COILLTE

GROW · TRANSFORM · SUSTAIN

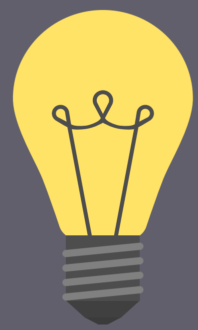
ANNUAL REPORT & ACCOUNTS 2017

Our **Core Values**

Our Core Values guide how we act, make decisions and interact with all our stakeholders.

RESPECT

EMPOWERMENT



SIMPLICITY

OUTWARD LOOKING

RESPONSIBLE

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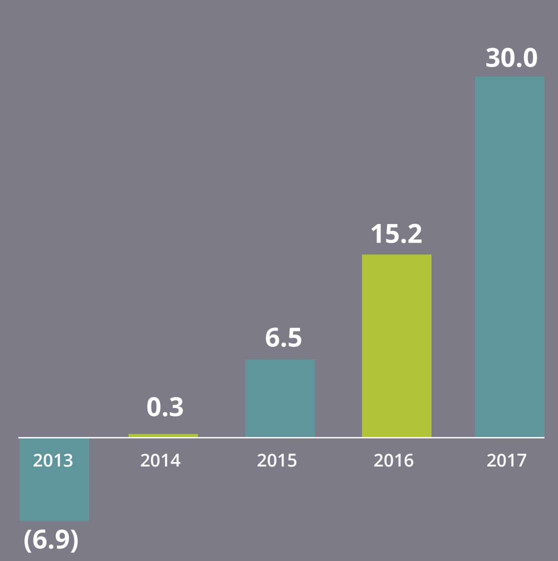
Financial Performance

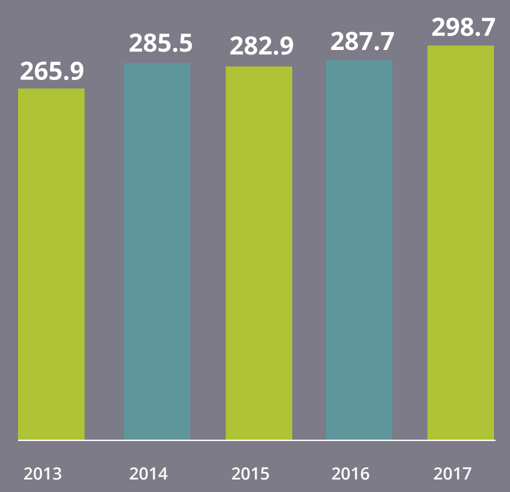
"Continued growth in operating cash is crucial to ensuring we achieve a 5% cash yield from our €1.4 billion asset base"

Fergal Leamy, Chief Executive

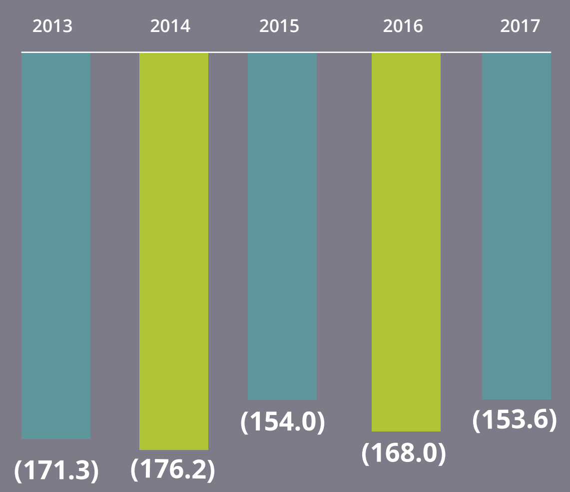
Operating cash flow (€'million)



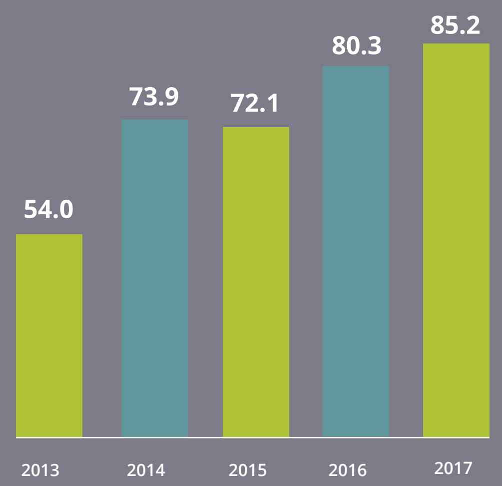
Turnover (€'million)



Net debt (€'million)



EBITDA* (€'million)

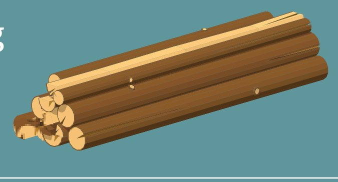


** excluding large scale land transactions*

2017 Highlights

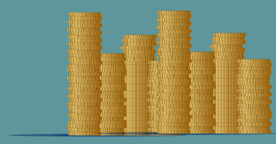
€16.0m cost savings

Achieved from the Group restructuring



€30.0m operating cash delivered

Doubled year on year



19.5m trees planted

Highest in 10 years

1.64m m³ of logs sold

23% increase since 2015

€68.0m investment with global partners

To build the world's first Tricoya wood chip manufacturing plant

Wind Farm Projects

Sliabh Bawn and Cloosh Valley

Started exporting power to the national grid

Forest Harvesting Site

Chairman's Statement

John Moloney
Chairman

> "The relentless focus on achieving the strategic objectives we set out in 2015 combined with a strong customer focus means we have created a much more sustainable, cash generative business."

I am delighted to report that 2017 was another strong year of transformation and growth for the Coillte Group. Despite an uncertain economic environment, the relentless focus on achieving the strategic objectives we set out in 2015 combined with a strong customer focus means we have created a much more sustainable, cash generative business. This provides a strong financial return to our shareholder and supports the delivery of world class environmental and recreational facilities that benefit communities across Ireland.

The Group delivered a strong financial performance in 2017. Profit before exceptional items, large scale land trading transactions and revaluation gains grew by 3% to €48.7 million and operating cash doubled to €30.0 million. This represents an EBITDA cash conversion of 35%. Significant cost savings of €16.0 million were realised in 2017 as a result of the Group restructuring and the favourable financing arrangements agreed at the end of 2016. A continued sharp focus on overhead cost reduction and growing recurring cash will be imperative to achieving a consistent 5% cash yield from our €1.4 billion asset base by 2020.

Progressive Dividend

Reflecting the Group's excellent performance in 2017, the Board approved a dividend payment of €8.0 million to our shareholder which represents an increase of 29% compared to 2016. In addition to consistently increasing the financial return to our shareholder over the last five years, Coillte continues to deliver first class environmental, recreational and social benefits to the people who enjoy our forests.

Strategic Development

In 2017 the Group successfully implemented the third year of its ambitious growth strategy that is transforming the Group's commercial performance and positioning Coillte as the best forestry and land solutions company in Europe.

The Group completed an important strategic review of the wind energy business to assess the value of our current wind farm portfolio and look at how to maximise value from future renewable energy investments on our land. We are now moving forward on our ambitious plans to develop 1,000 MW of renewable energy that will power up to one million homes and make a substantial contribution to the achievement of Ireland's 2040 renewable energy targets. It is intended to commence a process to identify a strategic partner in 2018 to support us in delivering on this ambition. In March 2018 we announced a formal sales process to explore investor interest in acquiring Coillte's joint venture share in our four operating wind farms. Capital realised from a successful sale will be reinvested back into our core forestry business and to co-fund future wind development opportunities.

Importantly, during 2017 the Group undertook a review of Coillte's longer term strategy with the aim of designing a strategic direction for the Group beyond 2020. A comprehensive review of international best practice on climate change mitigation and disruptive technologies highlighted the crucial role Coillte will play in the low-carbon economy and the importance of technology in driving real value throughout our supply chain. Looking forward we will continue to prioritise growth opportunities that will deliver the highest potential return for our business.

Our Businesses

Our three business divisions have made significant progress in achieving their strategic ambitions and are now very well positioned within their markets to deliver further significant progress into the future.

Forestry at our Core

Forestry is our core business. In 2015 we benchmarked extensively to set a long-term cash yield target for this business that will position it as the best forestry company in Europe. A strong focus on growing sustainable operating cash flows and becoming a more customer focused business has resulted in the Group making substantial progress towards achieving this goal.

2017 was a record year for our forestry operations with 1.64 million m^3 of logs sold to our customers and 19.5 million trees planted, which is the highest level of sales and establishment achieved in over 10 years. The continued growth in our operational performance is supported by the deployment of innovative, leading edge technologies. In 2018 our new, world class Forest Management System (FMS) will be rolled-out across the Group which will allow us to significantly improve our operational efficiency and further increase the production capacity of our estate. This will offer our customers more security of supply, support them in growing their businesses and expanding into export markets, which helps secure downstream employment throughout Ireland.

Implementing key initiatives that will help mitigate against climate change is becoming increasingly important, and as the largest land owner in the country and a European leader in the forestry industry, Coillte has a critical role to play in the low carbon economy. Coillte can offer multiple solutions that will maximise carbon sequestration and storage without compromising the overall growth of the agri-food sector. Irish forestry sequesters 2.2 million tonnes of CO_2 from the atmosphere every year by storing carbon in trees and we are actively working with our shareholder to develop a commercial solution for afforestation so that Coillte can contribute significantly to Ireland's objective of increasing forest cover from 10.5% today to 18% by 2046. Furthermore, to support the continued growth of the Irish forestry sector and the mobilisation of private forestry, in March 2017 we launched Coillte Premium Partners, an initiative that offers private forestry owners sustainable forestry management services and an annual income stream.

Value-added Wood Panel Products

Our wood based panels business, MEDITE SMARTPLY, is a leading supplier of innovative, market led MDF and OSB value-added products that are exported around the globe. This business complements our core forestry business by providing an important outlet of scale for pulpwood from Coillte and private forests and for woodchips which are a co-product of sawmill operations.

During 2017 the division continued its strong investment in new product development and world class enabling technologies. In July 2017 construction work commenced on the world's first wood chip acetylation plant in Hull, UK following a €68.0 million investment agreed with global partners BP and Accsys Technologies earlier in the year. Wood chips produced by this new plant will be used in our Clonmel plant to manufacture our innovative MEDITE® TRICOYA® EXTREME product that can be used for a wide range of applications previously limited to products such as concrete, metal or plastics. This new plant, along with Smartply's new €59.0 million manufacturing facility that was commissioned in 2016, underpins the division's differentiated, value-added business model and positions the business as a European leader in sustainable, value-added panel products.

Furthermore, in 2017 the business continued to develop its sales and marketing capabilities so that it can work more effectively with its customers to understand their needs and deliver the products and services required to meet new end market demand in Europe and beyond.

Realising Value from our Land Assets

Coillte's land solutions division is primarily focused on developing an active portfolio asset management business that is driven by market and customer insights. It provides commercial land solutions that generate recurring cash flows from Coillte land while supporting the delivery of Government policies in areas such as renewable energy, tourism and infrastructure, without diminishing the wood production or carbon sequestration potential of our forest estate.

2017 was a significant year of progress for our renewable energy business. Sliabh Bawn Wind Farm in Co. Roscommon and Cloosh Valley Wind Farm in Co. Galway both started exporting power to the national grid and Castlepook Wind Farm in Co. Cork became fully operational in March 2018. As I outlined above, during the year we completed an important strategic review of this business and defined our future ambition to develop 1,000 MW of renewable energy power.

In March 2018, following extensive consultation and community engagement, we received planning for our first residential development in Moycullen, Co. Galway for 61 housing units. This is a prime example of where we can effectively deploy our land to provide solutions for priority national objectives. We have identified a number of strategic sites within our diverse land bank that have potential to support more key national policy priorities over the coming years.

Our People and Culture

The strength and capabilities of our people is at the heart of Coillte's success.

I would like to offer my congratulations and thanks to my Board colleagues, our Chief Executive Fergal Leamy and all our people throughout the organisation for their ongoing hard work and determination that contributed to the Group's high performance in 2017.

Coillte's culture and values are key to the Group's continued transformation and success and it is the commitment and enthusiasm of our people that enables the delivery of our strategic ambitions. Therefore, as we move forward from a period of intense restructuring it is important that we really embed our values so that they underpin the way we do business with all of our stakeholders.

Governance and Board Changes

Strong corporate governance is fundamental to our continued success and ability to achieve the strategic priorities that will deliver value and continued growth in our business. Following a comprehensive recruitment process, two new non-executive Directors were appointed to the Coillte Board on 26 February 2018. I would like to welcome Gerard Gray and Patrick Eamon King who bring considerable international and commercial experience to the Board.

2018 Outlook

Although the challenges posed by Brexit create a more challenging operating environment, I believe that Coillte is in a better position than ever before to maintain its growth momentum and deliver significantly more value to its shareholder in 2018 and beyond. Global demand for high quality wood fibre, sustainable low carbon building products and renewable energy is increasing and this creates a number of growth opportunities for our business. A continued strong focus on our five year targets set out in 2015 along with clear direction on the Group's longer term strategy will allow us to continue to transform and grow the commercial performance of the Group while also providing valuable environmental, social and recreational facilities.

Thank You

On behalf of Coillte I would like to thank our customers, contractors, suppliers and partners for their continued support and engagement during the year. We remain committed to working in partnership with you as we manage our way through the challenges ahead and aim to achieve our shared objectives.

On behalf of the Board and myself I want to acknowledge the support of our shareholder,the Minister for Agriculture, Food and the Marine,Mr. Michael Creed TD, and the Minister for Public Expenditure and Reform, Mr. Paschal Donohue TD and their officials. I would also like to thank Minister of State, Mr. Andrew Doyle TD, for his ongoing encouragement during 2017. During the year, the Group continued to interact regularly with NewERA in their role as commercial advisors to the shareholder. In this regard I would also like to thank Dr. Eileen Fitzpatrick, Director of NewERA and her officials for their support and guidance.

John Moloney
Chairman

Fergal Leamy (Chief Executive) with Dermot O'Leary (Nurseries Manager) at a recent visit to Ballintemple, Nurseries, Co. Carlow during plant lifting season

Chief Executive's Review

Fergal Leamy
Chief Executive

> "A key strategic focus for our business is to generate a positive cash flow from recurring operations. I am delighted that we continued to make real progress on this challenge with operating cash doubling to €30.0 million in 2017."

I am very pleased to report that 2017 has been a successful transformational year for the organisation. We enter 2018 with great momentum and with a much stronger set of businesses.

2017 was a very significant year of progress as we implemented the third year of our ambitious transformation strategy that will position us as the best forestry and land solutions company in Europe. A key strategic focus for our business is to generate a positive cash flow from recurring operations and by doing so increase the return to our shareholder. I am delighted that we continued to make real progress on this challenge with operating cash doubling to €30.0 million in 2017. This continued growth in operating cash is crucial to ensuring we achieve a 5% cash yield on our €1.4 billion asset base by 2020. Despite the challenges created by Brexit, we are confident that continued strong execution of our strategy will ensure we achieve the ambitious five year targets we set for the Group in 2015.

Importantly during 2017 we made a number of significant changes and strategic investments that will be critical enablers to the future success of our business:

- We successfully completed the final phase of our fundamental organisational restructuring across the Group and made good progress on embedding our new teams within our more empowered, autonomous business structure. This has allowed us to fully capture annual cost savings of €16.0 million across the Group, which were identified as part of our 2015 Group strategy.
- We achieved new record levels in our forestry business with 19.5 million trees planted and 1.64 million m^3 of sawlogs sold, contributing to the delivery of record EBITDA of €66.5 million in this business.
- We took a huge step forward in our MEDITE SMARTPLY business by ramping up production at our new SMARTPLY manufacturing facility and consistently achieved utilisation of above 90%. This is crucial to ensuring we deliver a high return on the €59.0 million investment made in this plant in 2016 and as we continue to move our sales mix from commodity products towards higher return, value-added products.
- We started commercial operations at two of our joint venture windfarms in Sliabh Bawn, Co. Roscommon

and Cloosh Valley, Co. Galway and in March 2018 Castlepook Wind Farm, Co. Cork also commenced commercial operations. These three wind farms have a combined energy output of 205MW to power 140,000 homes in Ireland.

- We continued to invest strongly in our forestry assets and in leading edge technology across the Group to improve our operational performance. Notably we completed the design and development of our new, world class Forest Management System (FMS) which will be fully deployed across the Group in 2018. This will significantly improve the effectiveness of our forestry and land operations.
- We signed a €68.0 million deal with BP and Accsys to develop the world's first Tricoya wood chip manufacturing plant. This innovative manufacturing facility is being built in Hull, UK and is due to open in 2019.
- We completed a strategic review of our Wind Farm business and appointed IBI and Capricorn as advisers to help us find the most suitable partner to work with us on the next phase of wind farm development on our lands and achieve our ambition of producing 1,000 MW of wind energy.

Financial Performance

Reflecting on 2017, we made very good progress in implementing our strategy and delivering on our operational and financial targets.

Despite challenging market conditions, such as the uncertainty caused by Brexit, we delivered a strong financial performance in 2017 and achieved each of our key strategic performance metrics. Most notably we doubled our operating cash from €15.2 million in 2016 to €30.0 million in 2017. 2017 was very much a transitional year for us as we reduced our reliance on large scale land transactions. Excluding these land transactions, EBITDA increased by 6% from €80.3 million in 2016 to €85.2 million in 2017. If large scale land transactions are included EBITDA achieved was €85.2 million in 2017 compared to €98.3 million in 2016.

Revenue generated of €298.7 million was 3.8% ahead of last year and is the highest revenue delivered in 10 years. Importantly we started to see real benefits emerge from the restructuring of our business to three autonomous business divisions with annual cost savings of €16.0 million realised in 2017 including €2.6 million interest cost savings achieved following the more favourable financing facilities agreed at the end of 2016. Overall operating profit before exceptional items, large scale land trading transactions and revaluation gains increased by 3% to €48.7 million. A dividend of €8.0 million was paid to our shareholder, which represents a significant increase on last year and is reflective of our improved operational and financial performance.

Our Businesses

Coillte manages a forestry and land estate of over 440,000 hectares, which is equivalent to approximately 7% of the country's land. From this land we operate three strong businesses, our core forestry business, our wood panels manufacturing business, MEDITE SMARTPLY, and our land solutions business. During 2017 each of these businesses made excellent progress on achieving their strategic objectives.

Forestry

Our core forestry division is well positioned to become the best forestry company in Europe. During 2017 significant progress was made on its strategic ambition to increase the historical return on its business from less than 1% to 3.5% by 2020. Operating cash increased by 13% to €25.7 million and EBITDA increased from €61.2 million to €66.5 million. This strong financial performance was driven by an increase in sawlog sales volumes and improved sawlog prices as a result of growing end market demand in both the UK and Ireland, driven by the strength of the construction sector in these markets.

2017 was another record year for our forestry operations. Sawlog sales increased to 1.64 million m^3 and 19.5 million trees were planted over 8,000 hectares. For the second consecutive year, this performance represents the highest level of sales and forest establishment achieved in over ten years.

The continued improvement in our operational performance is underpinned by key strategic investments in new leading edge technologies as part of our exciting 'connected forest' strategy. In 2017 we agreed a €1.0 million deal with Treemetrics that will revolutionise the way we manage our harvesting operations by providing real-time satellite communications and data analytics to improve our strategic decision making. 2018 will be a crucial year for us as we fully deploy our innovative world class Forest Management System (FMS) that will allow us to unlock the maximum value from our forestry and land estate. Importantly, the deployment of innovative forestry technologies increases our supply capabilities and allows us to guarantee security of supply to our customers, giving them the confidence to invest and expand their own processing capacity as they continue to grow their presence in export markets.

The Irish forestry sector supports 12,000 rural based jobs in Ireland, contributes approximately €2.3 billion to the economy every year and has the potential to double in size over the next ten years. With over 70% of Irish timber products exported to the UK and an estimated 40,000 truck movements between Ireland and the UK every year, the continued uncertainty created by Brexit poses significant challenges for the future of the Irish forestry industry. Working closely with key industry stakeholders in the Timber Industry Brexit Forum set up by Coillte last year, a number of initiatives were progressed to minimise the potential adverse impact of Brexit including the preparation of draft guidelines for the trade of timber post Brexit. Furthermore, to support the industry's projected doubling in size, in April 2017 we launched a new private forestry initiative, Coillte Premium Partners, to help mobilise the private forestry resource. This initiative offers private forestry owners the option to access Coillte's strong sustainable forestry management experience and receive an annual premium and a share of clearfell profits.

Our tourism and recreation strategy is to work with suitable partners in developing key flagship destination sites that appeal to both Irish and global visitors. During 2017 we made significant progress on an exciting new development plan for Avondale Forest Park, the home place of Irish Forestry, which will see it become a key tourism destination. We also delivered a progressive Outdoor Recreation Plan with other key public bodies to improve the recreation management and development of State lands.

MEDITE SMARTPLY

Our panel manufacturing business MEDITE SMARTPLY, based in the south-east of Ireland, is the leading supplier of sustainable, market led MDF and OSB timber products and is a key outlet for pulp supply from our core forestry division. During 2017 good progress was made towards positioning this business as a leader in value-added wood panel products in Europe.

In 2017 the division worked closely with its key strategic customers to increase its sales pipeline of value-added panel products allowing it to increase profit margins in existing and new markets. Sales volumes were 8% ahead of 2016 reflecting strong demand for sustainable panel products in the UK construction market and increased output from our new €59.0 million SMARTPLY OSB manufacturing line that was commissioned in 2016.

In March 2017 we signed a €68.0 million deal with global partners BP and Accsys Technologies to build the world's first Tricoya wood chip manufacturing plant in Hull, UK. This innovative technology is a game-changer for wood product sales and will allow us to significantly increase the production and sale of MDF products for outdoor uses as well as traditional indoor uses.

Our continued strong investment in world class technologies and new product development underpins our differentiated, value-added business model and improves MEDITE SMARTPLY's competitive position and ability to meet new customer demands. Gaining an in-depth understanding of our markets to help us stay ahead of the curve will continue to be a key challenge for us as we move our product sales mix from low return, commodity products towards higher return, value-added products.

