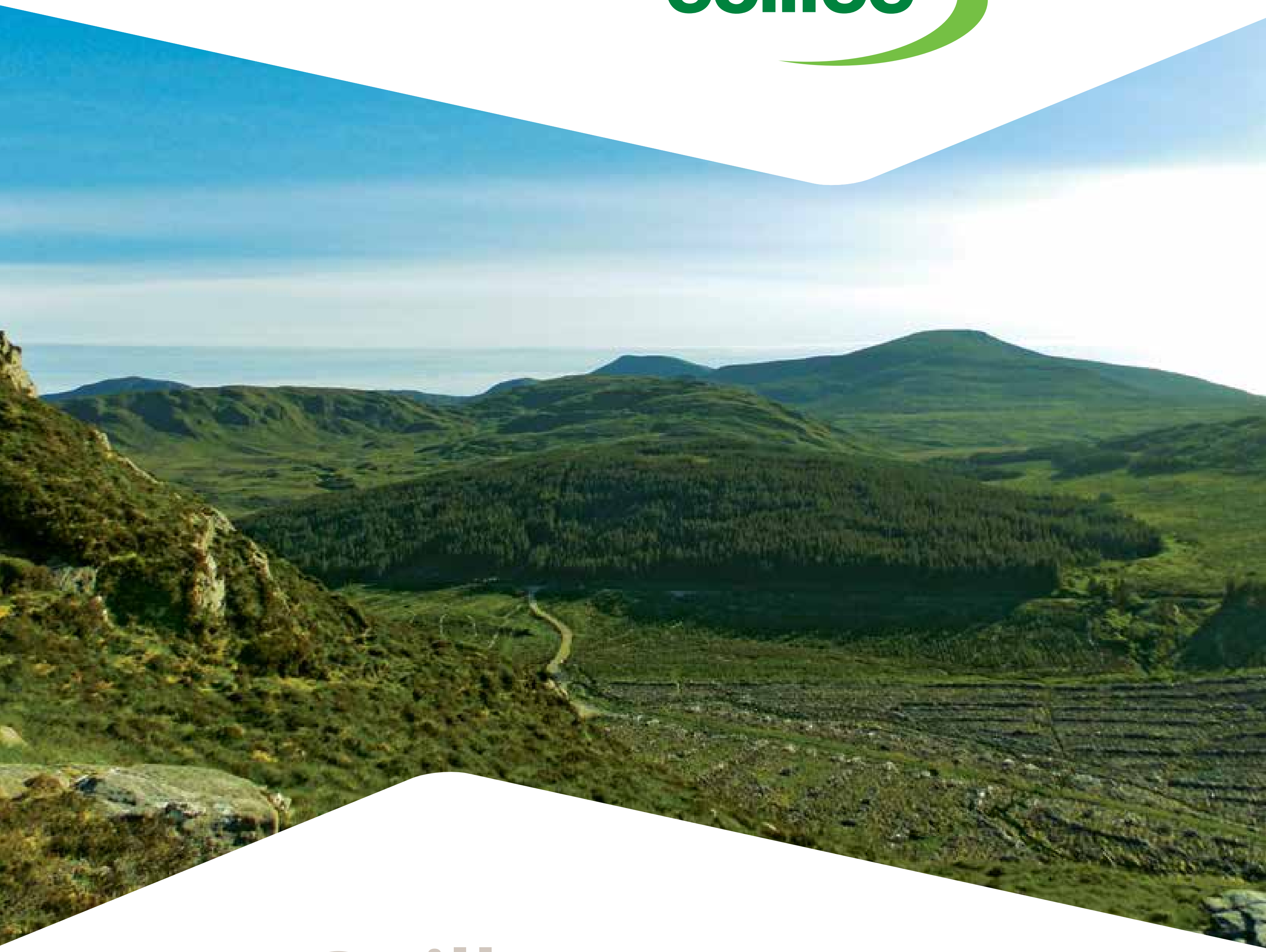
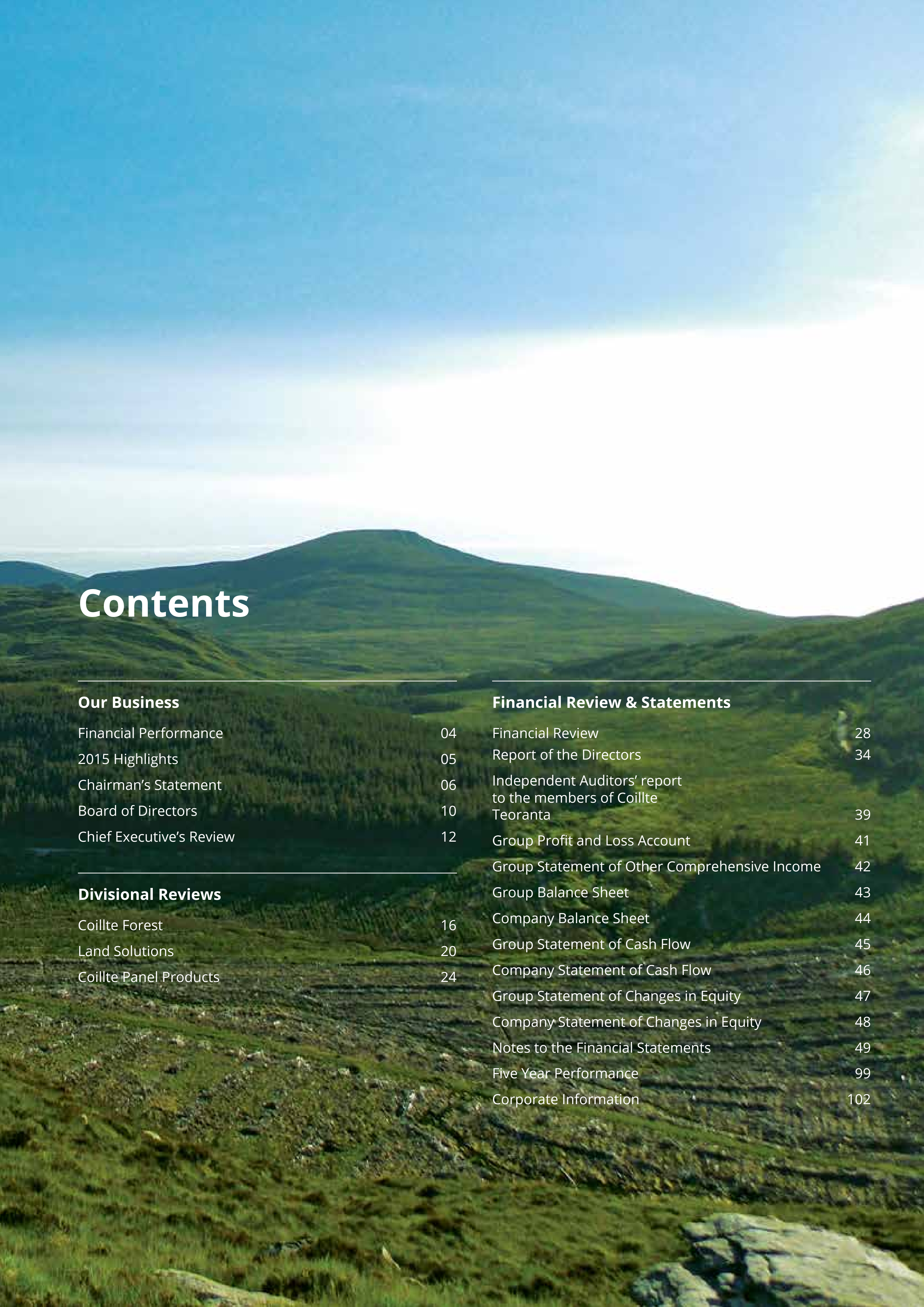


Coillte annual report 2015



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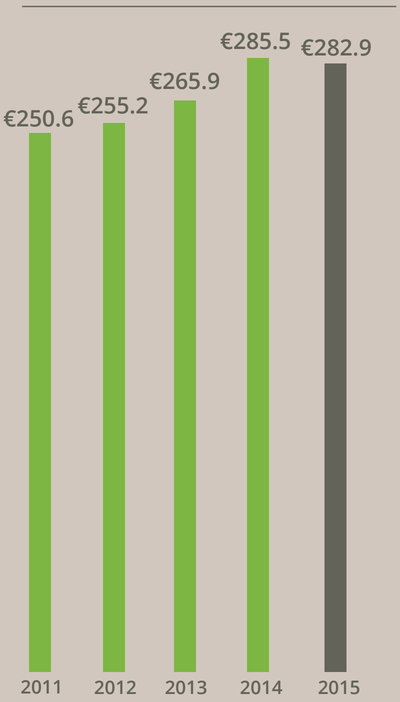
Financial Performance

Turnover
Million



Capital Expenditure
Million

Profit After Taxation
Million

2015 Highlights

Delivered profit of

€47.6m

Introduced an innovative

world class timber sales system

Planted

14 million trees

Achieved financial close

on three wind projects with investment value of

c€350m

Achieved EBITDA

€89.6m

Sold

1.3 million m^3

of logs to our sawmill customers in Ireland

Significant progress made on

€59m

investment in new OSB line at Smartply plant

Chairman's Statement

In 2015, we **planted 14 million trees** and **sold 1.3 million m^3** of logs to our sawmill customers in Ireland. We achieved financial close on three of six renewable energy projects with a combined investment **value of over €350m** and a total expected output of **204 MW** and implemented a **€59m investment** in our Smartply manufacturing facility.

"The Board and I are pleased with the start made in 2015 towards transforming the business and we are committed to ensuring this strategy is delivered."

John Moloney
Chairman

I am pleased to report that Coillte delivered a solid trading performance in 2015, with EBITDA of €89.6 million and profit of €47.6m (2014: €29.1m). A strong financial foundation is vital for us to achieve our ambitious growth plans for the business as well as continuing to deliver social dividends - notably nature conservation, recreation and carbon sequestration - that have local and global impacts.

In 2015 the Board reviewed our Group strategy, led by our new CEO Fergal Leamy, who joined the business in April. As a result of this review we have developed a comprehensive and exciting new strategy for the business with forestry and land solutions at its core, and with our wood panel products business playing an important role in achieving our growth ambitions over the next five years. We now have strong alignment with our shareholder on the way forward for Coillte.

Fundamental restructuring and streamlining of the business is a key tenet of the strategy and we anticipate that implementation of this strategy will transform the commercial performance of Coillte over the next five to ten years, building on the platform created by the business in recent years as it emerged from the economic downturn.

The Board and I are pleased with the start made in 2015 towards transforming the business and we are committed to ensuring this strategy is delivered.

Forestry at our core

Forestry has always been at the heart of Coillte. Our core objective is to improve the commercial returns from our forestry investment and to achieve a cash yield that is best in class in Europe. We will achieve this by growing our revenue and reducing costs systematically while supporting our sawmill customers in growing their businesses profitably in line with the increase in sawlog supply that is forecast for the coming decade. In addition to being a source of commercially valuable logs, forests and afforestation have a critical role to play in mitigating the impacts of greenhouse gases and climate change by storing carbon in the trees and soil. As the importance of forests in relation to climate change is better appreciated we believe that further commercial opportunities will be presented to Coillte and other forest owners.

In 2015, we planted 14 million trees and sold 1.3 million m^3 of logs to our sawmill customers in Ireland. Also, in consultation with our sawmill customers, we introduced an innovative world class Timber Sales System in October 2015 that we believe is the first of its kind in Europe. The new system offers greater certainty of log supply to our customers and will, we anticipate, reduce the volatility in log prices to the mutual benefit of Coillte and our customers.

Creating and realising value from our land assets

Coillte owns approx 6% of the land in Ireland and this national land asset has already played a significant role in supporting the delivery of Government policy in areas such as renewable energy, tourism and industrial development.

2015 was a breakthrough year for Coillte in renewable energy. Coillte has a portfolio of six consented projects, including partnerships with ESB, Scottish and Southern Renewables (SSE) and Bord na Móna. We achieved financial close on three of six projects with a combined investment value of c €350m and a total expected output of 204 MW, in 2015. Our project with SSE in Cloosh Valley in Galway is part of Ireland's largest wind farm project generating 169 MW on completion in 2017.

In the case of the Sliabh Bawn windfarm near Strokestown, Co. Roscommon Coillte sold a 50% interest in the project to Bord na Mona and the project will now progress as a 50:50 joint venture, strengthening its funding position for the critical construction phase.

We also reached agreement with IDA Ireland on the sale of a site in Derrydonnell, Co. Galway, which will enable IDA to facilitate the location of an Apple data centre there, subject to planning permission being received. This is one of only two such significant investments being made by Apple in Europe. We also agreed to sell land at Ballymahon in Co. Longford to premier holiday resort company Center Parcs. The planned investment of over €230m will be the largest ever foreign direct investment in tourism in Ireland.

These transactions demonstrate the potential to use this national land asset to support economic development especially in rural areas where alternative employment opportunities may be limited. Crucially we believe that this objective can also be achieved without diminishing the wood production or carbon sequestration potential of our forest estate.

Our strategic approach to our land assets and deployment of capital can also be demonstrated by our decision in 2015 to sell our telecommunications mast business to Infravia, a French infrastructure fund. This was a hugely successful transaction for Coillte. Having created a valuable business by enabling the development of a network of telecoms mast sites across our estate over the past 25 years, we decided to sell these assets in 2015 in order to deleverage our balance sheet and fund investment in other aspects of our business, notably our renewable energy assets and a €59m investment in our Smartply manufacturing facility.

Investing in our Panels business

Our wood based panels business comprising Medite Europe Ltd and Smartply Europe Ltd is a premier supplier of MDF and OSB. These businesses provide very important outlets for pulpwood from Coillte and private forests and wood chips, which are a co-product of sawmill operations and they complement our core forestry and land solutions businesses.

Our objective is to operate these businesses independently and sustainably in their own right. During 2015 we made very significant progress on a €59m investment in our Smartply OSB manufacturing facility at Belview, Waterford Port in Co. Kilkenny. The new plant was completed in the first quarter of 2016 and is currently being commissioned. In addition to the manufacturing facility we are investing heavily in new product development and in developing the sales and marketing capability to service both existing and new customers with a range of new products.

Social dividends

Coillte will continue to deliver world class environmental and social benefits to the people who enjoy our forests today and for generations to come. As the largest land owner in the country we take our responsibility as stewards of the forests seriously. We will seek to improve and enhance people's enjoyment and experience of our forests in creative and innovative ways and build a company that is commercially strong and one the people of Ireland can continue to be proud of.

Thanks

On behalf of Coillte I would like to thank our customers, contractors, suppliers and partners for their continued support and engagement in 2015. We will continue to work in partnership with you to achieve our mutual objectives.

I want to offer my congratulations and thanks to the staff, management and my Board colleagues for their commitment to the company during 2015.

On behalf of the Board and myself I want to acknowledge the support of our shareholders, the Minister for Agriculture, Food and the Marine, Mr Simon Coveney TD, and the Minister for Public Expenditure and Reform, Mr Brendan Howlin TD and the officials of their respective Departments during 2015. I would also like to thank Minister of State Tom Hayes, for his ongoing encouragement and support during 2015. During the year, the company also interacted on a regular basis with NewERA in their role as commercial advisors to the shareholders. 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

The wind farm at Raheenleagh in County Wicklow is one of our portfolio of renewable energy projects which made great progress in 2015.

Board of Directors

John Moloney, Chairman

John joined the Board of Coillte in 2013 and was previously Group Managing Director of Glanbia plc. He 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 11/11

Julie Murphy-O'Connor

Julie was appointed to the Board in 2013 and is a partner in the Dispute Resolution Department in Matheson. 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 11/11

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 business within the overall ingredients business.

Board meetings attended 11/11

Directors' expenses:

The aggregate expenses paid to Directors in 2015 was €13,742 (2014 €2,367). These mainly relate to travel expenses.

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 a former non-executive director of The Irish Takeover Panel and currently a non-executive director of DCC plc, Wireless Group plc and Musgrave Group plc.

Board meetings attended 11/11

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 11/11

Thomas O'Malley

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

Board meetings attended 11/11

Gerry Egan, Company Secretary

Gerry is Company Secretary. He has held a number of roles during his time with the company including Group Director, Strategy and Governance and Head of Corporate Affairs. He is also Chairman of Moylurg Rockingham Ltd, operator of Lough Key Forest and Activity Park, Director of a number of joint venture wind energy companies and Director of Dochas, the Irish association of non-governmental development organisations. Gerry holds a M.Sc. (Management) degree from Trinity College / IMI and is member of the Institute of Directors Ireland.

