coillte

Annual Report 2009

Innovative and sustainable management of natural resources

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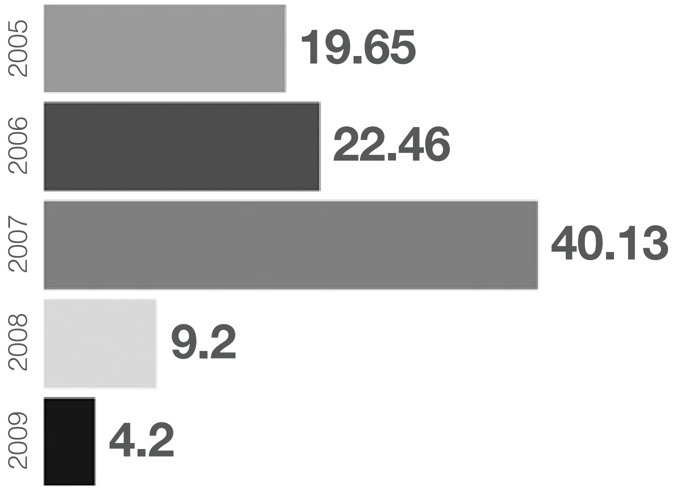
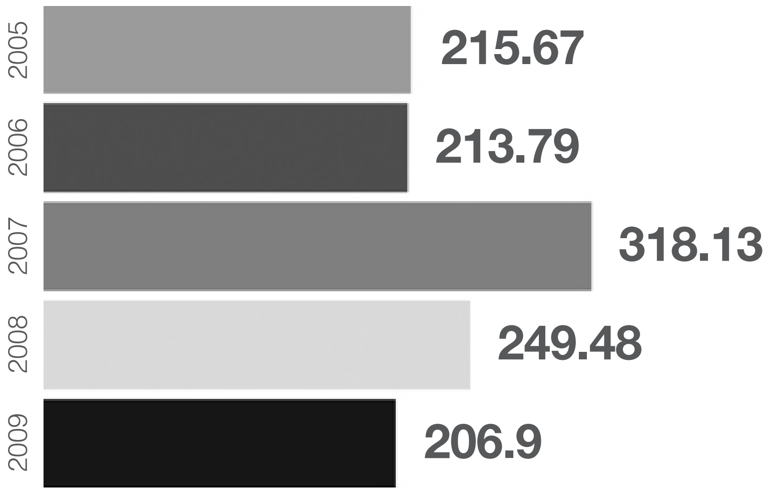
Group Performance 2009

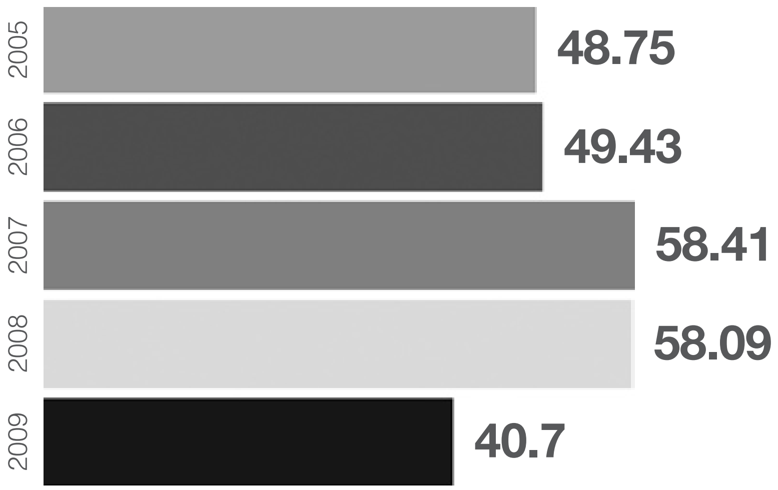
Profit €million



Turnover €million



Capital Expenditure €million



2009 Highlights

- Profit fell 54% to €4.2m in difficult trading environment
- Group turnover fell 17% to €206.9m
- Capital expenditure was reduced by €17m to €40.7m
- Operating costs were reduced by €24m
- Group debt was successfully re-financed
- 5,800 ha of forests were planted
- Volume of logs sold increased by 5% to 2.4m m^3
- Record volumes of panel products' sales achieved in United Kingdom
- Coillte Panel Products won Excellence in Marketing Award for Smart*Ply* Site Protect
- Renewable energy strategy and projects – wind and biomass – advanced
- Good progress achieved in developing 100 sites for National Broadband Scheme

Chairman's Statement

2009 was a difficult year for the Coillte Group. Profit after tax fell 54% from €9.2m in 2008 to €4.2m in 2009. The 2009 results include an exceptional profit of €18.5m (2008: €0.5m), therefore there was an underlying loss on trading activities of €14.3m in 2009, as the construction sector in Ireland, the United Kingdom (UK) and continental Europe continued to stagnate. This compares with an underlying trading profit of €8.7m in 2008. While this trading loss was a disappointing result, economic conditions would have led to a substantially higher loss had the Group not taken steps to reduce costs, develop new markets during the year and sell immature forests to unit trust funds. This decisive action meant the Group was able to return a net profit of €4.2m.

Innovative and sustainable natural resources

The continuing difficult market conditions for construction products reinforce the need for the Group to continue to deliver on the corporate strategy developed in 2007. This strategy identified the need to move away from an over-reliance on construction and to broaden the revenue base of the Group. Coillte has unique assets that enable the Group to contribute in a major way to the achievement of critical national objectives in relation to forestry, sustainable timber products, climate change and renewable energy.

Recognition of the potential contribution that Coillte can make in these areas led us to re-define our purpose as an innovative and sustainable manager of natural resources. This purpose is consistent with the imperative to develop a smarter, greener economy as Ireland and Europe strive to return to economic growth. Our strategy envisages that Coillte will develop in four areas: forestry, land management, panel products and renewable energy. We believe that this strategy, when fully implemented, has the potential to add significant shareholder value to Coillte in the medium term while also fulfilling important national objectives.

Financial stability

Successful implementation of the strategy requires that the company has a solid financial base from which to develop. Coillte took a number of actions in 2009 to stabilise its finances in response to the extremely difficult economic and trading conditions that are likely to persist through 2010.

The Group implemented a range of cost reduction measures across the organisation. Second, the Group has successfully completed a refinancing of Group debt. This required amending legislation to increase the Group's borrowing limit from the limit set in 1988. Third, the Group sold immature forests to the value of €33.8m to unit trust funds partly to alleviate the effects of adverse trading conditions but also to satisfy an emerging need for quality forestry investments. In the case of immature forest sales Coillte retains ownership of the underlying land. Taken together, these measures enabled Coillte to limit the increase in Group debt despite substantial trading losses and an extensive ongoing programme of capital investment in the forest estate and other assets.

Business challenges

At an individual business level we faced a number of challenges. The collapse in construction activity in Ireland resulted in a significant reduction in demand for sawn timber produced by our sawmill customers with a consequent reduction in demand for sawlogs. Coillte, working closely with our sawmill customers and Enterprise Ireland, mounted a major marketing effort to promote Irish timber in the UK. This campaign resulted in Irish construction timber establishing a stronger position in that key market. Demand for logs increased accordingly in the second half of 2009, significantly boosting Coillte Forest's performance.

Despite a fall off in demand on foot of the global economic slowdown, Coillte Panel Products achieved record sales volumes in the UK market in 2009 – this was an exceptional achievement, particularly as we achieved an increase in our sales prices as the year progressed. Coillte Panel Products continued to manage its costs very tightly across a number of areas, including a rolling programme of temporary shut downs. These measures have been difficult for staff to absorb but have been absolutely necessary in order to underpin the business. Coillte Panel Products also launched three new product ranges during the year.

Coillte remains focused on realising value from its land assets. While much lower levels of construction activity resulted in reduced demand for potential development land in 2009, we continued to find innovative ways to realise value from these assets. One such initiative is the National Broadband Scheme being delivered by '3' which aims to deploy broadband across the country using wireless technology. Coillte is providing 100 mast sites for this project which will significantly improve broadband availability in rural areas.

A key area of land development for Coillte is wind energy. In 2009, Coillte made substantial progress in adding value to our portfolio of wind energy projects. We progressed our first joint venture wind farm project at Garvagh Glebe, Co Leitrim with ESB. We also recruited an experienced wind energy professional to the newly created role of Director of Energy; we appointed consultants on two projects to move them forward through the planning process and we completed a number of large and small windfarm site sales.

Renewable energy from biomass is another potential development area for Coillte. The Group is well placed to make a major contribution to national targets especially in the biomass energy sector. Coillte has selected a technology partner to develop sustainable biomass energy solutions for large industrial customers. We have also examined ways in which we can supply customers with large volumes of forest biomass to enable them to meet the emerging demand for renewable sources of heat. We expect further significant developments in these areas in 2010.

Commitment to sustainability

Our commitment to the innovative and sustainable management of natural resources runs through all of our activities. Since 2001 our forests have been certified by the Forest Stewardship Council (FSC) as being managed responsibly in accordance with stringent environmental, social and economic criteria. This certification enables our customers to market their products as having been sourced in well managed forests. Our Smart*Ply* OSB and Medite MDF panel products are similarly certified giving assurance to discerning customers.

Coillte provides a wide range of 'public goods'. Extensive recreation facilities are provided in Coillte's forests including Ireland's best mountain biking facilities. Over fifteen per cent of our estate is actively managed for nature conservation. Habitat restoration projects such as the EU funded LIFE Priority Woodland Project, and recreation partnerships like the Dublin Mountains Partnership are showcase projects that demonstrate best practice natural resource management.

Sustainable Pension Arrangements

In previous years we have highlighted the Board's concern that the cost of funding the Group's defined benefit pension schemes is unsustainable. The most recent actuarial valuations (31 December 2008 - Coillte and 1 January 2009 - Medite) estimated that the deficiency in both schemes was €98.3m.

While the deficit remains a concern I am pleased to report that Coillte has developed a funding plan which has been submitted to the Pensions' Board for approval. The plan assumes that Coillte's existing contribution rates are maintained and that employee contributions, which came into effect in September 2009, are broadly consistent with the pension levy recently introduced in the public service. Additional up front contributions will be made by Coillte, however, increases in pensions and pensionable remuneration will be limited to no more than 2% per annum for the next 5 years. The defined benefit scheme has also been closed to new entrants. We are confident that the approach adopted should secure the support of the Pensions' Board and safeguard pensions for Coillte employees.

Bóthar's Mighty Oak Tree

In 2009 Bóthar and Coillte launched their "Mighty Oak Tree" initiative with the help of Eanna Ní Lamhna and the next generation of tree lovers. This initiative invites people to give the gift of trees to struggling families in the developing world and in return Coillte supplies a native oak tree for each donor, to be planted at Strokestown Park House and Famine Museum, Co. Roscommon.

This initiative forms part of Bóthar's gift catalogue and was a successful addition to their Christmas 2009 campaign.

Corporate Governance

As Coillte's business increases in scale, complexity and scope the need for robust systems of corporate governance is ever more apparent. The Board and Management of Coillte operate to the highest standards of corporate governance. We comply with the requirements of the Code of Practice for the Governance of State Bodies and conduct our businesses ethically. Details of the Group's compliance procedures are contained in the Report of the Directors.

Thanks

Coillte Group thanks its customers, contractors, suppliers and business partners for their business and support in 2009. Current economic difficulties are putting strain on every business and we are committed to working with our customers and partners to navigate a path through the current difficulties.

The Board wishes to acknowledge the encouragement and assistance of the Minister for Agriculture, Fisheries and Food, Brendan Smith, TD, former Minister of State with responsibility for Forestry and now Minister for Defence, Tony Killeen, TD, Minister for Finance Brian Lenihan TD and the officials of their Departments. I would like to thank Grainne Hannon and Philip Lynch whose terms of office as directors ended in 2009. On behalf of my fellow Directors I wish them both well in the future. I would also like to welcome our new Directors, Seamus Murray and Denis Byrne, who were appointed in September 2009 and January 2010 respectively.

For my part I would like to thank my Director colleagues for their work during the year and their commitment to the Group.

I would also like to join with my fellow Directors in thanking management and staff throughout the Group for their efforts. In this regard I would like to single out Tim Crowley who retired as Managing Director of Coillte Forest at the end of 2009. Tim served Coillte and its predecessor organisations for 37 years and made a major contribution to the commercial development of Coillte. We wish him well in his retirement.

Brendan McKenna.

Brendan McKenna
Chairman

Board of Directors

Brendan McKenna
Chairman
Brendan was reappointed by the Minister for Agriculture, Fisheries and Food as Chairman during 2007, for a second 5 year term. He was formerly Chief Executive of Abbott Ireland Manufacturing Operations and is a past President of the Chambers of Commerce Ireland. He is a member of the Remuneration Committee.

Board Meetings attended 2009: 10 out of 11

Denis Byrne
Denis was appointed to the Board of Coillte with effect from 1st January 2010. Denis was an Assistant Secretary General in the Department of Agriculture, Fisheries and Food with responsibility for forestry until his retirement in December 2009.

Board Meetings attended 2009: Not applicable

Breffni Byrne
Breffni was reappointed to the Board during 2007 following an initial 5 year term. He is Chairman of NCB Stockbrokers and a non-executive Director of Irish Life and Permanent plc., Tedcastle Holdings Limited, Cpl Resources plc and Hikma Plc. A chartered accountant, he was formerly a Senior Partner of Arthur Andersen in Ireland. He chairs the Audit Committee.