Key Highlights

€30 million
Operating cash Doubled from 2016

€16 million
Annual cost savings

€68 million
Partnership deal for Tricoya wood chip manufacturing plant

1,000 MW
Future renewable energy ambition

Land Solutions

Our Land Solutions division is making very good progress towards becoming a leader in providing innovative land solutions. As the largest land owner in the country, Coillte has a distinct competitive advantage in sourcing and providing optimal land solutions across a broad range of infrastructure sectors that support national policy objectives including renewable energy, housing and tourism. It is making good progress on its strategy to transform from a business that previously relied on large land transactions to one that is focused on creating a strong pipeline of initiatives that generate sustainable, recurring income streams.

2017 was another very successful year for our renewable business. In 2017 Sliabh Bawn Wind Farm in Co. Roscommon and Cloosh Valley Wind Farm in Co. Galway both started exporting power to the national grid. We also made excellent progress on Castlepook Wind Farm in Co. Cork which became fully operational in March 2018. Raheenleagh Wind Farm in Co. Wicklow entered commercial operations during 2016 and performed very well during 2017. Along with our partners, we have made a total capital investment of €400 million in these four wind farms and with a total installed capacity of 240 MW they provide renewable power to over 150,000 homes in Ireland.

During 2017 we completed a strategic review of execution options for our next phase of wind farm development projects. Following on from this we appointed IBI and Capricorn to advise us in identifying the best partnership model that will maximise value for us in achieving our strategic ambition to develop 1,000MW of future wind projects to power up to one million homes. There is significant interest from a number of potential partners and we intend to initiate a process to appoint a preferred partner in 2018. As part of this ambitious strategy, in March 2018 we commenced a formal sales process seeking expressions of interest from potential investors in acquiring our joint venture share in our four operating wind farms. The capital from a successful sale will be reinvested to co-fund future wind energy projects and other strategic opportunities for the Group.

During 2017 the Land Solutions team proactively engaged with the local community and other key stakeholders in Moycullen, Co. Galway on the potential to build 61 housing units on a 6.4 hectare site on Coillte land. I am delighted that we were successful in receiving a final grant of planning permission in March 2018.

Climate Change

As the largest land owner in the country, we believe that each of Coillte's businesses will play a critical role in addressing the increasing climate change challenge we face. Our businesses mitigate carbon emissions in many ways including; the sustainable management of our forests and land, providing value-added wood products as a natural substitute for energy intensive construction materials, supplying biomass as a carbon neutral fuel source and seamlessly integrating renewable energy sources such as wind and solar on our land. In 2018 one of our key priorities is to work with our shareholder to put in place a viable afforestation plan that will increase Ireland's forestry cover and help Ireland achieve carbon neutrality in the Irish agriculture sector without compromising food production targets.

Our People

The transformation and growth of Coillte has been driven by the motivation, commitment and dedication of our people who are at the heart of our organisation.

We are committed to creating exciting opportunities that will allow our high-potential employees to develop and progress their careers. I am delighted that in 2017 there was a renewed focus on people development and a more simplified and robust performance management system was introduced to appropriately reward high performance.

Our high-performance culture and the way we operate is underpinned by our five core values and a key objective for us over the coming year will be to really embed our values further into our daily operations and deep root the organisational changes we have made.

I would like to take this opportunity to publicly thank all of my colleagues for their continued hard work, dedication and engagement in helping us make strong progress on our transformation journey and in ensuring 2017 was another very successful year.

The Future

As we look forward to 2018, I am excited by the opportunities and challenges that we see. 2018 will be a crucial year for the business as we expect to see a step change in earnings following a period of intense organisational restructuring and investment. Despite the uncertain backdrop of Brexit, we are well positioned for strong growth in all of our key financial metrics as overhead reductions from our organisational restructuring are fully realised along with value creation from our recent significant investments in our forestry technology, wind farm portfolio and MEDITE SMARTPLY manufacturing facilities. A key focus in 2018 will be to make the transformation sustainable and deep rooted by embedding our new organisational design, finalising the implementation of our new FMS technology, reducing complexity across the Group and really focusing our energy on our culture, values and behaviours so that our new organisation works as intended. It will also be critical that we execute the future strategic direction we have agreed for our wind farm business and that we create further plans for the future growth of our business.

I am personally proud to be leading a Group with such high potential. I am confident that by leveraging our strong capabilities, remaining focused on our strategic priorities and building on our customer focus, we will sustain our growth momentum and continue to transform and achieve our ambitions for our organisation in 2018 and beyond.

Thank You

Our relationships with all of our stakeholders continues to be key to Coillte's success.

I would like to thank our shareholder, Ministers and department officials and advisors in NewERA for their support throughout 2017.

I would also like to thank our customers, contractors, suppliers and other key partners and stakeholders for their support and engagement as we strive to continually improve our business. I look forward to continuing to build stronger relationships with you as we work together to achieve our mutual objectives.

Finally, I would like to acknowledge and thank our Chairman and Board for their continued support, insight and challenge throughout the year.

Fergal Leamy
Chief Executive

Fergal Leamy (Chief Executive) with members of the forestry operations team during a recent forestry site visit

Financial Review

Gerry Britchfield
Chief Operations Officer and Chief Financial Officer

> "We need to stay sharply focused on protecting and building on the very substantial annual overhead cost savings captured from the restructuring of our business over the past two years to ensure we continue to hit our key milestones and to ensure success in a volatile marketplace."

Results

The Group's operating cash, a key benchmark for the business defined as cash generated from recurring activities, doubled from €15.2m in 2016 to €30.0m in 2017. Excluding large scale land trading activities, EBITDA for the Group increased by 6% from €80.3m in 2016 to €85.2m in 2017. When large scale land transactions are included, EBITDA for the Group was €85.2m in 2017 compared to €98.3m in 2016. A reconciliation of EBITDA to operating profit is included in Table 2 overleaf.

The Group achieved a profit after tax of €42.8m for the financial year compared to the 2016 out-turn of €48.2m. However, a more appropriate metric of the underlying performance of the Group is operating profit before exceptional items, revaluation gains and profit from large scale land trading activities which increased by 3% to €48.7m in 2017 from €47.3m in 2016. This increase in underlying operating profit is despite a 16% adverse movement in hedged sterling rates. This was a major headwind faced by the Group in 2017, given that over 40% of our turnover is generated in the UK and, in addition, our Irish based sawmill customers export approximately 60% of their sawnwood output to the UK, which indirectly feeds back into log prices for Coillte.

Group turnover increased by €10.9m (3.8%) during 2017 to €298.7m. The UK continues to be a key export market for both our MEDITE SMARTPLY business and our Irish sawmill customers. Good UK demand for wood panel boards and sawnwood in 2017 was underpinned by a robust UK house construction sector. In addition, the continued recovery of the Irish construction sector in 2017 supported revenue growth in our businesses. Sawlog prices were 1.5% higher than 2016 levels, with strong demand compensating for weakening Sterling and sawlog volumes also increased by 1% year on year. Volume sales of panel products in 2017 were 8% higher than 2016 levels, largely reflective of the full year impact of production from the new SMARTPLY OSB manufacturing line and strong demand for wood panel products from the UK construction sector. Average sales prices achieved for OSB products were 1% higher than 2016 as a result of our strategy to move from commodity products to value-added products coupled with end market price increases, which compensated for a depreciation in Sterling. Average sales prices achieved for MDF products were 4% lower than 2016 levels with the depreciation in Sterling only partially offset by end market price increases. Export sales accounted for 56% of Group turnover and 73% of this figure was sold into the UK market.

Cost of sales increased by €11.0m on 2016 (6%) largely as a result of the increased sales volumes of MEDITE SMARTPLY panel products. Unit costs of production were broadly in line with 2016 levels across the Group. The Group has undertaken significant restructuring over the past two years and, by the end of 2017, delivered €13.0m of annual overhead savings as a direct result. Employee numbers have fallen by 115 (13%) over this period. This significant reduction in our cost base has put the Group in a strong position to withstand the various market challenges that are anticipated as we enter the final stages of the Brexit transition.

The results for 2017 include an exceptional loss of €0.4m (2016: €1.1m). The exceptional loss in 2017 includes the depletion and related costs (€3.7m) associated with the exceptionally high volume of fires across the estate during 2017. In total there were 190 fires on Coillte lands with approximately 1,150 hectares destroyed, with the fire at Cloosh Valley in Co. Galway being by far the most significant. The exceptional cost of fire damage was partially offset by savings related to the Group's restructuring programme (€2.2m), a gain on disposal of intellectual property (€0.4m) and the release of a biological asset impairment charge (€0.7m) no longer deemed necessary.

Interest (including related bank costs) and financing charges for the year were €4.8m, a reduction of €2.6m (36%) on 2016. Interest charges on overdraft and loan facilities were €2.9m (2016: €5.6m), reflective of the favourable terms of the Group's refinancing completed in December 2016. The net finance charge relating to the defined benefit pension fund liabilities was €1.9m (2016: €1.9m). Underlying EBIT interest cover for the year was 17.7 times.

The Group tax charge for 2017 was €3.5m (2016: €8.8m). The 2016 comparator included tax of €4.0m on large scale land trading activities.

Outlook

As we move into 2018, the biggest uncertainty facing our business is whether Britain will leave the European Union under a 'hard' or 'soft' Brexit deal. To date, the UK construction sector has proved remarkably resilient, with strong demand underpinning exports of MEDITE SMARTPLY's panel products and our sawmill customers sawnwood. However, a 'hard' Brexit on World Trade Organisation (WTO) terms would have very serious implications for our business, both through the imposition of non-tariff barriers to trade, particularly customs checks and tariffs on panel products. If this position is signalled as a probable outcome as we move through 2018, the second half of the year could see a significant slowdown in UK construction activity, with a consequent deterioration in the trading environment for our products.

On the positive side, the strong recovery in the Irish construction sector continues apace and key Eurozone markets are also experiencing a notable upturn in construction activity.

As ever, the Sterling exchange rate remains a key variable for the Group. With this in mind, we have availed of opportunities to put in place cover for approximately 75% of our direct exposure for 2018.

2018 is also an important year for our renewable energy business as we chart the optimum way forward for our existing operating wind farm assets and for the next phase of wind farm development on our lands, which is focused on making a substantial contribution to the delivery of Ireland's expected 2030 targets for renewable electricity generation.

The potential volatility of the macroeconomic environment facing us underlines very clearly why we need to continue to stay sharply focused on protecting and building on the very substantial annual overhead cost savings of €13.0m captured from the restructuring of our business over the past two years. In addition, we need to ensure we continue to hit our key milestones in the roll out of MEDITE SMARTPLY's value-added business model, including the successful implementation of the MEDITE TRICOYA EXTREME investment. We have a clear plan in place for delivering our key targets in 2018 but will need to remain relentlessly focused on execution in order to ensure success in a volatile marketplace.

Capital Expenditure

The Group continued its capital expenditure programme in 2017 investing €56.0m (2016: €59.7m). A significant proportion of the expenditure in 2017 was incurred on enhancing and maintaining the Group's biological assets (€28.1m), with a further €8.9m on enhancing the road network within the estate. In 2017, Medite Europe DAC invested a total of €11.4m to acquire minority stakes in Tricoya Technologies Limited and Tricoya Ventures UK Limited as part of a consortium to exploit, in a wood panels context, technology and intellectual property in respect of acetylated wood chip. This will enable Medite to produce and sell MEDITE TRICOYA EXTREME on a commercial and sustainable basis into a number of markets across Europe. Capital Expenditure in 2016 included €13.3m in relation to completing the investment in the new manufacturing line at our SMARTPLY facility which supports the development of a market led, value-added business model.

Net Debt and Gearing

During the year, the Group's net debt decreased by €14.4m to €153.6m with headroom on existing undrawn committed facilities of €74.0m. In December 2016, we refinanced our debt facilities with a combination of our existing bank consortium and the European Investment Bank (EIB) and this allowed us to capture very significant interest cost savings in 2017. Gearing was 13.5% at year end and at 31 December 2017 €90.0m of the debt portfolio was at a fixed interest rate. The ratio of net debt to EBITDA at year end was 1.8 times and interest cover to EBITDA was 29.6 times. A final dividend for 2017 of €8.0m was authorised by the Directors and paid in December 2017.

Employee Benefits

Coillte operates a number of defined benefit pension schemes with assets held in separately administered funds. The most recent actuarial valuations (31 December 2014 – Coillte and 1 January 2015 – Medite) indicated that the market value of the scheme's assets was €252.8m, which was €39.1m less than the scheme's liabilities excluding the Funding Standard Reserve requirements.

A funding proposal (accepted by the Pensions Authority) is in place for Coillte CGA which has the objective of bringing the Scheme back to full solvency on the Minimum Funding Standard basis by 31 December 2020 and involves significant additional cash contributions by the company, additional employee contributions and tight control of increases in pensions in payment. The company has also given the trustees security over €20.0m of forestry assets that would be available to the Trustees in certain limited circumstances. These include the company terminating its liability to the scheme or not making contributions to the scheme, the wind up of the scheme or the company ceasing business.

A funding proposal in respect of the Medite Europe Limited Scheme was approved by the Pensions Authority in July 2015. The funding proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 2023 and involves significant additional cash contributions by that company, additional employee contributions and benefit changes for members.

The deficit on the Group's defined benefit schemes, based on the requirements of FRS 102 Section 28, at 31 December 2017, calculated using the projected unit method, is €76.3m (2016: €108.1m) and is fully reflected in the Group financial statements. The decrease in the deficit primarily reflects a change in the assumptions relating to anticipated mortality rates (update of actuary's assessment of mortality rates resulting in a €12.0m reduction in deficit), the discounting of future liabilities (the rate increased from 1.85% to 2.1% which decreased the Group's deficit by approximately €7.7m) and a favourable return on Scheme assets in 2017 of €12m (a return of approximately 4% versus an assumed return of 1.85%).

Financial Risk Management

The Group's treasury operations are managed in accordance with policies approved by the Board. These policies provide principles for overall financial risk management and cover specific areas such as interest rate, liquidity and foreign exchange risk.

The Group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign exchange risk, credit risk, liquidity and interest rate risk. The Group has in place a risk management programme that seeks to manage the financial exposures of the Group by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash outflows and the management of interest rate risk, the Group has a policy of maintaining at least 50% of its debt at a fixed rate. The Group also seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. Financial instruments are used to manage interest rate and financial risk. The Group does not engage in speculative activity and its treasury operating policy is risk averse.

Price Risk

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Foreign Exchange Risk

The Group is exposed to foreign exchange risks in the normal course of business, principally on sales denominated in Sterling. The Group's policy on mitigating the effect of this currency exposure is to hedge Sterling by entering into forward foreign exchange contracts based on expected sales in the UK market.

Credit Risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. In addition, insurance is put in place for the larger customers of the Group.

Liquidity Risk

The Group actively maintains a mix of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

Table One
Key Financial Performance Indicators

	2017	2016
Operating Cash (€'m)	**30.0**	15.2
Revenue (€'m)	**298.7**	287.7
EBITDA (€'m)	**85.2**	98.3
EBIT (€'m)	**51.1**	64.5
Interest cover, excluding pension deficit		
EBITDA basis (times)	**29.6**	17.0
EBIT basis (times)	**17.7**	11.1
Net Debt (€'m)	**153.6**	168.0
Net debt as a percentage of total equity (%)	**13.5**	15.6
Net debt as a percentage of fixed assets (%)	**10.6**	11.8
Net debt/EBITDA	**1.80**	1.71
Effective tax rate (%)	**7.5**	15.5

EBITDA – earnings before finance costs, tax, depreciation, depletion, intangible asset amortisation, share of JV and associates profits/(losses), exceptional items and revaluation gains

EBIT – earnings before finance costs and tax

Interest cover – the ratio of EBITDA or EBIT to net interest charges on overdraft and loan facilities

Table Two
EBITDA Reconciliation

	2017 €'000	2016 €'000
EBIT	**51,065**	64,479
Adjustments:		
Depreciation	**19,916**	19,038
Depletion*	**12,993**	14,093
Amortisation of intangible assets	**826**	731
Gain on revaluation of investment properties	**-**	(1,591)
Share of JV and associates (profits) / losses	**(2,765)**	454
Cash distributions from JV entities	**2,738**	
Exceptional costs	**423**	1,058
EBITDA	**85,196**	98,262

*Excluding depletion of €2.8m classified as exceptional costs

Sliabh Bawn Wind Farm, Co. Roscommon

We achieved new record levels in our forestry operations with 19.5 million trees planted and 1.64 million m^3 of sawlog sold, contributing to the delivery of record EBITDA of €66.5 million in this business.

Divisional Review

Forest

Gerard Murphy
Managing Director, Forest

Record Performance

1.64 million m^3 of sawlog Highest in 10 years	**19.5 million** Trees planted Highest in over 10 years
€25.7 million Record operating cash delivered	**€66.5 million** Record EBITDA achieved

The Forest division delivered another very strong commercial performance in 2017, both in terms of profitability and operating cash. The division generated EBITDA of €66.5 million (from €61.2 million in 2016) and operating cash of €25.7 million (from €22.8 million in 2016), significantly exceeding our 2016 results. We achieved our strategic milestone of producing and selling 1.64 million m^3 of sawlog to our customers, an increase of 1% from 2016, while also restocking over 8,000 hectares of our forests by planting approximately 19.5 million trees. This is the highest planting figure in over ten years.

The Forest division manages all aspects of the Group's forestry business; including the planting, growing, managing, protecting and harvesting of forests. We sell a range of wood products from our forests and we also provide valuable ecosystem services such as nature conservation, carbon sequestration and recreational activities.

This business has an ambition to become the best forestry company in Europe by taking a leadership position in our markets and supply chains, generating a long-term cash yield of 3.5% and being recognised as a dynamic employer at the leading edge of forest technology.

Strong Commercial Performance

In 2017 the division generated record EBITDA of €66.5 million and operating cash of €25.7 million, significantly exceeding our 2016 results. These strong results achieved were particularly impressive given the continuing uncertainty arising from Brexit..

Sawlog sales volumes and sawlog prices both increased by 1% versus 2016. There were significant savings in management overheads and a reduction in unit costs due to the success of our robust procurement strategy of moving to more long term contracts.

The Forest division produced and sold 1.64 million m^3 of sawlog in 2017, the highest volumes achieved in over ten years for the second year in a row. This represents an increase of 23% from 2015 and gives us greater confidence that we will achieve our strategy to grow our sawlog volumes to 1.8 million m^3 annually by 2020.

In 2017, we restocked approximately 8,000 hectares of our forest lands by planting more than 19.5 million trees. It is over ten years since we last achieved a planting programme of this scale.

Our forest management remains certified to the FSC®, PEFCTM, ISO14001 and OHSAS18001 standards, reinforcing the quality of our operations and management systems.

New Organisational Design

2017 was a landmark year for the Forest division, as we worked closely with our staff to successfully transition to a new organisational design. One of the most significant changes was reducing the number of business area units across the country from eight to six but the transformation is much more far reaching. Some of the key objectives of this new design is to create stronger empowerment throughout the division and improve our customer focus in line with our core values. 2018 will again see another significant step forward in ensuring the success of our new organisational design with our world class bespoke Forest Management System (FMS) going live throughout the Group.

Leading Edge Technology - The Connected Forest

A key pillar of our strategy is to leverage world class forestry technology that will allow us to maximise value from our forest estate through the production and sale of high quality sawlog in a timely and efficient manner.

In 2017 we took a major step forward in the way we manage our harvesting operations. We are leveraging the latest technologies for our harvesting operations so that we can gather vast amounts of data from trees felled in our forests. Collecting and analysing this data has, in the past, been both a technical and practical challenge. In 2017 Coillte deployed Satmodo, a hardware and software solution to help overcome this challenge. Satmodo allows harvesting personnel and others access to detailed harvesting information on a live basis, no matter where the machine is working. This solution has been developed in partnership with the European Space Agency and global forestry company Treemetrics who are based in Ireland. With the data captured and analysed by Satmodo, Coillte staff and contractors now have unprecedented access to information about harvesting operations across the country facilitating improved decision making, work time efficiencies and product monitoring and management.

Delivering Valuable Ecosystem Services

In addition to providing wood to a range of markets, the Coillte estate delivers valuable ecosystem services to society including forest recreation opportunities, biodiversity management and carbon sequestration.

In 2017 Coillte progressed work on its unique and innovative Bio Classification project which is aimed at reviewing and streamlining management of our biodiversity areas. The project highlights the location of our most important ecological sites. Early results show that we have the potential to enhance our biodiversity areas and at the same time increase timber revenues allowing us to reinvest in the management of our top biodiversity sites and improve their conservation status.

We are progressing plans for the re-development and design of Avondale House and Forest Park so that it will become a flagship recreation site for tourists both from Ireland and abroad.

Challenging Year with Forest Fires

2017 was an extraordinary period for forest fires in Ireland and across the Coillte estate. In a typical year Coillte could lose approximately three hundred and thirty hectares of land as a result of fires. In 2017, there were approximately one hundred and ninety forest fires culminating in May with our largest and most dangerous forest fire in Cloosh Valley, County Galway. The fire at Cloosh was tackled for five days by more than thirty five Coillte staff and contractors, three helicopters, two fire tenders and had to involve an additional thirty army personnel to finally bring it under control. Were it not for the hard work, vigilance and dedicated response of our staff and others the damage would have been significantly worse. Fire awareness is a key focus for us in 2018 with fire awareness campaigns for the public and landowners taking place throughout Ireland.

2018 Outlook

2018 will again be an important year for the Forest division as we look to continue to build on the successes of 2017. The key focus will be on further progressing our strategic objectives and ensuring that the business achieves its ultimate long term goal of generating a cash yield of 3.5%. Coillte will continue to play a leadership role in the forestry sector and we will work with our customers, the wider forestry industry and our shareholder on addressing key external factors affecting the industry such as Brexit and climate change to ensure that the forestry industry continues to make substantial economic, social and environmental contributions that have a valuable impact in Ireland and beyond.

MEDITE SMARTPLY is a major employer in the manufacturing sector in Ireland. As Coillte Group's wood panels division, we are the largest user of small diameter wood fibre in the country. Consuming in excess of one million tonnes of pulpwood and sawmill residues each year, we form an integral component of the export oriented Irish forest products sector.

Divisional Review

MEDITE SMARTPLY

Neil Foot
Managing Director, MEDITE SMARTPLY

Key Figures

€68 million Consortium investment in the world's first Tricoya® wood chip acetylation plant	**429,000 m^3** Record sales in MEDITE
12% Increase in production volumes	**90%** Utilisation on new €59 million SMARTPLY line

MEDITE SMARTPLY is a market leading manufacturer and supplier of innovative and sustainable MDF and OSB panels. Producing products under the acknowledged MEDITE and SMARTPLY brands from our two manufacturing plants in the south-east of Ireland, we are a well-established supplier of choice to many distributors and industrial users in the UK, Benelux and Ireland with exports to over 30 countries in European and worldwide markets.

