

**PRELIMINARY ANNOUNCEMENT OF RESULTS  
 FOR THE YEAR ENDED 31 AUGUST 2018  
 29 November 2018**

**Donegal Investment Group plc ('DIG') ('Group') reports its results for the year ended 31 August 2018.**

**FINANCIAL PERFORMANCE**

- Group revenue decreased by €0.2m to €76.2m for the 12 months to the 31 August 2018.
- Trading profits were marginally ahead of the prior year at €4.7m with adjusted operating profit decreasing by €0.7m for the year to €4.0m.
- Our Produce division delivered a segmental result of €1.6m, a decrease of €0.7m on the prior year's trading performance. Seed Potato, our key business within our Produce division, performed well in key markets but was impacted by a reduction in the availability of seed following lower than expected yields across Europe during the 2017 seed crop harvest.
- Our Food-Agri & Property division delivered a segmental result of €3.1m, an increase of €0.9m on the prior year's trading performance
- Speciality dairy, which trades under the NOMADIC brand, continued to achieve significant volume and sales growth in its UK and Irish markets.
- Smyths, our animal feeds business, had a strong 2018 with an increase in volumes partially driven by the reduced availability of fodder in certain farming areas, mainly in the west of Ireland.
- The Group recently completed the restructuring of our South American seed potato operations, including discontinuing its local growing operations, which will allow us to continue to service this market from our European growing platform. The loss for the year is classified as a discontinued operation.
- Adjusted EPS increased by 5.8c to 41.1c.

**FINANCIAL POSITION**

- The Group has a cash position, net of debt, of €0.1m at year end having returned €51m to shareholders during the year through its €45m return of capital in May and ongoing share purchases.
- Following on from the sale of its shareholding in Monaghan Middlebrook Mushroom the Group is due to receive an additional €4m in deferred consideration, with €2m receivable on or before 15 February 2019 and a further €2m receivable on or before 15 February 2020.

**RETURN OF CAPITAL**

- Following approval at the EGM of 16 May 2018 the Company returned €45m to shareholders by converting and redeeming 4,860,336 ordinary shares at a price of €9.25 per share.

**SUMMARY**

**FINANCIAL HIGHLIGHTS**

<b>Continuing operations – pre-exceptional</b>		<b>2018</b>	<b>2017</b>	<b>Change</b>
Revenue - continuing operations	€'000	76,160	76,369	-€0.2m
Adjusted operating profit	€'000	4,048	4,763	-€0.7m
Trading profit – continuing operations	€'000	4,745	4,905	-€0.2m
Profit after tax – continuing operations	€'000	3,465	3,625	-€0.2m
Operating cash flow before interest & tax	€'000	3,979	3,292	+€0.7m
Adjusted earnings per share*	Cent	41.1c	35.3c	+5.8c
Basic earnings per share – continuing operations	Cent	281.32c	26.50c	+254.82c
Cash at bank less overdraft	€'000	5,314	12,206	-€6.9m
Debt	€'000	(5,223)	(5,101)	-€0.1m
Investment property carrying value	€'000	2,480	3,552	-€1.1m
Net asset value per share**	€	6.84	5.94	+€0.90

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

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

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**Chairman's Statement**

The Board is satisfied with the performance of the Group's trading businesses during the year and the successful return of €45m in capital to our shareholders in May 2018 which followed several years of work by the Group on realising value for our shareholders from the sale of non-core assets.

As outlined in our interim results announcement adverse weather conditions across all European growing areas resulted in a reduction in the availability of seed, leading to reduced revenues for the Produce division which was partially offset by improved trading margins in key markets. We continue to see certain IPM proprietary varieties grow their market share in key markets such as the UK.

Animal feeds delivered a strong performance in 2018 with volumes significantly ahead partially driven by the reduced availability of fodder in certain farming areas, mainly in the west of Ireland.

Speciality dairy continued to experience double digit (volume and sales) growth in both the UK and Ireland in 2018 with several new products successfully launched in UK retailers.

On the 18 May 2018 the Group completed the successful conversion and redemption of 4,860,336 ordinary shares at a price of €9.25 per share, returning €45m of capital to our shareholders (the "Return of Capital"). This surplus capital returned to shareholders was generated following the sale of the Group's shareholding in the Monaghan Middlebrook Mushrooms business in February 2018 combined with the disposal of a number of non-core assets including the Grianan Estate during the year ended 31 August 2017 and is a strong endorsement of the Group's strategy in respect of its non-core assets which was first set out in 2012.

Overall, Group revenue was €76.2m for the year with trading profit of €4.9m. This resulted in adjusted earnings per share of 41.1c, an increase of 5.8c on the 12 months to 31 August 2017.