Board meetings attended 11/11

Chief Executive's Review

2015 saw us begin the transformation of the company, as we start to move from being dependent on one off asset sales to generating stronger recurring income and improve the quality and sustainability of our earnings. In 2015 we achieved record profits, a significant deleveraging of the balance sheet and we invested strongly in our future.

"I believe we have a huge opportunity to turn Coillte into the best forestry and land solutions company in Europe over the next five years."

Fergal Leamy
Chief Executive

I am delighted to present my first Annual Report as Chief Executive of the Coillte Group. When Coillte was established as a commercial semi state company in 1989, it inherited a diverse forest estate that spread across 396,000 hectares of land and had revenue of less than €30 million. Over the last 26 years the organisation has developed the forests and land, grown the estate to over 440,000 hectares, which is equivalent to approx 6% of the total land in the country, provided the public with a huge range of benefits from recreation to environmental services and has created three high potential businesses across the estate that generated revenue in excess of €282 million in 2015. The business has made significant progress over the last few years however, the return to the shareholder has been minimal. The biggest challenge we face today is to generate a positive cash flow from recurring operations and by doing so, increase the return to our shareholder.

The three businesses that have been created are very well positioned in the markets they play in. Our core forestry division has the potential to be a European leader as the market for timber and fibre doubles over the next 10 years. Our Land Solutions business has created a significant platform to be a leader in renewable energy and our panels business, soon to be rebranded as Medite Smartply, has the assets and products to be the number one value added player in the markets for MDF and OSB. Our opportunity is to now deliver on the potential of these assets and begin to deliver a consistent positive cash yield and return to our shareholders from these three businesses while at the same time maintaining the public benefits we provide. I am personally excited by this challenge and believe we have a huge opportunity to turn Coillte into the best forestry and land solutions company in Europe over the next five years.

2015 saw us begin this transformation of the company, as we start to move from being dependent on one off asset sales to generating stronger recurring income and improve the quality and sustainability of our earnings. In 2015 we achieved record profits, a significant deleveraging of the balance sheet and we invested strongly in our future. We also delivered a positive operating cash flow performance, which is one of the key areas of focus as we transform the business.

We delivered a profit of €47.6m up 64% from €29.1m in 2014. EBITDA was €89.6m up 12% on the previous year, while operating cash flow at €6.5m is up 48% on 2014. Revenue is marginally down at €282.9m for the year, mainly due to a reduction in sawlog prices and reduced demand from sawmills for logs, partially offset by increased MDF prices.

Our businesses

We run three strong businesses with significant future potential – our core forestry business, our land solutions business and our wood panel product manufacturing business and they made significant progress in 2015. The leaders of each of those businesses report elsewhere on their performance in 2015 in more detail.

Our forestry business has the potential to be the best in Europe and has a significant pipeline of opportunities over the next 10 years. The wider forestry sector in Ireland also has huge potential and we will see a doubling of output from Irish forests over the next decade as the timber growing on privately owned land comes to the market. This has the potential to have a major positive impact on the Irish rural economy, creating jobs in a range of related areas, and Coillte wants to help deliver this growth and ensure we capture the significant opportunities that exist. Forestry is already a significant employer with approx 12,000 people working in the sector which creates value of €2.3 billion for the economy and is one of the few areas in which Ireland has an inherent competitive advantage on the global arena. Due to our climate we can grow trees in less than half the time as other countries such as Sweden and Germany yet the prices received for our product are similar to these countries. We believe Coillte will play a central role in the growth of the sector and have begun to transform our own forestry operations to ensure they are fit for purpose. We want to work closely with our customers to help grow the overall market and ensure we support their growth in export markets. We are rapidly improving how we plan our production operations using the best in class technology and in 2015 we implemented a new timber sales system to reduce log price volatility and give greater certainty of supply to our sawmill customers.

Our land solutions business has matured in recent years to become one of the leading renewable energy developers in Ireland and has the potential to become the leading land solutions company in Europe over the next five years providing solutions that are enabling the implementation of Government policy in areas of renewables, tourism and job creation. 2015 was a really significant year for our renewables business where we reached financial close on three projects with an investment value of c €350 million. The most significant of these is Cloosh Valley which is the largest windfarm development in Ireland. We also concluded an agreement with Bord na Mona to sell them a 50% stake in the Sliabh Bawn project during the year, underpinning the financials of the project. Completion of these projects means we are on track to deliver electricity to over 300,000 homes by 2017. In 2015 we supported the largest tourism investment in the country by working with Center Parcs in Longford on plans to construct a high quality holiday village. Global giant Apple also plans to build its latest data centre in Galway on lands formerly owned by Coillte which we agreed to sell to IDA Ireland in 2015. These are just two examples of the kind of solutions our land can deliver which have major benefits for the country. Over the next 10 years we want to play our part by enabling the deployment of the Coillte estate in a measured and appropriate way to support these policy areas.

Our panel manufacturing business makes innovative timber products under the Medite MDF and Smartply OSB brands at our two factories in the south east and has recovered strongly from the construction downturn. It is now positioning itself as the leading player in value added, wood panel products in Europe. The recent €59m investment in our manufacturing facilities in Waterford has positioned the business strongly for growth and will give it the platform to become the number one provider of value added wood panels in Europe over the next five years. In 2015 we have been gearing up our productive capacity with the construction and fit out of our new Smartply plant in Waterford Port, which will allow us produce a wider range of added value products and enhancing our sales and marketing presence in Europe to seek out new markets, while continuing to innovate and create new products from the wood fibre supply we have.

As part of our transformation we have also begun to restructure how we support these three businesses. We have begun to reduce our central overhead, strengthen the senior teams in each division and reduce complexity in the Group. This will also have the benefit of significantly increasing cashflow from operations over the next three years.

The future

We have begun on the path to being the best forestry and land solutions company in Europe. Our target is to achieve a 5% cash yield on our assets. In the past we have not generated sufficient ongoing returns from our core business and have relied on other aspects such as land sales to deliver financial results. Our new strategy, developed in 2015 will see us address this and put in place the foundations to secure higher long term returns. We have already made progress on this journey. In 2015 we had a positive operating cash flow and over the next five years we will increase this significantly to achieve the 5% return on capital. Our objective is to achieve this while continuing to deliver the social and environmental benefits for all our stakeholders to enjoy.

Achieving our ambitions to be the best in Europe will fundamentally transform the business into a highly profitable, well-run company that can increase the dividend paid to shareholders, reduce the debt burden and maximise the potential of every hectare of land we own. It will ensure that the State ownership of an important national resource continues to provide significantly improved financial returns as well as the many benefits and amenities that our land does today. Our task is to ensure the organisation is run as well, if not better, than any forestry company in the private sector and we have the resources and support from our shareholders to do that.

Thanks

I would like to thank our shareholder Ministers and their department officials and advisors in NewERA with whom we have continued to work closely in 2015.

I would also like to thank the Chairman and Board for giving me the support and challenge in 2015 to review our strategy and set course for the next 10 years. I also want to thank our customers and suppliers, who are key partners with us in our journey, for their support and commitment in 2015.

I also want to recognise and thank the people who work at Coillte who have taken up the challenge across the business, who have delivered such a solid set of results in 2015 and who are going to be the real drivers of change into the future.

Fergal Leamy

Chief Executive

In 2015 we sold 1.34 million cubic metres of logs to our customers and planted 14 million trees across our forest estate, replacing the ones we harvested and supporting the future growth of the business.

Divisional Review: Coillte Forest

2015 resulted in a financial contribution of nearly €44m before the allocation of central costs, facilitating reinvestment of €33.8m in roads and forests. Strong timber prices, particularly in the first half of the year, contributed significantly to the division's performance, while log sales of 1.34 million m³ to the sawmills was just slightly behind 2014. The impact from storms at the end of 2015 has been primarily confined to flooding damage on our road network.

> The most effective way of unlocking value from our forests is through detailed and careful forest planning.

Gerard Murphy
Managing Director, Coillte Forest

The Coillte Forest strategy sets out an ambition to become the best forestry company in Europe by taking a leadership position in the industry, playing a key role in the market, generating a long-term cash yield of 3.5% and being recognised as a dynamic employer at the leading edge of forest technology. Our objectives are focused around four themes – developing our people, growing our revenue from roundwood sales, reducing our costs and generating new revenue streams.

1.34 million m^3 log sales to sawmills

14 million trees planted

Strong commercial performance

Coillte Forest delivered a strong financial performance in 2015 resulting in a financial contribution of nearly €44m before the allocation of central costs, facilitating reinvestment of €33.8m in roads and forests. Strong timber prices, particularly in the first half of the year, contributed significantly to the division's performance, while log sales of 1.34 million m^3 to the sawmills was just slightly behind 2014. The impact from storms at the end of 2015 has been primarily confined to flooding damage on our road network.

Timber Sales System

2015 saw the successful implementation of our new innovative, world class timber sales system. Arising from a strategic review completed in late 2014, Coillte decided to adopt an improved system for selling sawlogs to our sawmill customers in 2015. The new system is designed to reduce log price volatility and give greater certainty of supply to our sawmill customers to compete successfully in both home and UK markets. The system consists of an annual sales event offering customers a one-year fixed volume contract for 50% of their volume alongside the current, auction-based method of sale for the balance of supply. The price of the sawlogs in the one-year contract is index linked to the sawnwood markets to provide customers with a flexible price that moves with the market and adds to their ability to serve their markets and strengthens their competitive position.

In October 2015, over two days, we sold in excess of 900,000 m^3 of roundwood worth over €50 million through the new annual innovative contract sales event, the first of its kind in Europe.

This strong leadership position that we have adopted in the supply chain will sustain and enhance a vibrant, diverse, and healthy industry. It will now allow us to focus in 2016 and beyond on developing strong partnerships with our customers in forging new markets as well as improving our customer service.

Forest Planning & Strategic Forecasting

The most effective means of unlocking value from our forests is through detailed and careful forest planning. In 2014 the Forest Management System (FMS) Programme delivered a Tactical Planning solution (Remsoft) to allow for medium to long term plans to be created. The first half of 2015 saw the delivery of the next phase which included the Log Supply Planning, Felling Licence Applications and Environmental Risk Assessment elements. This is the first time that Coillte will have a Three Year Log Production Plan at an operational level and is a significant achievement for the business. Also, by automating the Felling Licence Applications process, we have been able to submit a full year's programme of clearfell licence applications to the Forest Service. This has freed up considerable time and resources for other activities.

The second half of 2015 finished with the completion of the design, build and testing of the new Operational Planning Processes and System. Following training, rollout began in March 2016. This new planning functionality includes Harvest Planning, Log Sales Planning, Road Planning, Silviculture Planning (plantation establishment, forest maintenance, recreation and biodiversity) and Forest Inventory Planning.

Over the last number of years we have been developing a strategic planning model which culminated in the delivery of a Strategic Roundwood Supply forecast for Coillte Forest covering the period 2016 – 2035. This Forecast provides information to our customer and stakeholders which is closely aligned to our Strategy 2025. Using the strategic plan as a framework, tactical planning for 2016 was finalised along with the validation of harvest blocks for production years 2017 and 2018. This work has provided the basis for a three year rolling production plan allowing for improved log supply to our customers.

Establishment Excellence

In December 2015 representatives from Coillte met with the Forest Service to agree the implementation of the new Restocking Standard. Agreement in principle has been reached with respect to how these standards can be implemented across our estate in the coming period. With these new standards in place we can target our stocking to deliver best silvicultural and operational value. Implementation of the new standard will begin as part of 2017 felling licence applications.

Commitment to Biodiversity

In May 2015 the Minister of State at the Department of Agriculture, Food and the Marine, Tom Hayes, formally launched a major nature conservation project, which is restoring rare raised bogs across the country at an event on Scohaboy Bog, Co. Tipperary. This site is one of a number of sites in the project which is managed by Coillte, in partnership with the National Parks and Wildlife Service. Raised bogs are extremely rare in global terms and are sites of European and international importance. The Scohaboy restoration site has been designed to actively encourage people to visit and experience these unique and extraordinary Irish landscapes.

Outlook

Markets in 2016 have started slowly due to adverse movements in Sterling coupled with softening demand and strong supply from Nordic and Baltic suppliers in the UK market. Spring and summer is forecast to see a rise in demand in the UK market and softening of Nordic imports due to the weakening of Sterling. This will give rise to a more competitive environment for home-grown material. The Irish market is showing signs of recovery, principally in the commercial sector, with the residential market growing, but still somewhat short of levels to drive significant domestic demand for sawnwood.

Our focus in 2016 is to match our product offering to meet our customer needs which will help enable us to sell our full sawlog volume offer. In addition, we will focus on markets for value added products, combined with cooperating in developing markets for additional sawlog volume.

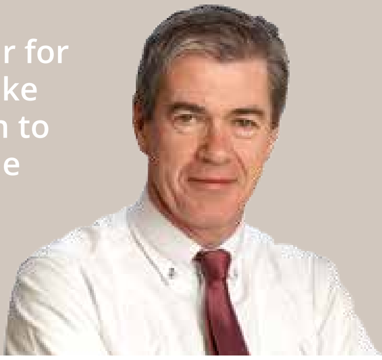
In 2015 Minister Tom Hayes officially opened the new facilities at Scohaboy Bog outside Cloughjordan in County Tipperary, a great example of one of our raised bog habitat restoration projects.

Divisional Review: Land Solutions

The Land Solutions division, previously known as Coillte Enterprise, is the venturing arm of the company with responsibility for the creation of medium and long term commercial returns by **adding value to Coillte's land assets.** We provide land solutions across a range of sectors, with a particular emphasis on support for **national policy objectives,** and have made major contributions in the **telecommunications** and **renewable energy** sectors in recent years.

"2015 was a defining year for Coillte's ambition to make a definitive contribution to Ireland's 2020 renewable energy targets"

Mark Foley
Managing Director,
Coillte Land Solutions



€305m
raised to construct 3 windfarms totalling 204 MW

49 land transactions delivered

Our ambition is to be the leading force in delivering land solutions in Ireland across sectors including renewable energy, infrastructure, the National Planning Framework, telecommunications, data centres, industry and commercial, agriculture and tourism. Our land asset, our people, our culture of innovation and our track record in partnership places us at the forefront of competitive value creation in land based businesses in Ireland.

2015 was an excellent year for Land Solutions, marked by signature achievement in our telecoms and renewable energy businesses.

Telecoms

As part of our strategy to recycle capital into both core and new business areas to drive future value creation and recurring income streams, we put our Telecoms business on the market in early 2015. This business, comprising approx 300 sites and 116 towers, offered excellent national coverage in rural regions and a quality customer base. The sale attracted significant local and international interest and the transaction was closed with the French Infrastructure Fund, Infravia, in the third quarter. This is a great example of outstanding value creation over a number of decades through innovative deployment of a very small portion of the overall Coillte estate.

Wind Energy

Coillte has a long tradition of support for the renewables sector in Ireland, having been involved in land transactions with the pioneers of the industry and we have enjoyed commercial relationships with all of the major players in the industry over the last two decades. Today, Coillte is a major player in the wind energy sector in its own right, with a consented portfolio of six projects, across six counties in Ireland, and involving partnerships with the ESB, Scottish and Southern Renewables (SSE) and Bord na Mona.

2015 was a defining year for Coillte's ambition to make a definitive contribution to Ireland's 2020 renewable energy targets and to convert many years of development activity into tangible commercial assets.

In this regard our achievements were considerable, marking our most successful year ever in the sector in that we raised a total of €305 million from a combination of Irish and European banks to construct three wind farms, totalling 204MW:

- In June, in partnership with the ESB, we raised €60 million from Bank of Ireland and Nord LB to construct our 35 MW wind farm at Raheenleagh in Co. Wicklow.
- In December, in partnership with SSE, we raised €165 million from three banks, BBVA, Rabobank and Nord LB, to construct our 105 MW wind farm at Cloosh Valley in Co. Galway.
- In December, following the disposal of 50% of our interest in the project to Bord na Mona, we raised €80 million from Bank of Ireland and Ulster Bank to construct our 64MW wind farm at Sliabh Bawn in Co. Roscommon.

The remaining three projects in our portfolio made good progress, despite legal challenges – none of which were successful, and we look forward to progressing these projects to financial close in 2016/2017.

We believe that the local community should benefit from Coillte originating developments in a very real manner and that community initiatives which bring long term benefit to the locality should be encouraged and supported by our projects. We are at an advanced stage in providing direct support to approx. 30 community initiatives in Roscommon and Wicklow.