Our sales and marketing team service a diverse customer base across the construction, industrial and OEM sectors with a range of structural, non-structural and specialty products to meet the most demanding applications.

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Strategy & Objectives

MEDITE SMARTPLY's strategic vision is to become the leading supplier of innovative, market led MDF and OSB products through product and brand differentiation while maximising the value of Coillte's overall fibre basket. Our differentiation strategy is based on real customer insights and market drivers garnered from over 30 years' experience in the European panel market and includes:

- Differentiating our customer proposition through strengthening marketing penetration and reach, increasing delivery of customer led innovation and investing in enabling technologies.
- Pursuing diversification opportunities in related products and markets.
- Increasing revenues from value-added products in targeted market segments and applications.
- Enhancing competitiveness through selective process improvements.
- Establishing ourselves as a world class producer of sustainable, high quality, innovative wood based construction products.

The market insight gained from strong customer relationships is crucial in defining the strategic objectives for our panels business. Real market drivers such as EU Directives on sustainability and energy efficiency are creating valuable opportunities in new market segments, such as offsite construction for MDF and OSB products with specific technical features. Today, the divisional strategy is based on developing even greater understanding of such real market drivers and future customer needs which, through innovation, can be developed into new, profitable revenue streams.

2017 Performance

The early part of 2017 was impacted by a number of significant challenges including rapidly increasing resin costs coupled with weaker European demand. However, these challenges were effectively addressed during the year through continued implementation of our commercial strategy in conjunction with our key strategic customers. We successfully penetrated new market sectors and geographies with our expanded product range of specialist and technical value-added products. At the same time we rationalised customer and territory positions that were not aligned to the development of profitable growth.

Our value-added product capability enabled us to make good headway into the emerging Low Energy and 'Passive House' construction sectors, whilst also enabling considerable success in the flourishing Offsite Construction arena, where large format panels produced on SMARTPLY's continuous manufacturing line allow whole sides of buildings to be constructed from a single OSB panel.

In March 2017, we formally established the consortium which will enable the realization of our MEDITE TRICOYA EXTREME (MTX) strategic ambition through the construction of the world's first Tricoya® wood chip acetylation plant at a cost of €68.0 million. The consortium, which also includes the chemical technology group Accsys Technologies, Acetyl industry leader BP Chemicals and BP Ventures broke ground in July on the new plant in Hull, which will produce the raw material for the manufacture of MTX, our market leading high performance wood panel. With sales demand growing strongly year on year the new plant will, on completion in 2019, underpin a significant increase in manufacturing and sales.

To further support our market strategy and customer needs we restructured our internal and external sales and marketing function during 2017 to provide continuity and a more future-orientation focus.

Our People

As ever, our people continue to be critical to our future success and we work hard to ensure their engagement and development as a key enabler of our strategy through training and empowerment. Health and safety is a key focus area across the organisation for all employees and we are pleased to report a continued good performance in this area for 2017 with an Occupational Safety and Health Administration (OSHA) rate of 1.6.

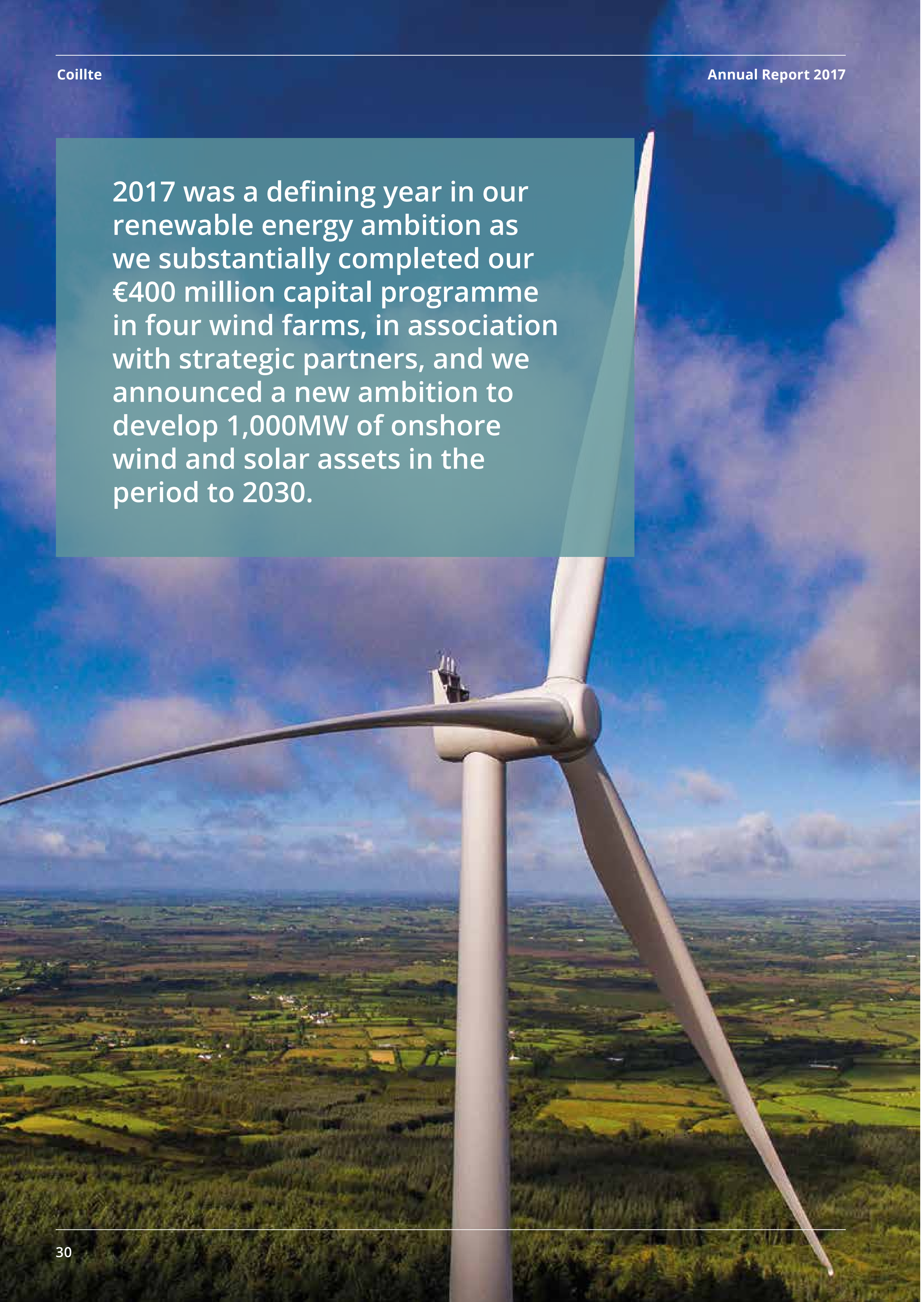
Gerard Britchfield, Coillte COO & CFO (fourth from left), with representatives from the Tricoya Consortium at the breaking ground ceremony for the world's first Tricoya® wood chip acetylation plant at Saltend Chemicals Plant, Hull, UK

2018 Outlook

The business carried forward good momentum from 2017 in all areas and expects to consolidate and build on this over the months ahead.

With construction markets still strong and demand remaining high, we will focus on maximising our plants' utilisation to support our customers' growth requirements during 2018. While the outcome of Brexit remains unclear, we continue to maintain our strategic options and develop sensible contingency plans which will address different possible scenarios.

We will continue to promote and develop our globally recognised MEDITE SMARTPLY brand throughout our activities, while integrating MEDITE TRICOYA EXTREME into our product portfolio. This brand strength, matched by high quality products and leading innovation, will enable us to maximise the market opportunities over the coming year.



2017 was a defining year in our renewable energy ambition as we substantially completed our €400 million capital programme in four wind farms, in association with strategic partners, and we announced a new ambition to develop 1,000MW of onshore wind and solar assets in the period to 2030.

Divisional Review

Land Solutions

Mark Foley
Managing Director, Land Solutions

Key Highlights

1,000 MW
Renewable energy ambition to 2030

€400 million
Wind farm capital investment completed in four wind farms

60
Land transactions successfully completed

First
Planning granted for housing development in Moycullen in March 2018

Our strategy is to become the best land solutions business in Europe through the deployment of our extensive land asset of 15,000 hectares to provide high quality value-added solutions across a broad spectrum of development opportunities, particularly in sectors which play a key role in supporting national policy objectives.

Whilst our heritage in both telecommunications and renewable energy is well known in the marketplace, 2017 was a year in which we made significant progress in connecting with a multitude of potential customers and partners across a range of new sectors, raising awareness about both our assets and our capabilities and commencing the development cycle for land based solutions in specific new sectors.

2017 was a defining year in our renewable energy ambition as we substantially completed our €400 million capital programme in four wind farms, in association with strategic partners, and we announced a new ambition to develop 1,000 MW of onshore wind and solar assets in the period to 2030.

Renewable Energy – Supporting Ireland's Decarbonisation Ambition

Onshore wind has been the single biggest contributor to Ireland's ambition in respect of our 2020 renewable energy targets. Ireland is expected to achieve its RES-E (Renewable Energy Sources – Electricity) target of 40% of electricity generation from renewable sources by 2020. Coillte has played a defining role in this ambition, having transitioned from being a major supplier of quality development sites to a position where Coillte is now one of the leading wind farm developers in Ireland. 2017 was a signature year for Coillte during which two major wind farms projects reached commercial operations on time including our €90 million, 64MW wind farm at Sliabh Bawn in County Roscommon in partnership with Bord na Mona and our €190 million, 108MW wind farm at Cloosh Valley in Galway in partnership with SSE. Our €64 million, 33MW wind farm at Castlepook in County Cork in partnership with ESB commenced commercial operations in March 2018. Our four project, 240 MW portfolio is now generating sufficient electricity to power 165,000 homes in Ireland, and each wind farm site is open to the public so that they can enjoy a range of purpose built, high quality recreational and amenity offerings.

Our 46MW wind farm at Cullenagh in County Laois is the subject of judicial challenge and we expect to have clarity in respect of our planning consents during 2018. Our 46MW wind farm at Bunkimalta in County Tipperary, a joint venture with ESB, is currently the subject of legal challenge to the European Court of Justice and we expect the matter to be adjudicated on in the first half of 2018.

On the policy front, we welcome the Government's proposed RESS (Renewable Energy Support Scheme) and the National (Climate) Mitigation plan, both of which speak to the increasing Government and public awareness about the need to act now if we are to succeed in our ambition to achieve our committed target for carbon reduction by 2030 and beyond.

Our most significant initiative in 2017 relates to the outcome of a major review of our renewable energy strategy which concluded that Coillte has the land assets and capabilities to deliver 1,000 MW of on-shore wind and solar energy in the period to 2030. This level of renewable capacity would equate to between 30% and 50% of Ireland's additional capacity requirements in this period. As part of our execution strategy, we appointed corporate finance advisors to assist us in procuring an appropriate development and investment partner to work with us on this signature ambition.

Land – Sales and Development

Coillte owns and manages approximately 7% of Ireland's land and we have a long standing track record in providing land solutions across a broad range of sectors, whilst protecting the integrity of our core productive forest estate. In 2017, we completed over 60 land transactions in sectors including renewable energy, aggregates, infrastructure, commercial, industrial, tourism as well as the charity sector.

We delivered our first planning application for a residential housing development in Moycullen, County Galway, which comprises 61 units, and have recently received planning permission from Galway County Council with the full support of the local community. We look forward to advancing further residential housing projects through development in the coming years.

Working with Irish Water, we supported them in making a planning application for an Integrated Constructed Wetlands at Saleen, near Middleton in County Cork on Coillte lands. This facility, when built, will treat waste water from the village of Saleen, in a manner that is environmentally friendly and the site will also function as both an amenity for the public and a designated area for biodiversity.

Development Opportunities

The finalisation of both the National Planning Framework and the National Development Plan will set a clear strategic context for growth in Ireland up to 2040, in both geographical and infrastructure terms. These plans will provide added impetus to Coillte's development plans, and our ambition will be to create a strong multi-year development pipeline which speaks to the strategic needs which are outlined in those plans. Our development pipeline is expected to include solutions such as integrated constructed wetlands for waste water treatment in rural towns, residential housing in proximity to urban centres, nursing homes, senior housing, primary healthcare, data centres, industrial development, wireless telecommunications for the National Broadband Plan and commercial tourism.

Outlook

The outlook is generally positive, primarily due to the backdrop of strong economic and population growth. There is a growing realisation that Ireland is at another inflexion point in terms of infrastructure needs, with many sectors of the economy experiencing serious constraints, thus creating greater demand for land, which is the starting point for most categories of infrastructure. Furthermore, there is a new realisation in respect of the challenges facing Ireland in terms of climate change and our committed obligations in respect of COP21 as well as emerging EU directives which set ambitious targets for carbon reduction in the period to 2030.

All of the factors above point to a greater role for Coillte's land assets and development capabilities in the next decade and beyond.

A record 1.64 million m³ of sawlog was sold in 2017

Our Culture


Members of the Coillte leadership team at a recent visit to Ballintemple Nurseries, Co. Carlow

People

Our People are core to Coillte's transformation, growth and continued success.

Tara Flynn
Group HR Director

> **The commitment and capability of our employees is key to our continued success. It is our people and our culture that make Coillte a unique and rewarding place to work.**

As part of our growth and transformation strategy over the last three years we have worked closely with our employees and key stakeholders to implement an organisational structure that effectively supports our strategic objectives to 2020 and beyond. The success of the significant restructuring programmes undertaken to create autonomous business divisions have been underpinned by high levels of engagement, openness and resilience combined with our drive for results and a strong underlying passion for the work Coillte delivers to the Irish economy and communities across the country.

Our people strategy is underpinned by our five core values – Empowerment, Simplicity, Outward Looking, Respect and Responsible. These core values provide focus and direction for all of our HR initiatives which ultimately support and enable the delivery of Coillte's ambitious strategy. A key priority for us is to build on the great work and progress we have made on our transformation strategy in recent years and to really embed our new organisation and deep root our values and culture. With strong support from our leadership teams, we have developed a new set of behaviours that will become our new living language and guide us on how we make decisions and how we interact with each other and our external stakeholders. A range of initiatives will be rolled out in 2018 to make sure we make significant progress in really bringing our core values to life and in creating a sustainable, high-performance culture.

Talent Management and Succession Planning

Attracting and retaining top talent to work for Coillte is crucial to our ongoing success. Our Group Graduate Development Programmes recognise that it is critical to attract a diverse pool of high calibre candidates and to do this we promote our graduate recruitment programmes in Sweden, Poland and Finland as well as Ireland. All of our graduates are provided with excellent opportunities to develop and progress within the Group through a variety of work placements as well as the benefits of a valuable mentoring programme. In 2017 we introduced a new referral solution that encourages our employees to leverage their strong external networks to share job opportunities with a wider range of potential employees. Developing our current and future business leaders is a key priority for us to ensure that the continued success of our Group is sustainable. In 2017 we introduced a new progressive talent management and succession planning framework that uses performance appraisals, management feedback and one-to-one engagements to assess leadership capacity. Based on this review a personal coaching programme for our high performing and high potential staff is being developed to support our employees in building their leadership skills and capabilities so that they are ready to embrace future career opportunities. Based on employee feedback, during 2017 we reviewed our approach to performance management and introduced a new appraisal system that is more effective and engaging. This new system supports more future orientated and progressive performance reviews and importantly places a key focus on frequent career development conversations.

Diversity and Inclusion

We strongly believe that having an inclusive organisation that nurtures and values people with diversity of perspectives and experience enhances our decision making and ultimately our business performance. In 2017 we commenced an important project about diversity and inclusion and we will be starting to roll out a programme of events in 2018 that support our objective of providing a positive and inclusive work environment through building understanding of the benefits of a diverse and inclusive workforce.

Health and Safety

The Group is committed to maintaining the highest standards of health and safety for all employees, contractors and other key stakeholders. We have health and safety committees throughout the Group who are responsible for identifying and managing potential health and safety risks and for reviewing details of any accidents or incidents against the international Occupational Safety and Health Administration standard. Last year, our OSHA performance was 0.81 against a target of 1.6 which was a very good performance given the particular challenges posed by the businesses that we operate in.

Bernard Burke (Business Area Unit Team Leader, Coillte Forest) at Curragh Chase Forest, Co. Limerick during Tree Week 2017 promoting the educational LEAF Programme (Learning About Forests) that is being run by An Taisce in partnership with Coillte

Corporate Social Responsibility

Corporate Social Responsibility is at the heart of everything Coillte do.

We demonstrate our commitment to corporate social responsibility in the way we manage our forestry and land assets, interact with our staff and work with local communities. As the largest land owner in Ireland, we engage with local communities every day and play a key role in delivering environmental, recreational and other social benefits, in addition to providing valuable economic activity and rural employment in communities across Ireland.

Sustainable Forestry and Land Management

At Coillte we are committed to consistently achieving the highest level of environmental standards. Our full supply chain is managed to the most stringent environmental and social standards.

We are recognised internationally for the responsible and sustainable management of our forests and land. All of our forest management practices are certified by the Forest Stewardship Council (FSC) and PEFC (Programme for the Endorsement of Forestry Certifications) in addition to ISO 14001 certification for Coillte's Environmental Management System and OHSAS 18001 certification for Coillte's Health and Safety System.

The sustainable forest management practices and ecological processes deployed across our supply chain ensure that we preserve a wealth of natural biodiversity within our forests. We are proud that 20% of our forests are specifically managed for wildlife and nature and these forests are home to some of the most important and rarest habitats in Europe.

Coillte has a key role to play in addressing the country's significant climate change challenges. Our forestry and land are a valuable source of carbon sequestration and storage. We sequester 1.1 million tonnes of CO_2 every year and we are working with our shareholder to put in place a sustainable afforestation plan to help achieve Ireland's ambition of increasing forestry cover in Ireland from 10.5% today to 18% by 2046.

Sustainable Wood Panel Products

The MDF and OSB wood panel products we manufacture are made from timber, the only truly renewable and sustainable building material with low energy consumption and highly efficient thermal insulation properties. The low-carbon wood panel products produced from our manufacturing facilities in Waterford and Clonmel are a good substitute for non-sustainable materials in the building sector and are an important store of carbon. The principal raw materials for our panel products are wood residues, including forest thinnings and pulpwood, that are sourced from Coillte certified forests meaning that from their very core MEDITE SMARTPLY's wood panel products are naturally environmentally friendly. Not only are our products made from sustainable, certified raw materials, but our production sites use waste materials and by-products such as bark and sawdust for biomass to produce energy. Today our plants generate up to 90% of our thermal energy from biomass resources. Our products are as environmentally conscious in their make up as they are in their application.

MEDITE are at the forefront of low formaldehyde innovation in Europe, with products conforming to some of the world's most stringent emissions standards. This means they are suitable for applications where the highest levels of health, comfort and welfare are critical: Hospitals, care centres, schools, public buildings and the like. In SMARTPLY we produced the world's first airtight OSB panel to be certified by the Passive House Institute, contributing to massively reduced fuel bills and comfortable, energy efficient buildings. Innovations like these impact hugely on those that use the buildings constructed with them. For us, people are the main beneficiaries of what we do.

Sustainable Land Solutions Business

Our Land Solutions business is a leader in renewable energy in Ireland. Our current wind portfolio includes four operating wind farms that produce 240 MW generating electricity to power 165,000 homes across the country. We have developed an ambitious new strategy for our wind farm business that will see us work with a strategic partner to deliver 1,000MW of renewable energy to power up to one million homes by 2030. This represents over 33% of the future renewable energy that will be needed to power homes and businesses across Ireland and illustrates our commitment to developing solutions that will making a significant contribution to Ireland's renewable energy targets, while also delivering an economic return and social dividend to communities across the country.

Supporting Communities Across Ireland

Coillte is proud of its long tradition of engaging and working with communities throughout Ireland. We embrace community and environmental programmes across all of our businesses.

We are committed to ensuring that our forestry, land and manufacturing operations have a positive impact economically, environmentally and socially for the communities we operate in.

In addition to delivering a strong commercial return to our shareholder and the Irish economy, we are the leading enabler of outdoor recreation in Ireland. We maintain an open forest policy, allowing people to explore and enjoy our forests. Across our estate we have more than 3,000 kilometres of trails, 260 recreation sites and 12 forest parks.

Engaging Consultation Process

Consultation and active engagement with communities on forestry and land plans as well as putting in place community benefit schemes for those who are impacted by major projects are extremely important.

This collaborative approach has been fundamental to the success of Coillte's joint venture wind farm developments in Sliabh Bawn, Raheenleagh, Castlepook and Cloosh Valley Wind Farms. Recognising that each community is unique, Coillte encourages people at a local level to become closely involved in the design of the Community Benefit Schemes at the earliest possible stage in the project development. During 2017, schools, sports clubs, community centres and scout groups were among the many local projects that really benefited from the support of these schemes. To date, together with our wind development project partners, we have launched four community benefit schemes with a total investment across rural communities of approximately €600,000 per year.

Community Initiatives

We empower our staff and particularly those working closely with communities to actively use allocated funds to enhance local communities by sponsoring local events and community groups, engaging with charities and providing education around the positive impact our businesses have.

Some of the key community initiatives led and supported by Coillte staff are highlighted on page 41.

Thank You

I am delighted to share the importance and value of our culture and our employees in the first People contribution to Coillte's Annual Report.

I would like to pay tribute to all of our colleagues both past and present for the significant contribution that they have made to the success of Coillte.

Community Initiatives

Gerard Murphy (MD, Coillte Forest), Minister Helen McEntee, John Sanders (See Change) and Jill O'Herlihy (Mental Health Ireland) at the launch of the Woodlands for Health project 2017.

Woodlands for Health

Health and well-being is a key priority for our employees and key stakeholders up and down the country. Woodlands For Health is an innovative eco-therapy programme developed by Coillte staff that we are extremely proud of. It encourages people to visit our forests and engage with nature to help enhance their overall quality of life. Research by the HSE and University College Dublin on this project found that it has many benefits for participants including improving their mood by 75% and sleep by 66% and significantly reducing the risk of suicide.

During 2017 the Woodlands For Health initiative was promoted on RTÉ's Operation Transformation programme as a great example of how the health sector can work with the Irish forestry industry to benefit people's mental and physical health.

Raising funds for Focus Ireland

Every year staff across the country organise and get involved in coffee mornings, bake sales, charity runs and other activities to raise money for worthy causes. In 2017 staff throughout the Group combined their efforts to raise funds for Focus Ireland and the work they do to prevent homelessness in Ireland. These initiatives included a Sleep out At Work event in our Newtownmountkennedy office in Co. Wicklow.

