

ANNOUNCEMENT OF RESULTS FOR THE 6 MONTHS ENDED 28 FEBRUARY 2017
27 April 2017

Donegal Investment Group plc ('DIG') ('Group') reports its results for the 6 months ended 28 February 2017.

FINANCIAL HIGHLIGHTS - UNAUDITED

- Adjusted operating profit increased by €2.0m for the period to €3.5m as a result of the significant improvement in the performance of our seed potato business which recorded a profit of €2.5m, up €2.0m on the six months to 29 February 2016.
- Group revenue decreased by €3.5m, with the majority of this reduction resulting from the cessation of certain potato trading activities in our AJ Allan business. While a significant portion of the Group's revenue is sterling based the negative impact of the weakness in sterling post Brexit has in the main been offset by margin recovery and the Group's management of its sterling exposure during the period.
- Profit before tax and exceptional items for the period was €3.2m, an increase of €2.0m over the six months to 29 February 2016 (an increase €2.9m without a contribution from associates in the prior period).
- The Group currently holds its shareholding in Monaghan Middlebrook Mushrooms as an asset held for sale as its value is expected to be recovered through a sale transaction, and therefore no longer provides a contribution to our share of profits from associates.
- Exceptional costs of €0.3m are related to the ongoing legal case with respect to the Group's shareholding in Monaghan Middlebrook Mushrooms.
- Net debt decreased by €1.6m to €16.4m as at 28 February 2017.
- Non-core asset disposals of €1.6m resulting in a gain on disposal of €0.3m.
- Adjusted EPS increased 13.6c to 30.1c.

Continuing operations – pre-exceptional		6 months ended 28 February 2017	6 months ended 29 February 2016	Change
Revenue - continuing operations	€	€46.4m	€49.9m	(€3.5m)
Adjusted operating profit	€	€3.5m	€1.5m	+€2.0m
Profit before tax – continuing operations	€	€3.2m	€1.2m	+€2.0m
Operating cash flow before interest & tax	€	(€2.3m)	(€1.9m)	(€0.4m)
Adjusted earnings per share*	Cent	30.1c	16.5c	+13.6c
Basic earnings per share – continuing operations	Cent	26.4c	13.0c	+13.4c
Net debt	€	€16.4m	€18.0m	(€1.6m)
Investment property carrying value	€	€17.7m	€18.6m	(€0.9m)
Net asset value per share**	€	€6.02	€5.97	+€0.05

** 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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H1 2016/17 Performance Review

The Board is very satisfied with the first half performance, with all businesses, on or ahead of plan for the first 6 months of the year. Our produce seed potato business is now benefitting from the initiatives introduced during 2015 and early 2016 and as first advised in our 2015 preliminary results announcement. Our Food-Agri businesses and in particular our speciality dairy business, while continuing with further strong volume growth remained challenged by trading conditions post Brexit as a result of the weakness in sterling.

While Group revenue decreased by €3.5m for the first six months of 2016/17, our operating profit increased by €2.0m to €3.5m, reflecting in the main the continued improvement in the performance of our produce seed potato business.

Summary Operations Review

Produce

Revenue was down by €2.9m to €21.6m with a segmental profit of €2.5m, an increase of €2.0m on the prior period.

The first 6 months of 2016/17 has seen improved trading conditions for our seed potato varieties in key destination markets. Similar to the prior season, while the harvest of seed potato in several European countries has been negatively impacted by weather conditions, the diverse nature of IPM's growing platform has resulted in normal levels of production of seed being achieved.

During the period, AJ Allan ceased providing a trading service to a number of contract growers which resulted in reduced revenue while not impacting the bottom line performance of the produce segment.

The majority of sales generated occur in the months of October to December of any year and have a material impact on the bottom line performance of the produce segment in any twelve month period.

Food-Agri & Property

Revenue from operations decreased by €0.6m to €24.8m. The segmental result for the period was a profit of €0.9m, a reduction of €0.1m on the six month period to 29 February 2016.