Land

Coillte owns over 6% of the land of Ireland and we have a long standing track record in providing land solutions across a range of sectors, whilst protecting our core productive forestry asset. The recovery in the economy is manifesting in increased activity across most sectors including commercial, industrial, infrastructure, agriculture and leisure.

In 2015 we delivered 49 land transactions in total and are very pleased to be associated with signature developments including Apple's proposed global Data Centre at Derrydonnell in Co. Galway, Center Parcs' proposed world class holiday destination at Ballymahon in Co. Longford which will be the largest ever foreign direct investment in tourism in Ireland, and finally IDL's next phase of industrial development at Ballynona in Co. Cork.

Biomass

Coillte continues to play a key leadership role in delivering renewable energy solutions to industry by providing long term, secure biomass fuel supply contracts to large energy users through regional biomass supply hubs. Locally sourced biomass energy displaces fossil fuel and reduces carbon emissions for our clients and supports the creation of supply chain jobs in the bioenergy sector.

Coillte has enabled significant investment decisions by key industrial partners and in 2015 we were delighted to secure a major biomass fuel supply contract to underpin the long term energy requirements of the GlaxoSmithKline (GSK) pharmaceutical plant in Dungarvan, Co. Waterford. GSK is a science-led global healthcare company and their ambition is to become carbon neutral across the entire value chain by 2050. With a focus on energy efficiency, installing a biomass boiler enables the Dungarvan site to use locally sourced biomass to produce steam to serve the production facilities, further reducing CO_2 emissions and overall energy costs. This new biomass plant, which is due to be commissioned in Q4 2016, will require six loads of biomass per week. Coillte has commenced the establishment of a new local biomass supply hub to service this contract. The expected introduction of a Renewable Heat Incentive (RHI) in 2016 will further transform the sector, stimulating new investment, jobs and market growth.

Outlook

The outlook is positive, given the context of ongoing economic recovery and a positive sentiment around the availability of funding, particularly in renewables. In Land Solutions, we expect to strengthen our position in existing sectors such as renewables, industrial and commercial and develop new offerings in sectors such as water, aggregates, telecoms, data centres and tourism.

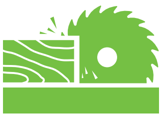
The Center Parcs proposal for a world class holiday village at Ballymahon in County Longford will be the largest ever foreign direct investment in tourism and we were pleased to be able to facilitate the project.

Divisional Review:
Coillte Panel Products

Steady, sustained recovery particularly in the UK and Dutch construction sectors underpinned continued demand growth for MDF and OSB. Despite intense competition in the UK and Europe sector we were able to significantly increase our sales in core markets with turnover up on 2014 and increased sales from new products.

"Our strategic vision is to become the leading European supplier of innovative, market led MDF and OSB products."

Neil Foot
CEO, Coillte Panel Products



€59 million investment in Smartply progressed

Profit 4% ahead of target

Coillte Panel Products, soon to be rebranded Medite Smartply, manufactures and supplies innovative and sustainable MDF and OSB to our customers throughout Europe from two manufacturing plants in the south-east of Ireland. With our Medite and Smartply brands we are a well-established supplier of choice to many distributors and industrial users in the UK, Benelux and Ireland with a growing presence in other European markets. Our sales and marketing team services a diverse customer base across the construction, flooring and furniture sectors with a range of structural, non-structural and speciality products to meet the most demanding applications.

Coillte's wood panels division is the largest user of small diameter wood fibre in Ireland, consuming in excess of one million tonnes of pulpwood and sawmill residues each year, and we are an integral component of the export oriented Irish forest products' sector.

Coillte Panel Products strategic vision is to become the leading European supplier of innovative, market led MDF and OSB products through product and brand differentiation while maximising the value of Coillte's overall supply of wood fibre.

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 depth and reach, increasing innovation delivery and investing in enabling technology;

> Pursuing diversification opportunities in related products and markets;

> Increasing revenues from added-value products in targeted market segments and applications; and

> Enhancing competitiveness through selective process improvements.

The market insight that can be gained from strong customer relationships is crucial in defining the strategic objectives for the 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 panels' division 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.

Performance in 2015

In 2015, we delivered a solid financial performance with a profit before interest and tax that was 4% ahead of budget and substantially ahead of 2014. Strong cost control and fiscal management resulted in improved cash generation from operating activities ahead of budget and prior year.

Steady, sustained recovery particularly in the UK and Dutch construction sectors underpinned continued demand growth for MDF and OSB. Improved capacity utilisation in our industry led to some intense competition in the UK and Europe sector that supressed prices and limited sales growth. Despite these factors we were able to significantly increase our sales in core markets with turnover up on 2014 and increased sales from new products.

A key part of our differentiation strategy is to anticipate future market drivers and respond to customers' future needs. A key enabler of this is our investment in state of the art OSB manufacturing technology and aligning the organisation to fully leverage its potential including restructuring operations and strengthening the sales and marketing organisation.

Investment in Smartply

In 2015 development work continued apace on the €59 million upgrade in our Waterford plant and by year-end the building work for housing the new line was almost completed. Installation of the new equipment including Forming-Line, Press and Saw-Line was close to completion by year-end and on track for a Q1 2016 start-up, which is expected to deliver significant operational efficiencies and underpin new product development.

Innovation led growth

At Coillte Panel Products we are focused on developing our range of innovative panel products aimed at providing solutions to meet new regulations and the increased demands of our customers.

In 2015 we extended our range of fire retardant MDF and OSB for use in shop-fitting, furniture and construction. We continue to expand our range of products for use in Offsite Construction, which is a growing market worldwide. We also continued to grow our sales and manufacturing capability for the market leading Medite Tricoya Extreme with its exciting range of existing and potential applications. Our market led innovation strategy is facilitated by a multi-disciplinary team using the company's stage gate process for product development.

Operational excellence

Throughout 2015 CPP also made steady progress in growing our value add business from an operational perspective. A key contributor to this is Medite's implementation of operational excellence which, in 2015, achieved significant savings in operating overhead. Through this programme of process optimisation and some modest investment in equipment we achieved savings in thermal and electrical energy along with improved process control of resin distribution.

An important tool in enabling this process optimization was our recently developed LEAN capability (seven employees completed Six Sigma Green Belt training) where employees can learn valuable new skills to help leverage recent process investments, further reduce costs and advance future process optimisation.

Our people are critical to our future success and we work hard to ensure their wellbeing and facilitate their development as a key enabler of our strategy, through general and specialised training and commercial collaborations. Health and Safety is a key focus area for all employees and we are pleased to report a good performance in this area for 2015.

Outlook

For 2016 as capacity utilisation improves we will look to maintain our existing market share and develop new opportunities while transitioning to the new OSB manufacturing process. For a short period that will present the unusual challenge of balancing capacity with customer demand as we start up our new OSB line. However, with the advanced build-up of inventories of standard products we expect this to progress with minimal disruption during Q2.

We expect demand for both MDF and OSB to benefit again this year from the continuing growth in the construction sector. In the UK, demand is likely to remain strong in all sectors although trade imbalances may hold back prices until later in the year. In Europe, demand and pricing are expected to improve as economic recovery picks up in the main markets. Our focus will be on achieving budgeted sales revenues and margins for 2016 and beyond through carefully maintaining and developing customer relationships. To coincide with the Group's decentralization strategy and the launch of our new "Smartply Conti OSB" we will bring a brand refresh to the market in the coming months, which will reinforce our strategic vision both internally and externally.

2016 will be an exciting year as the new OSB line comes into production enabling the launch of our new range of added value products. For the first time we will be able to supply the full range of market led products into the European marketplace. We will be targeting new segments and applications in markets that were previously not accessible due to technical production constraints. We will have completed the reorganisation of our sales and operations teams and will be ready to begin a phase of growing sales and leveraging our MDF and OSB capacity.

2015 saw construction of the new OSB line at Smartply continue with a major logistical plan executed to bring in and assemble the new world class Siempelkamp technology, selected for the project.

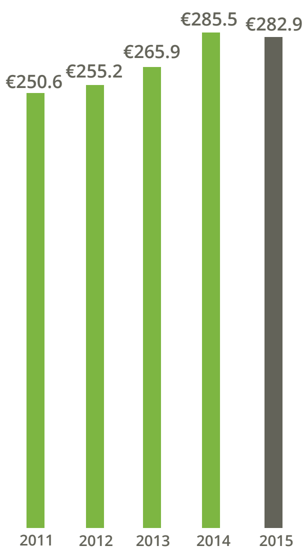
2015 Financial Review

The Group achieved a **profit of €47.6m** for the financial year, which represents an **increase of 64%** compared to the 2014 outturn of €29.1m. The Group continued its capital expenditure programme in 2015 **investing €82.9m** (2014: €49.4m). During the year, the Group's net **debt decreased by €22.2m** to €154.0m with headroom on existing undrawn facilities of €104.4m. The ratio of net debt to EBITDA was 1.7 times and interest cover was 11.3 times.

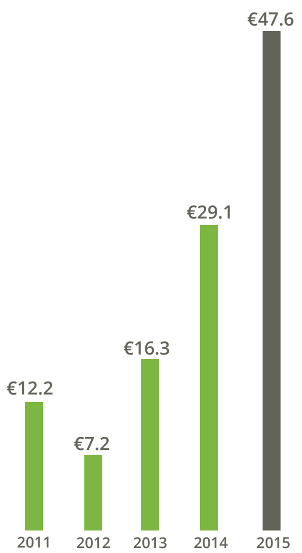
"The outlook for 2016 remains positive but somewhat uncertain."

Gerry Britchfield
Chief Operations Officer
and Chief Financial Officer

Turnover
Million



Profit After Taxation
Million



Results

The Group achieved a profit of €47.6m for the financial year, which represents an increase of 64% compared to the 2014 outturn of €29.1m.

Group turnover fell by €2.6m (1%) during 2015 to €282.9m, principally due to a reduction in log prices and reduced sawmill demand, partially offset by increased MDF prices. The UK is a key export market for our Irish sawmill customers. Increased sawnwood supply from Swedish mills into the UK market as a result of the strengthening of Sterling against the euro adversely impacted sawnwood prices in the UK during 2015 and disrupted market equilibrium. Consequently, the volume of logs sold to our Irish sawmill customers fell by 3% year on year and log prices paid fell by an average of 5% year on year. The average price of panel boards remained flat in 2015; a fall in OSB prices, due to strong price competition from Eastern European products, was offset by the increased sales prices achieved for MDF products. Volume sales of panel products were in line with 2014, with shortfalls in sales of OSB products in the European and UK markets offset by increased sales of MDF products in the Irish and UK markets. Export sales accounted for 56% of Group turnover and 71% of this figure was sold into the UK market.

Cost of sales increased by €2.0m on 2014 (1%) as a result of increased depletion charges on forest clearfells, partially offset by unit cost of production savings achieved in our panel products division as a result of lower resin costs. The combination of a 1% decline in turnover and a 1% increase in cost of sales led to a €4.6m decline in gross profit in 2015 to €107.3m.

Operating profit before exceptional items increased by 47% from €53.8m in 2014 to €78.9m in 2015, reflecting other operating gains of €31.8m (2014: €13.0m) related to the contribution from the sale of land assets and a gain in 2015 on revaluation of investment properties (land rented on long term leases to wind farm operators) of €18.5m. Other operating gains in 2015 include the disposal of a 50% interest in the Sliabh Bawn windfarm to Bord na Mona.

The results for 2015 include an exceptional gain of €10.7m compared with an equivalent charge of €4.6m in the previous year. The gain in 2015 includes a pre-tax gain of €62.6m from the disposal of our Telecoms revenue streams during 2015 and an impairment charge of €55.0m relating to the write down of certain forestry assets to their recoverable amount. Further details on the exceptional items are provided in Note 9 to the accounts.

EBITDA for the Group increased from €80.3m in 2014 to €89.6m in 2015, an increase of 12%. A reconciliation of EBITDA to operating profit is included in Table 2 on page 32.

Interest (including related bank costs) and financing charges for the year were €10.4m, a reduction of €3.7m on 2014. Interest charges on overdraft and loan facilities were €7.4m (2014: €9.4m) while the net finance charge relating to the defined benefit pension fund liabilities was €3.0m (2014: €4.6m). The Group capitalised borrowing costs of €0.5m (2014: €0.1m) as part of its new accounting policies adopted on transition to FRS 102. The underlying EBIT interest cover for the year was 11.3 times.

The Group tax charge for 2015 was €31.6m (2014: €6.1m), which included tax on the sale of our Telecoms income streams.

Profit after tax increased by 64% from €29.1m in 2014 to €47.6m in 2015.

Outlook

2016 has begun with the global economy facing a number of clear and distinct headwinds, including slowing Chinese growth, concerns over the credit worthiness of a number of European banks, and most notably, the risk of the UK voting to exit the European Union in the June referendum on the subject. The latter is arguably the largest threat to the continuation of the recovery in the Irish economy.

2015 saw Ireland grow at the fastest rate in the EU, with this projected to continue going forward. The Central Bank of Ireland predicts GDP to grow at 4.8% and 4.4% in 2016 and 2017 respectively, with the OECD projecting growth of 4.1% and 3.5%. These compare favourably to the latter's forecast for Eurozone growth of 1.4% (2016) and 1.7% (2017). What is clear is that the global recovery we witnessed in 2015 was real and tangible, although somewhat fragile, and concerns persist that central banks across the globe have extensively utilised many of their options for stimulating their domestic economies with limited success; accordingly, the outlook for 2016 remains positive but somewhat uncertain.

As ever, the Sterling exchange rate remains a key variable for the Group. With this in mind, the Group availed of opportunities in late 2015 to put in place cover for upwards of 80% of its direct exposure for 2016, at favourable contracted rates. However, Sterling has weakened considerably since the end of November, as the prospect of the UK exiting the EU has come increasingly into focus, and a continuation of this trend would have significant adverse impact on the Group's profitability going forward, with the effect being felt more so from 2017 onwards. The consensus view is that, while the referendum will be tight, the UK will ultimately vote to remain within the European Union on 23rd June, and this will serve as the catalyst for Sterling strengthening again in the second half of 2016.

Capital Expenditure

The Group continued its capital expenditure programme in 2015 investing €82.9m (2014: €49.4m). A significant proportion of the expenditure in 2015 was incurred on enhancing and maintaining the Group's biological assets (€25.3m), with a further €40.4m incurred on enhancing the production capability at our Smartply plant with the investment in a new line which will support the development of a market led, value added business model.

Net Debt and Gearing

During the year, the Group's net debt decreased by €22.2m to €154.0m with headroom on existing undrawn facilities of €104.4m. An interim dividend for 2015 of €4.0m was authorised by the Directors and paid in December 2015. Gearing was 14.3% at year end and 48% of the debt portfolio was at fixed interest rates at 31 December 2015. The ratio of net debt to EBITDA was 1.7 times and interest cover was 11.3 times.

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 Teoranta (the Company) which has the objective of bringing the Scheme back to full solvency on the Minimum Funding Standard basis by 31 December 2020. As part of this agreed funding proposal, Coillte had agreed to transfer €30m non-cash assets to the Scheme of which €7m was transferred in 2009. Coillte was not in a position to transfer the remaining non-cash assets to the Scheme and an alternative funding agreement (which involves further company cash contributions) to replace this aspect of the funding proposal was agreed with the Trustees in July 2014. The Company has also given the trustees security over €20m 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.
In addition, the funding agreement provides 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 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 2015, calculated using the projected unit method, is €78.5m (2014: €141.8m) and is fully reflected in the Group accounts. The decrease in the deficit reflects a change in the assumptions relating to the discounting of future liabilities (the rate increased from 2.2% to 2.55% which reduced the Group's deficit by approximately €28m), combined with a reduction in expected salary increases for Scheme members.

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 the sale of 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 also 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 1 – Key Financial Performance Indicators

	2015	2014
Revenue (€'m)	282.9	285.5
EBITDA (€'m)	89.6	80.3
EBIT (€'m)	89.6	49.2
Interest cover, excluding associates & pension deficit		
- EBITDA basis (times)	11.3	8.5
- EBIT basis (times)	11.3	5.2
Net Debt (€'m)	154.0	176.2
Net debt as a percentage of total equity (%)	14.3	18.0
Net debt as a percentage of fixed assets (%)	11.0	12.6
Net debt/EBITDA	1.72	2.19
Effective tax rate (%)	39.9	17.2

EBITDA – earnings before finance costs, tax, depreciation, depletion, intangible asset amortisation, exceptional items and revaluation gains

EBIT – earnings before finance costs and tax (operating profit)

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

Table 2 – EBITDA Reconciliation

	2015	2014
EBIT (Operating Profit)	89,589	49,197
Adjustments:		
Depreciation of tangible assets	17,657	18,006
Depletion	10,872	7,875
Amortisation of intangible assets	678	631
Gain on revaluation of investment properties	(18,485)	-
Exceptional (gains)/costs	(10,697)	4,621
EBITDA	**89,614**	**80,330**

Financial Statements

Coillte Teoranta Statutory Financial Statements

For the financial year ended
31 December 2015

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements for the financial year ended 31 December 2015.