We were delighted that our employees raised over €14,000 to support Focus Ireland in the vital work they do to help end homelessness.

Coillte staff at the Focus Ireland Sleep Out at Work in the Coillte Newtownmountkennedy office

In 2017, An Taoiseach, Leo Varadkar officially opened the Kilarerin-Ballyfad Community Centre in County Wexford, which received €95,000 committed funding from the Raheenleagh Wind Farm Community Benefit Fund.

Raheenleagh Wind Farm

In 2016 Raheenleagh Wind Farm in Co. Wicklow, a joint venture with Coillte and ESB, became the first operational wind farm in Ireland to combine an operating wind farm with commercial forestry and world class recreational facilities. Since opening to the public, Raheenleagh Wind Farm has become a key local attraction with over 20,000 members of the public visiting over the last year.

Coillte has leveraged its unique commercial forestry and recreational experience to allow similar, high-demand project designs to be deployed at Sliabh Bawn Wind Farm and Cloosh Valley Wind Farm.

MEDITE TRICOYA EXTREME

Whilst looking to all the world like an old iron stanchion, this sculpture by artist Alex Devereux is actually made from MEDITE TRICOYA EXTREME. The naturally modified wood fibres used to make up the board mean that this revolutionary MDF can be used outside and is guaranteed for up to 50 years.

Board of **Directors**

Board of Directors

John Moloney
Chairman

John joined the Board of Coillte in 2013. He was previously Group Managing Director of Glanbia plc. John joined Glanbia in 1987 and held a number of senior management positions, joining the Board in 1998. Prior to this he worked in the Department of Agriculture, Food and the Marine and in the meat industry in Ireland. He is Chairman of DCC plc and a non-executive Director of Greencore plc, SmurfitKappa Group and a number of private companies.

Board meetings attended 8/9

Fergal Leamy
Chief Executive

Fergal was appointed to the role of Chief Executive of Coillte in April 2015. He has more than 17 years food and agriculture experience at the highest level. Fergal began his career at McKinsey & Company where he worked with many leading food and agriculture clients. He moved from McKinsey to establish and run Greencore's US operations. Before joining Coillte, he worked for Terra Firma, a leading Private Equity house in London where he was responsible for running a number of international companies.

Board meetings attended 9/9

Julie Murphy-O'Connor

Julie was appointed to the Board in 2013. She is a partner in the Dispute Resolution Department in Matheson and her practice includes advising stakeholders in relation to shareholder disputes and corporate restructuring. She is co-author of the Commercial Law Association's Practitioners' Guide to the Commercial Court in Ireland and the Law Society Insolvency Manual.

Board meetings attended 9/9

Jerry Houlihan

Jerry was appointed to the Board in 2014 having retired from the Kerry Group after almost 40 years with the company. During his time he had profit and operational responsibility for a number of different businesses within the overall ingredients business.

Board meetings attended 9/9

Roisin Brennan

Roisin joined the Board of Coillte in 2014. She was previously Chief Executive of IBI Corporate Finance where she worked from 1990 until 2011. She is currently a non-executive director of Musgrave Group plc and Dell Bank International DAC and is a former director of DCC plc and Wireless Group plc.

Board meetings attended 9/9

Dermot Mulvihill

Dermot was appointed to the Board in 2014. He was previously the Chief Financial Officer of Kingspan Group plc. Dermot is a chartered accountant and is on the Board of a number of other companies.

Board meetings attended 8/9

Thomas O'Malley

Thomas was appointed to the Board in 2014. He is a Forest employee who has worked for Coillte since the company was established. He was nominated as an employee director by SIPTU.

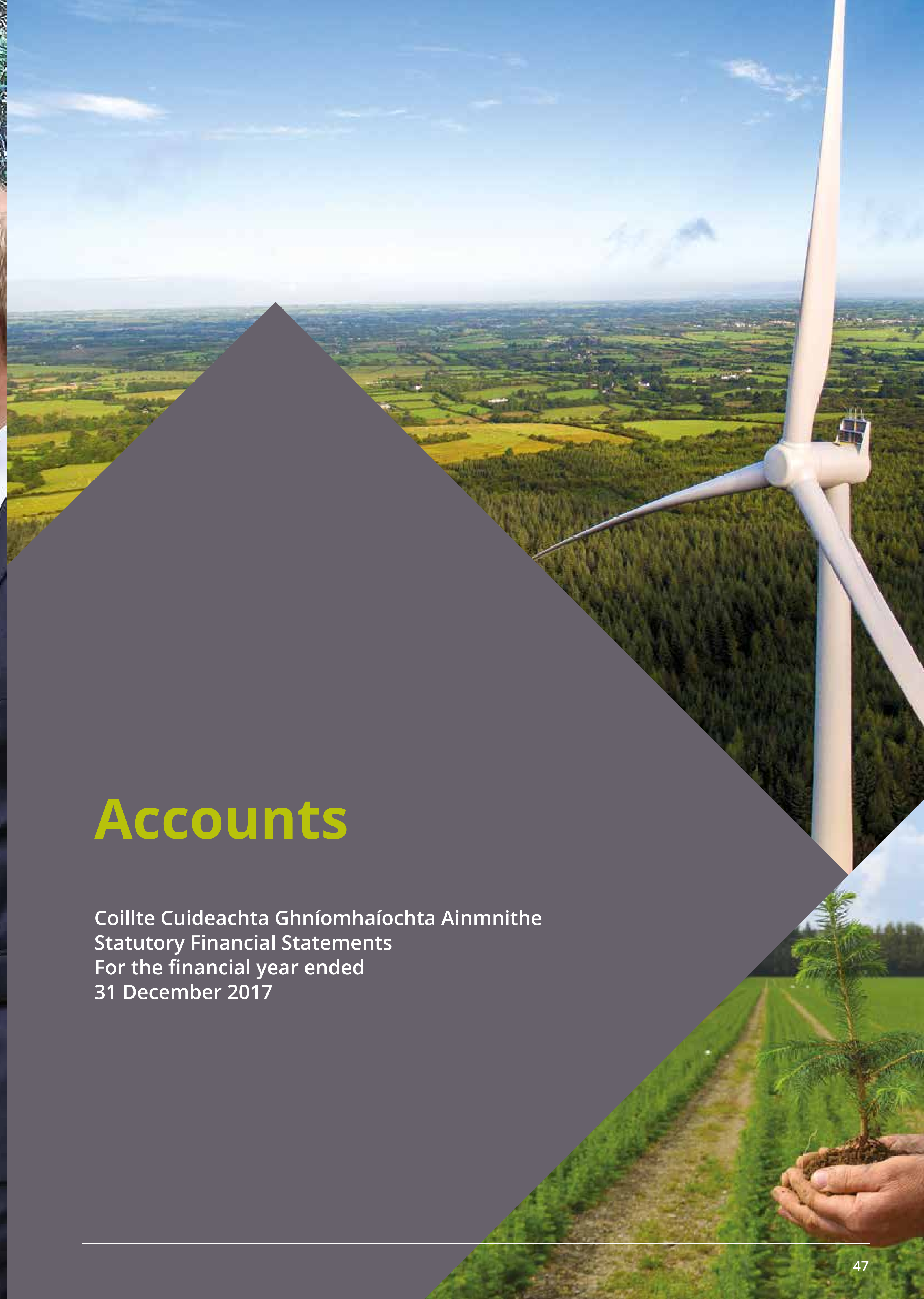
Board meetings attended 9/9

Directors' expenses:
The aggregate expenses paid to Directors in 2017 was €25,784 (2016: €26,782). These mainly relate to travel expenses.

Grainne McLaughlin
General Counsel and Company Secretary

Grainne was appointed as General Counsel and Company Secretary with effect from 21 February 2018. Prior to this she spent over 10 years as Vice President, General Counsel and Company Secretary at Virgin Media Ireland. Grainne qualified as a Solicitor at William Fry in 1999 and holds a Corporate Governance Diploma from UCD Smurfit Business School and a BCL Hons (European Legal Studies) from UCD. Immediately prior to joining Coillte Grainne was serving as a Senior Legal Consultant with the Department of Communications, Climate Action and Environment.

In April 2017 Coillte and Treemetrics announced a major contract agreement to map the future for global forestry harvesting operations. Pictured L-R: Fergal Leamy (Chief Executive, Coillte), Former Taoiseach Enda Kenny and Enda Keane (Chief Executive, Treemetrics)



Accounts

Coillte Cuideachta Ghníomhaíochta Ainmnithe
Statutory Financial Statements
For the financial year ended
31 December 2017

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited financial statements for the financial year ended 31 December 2017.

The Company

The Company was incorporated on 8 December 1988 and commenced trading on 1 January 1989 when it took over the forestry business formerly carried out by the Department of Agriculture, Food and the Marine. The related assets were acquired and liabilities assumed as at 1 January 1989.

One ordinary share is held by the Minister for Agriculture, Food and the Marine and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform.

Principal activities, review of the business and principal risks and uncertainties

The principal activities of the Group are forestry and forestry related activities, wood based panels, renewable energy and land development. The review of the business including principal risks and uncertainties as required by sections 326 and 327 of the Companies Act 2014 is included in the Chairman's Statement, Chief Executive's Review, Divisional Reviews and Financial Review sections of the Annual Report.

Results and dividends

Details of the results of the Group are set out in the profit and loss account and the related notes. Group turnover at €298.7m in 2017, a 4% increase on 2016, reflects strong underlying demand in the UK market while operating costs increased by €7.8m year on year largely associated with increased sales volumes partially offset by a reduction in overheads.

Other operating gains, reflective of the contribution from other asset sales of €8.1m (2016: €9.9m) were recorded during the year. In the prior year, a gain of €17.1m was recorded arising from the Group's land dealing and development business. Operating profit (before exceptional items and revaluation gains) decreased from €64.4m in 2016 to €48.7m in 2017. Additional commentary on the financial results is set out in the 2017 Financial Review.

A dividend of €0.01268 per share totalling €8.0m was authorised by the Board and paid in December 2017. Total dividends paid in the year ended 31 December 2016 amounted to €7.2m, comprising a final dividend of €6.2m paid in December 2016 in relation to 2016 and a final dividend of €1.0m paid in May 2016 in relation to 2015.

The full result for the year after dividend was transferred to reserves.

Directors and Company Secretary

The Directors of the Company were appointed by the Minister for Agriculture, Food and the Marine.

The following Directors were in office during the financial year ended 31 December 2017 and served for the entire financial year:

John Moloney (Chairman)
Fergal Leamy (Chief Executive Officer)
Jerry Houlihan
Dermot Mulvihill
Thomas O'Malley
Roisin Brennan
Julie Murphy-O'Connor

Directors **Gerard Gray** and **Patrick Eamon King** were both appointed to the Board on 26 February 2018.

Ms Maura McCarthy served as Company Secretary on an interim basis from 1 September 2016 until 4 January 2017. Mr Donal Moriarty was appointed as Company Secretary with effect from 4 January 2017. Mr Donal Moriarty resigned as Company Secretary on 21 November 2017 and Ms Maura McCarthy was reappointed as Company Secretary on an interim basis from 21 November 2017 to 21 February 2018. Ms Grainne McLaughlin was appointed Company Secretary with effect from 21 February 2018.

The Directors and Secretary have no interests in the shares of the Company or its subsidiaries as at 31 December 2017.

Report of the Directors

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" as applied in accordance with the provisions of the Companies Act 2014.

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

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- Correctly record and explain the transactions of the Group and Company;
- Enable, at any time, the assets, liabilities, financial position and profit or loss of the Group and Company to be determined with reasonable accuracy; and
- Enable the Directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

The Directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge their responsibility for securing the Company's compliance with its relevant obligations specified in that section arising from the Companies Act 2014 and Irish tax legislation ("relevant obligations").In order to secure said compliance the Directors:

- Issued a compliance policy statement setting out the Company's policies in respect of compliance by the Company with its relevant obligations.
- Ensured that there are appropriate arrangements and structures in place and that they are satisfied that they provide reasonable assurance of compliance in all material respects with those obligations.
- Reviewed the existing arrangements and structures during the year to ensure they continue to provide reasonable assurance of compliance in all material respects with those obligations.

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

Report of the Directors

Corporate Governance
The Board of Coillte CGA is committed to the highest standards of corporate governance and is accountable to its shareholders for those standards. The Code of Practice for the Governance of State Bodies (2016 edition), issued by the Department of Public Expenditure and Reform, and applicable in respect of the financial year ended 31 December 2017, sets out the principles of corporate governance that apply to the Group and the Directors support the principles and provisions of the Code.

Board of Directors
Throughout the financial year the Board consisted of a non-executive Chairman, five non-executive Directors and the Chief Executive. The Chairman and non-executive board members are independent of the Chief Executive and senior management. All the Directors are appointed to the Board by the Minister for Agriculture, Food and the Marine for a period not to exceed 5 financial years and their terms of office are set out in writing. The level of remuneration for the Board of Directors is also determined by the Minister and remuneration of non-executive Directors is not linked to performance.

The Board meets formally on a regular basis. It met on nine occasions in 2017. It has a schedule of matters specifically reserved to it for decision and is satisfied that the direction and control of the Group is firmly in its hands. The Group's annual budget and rolling five year financial plan are reviewed and approved by the Board. The Board receives monthly management accounts promptly with detailed comparison of actual to budget. The provision of management accounts is supported by presentations by senior management to the Board on a regular basis. Significant contracts, not in the normal course of business, major investments and capital expenditure are also subject to approval by the Board. Each non-executive Director brings independent judgement to bear on all matters dealt with by the Board including those relating to strategy, performance, resources and standards of conduct.

All members of the Board have access to the Company Secretary and the Group's and Company's professional advisors as required. This ensures that Board procedures are followed and that applicable rules and regulations are complied with. Each Director received appropriate briefing on being appointed to the Board.

Accounting records
The measures taken by the Directors to secure compliance with the Group and Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at the Group's head office at Dublin Road, Newtownmountkennedy, Co. Wicklow.

Research and development
During the financial year, the Group continued its research and development programme in relation to its forestry activities and in expanding the application of its MEDITE SMARTPLY products.

Prompt payments regulation
The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the Prompt Payment of Accounts Act, 1997 as amended by the European Communities (Late Payment in Commercial Transactions) (S.I. No. 580 of 2012) ('the Regulations').

Procedures have been implemented to identify the dates upon which invoices fall due for payment and for payments to be made by such dates.

Accordingly, the Directors are satisfied that the Company has complied with the requirements of the Regulations.

Report of the Directors

Subsidiary, joint venture and associate undertakings
A list of subsidiary, joint venture and associate undertakings as at 31 December 2017 is set out in note 18.

Political donations
There were no political contributions which require disclosure under the Electoral Act, 1997.

Events since the end of the financial year
Significant events since the end of the financial year are set out in note 34.

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

Auditors
The Auditor, KPMG, has indicated its willingness to continue in office.

On behalf of the Board

John Moloney
Chairman

Dermot Mulvihill
Director

Date: 26 March 2018

Statement on Internal Control

Scope of Responsibility

On behalf of Coillte CGA the Board acknowledges its responsibility for ensuring that an effective system of internal control is maintained along with having overall responsibility for risk management. The Board ensures that the Group's risk exposure remains proportional to the pursuit of its strategic objectives and to its longer term goal of creating shareholder value. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the implementation of suitable internal controls. These risks are assessed on a continuous basis and may arise because of control failures, disruption to IT systems, legal and regulatory issues, market conditions and natural catastrophes. Management also reports to the Board on major changes in the business and external environment which affect risk. Where areas of improvement in the system are identified, the Board considers the recommendations of management and the Audit and Risk Committee.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance contained in the Code of Practice for the Governance of State Bodies, has been in place in Coillte CGA for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Capacity to Handle Risk

Coillte CGA has an Audit and Risk Committee comprising three non-executive Board members, with relevant expertise, one of whom is the Chair. Coillte CGA has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the Audit and Risk Committee.

The Audit and Risk Committee operates under terms of reference which clearly outline its responsibilities with regard to internal controls and risk management systems.

Risk and Control Framework

Coillte CGA has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

The system of internal control is designed to ensure management carry on the business of the Group in an orderly manner, safeguard its assets and ensure, as far as possible, the accuracy and reliability of its records. The key elements of the system are:

- An organisation structure with clear operating and reporting procedures, authorisation limits, segregation of duties and delegated authorities.
- A comprehensive system of financial reporting.
- Annual budgets and long term plans for the business that identify key risks and opportunities.
- Monitoring performance against budgets and reporting on it to the Board on a regular basis.
- A formal code of business conduct applicable to the business and communicated to staff.
- An internal audit function that reviews the system of internal controls on a regular basis.
- An Audit and Risk Committee that reviews the effectiveness of the Group's system of internal financial control on an annual basis.

A risk register has been compiled that identifies the most significant risks facing the Group and these have been identified, evaluated and graded according to their significance. The key risks are reviewed and updated by the Board on a regular basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

Statement on Internal Control

In reviewing these risks, managers were asked to pay particular attention to:

- The counter measures in place to mitigate the risk.
- The net residual risk having regard to the processes and controls in place.
- Actions required or being taken to further mitigate the risk.

The risks identified were ranked in terms of their impact and likelihood of occurrence and managers have been instructed to ensure these risks are considered in the development of business plans and the performance plans of individual managers. This is an ongoing process and the Group's risk profile and risk management process will continue to be reviewed on a periodic basis.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls is assigned to specific staff. We confirm that a control environment containing the following elements is in place:

- Procedures for all key business processes have been documented,
- Financial responsibilities have been assigned at management level with corresponding accountability,
- There is an appropriate budgeting system with an annual budget which is kept under review by senior management,
- There are systems aimed at ensuring the security of information and communication technology systems,
- There are systems in place to safeguard assets.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. We confirm that the following ongoing monitoring systems are in place:

- Key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- There are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

The Board confirms that Coillte CGA has procedures in place to facilitate compliance with current procurement rules and guidelines and that, during the year ended 31 December 2017 Coillte CGA complied with those procedures.

Review of Effectiveness

The Board confirms that Coillte CGA has put in place appropriate procedures to monitor the effectiveness of its risk management and control procedures. Coillte CGA's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within Coillte CGA responsible for the development and maintenance of the internal financial control framework.

Internal Control Issues

No weaknesses in internal control were identified during the year ended 31 December 2017 that require disclosure in the financial statements.

John Moloney
Chairman

Dermot Mulvihill
Director

Date: 26 March 2018

Governance Statement

Governance

The Board of Coillte CGA was established under The Forestry Act, 1988. The Board is accountable to the Minister for Agriculture, Food and the Marine and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues.

The regular day-to-day management, control and direction of Coillte CGA are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team follow the broad strategic direction set by the Board, and ensure that all Board members have a clear understanding of the key activities and decisions related to the Group, and of any significant risks likely to arise. The CEO who is a Board member, acts as a direct liaison between the Board and management of Coillte CGA.

Board Responsibilities

Matters specifically reserved for Board decision are set out in the Register of Delegated Authority and include the following :

- Approval of acquisitions and disposal of property and land assets of Coillte or its subsidiaries of €2,000,000 or greater;
- Investments and capital project expenditure exceeding €3,000,000;
- Approval of delegated authority levels, treasury policies and risk management policies;
- Approval of terms of major contracts exceeding €1,500,000 in value and 3 years in duration
- Approval of expenditure outside of the ordinary course of business exceeding €500,000;
- Approval of policy on determination of senior management remuneration
- Appointment, remuneration and assessment of the performance of, and succession planning for, the CEO;
- Approval of annual budgets and corporate plans;
- Approval of dividend policy;
- Approval of asset sales to Directors or their families or connected persons;
- Pre-approval of all shareholder reserved matters;
- Approval of all loan facilities;
- Approval of authorised signatories for the Company Seal; and
- Approval of all corporate governance guidelines.

Standing items considered by the Board at each meeting include:

- declaration of interests,
- reports from committees,
- financial reports/management accounts and
- performance reports.

The Board is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with Sections 281 – 285 of the Companies Act, 2014. The maintenance and integrity of the corporate and financial information on the Coillte CGA's website is the responsibility of the Board.

The Board is responsible for approving the annual plan and budget. An evaluation of the performance of Coillte CGA by reference to the 2017 annual plan and budget was carried out in January 2018. The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board considers that the financial statements of Coillte CGA give a true and fair view of the financial performance of Coillte CGA for the year ended 31 December 2017 and of its financial position at that date.

Board Structure

The Board consists of a Chairperson and eight ordinary members, including the CEO, all of whom are appointed by the Minister for Agriculture, Food and the Marine. The members of the Board were appointed for a period of five years and meet on a regular basis. The table below details the appointment date for current members:

Governance Statement

Board Member	Role	Date Appointed
John Moloney	Chairperson	9 October 2013
Fergal Leamy	Chief Executive Officer	24 November 2016
Roisin Brennan	Ordinary Member	1 May 2014
Julie Murphy-O'Connor	Ordinary Member	24 June 2013
Jerry Houlihan	Ordinary Member	1 May 2014
Dermot Mulvihill	Ordinary Member	11 July 2014
Thomas O'Malley	Ordinary Member	11 July 2014
Gerard Gray	Ordinary Member	26 February 2018
Patrick Eamon King	Ordinary Member	26 February 2018

The Board completed a Board Effectiveness and Evaluation Review in August 2017.

The Board has established two committees, as follows:

Audit and Risk Committee

Members: Dermot Mulvihill (Chairman), Julie Murphy-O'Connor and Jerry Houlihan

The Audit and Risk Committee is comprised of non-executive Directors and operates under formal terms of reference. It met on four occasions in 2017. The role of the Audit and Risk Committee is to support the Board in relation to its responsibilities for issues of risk, control and governance and associated assurance. The Audit and Risk Committee is independent from the financial management of the organisation. In particular the Audit and Risk Committee ensures that the internal control systems, including internal audit activities, are monitored actively and independently. The Audit and Risk Committee reports formal to the Board after each meeting.

The Audit and Risk Committee may review any matters relating to the financial affairs of the Group, in particular, the annual financial statements, the financial control framework, the Assurance and Compliance function (including internal audit), reports of the external and internal auditors and proposed changes to accounting policies. The Chief Executive, Chief Financial Officer, the Assurance and Compliance Director and other senior managers are normally invited to attend these meetings as appropriate. The Audit and Risk Committee is responsible for the appointment and fees of the external auditors and meets with them to plan and subsequently review the results of the annual audit. The external auditors also meet privately with the Audit and Risk Committee. The Assurance and Compliance Director reports directly to the Audit and Risk Committee and the Audit and Risk Committee is responsible for approval of the internal audit plan. The Assurance and Compliance Director also meets privately with the Audit and Risk Committee.