The Group had a cash position, net of debt, of €0.1m at year-end with a net asset value per share of €6.84, an increase of €0.90 per share on the prior year.

As referred to in our most recent AGM announcement the Board commenced a strategic review to assess all suitable options available to the Group, and resultant actions required therefrom, for the purpose of maximising long-term shareholder value. This process remains ongoing including in respect of our Nomadic business and the Group will update shareholders in due course and as appropriate. While this review remains ongoing the Group will continue to focus on its key strategic produce seed potato business.

**AGM**

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

**Geoffrey Vance**  
**Chairman**

## **Managing Director's Review**

### **Produce Division**

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

Revenue for the year was €25.7m with a segmental profit of €1.6m. 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 2017/18 season has seen year on year revenue decline by €3.8m following adverse weather conditions across all European growing areas which resulted in lower than expected yields in turn giving rise to a reduction in the availability of seed potato. This resulted in volumes sold being lower than planned in some key markets. However, some of the volume losses were offset by improved trading margins.

The Produce division has recently completed the restructuring of its Brazilian business, including discontinuing its local growing activities. Legislative changes related to the equivalence of categories for imported seed into Brazil has facilitated the marketing of European grown seed in the Brazilian market. The business will continue to commercialise IPM proprietary varieties in this market but has eliminated significant cost and risk factors by taking advantage of the change in the importing regime.

The early indications for the 2018/19 season have confirmed that seed potato crops across Europe have been impacted by the extreme weather conditions experienced during the summer of 2018. This will result in a reduction in the availability of seed with the lack of market supply driving a significant increase to the price of both seed and ware (table) potatoes.

IPM has continued to focus on growing its presence in key markets with one of its leading varieties, Nectar, increasing its market share to become the fourth most widely grown potato variety in Great Britain. Developing seed potato varieties for both the fresh and processing sectors is a key focus for the business with several new varieties recently launched which IPM are confident will deliver value for the business into the future. IPM is also actively considering options to launch its proprietary varieties in South Asian markets, such as India.

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 these factors will enable the Group to become a leading global player in seed potato production.

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

Revenue in the Food-Agri & Property division were €50.3m with a segmental result of €3.1m.

NOMADIC continued to deliver double digit revenue growth during the year against a background of retailer consolidation in the UK and continued uncertainty re Brexit. The NOMADIC brand has consolidated its position as the number two yogurt brand in the Convenience and Impulse channel in the UK and Ireland. The business is mindful of the challenges posed by Brexit as well as consolidation in the UK retail sector but remains confident in the strength of the brand and its ability to deliver continued double-digit growth.

Animal Feeds delivered a strong performance for the Group in 2018 with an increase in volumes partially driven by the reduced availability of fodder in certain farming areas, mainly in the west of Ireland.

### Asset held for sale

As announced on 16 February 2018, under the terms of the settlement with the majority owner of the Monaghan Middlebrook Mushrooms business, cash proceeds of €41.5m were received on 15 February 2018 in accordance with the Settlement Agreement. Under the terms of the Settlement Agreement two non-conditional deferred payments are to be received by the Company as follows:

- (a) €2,000,000, to be received on or before 15 February 2019; and
- (b) a further €2,000,000, to be received on or before 15 February 2020,

bringing the total consideration receivable pursuant to the Settlement Agreement to €45.5m. The Settlement Agreement was approved by shareholders at the EGM of 27 November 2017.

### Finance and Balance Sheet

The Group has committed bank facilities of €14.8m (31 August 2017: €14.8m), including a Group overdraft facility of €9.8m (31 August 2017: €9.8m) for working capital requirements. Following on from the Return of Capital to shareholders the Group had a cash position, net of debt, of €0.1m at year end, a decrease of €6.9m on the prior year.

### Substantial Shareholdings

Following the conversion and redemption of 4,860,336 ordinary shares under the Return of Capital on the 18 May 2018, the issued share capital of Donegal Investment Group plc was 5,425,254 ordinary shares. Each share has a nominal value of €0.13. All shares have equal voting and dividend rights.

Treasury shares held on that date were 1,237,331 and which were not redeemed as part of the Return of Capital process.

On 28 November 2018, the Board approved the cancellation of 53.7% or 664,447 treasury shares in line with the pro-rata conversion and redemption applied to all other shareholders under the Return of Capital. The issued share capital of Donegal Investment Group plc is now 4,760,807.

The shareholdings as at 29 November 2018 in excess of 3% of the issued share capital of the Company are as follows:

• Donegal Investment Group plc	579,845	12.18%
• Goodbody Stockbrokers Nominees Limited	352,069	7.40%
• Quaero Capital SA	336,241	7.06%
• Pageant Investments Limited	334,470	7.03%

### 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 full year guidance and therefore overall Group performance.

During the current year 2018/19, the Group will look to complete its strategic review, and thereafter effect any actions arising therefrom for the purpose of continuing to maximise long-term shareholder value, and shareholders will be updated at the appropriate time.