Our speciality dairy business continues to experience good volume growth. However with a significant portion of sales being exported to the UK the recent sterling weakness has impacted on turnover and consequently margins. While growth is the ongoing focus of this business, management have had significant recent success in margin recovery which will ensure the business continues to generate a profit.

Our animal feeds business Smyths, again experienced a satisfactory first six months with both tonnage and margins in line with the six month period to 29 February 2016.

In addition, a number of properties located in Donegal were disposed of during the period resulting in a gain on disposal of €0.3m.

Associate

Our main associate investment, Monaghan Middlebrook Mushrooms, through our shareholding in Elst (the holding company of Monaghan Middlebrook Mushrooms business) is now accounted for as an asset held for sale. This business continues to perform very well and although it will no longer provide a contribution to our share of profits from associates, its value is expected to be recovered through a sale transaction.

Please see Note 10, which contains the most recent announcement, 27 February 2017, made with regard to the ongoing legal case.

Finance

The Group's net debt at 28 February 2017 was €16.4m, a decrease of €1.6m on 29 February 2016.

Dividend Policy

As stated in our recent trading announcement of 3 April 2017, the Board has taken the decision to discontinue the payment of dividends for the foreseeable future with the view of, subject to the requirements of the Company's businesses, returning capital to shareholders in the more tax efficient form of a share buy-back programme. The timing and scale of any share buybacks are dependent on the requirements of the Company's businesses, completion of our non-core asset disposal programme as well as the finalisation of the Monaghan Middlebrook Mushrooms legal case.

Outlook

The majority of sales generated by the Group occur in the first half of the new financial year to 31 August due to the seasonal nature of our seed potato business, and to a lesser extent our animal feeds business. Therefore, the Group's first half performance will represent a materially significant element of the Group's full year performance.

The Board expects continued progress in respect of the Group's non-core asset disposal programme during the second half of the year. The Board is aware of speculation regarding the Grianan Estate and wish to confirm the sales process continues and an offer has been received which may or may not result in a completed sale.

The Board is optimistic that all businesses will remain on plan for the remainder of the year and we will provide guidance on our expected out turn for our new year-end 31 August 2017 at an appropriate time later in the year.

Geoffrey Vance
Chairman

Donegal Investment Group plc
Condensed consolidated statement of profit or loss and comprehensive income
for the 6 months ended 28 February 2017

		Unaudited				Unaudited			Audited	
	Note	Pre-Exceptional €'000	Note 12 Exceptional €'000	6 months ended 28 February 2017 Total €'000	Pre-Exceptional €'000	Note 12 Exceptional €'000	6 months ended 29 February 2017 Total €'000	Pre-Exceptional €'000	Note 12 Exceptional €'000	8 months ended 31 August 2016 Total €'000
Continuing operations										
Revenue	5	46,403	-	46,403	49,888		49,888	47,501	-	47,501
Cost of sales		(33,206)	-	(33,206)	(37,242)		(37,242)	(36,109)	-	(36,109)
Gross profit		13,197	-	13,197	12,646		12,646	11,392	-	11,392
Other income		606	-	606	168		168	546	-	546
Other expenses		(214)	-	(214)	-		-	(657)	-	(657)
Distribution expenses		(5,141)	-	(5,141)	(6,029)		(6,099)	(3,707)	-	(3,707)
Administrative expenses		(5,047)	(270)	(5,317)	(5,413)	(244)	(5,587)	(6,809)	(2,545)	(9,354)
Profit/(loss) from operating activities		3,401	(270)	3,131	1,372	(244)	1,128	765	(2,545)	(1,780)
Finance income		218	-	218	26	-	26	61	-	61
Finance expenses		(315)	-	(315)	(1,074)	-	(1,074)	(1,371)	-	(1,371)
Net finance expense		(97)	-	(97)	(1,048)	-	(1,048)	(1,310)	-	(1,310)
Share of (loss)/profit of associates (net of tax)		(90)	-	(90)	915	(221)	694	-	-	-
Profit/(loss) before income tax		3,214	(270)	2,944	1,239	(465)	774	(545)	(2,545)	(3,090)
Income tax (charge)/credit		(389)	-	(389)	533	-	533	1,262	450	1,712
Profit/(loss) for the period	5	2,825	(270)	2,555	1,772	(465)	1,307	717	(2,095)	(1,378)