A framework to formally identify risk and assess the effectiveness of internal controls has been established. The Assurance and Compliance function monitors the Group's control systems by examining financial reports, by testing the accuracy of the reporting of transactions and by otherwise obtaining assurance that the systems are operating in accordance with the Group's objectives. Management's response to significant risks identified and their reporting procedures are also evaluated.

Remuneration Committee

The role of the remuneration committee is to advise the board with regard to policy on executive remuneration in the Group and to give guidance and advice to the CEO regarding the implementation of the Board's policy as applied to the senior management.

The members of the Committee are John Moloney and Roisin Brennan. It met on three occasions in 2017.

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board meetings for 2017 is set out below, including the fees and expenses received by each member:

Governance Statement

Directors	Board Meetings attended	Fees	Salary	Pension Contribution	Taxable Benefit	2017 Total	2016 Total
	(9 held)	€'000	€'000	€'000	€'000	€'000	€'000
John Moloney*	8	13	-	-	-	13	13
Julie Murphy - O'Connor**	9	-	-	-	-	-	-
Roisin Brennan	9	13	-	-	-	13	13
Jerry Houlihan	9	13	-	-	-	13	13
Dermot Mulvihill	8	13	-	-	-	13	13
Thomas O' Malley	9	13	38	3	-	54	49
Fergal Leamy (CEO)***	9	-	194	48	35	277	254
Gerard Gray ****	-	-	-	-	-	-	-
Patrick Eamon King ****	-	-	-	-	-	-	-
		65	232	51	35	383	355

* Mr. Moloney waived €10,000 in emoluments being the differential between the fee payable to the Chairman and other Directors.

** All emoluments in 2017 and 2016 were waived.

*** Mr. Leamy, Chief Executive, was appointed to the Board of Directors in November 2016. The emoluments disclosed above relate to full financial years.

**** Mr. Gray and Mr. King were appointed to the Board of Directors on 26 February 2018 and therefore were not in receipt of any fees, expenses or emoluments during the financial year ended 31 December 2017.

Key Personnel Changes

Ms. Tara Flynn (Group HR Director) was appointed to the Operating Executive from 1 September 2017.
Mr. Donal Moriarty (Legal Counsel and Company Secretary) resigned from the Company on 21 November 2017.
Ms. Grainne McLaughlin was appointed General Counsel and Company Secretary from 21 February 2018.

Disclosures Required by the Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that Coillte CGA has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code:

Employee Short-Term Benefits

Employees' short-term benefits in excess of €50,000 are categorised into the following bands:

Range		Number of Employees	
From	To	2017	2016
€50,000	€74,999	295	281
€75,000	€99,999	133	132
€100,000	€124,999	35	34
€125,000	€149,999	10	9
>€150,000		7	10

Note: For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime allowances and other payments made on behalf of the employee, but exclude employer's PRSI. Remuneration of key management, being those people having the authority and responsibility for planning, directing and controlling the activities of the Group, is separately disclosed in Note 8 and not included above.

Consultancy Costs

Consultancy costs include the cost of external advice to management that contributes to decision making or policy making and exclude outsourced 'business-as-usual' functions.

	2017	2016
	€'000	€'000
Legal advice	442	517
Financial/actuarial advice	190	152
Marketing	425	530
Human Resources	87	78
Business Improvement	116	351
Other	575	495
Total Consultancy	1,835	2,123

	2017	2016
	€'000	€'000
Consultancy costs capitalised	621	1,179
Consultancy costs charged to the profit and loss account	1,214	944
	1,835	2,123

Disclosures Required by the Code of Practice for the Governance of State Bodies (2016)

Legal Proceedings and Settlements

The table below provides an analysis of amounts recognised as expenditure in the reporting period in relation to legal proceedings, settlements and conciliation and arbitration proceedings relating to contracts with third parties. This does not include expenditure incurred in relation to general legal advice received by Coillte CGA, which is disclosed in Consultancy costs above.

	2017	2016
	€'000	€'000
Legal proceedings	408	274
Conciliation and arbitration payments	10	-
Settlements	127	130
	545	404

Gas Networks Ireland have initiated legal proceedings against the Company in relation to alleged damage to a gas pipeline running through a Coillte property. Our insurers are defending this legal action. In order to adopt a prudent approach in the financial statements, we have provided for an amount within the legal proceedings category above, equivalent to the excess under our insurance policy in relation to this matter (2017: €216,000; 2016: €189,000).

Travel and Subsistence Expenditure

Travel and subsistence expenditure incurred during the reporting period was:

	2017	2016
	€'000	€'000
Domestic		
- Board*	18	19
- Employees	2,053	2,320
International		
- Board*	-	-
- Employees	372	430
	2,443	2,769

* comprises travel and subsistence of amounts paid directly to Board members

Hospitality Expenditure

Hospitality expenditure incurred during the reporting period was as follows:

	2017	2016
	€'000	€'000
Staff hospitality	69	81
Client hospitality	152	158
	221	239

Compliance with Code of Practice for the Governance of State Bodies

Coillte CGA complies with the Code of Practice for the Governance of State Bodies, which sets out the principles of corporate governance which the Boards of State Bodies are required to observe.

John Moloney
Chairman

Dermot Mulvihill
Director

Date: 26 March 2018

Independent Auditor's Report to the Members of Coillte Cuideachta Ghníomhaíochta Ainmnithe

1. Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements of Coillte Cuideachta Ghníomhaíochta Ainmnithe ('the Company') for the year ended 31 December 2017, which comprise:

- the Group profit and loss account for the year then ended;
- the Group statement of other comprehensive income for the year then ended;
- the Group and Company balance sheets at that date;
- the Group and Company cash flow statements for the year then ended;
- the Group and Company statements of changes in equity for the year then ended; and
- the related notes, including the summary of significant accounting policies set out in note 3.

The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion, the Group and Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

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

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Financial Performance section, 2017 Highlights section, the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Divisional Reviews, the "Our Culture" Section, the Directors' Report, the Statement on Internal Control, the Governance Statement and the Disclosure required by the Code of Practice for the Governance of State bodies. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Based solely on our work on the other information;

- we have not identified material misstatements in the directors' report or other accompanying information;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Independent Auditor's Report to the Members of Coillte Cuideachta Ghníomhaíochta Ainmnithe

Opinions on other matters prescribed by the Companies Act 2014

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

In our opinion the accounting records of the Group were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

In addition, under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code does not reflect the Group's compliance with the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this regard.

2. Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

David Meagher
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

26 March 2018

Group Profit and Loss Account

Financial year ended 31 December 2017	Notes	2017 €'000	2016 €'000
Turnover	5	**298,651**	287,727
Cost of sales		**(192,014)**	(181,020)
Other profit from trading activities	10	**-**	17,057
Gross profit		**106,637**	123,764
Distribution costs		**(27,248)**	(25,667)
Administrative expenses		**(38,780)**	(43,583)
Other operating gains	10	**8,114**	9,886
Operating Profit before exceptional items and revaluation gains		**48,723**	64,400
Gain on revaluation of investment properties	16	**-**	1,591
Exceptional items	9	**(423)**	(1,058)
Operating profit	6	**48,300**	64,933
Share of joint venture profits/(losses)	18	**3,093**	(454)
Share of associate losses	18	**(328)**	-
Profit before interest and taxation		**51,065**	64,479
Interest receivable and similar income	11	**-**	2
Interest payable and similar charges	11	**(4,797)**	(7,442)
Net interest expense	11	**(4,797)**	(7,440)
Profit on ordinary activities before taxation		**46,268**	57,039
Tax on profit on ordinary activities	13	**(3,473)**	(8,814)
Profit for the financial year		**42,795**	48,225

Group Statement of Other Comprehensive Income

Financial year ended 31 December 2017	Notes	2017 €'000	2016 €'000
Profit for the financial year		**42,795**	48,225
Other comprehensive income/(expenses):			
Re-measurement of net defined benefit pension liability	14	**28,733**	(43,553)
Movement on deferred tax relating to defined benefit pension liability	13	**691**	906
Effective portion of changes in fair value of cash flow hedges			
Fair value movement on cash flow hedges	23	**1,345**	(297)
Cash flow hedges – reclassification to profit and loss account	23	**299**	(1,363)
Deferred tax effect of fair value movement on cash flow hedges	13	**(129)**	214
Share of other comprehensive income/(expense) of joint ventures	18	**4,330**	(6,683)
Other comprehensive income / (expense) for the financial year, net of tax		**35,269**	(50,776)
Total comprehensive income/(expense) for the financial year		**78,064**	(2,551)

Group Balance Sheet

At 31 December 2017	Notes	2017 €'000	2016 €'000
Fixed assets			
Intangible assets	15	**10,809**	8,748
Tangible assets	16	**605,481**	612,871
Biological assets	17	**815,612**	802,597
Investments	18	**16,054**	-
		1,447,956	1,424,216
Current assets			
Stocks	19	**23,414**	23,727
Debtors	20	**139,333**	153,588
Cash at bank and in hand		**8,432**	1,866
		171,179	179,181
Creditors - amounts falling due within one financial year	21	**(60,497)**	(71,221)
Net current assets		**110,682**	107,960
Total assets less current liabilities		**1,558,638**	1,532,176
Creditors - amounts falling due after more than one financial year	22	**(158,681)**	(166,505)
Provisions for liabilities	24	**(58,291)**	(60,948)
Deferred government grants	25	**(126,789)**	(128,109)
Net assets before pension liability		**1,214,877**	1,176,614
Defined benefit pension liability	14	**(76,347)**	(108,148)
Net assets		**1,138,530**	1,068,466
Capital and reserves			
Called-up share capital presented as equity	26	**795,060**	795,060
Undenominated capital	27	**6,145**	6,145
Cash-flow hedge reserve	27	**1,259**	(256)
Retained earnings	27	**336,066**	267,517
Shareholders' funds		**1,138,530**	1,068,466

The notes on pages 68 to 117 are an integral part of these financial statements. The financial statements on pages 61 to 117 were authorised for issue by the Board of Directors on 26 March 2018 and were signed on its behalf by:

John Moloney
Chairman

Dermot Mulvihill
Director

Company Balance Sheet

At 31 December 2017	Notes	2017 €'000	2016 €'000
Fixed assets			
Intangible assets	15	**10,763**	8,704
Tangible assets	16	**507,645**	507,238
Biological assets	17	**815,612**	802,597
Investments	18	**81,785**	81,785
		1,415,805	1,400,324
Current assets			
Stocks	19	**3,953**	4,356
Debtors	20	**201,865**	210,696
Cash at bank and in hand		**8,539**	6,387
		214,357	221,439
Creditors - amounts falling due within one financial year	21	**(93,012)**	(101,042)
Net current assets		**121,345**	120,397
Total assets less current liabilities		**1,537,150**	1,520,721
Creditors - amounts falling due after more than one financial year	22	**(158,681)**	(166,505)
Provisions for liabilities	24	**(51,899)**	(52,251)
Deferred government grants	25	**(126,724)**	(127,799)
Net assets before pension liability		**1,199,846**	1,174,166
Defined benefit pension liability	14	**(75,562)**	(104,133)
Net assets		**1,124,284**	1,070,033
Capital and reserves			
Called-up share capital presented as equity	26	**795,060**	795,060
Undenominated capital	27	**6,145**	6,145
Cash-flow hedge reserve	27	**382**	90
Retained earnings	27	**322,697**	268,738
Shareholders' funds		**1,124,284**	1,070,033

The notes on pages 68 to 117 are an integral part of these financial statements. The financial statements on pages 61 to 117 were authorised for issue by the Board of Directors on 26 March 2018 and were signed on its behalf by:

John Moloney
Chairman

Dermot Mulvihill
Director

Group Statement of Cash Flows

Financial year ended 31 December 2017	Notes	2017 €'000	2016 €'000
Net cash inflow from operating activities before taxation paid	31	**73,431**	39,710
Taxation paid		**(4,013)**	(7,586)
Net cash inflow from operating activities		**69,418**	32,124
Cash flows from investing activities			
Additions to intangible assets	15	**(3,351)**	(3,275)
Additions to tangible assets	16	**(14,335)**	(24,391)
Additions to biological assets	17	**(28,055)**	(25,368)
Additions to financial assets	18	**(11,399)**	-
Amounts advanced to joint venture undertakings	20	**-**	(8,231)
Distributions from joint venture undertakings	20	**2,738**	-
Proceeds from disposals of tangible and intangible assets		**9,270**	27,795
Receipt of capital government grants	20/25	**505**	1,000
Net cash outflow from investing activities		**(44,627)**	(32,470)
Cash flows from financing activities			
Decrease in borrowings	23	**(7,824)**	(18,260)
Repayment of capital element of finance leases	23	**(2)**	(9)
Interest paid and received	31	**(2,399)**	(6,456)
Dividends paid	12	**(8,000)**	(7,200)
Net cash outflow from financing activities		**(18,225)**	(31,925)
Net increase/(decrease) in cash and cash equivalents		**6,566**	(32,271)
Cash and cash equivalents at 1 January		**1,866**	34,137
Cash and cash equivalents at 31 December		**8,432**	1,866

Company Statement of Cash Flows

Financial year ended 31 December 2017	Notes	2017 €'000	2016 €'000
Net cash inflow from operating activities before taxation paid	32	**56,226**	29,202
Taxation paid		**(3,308)**	(6,090)
Net cash inflow generated from operating activities		**52,918**	23,112
Cash flows from investing activities			
Additions to intangible assets	15	**(3,327)**	(3,271)
Additions to tangible assets	16	**(10,512)**	(9,785)
Additions to biological assets	17	**(28,055)**	(25,368)
Amounts advanced to subsidiary undertakings	20/21	**(3,157)**	(1,164)
Distributions from/(advances to) joint venture undertakings	20	**2,738**	(8,231)
Proceeds from disposals of tangible assets		**9,253**	27,795
Receipt of capital government grants	20/25	**505**	1,000
Net cash outflow from investing activities		**(32,555)**	(19,024)
Cash flows from financing activities			
Decrease in borrowings	23	**(7,824)**	(18,260)
Interest paid and received		**(2,387)**	(6,655)
Dividends paid	12	**(8,000)**	(7,200)
Net cash outflow from financing activities		**(18,211)**	(32,115)
Net decrease in cash and cash equivalents		**2,152**	(28,027)
Cash and cash equivalents at 1 January		**6,387**	34,414
Cash and cash equivalents at 31 December		**8,539**	6,387

Group Statement of Changes in Equity

Financial year ended 31 December 2017	Notes	Called-up share capital presented as equity €'000	Undenominated capital €'000	Cash-flow hedge reserve €'000	Profit and loss account €'000	Total €'000
At 1 January 2017		**795,060**	**6,145**	**(256)**	**267,517**	**1,068,466**
Profit for the financial year		**-**	**-**	**-**	**42,795**	**42,795**
Other comprehensive income for the financial year		**-**	**-**	**1,515**	**33,754**	**35,269**
Total comprehensive income for the financial year		**-**	**-**	**1,515**	**76,549**	**78,064**
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	**-**	**-**	**-**	**(8,000)**	**(8,000)**
At 31 December 2017		**795,060**	**6,145**	**1,259**	**336,066**	**1,138,530**
At 1 January 2016		795,060	6,145	1,190	275,822	1,078,217
Profit for the financial year		-	-	-	48,225	48,225
Other comprehensive expenses for the financial year		-	-	(1,446)	(49,330)	(50,776)
Total comprehensive expenses for the financial year		-	-	(1,446)	(1,105)	(2,551)
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	-	-	-	(7,200)	(7,200)
At 31 December 2016		795,060	6,145	(256)	267,517	1,068,466

Company Statement of Changes in Equity

Financial year ended 31 December 2017	Notes	Called-up share capital presented as equity €'000	Undenominated capital €'000	Cash-flow hedge reserve €'000	Profit and loss account €'000	Total €'000
At 1 January 2017		**795,060**	**6,145**	**90**	**268,738**	**1,070,033**
Profit for the financial year		**-**	**-**	**-**	**34,739**	**34,739**
Other comprehensive income for the financial year		**-**	**-**	**292**	**27,220**	**27,512**
Total comprehensive income for the financial year		**-**	**-**	**292**	**61,959**	**62,251**
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	**-**	**-**	**-**	**(8,000)**	**(8,000)**
At 31 December 2017		**795,060**	**6,145**	**382**	**322,697**	**1,124,284**
At 1 January 2016		795,060	6,145	(724)	274,782	1,075,263
Profit for the financial year		-	-	-	41,542	41,542
Other comprehensive income/(expense) for the financial year		-	-	814	(40,386)	(39,572)
Total comprehensive income for the financial year		-	-	814	1,156	1,970
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	-	-	-	(7,200)	(7,200)
At 31 December 2016		795,060	6,145	90	268,738	1,070,033

Notes to the Financial Statements

1. Company Information

Coillte CGA (The Irish Forestry Board) was established under the Forestry Act, 1988.

Coillte CGA is a designated activity company limited by shares, that is to say a private company limited by shares registered under Part 16 of the Companies Act 2014. Coillte CGA is domiciled in Ireland and the address of its registered office is Dublin Road, Newtownmountkennedy, Co. Wicklow and the company number is 138108.

2. Statement of compliance

The Company and Group financial statements of Coillte CGA (the Group) have been prepared in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and with the Companies Act 2014.

3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the measurement at fair value of investment properties and certain financial assets and liabilities including derivative financial instruments.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Going concern

After making enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing the financial statements.

(c) Exemptions

As permitted by Section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its separate profit and loss account in these financial statements and from filing it with the Registrar of Companies.

The Company's profit for the financial year was €34,739,000 (2016: €41,542,000).

(d) Consolidation and equity accounting

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings.

Notes to the Financial Statements

(i) Investments in subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the Company's individual financial statements, investments in subsidiaries are accounted for at cost less impairment. Dividend income is recognised when the right to receive payment is established.

(ii) Investments in joint ventures

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures.

In the Group financial statements, joint ventures are accounted for using the equity method. Investments in joint ventures are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the joint venture, less any impairment. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the joint venture. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in a joint venture are recorded as a provision only when the Group has incurred legal or constructive obligations or has made payments on behalf of the joint venture. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's individual financial statements, investments in joint ventures are accounted for at cost less impairment. Dividend income is recognised when the right to receive payment is established.

(iii) Jointly controlled operations

Jointly controlled operations involve the use of assets and resources of the Group and other venturers rather than the establishment of a separate entity or financial structure separate from the Group and other venturers. Each venturer (including the Group) uses its own assets and incurs its own expenses and liabilities and raises its own finance.

In the financial statements, jointly controlled operations are accounted for by recognising the assets that the Group controls, the liabilities that it incurs, the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

(iv) Investments in associate companies

Entities in which the Group holds an interest of less than 50% and has a demonstrable significant influence are treated as associate companies.

In the Group financial statements, associates are accounted for using the equity method. Investments in associates are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the associate, less any impairment. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in a associate are recorded as a provision only when the Group has incurred legal or constructive obligations or has made payments on behalf of the joint venture. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

In the Company's individual financial statements, investments in associates are accounted for at cost less impairment. Dividend income is recognised when the right to receive payment is established.

(e) Foreign currencies

(i) Functional and presentation currency

The Company's functional and presentation currency and the Group's presentation currency is the Euro, denominated by the symbol "€" and, unless otherwise stated, the financial statements have been presented in thousands ('000).

(ii) Transactions and balances

Foreign currency transactions are translated into Euro using the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Non-monetary items measured at fair value are measured using the exchange rate ruling when the fair value was determined.

Foreign currency gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Group recognises revenue to the extent that revenue and related costs incurred or to be incurred are subject to reliable measurement, that it is probable that economic benefits will flow to the Group and that the significant risks and rewards of ownership have passed to the buyer, or in accordance with specific terms and conditions agreed with buyers.

Sale of goods and rendering of services

Revenue from the sale of standing timber is recognised in instalments over the course of the sales contract. Revenue from the sale of harvested timber is recognised when delivered to the mill gate. Revenue from the sale of MEDITE SMARTPLY products is recognised when the goods are delivered. All other revenue is recognised when the goods or services are delivered.

(g) Exceptional items

The Group classifies charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group. Judgement is used by the Group in assessing the particular items, which by virtue of their materiality and/or nature, are disclosed in the Group profit and loss account and related notes as exceptional items. Such items may include restructuring costs including defined benefit pension scheme curtailments or past service costs/credits, profit or loss on disposal of operations and impairment of assets.

(h) Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

Notes to the Financial Statements

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined benefit pension plans

The pension entitlements of the majority of employees in Coillte CGA and Medite Europe DAC (a subsidiary undertaking), are funded through separately administered defined benefit superannuation schemes. A defined benefit plan defines the pension benefit that the employee will receive on retirement usually dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the Group's defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of the plans' assets at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The Group engages independent actuaries to calculate the obligation. A full actuarial valuation is undertaken every three financial years and is updated to reflect current conditions in the intervening periods. The present value of plan liabilities is determined by discounting the estimated future payments using a market yield on high quality corporate bonds that are denominated in Euro and that have terms approximating the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy, including the use of appropriate valuation techniques. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the statement of other comprehensive income. These amounts, together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of net defined benefit liability'. Re-measurements are not reclassified to the profit and loss account in subsequent periods.

The cost of defined benefit plans is recognised in the profit and loss account as employee costs, except where included in the cost of an asset. The cost comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as a 'Finance expense'.

(iii) Defined contribution pension plans

Pension entitlements of employees of Smartply Europe DAC and Coillte Panel Products (UK) Limited (both subsidiary undertakings) are funded through a separately administered defined contribution superannuation scheme. Pension entitlements of employees in Coillte CGA and Medite Europe DAC who are not members of the defined benefit superannuation scheme are funded through separately administered defined contribution schemes. The contributions are recognised as an expense in the profit and loss account as services are rendered.

(i) Taxation

Taxation expense comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Notes to the Financial Statements

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or prior financial years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax arises from timing differences that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(j) Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings by the Group is capitalised and amortised to the profit and loss account over its estimated useful life. This has been estimated at 10 years after taking account of the nature of the businesses acquired and the industry in which they operate.