The Group continues to concentrate financial and management resources on its key strategic produce seed potato business.

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

## **General information and accounting policies**

At the date of issue of this Announcement, the Group's statutory accounts for the year ended 31 August 2018, and therefore the results shown in the Announcement, are audited. 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 year ended 31 August 2018. The financial information for 2017 is derived from the statutory Group and company accounts for 2017 which have been delivered to the Companies Registration Office as an annex to the company's Annual Return for that year. The 2017 numbers have been restated in the current year to reflect the effect of discontinued operations. The auditors have reported on the 2017 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 2018 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Companies Registration Office in due course.

The financial information set out in this document does not constitute full statutory financial statements for the year ended 31 August 2018 but is derived from same. The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), applicable Irish law and Listing Rules of the Irish Stock Exchange. The Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial asset investments and financial liabilities (including derivative financial instruments and biological assets), which are held at fair value. The Group's accounting policies will be included in the Annual Report & Accounts to be published in January 2019.

Donegal Investment Group plc  
Condensed consolidated statement of profit or loss and comprehensive income  
for the year ended 31 August 2018

	Note	Pre- Exceptional €'000	Note 12 Exceptional €'000	2018 Total €'000	Restated* Pre- Exceptional €'000	Note 12 Exceptional €'000	Restated* 2017 Total €'000
<b>Continuing operations</b>							
Revenue	5	76,160	-	76,160	76,369	-	76,369
Cost of sales		(55,518)	-	(55,518)	(55,759)	-	(55,759)
<b>Gross profit</b>		<b>20,642</b>	-	<b>20,642</b>	20,610	-	20,610
Other income		345	-	345	1,491	293	1,784
Other expenses		(24)	-	(24)	-	-	-
Distribution expenses		(7,519)	-	(7,519)	(7,859)	-	(7,859)
Administrative expenses		(9,353)	(292)	(9,645)	(9,444)	(1,067)	(10,511)
<b>Profit from operating activities</b>		<b>4,091</b>	<b>(292)</b>	<b>3,799</b>	4,798	(774)	4,024
Finance income		102	-	102	92	-	92
Finance expenses		(177)	-	(177)	(949)	(370)	(1,319)
<b>Net finance expense</b>		<b>(75)</b>	-	<b>(75)</b>	(857)	(370)	(1,227)
Profit on disposal of asset held for sale		-	19,392	19,392	-	-	-
Share of loss of associates (net of tax)		-	-	-	(94)	-	(94)
<b>Profit/(loss) before income tax</b>		<b>4,016</b>	<b>19,100</b>	<b>23,116</b>	3,847	(1,144)	2,703
Income tax charge		(551)	(60)	(611)	(222)	-	(222)
<b>Profit/(loss) for the year – continuing perations</b>	5	<b>3,465</b>	<b>19,040</b>	<b>22,505</b>	3,625	(1,144)	2,481
<b>Loss for the year – discontinued operations</b>		<b>(1,937)</b>	<b>(676)</b>	<b>(2,613)</b>	(342)	-	(342)
<b>Profit/(loss) for the year</b>		<b>1,528</b>	<b>18,364</b>	<b>19,892</b>	3,283	(1,144)	2,139

\* As restated to reflect the effect of discontinued operations

Donegal Investment Group plc  
Condensed consolidated statement of profit or loss and comprehensive income  
for the year ended 31 August 2018

	2018 Total €'000	2017 Total €'000
<b>Other comprehensive income</b>		
<b>Items that are or may be reclassified to profit or loss</b>		
Foreign currency translation differences for foreign operations	26	(257)
Recycle of currency translation differences for foreign operations	676	370
Recycle of change in fair value of available for sale financial asset	(51)	(558)
Tax on recycle of change in fair value of available for sale financial asset	13	184
Recycle of currency translation differences in asset held for sale	(615)	-
Recycle of revaluation of financial instrument in asset held for sale	1,900	-
Revaluation of available for sale financial assets	-	35
Tax on revaluation of available for sale financial assets	-	(12)
<b>Total comprehensive income for the year</b>	<b>21,841</b>	<b>1,901</b>
<b>Profit attributable to:</b>		
Equity holders of the Company	19,757	2,252
Non-controlling interest	135	(113)
	<b>19,892</b>	<b>2,139</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	21,702	1,998
Non-controlling interest	139	(97)
	<b>21,841</b>	<b>1,901</b>
<b>Earnings/(loss) per share</b>		
<b>Basic earnings/(loss) per share (euro cent):</b>		
Continuing	281.32	26.50
Discontinued	(32.66)	(3.50)
	<b>248.66</b>	<b>23.00</b>
<b>Diluted earnings/(loss) per share (euro cent):</b>		
Continuing	272.46	26.50
Discontinued	(32.66)	(3.50)
	<b>239.80</b>	<b>23.00</b>

