262**	10,666	**383**	123	**82,883**	80,739
Segment assets	**94,438**	97,834	**5,477**	5,859	**665**	237	**100,580**	103,930
Capital expenditure	**656**	1,325	**83**	111	**12**	32	**751**	1,468

(5) Segment Information (continued)

Business segments *(continued)*

Entity-wide disclosures

Section 1: Information about products and services

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

Section 2: Information about geographical areas and customers

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

Seasonality

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

The Group had one customer that comprised 14% of its total revenues in 2015 (2014: 14%).

(6) Earnings per share

The calculation of basic and diluted earnings per share is set out below:

	2015	Restated 2014
	€'000	€'000
Earnings for the year	**3,721**	399
Earnings attributable to ordinary shareholders	**3,617**	528
Weighted average number of ordinary shares	**2015**	2014
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	**(155)**	(29)
Denominator for basic earnings per share	**10,131**	10,257
Effect of share options in issue	**77**	129
Weighted average number of ordinary shares (diluted) at 31 December	**10,208**	10,386

The Group purchased 232,277 treasury shares at a total purchase price of €1,289,000 including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme.

	2015	Restated 2014
Basic earnings per share (euro cent)		
Continuing	**35.7**	5.2
Diluted earnings per share (euro cent)		
Continuing	**35.4**	5.1

(7) Dividends

	2015	2014
	€'000	€'000
€0.16 per qualifying ordinary share (2014: €0.16)	**1,611**	1,635

The Board has proposed the payment of a final dividend of 9.0 cent per share on 26 August 2016 to holders of shares on 5 August 2016. 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 2015, the Group acquired assets for €714,000 (2014: €1,332,000). Assets with a net book value of €31,000 were disposed of during the year ended 31 December 2015 (2014: €164,000), resulting in a gain on disposal of €38,000 (2014: gain of €69,000).

(9) Investment property

	2015	2014
	€'000	€'000
Balance at 1 January	**18,177**	24,389
Change in fair value	**5**	(240)
Reclassification from Land & buildings	**483**	-
Disposal	**(50)**	(5,990)
Effect of movement in exchange rates	**19**	18
Balance at 31 December	**18,634**	18,177

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 2015, the Group did not acquire any investment properties (2014: €nil). The Group disposed of investment property with a carrying value of €50,000 during the year (2014: €5,990,000) resulting in a loss on disposal of €19,000 (2014: loss of €82,000).

(10) Investment in associates

	2015 Interest in associate	**2015 Loans to associate**	**2015 Total**	Restated 2014 Interest in associate	2014 Loans to associate	Restated 2014 Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Balance at 1 January	**25,524**	**798**	**26,322**	21,744	792	22,536
Share of increase in net assets after tax	**2,162**	**-**	**2,162**	3,780	-	3,780
Reversal of impairment of loan to associate	**-**	**27**	**27**	-	-	-
Interest charged	**-**	**5**	**5**	-	6	6
Exercise of option over financial asset	**(3,612)**	**-**	**(3,612)**	-	-	-
Balance at 31 December	**24,074**	**830**	**24,904**	25,524	798	26,322

The Group's share of after tax profits in its associates, primarily related to Monaghan, for the period was €2,162,000 (2014: €3,780,000).

Following on from the Court's decision (noted below) that Danbywiske and the General Partners of the Wilson Partnership 1 had an option to acquire 5% of Elst that is held by the Company, we are now accounting for our shareholding in Monaghan at 30% (2014: 35%) on the basis of the option effectively having been exercised. This has resulted in a partial disposal for accounting purposes with the recognition of an exceptional gain of €0.4m.

As advised previously, the Company took a shareholder oppression claim relating to its shareholding in MMM (the 'Oppression Action'). The respondents (being the majority shareholders in Elst) ('Respondents') admitted specified and unspecified acts of oppression and on 21 May 2015, the Commercial Court ordered the Respondents to purchase the shares held by the Company in MMM (the 'Donegal Shareholding') (the 'Remedy'). The Company appealed the Remedy ('Remedy Appeal') and the valuation placed by the Commercial Court on the Company's 30% shareholding in Elst (€26,228,570) ('Valuation Appeal').

The Commercial Court, a division of the High Court, gave judgement on 5 June 2015 in relation to the costs of the Oppression Action. The Judge observed that it had been necessary for the Company to bring the Oppression Action and the costs of the Oppression Action (including the valuation module of the Oppression Action) were awarded in favour of the Company ('Action Costs'). The Respondents cross appealed certain aspects of the judgment of the Commercial Court in relation to parts of the make up of the value of the Donegal Shareholding.

The Court of Appeal heard Donegal's Valuation Appeal and Remedy Appeal and the Respondent's Appeal on 5, 6 and 7 April 2016. The Costs Appeal was deferred until all issues between the parties have been determined. The Court of Appeal did not give a date on when it expected to deliver its ruling, and accordingly, it is not clear when the issue will be finally determined. The Company will provide a further update at the appropriate time.

(11) 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:

		2015	2014
		€'000	€'000
Restructuring costs	a	**(50)**	(968)
Associate exceptional costs, net	b	**(663)**	(807)
Legal costs receivable in respect of oppression action with Monaghan	c	**1,800**	-
Legal costs payable in respect of the option case with Monaghan	d	**(240)**	-
Accounting profit in respect of the exercise of option over financial asset held by Monaghan	e	**436**	-
Legal costs in respect of the ongoing legal case with Monaghan	f	**(617)**	(2,619)
Legal costs receivable in respect of other legal cases	g	**(45)**	-
Income tax (expense)/benefit in respect of exceptional items		**(390)**	449
		231	(3,945)

a) Restructuring costs include operational costs, redundancy costs, legal, and 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.

c) Estimated legal costs receivable in respect of costs awarded by the Courts to the Group in respect of the Oppression Action.

d) Estimated legal costs payable in respect of costs awarded by the Courts against the Group in respect of share option legal case.

e) Accounting profit in respect of the exercise of the option over financial assets held by Monaghan.

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

g) Legal costs are costs in respect of other legal cases

(12) Restatement

In prior years, an associate undertaking of the group, MMM, accounted for one of its subsidiaries as 55% held, with 45% non-controlling interest. During the current year, the associate identified the existence of a put and call option over the non-controlling interest in that subsidiary, which had not previously been accounted for. The associate has amended its accounting policy to account for a 100% interest in the subsidiary with a derivative liability held at fair value representing the value of the put and call option, which should be accounted for on a retrospective basis. As a result of this, DIG plc has restated its 2014 opening position and 2014 results. The impact on opening retained earnings at 1 January 2014 is a decrease of €1,045,000; the share of profit of associate for the year ended 31 December 2014 is an increase of €1,637,000; while the impact on other comprehensive income for the year ended 31 December 2014 is an increase of €392,000 and the impact on the carrying value of investment in associates on the consolidated statement of financial position at 31 December 2014 is a total increase of €984,000.

(13) Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of €591,000 relating to two executive directors for the year (2014: €482,000 relating to one executive director). Total remuneration is included in “administration expenses.”

Other related party transactions

	Transaction value Period ended 31 Dec		**Balance outstanding As at 31 Dec**	
	2015	2014	**2015**	2014
	€’000	€’000	**€’000**	€’000
Sale of goods and services				
Sales by Group to directors	**336**	304	**39**	32

(14) Events after the balance sheet date

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