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between 2 and 5 financial years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that the useful life has changed, the amortisation rate is amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(k) Tangible assets

Tangible assets, except for investment properties, are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, related borrowing costs, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Depreciation

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost over their estimated useful lives, as follows:

- Freehold buildings 20 to 50 years
- Forest roads and bridges 20 to 50 years
- Machinery and equipment 3 to 20 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Notes to the Financial Statements

(ii) Subsequent additions

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Repairs, maintenance and minor inspection costs are expensed as incurred.

(iii) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

(iv) De-recognition

Tangible assets are de-recognised on disposal or when no future economic benefits are expected. Revenue from the sale of tangible assets is recognised when an unconditional contract has been signed. The difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account within 'Other operating gains'.

(v) Transfers to stock

Land which is identified during the accounting period as part of the Group's land dealing and development business is transferred to stock.

(l) Investment properties

Investment properties are initially measured at cost. Investment properties whose fair value can be measured reliably without undue cost or effort are measured at fair value at each reporting date with changes in fair value recognised in the profit and loss account.

(m) Biological assets

The Group's biological assets comprise of forest plantations and nursery plants and are measured at cost less any accumulated depletion and any accumulated impairment losses.

Biological assets taken over from the Department of Agriculture, Food and the Marine on Vesting Day (1 January 1989) are stated at cost based on the overall amount agreed between the Group and the Minister for Agriculture, Food and the Marine. Subsequent additions are stated at cost.

The Group capitalises the costs associated with establishing and maintaining its forest plantations. Direct costs are capitalised on the basis of the specific operations carried out. Indirect costs are capitalised by operation by reference to the proportion of the direct costs capitalised for which the individual management team has responsibility. The Group owns forest plantations established on leased land. Land rentals are treated as direct costs and are capitalised. When the annual rental paid is based on expected future profitability of these forest plantations, any interim revenues from thinning activities are deducted from the amount capitalised.

Depletion represents the costs of forest plantations clear felled and is calculated as the proportion that the area harvested bears to the total area of similar forest plantations. The amount of depletion charged to the profit and loss account is based on the original cost of the forest plantation at vesting day or, if the forest plantation was established post vesting day, the original establishment costs, plus an allocation of maintenance costs capitalised since that date.

Harvested timber is measured at the point of harvest at the lower of cost and estimated selling price less costs to sell.

Biological assets which are identified during the accounting period as part of the Group's land dealing and development business are transferred to stock.

Notes to the Financial Statements

(n) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group has elected to treat the date of transition to FRS 102 (1 January 2014) as the commencement date for the capitalisation of interest on qualifying assets.

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

(o) Leased assets At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance lease assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) Operating lease assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(p) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.
If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying

Notes to the Financial Statements

amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

(q) Stocks

Stocks are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Stocks sold are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined using the first-in, first-out (FIFO) method or a weighted average cost formula. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity). A provision is made for obsolete, slow-moving or defective items where appropriate.

Non-critical spare parts, which are deemed to be of a consumable nature, are included within stocks and expensed when utilised.

(r) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(s) Provisions and contingencies

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the profit and loss account in the period it arises.

(ii) Replanting obligation

The Group has recognised a provision (liability) in respect of the replanting obligation attaching to clear felled forests and has also recognised a current asset, 'forest plantations to be planted', within debtors. The related costs are treated as an asset because future economic benefits are expected to flow to the Group. As the asset does not meet the definition of biological assets, they are treated as a current asset 'forest plantations to be planted' within debtors.

(iii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote. Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Notes to the Financial Statements

(t) Government grants
Government grants are recognised at their fair value when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Government grants in respect of capital expenditure are credited to a deferred income account. These government grants are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments, except for forestry grants.

Grants in respect of afforestation costs which have been capitalised are released to the profit and loss account when the related forest plantations are clear felled. Government grants of a revenue nature are deferred and credited to the profit and loss account over the period necessary to match them with the costs that they are intended to compensate.

(u) Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade receivables, other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.
If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Financial assets are de-recognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the Financial Statements

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one financial year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Derivative financial instruments
The Group uses derivative financial instruments (interest rate swaps and forward foreign currency contracts) to hedge its exposure to interest rate and foreign currency risks arising from operational and financing activities.

Derivative financial instruments, including interest rate swaps and forward foreign currency contracts, are not basic financial instruments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Changes in the fair value of derivatives for which the Group has not elected to apply hedge accounting are recognised in the profit and loss account in finance costs or income as appropriate.

(iv) Hedging

For the purposes of hedge accounting, the Group's hedges are designated as cash flow hedges (which hedge exposures to fluctuations in future cash flows derived from a particular risk associated with recognised assets or liabilities or highly probable forecast transactions).

The Group documents, at the inception of the transactions, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The fair values of various derivative instruments are disclosed in note 23 and the movements on the cash-flow hedge reserve in equity are shown in the statement of other comprehensive income. The full fair value of a derivative is classified as a non-current asset or non-current liability if the remaining maturity of the derivative is more than twelve months and as a current asset or current liability if the remaining maturity of the derivative is less than twelve months.

(v) Research and development

All expenditure on research and development activities is written off to the profit and loss account in the financial year in which it is incurred.

Notes to the Financial Statements

(w) Distributions to equity shareholders

Dividends to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders. These amounts are recognised in the statement of changes in equity.

(x) Emission rights

Emission allowances permit the Group to emit a specified amount of carbon compounds into the atmosphere, and may be purchased if emissions are expected to exceed a quota or sold if the quota is not reached. To the extent that excess emission rights are disposed of during a financial period, the profit or loss arising thereon is recognised immediately within cost of sales in the financial statements.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, include but are not limited to the following areas:

(i) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit and loss account. The Group engaged independent valuation specialists to assist in determining the fair value at 31 December 2015. Due to the nature of the property and a lack of comparable market data, the valuation methodology is based on a discounted cash flow model. The determined fair value of the investment properties is most sensitive to the estimated yield and the expected future rental income stream. The key assumptions used to determine the fair value of investment properties are further explained in note 16.

(ii) Impairment of non-financial assets and goodwill

Non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset. The recoverable amount of an asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. These calculations require the use of estimates. The calculations are inherently judgemental and susceptible to change from period to period because they require the Group to make assumptions about future supply and demand, future sales prices, the achievement of cost savings, applicable exchange rates and an appropriate discount rate. If the Group fails to meet its forecasted sales levels or fails to achieve anticipated cost reductions, or if weak economic conditions prevail in its primary markets, the value in use of an asset (or an asset's cash generating unit) is likely to be adversely affected.

(iii) Pensions

The Group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary and pension payment increases, asset valuations, inflation and the discount rate on corporate bonds. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Management estimates these factors in determining the net pension obligation on the balance sheet. The assumptions reflect historical experience and current trends and may differ from the actual data as a result of changes in economic and market conditions. See note 14 for the disclosures relating to the defined benefit pension scheme.

(iv) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 16 for the carrying amount of the Group's tangible assets. The useful economic lives for each class of assets are disclosed in the accounting policy set out in note 3.

(v) Depletion

Depletion represents the costs of forest plantations clear felled and is calculated as the proportion that the area harvested bears to the total area of similar forest plantations. The amount of depletion charged to the profit and loss account is based on the original cost of the forest plantation at vesting day or, if the forest plantation was established post vesting day, the original establishment costs, plus an allocation of maintenance costs capitalised since that date.

(vi) Impairment of debtors

The Group makes an estimate of the recoverable value when assessing impairment of trade and other debtors. Management considers factors including the insurance policy in place, the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 20 for the net carrying amount of the Group's debtors and associated impairment provision.

(vii) Provisions for liabilities

The determination of the Group's provisions for liabilities inevitably involves a high degree of judgement. Where provisions are deemed necessary, judgements are made in relation to the future cash outflows arising in connection with provisions made. The main judgemental areas in the Group relate to legal claims and restructuring related provisions. Management calculate these provisions factoring in the best information available and they make estimates based on their judgement.

5. Turnover

Analysis of turnover

The Group is organised into three divisions: Forest, Land Solutions and MEDITE SMARTPLY. The Forest Division is involved in the management of the Group's forestry business, including the establishment, management and protection of forests. Land Solutions is responsible for optimising the land resource through renewable energy, land sales and other value added initiatives. MEDITE SMARTPLY is a leading manufacturer and supplier of innovative and sustainable MDF and OSB panels.

The table below is an analysis of turnover by division and by geography.

	Forest		Land Solutions		MEDITE SMARTPLY		Group	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Group turnover								
Continuing operations:								
Republic of Ireland	**127,877**	125,484	**3,161**	4,519	**34,117**	31,289	**165,155**	161,292
United Kingdom	**12,521**	12,379	**-**	-	**109,559**	105,329	**122,080**	117,708
Rest of the World	**138**	107	**-**	-	**44,718**	41,767	**44,856**	41,874
Inter-segment sales*	**(33,440)**	(33,147)	**-**	-	**-**	-	**(33,440)**	(33,147)
Sales to third parties	**107,096**	104,823	**3,161**	4,519	**188,394**	178,385	**298,651**	287,727

* Representing sales from the Group's Forest division to its MEDITE SMARTPLY division.

Notes to the Financial Statements

6. Operating Profit

	2017	2016
	€'000	€'000
Operating profit has been arrived at after charging/(crediting):		
Depreciation (note 16)	**19,916**	19,038
Depletion (note 17)	**12,993**	14,093
Amortisation of grants (note 25)	**(1,724)**	(1,690)
Amortisation of intangible assets (note 15)	**826**	731
Operating lease charges	**1,839**	1,933
Research and development expenditure	**523**	545
Operating lease rental income	**(1,597)**	(860)
Impairment of trade receivables	**(183)**	(84)
Inventory recognised as an expense	**183,267**	170,401
Impairment of inventory (included in 'cost of sales')	**60**	12
Gain on revaluation of investment properties (note 16)	**-**	(1,591)
Exceptional items (note 9)	**423**	1,058

Remuneration (including expenses) for the statutory audit of the financial statements and other services carried out by the Group and Company's auditors is as follows:

	Group		Company	
	2017	2016	2017	2016
	€'000	€'000	€'000	€'000
Audit of the financial statements	**202**	202	**159**	159
Other assurance services	**27**	15	**27**	15
Tax advisory services	**90**	69	**73**	30
Other non-audit services	**43**	79	**43**	79
	362	365	**302**	283

Notes to the Financial Statements

7. Emoluments of Directors

	2017	2016
	€'000	€'000
Emoluments	**332**	305
Contributions to retirement benefits schemes	**51**	50
Total	**383**	355

Retirement benefits are accruing to 2 (2016: 2) Directors, one Director under a defined benefit scheme and one Director under a defined contribution scheme.

8. Employees and remuneration

The average number of persons employed by the Group (excluding joint venture and associate undertakings) during the year was 827 (2016: 862).

	2017	2016
	€'000	€'000
Staff costs comprise:		
Wages and salaries	**48,811**	51,230
Social insurance costs	**5,017**	5,098
Other retirement benefit costs	**7,021**	6,054
	60,849	62,382
Less: Own work capitalised	**(9,138)**	(8,215)
Charge to profit and loss account	**51,711**	54,167
Other retirement benefit costs comprise:		
Defined contribution scheme pension costs (note 14)	**1,160**	1,400
Defined benefit scheme pension costs (note 14)	**5,861**	4,654
	7,021	6,054

Notes to the Financial Statements

Wages and Salaries

	2017	2016
	€'000	€'000
Wages and salaries comprise:		
Basic pay	42,308	44,120
Overtime	4,044	4,066
Allowances	2,459	3,044
	48,811	51,230

Key management compensation

	2017	2016
	€'000	€'000
Short term benefits	1,565	1,291
Post-employment benefits	145	121
	1,710	1,412

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group and Company. These include the Board members and senior executives. Senior Executives comprised the CEO plus four others during 2016 and the CEO plus six others during 2017 (some for part of the year).

In accordance with the Code of Practice for the Governance of State Bodies, post-employment benefits relate to payments in respect of defined contribution schemes. Three key management personnel are members of Coillte's CGA defined benefit scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

Notes to the Financial Statements

9. Exceptional items

	2017	2016
	€'000	€'000
Recognised in arriving at operating profit:		
Restructuring (note A)	2,198	(12,591)
Past service pension credit (note B)	-	11,533
Gain on disposal of intellectual property (note C)	399	-
Reversal of impairment loss of biological assets (note D)	720	-
Depletion & related costs re Forest Fires (note E)	(3,740)	-
	(423)	(1,058)

(A) Restructuring

During 2016, the Group announced a restructuring programme with estimated associated severance and actuarial costs relating to the past service of departing employees of €12.6m. Based on the out-turn of this restructuring, a credit to the profit and loss account of €2.2m has been recorded in respect of 2017. This exceptional credit includes a pension curtailment credit of €0.6 million (2016: €1.2 million charge).

(B) Past service pension credit

During 2016 the Group recorded a one-off credit of €11.5m relating to past service pension costs of its employees.

(C) Gain on disposal of intellectual property

During 2017, the Group disposed of intellectual property relating to its panel product manufacturing processes.

(D) Reversal of impairment loss of biological assets

Previously the Group had written down certain forestry assets to their estimated recoverable amounts. During 2017, the Group updated its review resulting in a credit to the profit and loss account of €0.7m (2016: €nil).

(E) Depletion & related costs in relation to forest fires

During 2017, there were a number of significant forest fires which affected c.1,150 hectares of forestry. The associated costs of fire-fighting and the accelerated depletion of the damaged biological assets totalled €3.7m and these have been recognised as exceptional costs in the current year (2016: €nil).

10. Other profit from trading activities and other operating gains

Other profit from trading activities, which relates to the Group's land dealing and development business, amounted to €nil (2016: €17.1m) during the year. Sales proceeds in relation to these transactions amounted to €nil (2016: €18.0m).

Other operating gains, all of which relate to profits realised on the disposal of fixed assets, amount to €8.1m (2016: €9.9 million).

Notes to the Financial Statements

11. Net finance charges

	2017 €'000	2016 €'000
(a) Interest receivable and similar income		
Interest receivable	-	(2)
(b) Interest payable and similar charges		
Interest on bank overdrafts and loans, and other related bank costs	2,878	5,773
Less: Capitalised borrowing costs	-	(209)
Interest payable recognised in profit and loss account	2,878	5,564
Net interest expense on pension deficit (note 14)	1,898	1,858
Unwind of discount (note 24)	21	20
Other finance costs	1,919	1,878
Total interest payable	4,797	7,442
Net interest expense	4,797	7,440

12. Dividends

Equity dividends declared and paid on ordinary shares:

	2017 €'000	2016 €'000
Final dividend of €0.00158 per share for the financial year ended 31 December 2015	-	1,000
Dividend of €0.00983 per share for the financial year ended 31 December 2016	-	6,200
Dividend of €0.01268 per share for the financial year ended 31 December 2017	8,000	-
	8,000	7,200

A dividend of €0.01268 per share totalling €8.0m was authorised by the Board and paid in December 2017. Total dividends paid in the year ended 31 December 2016 amounted to €7.2m, comprising a final dividend of €6.2m paid in December 2016 in relation to 2016 and a final dividend of €1.0m paid in May 2016 in relation to 2015.

Notes to the Financial Statements

13. Taxation

(a) Tax expense included in the profit and loss account:

	2017 €'000	2016 €'000
Current tax:		
Corporation tax at 12.5%	5,102	4,230
Less: Woodlands relief	(3,957)	(2,996)
Irish corporation tax	1,145	1,234
Foreign tax		
- Netherlands	3	10
- United Kingdom	30	37
Adjustment in respect of prior financial years	(986)	(870)
Taxation on disposal of fixed assets at 33%	3,094	8,091
Total current tax	3,286	8,502
Deferred tax:		
Pension timing difference	89	82
Revaluation of investment properties	-	525
Other timing differences	98	(295)
Total deferred tax	187	312
Total taxation on profit on ordinary activities*	3,473	8,814

* Includes €0.1 million (2016: €nil) taxation relating to exceptional items (note 9).

Notes to the Financial Statements

(b) Tax (income)/expense included in the statement of other comprehensive income

	2017	2016
	€'000	€'000
Current tax:	**-**	-
Deferred tax:		
Pension timing difference	**(691)**	(906)
Other timing differences	**129**	(214)
Total tax credit included in the statement of other comprehensive income	**(562)**	(1,120)

(c) Reconciliation of tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in the Republic of Ireland. The differences are explained below:

	2017	2016
	€'000	€'000
Profit on ordinary activities before tax	**46,268**	57,039
Profit on ordinary activities multiplied by the standard rate of tax in the Republic of Ireland of 12.5%	**5,784**	7,130
Effects of:		
Woodlands relief	**(3,957)**	(2,996)
Expenses non-deductible for tax purposes	**545**	636
Differences between capital allowances and depreciation	**(34)**	(124)
Adjustments in respect of prior financial years	**(986)**	(870)
Higher rates of tax on certain activities	**2,467**	5,203
Foreign tax	**16**	22
Other	**(362)**	(187)
	3,473	8,814

Notes to the Financial Statements

14. Pensions

(a) Defined benefit pension scheme

The Group operates defined benefit pension schemes in Coillte CGA and Medite Europe DAC for the majority of those entities' employees, with assets held in separately administered funds.

The pension costs relating to the Group's defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries. The valuations were based on the attained age and the projected unit credit method and the last full valuations were carried out as at 1 January 2015 (Medite Europe DAC) and 31 December 2014 (Coillte CGA).

The assumptions which have the most significant effect on the results of the actuarial valuations are those relating to the rate of return on investments and the rates of increase in remuneration and pensions. It was assumed that the rate of return on investments would on average exceed annual remuneration increases by 1.5% (Coillte CGA) and 2% (Medite Europe DAC) in the last full valuations and that pension increases of 1.5% would be paid by Coillte CGA. No provision was made for future pension increases in Medite Europe DAC.

The market value of the assets in the Group's defined benefit schemes at the respective valuation dates was €226.4 million (Coillte CGA – 31 December 2014) and €26.4 million (Medite Europe DAC – 1 January 2015) and the deficit in both schemes inclusive of the Funding Standard Reserve at those dates was €64.3 million (Coillte CGA) and €6.2 million (Medite Europe DAC).

The valuations indicated that the actuarial value of the total scheme assets was sufficient to cover 78% of the benefits that had accrued to the members of the combined scheme, inclusive of the Funding Standard Reserve, as at the valuation dates. Coillte CGA and Medite Europe DAC contribute to their respective scheme on behalf of members at a rate of 25% and 15.4% respectively. The actuarial reports of both schemes are available to scheme members, but not for public inspection.

The payment of pre-Vesting Day pension entitlements of employees retiring after Vesting Day, which is the liability of the Minister for Public Expenditure and Reform, has been delegated to the Company by the Minister for Agriculture, Food and the Marine under section 44 of the Forestry Act, 1988. Payments made by the Company in accordance with such delegation are reimbursed by the Minister for Public Expenditure and Reform.

A funding proposal in respect of the Coillte CGA scheme was approved by the Pensions Authority in 2010. The funding proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 31 December 2020. The funding proposal requires Coillte to make significant additional contributions and employees to increase their contributions. A funding agreement which varied some of the terms of the funding proposal was agreed with the Trustees in July 2014. This agreement puts in place a number of alternative measures to the transfer of non-cash assets, which was part of the original funding proposal. These alternative measures include further Company cash contributions over the period to the pension fund. The Company has also given the Trustees security over €20.0m of forestry assets that would be available to the Trustees in certain circumstances. These include the Company terminating its liability to the scheme or not making contributions to the scheme, the wind up of the scheme or the Company ceasing business. In addition, the funding agreement notes that the Company intends to limit future increases in pensions in payment to increases in the Consumer Price Index. The Trustees have notified the Pensions Authority of these changes and the Pensions Authority have confirmed they are satisfied with them.

A funding proposal in respect of the Medite Europe DAC Scheme was approved by the Pensions Authority in July 2015. This proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 2023 and involved significant additional cash contributions by that company, additional employee contributions and benefit changes for members.

Notes to the Financial Statements

The amounts recognised in the profit and loss account are as follows:

	2017	2016
	€'000	€'000
Current service cost	**5,861**	4,654
Curtailment/past service credit	**(600)**	(10,360)
	5,261	(5,706)
Less: Capitalised expenses	**(1,263)**	(851)
Total charge/(credit) in operating profit	**3,998**	(6,557)
Net interest expense	**1,898**	1,858
Total profit and loss account charge/(credit)	**5,896**	(4,699)

The amounts recognised in the statement of other comprehensive income are as follows:

	2017	2016
	€'000	€'000
Return on scheme assets excluding interest income	**6,669**	13,297
Actuarial gains/(losses)	**22,064**	(56,850)
Re-measurement gains/(losses) recognised in the statement of other comprehensive income	**28,733**	(43,553)

Expected contributions for the financial year ending 31 December 2018 are €9,252,000.

Notes to the Financial Statements

Movement in scheme assets and liabilities

	Pension assets	Pension Liabilities	Pension deficit
	€'000	€'000	€'000
At 1 January 2017	**293,296**	**(401,444)**	**(108,148)**
Benefits paid from plan assets	**(10,384)**	**10,384**	**-**
Employer contributions paid	**10,227**	**-**	**10,227**
Contributions by plan participants	**1,321**	**(1,321)**	**-**
Current service cost	**-**	**(5,589)**	**(5,589)**
Curtailment/past service credit	**-**	**600**	**600**
Administration expenses	**(272)**	**-**	**(272)**
Interest income/(expense)	**5,371**	**(7,269)**	**(1,898)**
Re-measurement gains/losses			
Actuarial gains	**-**	**22,064**	**22,064**
Return on plan assets excluding interest income	**6,669**	**-**	**6,669**
As at 31 December 2017	**306,228**	**(382,575)**	**(76,347)**
At 1 January 2016	272,144	(350,595)	(78,451)
Benefits paid from plan assets	(10,327)	10,327	-
Employer contributions paid	10,008	-	10,008
Contributions by plan participants	1,457	(1,457)	-
Current service cost	-	(4,481)	(4,481)
Curtailment credit	-	10,360	10,360
Administration expenses	(173)	-	(173)
Interest income/(expense)	6,890	(8,748)	(1,858)
Re-measurement gains			
Actuarial gains	-	(56,850)	(56,850)
Return on plan assets excluding interest income	13,297	-	13,297
As at 31 December 2016	293,296	(401,444)	(108,148)

Notes to the Financial Statements

For the purposes of disclosure the assets and liabilities of the Coillte CGA and Medite Europe DAC defined benefit schemes have been combined. At 31 December 2017, the deficit in the Coillte CGA scheme was €75.6 million (2016: deficit of €104.1 million) and the deficit in the Medite Europe DAC scheme was €0.7 million (2016: deficit of €4.0 million).