Donegal Investment Group plc  
Condensed consolidated statement of financial position  
As at 31 August 2018

	Note	31 August 2018 €'000	31 August 2017 €'000
<b>Assets</b>			
Property, plant and equipment	8	8,807	8,708
Investment property	9	2,480	3,552
Goodwill		3,324	3,388
Intangible assets		329	393
Investment in associates	11	255	781
Other investments		9	187
<b>Total non-current assets</b>		<b>15,204</b>	<b>17,009</b>
Inventories		3,835	4,514
Trade and other receivables		22,949	18,030
Cash at bank		6,978	12,733
Current financial instrument		43	5
Total current assets before asset held for sale		33,805	35,282
Asset held for sale	10	-	23,835
<b>Total current assets</b>		<b>33,805</b>	<b>59,117</b>
<b>Total assets</b>		<b>49,009</b>	<b>76,126</b>
<b>Equity</b>			
Share capital		705	1,337
Share premium		2,975	2,975
Other reserves		(7,420)	(3,335)
Retained earnings		32,409	57,236
<b>Total equity attributable to equity holders</b>		<b>28,669</b>	<b>58,213</b>
<b>Non-controlling interest</b>		<b>1,188</b>	<b>1,083</b>
<b>Total equity</b>		<b>29,857</b>	<b>59,296</b>
<b>Liabilities</b>			
Loans and borrowings		5,174	5,079
Deferred income		308	71
Deferred tax liabilities		626	487
<b>Total non-current liabilities</b>		<b>6,108</b>	<b>5,637</b>
Trade and other payables		11,257	9,446
Bank overdraft		1,664	527
Current tax		74	1,198
Loans and borrowings		49	22
<b>Total current liabilities</b>		<b>13,044</b>	<b>11,193</b>
<b>Total liabilities</b>		<b>19,152</b>	<b>16,830</b>
<b>Total equity and liabilities</b>		<b>49,009</b>	<b>76,126</b>



Donegal Investment Group plc  
Condensed consolidated statement of changes in equity  
for the year ended 31 August 2018

	Share capital €'000	Other undenominated capital	Share premium €'000	Trans-lation reserve €'000	Reserve for own shares €'000	Reval-uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 September 2017	1,337	-	2,975	(2,782)	(3,023)	3,694	(1,862)	638	57,236	58,213	1,083	59,296
<b>Total comprehensive income for the period</b>												
Profit for the year	-	-	-	-	-	-	-	-	19,757	19,757	135	19,892
<b>Other comprehensive income</b>												
Foreign currency translation differences for foreign operations	-	-	-	22	-	-	-	-	-	22	4	26
Recycle of currency translation differences for foreign operations	-	-	-	676	-	-	-	-	-	676	-	676
Recycle of change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	-	(38)	-	-	(38)	-	(38)
Recycle of currency translation differences in asset held for sale	-	-	-	(615)	-	-	-	-	-	(615)	-	(615)
Recycle of revaluation of financial instrument in asset held for sale	-	-	-	-	-	-	1,900	-	-	1,900	-	1,900
Recycle of change in fair value of property, net of tax	-	-	-	-	-	(312)	-	-	312	-	-	-
<b>Other comprehensive income</b>	-	-	-	83	-	(312)	1,862	-	312	1,945	4	1,949
<b>Total comprehensive income for the period</b>	-	-	-	83	-	(312)	1,862	-	20,069	21,702	139	21,841
<b>Transactions with owners recorded directly in equity</b>												
<b>Contributions by and distributions to owners</b>												
Dividends paid	-	-	-	-	-	-	-	-	-	-	(34)	(34)
Share redemption	(632)	632	-	-	-	-	-	-	(44,959)	(44,959)	-	(44,959)
Acquisition of treasury shares	-	-	-	-	(6,047)	-	-	-	-	(6,047)	-	(6,047)
Shared based payments	-	-	-	-	52	-	-	(355)	63	(240)	-	(240)
<b>Total contributions by and distributions to owners</b>	(632)	632	-	-	(5,995)	-	-	(355)	(44,896)	(51,246)	(34)	(51,280)
<b>Balance at 31 August 2018</b>	<b>705</b>	<b>632</b>	<b>2,975</b>	<b>(2,699)</b>	<b>(9,018)</b>	<b>3,382</b>	<b>-</b>	<b>283</b>	<b>32,409</b>	<b>28,669</b>	<b>1,188</b>	<b>29,857</b>

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

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

Donegal Investment Group plc  
Condensed consolidated statement of cash flows  
for the year ended 31 August 2018