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 required by sections 326 and 327 of the Companies Act 2014 are included in the Chairman's Statement, Chief Executive Review, Division 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 €282.9m in 2015 is broadly in line with 2014. Operating profit before exceptional items increased from €53.8m in 2014 to €78.9m in 2015 reflecting other operating gains of €31.8m (2014: €13.0m) related to the contribution from the sale of land assets and a gain on revaluation of investment properties of €18.5m (2014: €nil). Net exceptional gains of €10.7m were credited to the profit and loss account (see note 9 to the accounts for further details). Additional information is set out in the 2015 Financial Review.

An interim dividend of €0.00634 per share representing a total of €4m (2014: €4m) was paid in December 2015. The Directors recommend a final dividend of €0.001585 per share representing a final dividend of €1m (2014: €nil) for the financial year. This dividend is subject to approval at the Annual General Meeting on 26 May 2016.

The full result for the year was transferred to reserves.

Directors

The Directors of the Company were appointed by the Minister for Agriculture, Food and the Marine. The Directors in office during the financial year ended 31 December 2015, all of whom served for the entire financial year, are set out below.

John Moloney (Chairman)

Jerry Houlihan

Roisin Brennan

Dermot Mulvihill

Julie Murphy-O'Connor

Thomas O'Malley

The Directors and Secretary have no interests in the shares of the Company, its subsidiaries or its associated undertakings as at 31 December 2015.

Statement of Directors' responsibilities

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

Irish law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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 Irish law the Directors shall 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 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 judgements 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 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.

Corporate governance

The Board of Coillte 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, issued by the Department of Finance, sets out the principles of corporate governance that apply to the Company and the Directors support the principles and provisions of the code.

Board of Directors

During the financial year the Board consisted of a non-executive Chairman and five non-executive Directors. 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 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 ten 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 presentation of management accounts is supported by detailed presentations by senior management to the Board on a regular basis. All significant contracts, major investments and capital expenditure are also subject to review 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 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.

Audit Committee

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

The Audit Committee is composed of non-executive Directors and operates under formal terms of reference. The Committee may review any matters relating to the financial affairs of the Group, in particular, the annual financial statements, the financial control framework, the internal audit function, reports of the external and internal auditors and proposed changes to accounting policies. The Chief Executive, Chief Financial Officer, the Chief Internal Auditor and other senior managers are normally invited to attend these meetings as appropriate. The 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 Committee. The Chief Internal Auditor reports directly to the Committee and the Committee is responsible for approval of the internal audit plan. The Chief Internal Auditor also meets privately with the Committee.

A framework to formally identify risk and assess the effectiveness of internal controls has been established. Internal auditors monitor the Group's control systems by examining financial reports, by testing the accuracy of the reporting of transactions and by otherwise obtaining assurances 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.

In keeping with best practice the Audit Committee, on behalf of the Board, intends to complete a formal external audit tender process in respect of the financial year ending 31 December 2016.

Remuneration Committee

Historically, the Group had a Remuneration Committee of the Board (as required by the guidelines for Commercial State Bodies issued in March 2006 by the Department of Finance), which was chaired by the Chairman and charged with advising the Board on executive remuneration generally in the Group and providing guidance and advice to the Chief Executive with regard to implementation of Board policy. It is intended to re-constitute this Committee and to review its terms of reference when the current three vacancies on the Board are filled and the Board has a full complement of directors from which to select the Committee.

Directors' and Chief Executive's remuneration:

	Fees €'000	Salary €'000	Performance Related €'000	Pension Contributions €'000	Taxable Benefits €'000	Other Emoluments €'000	2015 Total €'000	2014 Total €'000
Parent Company Directors								
John Moloney*	13	-	-	-	-	-	13	16
Julie Murphy - O'Connor**	-	-	-	-	-	-	-	-
Roisin Brennan	13	-	-	-	-	-	13	8
Jerry Houlihan	13	-	-	-	-	-	13	8
Dermot Mulvihill	13	-	-	-	-	-	13	6
Thomas O'Malley	13	34	-	2	-	-	49	36
Denis Byrne	-	-	-	-	-	-	-	13
	65	34	-	2	-	-	101	87
Chief Executive								
Fergal Leamy***	-	137	-	34	8	-	179	-
	65	171	-	36	8	-	280	87

The standard fee payable to Directors is €12,600. Where lesser amounts are shown above these are pro rata payments to Directors who were appointed during the financial year.

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

** All emoluments in 2015 and 2014 were waived.

*** Mr. Leamy was appointed as Chief Executive in April 2015.

Internal control

The Board has overall responsibility for the Group's system of internal control. Those systems which are maintained by the Group can provide only reasonable and not absolute assurance against material misstatement or loss. The Board confirms that it has reviewed the effectiveness of the system of internal control.

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 Committee.

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 monthly 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 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. 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.

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 panel board 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.

Foreign branches, subsidiary and joint venture undertakings

A list of branches outside the Republic of Ireland, subsidiary and joint venture undertakings as at 31 December 2015 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

There were no significant events, outside the ordinary course of business, that affected the Group since 31 December 2015.

Auditors

The Auditor, PricewaterhouseCoopers, have indicated their willingness to continue in office.

On behalf of the Board

John Moloney
Chairman

Dermot Mulvihill
Director

Independent auditors' report to the members of Coillte Teoranta

Report on the financial statements

Our opinion

In our opinion, Coillte Teoranta's financial statements (the "financial statements"):

> give a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2015 and of its profit and cash flows for the year then ended;

> have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and

> have been properly prepared in accordance with the requirements of the Companies Act 2014.

What we have audited

The financial statements 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 balance sheet as at 31 December 2015;

> the Company balance sheet as at 31 December 2015;

> the Group cash flow statement for the year then ended;

> the Company cash flow statement for the year then ended;

> the Group statement of changes in equity for the year then ended;

> the Company statement of changes in equity for the year then ended; and

> the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Matters on which we are required to report 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 Company were sufficient to permit the financial statements to be readily and properly audited.

> The financial statements are in agreement with the accounting records.

> In our opinion the information given in the Directors' Report is consistent with the financial statements.

Matter on which we are required to report by exception

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Code of Practice for the Governance of State Bodies

Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if, in our opinion, the statement regarding the system of internal financial control required under the Code as included in the Report of the Directors does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 34 and 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

> whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;

> the reasonableness of significant accounting estimates made by the Directors; and

> the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Martin Freyne

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and
Statutory Audit Firm
Dublin

7 April 2016

Group Profit and Loss Account

Financial year ended 31 December 2015	Notes	2015 €'000	2014 €'000
Turnover	5	**282,909**	285,520
Cost of sales		**(175,652)**	(173,663)
Gross profit		**107,257**	111,857
Distribution costs		**(24,869)**	(23,995)
Administrative expenses		**(53,770)**	(47,071)
Other operating gains	10	**31,789**	13,027
Gain on revaluation of investment properties	16	**18,485**	-
Operating profit before exceptional items		**78,892**	53,818
Exceptional items	9	**10,697**	(4,621)
Operating profit	6	**89,589**	49,197
Interest receivable and similar income	11	**2**	2
Interest payable and similar charges	11	**(10,441)**	(14,076)
Net interest expense	11	**(10,439)**	(14,074)
Profit on ordinary activities before taxation		**79,150**	35,123
Tax on profit on ordinary activities	13	**(31,551)**	(6,055)
Profit for the financial year		**47,599**	29,068

Group Statement of Other Comprehensive Income

Financial year ended 31 December 2015	Notes	2015 €'000	2014 €'000
Profit for the financial year		**47,599**	29,068
Other comprehensive income:			
Re-measurement of net defined benefit pension liability	14	**54,732**	(11,787)
Movement on deferred tax relating to defined benefit pension liability	13	**(1,239)**	673
Effective portion of changes in fair value of cash flow hedges			
Fair value movement on cash flow hedges	25	**2,323**	(1,322)
Cash flow hedges – reclassification to profit and loss account	25	**773**	48
Deferred tax effect of fair value movement on cash flow hedges	13	**(256)**	67
Share of other comprehensive expense of joint-ventures	18	**(825)**	-
Other comprehensive income/(expense) for the financial year, net of tax		**55,508**	(12,321)
Total comprehensive income for the financial year		**103,107**	16,747

Group Balance Sheet

At 31 December 2015	Notes	2015 €'000	2014 €'000
Fixed assets			
Intangible assets	15	**6,214**	4,794
Tangible assets	16	**594,389**	549,777
Biological assets	17	**797,001**	843,397
Investments	18	**2,104**	-
		1,399,708	1,397,968
Current assets			
Stocks	19	**24,261**	21,386
Debtors	20	**139,981**	126,775
Cash at bank and in hand		**34,137**	-
		198,379	148,161
Creditors - amounts falling due within one financial year	21	**(67,978)**	(68,288)
Net current assets		**130,401**	79,873
Total assets less current liabilities		**1,530,109**	1,477,841
Creditors - amounts falling due after more than one financial year	23	**(187,799)**	(176,647)
Provisions for liabilities	26	**(56,761)**	(43,811)
Deferred government grants	27	**(128,881)**	(136,445)
Net assets before pension liability		**1,156,668**	1,120,938
Defined benefit pension liability	14	**(78,451)**	(141,828)
Net assets		**1,078,217**	979,110
Capital and reserves			
Called-up share capital presented as equity	28	**795,060**	795,060
Capital conversion reserve fund	29	**6,145**	6,145
Cash-flow hedge reserve	29	**1,190**	(1,650)
Retained earnings	29	**275,822**	179,555
Shareholders' funds		**1,078,217**	979,110

The notes on pages 49 to 98 are an integral part of these financial statements. The financial statements on pages 41 to 98 were authorised for issue by the board of Directors on 7 April 2016 and were signed on its behalf by:

John Moloney
Chairman

Dermot Mulvihill
Director

Company Balance Sheet

At 31 December 2015	Notes	2015 €'000	2014 €'000
Fixed assets			
Intangible assets	15	**6,041**	4,495
Tangible assets	16	**496,297**	488,097
Biological assets	17	**797,001**	843,397
Investments	18	**81,785**	78,856
		1,381,124	1,414,845
Current assets			
Stocks	19	**4,518**	3,623
Debtors	20	**175,132**	103,062
Cash at bank and in hand		**34,414**	-
		214,064	106,685
Creditors - amounts falling due within one financial year	21	**(75,116)**	(67,658)
Net current assets		**138,948**	39,027
Total assets less current liabilities		**1,520,072**	1,453,872
Creditors - amounts falling due after more than one financial year	23	**(187,797)**	(176,636)
Provisions for liabilities	26	**(52,502)**	(39,351)
Deferred government grants	27	**(128,258)**	(135,509)
Net assets before pension liability		**1,151,515**	1,102,376
Defined benefit pension liability	14	**(76,252)**	(125,404)
Net assets		**1,075,263**	976,972
Capital and reserves			
Called-up share capital presented as equity	28	**795,060**	795,060
Capital conversion reserve fund	29	**6,145**	6,145
Cash-flow hedge reserve	29	**(724)**	(930)
Retained earnings		**274,782**	176,697
Shareholders' funds		**1,075,263**	976,972

The notes on pages 49 to 98 are an integral part of these financial statements. The financial statements on pages 41 to 98 were authorised for issue by the board of Directors on 7 April 2016 and were signed on its behalf by:

John Moloney
Chairman

Dermot Mulvihill
Director

Group Statement of Cash Flows

At 31 December 2015		2015	2014
	Notes	€'000	€'000
Net cash inflow from operating activities before taxation paid	33	**54,473**	53,424
Taxation paid		**(24,413)**	(7,108)
Net cash inflow from operating activities		**30,060**	46,316
Cash flows from investing activities			
Additions to intangible assets	15	**(2,190)**	(2,283)
Additions to tangible assets	16	**(49,045)**	(22,740)
Additions to biological assets	17	**(25,314)**	(24,389)
Additions to financial assets	18	**(2,929)**	-
Amounts owed by joint-venture undertakings	20	**(17,105)**	-
Proceeds from disposals of tangible assets		**32,590**	13,693
Proceeds from sale of Telecoms' income streams		**67,470**	-
Receipt of capital government grants	20	**210**	380
Net cash inflow/(outflow) from investing activities		**3,687**	(35,339)
Cash flows from financing activities			
Increase in borrowings	24	**12,442**	434
Repayment of capital element of finance leases	24	**(15)**	(11)
Interest paid and received	33	**(7,549)**	(9,860)
Dividends paid	12	**(4,000)**	(6,000)
Net cash inflow/(outflow) from financing activities		**878**	(15,437)
Net increase/(decrease) in cash and cash equivalents		**34,625**	(4,460)
Cash and cash equivalents at 1 January		**(488)**	3,972
Cash and cash equivalents at 31 December		**34,137**	(488)
Cash and cash equivalents consist of:			
Cash at bank and in hand		**34,137**	-
Bank overdrafts		**-**	(488)
Cash and cash equivalents		**34,137**	(488)

Company Statement of Cash Flows

At 31 December 2015	Notes	2015 €'000	2014 €'000
Net cash inflow from operating activities	34	**62,993**	45,984
Taxation paid		**(23,016)**	(6,856)
Net cash inflow generated from operating activities		**39,977**	39,128
Cash flows from investing activities			
Additions to intangible assets	15	**(2,167)**	(2,216)
Additions to tangible assets		**(9,948)**	(12,344)
Additions to biological assets	17	**(25,314)**	(24,389)
Additions to financial assets	18	**(2,929)**	-
Amounts owed (by)/from subsidiary undertakings	20/21	**(30,447)**	3,739
Amounts owed by joint-venture undertakings	20	**(35,025)**	-
Proceeds from disposals of tangible assets		**32,590**	13,693
Proceeds from sale of Telecoms' income streams		**67,470**	-
Receipt of capital government grants	20	**210**	380
Net cash outflow from investing activities		**(5,560)**	(21,137)
Cash flows from financing activities			
Increase in borrowings	24	**12,442**	434
Interest paid and received		**(8,020)**	(9,916)
Dividends paid	12	**(4,000)**	(6,000)
Net cash inflow/(outflow) from financing activities		**422**	(15,482)
Net increase in cash and cash equivalents		**34,839**	2,509
Cash and cash equivalents at 1 January		**(425)**	(2,934)
Cash and cash equivalents at 31 December		**34,414**	(425)
Cash and cash equivalents consist of:			
Cash at bank and in hand		**34,414**	-
Bank overdrafts		**-**	(425)
Cash and cash equivalents		**34,414**	(425)

Group Statement of Changes in Equity

Financial year ended 31 December 2015	Notes	**Called-up share capital presented as equity** €'000	**Capital conversion reserve fund** €'000	**Cash-flow hedge reserve** €'000	**Profit and loss account** €'000	**Grant reserve** €'000	**Total** €'000
At 1 January 2015		**795,060**	**6,145**	**(1,650)**	**179,555**	**-**	**979,110**
Profit for the financial year		**-**	**-**	**-**	**47,599**	**-**	**47,599**
Other comprehensive income for the financial year		**-**	**-**	**2,840**	**52,668**	**-**	**55,508**
Total comprehensive income for the financial year		**-**	**-**	**2,840**	**100,267**	**-**	**103,107**
Dividends paid	12	**-**	**-**	**-**	**(4,000)**	**-**	**(4,000)**
At 31 December 2015		**795,060**	**6,145**	**1,190**	**275,822**	**-**	**1,078,217**
At 1 January 2014, as previously reported		795,060	6,145	-	287,719	152,962	1,241,886
Effects of changes in accounting policies		-	-	(443)	(122,118)	(152,962)	(275,523)
At 1 January 2014, as restated	37	795,060	6,145	(443)	165,601	-	966,363
Profit for the financial year		-	-	-	29,068	-	29,068
Other comprehensive expense for the financial year		-	-	(1,207)	(11,114)	-	(12,321)
Total comprehensive income/(expense) for the financial year		-	-	(1,207)	17,954	-	16,747
Dividends Paid	12	-	-	-	(4,000)	-	(4,000)
At 31 December 2014		795,060	6,145	(1,650)	179,555	-	979,110

Company Statement of Changes in Equity

Financial year ended 31 December 2015	Notes	Called-up share capital presented as equity €'000	Capital conversion reserve fund €'000	Cash-flow hedge reserve €'000	Profit and loss account €'000	Grant reserve €'000	Total €'000
At 1 January 2015		**795,060**	**6,145**	**(930)**	**176,697**	**-**	**976,972**
Profit for the financial year		**-**	**-**	**-**	**52,409**	**-**	**52,409**
Other comprehensive income for the financial year		**-**	**-**	**206**	**49,676**	**-**	**49,882**
Total comprehensive income for the financial year		**-**	**-**	**206**	**102,085**	**-**	**102,291**
Dividends paid	12	**-**	**-**	**-**	**(4,000)**	**-**	**(4,000)**
At 31 December 2015		**795,060**	**6,145**	**(724)**	**274,782**	**-**	**1,075,263**
At 1 January 2014, as previously reported		795,060	6,145	-	279,509	152,962	1,233,676
Effects of changes in accounting policies	37	-	-	(398)	(121,640)	(152,962)	(275,000)
At 1 January 2014, as restated		795,060	6,145	(398)	157,869	-	958,676
Profit for the financial year		-	-	-	29,426	-	29,426
Other comprehensive expense for the financial year		-	-	(532)	(6,598)	-	(7,130)
Total comprehensive income/(expense) for the financial year		-	-	(532)	22,828	-	22,296
Dividends Paid	12	-	-	-	(4,000)	-	(4,000)
At 31 December 2014		795,060	6,145	(930)	176,697	-	976,972

Notes to the Financial Statements

1 Company Information

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

Coillte Teoranta is incorporated as a private company limited by shares and domiciled in Ireland. The address of its registered office is Dublin Road, Newtownmountkennedy, Co. Wicklow.