The fair value of the plan assets was:	2017	2016
	€'000	€'000
Equities	99,479	102,120
Bonds	123,004	111,790
Property	20,147	20,485
Other	63,598	58,901
Total market value of assets	306,228	293,296

The actual return on plan assets was:	2017	2016
	€'000	€'000
Actual return on plan assets	12,040	20,187

Principal actuarial assumptions at the balance sheet date	2017	2016
Rate of increase in salaries	2.25%	2.10%
Rate of increase in pension payments		
- Coillte CGA	1.75%	1.60%
- Medite Europe DAC	0.00%	0.00%
Discount rate	2.10%	1.85%
Price inflation	1.75%	1.60%
Post-retirement mortality*		
Current pensioners at 65 - Male	22.3	22.9
Current pensioners at 65 - Female	24.2	24.9
Future pensioners at 65 - Male	24.0	25.1
Future pensioners at 65 - Female	26.0	27.2

* Assumptions regarding future mortality are based on published statistics and experience.

Notes to the Financial Statements

(b) Defined contribution pension scheme

The Group also contributes to a number of defined contribution pension schemes on behalf of certain employees who are not members of the defined benefit schemes. The assets of these schemes are held separately from those of the Group or Company in independently administered schemes. The pension cost for the period amounted to €1,160,000 (2016: €1,400,000) and contributions of €92,000 (2016: €66,000) were not transferred to the funds until after the financial year end.

15. Intangible assets

A. Group	Notes	Software	Goodwill	Total
		€'000	€'000	€'000
Cost				
At 1 January 2017		**18,541**	**1,176**	**19,717**
Additions		**3,351**	**-**	**3,351**
Disposals – cost		**(1,851)**	**-**	**(1,851)**
At 31 December 2017		**20,041**	**1,176**	**21,217**
Accumulated amortisation				
At 1 January 2017		**(9,793)**	**(1,176)**	**(10,969)**
Amortisation	**(ii)**	**(826)**	**-**	**(826)**
Disposals – amortisation		**1,387**	**-**	**1,387**
At 31 December 2017		**(9,232)**	**(1,176)**	**(10,408)**
Net book amounts At 31 December 2017		**10,809**	**-**	**10,809**
At 31 December 2016		**8,748**	**-**	**8,748**
Cost				
At 1 January 2016		15,744	1,176	16,920
Additions		3,275	-	3,275
Disposals – cost		(478)	-	(478)
At 31 December 2016		18,541	1,176	19,717
Accumulated amortisation				
At 1 January 2016		(9,638)	(1,068)	(10,706)
Amortisation	(ii)	(623)	(108)	(731)
Disposals - amortisation		468	-	468
At 31 December 2016		(9,793)	(1,176)	(10,969)
Net book amount At 31 December 2016		8,748	-	8,748
At 31 December 2015		6,106	108	6,214

Notes to the Financial Statements

B. Company	Notes	Software
		€'000
Cost		
At 1 January 2017		**17,234**
Additions		**3,327**
Disposals – cost		**(1,851)**
At 31 December 2017		**18,710**
Accumulated amortisation		
At 1 January 2017		**(8,530)**
Amortisation	**(ii)**	**(804)**
Disposals - amortisation		**1,387**
At 31 December 2017		**(7,947)**
Net book amounts At 31 December 2017		**10,763**
At 31 December 2016		**8,704**
Cost		
At 1 January 2016		14,441
Additions		3,271
Disposals – cost		(478)
At 31 December 2016		17,234
Accumulated amortisation		
At 1 January 2016		(8,400)
Amortisation	(ii)	(598)
Disposals - amortisation		468
At 31 December 2016		(8,530)
Net book amounts At 31 December 2016		8,704
At 31 December 2015		6,041

(i) Intangible assets include software costs incurred in developing the Group's Forest Management System. At 31 December 2017, the asset is under construction and is carried at €8.6 million (2016: €6.5 million). There are no other individual material intangible assets.

(ii) Amortisation of intangible assets is included in cost of sales and administrative expenses. The estimated useful lives are disclosed in note 3(j).

Notes to the Financial Statements

16. Tangible assets

A. Group	Notes	Land	Buildings	Investment Properties	Forest roads & bridges	Machinery & equipment	Total
		€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2017	**(i)**	**353,349**	**33,467**	**20,481**	**299,631**	**172,069**	**878,997**
Additions		**9**	**21**	**-**	**8,897**	**4,291**	**13,218**
Disposals		**(607)**	**-**	**-**	**-**	**(746)**	**(1,353)**
At 31 December 2017		**352,751**	**33,488**	**20,481**	**308,528**	**175,614**	**890,862**
Accumulated depreciation							
At 1 January 2017		**-**	**(25,061)**	**-**	**(163,946)**	**(77,119)**	**(266,126)**
Charge for financial year		**-**	**(1,213)**	**-**	**(7,840)**	**(10,863)**	**(19,916)**
Disposals		**-**	**-**	**-**	**-**	**661**	**661**
At 31 December 2017		**-**	**(26,274)**	**-**	**(171,786)**	**(87,321)**	**(285,381)**
Net book amounts							
At 31 December 2017		**352,751**	**7,214**	**20,481**	**136,742**	**88,293**	**605,481**
At 31 December 2016		**353,349**	**8,406**	**20,481**	**135,685**	**94,950**	**612,871**

A. Group	Notes	Land	Buildings	Investment Properties	Forest roads & bridges	Machinery & equipment	Total
		€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2016	(i)	344,365	33,291	18,843	291,059	155,233	842,791
Additions		4,019	336	-	8,572	18,165	31,092
Transfers		5,632	-	47	-	-	5,679
Impairments		-	-	-	-	-	-
Surplus on revaluation		-	-	1,591	-	-	1,591
Disposals		(444)	(160)	-	-	(1,329)	(1,933)
Transfers to stock		(223)	-	-	-	-	(223)
At 31 December 2016		353,349	33,467	20,481	299,631	172,069	878,997
Accumulated depreciation							
At 1 January 2016		-	(24,188)	-	(156,197)	(68,017)	(248,402)
Charge for financial year		-	(946)	-	(7,749)	(10,343)	(19,038)
Disposals		-	73	-	-	1,241	1,314
At 31 December 2016		-	(25,061)	-	(163,946)	(77,119)	(266,126)
Net book amounts							
At 31 December 2016		353,349	8,406	20,481	135,685	94,950	612,871
At 31 December 2015		344,365	9,103	18,843	134,862	87,216	594,389

Notes to the Financial Statements

B. Company	Notes	Land	Buildings	Investment Properties	Forest roads & bridges	Machinery & equipment	Total
		€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2017	(i)	341,567	11,729	20,481	299,631	9,259	682,667
Additions		9	21	-	8,897	1,032	9,959
Disposals		(607)	-	-	-	(563)	(1,170)
Transfers to stock		-	-	-	-	-	-
At 31 December 2017		340,969	11,750	20,481	308,528	9,728	691,456
Accumulated depreciation							
At 1 January 2017		-	(4,632)	-	(163,946)	(6,851)	(175,429)
Charge for financial year		-	(239)	-	(7,840)	(877)	(8.956)
Disposals		-	-	-	-	574	574
At 31 December 2017		-	(4,871)	-	(171,786)	(7,154)	(183,811)
Net book amounts							
At 31 December 2017		340,969	6,879	20,481	136,742	2,574	507,645
At 31 December 2016		341,567	7,097	20,481	135,685	2,408	507,238

B. Company	Notes	Land	Buildings	Investment Properties	Forest roads & bridges	Machinery & equipment	Total
		€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2016	(i)	332,583	11,555	18,843	291,059	10,210	664,250
Additions		4,019	334	-	8,572	368	13,293
Transfers		5,632	-	47	-	-	5,679
Impairments		-	-	-	-	-	-
Surplus on revaluation		-	-	1,591	-	-	1,591
Disposals		(444)	(160)	-	-	(1,319)	(1,923)
Transfers to Stock		(223)	-	-	-	-	(223)
At 31 December 2016		341,567	11,729	20,481	299,631	9,259	682,667
Accumulated depreciation							
At 1 January 2016		-	(4,488)	-	(156,197)	(7,268)	(167,953)
Charge for financial year		-	(217)	-	(7,749)	(824)	(8,790)
Disposals		-	73	-	-	1,241	1,314
At 31 December 2016		-	(4,632)	-	(163,946)	(6,851)	(175,429)
Net book amounts							
At 31 December 2016		341,567	7,097	20,481	135,685	2,408	507,238
At 31 December 2015		332,583	7,067	18,843	134,862	2,942	496,297

Notes to the Financial Statements

(i) Tangible assets taken over from the Department of Agriculture, Food and the Marine on Vesting Day (1 January 1989) are stated at cost, based on the overall amount agreed between the Group and the Minister for Agriculture, Food and the Marine. Subsequent additions are stated at cost.

(ii) At 31 December 2017 €5.6 million (2016: €6.7 million) of total additions was unpaid and included within creditors due within one financial year.

The carrying value of land comprises:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Investment properties at fair value	**20,481**	20,481	**20,481**	20,481
Other land at cost	**352,751**	353,349	**340,969**	341,567
	373,232	373,830	**361,450**	362,048

The Group's investment properties predominantly comprise of land rented to wind-farm operators under long-term lease agreements. Investment properties were independently valued by CBRE as at 31 December 2015 on an open market valuation basis in accordance with the RICS Valuation – Professional Standards 2014 (Red Book) published by the Royal Institution of Chartered Surveyors. The valuer noted that values are subject to changes on account of market adjustments and other factors, and that values in the future may therefore be higher or lower than at the valuation date. The fair value of the investment properties at 31 December 2016 was determined by the Directors using the same assumptions as those applied by CBRE at 31 December 2015. There has been no change in the fair value of these investment properties at 31 December 2017.

The significant assumptions made relating to the valuation include:

- Future rental income stream. The rental income is partially contingent on the performance of the wind-farm.
- A yield range of 10.5% to 12.0% has been applied.

Investment properties:

	Group and Company	
	2017	2016
	€'000	€'000
At 1 January	**20,481**	18,843
Transfers	**-**	47
Surplus on revaluation	**-**	1,591
At 31 December	**20,481**	20,481

The historic cost of investment properties at 31 December 2017 was €0.5 million (2016: €0.5 million).

Notes to the Financial Statements

17. Biological assets

Group and Company

	Notes	2017	2016
		€'000	€'000
Cost			
At 1 January	(i)/(ii)	**866,435**	860,839
Additions		**28,055**	25,368
Reclassification		**(144)**	-
Transfers to tangible assets		**-**	(5,679)
Transfers to stock		**-**	(720)
Depletion	(iii)	**(15,760)**	(13,373)
At 31 December		**878,586**	866,435
Accumulated impairment			
At 1 January		**(63,838)**	(63,838)
Reversal of impairment loss		**720**	-
Reclassification		**144**	-
At 31 December		**(62,974)**	(63,838)
Net book amounts			
At 31 December		**815,612**	802,597

(i) The Group's forest assets are reported as (a) biological assets, that is, standing forest plantations, and (b) land and forest roads & bridges assets (see note 16). The Group's forest holdings comprise approximately 345,000 hectares of forest land in the Republic of Ireland and approximately 16,000 hectares of standing forest plantations established on leased land.

(ii) Trustees of the superannuation pension scheme have security over €20.0m of forestry assets that would be available to the Trustees in certain circumstances (see note 14).

(iii) During 2017, there were a number of significant forest fires which affected c.1,150 hectare of forestry. The associated accelerated depletion costs of the damaged biological assets was €2.8m (2016: €nil) and has been recognised as part of exceptional costs in the current year.

Notes to the Financial Statements

18. Investments

Subsidiary undertakings, joint ventures and associates

A. Group	Notes	2017	2016
		€'000	€'000
Joint venture undertakings	(a)	**4,983**	-
Associate undertakings	(b)	**11,071**	-
		16,054	-

(a) Joint venture undertakings		2017	2016
		€'000	€'000
At 1 January		**-**	2,104
Reclassification of provision for liabilities		**(640)**	
Additions	(i)	**-**	-
Share in profit/(loss)of joint ventures	(ii)	**1,630**	(454)
Share in other comprehensive income/ (expense) of joint ventures	(ii)	**3,993**	(1,650)
At 31 December		**4,983**	-

(b) Investments in associates	Notes	2017	2016
		€'000	€'000
At 1 January	(iii)	-	-
Additions		11,399	-
Share in (loss) of associates		(328)	-
At 31 December		11,071	-

Notes to the Financial Statements

(i) Additions in 2016 comprise the Group's nominal equity investment in its joint venture entity, Castlepook Power DAC.

(ii) In 2017 the Group recorded its 50% share in its joint ventures' profit amounting to €3,093,000 (2016: loss of €454,000). The Group also recognised its 50% share in its joint ventures' movement in cash-flow hedge reserves driven by the changes in fair value of the joint ventures' derivative financial instruments used to hedge their interest rate risk exposure, amounting to a gain of €4,330,000 (2016: loss of €6,683,000).

Where the Group's share of profits in an individual joint venture exceeds the Group's investment in that joint venture, the carrying amount of the Group's investment in that joint venture is recognised in investments. In 2017 individual investments in joint ventures with a positive investment value amounted to €4,983,000 (2016: €nil).

Where the Group's share of losses in an individual joint venture exceeds the Group's investment in the joint venture, the carrying amount of the Group's investment in that joint venture is reduced to €nil and a balance of €2,592,000 (2016: €5,033,000) at 31 December 2017 is recognised in provisions for liabilities.

In March 2017, Medite Europe DAC completed an investment of €11,000,000 to acquire a minority stake in Tricoya Technologies Limited and Tricoya Ventures UK Limited as part of a consortium to exploit, in a wood panels context, technology and intellectual property in respect of acetylated wood chip. This will enable Medite to produce and sell MEDITE TRICOYA EXTREME on a commercial and sustainable basis across Europe. In addition, Medite received shares in Tricoya Technologies Limited valued at €399,000 in exchange for the disposal of relevant intellectual property to Tricoya Technologies Limited (Note 9).

B. Company	Notes	Subsidiary undertakings	Joint venture undertakings	Total
		€'000	€'000	€'000
Unlisted shares				
At 1 January 2016, 31 December 2016 and 31 December 2017		**78,856**	**2,929**	**81,785**

Listing of the Group's subsidiary, joint venture and associate undertakings

Subsidiary Undertakings	% Held	Principal Activities	Registered Office and Country of Incorporation
Smartply Europe DAC	100	Oriented strand board (OSB) manufacture	Belview, Slieverue, Co. Waterford, Ireland.
Medite Europe DAC	100	Medium density fibreboard (MDF) manufacture	Redmondstown, Clonmel, Co. Tipperary, Ireland.
Coillte Panel Products (UK) Limited	100	MEDITE SMARTPLY marketing	Persimmon House, Anchor Boulevard, Crossways Business Park, Dartford, Kent, UK.

Notes to the Financial Statements

Joint Venture Undertakings	% Held	Principal Activities	Registered Office and Country of Incorporation
Raheenleagh Power DAC	50	Wind energy	Two Gateway East Wall Road Dublin 3, Ireland.
Cloosh Valley Wind Farm Holdings DAC	50	Wind energy	6th Floor South Bank House Barrow Street Dublin 4, Ireland.
Sliabh Bawn Wind Holdings DAC	50	Wind energy	Dublin Road Newtownmountkennedy Co. Wicklow, Ireland.
Castlepook Power DAC	50	Wind energy	Two Gateway East Wall Road Dublin 3, Ireland.
Moylurg Rockingham DAC	50	Forest recreation	Lough Key Forest and Activity Park, Boyle, Co. Roscommon, Ireland.

Associated Undertakings	% Held	Principal Activities	Registered Office and Country of Incorporation
Tricoya Technologies Limited	12	Development and licensing of intellectual property	Brettenham House, 19 Lancaster Place London WC2E 7EN
Tricoya Ventures UK Limited	8	Production and sale of acetylated wood chips	Brettenham House, 19 Lancaster Place London WC2E 7EN

In accordance with Section 357 of the Companies Act 2014, the Company has guaranteed the liabilities of its wholly owned subsidiaries and, as a result, these subsidiaries have been exempted from the provisions of Section 347 and Section 348 of the Companies Act 2014.

Notes to the Financial Statements

19. Stocks

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**5,262**	6,458	**1,132**	1,245
Spare parts	**3,648**	2,828	**-**	-
Finished goods	**14,504**	14,441	**2,821**	3,111
	23,414	23,727	**3,953**	4,356

The value of stock is shown net of any provisions for obsolescence and impairment. The replacement cost of stocks does not materially differ from the valuation computed on a first-in first-out basis.

20. Debtors

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Trade debtors	**45,870**	44,369	**24,033**	22,439
Amounts owed by subsidiary undertakings	**-**	-	**69,118**	64,341
Amounts owed by joint venture undertakings	**22,598**	25,336	**40,518**	43,256
Forest plantations to be planted (note 24)	**44,193**	44,232	**44,193**	44,232
Deferred tax (note 24)	**3,237**	2,635	**3,131**	2,126
Derivative financial instruments (note 23)	**1,806**	1,099	**285**	90
Grants receivable	**508**	609	**508**	609
Other debtors	**19,174**	32,485	**19,173**	32,485
Prepayments	**1,947**	2,823	**906**	1,118
	139,333	153,588	**201,865**	210,696

Trade debtors includes €nil (2016: €nil) falling due after more than one year. Trade debtors are stated after provisions for impairment of €1,356,000 (2016: €1,173,000).

Amounts owed by subsidiary and joint venture undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements

21. Creditors: amounts falling due within one financial year

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Trade creditors	**8,436**	10,485	**6,516**	7,146
Taxation and social insurance	**4,894**	7,371	**3,149**	5,551
Accruals	**43,540**	49,051	**27,088**	33,706
Derivative financial instruments (note 23)	**241**	926	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**52,873**	51,253
Amounts owed to joint venture undertakings	**33**	33	**33**	33
Loans and finance leases (note 22)	**3,353**	3,355	**3,353**	3,353
	60,497	71,221	**93,012**	101,042

Taxation and social insurance comprise:	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
PAYE/PRSI	**1,717**	1,977	**847**	958
VAT	**1,442**	2,903	**806**	2,086
Corporation and capital gains tax	**1,635**	2,362	**1,399**	2,406
Other	**100**	129	**97**	101
	4,894	7,371	**3,149**	5,551

Trade and other creditors are payable at various dates in the next three months after the end of the financial year, in accordance with the creditors' usual and customary credit terms. Trade creditors of €1,868,000 (2016: €3,643,000) have reserved title to goods supplied.

Creditors for tax and social insurance are payable in the time frame set down in the relevant legislation. Amounts due to subsidiary and joint venture undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements

22. Creditors: amounts falling due after more than one financial year

Bank Loans	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Loans	**158,681**	166,505	**158,681**	166,505

Group Borrowings

The Group's loans and other debt comprises:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Details of loans and other debt				
RCF facility	**51,000**	146,000	**51,000**	146,000
ECA facility	**23,469**	26,822	**23,469**	26,822
EIB facility	**90,000**	-	**90,000**	-
Finance leases	**-**	2	**-**	-
Transaction costs	**(2,435)**	(2,964)	**(2,435)**	(2,964)
	162,034	169,860	**162,034**	169,858

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Bank loans are repayable as follows: Within one year	**3,353**	3,355	**3,353**	3,353
Between two and five years	**13,412**	13,412	**13,412**	13,412
After 5 years	**145,269**	153,093	**145,269**	153,093
	162,034	169,860	**162,034**	169,858

Notes to the Financial Statements

Group Facilities

The Group has a total of €238.5m of facilities available to it at year end comprising:	**Available Facility €'m**	**Drawn Down as at 31 December 2017 €'m**
Syndicated revolving credit facility ('RCF') (i)	120.0	51.0
ECA–backed facility (iii)	23.5	23.5
Bank overdraft facility	5.0	-
European Investment Bank facility (ii)	90.0	90.0

(i) The RCF was negotiated in 2016 with an initial term of five years and the Group having the right to extend this by up to two additional years. In 2017, on the first anniversary of the agreement, the Group extended the facility by one year. Drawings incur interest at a margin of between 1% and 2.5%, depending on the performance of the Group in the previous reporting period. The margin is in addition to the floating Euribor charge, and a commitment fee is payable on any unutilised portion of the facility at a rate of 0.35% of the applicable margin.

(ii) The Group finalised negotiations in December 2016 with the European Investment Bank for a 10 year facility agreement for €90m, which was drawn on 24 January 2017 at a fixed rate of 0.743% for a period of six years, after which the Group can decide to enter into a fixed or floating rate calculation basis for the remaining four years of the agreement.

(iii) The Group also has an Export Credit Agency backed facility in place. This facility was entered into in 2014, and is required to be repaid in full by December 2025. Draw-downs under the facility are to be repaid in 17 semi-annual instalments, with the first repayment having been made in December 2016. The loan incurs an interest margin of 1.40% over 6 month Euribor.

The Group had undrawn facilities of €74m (2016: €119m) as at 31 December 2017.

Notes to the Financial Statements

23. Financial instruments

(a) Financial assets and liabilities:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Financial assets measured at fair value through profit or loss				
Forward foreign currency contracts	**1,806**	1,099	**285**	90
Financial assets that are debt instruments measured at amortised cost				
Trade debtors (note 20)	**45,870**	44,369	**24,033**	22,439
Amounts owed by subsidiary undertakings (note 20)	**-**	-	**69,118**	64,341
Amounts owed by joint venture undertakings (note 20)	**22,598**	25,336	**40,518**	43,256
Other debtors (note 20)	**19,174**	32,485	**19,173**	32,485
Grants receivable (note 20)	**508**	609	**508**	609
	88,150	102,799	**153,350**	163,130
Financial liabilities measured at fair value through profit or loss				
Forward foreign currency contracts	**(241)**	(926)	**-**	-
	(241)	(926)	**-**	-
Financial liabilities that are debt instruments measured at amortised cost				
Trade creditors (note 21)	**(8,436)**	(10,485)	**(6,516)**	(7,146)
Amounts owed to subsidiary undertakings (note 21)	**-**	-	**(52,873)**	(51,253)
Amounts owed to joint venture undertakings (note 21)	**(33)**	(33)	**(33)**	(33)
Loans (note 22)	**(162,034)**	(169,858)	**(162,034)**	(169,858)
Finance leases	**-**	(2)	**-**	-
	(170,503)	(180,378)	**(221,456)**	(228,290)

Notes to the Financial Statements

(b) Derivative financial instruments:

Group

The Group uses forward foreign currency contracts to hedge currency exposure on highly probable forecasted sales transactions. The Group has elected to apply hedge accounting.