Board Meetings attended 2009: 11 out of 11

Eugene Griffin
Eugene was appointed to the Board in 2006. He has been Coillte's District Manager in Boyle, Co. Roscommon since 2002. Previously he has worked as Team Leader Forest Management, Region Accountant and in Research. He graduated from University College Dublin with a Masters in Agricultural Science (Forestry) in 1980 and is a technical member of the Society of Irish Foresters.

Board Meetings attended 2009: 11 out of 11

David Gunning
David was appointed Chief Executive and a Director in 2006. He is also Chairman of Smart*Ply* Europe Ltd, Medite Europe Ltd, and CPP UK Ltd. Before joining Coillte he held leadership positions in a range of companies in the telecommunications industry in Ireland, US and Europe.

Board Meetings attended 2009: 11 out of 11

Board of Directors

Alma Kelly

Alma was appointed to the Board in 2008. She is an associate solicitor in Arthur Cox, Dublin, specialising in projects, procurement and energy law. She holds a degree in Law and European Studies from the University of Limerick and a Masters in Law from Trinity College Dublin. She was admitted as solicitor in Ireland in 2003 and is a member of the Society of Construction Law (UK).

Board Meetings attended 2009: 8 out of 11

Seamus Murray

Seamus Murray was appointed to the Board in 2009. He is a farmer and was also a member of Meath Co. Council from 1992 to 2009 during which period he served as Chairman of Meath Co. Council and was a member of Co. Meath Vocational Education Committee. He was also a member of Irish Delegation of the European Union's Committee of the Regions (CoR) since its inauguration in 1994 as well as being at various stages Chairman and member of both the Mid-East and Southern and Eastern Regional Assemblies.

Board Meetings attended 2009: 4 out of 4

Yvonne Scannell

Yvonne Scannell is a Professor in the Law School, Trinity College, Dublin where she specialises in Irish and European Environmental Law and Policy. She served on the Advisory Board of the Environmental Protection Agency from 1994-1997 and was a founder member and first chairperson of the Irish Association of Environmental Law. She has been a consultant to the Environmental Law Group at Arthur Cox since 1990. She is a director of Tara Mines Ltd and a member of the Board of the CIE. She is a member of the Remuneration Committee.

Board Meetings attended 2009: 11 out of 11

Frank Toal

Frank was appointed to the Board in 2003. He was formerly Chief Executive of the General Electric Subsidiary ECCO, an electronics manufacturing company based in Dundalk, Co. Louth. He is a past President of the Chambers of Commerce of Ireland and is now a business consultant. He is a member of the Audit Committee.

Board Meetings attended 2009: 10 out of 11

Directors' Expenses:

The aggregate expenses paid to Directors in 2009 were €15,013.

Chief Executive's Review

The Coillte Group made a profit after tax of €4.2m in 2009, with a substantial contribution coming from an exceptional profit of €18.5m. This offset an underlying trading loss of €14.3m. Turnover was €206.9m in 2009, compared to €249m in 2008. This fall in the value of sales resulted primarily from lower average prices for logs and panel products coupled with the negative impact of the exchange rate on exports to the UK.

David Gunning
Chief Executive Officer

Coillte responded well to harsh trading conditions and took a number of actions to reduce costs and preserve the Group's balance sheet in order to weather the current economic difficulties. We also managed our log and panel production output effectively to meet customer requirements and enable our customers to remain competitive in the face of very difficult market conditions for construction and related products. In addition, we identified a number of new revenue opportunities including development of infrastructure to support the National Broadband Scheme roll out. We launched new products such as Smart*Ply* SiteProtect and the Medite Thick Panel range, delivering on our objective to grow our business, where profitable opportunities exist.

Gerry Britchfield
Managing Director,
Coillte Panel Products

Key achievements in 2009 included:

- We worked with our sawmill customers and Enterprise Ireland to strengthen the market position of Irish timber in the UK. We also adjusted our timber supply programme to meet the needs of sawmill customers who exported to the UK, with the result that we sold 5% more in 2009 than in 2008, in the face of the most difficult construction market in decades.
- We delivered record sales volumes from our panels business into our biggest market, the UK, during 2009, through a targeted programme of increasing market share and plywood substitution. At the same time, we implemented a series of sales price increases in the UK market throughout 2009, raising local currency prices from a relatively low base at the start of the year.
- We reduced operating costs by a total of €24m through a combination of cost control measures, including 95 voluntary redundancies and short time working, coupled with cost reductions in areas such as electricity and resin costs that resulted from lower levels of output. We will maintain our focus on reducing costs further in 2010.
- We completed the sale of immature forests to the Irish Forestry Unit Trust and Allied Irish Pension Unit Trust bringing in €33.8m to strengthen the Group's balance sheet and curtail increases in debt.
- We continued to invest for the future. We worked with farm partners and private clients to plant over 1,000 ha of their land, re-planted over 4,800 ha of land that had previously been harvested and we built or upgraded over 200 km of forest roads.
- We advanced our renewable energy strategy both in wind energy and biomass energy by progressing a significant programme of value creation through the development and sale of wind energy assets. We also initiated projects that we believe will lead to Coillte playing a significant role in biomass energy.
- We progressed the development of 100 sites for the National Broadband Scheme.

Gerry Egan
Group Director, Corporate Affairs

Mark Foley
Managing Director, Coillte Enterprise

Eamonn McGee
Group Director, Human Resources

A Sustainable Business

We believe that the measures introduced in 2009 will make Coillte a stronger, fully sustainable company. Further change will be necessary for Coillte to be ready to take advantage of an economic upturn when it comes. Change is also a pre-requisite for Coillte to fulfil its potential to create and realise value for its shareholders and to maximise its contribution to national economic development.

Gerard Murphy
Managing Director, Coillte Forest

It is for these reasons that Coillte re-defined its purpose - 'to enrich lives locally, nationally and globally through innovative and sustainable management of natural resources'. We believe that, for Coillte to achieve its potential, we must continue to expand beyond our original forestry business and use all of our assets to best advantage. Coillte has a unique set of assets that enables us to contribute to a range of

Ivan Schuster
Chief Financial Officer

national economic and environmental objectives in areas as diverse as forestry, climate change, renewable energy, sustainable building products, tourism and recreation, while contributing to regional development.

However, in order to best utilise those assets Coillte must also transform how it carries out its business. We have embarked on a major transformation programme that we call Destination 2012. This programme will fundamentally change how we do our business and ensure we deliver on our potential. As well as reducing our costs it is focused on innovation, employee performance and development, partnering with our customers to deliver what they want and making a positive contribution to the environment.

Outlook

Our corporate strategy focuses on:

- expanding our forestry business;
- strengthening our market position in wood panels;
- realising greater commercial potential from our land assets; and
- optimising the value of our renewable energy assets.

Each of these four pillars is underpinned by our transformation agenda. This strategy will reduce our dependence on the construction sector and will maintain investment in our core forestry business to ensure sustainable supplies of timber into the future. The strategy also responds to emerging opportunities in areas such as renewable energy and infrastructure.

2010 will be another challenging year for Coillte and for our customers. We will take further action in 2010 to reduce our cost base and ensure that we remain competitive and financially stable while also making targeted capital investments where we believe there is potential to create future value.

Continuing to work with our customers and keeping a focus on profitable new revenue streams, combined with the transformation of our company will ensure we continue to deal with the current economic conditions and ultimately deliver on our strategy.

David Gunning
Chief Executive

National Trails Day 2009

LÁ NÁISIÚNTA NA GCOSÁN
National Trails Day

National Trails Day is a celebration of Ireland's wonderful variety of trails and a chance for everyone to enjoy some of Ireland's most beautiful countryside, forests, mountains and lakes.

National Trails Day 2009 took place on Sunday, October 4th. Across the country, 125 events took place with more than 10,000 people enjoying the great array of trails that Ireland has to offer.

In 2009 National Trails Day expanded into an all-island event welcoming the Northern Ireland Forest Service and Northern Ireland Tourist Board as sponsors of this event along with the Department of Community, Rural and Gaeltacht Affairs, Coillte, the National Trails Office and Fáilte Ireland.

Coillte Divisions

Coillte is a commercial company operating in forestry, land based businesses, renewable energy and panel products.

Coillte Forest

Coillte Forest manages all aspects of the Group's forestry business, including the establishment of plantations, harvesting, timber sales and marketing, recreation and environmental management and the provision of forestry services to farmers and other landowners.

Timber markets

Coillte Forest and its sawmill customers historically have been highly dependent on the construction sector and the collapse in house construction in Ireland had a negative impact on performance in 2009. In the first half of the year there was little demand for logs for construction end uses. We worked with our customers to ensure suitable timber was available to them to meet the changed market requirements and to facilitate them entering the UK construction market and displacing imports of construction timber into Ireland.

We developed and implemented a successful marketing strategy in conjunction with Enterprise Ireland and our sawmill customers to market and promote Irish timber for the UK construction market. Implementation of this strategy boosted demand for logs substantially in the second half of the year. Coillte Forest sold 2.4m m^3 of logs, a 5% increase on 2008. However, prices were on average 20% lower than in 2008. We planted 4,800 ha of forests and we built or upgraded over 200km of forest roads.

As part of the group focus on costs, Coillte Forest made good progress by implementing a voluntary redundancy scheme, reducing operating costs and increasing the level of crop establishment undertaken by contractors.

Other key achievements in the year included:

- Development of a residue bundling project to evaluate the biomass value of forest residues for sale to energy users;
- An extensive public consultation programme communicating our medium term plans for our forests to a wide range of local and national stakeholders. Forest Management Plans were made available online for the first time to help people get a better understanding of how we manage our forests.

Recreation

2009 saw National Trails Day (Sunday 4th October) become an all-Ireland initiative with 100 events north and south of the border. Coillte was a lead partner in the creation and organisation of the national event which included biking, walking, orienteering, cave walks, canoeing and kayaking with water 'trails' included for the first time. Our partners in the event included the Department of Community, Rural and Gaeltacht Affairs (CRAGA), the National Trails Office of the Irish Sports Council and Fáilte Ireland. The Northern Ireland Forest Service and Northern Ireland Tourist Board also participated for the first time.

During 2009 we received funding from CRAGA as well as the Dublin Mountains Partnership and the Irish Sports Council which allowed us to continue to improve and enhance the recreation resource we provide.

Coillte is a member of the Dublin Mountain Partnership (DMP) which was set up in 2008. Significant progress was made in developing the Dublin Mountains Way a 40km trail running from Tallaght in West Dublin to Shankill in South Dublin. In 2009 the DMP launched a dedicated 'Dublin Mountaineer' rambler bus to link Dublin Mountains to the city and a Volunteer Ranger Service which recruited and trained its first members.

Environment

Coillte manages 15% of its estate for biodiversity and in 2009 we retained our Forest Stewardship Council (FSC) certification following an independent audit. The production of certified timber is a vital part of our marketing strategy as we look to expand our export markets, in particular into the UK and Europe.

We also successfully completed our third EU LIFE project "Restoring Priority Woodland Habitats in Ireland". This project has removed exotic tree and shrub species from over 550 hectares, thus putting in place conditions that will allow priority native woodlands to regenerate naturally in future years. The very high quality of Coillte's previous LIFE-Nature Project on Raised Bogs has been recognised by its selection among the best LIFE-Nature projects out of the 73 that were evaluated in 2009 across Europe.

Outlook for 2010

House construction starts in Ireland are predicted to fall to 10,000 units in 2010 which will continue to challenge the Irish forestry industry. Consolidating the position established by Irish sawmills in the UK in 2009 remains a priority, as well as diversifying our revenue streams. Issues in relation to long term pricing, exchange rates and the response of competitors operating in the UK make it a difficult year to predict. While some of these factors are outside our control we will maintain our focus on supporting our customers and on reducing costs in 2010.