2 Statement of compliance

The Company and Group financial statements of Coillte Teoranta (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. FRS 102 has been adopted in these financial statements for the first time. Details of the transition to FRS 102 are disclosed in note 37.

(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 €52,409,000 (2014: €29,426,000).

(d) Consolidation and equity accounting

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

(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

Notes to the Financial Statements

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.

Investments in subsidiaries are accounted for at cost less impairment in the Company's individual financial statements. 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.

Investments in joint ventures are accounted for at cost less impairment in the Company's individual financial statements. 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.

(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 retranslated at the exchange rates ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. 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.

Notes to the Financial Statements

(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.

(i) 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 panel products is recognised when the goods are delivered. All other revenue is recognised when the goods or services are delivered.

(ii) Operating lease rental income

Operating lease rental income, net of the aggregate cost of lease incentives, is credited to the profit and loss account on a straight line basis over the life of the lease agreement.

(iii) Government grants

The Group's accounting policy in respect of government grants is disclosed in note (s).

(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, profit or loss on disposal of operations and impairment of assets.

(h) Employee benefits

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

(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 Teoranta and Medite Europe Limited (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.

Notes to the Financial Statements

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 end of 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 Limited 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 Teoranta and Medite Europe Limited 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 the statement of other comprehensive income or directly in equity. In this case tax is also recognised in the statement of other comprehensive income or directly in equity respectively.

(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.

Notes to the Financial Statements

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) 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.

(ii) 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
> Machinery and equipment	3 to 20 years
> Forest roads and bridges	20 to 50 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.

(iii) 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.

(iv) 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.

(v) Derecognition

Notes to the Financial Statements

Tangible assets are derecognised 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 in 'Other operating (losses)/gains'.

(l) 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.

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 that 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.

(m) 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.

(n) 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

Notes to the Financial Statements

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.

(iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis, over the period of the lease.

(o) Impairment of non-financial assets

At each balance sheet 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 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.

Notes to the Financial Statements

(p) 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.

(q) 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.

(r) Provisions and contingencies

(i) 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.

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 end of the reporting period, 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

(s) 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.

(t) 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, 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 derecognised 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 receipts 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 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 derecognised 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 25 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.

(u) 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.

(v) Distributions to equity shareholders

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

(w) 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 materialising thereon is recognised immediately within cost of sales in the financial statements.

Notes to 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:

(a) Critical judgements in applying the entity's accounting policies

(i) Exemptions on transition to FRS 102

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to recognise such lease incentives received as a credit and to recognise such lease incentives granted as a charge to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

The Group has also taken advantage of the exemption to treat the date of transition to FRS 102 (1 January 2014) as the date on which capitalisation of eligible borrowing costs commences (see note 3(m)).

(b) Critical accounting estimates and assumptions

(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 determine the fair value at 31 December 2015. Due to the nature of the property and a lack of comparable market data, the valuation methodology was 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 judgmental 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.

Notes to the Financial Statements

(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) 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.

(vi) 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 Panel Products. 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 (Wind and Biomass) and land sales and development. Panel Products is involved in the manufacture of engineered wood products.

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

	Forest		Land Solutions*		Panel Products		Group	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Group turnover								
Continuing operations:								
Republic of Ireland	**122,431**	126,985	**7,651**	9,813	**28,581**	22,138	**158,663**	158,936
United Kingdom	**11,218**	11,149	**70**	90	**101,428**	96,630	**112,716**	107,869
Rest of the World	**262**	317	**-**	-	**44,728**	52,911	**44,990**	53,228
Inter-segment sales	**(33,460)**	(34,513)	**-**	-	**-**	-	**(33,460)**	(34,513)
Sales to third parties	**100,451**	103,938	**7,721**	9,903	**174,737**	171,679	**282,909**	285,520

* The turnover attributable to the Telecoms' income streams sold in 2015 is €4.0 million (2014: €6.0 million)

Notes to the Financial Statements

The table below is an analysis of turnover by category.

	2015	2014
	€'000	€'000
Sale of goods	**268,575**	269,302
Rendering of services	**11,136**	14,804
Revenue from government grants	**3,198**	1,414
	282,909	285,520

6 Operating profit

	2015	2014
	€'000	€'000
Operating profit before taxation has been arrived at after charging/(crediting):		
Depreciation (note 16)	**17,657**	18,006
Depletion (note 17)	**10,872**	7,875
Amortisation of grants (note 27)	**(7,564)**	(1,473)
Amortisation of intangible assets (note 15)	**678**	631
Operating lease charges	**1,549**	1,340
Research and development expenditure	**725**	829
Operating lease rental income	**(4,270)**	(5,703)
Impairment of trade receivables	**(149)**	(475)
Inventory recognised as an expense	**168,973**	169,341
Impairment of inventory (included in 'cost of sales')	**321**	270
Impairment of inventory (included in 'exceptional items')	**-**	272
Impairment of tangible assets (note 16)	**1,451**	1,772
Impairment of biological assets (note 17)	**60,838**	-
Profit on sale of Telecoms' income streams (note 9)	**(62,611)**	-
Gain on revaluation of investment properties (note 16)	**(18,485)**	-
Other exceptional items (note 9)	**(4,565)**	2,577

Notes to the Financial Statements

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	
	2015	2014	2015	2014
	€'000	€'000	€'000	€'000
Audit of the financial statements	224	220	180	181
Other assurance services	138	58	117	47
Tax advisory services	468	96	431	70
Other non-audit services	292	47	292	47
	1,122	421	1,020	345

7 Emoluments of Directors

	2015	2014
	€'000	€'000
Emoluments	99	86
Contributions to retirement benefits schemes:		
- Defined benefit	2	1
Total	101	87

Retirement benefits are accruing to 1 (2014: 1) Director under a defined benefit scheme.

8 Employees and remuneration

The average number of persons employed by the Group (excluding joint venture undertakings) during the year was 897 (2014: 907) which comprise 418 (2014: 426) industrial workers and 479 (2014: 481) non-industrial employees.

	2015	2014
	€'000	€'000
Staff costs comprise:		
Wages and salaries	53,539	52,703
Social insurance costs	5,081	4,741
Other retirement benefit costs	7,773	6,547
	66,393	63,991
Less: Own work capitalised	(8,343)	(9,493)
Charge to profit and loss account	58,050	54,498
Other retirement benefit costs comprise:		
Defined contribution scheme pension costs (note 14)	719	626
Defined benefit scheme pension costs (note 14)	7,054	5,921
	7,773	6,547

Notes to the Financial Statements

Key management compensation	2015	2014
	€'000	€'000
Group and Company's key management personnel compensation	**2,224**	1,959

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.

9 Exceptional items

	2015	2014
	€'000	€'000
Recognised in arriving at operating profit:		
Restructuring (note a)	**4,701**	472
Defined benefit pension curtailment (note b)	**(9,266)**	-
Impairment of biological assets, net of grants (note c)	**55,028**	-
Profit on sale of Telecoms' income streams (note d)	**(62,611)**	-
Impairment of tangible assets/stocks (note e)	**1,451**	2,044
Impairment of wind-farm asset (note f)	**-**	2,105
	(10,697)	4,621

A. Restructuring

In 2015, the Group announced a number of restructuring programmes that will be implemented in 2016. The associated severance and actuarial costs relating to the past service of departing employees is €4.7 million (2014: €0.5 million). This exceptional charge includes a pension curtailment loss of €1.4 million.

B. Defined benefit pension curtailment

A funding proposal in respect of the Medite Europe Limited 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 involves significant additional cash contributions by that company, additional employee contributions and benefit changes for members, resulting in a curtailment credit.

C. Impairment of biological assets

The Group has reviewed the carrying value of certain forestry assets. As a consequence of the review, the Group has written down these biological assets to their recoverable amount by including a net impairment charge of €55.0 million in the profit and loss account. The net impairment charge includes the release of €5.8 million of deferred government grants related to these biological assets.

D. Profit on the sale of Telecoms' income streams

The Group sold its Telecoms' income streams in July 2015. The disposal generated a pre-tax gain of €62.6 million (post-tax gain of €44.6 million).

Notes to the Financial Statements

E. Impairment of fixed assets/stock

The Group has reviewed the carrying value of certain fixed assets in its Land Solutions Division. As a consequence of the review, the Group has written down the assets to their recoverable amount by including an impairment charge of €1.45 million.

In 2014 the Group reviewed the carrying value of its investments in Smartply Europe Limited. As a consequence of the review, the Group wrote down the assets of Smartply Europe Limited to their recoverable amount by including an impairment charge of €2.0 million (tangible fixed assets €1.8 million and stock €0.2 million).

F. Impairment of wind-farm asset

In May 2015, An Bord Pleanála refused planning permission for the Cluddaun wind-farm in Co. Mayo, resulting in a write down in 2014 of €2.1 million in costs previously deferred.

10 Other operating gains

Total other operating gains in 2015 amount to €31.8 million (2014: €13.0 million) of which €31.8 million (2014: €12.8 million) relate to profits realised on the disposal of fixed assets.

11 Net finance charges

	2015	2014
	€'000	€'000
(a) Interest receivable and similar income		
Interest receivable	(2)	(2)
(b) Interest payable and similar charges		
Interest on bank overdrafts and loans, and other related bank costs	7,906	9,463
Less: Capitalised borrowing costs	(480)	(65)
Interest payable recognised in profit and loss account	7,426	9,398
Net interest expense on pension deficit (note 14)	2,995	4,651
Unwind of discount (note 26)	20	27
Other finance costs	3,015	4,678
Interest payable	10,441	14,076
Net interest expense	10,439	14,074

Notes to the Financial Statements

12 Dividends

Equity dividends declared and paid on ordinary shares:

	2015	2014
	€'000	€'000
Interim dividend of €0.00634 (2014: €0.00634) per share for the financial year ended 31 December 2015	**4,000**	4,000

An interim dividend in respect of the financial year ended 31 December 2015 of €0.00634 per share was authorised and paid by the Board in December 2015. The 2014 Dividend of €0.00634 per share was authorised by the Board and paid in December 2014. The 2013 Dividend of €0.00317 per share was authorised by the Board in December 2013 and paid in January 2014.

Proposed dividend for approval by shareholders at the AGM:

	2015	2014
	€'000	€'000
Final dividend of €0.001585 (2014: €nil) per share for the financial year ended 31 December 2015	**1,000**	-

The proposed final dividend is subject to approval at the Annual General Meeting on 26 May 2016 and will be accounted for as an appropriation of retained earnings in the year ended 31 December 2016.

13 Taxation

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

	2015	2014
	€'000	€'000
Current tax:		
Corporation tax at 12.5% (2014: 12.5%)	**5,128**	4,830
Less: Woodlands relief	**(2,285)**	(3,073)
Irish corporation tax	**2,843**	1,757
Foreign tax - Netherlands	**4**	9
- United Kingdom	**17**	18
Adjustment in respect of prior financial years	**(1,310)**	(376)
Taxation on disposal of fixed assets (including sale of Telecoms' income streams) at 33% (2014: 33%)	**22,850**	4,774
Total current tax	**24,404**	6,182
Deferred tax:		
Pension timing difference	**1,233**	30
Revaluation of investment properties	**6,100**	-
Other timing differences	**(186)**	(157)
Total deferred tax	**7,147**	(127)
Total taxation on profit on ordinary activities*	**31,551**	6,055

* Includes €19.1 million (2014: €nil) taxation relating to exceptional items (note 9).

Notes to the Financial Statements

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

	2015	2014
	€'000	€'000
Current tax:	-	-
Deferred tax:		
Pension timing difference	1,239	(673)
Other timing differences	256	(67)
Total tax expense/(income) included in the statement of other comprehensive income	1,495	(740)

(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:

	2015	2014
	€'000	€'000
Profit on ordinary activities before tax	79,150	35,123
Profit on ordinary activities multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2014: 12.5%)	9,894	4,390
Effects of:		
Woodlands relief	(2,285)	(3,073)
Impairment of assets	7,060	485
Other income not subject to tax	(2,194)	-
Expenses non deductible for tax purposes	2,469	606
Differences between capital allowances and depreciation	(657)	303
Adjustments in respect of prior financial years	(1,310)	(374)
Higher rates of tax on certain activities	18,978	3,724
Foreign tax	17	22
Other	(421)	(28)
	31,551	6,055

Notes to the Financial Statements

14 Pensions

A. Defined benefit pension scheme

The Group operates defined benefit pension schemes in Coillte Teoranta and Medite Europe Limited 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 Limited) and 31 December 2014 (Coillte Teoranta).

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 2.5% (Coillte Teoranta) and 2% (Medite Europe Limited) in the last full valuations and that pension increases of 1.5% would be paid by Coillte Teoranta. No provision was made for future pension increases in Medite Europe Limited.

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

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 as at the valuation dates. Coillte Teoranta and Medite Europe Limited 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 Teoranta 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 €20m 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 Limited 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 involves 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:

	2015	2014
	€'000	€'000
Current service cost	7,054	5,921
Curtailment (credit)/charge	(7,849)	384
	(795)	6,305
Less: Capitalised expenses	(1,287)	(1,175)
Total (credit)/charge in operating profit	(2,082)	5,130
Net interest expense	2,995	4,651
Total profit and loss account charge	913	9,781

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

	2015	2014
	€'000	€'000
Return on scheme assets excluding interest income	5,419	23,191
Actuarial gains/(losses)	49,313	(34,978)
Re-measurement gains/(losses) recognised in the statement of other comprehensive income	54,732	(11,787)

Expected contributions for the financial year ending 31 December 2016 are €11,772,000.

Notes to the Financial Statements

Movement in scheme assets and liabilities

	Pension assets	Pension liabilities	Pension deficit
	€'000	€'000	€'000
At 1 January 2015	**258,994**	**(400,822)**	**(141,828)**
Benefits paid from plan assets	**(9,762)**	**9,762**	**-**
Employer contributions paid	**10,845**	**-**	**10,845**
Contributions by plan participants	**1,488**	**(1,488)**	**-**
Current service cost	**-**	**(6,687)**	**(6,687)**
Curtailment credit	**-**	**7,849**	**7,849**
Administration expenses	**(367)**	**-**	**(367)**
Interest income/(expense)	**5,527**	**(8,522)**	**(2,995)**
Re-measurement gains			
- Actuarial gains	**-**	**49,313**	**49,313**
- Return on plan assets excluding interest income	**5,419**	**-**	**5,419**
As at 31 December 2015	**272,144**	**(350,595)**	**(78,451)**
At 1 January 2014	223,874	(354,372)	(130,498)
Benefits paid from plan assets	(9,242)	9,242	-
Employer contributions paid	11,413	-	11,413
Contributions by plan participants	1,541	(1,541)	-
Current service cost	-	(5,779)	(5,779)
Curtailment charge	-	(384)	(384)
Administration expenses	(142)	-	(142)
Interest income/(expense)	8,359	(13,010)	(4,651)
Re-measurement gains/(losses)			
- Actuarial losses	-	(34,978)	(34,978)
- Return on plan assets excluding interest income	23,191	-	23,191
As at 31 December 2014	258,994	(400,822)	(141,828)

For the purposes of disclosure under FRS 102 the assets and liabilities of the Coillte Teoranta and Medite Europe Limited defined benefit schemes have been combined in 2015. Under FRS 102 the deficit in the Coillte Teoranta scheme was €76.3 million (2014: deficit of €125.4 million) and the deficit in the Medite Europe Limited scheme was €2.2 million (2014: deficit of €16.4 million).