	2018	2017
	€'000	€'000
<b>Cash flows from operating activities</b>		
Profit for the year	19,892	2,139
Adjustments for:		
Depreciation	975	1,095
Amortisation of intangibles	52	91
Change in fair value of investment property	(43)	(52)
Change in fair value of other investments	61	(35)
Net finance expense	75	857
Share of loss of associates	-	94
Gain on sale of asset held for sale	(19,392)	-
Gain on sale of property, plant and equipment	(106)	(41)
Gain on sale of other investments	(57)	(657)
Loss/(gain) on sale of investment property	24	(288)
Loss on sale of subsidiary	-	225
Share-based payment transactions	616	201
Income tax expense	611	222
Change in inventories	786	(416)
Change in trade and other receivables	(1,168)	(480)
Change in trade and other payables	1,653	337
	<u>3,979</u>	<u>3,292</u>
Interest paid	(116)	(289)
Income tax paid	(1,725)	(22)
	<u>(1,841)</u>	<u>(311)</u>
<b>Net cash from operating activities</b>	<u>2,138</u>	<u>2,981</u>
<b>Cash flows from investing activities</b>		
Interest received	13	12
Dividends received	1	4
Proceeds from sale of investment property, property, plant and equipment	1,331	18,318
Proceeds from disposal of other investments	117	1,205
Proceeds from subsidiary	-	1,255
Proceeds from disposal of asset held for sale	41,488	140
Repayment of loan to associate	532	-
Share based payments	(538)	15
Acquisition of property, plant and equipment	(1,135)	(454)
Acquisition of intangibles	(15)	(48)
	<u>41,794</u>	<u>20,447</u>
<b>Net cash from investing activities</b>	<u>41,794</u>	<u>20,447</u>

Donegal Investment Group plc  
Condensed consolidated statement of cash flows *(continued)*  
for the year ended 31 August 2018

	<b>2018</b>	2017
	<b>€'000</b>	€'000
<b>Cash flows from financing activities</b>		
Repayment of borrowings	-	(6,300)
Payment of finance lease liabilities	<b>(35)</b>	(27)
Acquisition of treasury shares	<b>(6,047)</b>	(272)
Share redemption	<b>(44,958)</b>	-
Dividend paid to non-controlling interest	<b>(34)</b>	(44)
Dividends paid	-	(490)
	<hr/>	<hr/>
<b>Net cashflow from financing activities</b>	<b>(51,074)</b>	(7,133)
	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,142)</b>	16,295
Cash and cash equivalents at start of year	<b>12,206</b>	(3,621)
Effect of exchange rate fluctuations on cash held	<b>250</b>	(468)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<b>5,314</b>	12,206
	<hr/>	<hr/>

**(1) Reporting entity**

Donegal Investment Group Plc (the “Company”) is a public company incorporated, domiciled and tax resident in Ireland. The condensed consolidated financial statements of the Group as at and for the year ended 31 August 2018 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

**(2) Basis of preparation**

The consolidated financial statements for the year ended 31 August 2018 have been prepared in accordance with the International Financial Reporting Standards and Interpretations (together IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (‘EU IFRS’).

The Standards and Interpretations applied were those that were effective for accounting periods ending on or before 31 August 2018.

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 assets.

**(3) Accounting policies**

There were no new standards, amendments and interpretations which were applicable in the financial year beginning 1 September 2017 and required the Group to change its accounting policies.

**(4) Estimates**

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

**(5) Segment Information**

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

The Group comprises the following reportable business segments:

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

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.

Donegal Investment Group plc  
Notes to the preliminary condensed consolidated financial statements *(continued)*  
for the year ended 31 August 2018

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

**Business segments** (continued)

	Produce		Food-Agri & Property		Total-Group	
	2018	Restated 2017*	2018	2017	2018	Restated 2017*
	€'000	€'000	€'000	€'000	€'000	€'000
Total revenues	<b>25,731</b>	29,511	<b>50,329</b>	46,858	<b>76,160</b>	76,369
Inter-segment revenue	-	-	-	-	-	-
Segment result before exceptional items & property devaluations	<b>1,647</b>	2,521	<b>3,098</b>	2,436	<b>4,745</b>	4,957
Property revaluations	-	-	<b>(43)</b>	(52)	<b>(43)</b>	(52)
Inter-segmental charges	-	-	-	-	-	-
Segmental result from continuing operations before exceptional items	<b>1,647</b>	2,521	<b>3,055</b>	2,384	<b>4,702</b>	4,905
Gain on disposal of asset held for sale					<b>19,392</b>	-
Other exceptional items					<b>(352)</b>	(1,144)
Net finance expense					<b>(75)</b>	(857)
Income tax expense					<b>(551)</b>	(222)
Share-based payment transactions					<b>(611)</b>	(201)
<b>Profit for the year – continuing operations</b>					<b>22,505</b>	2,481