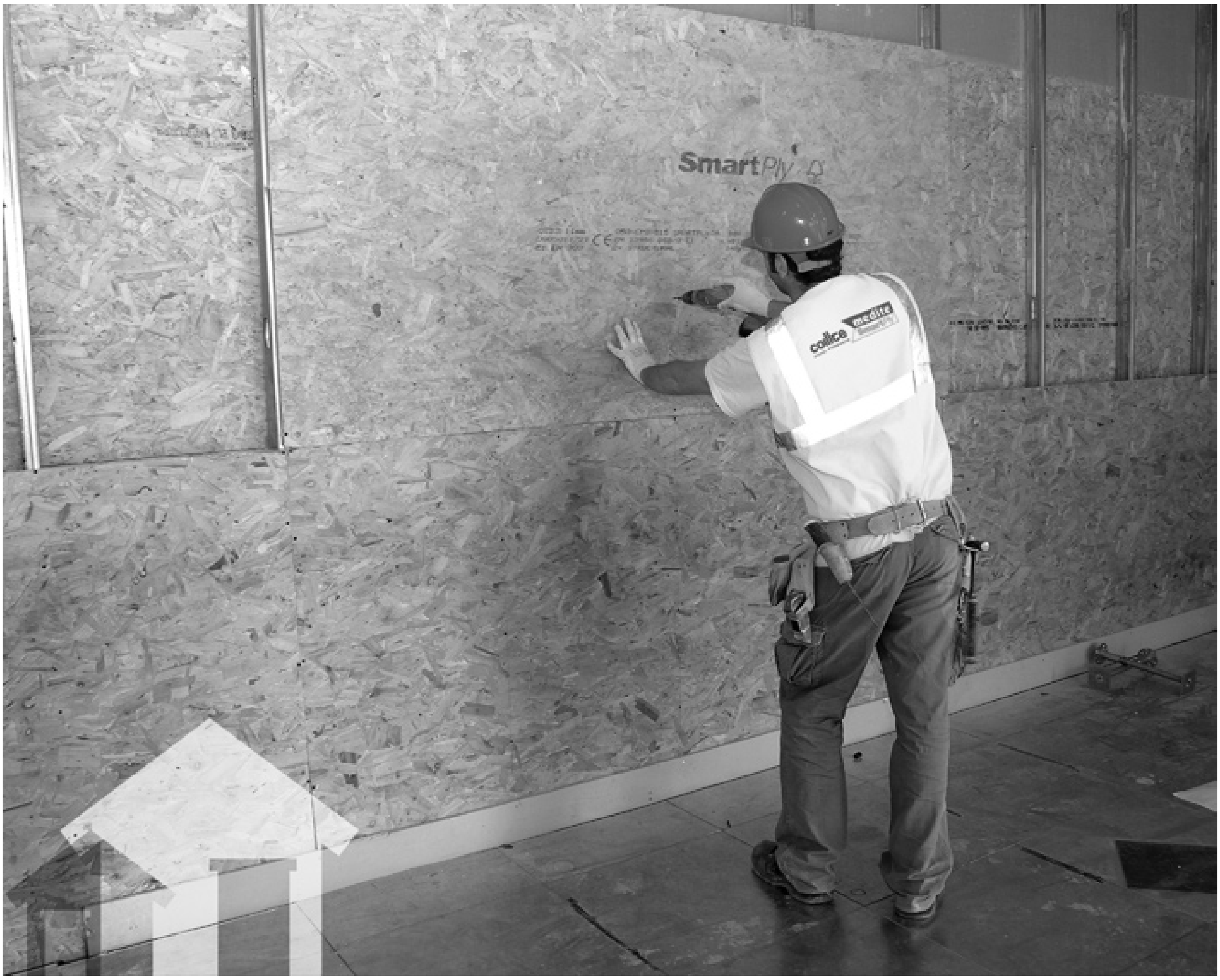
Tree Day 2009

Mr. Brendan Smith, T.D., Minister for Agriculture, Fisheries and Food is pictured with PJ Fitzpatrick, Coillte District Manager, planting a tree in Dun a Rí Forest Park to mark Tree Day 2009.

On Thursday, 8th October, 2009 all primary school children in Ireland were encouraged to leave their school bags at home and spend the day learning about trees in a fun and relaxed environment to mark Tree Day, a Tree Council of Ireland initiative.

Many schools took the opportunity to participate in guided woodland walks at over 120 locations throughout the country. These walks are hosted by Coillte, as well as the National Parks & Wildlife Service, the Heritage Service of the OPW, the Dublin local authorities and private forest owners.

Coillte Panel Products



Coillte Panel Products comprises Smart*Ply* Europe Ltd. which manufactures and sells Oriented Strand Board (OSB) and Medite Europe Ltd. which manufactures and sells Medium Density Fibreboard (MDF). These sustainable timber products will play a key role in building carbon neutral buildings in the future.

Smart*Ply* branded OSB is made in Waterford and Medite branded MDF is made at Clonmel. The business exports almost 90% of production and maintains sales and marketing teams in the UK, Ireland and Holland to service its core markets.

The key challenge for Coillte Panel Products in 2009 was how we would respond to the serious market challenges facing us on foot of the global economic crisis and the weakening of sterling. During 2009, our focus was on two key elements closely linked to sustaining our competitiveness; firstly, on reducing our costs and, secondly, on growing our customer base.

On the cost front, we drove down input costs across a range of headings. In particular, we flexed our payroll costs to match supply with demand by reducing headcount, tightly controlling overtime, eliminating contract labour inputs and introducing a rolling programme of temporary shut downs. These measures have been difficult for staff to absorb but have been absolutely necessary in order to underpin our future.

We restructured the business to take advantage of synergies in our two operating plants and better position Coillte Panel Products to benefit from growth opportunities as the market recovers.

We completed the fibre optimisation investment in Medite, which will further lower our cost base and deliver new products.

We reduced our inventories in order to conserve cash whilst still retaining a top class service to our customers.

Turning to the revenue side, we delivered record sales volumes into our biggest market, the UK, during 2009, through a targeted programme of increasing market share and plywood substitution. At the same time, we implemented a series of sales price increases in the UK market throughout 2009, raising prices from a relatively low base at the start of the year. The continued weakness of sterling offset these price increases and therefore their impact on the bottom line was not fully realised.

We launched three new product ranges in 2009, namely, Smart*Ply* SiteProtect, Medite Thick panels and CARB2 (low formaldehyde) compliant Medite. We also entered into a joint development agreement during 2009 with Titan Wood, a UK based science and technology company, under which we will complete a feasibility study into a stable, durable fibreboard product for exterior uses – a potentially exciting next generation product. As the lifeblood of any business is its capacity to innovate and deliver new products or services to its customers, we are pleased with our progress in this area during 2009.

We continued to work closely with our customers and also captured a number of significant new customers in new markets in 2009 – spreading the net wider to replace volumes lost in Ireland due to the collapse of the construction sector.

And finally, we won the Excellence in Marketing award for the second year in succession (which in itself was a first) at the prestigious UK timber awards for our Smart*Ply* SiteProtect campaign.

Outlook for 2010

Our priorities for 2010 include continuing to identify ways to drive costs out of our business; improving our innovation capability and turning our pipeline into new products or services that satisfy a real market need; and underpinning our fibre supply in the face of a number of new alternative end uses in the energy space. This implies continuing to provide an attractive profitable outlet for pulpwood, sawmill residues, forest residues and recycled wood.

We anticipate a gradual improvement in our core UK and Continental European markets as we go through 2010. We see opportunities to increase volume sales into these markets on foot of our strong distribution channels and to further consolidate a recovery in our sales prices from the low levels experienced at the beginning of 2009.

2010 will undoubtedly be another challenging year for Coillte Panel Products. However, our staff have risen admirably to the significant challenges presented by the global recession during 2009 and, as a direct result of their combined efforts, we have stabilised the Coillte Panel Products business and are now well positioned to benefit from renewed growth as the market environment gradually improves in 2010 and beyond.

Smart*Ply* SiteProtect wins excellence in Marketing award

L-R: Tommy Cadden from Combilift, Sponsor of the Excellence In Marketing Award, former UK Deputy Prime Minister and Awards host John Prescott, Geoff Rhodes, Marketing and Business Development Director, Coillte Panel Products, and Gerry Britchfield, Coillte Panel Products Managing Director.

Coillte Panel Products won the hotly contested 2009 Excellence In Marketing award for the second year running at the annual Timber Trades Journal industry awards. The award was for the multimedia campaign which launched Smart*Ply's* new SiteProtect product.

Until now, this coveted marketing award has never been won by the same company twice. Coillte Panel Products takes it for the second consecutive year in 2009, having received the 2008 award for the uncompromising messages and multi-faceted delivery of the ground-breaking TIME2CHOOSE campaign.

www.smartply.com/siteprotect

Coillte Enterprise

Coillte Enterprise is the venturing arm of the Coillte Group, which seeks to identify new business opportunities and to extract value from the Group's broad asset base. It comprises the Group's interests in land sales and development, telecommunications masts, renewable energy, Coillte Nurseries, Irish Hardwoods and Coillte Training and Safety Services.

The difficult economic environment significantly impacted our property sales and property development businesses in 2009 with a significant reduction in the number of transactions and prices achieved relative to previous years.

However we made significant progress in relation to our strategic objectives relating to adding value to our land assets.

Specifically, the foundations for delivering major added value from our energy portfolio were laid in 2009 through the recruitment of a Director of Energy, the appointment of consultants for two Coillte projects with grid connection offers under the Commission for Energy Regulation (CER) Gate 3 process, progressing the Cloosh Valley Gate 3 project and developing a robust execution plan for our three Gate 3 Projects with Hibernian Wind Power (HWP).

We completed the sale of our Knockacummer windfarm site in Co. Cork to SWS Energy and work was also advanced on developing a new pipeline for additional sales relating to Gate 3 projects which will deliver significant revenue in the next five years.

In the latter part of 2009 we made significant progress in advancing a major initiative in relation to procuring planning consent for next generation Nursing Care Facilities in five counties, which will add significant value to our land bank.

Coillte is making a substantial contribution to the Government's National Broadband Scheme Project through the provision of 100 mast sites and €4 million in capital investment. By end 2009, 35 Coillte owned sites were in operation providing a broadband solution for customers in rural areas. This contract marks a significant expansion of Coillte's business and positions us as a major provider of telecoms mast infrastructure in Ireland.

The appointment of a technology partner to work with Coillte on developing sustainable biomass energy heat solutions for industry in 2010 will enable the Group to progress its biomass strategy.

The voluntary early retirement process has enabled critical cost reductions in Nurseries and Wood Products as the first stage in developing a sustainable business model for these businesses

We have also developed a prototype model for a Carbon offset product based on Forestry which informed the Irish Government's position in the Copenhagen Climate Change negotiations.

Outlook for 2010

The business environment for Coillte Enterprise continues to be very difficult with the lack of funding for property development, falling land and property prices and a decline in infrastructure development. Progress in relation to Gate 3 wind farm projects is contingent on formal grid connection offers and the timing of these offers is critical to our development programme. In our nurseries business the low level of afforestation being achieved under the national programme continues to impact on Nurseries' plant sales.

Coillte Enterprise will focus on achieving land sales and on the development of our portfolio of business opportunities in the wind energy and renewable heat businesses with specific focus on driving value from those sites with grid connection offers. Coillte plans to submit seven planning applications in seven counties in Ireland in 2010 which will create the platform to deliver substantial value to the Coillte estate beyond 2010.

Dublin Mountains Partnership – Rambler Bus

Minister Killeen with Karen Woods of DMP.

Given the distinctive location of the Dublin Mountains at the edge of our capital city, the Dublin Mountains Partnership has a strategic role in developing rural recreation for the benefit of local communities and visitors alike.

2009 saw the arrival of the "Dublin Mountaineer" rambler bus, a new service, linking the city with the Dublin Mountains and forest recreation areas. The service was officially launched in July 2009 by Minister Tony Killeen, then Minister of State at the Department of Agriculture, Fisheries & Food, and now Minster for Defence.

Financial review

Results

Group turnover fell by €42.6m (17.1%) during 2009 to €206.9m, principally due to the difficult trading environment in the construction sector that resulted in a sharp fall in the price of logs and panel products. The fall in the price of logs occurred despite a 5% increase in sales volumes as sawmill customers moved into the UK market. Demand for panel products remained constant during 2009 however, movements in the sterling exchange rate had an adverse impact on the net sales price achieved. Export sales account for 53.8% of turnover and 70% of this figure is sold into the UK market.

Profit after tax fell by 54% from €9.2m in 2008 to €4.2m in 2009. The results include an exceptional profit of €18.5m (2008: €0.5m), therefore there was an underlying loss on trading activities of €14.3m in 2009 compared with a profit of €8.7m in 2008. The decline in profitability had a significant impact on cash flow and the Group responded by taking a number of initiatives designed to maintain core debt at existing levels.

The Group disposed of immature forests for €33.8m, realising a profit on disposal of €25.4m. Unconditional capitalised grants of €1.5m relating to these plantations were also released to the profit and loss account. Significant savings in operating expenditure were also achieved through a combination of measures including voluntary redundancy, short time working and a reduction in the capital expenditure programme. Exceptional costs of €5.2m were incurred as a result of voluntary parting/early retirement programmes throughout the Group. The carrying value of certain forest assets was also reviewed and, as a consequence, the assets were written down to their recoverable amount by including an impairment charge of €3.1m in the group profit and loss account. These items were treated as exceptional (note 5) in the financial statements.

EBITDA (as defined) for the group increased from €54.8m to €56.3m, an increase of 2.7%. A reconciliation of EBITDA is included in Table 2 below.

Interest (including related bank costs) and financing charges for the year were €12.9 million, an increase of €3.5 million on 2008. The increase related primarily to the FRS17 finance costs associated with the pension fund deficit. The underlying EBIT interest cover for the year was 2.4 times.

The Group tax charge for 2009 was €3.3m (2008: €2.4m).

Outlook

Demand for logs remain strong and prices are likely to increase during 2010. Demand for panel products is also increasing and prices are trending upwards however, all of the increased activity is in the UK market and the current weakness in the sterling exchange rate remains a significant issue for the Group because it not only impacts the return from the sale of panel products but also the Group's overall results and cash flows. The Group continues to make significant progress in reducing operating costs and this should result in an improved performance in 2010 despite increased interest charges that will partially offset these savings. Management are determined to maintain core debt at 2008 levels and will take whatever further actions are deemed necessary to achieve this objective.

Capital Expenditure

The Group reduced its capital expenditure programme in 2009 from €58.1m to €40.7m. A significant proportion of the expenditure was incurred in enhancing and maintaining the forest estate however, €15.3m was invested in the Garvagh Glebe wind farm, through a joint venture between Coillte and ESB Power Generation Holding Company Limited (note 11). A significant proportion of this debt will be refinanced by the joint venture company once the wind farm is operational.