Donegal Investment Group plc
Condensed consolidated statement of profit or loss and comprehensive income
for the 6 months ended 28 February 2017

	Unaudited 6 months ended 28 February 2017 Total €'000	Unaudited 6 months ended 29 February 2016 Total €'000	Audited 8 months ended 31 August 2016 Total €'000
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations	(26)	(117)	(528)
Currency translation adjustment in associate undertaking	-	113	-
Revaluation of financial instrument in associate undertaking	-	(86)	-
Revaluation of property on reclassification to investment property	-	31	-
Tax on revaluation of property on reclassification to investment property	-	(10)	-
Recycle of change in fair value of available for sale financial asset	-	(146)	(264)
Tax on recycle of change in fair value of available for sale financial asset	-	48	88
Revaluation of available for sale financial assets	20	-	5
Tax on revaluation of available for sale financial assets	(7)	-	(2)
Total comprehensive income for the period	2,542	1,140	(2,079)
Profit attributable to:			
Equity holders of the Company	2,587	1,307	(1,460)
Non-controlling interest	(32)	-	82
	2,555	1,307	(1,378)
Total comprehensive income attributable to:			
Equity holders of the Company	2,574	1,217	(2,014)
Non-controlling interest	(32)	(77)	(65)
	2,542	1,140	(2,079)
Earnings/(loss) per share:			
Basic earnings/(loss) per share (euro cent)			
Continuing	26.4	13.0	(14.7)
Diluted earnings/(loss) per share (euro cent)			
Continuing	26.2	12.9	(14.7)

Donegal Investment Group plc
Condensed consolidated statement of financial position
As at 28 February 2017

	Note	Unaudited 28 February 2017 €'000	Unaudited 28 February 2016 €'000	Audited 31 August 2016 €'000
Assets				
Property, plant and equipment	8	12,214	13,909	12,696
Investment property	9	17,660	18,624	19,021
Goodwill		3,633	3,633	3,633
Intangible assets		403	467	399
Investment in associates	10	920	1,070	1,008
Other investments		1,164	1,505	1,144
Prepayment		187	188	188
Total non-current assets		36,181	39,396	38,089
Inventories		4,346	4,047	4,419
Trade and other receivables		27,257	30,012	17,800
Current tax		-	261	43
Current financial instrument		-	120	53
Total current assets before asset held for sale		31,603	34,440	22,315
Asset held for sale	11	23,835	23,835	23,835
Total current assets		55,438	58,275	46,150
Total assets		91,619	97,671	84,239
Equity				
Share capital		1,337	1,337	1,337
Share premium		2,975	2,975	2,975
Other reserves		(2,351)	(975)	(2,430)
Retained earnings		57,021	57,374	54,951
Total equity attributable to equity holders of the Company		58,982	60,711	56,833
Non-controlling interest		1,192	1,334	1,224
Total equity		60,174	62,045	58,057
Liabilities				
Loans and borrowings		11,000	21	2
Deferred income		86	114	94
Deferred tax liabilities		1,934	3,184	1,797
Total non-current liabilities		13,020	3,319	1,893
Trade and other payables		12,718	14,318	9,350
Bank overdraft		5,421	6,022	3,621
Current financial instrument		78	-	-
Current tax		196	-	-
Loans and borrowings		12	11,967	11,318
Total current liabilities		18,425	32,307	24,289
Total liabilities		31,445	35,626	26,182
Total equity and liabilities		91,619	97,671	84,239