Notes to the Financial Statements

The fair value of the plan assets was:

	2015	2014
	€'000	€'000
Equities	92,167	155,950
Bonds	104,821	72,889
Property	17,089	15,762
Other	58,067	14,393
Total market value of assets	272,144	258,994

The actual return on plan assets was:

	2015	2014
	€'000	€'000
Actual return on plan assets	10,946	31,550

The principal actuarial assumptions at the balance sheet date:

	2015	2014
Rate of increase in salaries	2.00%	2.50%
Rate of increase in pension payments		
- Coillte Teoranta	1.50%	1.50%
- Medite Europe Limited	0.00%	0.00%
Discount rate	2.55%	2.20%
Price inflation	1.50%	1.50%
Post-retirement mortality*		
Current pensioners at 65 - Male	22.8	22.7
Current pensioners at 65 - Female	24.8	24.0
Future pensioners at 65 - Male	25.0	25.1
Future pensioners at 65 - Female	27.1	26.1

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

B. Defined contribution pension scheme

Smartply Europe Limited and Coillte Panel Products UK Limited contribute to defined contribution pension schemes on behalf of certain employees. The assets of the schemes are held separately from those of the companies in independently administered funds. The pension cost for the period for Smartply Europe Limited amounted to €383,000 (2014: €397,000) and contributions of €39,000 (2014: €39,000) were not transferred to the fund until after the financial year end. The pension cost for the period for Coillte Panel Products UK Limited amounted to €81,000 (2014: €73,000) and contributions of €5,000 (2014: €4,500) were not transferred to the fund until after the financial year end.

The Group contributes to a separately funded defined contribution pension scheme on behalf of certain employees in Coillte Teoranta and Medite Europe Limited 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 an independently administered scheme. The pension cost for the period amounted to €255,000 (2014: €156,000) and contributions of €22,000 (2014: €14,000) were not transferred to the fund until after the financial year end.

Notes to the Financial Statements

15 Intangible assets

A. Group

	Notes	Software	Goodwill	Total
		€'000	€'000	€'000
At 31 December 2014				
Cost	(i)	13,708	1,176	14,884
Accumulated amortisation		(9,139)	(951)	(10,090)
Net book amount		4,569	225	4,794
Financial year ended 31 December 2015				
Opening net book amount		4,569	225	4,794
Additions		2,190	-	2,190
Disposals - cost		(154)	-	(154)
Amortisation	(iii)	(561)	(117)	(678)
Disposals - amortisation		62	-	62
Closing net book amount		6,106	108	6,214
At 31 December 2015				
Cost		15,744	1,176	16,920
Accumulated depreciation		(9,638)	(1,068)	(10,706)
Net book amount		6,106	108	6,214
At 31 December 2013				
Cost	(i)	11,586	1,176	12,762
Accumulated amortisation		(8,787)	(833)	(9,620)
Net book amount		2,799	343	3,142
Financial year ended 31 December 2014				
Opening net book amount		2,799	343	3,142
Additions		2,283	-	2,283
Disposals - cost		(161)	-	(161)
Amortisation	(iii)	(513)	(118)	(631)
Disposals - amortisation		161	-	161
Closing net book amount		4,569	225	4,794
At 31 December 2014				
Cost		13,708	1,176	14,884
Accumulated depreciation		(9,139)	(951)	(10,090)
Net book amount		4,569	225	4,794

Notes to the Financial Statements

B. Company

	Notes	Software €'000
At 31 December 2014		
Cost		**12,428**
Accumulated amortisation		**(7,933)**
Net book amount		**4,495**
Financial year ended 31 December 2015		
Opening net book amount		**4,495**
Additions		**2,167**
Disposals - cost		**(154)**
Amortisation	(iii)	**(529)**
Disposals - amortisation		**62**
Closing net book amount		**6,041**
At 31 December 2015		
Cost		14,441
Accumulated depreciation		(8,400)
Net book amount		**6,041**
At 31 December 2013		
Cost		10,373
Accumulated amortisation		(7,626)
Net book amount		2,747
Financial year ended 31 December 2014		
Opening net book amount		2,747
Additions		2,216
Disposals - cost		(161)
Amortisation	(iii)	(468)
Disposals - amortisation		161
Closing net book amount		4,495
At 31 December 2014		
Cost		12,428
Accumulated depreciation		(7,933)
Net book amount		4,495

(i) On 27 November 2006 the Group recognised goodwill of €1.2 million on the acquisition of 100% of the share capital in Medite Europe Limited.

(ii) Intangible assets include software costs incurred in developing the Group's Forest Management System. At 31 December 2015, the asset is under construction and is carried at €4.3 million (2014: €2.6 million). There are no other individual material intangible assets.

(iii) 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	Machinery & equipment	Forest roads & bridges	Total
		€'000	€'000	€'000	€'000	€'000
Cost						
At 1 January 2015	(i)	**344,932**	**34,753**	**122,982**	**282,622**	**785,289**
Additions	(ii)	**452**	**-**	**46,481**	**8,437**	**55,370**
Impairments	(v)	**-**	**(1,451)**	**-**	**-**	**(1,451)**
Surplus on revaluation	(iv)	**18,485**	**-**	**-**	**-**	**18,485**
Disposals		**(661)**	**(11)**	**(14,230)**	**-**	**(14,902)**
At 31 December 2015		**363,208**	**33,291**	**155,233**	**291,059**	**842,791**
Accumulated depreciation						
At 1 January 2015		**-**	**(23,214)**	**(63,806)**	**(148,492)**	**(235,512)**
Charge for financial year		**-**	**(979)**	**(8,973)**	**(7,705)**	**(17,657)**
Disposals		**-**	**5**	**4,762**	**-**	**4,767**
At 31 December 2015		**-**	**(24,188)**	**(68,017)**	**(156,197)**	**(248,402)**
Net book amounts						
At 31 December 2015		**363,208**	**9,103**	**87,216**	**134,862**	**594,389**
At 31 December 2014		**344,932**	**11,539**	**59,176**	**134,130**	**549,777**
Cost						
At 1 January 2014	(i)	344,374	34,778	123,242	272,849	775,243
Additions		720	121	12,126	9,773	22,740
Impairments	(v)	-	(132)	(10,598)	-	(10,730)
Disposals		(162)	(14)	(1,788)	-	(1,964)
At 31 December 2014		344,932	34,753	122,982	282,622	785,289
Accumulated depreciation						
At 1 January 2014		-	(22,385)	(64,710)	(140,409)	(227,504)
Charge for financial year		-	(954)	(8,969)	(8,083)	(18,006)
Impairments	(v)	-	120	8,838	-	8,958
Disposals		-	5	1,035	-	1,040
At 31 December 2014		-	(23,214)	(63,806)	(148,492)	(235,512)
Net book amounts						
At 31 December 2014		344,932	11,539	59,176	134,130	549,777
At 31 December 2013		344,374	12,393	58,532	132,440	547,739

Notes to the Financial Statements

B. Company

	Notes	Land	Buildings	Machinery & equipment	Forest roads & bridges	Total
		€'000	€'000	€'000	€'000	€'000
Cost						
At 1 January 2015	(i)	**333,150**	**13,017**	**22,281**	**282,622**	**651,070**
Additions		**452**	**-**	**1,676**	**8,437**	**10,565**
Impairments	(v)	**-**	**(1,451)**	**-**	**-**	**(1,451)**
Surplus on revaluation	(iv)	**18,485**	**-**	**-**	**-**	**18,485**
Disposals		**(661)**	**(11)**	**(13,747)**	**-**	**(14,419)**
At 31 December 2015		**351,426**	**11,555**	**10,210**	**291,059**	**664,250**
Accumulated depreciation						
At 1 January 2015		**-**	**(4,269)**	**(10,212)**	**(148,492)**	**(162,973)**
Charge for financial year		**-**	**(224)**	**(1,364)**	**(7,705)**	**(9,293)**
Disposals		**-**	**5**	**4,308**	**-**	**4,313**
At 31 December 2015		**-**	**(4,488)**	**(7,268)**	**(156,197)**	**(167,953)**
Net book amounts						
At 31 December 2015		**351,426**	**7,067**	**2,942**	**134,862**	**496,297**
At 31 December 2014		**333,150**	**8,748**	**12,069**	**134,130**	**488,097**
Cost						
At 1 January 2014	(i)	332,593	12,979	21,308	272,849	639,729
Additions		718	52	1,801	9,773	12,344
Disposals		(161)	(14)	(828)	-	(1,003)
At 31 December 2014		333,150	13,017	22,281	282,622	651,070
Accumulated depreciation						
At 1 January 2014		-	(4,050)	(9,478)	(140,409)	(153,937)
Charge for financial year		-	(224)	(1,557)	(8,083)	(9,864)
Disposals		-	5	823	-	828
At 31 December 2014		-	(4,269)	(10,212)	(148,492)	(162,973)
Net book amounts						
At 31 December 2014		333,150	8,748	12,069	134,130	488,097
At 31 December 2013		332,593	8,929	11,830	132,440	485,792

(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) Additions to machinery and equipment mainly relate to the Smartply new production line.

(iii) At 31 December 2015 €6.3 million of total additions was unpaid and included within creditors due within one financial year.

(iv) Land rented out to third party wind-farm operators under long-term lease agreements are treated as investment properties.

Notes to the Financial Statements

(v) Tangible assets are reviewed for impairment if events or changes in circumstances indicate that their carrying value may be impaired. At financial year end, the Group carried out an impairment review of the carrying value of certain assets in its Land Solutions Division. Having carried out the impairment review, it was the Board's view that a provision for impairment of €1.45 million was appropriate.

In 2014 the Group carried out an impairment review of the carrying value of tangible assets in its Panel Products Division. Having carried out the impairment review, it was the Board's view that in the case of Smartply Europe Limited a provision for impairment of €1.8 million was appropriate.

(vi) Included in the net book amount of tangible assets is an amount for capitalised leased assets of €13,000 (2014: €32,000). The depreciation charge for capitalised leased assets for the financial year ended 31 December 2015 was €19,000 (2014: €32,000).

The carrying value of land comprises:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	€'000	€'000	**€'000**	€'000
Investment properties at fair value	**18,843**	-	**18,843**	-
Other land at cost	**344,365**	344,932	**332,583**	333,150
	363,208	343,932	**351,426**	333,150

The Group's investment properties predominantly comprise of land rented out to wind-farm operators under long-term lease agreements. The significant 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 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.

Group and Company	**2015**	**2014**
	€'000	€'000
At 1 January	**-**	-
Transfers	**358**	-
Surplus on valuation	**18,485**	-
At 31 December	**18,843**	-

The revaluation surplus of €18.5 million (2014: nil) arising on this revaluation has been credited to the profit and loss account. If the investment properties had not been subject to revaluation, they would have been included at a cost of €0.4 million (2014: nil).

Notes to the Financial Statements

17 Biological assets

Group and Company

	Notes	2015 €'000	2014 €'000
Cost			
At 1 January	(i)/(ii)	846,397	829,883
Additions	(ii)	25,314	24,389
Depletion	(iii)	(10,872)	(7,875)
At 31 December		860,839	846,397
Accumulated impairment			
At 1 January		(3,000)	(3,000)
Provision for impairment	(iv)	(60,838)	
At 31 December		(63,838)	(3,000)
Net book amounts			
At 31 December		797,001	843,397

(i) The Group's forest assets are divided up and reported as (a) biological assets, that is, standing forest plantations, and (b) land and road assets (see note 16). The Group's forest holdings comprise approximately 358,000 hectares of forestland in the Republic of Ireland, and approximately 16,000 hectares of standing forest plantations established on leased land.

(ii) 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.

(iii) Depletion represents the cost of forests clear felled during the financial year, calculated as the proportion that the area harvested bears to the total area of similar forests. Depletion is charged to the profit and loss account and is based on cost, as defined in (ii) above.

(iv) The Group has reviewed the carrying value of certain forestry assets. As a consequence of the review, the Group has written down these biological assets to their recoverable amount by including an impairment charge of €60.8 million in the profit and loss account. Deferred government grants related to these biological assets of €5.8 million have been released. The net impairment charge of €55.0 million is disclosed as an exceptional item (see note 9).

(v) Trustees of the superannuation pension scheme have security over €20 million of forestry assets that would be available to the Trustees in certain circumstances (see note 14).

Notes to the Financial Statements

18 Fixed asset investments

A. Group

	Notes	2015 €'000	2014 €'000
Joint venture undertakings			
At 1 January	(i)	-	-
Additions	(ii)	2,929	-
Share in total recognised losses of joint-ventures	(iii)	(825)	-
At 31 December		**2,104**	**-**

B. Company

	Notes	Subsidiary undertakings €'000	Joint venture undertakings €'000	Total €'000
Unlisted shares				
At 1 January 2015	(i)	78,856	-	78,856
Additions	(ii)	-	2,929	2,929
At 31 December 2015		**78,856**	**2,929**	**81,785**
At 1 January 2014 / 31 December 2014	(i)	78,856	-	78,856

(i) As the Group's share of losses in its Moylurg Rockingham Limited joint venture exceeds the Group's investment in the joint venture, the carrying amount of the Group's investment in the joint venture was reduced to €nil. A liability of €220,000 (2014: €220,000) has been recognised for additional losses.

(ii) Additions comprise the Group's equity investments in joint-ventures Raheenleagh Power Limited, Cloosh Valley Wind Farm Holdings DAC and Sliabh Bawn Wind Holdings DAC.

(iii) None of the Group's joint-venture undertakings recorded a profit or loss in 2015, with the exception of Moylurg Rockingham Limited. The Group recognised its 50% share in its joint-ventures' movement in cash-flow hedge reserve driven by the fair value of the joint-ventures' derivative financial instruments used to hedge their interest rate risk exposure.

Notes to the Financial Statements

Listing of the Group's subsidiary and joint venture undertakings

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

Joint Venture Undertakings	% Held	Principal Activities	Registered Office and Country of Incorporation
Moylurg Rockingham Limited	50	Forest recreation	Lough Key Forest and Activity Park, Boyle, Co. Roscommon, Ireland
Raheenleagh Power Limited	50	Wind energy	27 Lower Fitzwilliam Street Dublin 2, 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

* Both Smartply Europe Limited and Medite Europe Limited have a branch (marketing and promotions office) in the Netherlands which deals with Coillte Panel Products sales for Europe.

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.

19 Stocks

	Group		Company	
	2015 €'000	2014 €'000	**2015 €'000**	2014 €'000
Raw materials and consumables	**5,839**	4,919	**984**	724
Spare parts	**1,635**	1,861	-	-
Finished goods	**16,787**	14,606	**3,534**	2,899
	24,261	21,386	**4,518**	3,623

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.

Notes to the Financial Statements

20 Debtors

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Trade debtors	**43,763**	47,125	**19,288**	22,756
Amounts owed by subsidiary undertakings	**-**	-	**46,321**	3,741
Amounts owed by joint-venture undertakings	**17,105**	-	**35,025**	-
Forest plantations to be planted (note 26)	**45,383**	37,952	**45,383**	37,952
Deferred tax (see note 26)	**1,852**	4,389	**1,566**	2,267
Derivative financial instruments (note 25)	**2,167**	-	**-**	-
Grants receivable	**691**	901	**691**	901
Other debtors	**26,842**	34,499	**26,047**	34,311
Prepayments	**2,178**	1,909	**811**	1,134
	139,981	126,775	**175,132**	103,062

Trade debtors includes €3,101,000 (2014: nil) falling due after more than one year.

Trade debtors are stated after provisions for impairment of €1,370,000 (2014: €1,336,000).