Net Debt and Gearing

At year end, the Group's net debt increased by €16.2m to €177.4m with headroom on existing undrawn facilities of €18.8m. Gross debt increased by €15.2m and cash balances decreased by €1.0m. These figures include the investment in the Garvagh Glebe wind farm which will not be earnings enhancing until late 2010. Gearing was 14.7% at year end and 56% of the debt portfolio was at fixed interest rates. The ratio of net debt to EBITDA was 3.15 times and interest cover was 6.7. The Group has also successfully completed a refinancing of Group debt.

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 2008 – Coillte and 1 January 2009 – Medite) indicated that the market value of the scheme's assets was €123.9m, which was €98.3m less than the scheme's liabilities. Coillte reviewed the funding arrangements for these schemes with its advisers and has put in place a number of measures to address the deficit and support the benefits accruing to members on an ongoing basis.

The Group continues to adopt the full requirements of Financial Reporting Standard 17 (FRS 17) retirement benefits' disclosure. The deficit on the fund at 31st December 2009, based on FRS 17 and calculated using the projected unit method, is €72.4m (2008: €82.6million) and is fully reflected in the Group accounts. The FRS 17 deficit is lower than the last actuarial valuation due to a number of measures taken by the Group, including additional payments of €11.5m transferred to the scheme during 2009 and the introduction of employee contributions in September 2009.

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 out flows and hence manage interest rate risk, the Group has a policy of maintaining at least 50% (2008: 50%) of its debt at a fixed rate. Further to this the Group 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 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, for periods of up to 6 months, based on expected sales in the UK markets.

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. During 2009, the Group's insurers withdrew cover from a number of customers in the construction sector. In many cases cover has been restored and, at year end, uninsured debtors represented approximately 10% of total debtors.

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.

Key Financial Performance Indicators

Table 1 – Key Financial Performance Indicators

	2009	2008
Revenue (€'m)	206.9	249.5
EBITDA (€'m)	56.3	54.8
EBIT (€'m)	20.4	21.0
Interest cover, excluding associates		
- EBITDA basis (times)	6.7	7.6
- EBIT basis (times)	2.4	2.9
Net Debt (€'m)	177.4	161.2
Net debt as a percentage of total equity (%)	14.7	13.4
Net debt as a percentage of fixed assets (%)	12.5	11.4
Net debt/EBITDA	3.15	2.94
Effective tax rate (%) (note 8)	43.5	20.7

EBITDA– earnings (including profit on the disposal of immature forests) before finance costs, tax, depreciation, depletion and intangible asset amortisation, impairment and VR costs

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

Interest cover – the ratio of EBITDA or EBIT to net interest charges

Table 2 – EBITDA Reconciliation

	2009	2008*
EBIT (€'m)	20,385	21,042
Adjustments:		
Depreciation	8,961	11,077
Depletion	18,439	12,765
Amortisation of Goodwill	117	312
Share of Associate losses	50	50
VR Costs	5,209	692
Impairment	3,100	18,900
EBITDA	56,261	54,838

** 2008 restated under the new facility definition of EBITDA*

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2009.

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, Fisheries and Food. The related assets were acquired and liabilities assumed as at 1 January 1989.

One ordinary share is held by the Minister for Agriculture, Fisheries and Food and the remainder of the issued share capital is held by the Minister for Finance.

Principal activities and review of the business

The principal activities of the Group are forestry and forestry related activities, engineered wood products and land development. The review of the business required by Section 13 (as amended) of the Companies (Amendment) Act, 1986 is 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 fell by €42.6m (17%) to €206.9m in 2009 and the net profit for the year declined from €9.2m to €4.2m. The downturn in the construction sector and continuing weakness in the value of sterling are principally responsible for the decline.

The Directors do not propose payment of a final dividend (2008: €0.00412 per share).

Directors

The Directors of the Company were appointed by the Minister for Agriculture, Fisheries and Food.
The Directors in office during the year ended 31 December 2009 were as follows:

Brendan McKenna (Chairman)
David Gunning (Chief Executive)
Breffni Byrne
Eugene Griffin
Grainne Hannon
Alma Kelly
Philip Lynch
Seamus Murray
Yvonne Scannell
Frank Toal

Grainne Hannon and Philip Lynch retired from the Board on 27 March 2009 and 30 April 2009 respectively. Seamus Murray was appointed to the Board on 1 August 2009.

The Directors and Secretary have no interests in the shares of the Company, its subsidiary, joint venture or associated undertakings.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland.

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Acts 1963 to 2009 and the European Communities (Companies: Group Accounts) Regulations, 1992. They 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are also required to include in the Annual Report a statement on the system of internal control in accordance with the requirements of the Code of Practice for the Governance of State Bodies.

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.

In December 2009, the Board established a committee to review the Group's corporate governance obligations having regard to the provisions of the Forestry Act 1988; the company's memorandum and articles of association, the Code of Practice for the Governance of State Bodies and other best practice frameworks including the Combined Code. It will also assess how these obligations are met by the Group's current corporate governance systems and practice and recommend improvements where necessary. The members of the Committee are Yvonne Scannell (Chairwoman), Eugene Griffin, Alma Kelly and Gerry Egan (Company Secretary).

Board of Directors
During the year the Board consisted of the Chief Executive, a non-executive Chairman and seven 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, Fisheries and Food for a period not to exceed 5 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 monthly 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 five year 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 an 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.

The Board uses two main committees to assist in the effective discharge of its responsibilities:

Audit Committee
Members: **Breffni Byrne** (Chairman) and **Frank Toal**

The Audit Committee is composed of non-executive Directors, including a qualified accountant and operates under formal terms of reference. Frank Toal retired from the Committee on 26 July 2008 and was reappointed on 29 January 2009. Grainne Hannon retired from the Committee on 27 March 2009. The Committee may review any matters relating to the financial affairs of the Group, in particular, the annual financial statements, the financial controls, 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.

Remuneration Committee
Members: **Brendan McKenna** (Chairman), **Yvonne Scannell, Breffni Byrne, Denis Byrne**

The Committee operates under formal terms of reference and met once during the year. It assists the Board in implementing the performance related pay system applicable to the Chief Executive and selects the specific performance criteria applicable to this aspect of the Chief Executive's remuneration. It advises the Board on executive remuneration generally in the Company and provides guidance and advice to the Chief Executive with regard to implementation of Board policy in this area. Details of Director's fees are set out in note 3 to the financial statements. Coillte's policy in relation to remuneration of the Chief Executive is in accordance with "Arrangements for determining the remuneration of the Chief Executive of Commercial State Bodies under the aegis of the Department of Public Enterprise" issued in July 1999. An assistant secretary from the Department of Agriculture, Fisheries and Food attends the meetings of the remuneration committee.

Relations with Shareholders
The Chairman, Chief Executive and management maintain an ongoing dialogue with the Company's shareholders on trading performance, future plans and strategic issues. Certain specified matters require the approval of the Minister for Agriculture, Fisheries and Food and/or the Minister for Finance and ongoing communication with the relevant Minister is maintained through their respective departments.

Internal Control
The Board has overall responsibility for the Group's system of internal control. Those systems which are maintained by the Group can only provide 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 breakdowns, 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 affects 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 ethics 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.

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

Health and safety
All business units across the Group have developed safety statements which are updated on an ongoing basis in accordance with the provisions of the Safety, Health and Welfare at Work Act 2005. Risk assessment programmes are in place which are reviewed and updated to ensure in so far as is reasonably practicable the safety, health and welfare of those affected by the Groups activities. Safety committees are in place and meet on a regular basis to ensure effective health and safety consultation with employees' representatives and to monitor and improve safety standards and performance across the Group. Safety and skills training programmes are implemented to ensure competence and compliance with legislation, industry best practice and relevant safety guidelines in all business units across the Group.

Research and development
During the 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
The Directors acknowledge their responsibility for ensuring compliance with the provisions of the Prompt Payment of Accounts Act, 1997 ('the Act').

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

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

Subsidiary, associated and joint venture undertakings
A list of subsidiary, joint venture and associated undertakings as at 31 December 2009 is set out in note 29.

Auditors
The auditors PricewaterhouseCoopers will continue in office in accordance with Section 160(2) of the Companies Act 1963.

Brendan McKenna
Chairman

David Gunning
Chief Executive

Independent Auditor's report to the members of Coillte Teoranta

We have audited the Group and Parent Company financial statements (the "financial statements"), which comprise the Group profit and loss account, the Group balance sheet, the Company balance sheet, the Group cash flow statement, the Group statement of total recognized gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, and the European Communities (Companies: Group Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account;
- whether the Directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the Company to convene an extraordinary general meeting of the Company; such a financial situation may exist if the net assets of the Company, as stated in the Company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Division Reviews and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We review whether the statement regarding the system of internal financial control required by the Code of Practice for the Governance of State Bodies made in the Corporate Governance Statement reflects the Group's compliance with paragraph 13.1 (iii) of the Code and is consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all the risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and the Company's affairs as at 31 December 2009 and of the Group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2009 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's balance sheet is in agreement with the books of account.

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

The net assets of the Company, as stated in the Company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
30 March 2010

Accounting Policies

The significant accounting polices adopted by the Group are as follows:

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

Basis of preparation
The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets and have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009, and the European Communities (Companies: Group Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The Directors have concluded having made due enquiries that it is appropriate to prepare the Group and Company financial statements on a going concern basis.

Critical accounting estimates and judgements
Preparation of the consolidated financial statements requires management to make certain assumptions that affect the reported amounts of assets and liabilities. These include but are not limited to the following areas:

a. ***Impairment of assets and goodwill***
Intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that carrying values may not be recoverable. Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of income generating units is determined based on value in use calculations. 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 income generating unit is likely to be adversely affected.

b. ***Pensions***
The actuarial valuation of pensions is based on assumptions regarding inflation, discount rates, the expected return on plan assets, salary increases, pension payment increases and mortality rates. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

Consolidation and equity accounting
The Group financial statements consolidate the financial statements of the holding Company and its subsidiary undertakings and the Group's share of the results and net assets including the premium on acquisition of associated and joint venture undertakings. Associated undertakings are accounted for under the equity method of accounting. Joint venture undertakings are accounted for under the gross equity method of accounting.

Joint arrangements
The Group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Group includes its share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Group's risk interest in the joint arrangement.

Turnover
Turnover, excluding value added tax, represents the income received and receivable from third parties, in the ordinary course of business, for goods and services provided. Any discounts given to the Group's customers are deducted from turnover.

Revenue from the sale of standing timber is recognised when the timber is released to the customer for harvest. 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. Revenue from operating leases is recognised over the term of the lease. Revenue from the sale of fixed assets is recognised when an unconditional contract has been signed. Revenue is recognised on the sale of units in the Irish Forestry Unit Trust or by marking units that are readily realisable to market.

Profit on contracting activities is recognised as work progresses. Attributable profits, being the excess of revenues over costs to completion, are recognised on individual contracts when their outcome can be foreseen with reasonable certainty. Anticipated losses on contracts are charged to income when the losses become evident. All other revenue is recognised when the goods or services are delivered.

Exceptional items

The Group has adopted a profit and loss account format which highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance. 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.

Tangible assets

Forests and land are stated at cost less depletion. Other tangible assets are stated at cost less accumulated depreciation.

Depreciation is calculated in order to write off the cost of tangible assets other than forests and land over their estimated useful lives by equal annual instalments.

Forest capitalisation policy

The Group capitalises the costs associated with establishing and maintaining forest plantations. Direct costs are capitalised on the basis of the specific operations carried out. Indirect costs are capitalised by operation where this information is available or by reference to the proportion of the direct costs capitalised for which the individual management team has responsibility.

Depletion

Depletion represents the costs of forests clear felled and is calculated as the proportion that the area harvested bears to the total area of similar forests. The amount of depletion charged to the profit and loss account is based on the original cost of the forest asset at vesting date plus an estimate of maintenance costs capitalised since that date.

Leased assets

The capital cost of assets acquired under finance leases is included under tangible assets and written off over the shorter of the lease term or the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in loans and other debt, while the interest is charged to the profit and loss account over the primary lease period. Assets acquired under operating leases are not capitalised. The lease charges are expensed over the period of the lease.

Financial assets

Interests in subsidiary, associated and joint venture undertakings are stated in the Holding Company's balance sheet at cost less provisions for impairment. The Group's share of profits less losses of associated and joint venture undertakings is included in the Group profit and loss account and added to the carrying value of investments in the Group balance sheet. Other investments are stated at cost except for investments that are readily marketable, which are stated at market value.

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings by the Group is capitalised and amortised to the Group profit and loss account over its estimated useful life.

Impairment of assets and goodwill

Intangible assets, property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or income generating units are written down to their recoverable amount.

The recoverable amount of intangible assets, property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the income generating unit to which the asset belongs.

Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may be impaired. As at acquisition date any goodwill acquired is allocated to each of the income generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of the income generating unit to which the goodwill relates.