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the 6 months ended 28 February 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
Total comprehensive income for the period											
Profit/(loss) for the period	-	-	-	-	-	-	-	2,587	2,587	(32)	2,555
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	(26)	-	-	-	-	-	(26)	-	(26)
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	13	-	-	13	-	13
Other comprehensive income	-	-	(26)	-	-	13	-	-	(13)	-	(13)
Total comprehensive income for the period	-	-	(26)	-	-	13	-	2,587	2,574	(32)	2,542
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners											
Dividends paid	-	-	-	-	-	-	-	(490)	(490)	-	(490)
Acquisition of treasury shares	-	-	-	(23)	-	-	-	-	(23)	-	(23)
Shared based payments	-	-	-	42	-	-	73	(27)	88	-	88
Total contributions by and distributions to owners	-	-	-	19	-	-	73	(517)	(425)	-	(425)
Balance at 28 February 2017	1,337	2,975	(2,905)	(2,720)	4,190	(1,498)	582	57,021	58,982	1,192	60,174

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

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the 6 months ended 29 February 2016

	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 2015	1,337	2,975	(2,515)	(912)	4,169	(1,227)	298	56,768	60,893	1,443	62,336
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	1,307	1,307	-	1,307
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	(40)	-	-	-	-	-	(40)	(77)	(117)
Currency translation adjustment in associate undertaking	-	-	113	-	-	-	-	-	113	-	113
Change in fair value of financial instrument in associate undertaking	-	-	-	-	-	(86)	-	-	(86)	-	(86)
Net change in revaluation of property on reclassification to investment property, net of tax	-	-	-	-	21	-	-	-	21	-	21
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	(98)	-	-	(98)	-	(98)
Other comprehensive income	-	-	73	-	21	(184)	-	-	(90)	(77)	(167)
Total comprehensive income for the period	-	-	73	-	21	(184)	-	1,307	1,217	(77)	1,140
Transactions with owners recorded directly in equity											
Contributions by and distributions to owners											
Dividends paid	-	-	-	-	-	-	-	(701)	(701)	(32)	(733)
Acquisition of treasury shares	-	-	-	(803)	-	-	-	-	(803)	-	(803)
Shared based payments	-	-	-	-	-	-	105	-	105	-	105
Total contributions by and distributions to owners	-	-	-	(803)	-	-	105	(701)	(1,399)	(32)	(1,431)
Balance at 29 February 2016	1,337	2,975	(2,442)	(1,715)	4,190	(1,411)	403	57,374	60,711	1,334	62,045

Donegal Investment Group plc
Condensed consolidated statement of changes in equity
for the period ended 31 August 2016

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

Donegal Investment Group plc
Condensed consolidated statement of cash flows
for the 6 months ended 28 February 2017

	6 months ended 28 February 2017 €'000	6 months ended 29 February 2016 €'000	8 months ended 31 August 2016 €'000
Cash flows from operating activities			
Profit/(loss) for the period	2,555	1,307	(1,378)
Adjustments for:			
Depreciation	598	635	755
Amortisation of intangibles	38	18	103
Change in fair value of investment property	125	153	576
Net finance expense	97	1,048	1,310
Share of loss/(profit) of associates	90	(694)	-
Gain on sale of property, plant and equipment	(34)	-	(17)
Gain on sale of other investments	-	-	(285)
(Gain)/loss on sale of investment property	(348)	-	81
Loss on sale of subsidiary	89	-	-
Equity-settled share-based payment transactions	76	105	190
Income tax (expense)/(credit)	389	(533)	(1,712)
Change in inventories	64	(283)	472
Change in trade and other receivables	(9,242)	(8,641)	14,376
Change in trade and other payables	3,166	5,028	(13,759)
	<u>(2,337)</u>	<u>(1,857)</u>	<u>712</u>
Interest paid	(129)	(161)	(204)
Income tax refunded/(paid)	(77)	65	142
	<u>(2,543)</u>	<u>(1,953)</u>	<u>650</u>
Net cash from operating activities			
Cash flows from investing activities			
Interest received	5	4	6
Dividends received	-	39	2
Proceeds from sale of property, plant and equipment	50	-	37
Proceeds from disposal of other investments	-	-	386
Proceeds from exercise of option over financial assets	-	350	-
Proceeds from disposal of investment property	1,642	-	76
Acquisition of treasury shares	(23)	(803)	(1,099)
Exercise of share option	15	-	-
Proceeds from disposal of subsidiary	43	-	-
Acquisition of property, plant and equipment	(176)	(333)	(894)
Acquisition of intangibles	(11)	-	(37)
	<u>1,545</u>	<u>(743)</u>	<u>(1,523)</u>
Net cash used in investing activities			