\* As restated to reflect the effect of discontinued operations

Donegal Investment Group plc  
Notes to the preliminary condensed consolidated financial statements *(continued)*  
for the year ended 31 August 2018

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

	Produce		Food-Agri & Property		Total-Group		Total-Group	
	31 August 2018 €'000	31 August 2017 €'000	31 August 2018 €'000	31 August 2017 €'000	31 August 2018 €'000	31 August 2017 €'000	31 August 2018 €'000	31 August 2017 €'000
Segment assets	6,629	8,353	35,359	31,200	41,988	39,553	41,988	39,553
Cash at bank (unallocated)	-	-	-	-	6,978	12,733	6,978	12,733
Asset held for sale (unallocated)	-	-	-	-	-	23,835	-	23,835
Current financial instrument (unallocated)	-	-	-	-	43	5	43	5
<b>Total assets</b>	<b>6,629</b>	<b>8,353</b>	<b>35,359</b>	<b>31,200</b>	<b>49,009</b>	<b>76,126</b>	<b>49,009</b>	<b>76,126</b>
Segment liabilities	1,323	707	10,316	10,008	11,639	10,715	11,639	10,715
Bank overdraft (unallocated)					1,664	527	1,664	527
Loans and borrowings (unallocated)					5,223	5,101	5,223	5,101
Deferred tax (unallocated)					626	487	626	487
<b>Total liabilities</b>					<b>19,152</b>	<b>16,830</b>	<b>19,152</b>	<b>16,830</b>
Capital expenditure	23	218	1,128	330	1,151	548	1,151	548
Depreciation and amortisation	254	340	774	846	1,028	1,186	1,028	1,186
Revaluation of investment property and other assets	-	-	19	(87)	19	(87)	19	(87)
	<b>Ireland</b>		<b>Europe</b>		<b>Rest of world</b>		<b>Total-Group</b>	
	31 August 2018 €'000	31 August 2017 €'000	31 August 2018 €'000	31 August 2017 €'000	31 August 2018 €'000	31 August 2017 €'000	31 August 2018 €'000	31 August 2017 €'000
Revenue from external customers	74,048	72,138	2,112	4,231	-	-	76,160	76,369
Segment assets	46,105	72,722	2,904	2,224	-	1,180	49,009	76,126
Capital expenditure	1,137	357	14	190	-	1	1,151	548

Donegal Investment Group plc  
Notes to the preliminary condensed consolidated financial statements *(continued)*  
for the year ended 31 August 2018

**(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 12% of its total revenue in the year ended 31 August 2018 (2017: 13%).



**(6) Earnings per share**

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

	<b>31 August 2018</b>	31 August 2017
	<b>€'000</b>	€'000
Profit for the year - continuing operations	<b>22,505</b>	2,481
Loss for the year - discontinued operations	<b>(2,613)</b>	(342)
	<hr/>	<hr/>
Profit for the year	<b>19,892</b>	2,139
	<hr/>	<hr/>
<b>Profit attributable to ordinary shareholders</b>	<b>19,757</b>	2,252
	<hr/>	<hr/>
<b>Weighted average number of ordinary shares</b>	<b>31 August 2018</b>	31 August 2017
<b>In thousands of shares</b>		
Weighted average number of ordinary shares in issue for the year	<b>8,887</b>	10,286
Weighted average number of treasury shares	<b>(888)</b>	(502)
	<hr/>	<hr/>
Denominator for basic earnings per share	<b>7,999</b>	9,784
Effect of share options in issue	<b>209</b>	79
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 August	<b>8,209</b>	9,863

The Group purchased 697,443 treasury shares at a total purchase price of €6,047,000 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 on discontinued operations in 2018 and 2017, share options have an anti-dilutive impact and as such were not included in the diluted earnings/(loss) per share calculation.

	<b>31 August 2018</b>	31 August 2017
<b>Basic earnings/(loss) per share (euro cent)</b>		
Continuing	<b>281.32</b>	26.5
Discontinued	<b>(32.66)</b>	(3.50)
	<hr/>	<hr/>
	<b>248.66</b>	23.00
	<hr/>	<hr/>
<b>Diluted earnings/(loss) per share (euro cent)</b>		
Continuing	<b>272.46</b>	26.5
Discontinued	<b>(32.66)</b>	(3.50)
	<hr/>	<hr/>
	<b>239.80</b>	23.00

**(7) Dividends**

	<b>31 August 2018</b>	31 August 2017
	<b>€'000</b>	€'000
€0.00 per qualifying ordinary share (31 August 2017: €0.00)	-	490
	<hr/>	<hr/>

A dividend is not declared in respect of 2018 or 2017. A final dividend for 2016 of €0.05 per share was paid on 9 December 2016.