When the recoverable amount of the income generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on normal levels of cost and comprises supplier's invoice price with the addition of charges such as freight or duty where appropriate. Net realisable value comprises the actual or estimated selling price (net of trade but before settlement discounts), less all costs to be incurred in marketing, selling and distribution. Spare parts are included in stock at cost and a provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Forward foreign exchange contracts are used to hedge foreign currency exposures arising from trading activities. At the balance sheet date, debtor or creditor balances that are hedged by forward foreign currency contracts are translated into Euro at the contract rate.

Interest rate swap agreements and similar contracts are used to manage interest rate exposures. In all cases interest rates swaps are matched by underlying debt. Amounts payable or receivable in respect of these financial instruments are amortised to finance charge over the remaining life of the financial instrument.

Foreign currencies

Transactions denominated in foreign currencies are translated into Euro at the rate of exchange ruling at the transaction date or, if hedged, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or, if hedged forward, at the rate of exchange under the related forward currency contract. The resulting profit or loss is included in the profit and loss account.

Pensions

a. The pension entitlements of the majority of employees in Coillte Teoranta and Medite Europe Limited, are funded through separately administered defined benefit superannuation schemes. A full actuarial valuation is undertaken every three years and is updated to reflect current conditions in the intervening periods. The schemes' assets are valued at market value and the schemes' liabilities are measured on an actuarial basis, using the attained age method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to liability. If the schemes are in surplus, the surplus is shown gross of deferred tax as an asset on the balance sheet. If the schemes are in deficit, the deficit is shown as a liability on the balance sheet gross of deferred tax. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. The current service and past service cost of the defined benefit scheme is charged to operating profit and the expected return on assets net of the change in the present value of the scheme's liabilities arising from the passage of time is credited to other finance income/charges.

b. Pension entitlements of employees of Smart*Ply* Europe Limited 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 superannuation schemes and are charged to the profit and loss account as they fall due.

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

Grants

Revenue based grants are credited to the profit and loss account on the same basis as the related expenditure is incurred.

Capital grants received and receivable under EU-assisted schemes are recognised when received or when their receipt can be foreseen with virtual certainty.

Grants, in respect of afforestation costs which have been capitalised, are treated as grant reserve and will be amortised to the profit and loss account when the related forests are clearfelled. Grants, in respect of afforestation costs expensed by the Group, are credited to the profit and loss account on the same basis as the related expenditure is incurred.

Other non-repayable grants are amortised to the profit and loss account at the same time as the related assets are depreciated.

Taxation

Corporation tax is provided, where applicable, at current rates.

Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, have occurred at the balance sheet date.

Deferred tax assets arising from timing differences are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Timing differences are differences between profits as computed for tax purposes and profits as stated in the financial statements, which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes.

Deferred tax is calculated at the rates at which it is estimated that tax will arise based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

Legal claims and 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 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 included in the financial statements for legal and any other matters on the basis of the amounts that management consider will become payable, after evaluating the recommendations of claim advisors, the specific knowledge of the in-house legal team, insurance thresholds and any other experts.

Group Profit and Loss Account

Year ended 31 December 2009

	Notes	2009 €'000	2008 €'000
Group turnover	1	206,865	249,475
Operating costs		(204,959)	(228,932)
Operating profit before exceptional items		**1,906**	**20,543**
Exceptional items	5	18,529	549
Operating profit		**20,435**	**21,092**
Share of associated undertaking losses	30	(50)	(50)
Profit before finance charge and taxation		**20,385**	**21,042**
Interest payable	6	(8,530)	(7,238)
Interest receivable	6	83	18
Other finance cost	9 (b)	(4,422)	(2,217)
Profit before taxation	2	**7,516**	**11,605**
Taxation	8	(3,273)	(2,399)
Profit for the year		**4,243**	**9,206**

Note: Movements on reserves are set out in note 27.

Brendan McKenna
Chairman

David Gunning
Chief Executive

Group Statement of Total Recognised Gains and Losses

Year ended 31 December 2009

	Notes	2009 €'000	2008 €'000
Profit for the financial year		4,243	9,206
Actuarial gain/(loss)	9	2,110	(13,719)
Deferred tax related to actuarial movement	20	(458)	797
Total recognised gains/(losses) for the year		**5,895**	**(3,716)**

Group Balance Sheet

At 31 December 2009

	Notes	2009 €'000	2009 €'000	2008 €'000	2008 €'000
Fixed assets					
Tangible assets	10		1,421,670		1,412,202
Investment in joint venture					
Share of gross assets	31	22,609		8,495	
Share of gross liabilities	31	(22,609)	-	(8,495)	-
Investment in associated undertakings	11,30		(151)		43
Other financial assets	11		1,434		1,587
Intangible assets	12		814		931
			1,423,767		1,414,763
Current assets					
Stocks	13		17,462		23,047
Debtors	14		68,216		61,721
Cash			1,497		2,534
			87,175		87,302
Creditors: Amounts falling due within one year					
Trade creditors and accruals	15		46,095		49,457
Loans and other debt	17		21,150		44,212
			67,245		93,669
Net current assets/(liabilities)			**19,930**		**(6,367)**
Total assets less current liabilities			**1,443,697**		**1,408,396**
Creditors: Amounts falling due after one year	18		160,059		120,858
Pension fund liability	9		72,372		82,614
Provisions for liabilities and charges	20		3,782		4,111
			236,213		207,583
Capital and reserves					
Called up share capital	21		795,060		795,060
Capital conversion reserve fund	21		6,145		6,145
Profit and loss account	22		256,669		250,774
Grant reserve	22		149,610		148,834
Shareholders' funds			1,207,484		1,200,813
			1,443,697		**1,408,396**

Brendan McKenna
Chairman

David Gunning
Chief Executive

Company Balance Sheet

At 31 December 2009

	Notes	2009 €'000	2008 €'000
Fixed assets			
Tangible assets	10	1,348,245	1,336,604
Financial assets	11	92,159	71,078
		1,440,404	1,407,682
Current assets			
Stocks	13	6,269	6,829
Debtors	14	28,084	33,944
Cash		133	948
		34,486	41,721
Creditors: Amounts falling due within one year			
Trade creditors and accruals	15	31,632	34,787
Loans and other debt	17	21,025	44,138
		52,657	78,925
Net current liabilities		**(18,171)**	**(37,204)**
Total assets less current liabilities		**1,422,233**	**1,370,478**
Creditors: Amounts falling due after one year	18	157,943	119,814
Pension fund liability	9	67,354	75,182
Provisions for liabilities and charges	20	1,670	1,515
		226,967	196,511
Capital and reserves			
Called up share capital	21	795,060	795,060
Capital conversion reserve fund	21	6,145	6,145
Profit and loss account	22	244,451	223,928
Grant reserve	22	149,610	148,834
Shareholders' funds		1,195,266	1,173,967
		1,422,233	**1,370,478**

Brendan McKenna
Chairman

David Gunning
Chief Executive

Group Cash Flow Statement

Year ended 31 December 2009

	Notes	**2009**	2008
		€'000	€'000
Net cash inflow from operating activities	26(a)	11,143	40,500
Return on investment and servicing of finance			
Net interest	26(b)	(6,495)	(7,335)
Interest element of finance lease payments	2	-	(9)
Net cash outflow from returns on investment and servicing of finance		(6,495)	(7,344)
Taxation		782	(4,651)
Capital expenditure			
Purchase of tangible fixed assets	26(c)	(40,626)	(57,978)
Sale of tangible fixed assets	26(d)	16,564	11,185
Capital grants received	26(e)	2,466	3,442
Net cash outflow from capital expenditure		(21,596)	(43,351)
Acquisitions and disposals			
Disposal of financial assets	11	-	5,970
Net cash inflow from acquisitions and disposals		-	5,970
Equity Dividends Paid to Shareholders	7	-	(2,600)
Net cash outflow from management of liquid resources		**(16,166)**	**(11,476)**
Financing			
Capital element of finance lease payments	26(e)	(61)	(183)
Increase/(decrease) in borrowings	26(h)	5,700	(8,000)
Decrease in net cash		**(10,527)**	**(19,659)**

Brendan McKenna
Chairman

David Gunning
Chief Executive

Notes to the Financial Statements

1. Segmental Reporting

Analysis of Turnover by class of business and by geography

The Group is organised into three divisions, Forest, Enterprise and Panel Products. The Forest Division is involved in the management of the Group's forestry business, including the provision of forestry services to farmers and other land owners. Enterprise is responsible for optimising the land resource through energy and land development.
Panel Products is involved in the manufacture of engineered wood products.

	Forest		Enterprise		Panel Products		Group	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Segment Revenue								
Republic of Ireland	79,583	92,425	31,137	33,090	13,715	23,115	124,435	148,630
United Kingdom	5,826	7,595	1,522	1,202	70,667	79,326	78,015	88,123
Rest of the World	84	357	924	782	32,237	41,879	33,245	43,018
	85,493	100,377	33,583	35,074	116,619	144,320	235,695	279,771
Inter-segment sales	(22,758)	(22,869)	(6,072)	(7,427)	-	-	(28,830)	(30,296)
Sales to third parties	**62,735**	**77,508**	**27,511**	**27,647**	**116,619**	**144,320**	**206,865**	**249,475**

No analysis of operating profit or assets by business segment is provided in accordance with SSAP 25 as the Directors are of the opinion that such disclosure would be seriously prejudicial to the Group's interests.

2. Profit before taxation

	2009	2008
	€'000	€'000
Profit before taxation has been arrived at after charging/(crediting):		
Auditors' remuneration: - audit services	191	223
- audit-related services	216	199
- non-audit related services	152	46
Depreciation	8,961	11,077
Interest payable on borrowings wholly repayable within 5 years	8,530	7,238
Finance lease charges	-	9
Operating lease charges – plant and machinery	455	570
Research expenditure	1,557	1,388
Operating lease rental income	(3,703)	(3,608)
Amortisation of grants (note 23)	(345)	(568)
Amortisation of goodwill (note 12)	117	312
Impairment of goodwill (note 12)	-	651
Impairment of fixed assets (note 10)	3,100	8,706
Amortisation of grants related to fixed asset impairment (note 23)	-	(457)
Auditors' remuneration for audit-related services comprised:		
Taxation advice and compliance	170	63
Pension audit	21	21
Group grant claims	-	65
Accounting and other advice	25	50
	216	199
Auditors' remuneration for non-audit related services comprised:		
HR services	-	6
Advisory services	152	40
	152	46

3. Emoluments of Directors and Chief Executive

	Fees	Salary	Bonus	Pension Contribution	Taxable Benefits	Other Emoluments	**2009 Total**	2008 Total
	€'000	€'000	€'000	€'000	€'000	€'000	**€'000**	€'000
Parent Company								
David Gunning	13	297	-	74	33	-	417	489
Eugene Griffin	13	74	-	19	-	-	106	107
Brendan McKenna	22	-	-	-	-	-	22	24
Breffni Byrne	13	-	-	-	-	-	13	14
Alma Kelly	13	-	-	-	-	-	13	-
Seamus Murray	13	-	-	-	-	-	13	-
Frank Toal	13	-	-	-	-	-	13	-
Philip Lynch	-	-	-	-	-	-	-	14
Grainne Hannon	-	-	-	-	-	-	-	14
Yvonne Scannell	13	-	-	-	-	-	13	14
	113	371	-	93	33	-	610	676

**Directors emoluments were €12,600 per annum*

4. Employees and remuneration

The average number of persons employed by the Group (excluding associated and joint venture undertakings) during the year was 1,170 (2008 : 1,250) which comprise 551 (2008 : 586) industrial workers and 619 (2008 : 664) non-industrial employees.

	2009	2008
	€'000	€'000
The staff costs comprise:		
Wages and salaries	53,407	59,066
Social welfare costs	4,485	4,777
Pension costs	5,601	7,077
	63,493	70,920
Own work capitalised	(13,221)	(15,812)
Charge to profit and loss account	50,272	55,108

5. Exceptional items

	2009 €'000	2008 €'000
Exceptional items included in operating profit comprised:		
Voluntary parting/early retirement programme (note A)	5,209	692
Impairment of fixed assets (note B)	3,100	8,706
Amortisation of grants related to the fixed asset impairment	-	(457)
Impairment of goodwill	-	651
Profit on sale of immature forest (note C)	(25,372)	(10,141)
Grants released on sale of immature forest (note C)	(1,466)	-
	(18,529)	(549)

A. Voluntary parting / early retirement programme

During 2009 severance payments and actuarial costs relating to the past service of departing employees of €5.2m were incurred. Of this total, €4.0m relates to additional employees departing under the Alternative Options Scheme which was approved in 2008. The balance of €1.2m relates to employees departing the Coillte Panel Products division under a redundancy programme which was implemented during 2009.

B. Impairment of fixed assets

In accordance with the provisions of FRS11 – 'Impairment of Fixed Assets and Goodwill', the Group has reviewed the carrying value of its investment in certain forestry assets. As a consequence of the review, the Group has written down the assets to their recoverable amount by including an impairment charge of €3.1m in the Group profit and loss account. In 2008 the Group wrote down assets and related grants of Smart*Ply* Europe Limited to their recoverable amount by including a net impairment charge (after amortising related grants) of €8.25m in the profit and loss account. An additional charge of €0.65m was also included in respect of the write off of the associated goodwill. No further impairment arose in 2009 (note 10 (vi)).