Donegal Investment Group plc
Condensed consolidated statement of cash flows *(continued)*
for the 6 months ended 28 February 2017

	6 months ended 28 February 2017 €'000	6 months ended 29 February 2016 €'000	8 months ended 31 August 2016 €'000
Cash flows from financing activities			
Repayment of borrowings	(300)	(600)	(900)
Payment of finance lease liabilities	(6)	(12)	(65)
Dividend paid to non-controlling interest	-	(32)	(58)
Dividends paid	<u>(490)</u>	<u>(701)</u>	<u>(882)</u>
Net cashflow from financing activities	<u>(796)</u>	<u>(1,345)</u>	<u>(1,905)</u>
Net decrease in cash and cash equivalents	(1,794)	(4,041)	(2,778)
Cash and cash equivalents at start of period	(3,621)	(1,850)	82
Effect of exchange rate fluctuations on cash held	<u>(6)</u>	<u>(131)</u>	<u>(925)</u>
Cash and cash equivalents at period end	<u>(5,421)</u>	<u>(6,022)</u>	<u>(3,621)</u>

(1) Reporting entity

Donegal Investment Group Plc (the “Company”) is a company domiciled in Ireland. The unaudited condensed consolidated interim financial statements of the Group as at and for the six months ended 28 February 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

(2) Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with international financial reporting standard (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group, prepared in accordance with IFRS as adopted by the EU (EU IFRS) as at and for the period ended 31 August 2016. The financial information presented herein does not amount to statutory financial statements that are required by company law to be annexed to the annual return of the company. The financial statements for the financial period ended 31 August 2016 are annexed to the annual return to be filed with the Registrar of Companies. The audit report on those EU IFRS financial statements was not qualified.

These 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. These condensed consolidated interim financial statements were approved by the Board of Directors on 26 April 2017.

(3) Accounting policies

The following standards, amendments and interpretations were applicable in the financial period beginning 1 September 2016:

- Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IFRS10 IFRS 12 and IAS 28: Investment entities -exception to consolidation.

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 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.
- Associates: Associates is comprised of our existing investments in North Western Livestock Holdings and Leapgrange. In the six months ended 29 February 2016, Associates was comprised of our existing investments in Monaghan Middlebrook Mushrooms, North Western Livestock Holdings and Leapgrange. Monaghan Middlebrook Mushrooms was by far the most significant associate. The group's share of Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016

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		
	6	6	8	6	6	8	6	6	8	6	6	8
	months	months	months	months	months	months	months	months	months	months	months	months
	ended 28	ended 29	ended 31	ended 28	ended 29	ended 31	ended 28	ended 29	ended 31	ended 28	ended 29	ended 31
	February	February	August	February	February	August	February	February	August	February	February	August
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total revenues	21,558	24,499	13,745	24,845	25,389	33,756	-	33,850	-	46,403	83,738	47,501
Less : Revenue from associates	-	-	-	-	-	-	-	(33,850)	-	-	(33,850)	-
Revenue – continuing operations	21,558	24,499	13,745	24,845	25,389	33,756	-	-	-	46,403	49,888	47,501
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Segment result before exceptional items & property devaluations	2,535	511	(515)	1,070	1,142	2,046	(90)	915	-	3,515	2,568	1,531
Property devaluations	-	-	-	(125)	(153)	(576)	-	-	-	(125)	(153)	(576)
Segmental result from continuing operations before exceptional items	2,535	511	(515)	945	989	1,470	(90)	915	-	3,390	2,415	955
Exceptional items										(270)	(465)	(2,545)
Net finance expense										(97)	(1,048)	(1,310)
Income tax (expense)/credit										(389)	533	1,712
Equity-settled share-based payment transactions										(79)	(128)	(190)
Profit/(loss) for the period – continuing operations										2,555	1,307	(1,378)