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

21 Creditors: amounts falling due within one financial year

	Group		Company	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Bank overdrafts	**-**	488	**-**	425
Finance leases (note 24)	**9**	15	**-**	-
Trade creditors	**12,834**	13,861	**8,546**	9,610
Taxation and social insurance (note 22)	**5,560**	4,988	**2,678**	2,861
Accruals	**48,329**	42,607	**28,394**	27,661
Deferred income	**-**	4,804	**-**	4,804
Derivative financial instruments (note 25)	**178**	1,525	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**34,397**	22,264
Amounts owed to joint venture undertakings	**-**	-	**33**	33
Loans (note 24)	**1,068**	-	**1,068**	-
	67,978	68,288	**75,116**	67,658

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 €4,671,000 (2014: €4,626,000) have reserved title to goods supplied.

Creditors for tax and social insurance are payable in the timeframe 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 Taxation and social welfare

	Group		Company	
	2015	**2014**	**2015**	**2014**
Taxation and social insurance comprise:	**€'000**	€'000	**€'000**	€'000
PAYE/PRSI	**2,066**	1,909	**1,041**	962
VAT	**1,330**	1,385	**392**	758
Corporation and capital gains tax	**1,446**	1,455	**1,065**	930
Other	**718**	239	**180**	211
	5,560	4,988	**2,678**	2,861

23 Creditors: amounts falling due after more than one financial year

	Group		Company	
	2015	**2014**	**2015**	**2014**
	€'000	€'000	**€'000**	€'000
Loans (note 24)	**187,050**	175,676	**187,050**	175,676
Finance leases (note 24)	**2**	11	**-**	-
Derivative financial instruments (note 25)	**747**	960	**747**	960
	187,799	176,647	**187,797**	176,636

24 Loans and other debt

	Group		Company	
	2015	**2014**	**2015**	**2014**
	€'000	€'000	**€'000**	€'000
Repayable within 1 year				
Loans	**1,068**	-	**1,068**	-
Finance lease	**9**	15	-	-
	1,077	15	**1,068**	-
Repayable between 2 and 5 years				
Loans	**178,512**	175,676	**178,512**	175,676
Finance lease	**2**	11	**-**	-
	178,514	175,687	**178,512**	175,676
Repayable after 5 years				
Loans	**8,538**	-	**8,538**	-
	8,538	-	**8,538**	-
Total loans and other debt	**188,129**	175,702	**188,118**	175,676
Details of loans and other debt				
Group RCF facility	**169,968**	175,676	**169,968**	175,676
ECA facility	**18,150**	-	**18,150**	-
Finance leases	**11**	26	-	-
	188,129	175,702	**188,118**	175,676

Notes to the Financial Statements

Group RCF facility

The Group has a total of €294.8 million of facilities available to it, including a €5 million overdraft facility which was unused at year end. Its principal facility is a syndicated loan facility, for €258 million, which was originally negotiated in 2012 and had a term of five years. In 2014, this facility was amended and extended for a further twelve months. This facility is split into a €50 million term loan, a revolving credit facility for €175 million and a facility for €33 million which is specifically to be used for the funding of the renewal project at the Smartply site. €5 million of the term loan expires on each of the 31st December 2016 and 2017, and €15 million of the revolving credit facility expires at the end of December 2017 also. The effect of these expirations will be to reduce the headroom on the facilities. Drawings incur interest at a margin of between 2% and 3.75%, depending on the performance of the Group in the previous financial year. 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 0.40% of the applicable margin.

ECA facility

The Group also has a €31.8 million Export Credit Agency ('ECA') backed facility in place for the investment in Smartply. This facility was entered into in 2014, and is required to be repaid in full by the end of 2024. The facility is scheduled to be fully drawn by mid-2016, and will be repaid over 17 semi-annual instalments. It incurs an interest margin of 1.40% over 6 months Euribor, and a commitment fee of 0.40% is payable on undrawn amounts.

The Group had undrawn facilities of €104.4 million (2014: €117.4 million) as at 31 December 2015.

25 Financial instruments

A. Financial assets and liabilities:

	Group		Company	
	2015 €'000	2014 €'000	**2015 €'000**	2014 €'000
Financial assets measured at 'fair value through profit or loss'				
Forward foreign currency contracts	**2,167**	-	**-**	-
Financial assets that are debt instruments measured at amortised costs				
Trade debtors (note 20)	**43,763**	47,125	**19,288**	22,756
Amounts owed by subsidiary undertakings (note 20)	**-**	-	**46,321**	3,741
Amounts owed by joint-venture undertakings (note 20)	**17,105**	-	**35,025**	-
Other debtors (note 20)	**26,842**	34,499	**26,047**	34,311
Grants receivable (note 20)	**691**	901	**691**	901
	88,401	82,525	**127,372**	61,709
Financial liabilities measured at 'fair value through profit or loss'				
Interest rate swaps	**(747)**	(960)	**(747)**	(960)
Forward foreign currency contracts	**(178)**	(1,525)	-	-
	(925)	(2,485)	**(747)**	(960)
Financial liabilities that are debt instruments measured at amortised costs				
Bank overdrafts (note 21)	**-**	(488)	**-**	(425)
Trade creditors (note 21)	**(12,834)**	(13,861)	**(8,546)**	(9,610)
Amounts owed to subsidiary undertakings (note 21)	**-**	-	**(34,397)**	(22,264)
Amounts owed to joint-venture undertakings (note 21)	**-**	-	**(33)**	(33)
Loans (note 24)	**(188,118)**	(175,676)	**(188,118)**	(175,676)
Finance leases (note 24)	**(11)**	(26)	**-**	-
	(200,963)	(190,051)	**(231,094)**	(208,008)

Notes to the Financial Statements

B. Derivative financial instruments:

Group

The Group uses interest rate swaps to manage interest rate risk volatility and 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

At 31 December 2015, the outstanding contracts all mature within 12 months (2014: 12 months) of the financial year end. The Group is contracted to sell Stg £56.0 million and receive a fixed Euro amount (2014: Stg £37.9 million).

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£. At 31 December 2015, the forward foreign currency contracts have a positive fair value of €1,989,000 (2014: €1,525,000 negative). During 2015, a hedging gain of €2,110,000 (2014: €773,000 loss) was recognised in the statement of other comprehensive income for changes in the fair value of the forward foreign currency contracts and €773,000 (2014: €48,000) was reclassified from the hedge reserve to the profit and loss account.

Interest rate swaps

At 31 December 2015, the Group has entered into interest rate swaps to manage its interest rate exposure on €90.0 million of its floating rate loans until February 2017. Cash flows on both the loans and the interest rate swaps are paid quarterly.

The interest rate swaps are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumption used in valuing the derivatives is the Euribor curve. At 31 December 2015, the interest rate swaps have a negative fair value of €747,000 (2014: €960,000 negative). During 2015, a hedging gain of €213,000 (2014: €549,000 loss) was recognised in the statement of other comprehensive income for changes in the fair value of the interest rate swaps.

Company

The Company uses interest rate swaps to manage interest rate risk volatility and has elected to apply hedge accounting.

Interest rate swaps

At 31 December 2015, the Company has entered into interest rate swaps to manage its interest rate exposure on €90.0 million of its floating rate loans until February 2017. Cash flows on both the loans and the interest rate swaps are paid quarterly.

The interest rate swaps are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumption used in valuing the derivatives is the Euribor curve. At 31 December 2015, the interest rate swaps have a negative fair value of €747,000 (2014: €960,000 negative). During 2015, a hedging gain of €213,000 (2014: €549,000 loss) was recognised in the statement of other comprehensive income for changes in the fair value of the interest rate swaps.

Notes to the Financial Statements

26 Provisions for liabilities

A. Group

	Provision for replanting clearfelled forest plantations	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000
At 1 January 2015	**37,952**	**3,356**	**2,503**	**43,811**
Additions	**23,273**	**726**	**6,105**	**30,104**
Amounts charged against the provision	**(15,842)**	**(980)**	**-**	**(16,822)**
Unused amounts reversed	**-**	**(352)**	**-**	**(352)**
Unwind of discount	**-**	**20**	**-**	**20**
At 31 December 2015	**45,383**	**2,770**	**8,608**	**56,761**
At 1 January 2014	30,666	3,116	2,650	36,432
Additions	21,040	1,324	-	22,364
Amounts charged against the provision	(13,754)	(888)	(147)	(14,789)
Unused amounts reversed	-	(223)	-	(223)
Unwind of discount	-	27	-	27
At 31 December 2014	37,952	3,356	2,503	43,811

B. Company

	Provision for replanting clearfelled forest plantations	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000
At 1 January 2015	**37,952**	**1,399**	**-**	**39,351**
Additions	**23,273**	**570**	**6,100**	**29,943**
Amounts charged against the provision	**(15,842)**	**(862)**	**-**	**(16,704)**
Unused amounts reversed	**-**	**(88)**	**-**	**(88)**
At 31 December 2015	**45,383**	**1,019**	**6,100**	**52,502**
At 1 January 2014	30,666	1,672	-	32,338
Additions	21,040	669	-	21,709
Amounts charged against the provision	(13,754)	(852)	-	(14,606)
Unused amounts reversed	-	(90)	-	(90)
At 31 December 2014	37,952	1,399	-	39,351

Replanting provision

Section 49(3) of the Forestry Act 1946 provides for a statutory replanting obligation to 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

Legal and other provisions relate to provisions included in the financial statements for legal claims against the Group on the basis of the amounts that management consider will become payable, after evaluating the recommendations of claim advisors, knowledge of the in-house legal team, other experts and insurance thresholds. 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	
	2015	**2014**	**2015**	**2014**
	€'000	€'000	**€'000**	€'000
Included in debtors (note 20)	**1,852**	4,389	**1,566**	2,267
Included in provisions for liabilities (note 26)	**(8,608)**	(2,503)	**(6,100)**	-
	(6,756)	1,886	**(4,534)**	2,267

The deferred tax asset/(liability) comprises:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	€'000	€'000	**€'000**	€'000
Accelerated capital allowances	**(2,301)**	(2,487)	**-**	-
Defined benefit pension liability	**1,818**	4,290	**1,543**	2,237
Derivative financial instruments	**(173)**	83	**23**	30
Revaluation of investment properties	**(6,100)**	-	**(6,100)**	-
	(6,756)	1,886	**(4,534)**	2,267

No asset has been recognised for potential deferred tax assets of €4,178,000 (2014: €4,828,000) arising on the losses carried forward in one of the Group's subsidiary undertaking. In view of the current trading environment it was not considered prudent to recognise the asset at this stage.

Notes to the Financial Statements

27 Deferred government grants

A. Group	Forestation	Forest roads	Other	Total
	€'000	€'000	€'000	€'000
At 1 January 2015	**109,668**	**25,681**	**1,096**	**136,445**
Movement during financial year	**-**	**-**	**-**	**-**
	109,668	**25,681**	**1,096**	**136,445**
Amortised during financial year	**(6,146)**	**(1,097)**	**(321)**	**(7,564)**
At 31 December 2015	**103,522**	**24,584**	**775**	**128,881**
At 1 January 2014	109,421	26,551	1,411	137,383
Movement during financial year	247	288	-	535
	109,668	26,839	1,411	137,918
Amortised during financial year	-	(1,158)	(315)	(1,473)
At 31 December 2014	109,668	25,681	1,096	136,445

B. Company	Forestation	Forest roads	Other	Total
	€'000	€'000	€'000	€'000
At 1 January 2015	**109,668**	**25,681**	**160**	**135,509**
Movement during financial year	**-**	**-**	**-**	**-**
	109,668	**25,681**	**160**	**135,509**
Amortised during financial year	**(6,146)**	**(1,097)**	**(8)**	**(7,251)**
At 31 December 2015	**103,522**	**24,584**	**152**	**128,258**
At 1 January 2014	109,421	26,551	169	136,141
Movement during financial year	247	288	-	535
	109,668	26,839	169	136,676
Amortised during financial year	-	(1,158)	(9)	(1,167)
At 31 December 2014	109,668	25,681	160	135,509

Notes to the Financial Statements

Forestry government grants

The Group 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.

The Group released €5.8 million of deferred government grants related to certain forestry assets for which an impairment provision was recognised in 2015 (see note 9).

28 Called up share capital

	2015	**2014**
	€'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 and the repayment of capital.

29 Other reserves

Capital conversion reserve fund

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 include €12.4 million of unrealised gains representing a gain on the revaluation of investment properties of €18.5 million and a deferred tax charge of €6.1 million. Up until such time as these are realised, these unrealised gains cannot be distributed to the shareholders by the Company.

Notes to the Financial Statements

30 Future capital expenditure not provided for

	2015	2014
	€'000	€'000
Contracted for	13,203	51,564
Authorised by the Directors but not contracted for	49,592	39,537
At 31 December	62,795	91,101
Share of capital commitments of joint ventures	119,335	-

31 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	
	2015	2014	2015	2014
	€'000	€'000	€'000	€'000
Payments due:				
Within one financial year	2,619	2,310	2,277	1,966
Between two and five financial years	8,335	8,330	7,787	7,644
Over five financial years	22,384	24,142	21,967	23,609
	33,338	34,782	32,031	33,219

Included within the commitments, Smartply Europe Limited 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 2015 the company was committed to making an annual payment of €116,000 (2014: €116,000) in respect of these lease obligations. On cessation of the lease and vacating the site Smartply Europe Limited is required to remove all plant, equipment, rolling stock and inventory and shall 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 26).

Notes to the Financial Statements

Operating lease agreements where the Group is lessor

The Group holds land rented out to wind-farm operators as investment properties as disclosed in note 16. The Group's significant lease arrangements have remaining terms between 24 and 26 financial years. In addition to a minimum rent, the Group may receive a contingent rent that is 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

	2015	2014
	€'000	€'000
Receipts due:		
Within one financial year	**558**	4,388
Between two and five financial years	**5,507**	9,962
Over five financial years	**36,376**	17,287
	42,441	31,637

The Group's future minimum lease payments due under finance leases are disclosed in note 24.

32 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 million of forestry assets that would be available to the Trustees in certain circumstances (note 14).

Notes to the Financial Statements

33 Notes to Group Statement of Cash Flows

A. Reconciliation of profit to net cash inflow from operating activities

	Notes	2015 €'000	2014 €'000
Profit for the financial year		**47,599**	29,068
Adjustments for:			
Amortisation of intangible assets	15	**678**	631
Depreciation of tangible assets	16	**17,657**	18,006
Impairment of tangible assets	16	**1,451**	1,772
Profit on disposals of tangible assets		**(31,841)**	(12,770)
Profit on sale of Telecoms' income streams	9	**(62,611)**	-
Gain on revaluation of investment properties	16	**(18,485)**	-
Depletion of biological assets	17	**10,872**	7,875
Impairment of biological assets	17	**60,838**	-
Amortisation of grants	27	**(7,564)**	(1,473)
Interest payable	11	**7,426**	9,398
Interest receivable	11	**(2)**	(2)
Other finance costs	11	**3,015**	4,678
Taxation	13	**31,551**	6,055
Movement in provisions for liabilities[1]		**(586)**	240
Difference between pension charge and cash contributions		**(11,640)**	(5,108)
Working capital movements:			
Increase in stock		**(2,875)**	(3,394)
Decrease/(increase) in debtors[2]		**10,750**	(6,756)
(Decrease)/increase in creditors[3]		**(1,760)**	5,204
Net cash inflow from operating activities		**54,473**	53,424

[1]Excluding provision for replanting clear felled forest plantations 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 and deferred income in respect of Telecoms' income streams sold in 2015.