C. Profit on sale of immature forest

During the year the Group disposed of immature forests for €33.8m and realised a profit on disposal of €25.4m. The amount is disclosed within exceptional items by virtue of its materiality. The sale agreement confers rights on the purchaser to harvest timber at maturity but the Group retains the rights to the land, carbon and other assets. Capitalised grants of €1.5m relating to the immature forests disposed of were released to the Group profit and loss account in 2009. These grants are unconditional and have no residual conditions attaching to their recognition.

6. Net finance charges

	2009 €'000	2008 €'000
Finance charges:		
Interest on bank overdraft and loans wholly repayable within 5 years and other related bank costs	8,530	7,238
Finance income:		
Interest receivable	(83)	(18)
	8,447	7,220

7. Dividends paid

	2009 €'000	2008 €'000
Amounts recognised as distributions to equity holders in the year:		
Equity dividends on ordinary shares:		
Dividend of €nil per share for the year ended 31 December 2009 (2008: €0.00412)	-	2,600

8. Taxation

	2009 €'000	2008 €'000
Current tax:		
Corporation tax at 12.5% (2008: 12.5%)	1,823	2,483
Less: Woodlands relief	(1,822)	(1,659)
	1	824
Foreign tax - Netherlands	2	1
- United Kingdom	-	42
Adjustment in respect of prior years	(760)	-
Taxation on disposal of fixed assets at 25% (2008: 20-22%)	4,773	2,473
Total current tax	4,016	3,340
Deferred tax:		
Origination and reversal of pension timing differences	(21)	(5)
Origination and reversal of other timing differences	(722)	(936)
Total taxation on profit on ordinary activities	3,273	2,399

The tax assessed for the period is higher than the standard rate of corporation tax in the Republic of Ireland.

	2009 €'000	2008 €'000
The differences are explained below:		
Profit on ordinary activities before tax	7,516	11,605
Profit on ordinary activities multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2008: 12.5%)	940	1,451
Effects of:		
Woodlands relief	(1,822)	(1,659)
Impairment of assets and associated goodwill	388	1,036
Expenses not deductible for tax purposes	958	528
Differences between capital allowances and depreciation	380	642
Adjustments in respect of prior years	(760)	(1,658)
Higher rates of tax on certain activities	2,505	2,579
Loss relief utilised	1,784	378
Group relief	(300)	-
Foreign tax	2	43
Other	(59)	-
Total current tax	**4,016**	**3,340**

No asset has been recognised for deferred tax of €5,260,000 (2008: €4,538,000) arising on the losses carried forward in one of the Group companies. In view of the current trading environment it was not considered prudent to recognise the asset at this stage.

9. Pensions

A. Defined benefit pension scheme

The Group operates defined benefit pension schemes in Coillte Teoranta and Medite Europe Limited for the majority of employees with assets held in separately administered funds.

Actuarial valuation

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 on 1 January 2009 (Medite Europe Limited) and 31 December 2008 (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 by 2.75% (Coillte Teoranta) and 2% (Medite Europe Limited) in the last full valuations and pension increases by 2.75% in 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 €113.2m (Coillte Teoranta – 31 December 2008) and €10.7m (Medite Europe Limited – 1 January 2009) and the deficiency in both schemes at those dates were €89.4m (Coillte Teoranta) and €8.9m (Medite Europe Limited).

The valuations indicated that the actuarial value of the total scheme assets was sufficient to cover 56% 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 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.

During 2009 the Group have undertaken a number of measures to address the deficit in the pension scheme and have formally submitted a funding proposal to the Pensions Board.

B. Financial Reporting Standard 17 (FRS 17)

	2009	2008
	€'000	€'000
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	(233,847)	(221,022)
Fair value of plan assets	161,475	138,408
Pension Liability in the balance sheet	(72,372)	(82,614)
Related deferred tax asset (note 20)	2,180	2,617
Net pension liability	**(70,192)**	**(79,997)**
The amounts recognised in the profit and loss account are as follows:		
Current service cost	5,022	6,489
Past service cost *	3,130	-
Operating cost	8,152	6,489
Expected return on assets	(8,474)	(11,475)
Interest on liability	12,896	13,692
Finance cost	4,422	2,217
Total profit and loss account charge	**12,574**	**8,706**

**Included as part of the exceptional voluntary parting/early retirement charge (note 5a)*

The amounts recognised in the statement of total recognised gains and losses are as follows:		
Actual return less expected return on pension scheme assets	1,562	(51,348)
Experience gains and losses arising on the scheme liabilities	(12,723)	9,161
Changes in assumptions underlying the present value of scheme liabilities	13,271	28,468
Actuarial gain/(loss) recognised	**2,110**	**(13,719)**

9. Pensions *- continued*

B. Financial Reporting Standard 17 (FRS 17) *- continued*

	Pension Assets €'000	Pension Liabilities €'000	Pension Deficit €'000
Movement in scheme assets and liabilities			
At 31 December 2008	138,408	(221,022)	(82,614)
Current service cost	-	(5,022)	(5,022)
Interest on scheme liabilities	-	(12,896)	(12,896)
Expected return on scheme assets	8,474	-	8,474
Actual less expected return on scheme assets	1,562	-	1,562
Experience losses on liabilities	-	(12,723)	(12,723)
Changes in assumptions	-	13,271	13,271
Contributions by plan participants	1,037	(1,037)	-
Past service cost	-	(3,130)	(3,130)
Benefits paid from plan assets	(8,712)	8,712	-
Employer Contributions paid	20,706	-	20,706
As at 31 December 2009	**161,475**	**(233,847)**	**(72,372)**

	Pension Assets €'000	Pension Liabilities €'000	Pension Deficit €'000
At 31 December 2007	178,892	(245,238)	(66,346)
Current service cost	-	(6,489)	(6,489)
Interest on scheme liabilities	-	(13,692)	(13,692)
Expected return on scheme assets	11,475	-	11,475
Actual less expected return on scheme assets	(51,348)	-	(51,348)
Experience gains on liabilities	-	9,161	9,161
Changes in assumptions	(302)	28,770	28,468
Past service cost	-	-	-
Contributions by plan participants	561	(561)	-
Benefits paid from plan assets	(7,027)	7,027	-
Employer contributions paid	6,157	-	6,157
As at 31 December 2008	**138,408**	**(221,022)**	**(82,614)**

The following amounts were measured in accordance with the requirements of FRS 17 at 31 December 2005-2009 inclusive.

	2009	2008	2007	2006	2005
Expected rate of return:					
Equities	8.00%	8.50%	7.50 - 8.00%	7.50%	7.10%
Bonds	3.80%	3.75%	4.30 - 4.40%	3.95%	3.15%
Property	6.00%	6.00%	5.75 - 5.90%	5.40%	5.00%
Other	2.00%	2.50%	3.00%	2.00%	2.00%

	2009 €'000	2008 €'000	2007 €'000	2006 €'000	2005 €'000
Market Value:					
Equities	99,695	70,250	117,429	118,637	99,572
Bonds	40,741	44,482	38,553	38,381	24,936
Property	13,310	8,213	10,075	10,097	8,805
Other	7,729	15,463	12,835	9,998	11,821
Total market value of assets	161,475	138,408	178,892	177,113	145,134
Present value of scheme liabilities	(233,847)	(221,022)	(245,238)	(248,205)	(231,486)
Deficit in the scheme	(72,372)	(82,614)	(66,346)	(71,092)	(86,352)

Scheme assets do not include any of Coillte Teoranta's own financial instruments, or any property occupied by Coillte Teoranta.

For the purposes of disclosure under FRS 17 – 'Retirement Benefits' the assets and liabilities of the Coillte Teoranta and Medite Europe Limited defined benefit schemes have been combined in 2009. Under FRS 17 the deficit in the Coillte Teoranta scheme was €67.4m (2008: deficit of €75.2m) and the deficit in the Medite Europe Limited scheme was €5.0m (2008: deficit of €7.4m).

9. Pensions - *continued*

B. Financial Reporting Standard 17 (FRS 17) - *continued*

	2009	2008	2007	2006	2005
The principal actuarial assumptions at the balance sheet date:					
Rate of increase in salaries	3.50%	3.50%	4.00%	3.75%	3.75%
Rate of increase in pension payments					
Coillte Teoranta	3.50%	3.50%	4.00%	3.75%	3.75%
Medite Europe Limited	0.00%	0.00%	0.00%	0.00%	n/a
Discount rate	5.90%	5.75%	5.50%	4.65%	4.20%
Price inflation	2.00%	2.00%	2.50%	2.25%	2.25%

Assumptions regarding future mortality are set based on advice from published statistics and experience. The average life expectancy in years for a pensioner retiring aged 65 is as follows:

	2009	2008
Male – current pensioner	21.70	20.20
Female – current pensioner	24.70	23.20
Male – future pensioner	22.70	21.00
Female – future pensioner	25.80	24.00

Amounts for the current and previous four years are as follows:

	2009	2008	2007	2006	2005
	€'000	€'000	€'000	€'000	€'000
Present value of the defined benefit obligation	(233,847)	(221,022)	(245,238)	(248,205)	(231,486)
Fair value of plan assets	161,475	138,408	178,892	177,113	145,134
Pension Deficit	(72,372)	(82,614)	(66,346)	(71,092)	(86,352)

	2009	2008	2007	2006	2005
Experience adjustment on plan liabilities as a percentage of scheme liabilities at the balance sheet date	5.4%	(4.14%)	1.44%	2.04%	0.05%
Experience adjustment on plan assets as a percentage of scheme assets at the balance sheet date	1.0%	(37.10%)	(7.78%)	4.28%	11.10%

Sensitivity analysis of the scheme liabilities

A decrease of 1% in the discount rate would increase the Coillte defined benefit pension scheme obligation by €39.4m and an increase of 1% in the discount rate would decrease the Coillte defined benefit pension scheme obligation by €30.6m. A decrease of 1% in the discount rate would increase the Medite defined benefit obligation by €4.2m and an increase of 1% in the discount rate would decrease the Medite defined benefit pension scheme obligation by €3.3m.

C. Defined contribution pension scheme

Smart*Ply* Europe Limited contributes to a defined contribution pension scheme on behalf of certain of its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost for the period amounted to €326,000 (2008: €380,000) and contributions of €23,000 (2008: €32,000) were not transferred to the fund until after the year end.

The Group contributes to a 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 in an independently administered scheme. The pension cost for the period amounted to €144,000 (2008: €208,360) and contributions of €11,785 (2008: €81,781) were not transferred to the fund until after the year end.

10. Tangible assets

	Notes	Forests & land €'000	Buildings €'000	Machinery & equipment €'000	Total €'000
A. Group					
Cost					
At 1 January 2009	(i)	1,343,316	31,561	110,898	1,485,775
Additions	(ii)	31,525	4,221	4,952	40,698
Depletion	(iii)	(18,439)	-	-	(18,439)
Disposals		(454)	(258)	(371)	(1,083)
At 31 December 2009		**1,355,948**	**35,524**	**115,479**	**1,506,951**
Accumulated depreciation					
At 1 January 2009		8,925	9,401	55,247	73,573
Charge for year	(iv)	-	6,057	2,976	9,033
Provision for Impairment	(vi)	1,700	1,400	-	3,100
Disposals		-	(115)	(310)	(425)
At 31 December 2009		10,625	16,743	57,913	85,281
Net book amounts:					
At 31 December 2009		**1,345,323**	**18,781**	**57,566**	**1,421,670**
At 31 December 2008		1,334,391	22,160	55,651	1,412,202
B. Company					
Cost					
At 1 January 2009	(i)	1,331,036	13,759	27,301	1,372,096
Additions	(ii)	31,525	37	3,727	35,289
Depletion	(iii)	(18,439)	-	-	(18,439)
Disposals		(454)	(7)	(201)	(662)
At 31 December 2009		1,343,668	13,789	30,827	1,388,284
Accumulated depreciation					
At 1 January 2009		8,365	3,224	23,903	35,492
Charge for year	(iv)	-	286	1,335	1,621
Provision for Impairment	(vi)	1,700	1,400	-	3,100
Disposals		-	(1)	(173)	(174)
At 31 December 2009		10,065	4,909	25,065	40,039
Net book amounts					
At 31 December 2009		**1,333,603**	**8,880**	**5,762**	**1,348,245**
At 31 December 2008		1,322,671	10,535	3,398	1,336,604

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

(ii) Additions to forests and land comprised €0.63m (2008:€0.86m) for afforestation, €17.83m (2008:€24.25m) for reforestation, €11.30m (2008:€13.71m) for other capital work and €1.74m (2008:€2.0m) paid for land.

(iii) Depletion represents the cost of forests clearfelled during the year, calculated as the proportion that the area harvested bears to the total area of similar forests. The depletion amount is charged to the profit and loss account and is based on cost, as defined in (i) above.

(iv) The estimated useful lives of tangible assets by reference to which depreciation has been calculated are as follows:

Buildings	20 to 50 years
Machinery and equipment	4 to 20 years

(v) Included in the net book amount of tangible assets is an amount for capitalised leased assets of €18,000 (2008: €147,000). The depreciation charge for capitalised leased assets for the year ended 31 December 2009 was €30,000 (2008: €263,000).

(vi) Tangible assets are reviewed for impairment if events or changes in circumstances indicate that their carrying value may be impaired. In 2008, the Group carried out an impairment review of the carrying value of tangible assets in its Panel Products Division by estimating the recoverable amount of the income generating units (IGUs) to which the assets belong:

- Smart*Ply* Europe Limited
- Medite Europe Limited

10. Tangible assets *- continued*

The recoverable amount of all IGUs was based on a value in use calculation using cash flow projections based on the latest 5 year plan approved by management and extrapolated for a further 8 years. An appropriate terminal value was then added for each IGU. The estimated future cash flows were discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the IGU.