Donegal Investment Group plc
Notes to the unaudited preliminary condensed consolidated financial statements *(continued)*
for the 6 months ended 28 February 2017

(5) Segment Information (continued)

Business segments (continued)

	Produce			Food-Agri & Property			Associates			Total-Group		
	28	29	31	28	29	31	28	29	31	28	29	31
	February	February	August	February	February	August	February	February	August	February	February	August
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment assets	16,747	18,750	8,850	50,117	53,896	50,493	-	-	-	66,864	72,646	59,343
Investments in associates	-	-	-	-	-	-	920	1,070	1,008	920	1,070	1,008
Asset held for sale												
(unallocated)	-	-	-	-	-	-	-	-	-	23,835	23,835	23,835
Current financial instrument												
(unallocated)	-	-	-	-	-	-	-	-	-	-	120	53
Total assets	16,747	18,750	8,850	50,117	53,896	50,493	920	1,070	1,008	91,619	97,671	84,239
Segment liabilities	3,903	6,205	1,843	9,097	8,227	7,601	-	-	-	13,000	14,432	9,444
Bank overdraft (unallocated)										5,421	6,022	3,621
Loans and borrowings												
(unallocated)										11,012	11,988	11,320
Current financial instrument												
(unallocated)										78	-	-
Deferred tax (unallocated)										1,934	3,184	1,797
Total liabilities										31,445	35,626	26,182
Capital expenditure	43	79	161	145	254	770	-	-	-	187	333	931
Depreciation and												
amortisation	185	227	275	451	426	585	-	-	-	636	653	860
Revaluation of investment												
property and other assets	-	-	-	105	299	571	-	-	-	105	299	571
	Island of Ireland			Europe			Rest of World			Total-Group		
	28	29	31	28	29	31	28	29	31	28	29	31
	February	February	August	February	February	August	February	February	August	February	February	August
	2017	2016	2016	2017	2016	2016	2017	2016	2016	2017	2016	2016
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue from external	38,786	43,923	40,925	7,285	5,475	5,998	332	490	578	46,403	49,888	47,501
customers												
Segment assets	87,558	92,404	79,473	3,381	4,562	4,261	680	705	505	91,619	97,671	84,239
Capital expenditure	167	275	656	20	26	83	-	32	12	187	333	751

(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 first half weighted. This weighting is primarily driven by weather and global buying patterns.

(6) Earnings per share

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

	28 February 2017	29 February 2016	31 August 2016
	€'000	€'000	€'000
Earnings/(loss) for the period	2,555	1,307	(1,378)
Earnings/(loss) attributable to ordinary shareholders	2,587	1,307	(1,460)
Weighted average number of ordinary shares	28 February 2017	29 February 2016	31 August 2016
In thousands of shares			
Weighted average number of ordinary shares in issue for the period	10,286	10,286	10,286
Weighted average number of treasury shares	(493)	(270)	(369)
Denominator for basic earnings per share	9,793	10,016	9,917
Effect of share options in issue	87	135	96
Weighted average number of ordinary shares (diluted) at end of period	9,880	10,151	10,013

The Group purchased 3,969 treasury shares at a total purchase price of €23,000 including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme.