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

**Additions and disposals**

During the year ended 31 August 2018, the Group acquired assets for €1,133,000 (31 August 2017: €454,000). Assets with a net book value of €90,000 were disposed of during the year ended 31 August 2018 (31 August 2017: €3,127,000), resulting in a gain on disposal of €106,000 (31 August 2017: gain of €41,000).

**(9) Investment property**

	<b>31 August 2018</b>	31 August 2017
	<b>€'000</b>	€'000
Balance at beginning of year	<b>3,552</b>	19,021
Change in fair value	<b>43</b>	52
Disposal	<b>(1,115)</b>	(15,509)
Effect of movement in exchange rates	-	(12)
<b>Balance at end of year</b>	<b>2,480</b>	3,552

Investment property includes the Oatfield site in Letterkenny and property in Donegal and Dublin.

**Additions and disposals**

During the year ended 31 August 2018, the Group did not acquire any investment properties (31 August 2017: €nil). The Group disposed of investment property with a carrying value of €1,115,000 during the year (31 August 2017: €15,509,000) resulting in a loss on disposal of €24,000 (31 August 2017: gain of €288,000).

**(10) Asset held for sale**

	<b>31 August 2018</b>	31 August 2017
	<b>€'000</b>	€'000
Balance at beginning of year	<b>23,835</b>	23,835
Disposal	<b>(23,835)</b>	-
<b>Balance at end of year</b>	<b>-</b>	23,835

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

The asset held for sale was not held at market value and was accounted for using the equity accounting method up to the date of transfer from investment in associates with no subsequent remeasurement up to the date of disposal.

On 16 February 2018, Donegal announced that, under the terms of the Settlement Agreement, it received €41.5m in cash proceeds for the sale of its interest in Monaghan Middlebrook Mushrooms. A further two non-conditional deferred payments are to be received by Donegal as follows: (a) €2m, to be received on or before 15 February 2019; and (b) €2m, to be received on or before 15 February 2020, bringing the total amount receivable pursuant to the Settlement Agreement to approximately €45.5m. €4m is included within receivables at 31 August 2018.

**(11) Investment in associates**

	<b>31 August 2018</b>	<b>31 August 2018</b>	<b>31 August 2018</b>	31 August 2017	31 August 2017	31 August 2017
	<b>Interest in associate</b>	<b>Loans to associate</b>	<b>Total</b>	Interest in associate	Loans to associate	Total
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	€'000	€'000	€'000
Balance at beginning of year	-	<b>781</b>	<b>781</b>	239	769	1,008
Share of increase in net assets after tax	-	-	-	(90)	-	(90)
Interest charged	-	<b>6</b>	<b>6</b>	-	12	12
Disposal of investment in associate	-	-	-	(149)	-	(149)
Repayment of loan to associate	-	<b>(532)</b>	<b>(532)</b>	-	-	-
<b>Balance at end of year</b>	-	<b>255</b>	<b>255</b>	-	781	781

Investments in associates comprise of North Western Livestock Holdings Limited (NWLH). The Group's investment in Leapgrange was sold during 2017.

## (12) Exceptional items

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

		<b>31 August 2018</b>	31 August 2017
		<b>€'000</b>	€'000
Gain on disposal of asset held for sale – MMM	a	<b>19,392</b>	-
Reversal of legal costs payable in respect of the option over financial asset held in MMM	b	<b>240</b>	-
Legal costs in respect of the legal case with MMM	c	<b>(413)</b>	(778)
Restructuring costs	d	<b>(50)</b>	(141)
Profit on disposal of subsidiary	e	-	293
Cost of disposal of subsidiary	f	-	(148)
Recycle of currency translation differences of subsidiary disposed	g	-	(370)
Other legal costs	h	<b>(69)</b>	-
Income tax expense in respect of exceptional items		<b>(60)</b>	-
<b>Exceptional costs – continuing operations</b>		<b>19,040</b>	(1,144)
Recycle of currency translation differences of discontinued operations	i	<b>(676)</b>	-
<b>Total exceptional costs for the year</b>		<b>18,364</b>	(1,144)

a) On 16 February 2018, Donegal Investment Group plc announced that, under the terms of the Settlement Agreement, it received €41.5m in cash proceeds for the sale of its interest in Monaghan Middlebrook Mushrooms (MMM). A further two non-conditional deferred payments are to be received by Donegal as follows: (a) €2m, to be received on or before 15 February 2019; and (b) €2m, to be received on or before 15 February 2020, bringing the total amount receivable pursuant to the Settlement Agreement to approximately €45.5m. This has resulted in a gain on disposal of €19.4m.