In 2009, in accordance with the standard, the Group carried out a 'look back' review of these impairment calculations and it is the Board's view that in the cases of both Smart*Ply* Europe Limited and Medite Europe Limited, no further provision for impairment is required. The analysis continues to be sensitive to a number of key assumptions:

- Long term growth rates
- Discount rate
- Foreign currency exchange rates

Long term growth rates
Although the demand for OSB and MDF was in line with forecast, the expectation is that demand will remain weak until 2011. Thereafter growth rates are expected to be in line with industry growth forecasts. Changes in selling price and direct costs are based on past practices and expectations of future changes in the market.

Discount rate
Future cash flows are discounted using a discount rate of 10% reflecting the Group's weighted average cost of capital and the nature of the business and the markets in which the IGUs operate. A movement in the discount rate of 0.50% would increase or decrease the recoverable amount of Smart*Ply* Europe Limited by €0.9m and Medite Europe Limited by €3.2m respectively but would not be sufficient to cause an impairment loss in either IGU.

Foreign currency exchange rates
The IGUs have significant exposure to the UK market and the sterling exchange rate. The cash flow forecasts have been converted, based on third party forecasts, for exchange rate expected to be in place at the time of the transactions. A £0.01p movement in the exchange rate over the life of the asset would increase or decrease the recoverable amount of Smart*Ply* Europe Limited by €3.1m and Medite Europe Limited by €6.5m respectively but would not be sufficient to cause an impairment loss in either IGU.

Other forestry assets
The Group carried out an impairment review of the carrying value of its investment in certain forestry assets. As a consequence of the review, the Group has written down the assets to their recoverable amount by including an impairment charge of €3.1m in the Group profit and loss account.

11. Financial assets

A. Group

	Associated Undertakings	Joint Venture	Other Investments	Total
	€'000	€'000	€'000	€'000
Unlisted shares				
At 1 January 2009	43	-	1,587	1,630
Revaluation of investments	-	-	(153)	(153)
Disposals				
Write off cost of investment	(144)	-	-	(144)
Share of associate losses (note 30)	(50)	-	-	(50)
At 31 December 2009	**(151)**	**-**	**1,434**	**1,283**

B. Company

	Subsidiary Undertaking	Associated Undertaking	Joint Venture (ii)	Other Investments	Total
	€'000	€'000	€'000	€'000	€'000
Unlisted shares					
At 1 January 2009	78,856	144	-	1,587	80,587
Revaluation of investments	-	-	-	(153)	(153)
Impairment	-	(144)	-	-	(144)
At 31 December 2009	**78,856**	**-**	**-**	**1,434**	**80,290**
Loans, advances and trading balances					
At 1 January 2009	(15,673)	-	6,164	-	(9,509)
Movements	6,108	-	15,270	-	21,378
At 31 December 2009	(9,565)	-	21,434	-	11,869
Net investment					
At 31 December 2009	**69,291**	**-**	**21,434**	**1,434**	**92,159**
At 31 December 2008	63,183	144	6,164	1,587	71,078

Notes:

(i) Other investments include the cost of forests, which were transferred to the Irish Forestry Unit Trust in exchange for units in the fund. At 31 December 2009 the Group held 471,516 units which were readily realisable and were marked to market.

(ii) The shareholding in Garvagh Glebe Windpower Limited is a nominal amount of €1 and represents 50% of the issued share capital. The remaining share capital is owned by ESB Power Generation Holding Company Limited.

(iii) During 2009 the Group reviewed the carrying value of its investment in an associated undertaking and as a result of this review an impairment provision of €144,000 was made.

12. Intangible assets

	2009	2008
	€'000	€'000
At 1 January	931	1,894
Amortised during year (note i and ii)	(117)	(312)
Impairment of goodwill (note i)	-	(651)
At 31 December	814	931

(i) On 1 May 2002, the Group recognised goodwill on the acquisition of Smart*Ply* Europe Limited. An additional charge of €0.65m was included in the Group profit and loss account in 2008 to write off the remaining Smart*Ply* goodwill in full.

(ii) 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. The goodwill is being amortised on a straight line basis over its estimated useful life. This has been estimated at 10 years after taking account of the nature of the business acquired and the industry in which it operates.

13. Stocks

	Group		Company	
	2009	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000
Raw material and consumables	8,794	11,330	6,269	6,823
Spare parts (net of provisions)	2,753	3,167	-	-
Goods for resale	5,915	8,550	-	6
	17,462	23,047	6,269	6,829

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.

14. Debtors

	Group		Company	
	2009	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade debtors	31,322	36,423	13,538	17,471
Grants receivable	2,845	1,919	2,845	1,919
Associated undertakings	-	16	-	16
Corporation and capital gains tax	-	1,649	-	1,516
Other debtors and prepayments	12,615	14,550	11,701	12,022
	46,782	54,557	28,084	32,944
Amounts falling due after one year				
Deferred cash consideration	-	1,000	-	1,000
Joint venture loan	21,434	6,164	-	-
	68,216	61,721	28,084	33,944

15. Trade creditors and accruals

	Group		Company	
	2009	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade creditors	9,713	9,482	7,164	8,099
Taxation and social welfare (note 16)	8,806	6,204	7,120	5,027
Accruals and deferred income	27,235	33,225	17,278	21,589
	45,754	48,911	31,562	34,715
Capital grants deferred (note 23)	341	546	70	72
	46,095	49,457	31,632	34,787

16. Taxation and social welfare

	Group		Company	
	2009	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000
Taxation and social welfare comprise				
PAYE/PRSI	2,042	1,669	1,033	1,040
VAT	2,579	3,417	1,960	2,869
Corporation and capital gains tax	3,149	-	3,126	-
Other	1,036	1,118	1,001	1,118
	8,806	6,204	7,120	5,027

17. Loans and other debt

	Group		Company	
	2009	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000
Wholly repayable within 1 year				
Overdraft	21,128	11,638	21,025	11,638
Loan	-	32,500	-	32,500
Finance lease	22	74	-	-
	21,150	44,212	21,025	44,138
Repayable between 1 and 2 years (note 18)				
Loans	-	42,000	-	42,000
Finance lease	-	9	-	-
	-	42,009	-	42,000
Repayable between 2 and 5 years (note 18)				
Loans	157,700	77,500	157,700	77,500
Finance lease	-	-	-	-
	157,700	77,500	157,700	77,500
Total loans and other debt	178,850	163,721	178,725	163,638

18. Creditors

	Group		Company	
	2009	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000
Amounts falling due after one year				
Loans	157,700	119,500	157,700	119,500
Finance lease	-	9	-	-
Capital grants deferred (note 23)	2,359	1,349	243	314
	160,059	120,858	157,943	119,814

19. Financial instruments

For the purposes of the disclosures that follow in this note, short-term debtors and creditors which arise directly from the Group's operations have been excluded as permitted under FRS 13. The disclosures therefore, focus on those financial instruments which play a significant medium term role in the financial risk profile of the Group. Financial assets are separately disclosed in note 11.

A. Treasury management

The Group treasury function, as part of the Group finance function, operates as a centralised service which aims to ensure cost-efficient funding for the Group and to manage its financial risks. The main risks identified are interest rate, foreign exchange and liquidity risk. The activities of Group treasury are routinely reported to members of the Board and are subject to review by internal audit. Group treasury does not engage in speculative activity and undertakes its operations in a risk averse manner. The main financial instruments used to manage interest rate and foreign exchange risk arising from the Group's operations are interest rate swaps and forward foreign exchange contracts and all derivatives are undertaken with appropriate counterparties.

B. Interest rate risk management

The interest rate risk profile of the Group's financial liabilities as at 31 December was as follows:

	2009		2008	
	€'000	%	€'000	%
Fixed rate financial liabilities	100,022	56	100,084	61
Floating rate financial liabilities	78,828	44	63,637	39
(note 17)	178,850	100	163,721	100
Weighted average fixed debt interest rates		4.32%		4.03%
Weighted average fixed debt period – years		1.0		2.0

All of the Group's borrowings are in Euro. The amounts shown above take into account the effect of interest rate swaps used to manage interest rate exposures.

The Group seeks to have between 50% and 80% of its core debt fixed at all times however, under certain circumstances, as approved by the Board, it may fix a percentage outside of this band. At the end of 2009 56% of the Group's debt was fixed (2008:61%).

19. Financial instruments *- continued*

Floating rate debt comprises bank borrowings bearing interest at rates fixed in advance for periods ranging from overnight to less than one year largely by reference to inter-bank interest rates (EURIBOR). The Group minimises cash balances.

This strategy ensures that a 1% increase in interest rates would cost the Group €788,000 (2008: €636,000) in additional interest charges per annum.

C. Liquidity risk

The maturity profiles of debt as at 31 December 2008 and 2009 are as follows:

	2009		2008	
	€'000	%	€'000	%
Repayable				
In one year or less	21,150	12	44,212	27
Between one and two years	-	-	42,009	26
Between two and five years	157,700	88	77,500	47
Total	178,850	100	163,721	100

The maturity profile is determined by reference to the earliest date on which payment can be required or on which the liability falls due.

The group had undrawn facilities of €18.8m (2008: €36.0m) as at 31 December 2009.

D. Fair values

Fair value is the amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than in a forced or liquidation sale. The following table provides a comparison of the carrying amounts (book value) and fair value amounts of the Group's financial assets and liabilities.

The fair value of fixed rate debt is estimated by discounting the future cash flows to net present values using market rates prevailing at the year end.

	Book value		Fair value		Mark-to-market gain/(loss)	
	2009	2008	**2009**	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Assets						
Financial assets	1,434	1,587	1,434	1,587	-	-
Cash	1,497	2,534	1,497	2,534	-	-
Liabilities						
Overdrafts	21,128	11,638	21,128	11,638	-	-
Floating rate debt	157,700	152,000	157,700	152,000	-	-
Finance leases	22	83	22	83	-	-
Derivatives						
Interest rate swaps	-	-	(3,127)	(2,023)	(3,127)	(2,023)
Foreign exchange contracts	-	-	(87)	2,323	(87)	2,323

E. Currency contracts (Sterling)

At 31 December 2009, the Group had entered into Euro / Stg£ foreign exchange contracts for the sale of the total principal amount of Stg £20.4 million at the rate of 0.89. There was a loss of €65,000 on sterling forward contracts marked to market at 31 December 2009.

At 31 December 2009, the Group had Euro / Stg £ foreign exchange options and collars for the sale of the total principal amount of Stg £8.3 million at the rate of 0.92. There was a loss of €21,000 on these instruments as at 31 December 2009.

19. Financial instruments *- continued*

F. Gains and losses on hedges

The Group enters into forward interest rate swaps and foreign currency contracts to manage exposures that arise on interest rates and revenue and costs denominated in foreign currencies. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

An analysis of these unrecognised gains and losses is as follows:

	Gains	Losses	**2009 Total**	2008 Total
	€'000	€'000	**€'000**	€'000
Unrecognised gains and losses on hedges at 1 January 2009	2,323	(2,023)	300	1,989
Gains and losses arising in previous years recognised prior to 1 January 2009	(2,323)	-	(2,323)	(1,319)
Gains / (losses) arising in 2009 that were not recognised prior to 1 January 2009	-	(1,191)	(1,191)	(370)
Unrecognised gains and losses on hedges at 31 December 2009	-	(3,214)	(3,214)	300
Expected to mature				
Within one year	-	(341)	(341)	2,323
After one year	-	(2,873)	(2,873)	(2,023)
	-	(3,214)	(3,214)	300

20. Provisions for liabilities and charges

	Group		**Company**	
	2009	2008	**2009**	2008
	€'000	€'000	**€'000**	€'000
Deferred taxation arising on pension deficits	(2,180)	(2,617)	(1,678)	(1,874)
Deferred taxation arising on other timing differences	2,913	3,635	299	296
Legal and other provisions	3,049	3,093	3,049	3,093
	3,782	4,111	1,670	1,515
Deferred taxation arising on pension deficits				
At 1 January	(2,617)	(1,815)	(1,874)	(1,613)
Net movement recognised in STRGL	458	(797)	196	(261)
Net movement recognised in Profit & Loss	(21)	(5)	-	-
At 31 December	(2,180)	(2,617)	(1,678)	(1,874)
Deferred taxation arising on other timing differences				
At 1 January	3,635	4,571	296	1,202
Net movements (note 8)	(722)	(936)	3	(906)
At 31 December	2,913	3,635	299	296
Legal and other provisions				
At 1 January	3,093	3,056	3,093	3,056
Net movements	(44)	37	(44)	37
At 31 December	3,049	3,093	3,049	3,093

21. Called up share capital

	2009	2008
	€'000	€'000
Ordinary shares of €1.26 each		
Authorised:	1,260,000	1,260,000
Issued and fully paid	795,060	795,060

During the 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.