	28 February 2017	29 February 2016	31 August 2016
Basic earnings/(loss) per share (euro cent)			
Continuing	26.4	13.0	(14.7)
Diluted earnings/(loss) per share (euro cent)			
Continuing	26.2	12.9	(14.7)

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

(7) Dividends

	28 February 2017	29 February 2016	31 August 2016
	€'000	€'000	€'000
€0.05 per qualifying ordinary share (29 February 2016: €0.07)	490	701	882

(8) Property, plant and equipment

Additions and disposals

During the 6 months ended 28 February 2017, the Group acquired assets for €187,000 (29 February 2016: €333,000). Assets with a net book value of €16,000 were disposed of during the 6 months ended 28 February 2017 (29 February 2016: €Nil), resulting in a gain on disposal of €34,000 (29 February 2016: €Nil).

(9) Investment property

	28 February 2017	29 February 2016	31 August 2016
	€'000	€'000	€'000
Balance at start of the period	19,021	18,303	18,634
Change in fair value	(125)	(153)	(13)
Reclassification from land & buildings	-	483	500
Disposals	(1,236)	-	(73)
Effect of movement in exchange rates	-	(9)	(27)
Balance at end of the period	17,660	18,624	19,021

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

Additions and disposals

During the 6 months ended 28 February 2017, the Group did not acquire any investment properties (29 February 2016: €Nil). The Group disposed of investment property with a carrying value of €1,236,000 during the period (29 February 2016: €Nil) resulting in a gain on disposal of €348,000 (29 February 2016: €Nil).

(10) Investment in associates

	28 February 2017	28 February 2017	28 February 2017	29 February 2016	29 February 2016	29 February 2016	31 August 2016	31 August 2016	31 August 2016
	Interest in associate	Loans to associate	Total	Interest in associate	Loans to associate	Total	Interest in associate	Loans to associate	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at start of the period	239	769	1,008	23,353	830	24,183	24,074	830	24,904
Share of (decrease)/increase in net assets after tax	(90)	-	(90)	721	-	721	-	-	-
Impairment of loan to associate	-	-	-	-	-	-	-	(63)	(63)
Interest charged	-	2	2	-	1	1	-	2	2
Transfer to asset held for sale	-	-	-	(23,835)	-	(23,835)	(23,835)	-	(23,835)
Balance at end of the period	149	771	920	239	831	1,070	239	769	1,008

The Group's share of results in its associates, for the 6 months ended 28 February 2017 was a loss of €90,000 (29 February 2016: a profit of 721,000, substantially all related to Monaghan Middlebrook Mushrooms. The group's share of Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016).

(10) Investment in associates (*continued*)

As previously advised, the Company took a shareholder oppression claim relating to its shareholding in Elst (the unlimited holding company of the Monaghan Middlebrook Mushrooms business) ("**Monaghan**"). The respondents to this claim were the majority shareholders in Monaghan (the "**Respondents**"). The Commercial Court, a division of the High Court, gave judgment on 5 December 2014 in an individual module of the case, being the price at which the Respondents might purchase the Company's interest in Elst (the "**Valuation Module**"). The Court determined this price to be €30.6m. This price was based on a shareholding of 35% in Elst (the "**High Court Valuation Order**"). In separate proceedings, the Court held that the Respondents had an option to acquire 5% of Elst that was held by the Company. This Option has been exercised and the Company's shareholding in Elst is now 30%. On the basis of a 30% shareholding in Elst, the Company's interest in Elst was valued by the Commercial Court pursuant to the judgment of 5 December 2014 at €26,228,570.

After the Valuation Module, the Commercial Court proceeded to a hearing on oppression and the appropriate remedy that ought to be directed (the "**Remedy/Oppression Module**"). On 21 May 2015, the Respondents (being the majority shareholders in Elst) 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 Elst at the price fixed by it on 5 December 2014 (the "**High Court Remedy Order**"). On 5 June 2015, the Commercial Court made an order for costs in respect of the Valuation Module and Remedy/Oppression Module in favour of Donegal (the "**High Court Costs Order**").