Notes to the Financial Statements

B. Interest paid and received

	2015	2014
	€'000	€'000
Interest payable (note 11)	7,906	9,463
Interest receivable (note 11)	(2)	(2)
Capitalised borrowing costs (note 11)	(480)	(65)
Movement of interest accrual	125	464
	7,549	9,860

C. Analysis of movement in net debt

	Balance 1 Jan	Cash Flows	Balance 31 Dec
	€'000	€'000	€'000
Cash at bank	(488)	34,625	34,137
Finance leases	(26)	15	(11)
Loans	(175,676)	(12,442)	(188,118)
	(176,190)	22,198	(153,992)

D. Reconciliation of net cash flow to movement in net debt

	2015	2014
	€'000	€'000
Increase/(decrease) in cash in the financial year	34,625	(4,460)
Cash outflow on finance leases	15	11
Cash inflow on bank loans	(12,442)	(434)
	22,198	(4,883)
Net debt at the beginning of the financial year	(176,190)	(171,307)
Net debt at the end of the financial year	(153,992)	(176,190)

Notes to the Financial Statements

34 Note to Company Statement of Cash Flows

Reconciliation of profit to net cash inflow from operating activities

	Notes	2015 €'000	2014 €'000
Profit for the financial year		**52,409**	29,426
Adjustments for:			
Amortisation of intangible assets	15	**529**	468
Depreciation of tangible assets	16	**9,293**	9,864
Impairment of tangible assets	16	**1,451**	-
Profit on disposals of tangible assets		**(31,841)**	(12,768)
Profit on sale of Telecoms' income streams		**(62,611)**	-
Gain on revaluation of investment properties	16	**(18,485)**	-
Depletion of biological assets	17	**10,872**	7,875
Impairment of biological assets	17	**60,838**	-
Amortisation of grants	27	**(7,251)**	(1,167)
Interest payable		**7,895**	9,452
Other finance costs		**2,650**	3,626
Taxation		**29,251**	5,665
Movement in provisions for liabilities[1]		**(380)**	(273)
Difference between pension charge and cash contributions		**(2,675)**	(2,605)
Working capital movements:			
Increase in stock		**(895)**	(1,299)
Decrease/(increase) in debtors[2]		**12,055**	(4,184)
(Decrease)/increase in creditors[3]		**(112)**	1,904
Net cash inflow from operating activities		**62,993**	45,984

[1] Excluding provision for replanting clear felled forest plantations 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 and deferred income in respect of Telecoms' income streams sold in 2015.

Notes to the Financial Statements

35 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.

B. Transactions with related entities

Cloosh Valley Wind Farm Holdings DAC

In December 2015, the Group invested €9.1 million in the Cloosh Valley Wind Farm Holdings DAC joint venture. This investment comprised of a €220 capital contribution paid in cash and a €9.1 million non-interest bearing loan. This loan is subordinated to the joint-venture's Bank Facility Agreement and will be repaid from available funds in accordance with the terms of that facility agreement.

Moylurg Rockingham Limited

Moylurg Rockingham Limited 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 Limited 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 Limited has the option to terminate the lease on 1 July 2030.

Related party transactions with other entities controlled by the Irish Government

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.

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.

36 Post Balance Sheet Events

There have been no 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 disclosures.

37 Transition to FRS 102

This is the first year that the Group and Company has presented its results under FRS 102. The last financial statements prepared under the previous Irish GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. The transition to FRS 102 has resulted in a number of changes in accounting policies compared to those used previously. The impact of these changes in accounting policies are set out below together with a reconciliation of the profit for the financial year ended 31 December 2014 and shareholders' funds as at 1 January 2014 and 31 December 2014 as previously reported and as reported under FRS 102.

Notes to the Financial Statements

Reconciliation of profit and loss for the financial year ended 31 December 2014

	Notes	Group 2014 €'000	Company 2014 €'000
Profit for the financial year - as previously reported under Irish GAAP		**38,330**	**38,233**
Forest roads & bridges - depreciation policy	A	(8,083)	(8,083)
Deferred government grants - amortisation	B	1,158	1,158
Derivative financial instruments - forward foreign currency contracts	C	(460)	-
Retranslation of monetary balances denominated in foreign currencies	D	362	-
Pension charge – defined benefit schemes[1]	E	(2,272)	(1,882)
Provision for decommissioning liability Smartply site	G	(32)	-
Capitalisation of borrowing costs	H	65	-
Profit for the financial year - restated under FRS 102		**29,068**	**29,426**

[1] Net of €56,000 deferred tax.

Reconciliation of shareholders' funds at 1 January 2014 and at 31 December 2014

	Notes	Group 1 January 2014 €'000	Group 31 December 2014 €'000	Company 1 January 2014 €'000	Company 31 December 2014 €'000
Shareholders' funds - as previously reported under Irish GAAP		**1,241,886**	**1,263,365**	**1,233,676**	**1,259,964**
Forest roads & bridges - depreciation policy	A	(140,409)	(148,492)	(140,409)	(148,492)
Deferred government grants - reclassification	B	(152,962)	(153,497)	(152,962)	(153,497)
Deferred government grants - amortisation	B	16,990	18,148	16,990	18,148
Derivative financial instruments - interest rate swaps	C	(398)	(930)	(398)	(930)
Derivative financial instruments - forward foreign currency contracts	C	(337)	(1,472)	-	-
Retranslation of monetary balances denominated in foreign currencies	D	248	610	-	-
Roadside stock	F	1,779	1,779	1,779	1,779
Provision for decommissioning the Smartply site	G	(434)	(466)	-	-
Capitalisation of borrowing costs	H	-	65	-	-
Shareholders' funds - restated under FRS 102		**966,363**	**979,110**	**958,676**	**976,972**

Notes to the Financial Statements

The adoption of FRS 102 resulted in the following significant changes to the Group's accounting policy:

37A Forest roads & bridges: depreciation policy

On transition to FRS 102, the Group's forest assets were divided up and reported as biological assets (standing forest plantations) and tangible assets (land, forest roads and bridges). With the exception of land, FRS 102 requires all tangible assets to be depreciated over their expected useful lives. Previously under Irish GAAP, the Group treated forest roads and bridges as part of 'forests and land' within tangible assets and these assets were not depreciated.

The expected useful lives of forest roads and bridges is 20 to 50 years. Applying the depreciation policy for forest roads and bridges retrospectively resulted in a reduction of the carrying amount of forest roads and bridges of €140.4 million on transition to FRS 102. An additional depreciation charge of €8.1 million has also been recognised in the profit and loss account for the financial year ended 31 December 2014. The accumulated depreciation charge is partially offset by the amortisation of related government grants (see note 37B).

37B Government grants: amortisation and classification

FRS 102 requires all capital government grants to be recognised as deferred income. The Group previously recognised government grants, in respect of afforestation costs and road construction costs which have been capitalised, as 'grant reserve' within total shareholders' funds. The recommended treatment under FRS 102 is to recognise all capital government grants as deferred income disclosed separately in the balance sheet. In the case of the Group and Company, this reduces shareholders' funds by €153.0 million at 1 January 2014 and €153.5 million at 31 December 2014. Other deferred capital government grants, with a balance of €1.4 million at 1 January 2014 and €1.1 million at 31 December 2014, have been reclassified from creditors to deferred government grants on transition to FRS 102. This has no effect on the Group's net assets or on the profit for the financial year.

In accordance with FRS 102, the Group has chosen to recognise capital grants in the profit and loss account on a systematic basis over the expected useful life of the asset. On the basis of the depreciation policy applied to forest roads and bridges (see note 37A), the Group has amortised related government grants of €17.0 million. An additional €1.2 million of government grants was released to the profit and loss account for the financial year ended 31 December 2014.

37C Derivative financial instruments: interest rate swaps and foreign currency contracts

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under Irish GAAP these were recognised as:

> Forward foreign currency contracts: Not included at fair value or included in the balance sheet. Monetary assets and liabilities hedged by forward foreign currency contracts were translated into Euro at the contract rate.

> Interest rate swaps: Not included at fair value or included in the Group balance sheet at the financial year end. Net interest payable is accrued.

The Group elected to apply hedge accounting for interest rate swaps and forward foreign currency contracts which hedge the Group's foreign currency exposure on forecasted, highly probable sales and loan transactions. Consequently, the fair value of these derivative financial instruments was recorded against the opening balance of the cash-flow hedge reserve instead of retained earnings on transition to FRS 102. At 1 January 2014, the total fair value of these instruments was a liability of €0.4 million.

The change in fair value of these derivative financial instruments in 2014 was recorded in the statement of other comprehensive income instead of the profit and loss account. In 2014 the total fair value of these instruments fell by €1.2 million, net of deferred tax.

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The fair value of the other forward foreign currency contracts was recorded against the opening balance of retained earnings on adoption of FRS 102. At 1 January 2014, the total fair value of these instruments was a liability of €0.3 million. The change in fair value of these derivative financial instruments in 2014 resulted in an additional charge of €0.5 million to the profit and loss account. This additional charge is partially offset by the €0.4 million additional gain arising on the retranslation of monetary assets and liabilities denominated in foreign currencies (see note 37D).

The table below includes the fair value of the derivative financial instruments and treatment in the Group's shareholders' funds at 1 January 2014 and at 31 December 2014, and in the Group's profit and loss account for the financial year ended 31 December 2014.

	1 January 2014	Change in 2014	31 December 2014
	€'000	€'000	€'000
Fair value of derivative financial instruments			
Fair value of derivative financial instruments subject to hedge accounting	(459)	(1,274)	(1,733)
Deferred tax	16	67	83
Cash-flow hedge reserve / Statement of other comprehensive income	**(443)**	**(1,207)**	**(1,650)**
Fair value of other derivative financial instruments	(292)	(460)	(752)
Deferred tax	-	-	-
Retained earnings / Profit and loss account	**(292)**	**(460)**	**(752)**
	(735)	**(1,667)**	**(2,402)**
Included in the reconciliation of shareholders' funds			
Derivative financial instruments - interest rate swaps	(398)		(930)
Derivative financial instruments - forward foreign currency contracts	(337)		(1,472)
	(735)		**(2,402)**

37D Retranslation of monetary balances denominated in foreign currencies

Under FRS 102, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date. Previously under Irish GAAP, monetary assets and liabilities that were hedged by forward foreign currency contracts were translated into Euro at the contract rate. Retranslating these monetary assets and liabilities at the exchange rate ruling at 1 January 2014 and at 31 December 2014 resulted in a net increase in the Group's monetary assets and liabilities of €0.2 million and €0.6 million respectively, and a gain of €0.4 million recognised in the profit and loss account for the financial year ended 31 December 2014. This gain is partially offset by the €0.5 million decrease in the fair value of forward foreign currency contracts entered into to hedge the Group's foreign currency exposure on these monetary assets and liabilities (see note 37C).

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37E Pension charge: defined benefit schemes

Previously under Irish GAAP the Group recognised an expected return on defined benefit schemes' assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 January 2014 or 31 December 2014. The effect of the change has been to increase the profit and loss account charge for the financial year ended at 31 December 2014 by €2.3 million and to reduce the charge to the statement of other comprehensive income by an equivalent amount.

37F Roadside stock

Roadside stock comprises of clear felled forest plantations (timber) that has not yet been delivered to the customer. Previously under Irish GAAP the Group adjusted costs of sales for year-on-year movements in roadside stock, but an opening balance had never been recognised. Driven by improved information on roadside stock, the Group recognised on transition to FRS 102 the full roadside stock measured at the lower of cost and estimated selling price less costs to complete and sell. On adoption of FRS 102, the opening balance of roadside stock of €1.8 million is recognised increasing the Group's retained earnings.

37G Provision for decommissioning liability Smartply site

The Smartply Europe Limited facility is constructed on 60 acres of land leased from Waterford Harbour Commissioners and Kilkenny County Council. The lease agreement expires in 2034. On retirement of the lease and vacating the site Smartply Europe Limited is required to remove all plant, equipment, rolling stock and stock and shall give the lessor clear and vacant possession of the premises, foundations and fixtures.

The estimated cost of dismantling, removing assets and restoring the site is recognised as a provision for liabilities and measured in accordance with FRS 102 Section 21 Provisions and Contingencies. The estimated cost is included within the cost of tangible assets. Changes in the measurement of the liability and the discount rate are added to (increase) or deducted from (reduce) the cost of tangible assets. The estimated cost included in tangible assets is subject to systematic depreciation. The yearly unwinding of discount is recognised as a finance charge in the profit and loss account.

The decommissioning cost in respect of the Smartply site is estimated to be €1.0 million at 31 December 2014. In accordance with FRS 102, the Group elected to measure the decommissioning cost at the date when the obligation initially arose (July 1994) and not at the date of transition. Based on a discount rate of 5.0%, which the Group considers to be representative for the period 1994 to 2013, the initial estimated cost is €0.2 million. At the date of adoption, €0.1 million of the initial estimated costs are depreciated, the total unwinding of discount for the period 1994 to 2013 is €0.3 million and the balance of the provision is €0.5 million.

For the financial year ended 31 December 2014, the depreciation charge and unwinding of the discount amount to a total of €0.03 million. The balance of the provision and cost included in tangible assets increased by €0.4 million driven by a decrease in the discount rate.

37H Capitalisation of borrowing costs

Previously under Irish GAAP, the Group recognised all borrowing costs in the profit and loss account in the period in which they were incurred. On transition to FRS 102, the Group adopted the accounting policy to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (see note 3(m)). The Group has elected to treat the date of transition to FRS 102 (1 January 2014) as the commencement date of the capitalisation of interest on qualifying assets. For the financial year ended 31 December 2014, the Group capitalised €65,000 of eligible borrowing costs.

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37I Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect the profit for the financial year ended 31 December 2014, shareholders' funds at 1 January 2014 and shareholders' funds at 31 December 2014, the following adjustments have arisen which have had no effect on shareholders' funds or the profit and loss account. These adjustments have affected the presentation of these items in the financial statements.

(a) Biological assets: forest plantations

FRS 102 provides specific provisions in respect of agricultural activities and biological assets. A biological asset is defined as a living animal or plant. Forest plantations, with a net book value of €821.2 million at 1 January 2014 and €837.3 million at 31 December 2014, have been reclassified from tangible to biological assets. This has no impact on the Group's net assets or on the profit for the financial year.

(b) Biological assets: nursery plants

Nursery plants, with a net book value of €5.7 million at 1 January 2014 and €6.1 million at 31 December 2014, have been reclassified from stock to biological assets as required under FRS 102. This has no effect on the Group's net assets or on its profit for the financial year.

(c) Replanting provision

Section 49(3) of the Forestry Act 1946 attaches a statutory replanting obligation to all felling licences issued to the Group. On transition to FRS 102, the Group has recognised a provision 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 total amount provided at 1 January 2014 and 31 December 2014 was €30.7 million and €38.0 million respectively (see also note 26). This has no effect on the Group's net assets or on the profit for the financial year.

(d) Computer software

Computer software, with a net book value of €2.8 million at 1 January 2014 and €4.6 million at 31 December 2014, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Group's net assets or on the profit for the financial year, except that the previous depreciation charge is now described as amortisation.

(e) Liability for share in losses of joint venture undertaking

Previously under Irish GAAP, the Group's investment in Moylurg Rockingham Ltd represented a liability for 40% of losses incurred up to a maximum of €50,000 per annum in the period 2005 to 2015. The balance of this liability is €0.2 million at 1 January and 31 December 2014. FRS 102 requires the carrying amount of an investment in a joint venture to be reduced to zero if the investor's share of losses equals or exceeds the carrying amount of the investment. To the extent that the investor has incurred legal or constructive obligations, the investor recognises a liability for additional losses. On transition to FRS 102, the Group reclassified its liability of €0.2 million from investments to creditors: amounts falling due within one financial year. This has no effect on the Group's net assets or on the profit for the financial year.

(f) Profit on disposals of fixed assets

FRS 102 recommends that gains (or losses) arising on the disposal of fixed assets shall not be classified as revenue. Previously under Irish GAAP, the Group recognised the proceeds, received or receivable in respect of the disposals of fixed assets, as revenue. FRS 102 recommends that gains (or losses) arising on the disposal of fixed assets shall not be classified as revenue and be reclassified as other operating income in the profit and loss account. The profit on disposals of fixed assets of €12.8 million for the financial year ended 31 December 2014, was considered to be a material class

Notes to the Financial Statements

of similar items to be presented on a separate line in the profit and loss account (reference is made to the notes to the financial statements). This has no effect on the Group's net assets or on the profit for the financial year.

(g) Deferred tax asset arising on defined benefit pension liability

Under FRS 102 the Group's deferred tax asset, with a balance of €3.6 million at 1 January 2014 and €4.3 million at 31 December 2014 (Company: €2.2 million at 1 January and at 31 December 2014), arising on the defined benefit pension liability, is now included within debtors in the balance sheet. Previously under Irish GAAP, the deferred tax asset arising on the defined benefit pension liability was offset against the liability. This has no effect on the Group's net assets or on the profit for the financial year.

38 Approval of Financial Statements

The Directors approved the financial statements on 7 April 2016.

5 Year Performance

	2015	2014	2013*	2012*	2011*
Turnover	282,909	285,520	265,876	255,233	250,600
Operating profit before exceptional items	78,892	53,818	34,258	28,011	34,649
Exceptional items	10,697	(4,621)	(931)	(6,043)	(9,131)
Profit after tax	47,599	29,068	16,334	7,157	12,160

* Unaudited numbers reported under previous Irish GAAP adjusted for FRS 102.

The Group achieved a profit of €47.6m for the financial year, which represents an increase of 64% compared to the 2014 outturn of €29.1m

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