b) Reversal of legal costs payable in respect of the option over the financial asset held in MMM and were associated with the legal case with MMM which was settled during the year as a result of the settlement referred to above.

c) Legal costs are costs in respect of the settled legal case with MMM.

d) Restructuring costs include legal and professional advice in respect of costs associated with restructuring the Group.

e) Profit on sale of subsidiary, Chef in a Box Limited and Biogreen Foods Limited, disposed during 2017.

f) Costs of disposal of subsidiary in 2017 include legal & taxation advice and brokerage fees.

g) Non cash recycle of foreign exchange translation reserves on foreign subsidiary disposed in 2017.

h) Other legal costs are costs in respect of the share redemption incurred during the year.

i) Non cash recycle of foreign exchange translation reserves on Brazilian operations discontinued in 2018.

## (12) Share capital

	Ordinary shares of €0.13 each		Redeemable shares of €0.13 each		Deferred shares of €0.13 each		Total
	Number	€'000	Number	€'000	Number	€'000	€'000
<b>AUTHORISED</b>							
At 1 September 2017	50,000,000	6,500	-	-	-	-	6,500
Amendment to capital in the year	(5,140,000)	(668)	5,140,000	668	5,140,000	668	668
Cancellation of shares following conversion and redemption	-	-	(4,860,336)	(632)	-	-	(632)
<b>At end of year</b>	<b>44,860,000</b>	<b>5,832</b>	<b>279,664</b>	<b>36</b>	<b>5,140,000</b>	<b>668</b>	<b>6,536</b>
<b>ISSUED, CALLED UP AND FULLY PAID</b>							
At 1 September 2017	10,285,590	1,337	-	-	-	-	1,337
Converted in the year	(4,860,336)	(632)	4,860,336	632	-	-	-
Redeemed in the year	-	-	(4,860,336)	(632)	-	-	(632)
<b>At end of year</b>	<b>5,425,254</b>	<b>705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>705</b>

As a result of the Extraordinary General Meeting held on 16 May 2018, the authorised share capital of the Company was increased from €6,500,000 to €7,836,400 by, inter alia, the creation of an additional 5,140,000 Deferred Shares of €0.13 each and the conversion of Redeemable shares of 5,140,000 Deferred Shares of €0.13 each.

The Ordinary Shares and the Redeemable Ordinary Shares rank *pari passu*. A Deferred Share has no rights other than a right to participate in any surplus arising on the winding up of the Company up to the nominal amount paid up on the Deferred Share.

The 5,140,000 deferred shares will be removed as a class from the authorised share capital of the Company if no deferred shares come into existence within six months of 16 May 2018.

No ordinary shares held by the Company as Treasury Shares were converted into Redeemable Ordinary Shares during the year.

### Share redemption

Under the terms of the redemption approved by shareholders, the Company was authorised to redeem up to 5,140,000 Redeemable Ordinary Shares. 4,860,336 Ordinary Shares (approximately 53.7 per cent of each Shareholder's total holding of Ordinary Shares) as at the conversion date of 17 May 2018 were converted into Redeemable Ordinary Shares and redeemed at €9.25 per share.

As part of the share redemption, a member could notify the Company before the conversion of his Ordinary Shares of his unwillingness to have some of his Ordinary Shares converted into Redeemable Ordinary Shares. The directors could convert up to 5,140,000 of the existing Ordinary Shares into Redeemable Ordinary Shares. Whereby a member notified the Company in accordance with section 83 of the Companies Act 2014 of his unwillingness to have any of his Ordinary Shares converted into Redeemable Ordinary Shares, that percentage of his Ordinary Shares which would have been converted into Redeemable Ordinary Shares shall instead be converted into Deferred Shares. No such notifications from members were received in advance of the redemption.

### Share premium

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

### Other undenominated share capital

Other undenominated share capital of €632,000 (4,860,336 ordinary shares redeemed) arose as a result of the share redemption in the year.

**(12) Share capital** *(continued)*

**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 2018, the Group held 1,235,016 of the Company's shares (2017: 537,573). This represented 22.8% (2017: 5.23%) of the issued share capital of the Company. The distribution of retained earnings is restricted by the value of own shares held.

On 28 November 2018, the Board approved the cancellation of 53.7% or 664,447 treasury shares in line with the pro-rata conversion and redemption applied to all other shareholders under the Return of Capital.

**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.

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

The Group purchased 9,276 ordinary shares of 13 cent held as treasury shares subsequent to the year end, for a total cost of €83,463.

On 28 November 2018, the Board approved the cancellation of 53.7% or 664,447 treasury shares in line with the pro-rata conversion and redemption applied to all other shareholders under the Return of Capital.

The Group acquired the minority interest 25% shareholding in McCorkell Holdings Limited on 25 October 2018.

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