22. Reserves

Grant Reserve	**2009**	2008
	€'000	€'000
At 1 January	148,834	145,585
Net movement in forestry grants (note 27)	776	3,249
At 31 December	149,610	148,834

Profit and Loss Account	**2009**	2008
	€'000	€'000
Parent company	244,451	223,928
Subsidiary undertakings	12,369	26,947
Associated undertaking	(151)	(101)
	256,669	250,774

As permitted by Section 148(8) of the Companies Amendment Act, 1986, the Parent company is availing of the exemption of presenting its separate profit and loss account in these financial statements and from filing it with the Registrar of Companies.

23. Forestry and other grants

	Forestry	Other	**2009 Total**	Forestry	Other	2008 Total
	€'000	€'000	**€'000**	€'000	€'000	€'000
A. Group						
At 1 January	148,834	1,895	150,729	145,585	2,920	148,505
Receivable during year	2,242	1,150	3,392	3,249	-	3,249
	151,076	3,045	154,121	148,834	2,920	151,754
Amortised during year	-	(345)	(345)	-	(568)	(568)
Amortisation related to immature forest sales (note 5)	(1,466)	-	(1,466)	-	-	-
Amortisation related to fixed asset impairment (note 10)	-	-	-	-	(457)	(457)
At 31 December	149,610	2,700	152,310	148,834	1,895	150,729
B. Company						
At 1 January	148,834	386	149,220	145,585	473	146,058
Receivable during year	2,242	-	2,242	3,249	-	3,249
	151,076	386	151,462	148,834	473	149,307
Amortised during year	-	(73)	(73)	-	(87)	(87)
Amortisation related to immature forest sales (note 5)	(1,466)	-	(1,466)	-	-	-
At 31 December	149,610	313	149,923	148,834	386	149,220

Other grants (notes 15 and 18)
The period over which other capital grants will be amortised is as follows:

A. Group		**2009**		2008
	€'000	**€'000**	€'000	€'000
Within 1 year		341		546
Between 2 and 5 years	1,202		751	
Over 5 years	1,157		598	
		2,359		1,349
		2,700		1,895
B. Company				
Within 1 year		70		72
Between 2 and 5 years	115		156	
Over 5 years	128		159	
		243		314
		313		386

24. Future capital expenditure not provided for

	2009	2008
	€'000	€'000
Contracted for	-	-
Authorised by the Directors but not contracted for	43,973	41,596
At 31 December	43,973	41,596

25. Contingencies and commitments

A. Government grants

A contingent liability of €63,355,000 (2008: €74,994,000) exists in respect of government grants which 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 at least ten years after the date of payment of the grant, failing which all grant monies or part thereof may be refundable.

B. 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.

C. Operating lease commitments

Commitments under operating leases expire as follows:

	Land& Buildings	Machinery& equipment	**Total 2009**	Total 2008
	€'000	€'000	**€'000**	€'000
Within one year	22	10	32	81
Between two and five years	26	295	321	387
Over five years*	102	-	102	102
	150	305	455	570

* Smart*Ply* Europe Limited leases the 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 year intervals thereafter and it provides for rent reviews every five years. 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 year. At 31 December 2009 the Company was committed to making an annual payment of €112,000 (2008: €102,000) in respect of these lease obligations.

On cessation of the lease and vacating the site Smart*Ply* 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.

26. Notes to the Group Cashflow Statement

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

	Notes	**2009**	2008
		€'000	€'000
Operating profit		20,435	21,092
Finance lease interest	2	-	9
Depreciation	2	8,961	11,077
Depletion	10	18,439	12,765
Impairment of fixed assets	10(vi)	3,100	8,706
Amortisation of goodwill	12	117	312
Impairment of goodwill	12	-	651
Impairment of associate	11	144	-
Profit on sale of tangible fixed assets	26(d)	(15,906)	(10,839)
Revaluation of IForUT units	11	153	(448)
Amortisation of grants	23	(345)	(568)
Amortisation of grants related to immature sales	5	(1,466)	-
Amortisation of grants related to fixed asset impairment	23	-	(457)
Movement in provisions and liabilities	20	(44)	37
Movement in pension fund liability		(12,554)	332
Movement in working capital			
Decrease in stocks	26(g)	5,585	2,035
(Increase)/Decrease in debtors	26(g)	(7,218)	6,020
Decrease in creditors	26(g)	(8,258)	(10,224)
		11,143	40,500

B. Interest paid and received

	Notes	2009	2008
Interest charge	6	8,530	7,238
Interest received	6	(83)	(18)
Movement of interest accrual	26(g)	(1,952)	115
		6,495	7,335

C. Additions to tangible fixed assets

	Notes	2009	2008
Fixed asset additions	10	40,698	58,092
Less: non cash consideration (depreciation)		(72)	(114)
		40,626	57,978

D. Sale of tangible fixed assets

	Notes	2009	2008
Net book value of assets sold	10	658	346
Profit on disposals of assets		15,906	10,839
Cash consideration		16,564	11,185

E. Analysis of changes in financing during the year

	Share Capital	Share Capital Conversion	Capital Grants	Finance Lease Obligations
	€'000	€'000	€'000	€'000
At 1 January 2009	795,060	6,145	150,729	83
Capital grants received	-	-	2,466	-
Repayment of finance leases	-	-	-	(61)
Movement in capital grants receivable	-	-	926	-
Capital grants amortised	-	-	(345)	-
Capital grants released	-	-	(1,466)	-
At 31 December 2009	**795,060**	**6,145**	**152,310**	**22**

26. Notes to the Group Cashflow Statement *- continued*

F. Analysis of movement in net debt

	Balance 1 Jan €'000	Cash Flows €'000	Balance 31 Dec €'000
Cash at bank	2,534	(1,037)	1,497
Bank overdraft	(11,638)	(9,490)	(21,128)
	(9,104)	(10,527)	(19,631)
Debt due within one year	(32,574)	32,552	(22)
Debt due after one year	(119,509)	(38,191)	(157,700)
At 31 December	**(161,187)**	**(16,166)**	**(177,353)**

G. Analysis of movement in working capital

	Balance 1 Jan €'000	Balance 31 Dec €'000	Cash Flows €'000
Stock	23,047	17,462	5,585
Debtors (excluding corporation tax)	60,072	68,216	8,144
Less capital grants receivable	(1,919)	(2,845)	(926)
	58,153	65,371	7,218
Creditors (excluding corporation tax and capital grants)	48,911	42,605	(6,306)
less: accrued interest	(1,738)	(3,690)	(1,952)
At 31 December	**47,173**	**38,915**	**(8,258)**

H. Reconciliation of net cashflow to movements in net debt

	2009 €'000	2008 €'000
(Decrease) in cash in the period	(10,527)	(19,659)
Cash outflow on finance leases	61	183
Cash (inflow)/outflow on bank loans	(5,700)	8,000
	(16,166)	(11,476)
Net debt at the beginning of the year	(161,187)	(149,711)
Net debt at the end of the year	(177,353)	(161,187)

27. Reconciliation of movements in shareholders' funds

	Share Capital €'000	Share Capital Conversion €'000	Capital Forest Grants €'000	Profit and Loss account €'000	Total €'000
At 1 January 2009	795,060	6,145	148,834	250,774	1,200,813
Retained profit for the year	-	-		4,243	4,243
Dividend Paid	-	-	-	-	-
Actuarial gain recognised on pension schemes	-	-		2,110	2,110
Deferred tax related to actuarial gain	-	-	-	(458)	(458)
Net movement in forestry grants	-	-	776	-	776
At 31 December 2009	**795,060**	**6,145**	**149,610**	**256,669**	**1,207,484**

28. Related party transactions

A. The ownership of the company

One ordinary share is held by the Minister for Agriculture, Fisheries and Food and the remainder of the issued share capital is held by the Minister for Finance.

B. Sales of goods, property and services to entities controlled by the Irish Government*

In the ordinary course of its business the Group sold goods, property and services to entities controlled by the Irish Government, the principal of these being the ESB. Sales of these goods, property and services amounted to €2.7m in 2009 and amounts due from these entities to the Group at 31 December 2009 for these goods, property and services amounted to €0.2 m.

C. Purchases of goods and services from entities controlled by the Irish Government*

In the ordinary course of its business the Group purchased goods and services from entities controlled by the Irish Government, the principal of these being the ESB. Purchases of goods and services amounted to €15.9m in 2009 and amounts due to these entities at 31 December 2009 for these goods and services amounted to €0.8 m.

D. Transactions with related Companies

Moylurg Rockingham Limited

In the ordinary course of its business the Group sold goods and services to Moylurg Rockingham Limited amounting to €0.04m, the balance due from this company at 31 December 2009 for these goods and services was €Nil.

Garvagh Glebe Windpower Limited

The Group advanced Garvagh Glebe Windpower Limited a loan of €15.2m in 2009, the balance due from this company at 31 December 2009 was €21.4m.

** Entities controlled by the Irish Government refers to all county councils, Government departments and semi-state companies.*

29. Subsidiary, associated undertakings and joint ventures

	% Held	Principal Activities	Registered Office and Country of Incorporation
Subsidiary Undertakings			
Smart*Ply* 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 Consult Limited	100	Consultancy and related activities	Newtownmountkennedy, Co. Wicklow, Ireland
Coillte Panel Products (UK) Limited	100	Panel products marketing	Persimmon House, Anchor Boulevard, Crossways Business Park, Dartford, Kent, UK
Associated Undertaking			
Moylurg Rockingham Limited	50	Forest recreation	Lough Key Forest and Activity Park, Boyle, Co. Roscommon, Ireland
Joint Venture			
Garvagh Glebe Windpower Limited	50	Wind energy	Stephen Court 18/21 St Stephens Green Dublin 2

In accordance with Section 17 of the Companies (Amendment) Act, 1986, 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 7 of the Companies (Amendment) Act, 1986.

30. Associated undertakings – Moylurg Rockingham Limited

The following additional disclosure represents the Group's share of amounts included in the draft financial statements of Moylurg Rockingham Limited. This Company is a joint venture between the Group and Roscommon County Council to provide forest recreation in Lough Key Forest Park.The Company was incorporated on 23 March 2005 and commenced trading under a joint venture agreement dated 16 August 2005. It is included in the consolidated financial statements as an associate undertaking using the equity method of accounting. The Company has been treated as an associate undertaking as Coillte's share of the losses are limited under the joint venture agreement.

	2009	2008
	€'000	€'000
Share of turnover	435	264
Share of the loss after tax *	(50)	(50)
Share of fixed assets	4,333	4,539
Share of current assets	444	418
Share of creditors due within one year	(291)	(333)
Share of creditors due after one year	(4,637)	(4,581)
Share of net assets	(151)	43

** There was no tax charge during the period.*

31. Joint venture – Garvagh Glebe Windpower Limited

The following disclosure represents the Group's share of amounts included in the draft financial statements of Garvagh Glebe Windpower Limited. The Company is a joint venture between the Group and ESB Power Generation Holding Company Limited with the purpose of trading in wind energy. The Company was incorporated on 20 June 2008 and commenced construction on the wind farm in July 2008. It is included in the consolidated financial statements as a Joint Venture using the gross equity method of accounting.

	2009	2008
	€'000	€'000
Share of turnover	-	-
Share of the loss after tax *	-	-
Share of fixed assets	20,500	8,260
Share of current assets	2,109	235
Share of creditors due within one year	-	-
Share of creditors due after one year	(22,609)	(8,495)
Share of net assets	-	-

** There was no tax charge during the period.*

32. Approval of financial statements

The Directors approved the financial statements on 25 March 2010.

5 Year Performance

Financial review (unaudited figures)

	2009	2008	2007	2006	2005
	€'000	€'000	€'000	€'000	€'000
Profit and loss account					
Turnover	206,865	249,475	318,128	213,789	215,673
Operating profit	20,435	21,092	53,926	32,275	30,557
Share of losses of joint ventures/associates	(50)	(50)	(38)	(4)	(580)
Finance charge	(12,869)	(9,437)	(7,481)	(5,014)	(3,662)
Profit before taxation	7,516	11,605	46,407	27,257	26,315
Taxation	(3,273)	(2,399)	(6,279)	(4,793)	(6,661)
Profit after taxation	4,243	9,206	40,128	22,464	19,654
Dividend paid	-	(2,600)	-	-	-
Retained earnings	4,243	6,606	40,128	22,464	19,654
Balance sheet					
Fixed assets	1,423,767	1,414,763	1,396,214	1,363,490	1,274,664
Current assets	87,175	87,302	102,423	106,329	70,243
Creditors: amounts falling due within one year	(67,245)	(93,669)	(65,190)	(65,234)	(54,609)
Net current assets/(liabilities)	19,930	(6,367)	37,233	41,095	15,634
	1,443,697	1,408,396	1,433,447	1,404,585	1,290,298
Financed by:					
Creditors: amounts falling due after one year	160,059	120,858	157,409	175,338	100,393
Pension fund liability	72,372	82,614	66,346	71,092	86,352
Provisions for liabilities and charges	3,782	4,111	5,812	5,469	1,520
	236,213	207,583	229,567	251,899	188,265
Capital and reserves					
Called up share capital	795,060	795,060	795,060	795,060	795,060
Capital conversion reserve fund	6,145	6,145	6,145	6,145	6,145
Profit and loss account	256,669	250,774	257,090	210,913	165,862
Grant reserve	149,610	148,834	145,585	140,568	134,966
Shareholders' funds	1,207,484	1,200,813	1,203,880	1,152,686	1,102,033
	1,443,697	1,408,396	1,433,447	1,404,585	1,290,298

Corporate Information

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