Forward foreign currency contracts

The Group uses a combination of financial instruments being vanilla forward contracts and average rate forward contracts.

At 31 December 2017, almost all of the outstanding vanilla forward contracts will mature within 12 months (2016: 12 months) of the financial year end, with €75.5m to mature in 2018 and €3.5m to mature in Q1 of 2019. The Group is contracted to sell Stg £79.0 million (2016: Stg £62.8 million) and receive a fixed Euro amount in return. The Group is contracted to buy USD $2.7 million (2016: USD $nil) and receive a fixed Euro amount in return.

As at 31 December 2017 the Group had average rate forward contracts outstanding for a notional amount of £14.0 million, where the Group will pay the difference of the average exchange rate based on known observations and the strike price.

The forward foreign currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for Euro/Stg£ and Euro/US$. At 31 December 2017, the forward foreign currency contracts have a positive fair value of €1,565,000 (2016: €173,000 positive). During 2017, a hedging gain of €1,345,000 (2016: €297,000 loss) was recognised in the statement of other comprehensive income for changes in the fair value of the forward foreign currency contracts and €299,000 (2016: €2,110,000) was reclassified from the hedge reserve to the profit and loss account.

Interest rate swaps

At 31 December 2017 and 2016, the Group had no interest rate swaps outstanding. The Group's interest rate exposure is managed via the €90.0 million European Investment Bank facility, which was drawn in early 2017 at a fixed rate of 0.743% for a period of six years.

During 2016, a cumulative hedging loss of €747,000 was recycled from the hedge reserve to the profit and loss account.

Company

The Company uses forward foreign currency contracts to hedge currency exposure on highly probable forecasted sales transactions. The Company has elected to apply hedge accounting.

Forward foreign currency contracts

At 31 December 2017, all of the outstanding contracts will mature within 12 months of the financial year end. The Company has entered into average rate forwards for a notional amount of £14.0 million, where the Company will pay the difference of the average exchange rate based on known observations and the strike price. At 31 December 2017, the forward foreign currency contracts have a positive fair value of €0.3 million (2016: €0.1m).

Interest rate swaps

At 31 December 2017 and 2016, the Company had no interest rate swaps outstanding. The Company's interest rate exposure is managed via the €90.0 million European Investment Bank facility, which was drawn in early 2017 at a fixed rate of 0.743% for a period of six years.

Notes to the Financial Statements

24. Provisions for liabilities

A. Group	Provision for replanting clear felled forest plantations	Joint venture undertakings	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2017	**44,232**	**5,033**	**3,084**	**8,599**	**60,948**
Additions	**-**	**-**	**221**	**-**	**221**
Share of joint venture results	**-**	**(7,424)**	**-**	**-**	**(7,424)**
Reclassification to investments	**-**	**4,983**	**-**	**-**	**4,983**
Amounts charged against the provision	**(39)**	**-**	**(386)**	**129**	**(296)**
Unused amounts reversed	**-**	**-**	**(162)**	**-**	**(162)**
Unwind of discount	**-**	**-**	**21**	**-**	**21**
At 31 December 2017	**44,193**	**2,592**	**2,778**	**8,728**	**58,291**
At 1 January 2016	45,383	-	2,770	8,608	56,761
Additions	-	5,033	594	525	6,152
Amounts charged against the provision	(1,151)	-	(201)	(534)	(1,886)
Unused amounts reversed	-	-	(99)	-	(99)
Unwind of discount	-	-	20	-	20
At 31 December 2016	44,232	5,033	3,084	8,599	60,948

Notes to the Financial Statements

B. Company	Provision for replanting clear felled forest plantations	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000
At 1 January 2017	**44,232**	**1,394**	**6,625**	**52,251**
Amounts charged against the provision	**(39)**	**(313)**	**-**	**(352)**
At 31 December 2017	**44,193**	**1,081**	**6,625**	**51,899**
At 1 January 2016	45,383	1,019	6,100	52,502
Additions	-	490	525	1,015
Amounts charged against the provision	(1,151)	(115)	-	(1,266)
At 31 December 2016	44,232	1,394	6,625	52,251

Replanting provision

Section 49(3) of the Forestry Act 1946 provides for a statutory replanting obligation in respect of all felling licences issued to the Group. A provision has been recognised for replanting clear felled forests over the next two financial years. The related costs are recognised as a current asset, 'forest plantations to be planted', within debtors (note 20).

Legal and other provisions

The Group employs an in-house team to manage all claims against the Group. It has also established a Liability Provisions Committee that meets four times a financial year to assess the provisions for legal claims proposed by the in-house legal team. The committee is made up of senior management and a representative of the Group's insurance brokers.

The utilisation of the provision is dependent on the timing of settlement of outstanding claims.

Notes to the Financial Statements

Deferred tax

The deferred tax in the balance sheet is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Included in debtors (note 20)	**3,237**	2,635	**3,131**	2,126
Included in provisions for liabilities (note 24)	**(8,728)**	(8,599)	**(6,625)**	(6,625)
	(5,491)	(5,964)	**(3,494)**	(4,499)

The net deferred tax liability comprises:

	Group		Company	
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Accelerated capital allowances	**(2,006)**	(2,015)	**-**	-
Defined benefit pension	**3,228**	2,628	**3,131**	2,126
Derivative financial instruments	**(88)**	48	**-**	-
Revaluation of investment properties	**(6,625)**	(6,625)	**(6,625)**	(6,625)
	(5,491)	(5,964)	**(3,494)**	(4,499)

No asset has been recognised for potential deferred tax assets of €3,169,000 (2016: €3,407,000) arising on the losses carried forward in one of the Group's subsidiary undertakings. In view of the current trading environment it was not considered prudent to recognise the asset at this stage.

Notes to the Financial Statements

25. Deferred government grants

A. Group	**Forestation**	**Forest roads**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
At 1 January 2017	**103,213**	**24,442**	**454**	**128,109**
Additions during the year	**22**	**382**	**-**	**404**
	103,235	**24,824**	**454**	**128,513**
Amortised during the year	**(416)**	**(1,055)**	**(253)**	**(1,724)**
At 31 December 2017	**102,819**	**23,769**	**201**	**126,789**
At 1 January 2016	103,522	24,584	775	128,881
Additions during the year	14	904	-	918
	103,536	25,488	775	129,799
Amortised during the year	(323)	(1,046)	(321)	(1,690)
At 31 December 2016	103,213	24,442	454	128,109

Notes to the Financial Statements

B. Company	Forestation	Forest roads	Other	Total
	€'000	€'000	€'000	€'000
At 1 January 2017	**103,213**	**24,442**	**144**	**127,799**
Additions during the year	**22**	**382**	**-**	**404**
	103,235	**24,824**	**144**	**128,203**
Amortised during the year	**(416)**	**(1,055)**	**(8)**	**(1,479)**
At 31 December 2017	**102,819**	**23,769**	**136**	**126,724**
At 1 January 2016	103,552	24,584	152	128,258
Additions during the year	14	904	-	918
	103,536	25,488	152	129,176
Amortised during the year	(323)	(1,046)	(8)	(1,377)
At 31 December 2016	103,213	24,442	144	127,799

Forestry government grants

The Group has received capital government grants for afforestation and for building forest roads. Government grants received become repayable if certain conditions, as set out in the agreements, are not adhered to. The most significant of these conditions relates to afforestation grants. Plantations must be adequately maintained and protected for a period of ten or twenty years after the date of payment of the grant, failing which all grant monies or part thereof may be refundable.

Notes to the Financial Statements

26. Called up share capital

	2017	2016
	€'000	€'000
Ordinary shares of €1.26 each Authorised	**1,260,000**	1,260,000
Allocated, issued and fully paid – presented as equity	**795,060**	795,060

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends or the repayment of capital.

27. Other reserves

Undenominated capital

During the financial year ended 31 December 2001, in accordance with the Economic and Monetary Union Act, 1998, the share capital was redenominated into Euro and the nominal value was renominalised to €1.26. Consequently the issued and fully paid share capital was reduced by €6,145,000 and that amount was transferred to the capital conversion reserve fund.

Cash-flow hedge reserve

The cash-flow hedge reserve is used to record transactions arising from the Group's cash-flow hedging arrangements.

Retained earnings

Retained earnings of the Group and Company include €13.4 million of unrealised gains representing a gain on the revaluation of investment properties of €20.0 million and a related deferred tax provision of €6.6 million. Up until such time as these are realised, these unrealised gains cannot be distributed to the shareholders by the Company.

28. Future capital expenditure not provided for

	2017	2016
	€'000	€'000
Contracted for	**4,757**	6,785
Authorised by the Directors but not contracted for	**52,818**	48,818
At 31 December	**57,575**	55,603
Share of capital commitments of joint ventures	**2,500**	70,329

Notes to the Financial Statements

29. Leases

Operating lease agreements where the Group is lessee

The Group and Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	€'000	**€'000**	**€'000**	**€'000**
Payments due:				
Within one financial year	**2,278**	2,202	**2,002**	1,986
Between two and five financial years	**6,846**	6,436	**5,973**	5,904
Over five financial years	**16,185**	17,425	**15,934**	17,124
	25,309	26,063	**23,909**	25,014

Included within the commitments, Smartply Europe DAC leases 60 acres on which its facility is constructed from Waterford Harbour Commissioners and Kilkenny County Council. The lease agreement expires in 2034, it is renewable at five financial year intervals thereafter and it provides for rent reviews every five years. The company has an option to terminate the lease on 25 July 2024. The company has a commitment, under the terms of the lease, to ship a certain agreed tonnage of finished product through the Port of Waterford each financial year. At 31 December 2017 the company was committed to making an annual payment of €112,000 (2016: €116,000) in respect of these lease obligations. On cessation of the lease and vacating the site, the company is required to remove all plant, equipment, rolling stock and inventory and to give the lessor clear and vacant possession of the premises, foundations and fixtures. A provision has been made for this decommissioning liability. This provision is contained within other provisions (see note 24).

Notes to the Financial Statements

Operating lease agreements where the Group is lessor

The Group holds land rented to wind-farm operators as investment properties as disclosed in note 16. The Group's significant lease arrangements have remaining terms c.24 financial years. In addition to a minimum rent, the Group may receive a contingent rent based on the performance of the wind-farm. The minimum rent is adjusted for increases in the Consumer Price Index annually or every five years.

The Group and Company's future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group and Company	
	2017	2016
	€'000	€'000
Receipts due:		
Within one financial year	**1,761**	923
Between two and five financial years	**7,208**	6,154
Over five financial years	**35,047**	34,823
	44,016	41,900

30. Contingencies and commitments

Group and Company

(a) The Irish Forestry Unit Trust

The trust deed of the Irish Forestry Unit Trust commits the Group to providing liquidity to the fund if it is needed. This commitment would require the purchase of forests by the Group from the Irish Forestry Unit Trust representing up to 15% of the value of the fund. This is subject to an annual limit of the lesser of 5% of the value of the fund or €4,400,000. The maximum amount that the Group can be required to purchase is €38,000,000.

(b) Immature Forest Asset

Trustees of the superannuation pension scheme have security over €20.0m of forestry assets that would be available to the Trustees in certain circumstances (note 14).

(c) Past Service Pension Costs

The Group has a potential contingent liability in relation to past service pension costs, arising from a dispute as to the interpretation of the relevant pension and related legislation. The amount involved is potentially material. The directors, having taken legal advice, are satisfied that the likelihood of a material cost arising as a result of this potential liability, which cannot be reasonably quantified at present, is possible but not probable, and accordingly no provision has been included in the financial statements.

Notes to the Financial Statements

31. Notes to Group Statement of Cash Flows

(a) Reconciliation of profit to net cash inflow from operating activities

	Notes	2017	2016
		€'000	€'000
Profit for the financial year		**42,795**	48,225
Adjustments for:			
Amortisation of intangible assets	15	**826**	731
Depreciation of tangible assets	16	**19,916**	19,038
Profit on disposals of tangible assets		**(8,114)**	(26,943)
Gain on revaluation of investment properties	16	**-**	(1,591)
Depletion of biological assets	17	**15,760**	14,093
Reversal of impairment of biological assets	17	**(720)**	-
Amortisation of grants	25	**(1,724)**	(1,690)
Share of joint venture (profits)/losses (P&L)		**(3,093)**	454
Share of associate losses (P&L)		**328**	-
Interest payable	11	**2,878**	5,564
Interest receivable	11	**-**	(2)
Other finance costs	11	**1,919**	1,878
Taxation	13	**3,473**	8,814
Movement in provisions for liabilities[1]		**(306)**	314
Difference between pension charge and cash contributions		**(4,966)**	(15,714)
Working capital movements:			
Decrease in stock		**313**	534
Decrease/(increase) in debtors[2]		**13,623**	(8,249)
Decrease in creditors[3]		**(9,477)**	(5,746)
Net cash inflow from operating activities before taxation paid		**73,431**	39,710

1 Excluding provision for replanting clear felled forest plantations, joint venture undertakings and provision for deferred tax.
2 Excluding capital grants receivable, amounts owed by joint venture undertakings, forest plantations to be planted, deferred tax asset and the change in fair value of derivative financial instruments (assets) recognised in the statement of other comprehensive income.
3 Excluding overdrafts and loans, corporation tax, capital creditors, leases, the change in fair value of derivative financial instruments (liabilities) recognised in the statement of other comprehensive income.

Notes to the Financial Statements

(b) Interest paid and received

	2017	2016
	€'000	€'000
Interest payable (note 11)	**2,878**	5,773
Interest receivable (note 11)	**-**	(2)
Capitalised borrowing costs (note 11)	**-**	(209)
Movement on interest accruals	**(479)**	894
	2,399	6,456

(c) Analysis of movement in net debt

	Balance 1 Jan	Cash Flows	Balance 31 Dec
	€'000	€'000	€'000
Cash at bank	1,866	6,566	8,432
Finance leases	(2)	2	-
Loans	(169,858)	7,824	(162,034)
	(167,994)	**14,392**	**(153,602)**

(d) Reconciliation of net cash flow to movement in net debt

	2017	2016
	€'000	€'000
Increase/(decrease) in cash in the financial year	**6,566**	(32,271)
Cash outflow on finance leases	**2**	9
Cash outflow on bank loans	**7,824**	18,260
	14,392	(14,002)
Net debt at the beginning of the financial year	**(167,994)**	(153,992)
Net debt at the end of the financial year	**(153,602)**	(167,994)

Notes to the Financial Statements

32. Notes to Company Statement of Cash Flows

(a) Reconciliation of profit to net cash inflow from operating activities

	Notes	2017	2016
		€'000	€'000
Profit for the financial year		**34,739**	41,542
Adjustments for:			
Amortisation of intangible assets	15	**804**	598
Depreciation of tangible assets	16	**8,956**	8,790
Profit on disposals of tangible assets		**(8,181)**	(26,952)
Gain on revaluation of investment properties	16	**-**	(1,591)
Depletion of biological assets	17	**15,760**	14,093
Reversal of impairment of biological assets	17	**(720)**	-
Amortisation of grants	25	**(1,479)**	(1,377)
Interest payable		**2,866**	5,761
Other finance costs		**1,837**	1,822
Taxation		**2,301**	7,956
Movement in provisions for liabilities[1]		**(313)**	375
Difference between pension charge and cash contributions		**(4,191)**	(14,912)
Working capital movements:			
Decrease in stock		**403**	162
Decrease/(increase) in debtors[2]		**12,221**	(9,896)
Decrease in creditors[3]		**(8,777)**	2,831
Net cash inflow from operating activities before taxation paid		**56,226**	29,202

1 Excluding provision for replanting clear felled forest plantations, joint venture undertakings and provision for deferred tax.
2 Excluding capital grants receivable, amounts owed by subsidiary and joint venture undertakings, forest plantations to be planted, deferred tax asset and the change in fair value of derivative financial instruments (assets) recognised in the statement of other comprehensive income.
3 Excluding overdrafts and loans, corporation tax, capital creditors, leases, the change in fair value of derivative financial instruments (liabilities) recognised in the statement of other comprehensive income.

Notes to the Financial Statements

33. Related Party Transactions

Group

(a) The ownership of the Company

One ordinary share is held by the Minister for Agriculture, Food and the Marine and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform.

In accordance with Paragraph 33.11 of FRS 102, the Group is exempt from disclosing related party transactions with another entity that is a related party because the Irish Government has control, joint control or significant influence over both the Group and that entity.

(b) Transactions with related entities

Cloosh Valley Wind Farm Holdings DAC

In December 2015, the Group invested €9.0 million in the Cloosh Valley Wind Farm Holdings DAC joint venture. This investment comprised of a €220 capital contribution paid in cash and a €9.0 million non-interest bearing loan. This loan is subordinated to the joint ventures Bank Facility Agreement and will be repaid from available funds in accordance with the terms of that facility agreement. During 2017, the Group invoiced Cloosh Valley Wind Farm DAC €0.3m for the sale of goods and supply of services. There was no balance payable as at 31 December 2017 in relation to these sales.

Moylurg Rockingham DAC

Moylurg Rockingham DAC is a joint venture between the Group and Roscommon County Council to provide forest recreation in Lough Key Forest Park. In 2005 the Group entered into a lease arrangement securing Moylurg Rockingham DAC with the rights to access and develop land and premises at Lough Key Forest Park for a period of 99 years. The commercial rent of €130,000 per annum in 2005, subject to review every 5 years, is reduced to a nominal amount of €100 per annum for the first 25 years. Moylurg Rockingham DAC has the option to terminate the lease on 1 July 2030.

(c) Key management compensation

The total key management compensation is disclosed in note 8.

Company

Other than the transactions disclosed above, the Company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

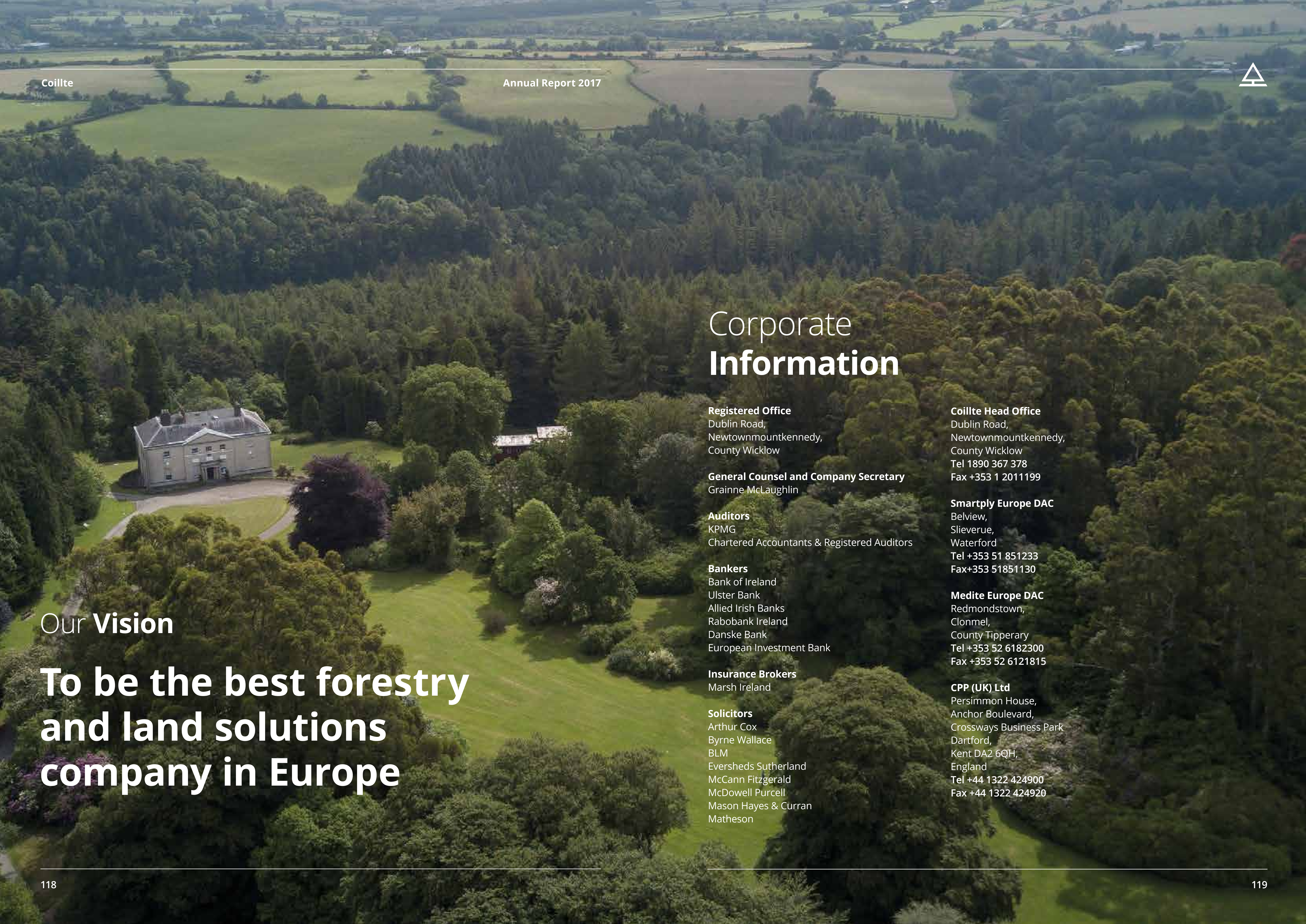
34. Post Balance Sheet Events

In March 2018, a sales process was launched to explore investor interest in acquiring Coillte's 50% stake in each of its joint venture wind farms at Raheenleagh, Cloosh Valley and Castlepook along with a 25% stake in Sliabh Bawn, in total representing operating capacity of 104MW.

There have been no other events between the balance sheet date and the date on which the financial statements were approved by the Board, which would require adjustment to the financial statements or any additional disclosure in the financial statements.

35. Approval of Financial Statements

The Directors approved the financial statements on 26 March 2018.



Our **Vision**

To be the best forestry and land solutions company in Europe

Corporate **Information**

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County Wicklow

General Counsel and Company Secretary
Grainne McLaughlin

Auditors
KPMG
Chartered Accountants & Registered Auditors

Bankers
Bank of Ireland
Ulster Bank
Allied Irish Banks
Rabobank Ireland
Danske Bank
European Investment Bank

Insurance Brokers
Marsh Ireland

Solicitors
Arthur Cox
Byrne Wallace
BLM
Eversheds Sutherland
McCann Fitzgerald
McDowell Purcell
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