The Company appealed the High Court Valuation Order and High Court Remedy Order to the Court of Appeal. The appeals were heard by the Court of Appeal in April 2016. The Court of Appeal delivered judgment on 8 June 2016. The Court of Appeal allowed the Company's appeal in respect of the High Court Valuation Order. It vacated the said Order and remitted back to the High Court for a rehearing on the price at which the Respondents should purchase the Company's 30% shareholding in Elst (the "**Court of Appeal Valuation Order**") (the "**Rehearing**").

The Court of Appeal upheld the decision of the High Court in respect of the High Court Remedy Order save in relation to the precise amount which falls to be determined in the Rehearing.

The Respondents also appealed the High Court Costs Order to the Court of Appeal. The appeal was heard on 7 July 2016 and judgment was delivered on 27 July 2016 allowing the appeal. The High Court Costs Order was vacated and the Court of Appeal directed that there be no Order as to costs in respect of the Valuation Module and the Remedy/Oppression Module (the "**Court of Appeal Costs Order**").

The Respondents sought leave to appeal the Court of Appeal Valuation Order to the Supreme Court ("**Respondents' SC Appeal**") and following that the Company sought leave to appeal the Court of Appeal Costs Order ("**DIG SC Costs Appeal**"). Leave to appeal was granted by the Supreme Court in both applications and the Supreme Court heard the Respondents' SC Appeal on 31 January 2017. The Rehearing was originally scheduled for December 2016, however, it was vacated pending the outcome of the Respondents' SC Appeal.

Judgment was delivered by the Supreme Court in the Respondents' SC Appeal on 27 February 2017, and the appeal was dismissed. Accordingly, the Rehearing will now take place and the Company will be making an application for the setting of such a date (which will take a number of days) at the earliest appropriate opportunity. Given the length of time a Rehearing will take, it would not be expected to take place for a number of months, but it would be expected to be heard during the second half of 2017.

Now that the Respondents' SC Appeal has been dealt with, the Supreme Court has sought legal submissions from both sides on the DIG SC Costs Appeal and a hearing date will be allocated in due course. Costs accrued during the Respondents' SC Appeal will also be dealt with at the same time as this appeal is dealt with.

(11) Asset held for sale

	28 February 2017	29 February 2016	31 August 2016
	€'000	€'000	€'000
Balance at start of period	23,835	-	-
Transfer from investment in associates	-	23,835	23,835
Balance at end of period	23,835	23,835	23,835

As outlined in note 10, as a result of the Court of Appeal decision to uphold the High Court Remedy Order, the Group's share in Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016, as its value will be recovered through a sales transaction. Accordingly, we are no longer accounting for a share of profit in Monaghan Middlebrook Mushrooms from that date.

The asset held for sale is not held at market value and was accounted for using the equity accounting method up to the date of transfer from investment in associates. A valuation report commissioned by Donegal Investment Group which values the Group's shareholding in Monaghan Middlebrook Mushrooms at an amount significantly higher than its current carrying value.

(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:

	28 February 2017	29 February 2016	31 August 2016
	€'000	€'000	€'000
Restructuring costs	a -	-	(141)
Associate exceptional costs, net	b -	(221)	-
Reversal of legal costs receivable in respect of oppression action concerning Monaghan Middlebrook Mushrooms	c -	-	(1,800)
Legal costs in respect of the ongoing legal case concerning Monaghan Middlebrook Mushrooms	(270)	(214)	(569)
Legal costs receivable in respect of other legal cases	-	(30)	(35)
Income tax expense in respect of exceptional items	-	-	450
	(270)	(465)	(2,095)

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

b) Associate exceptional costs include costs in respect of a change in EU grant funding model and redundancy costs.

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

(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 €338,000 relating to two executive directors for the period (28 February 2016: €297,000). Total remuneration is included in “administration expenses.”

Other related party transactions

	Transaction value			Balance outstanding		
	28 February	29 February	31 August	28 February	29 February	31 August
	2017	2016	2016	2017	2016	2016
	€'000	€'000	€'000	€'000	€'000	€'000
Sale of goods and services						
Sales by Group to directors	137	142	192	24	22	39

(14) Events after the balance sheet date

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