Annual Report 2010

Contents

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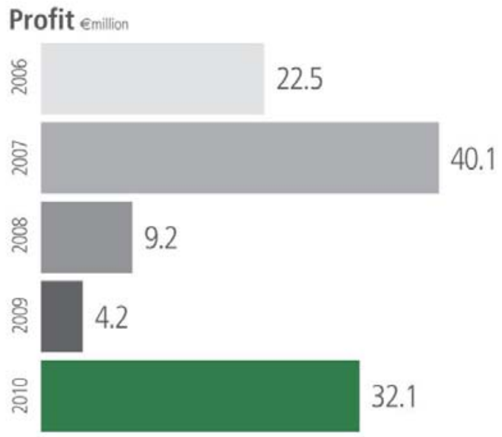
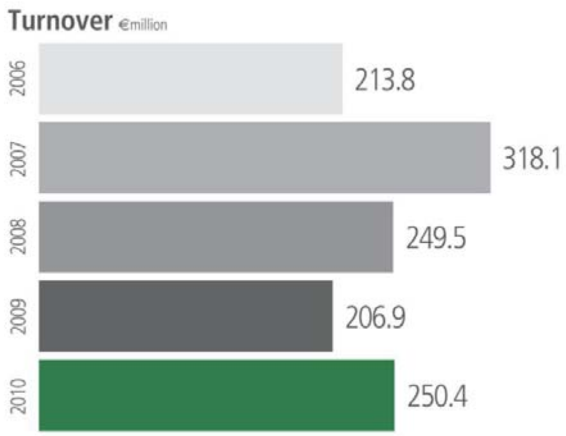
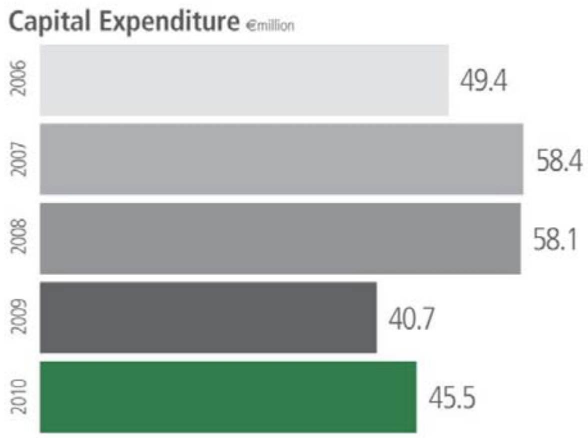
Group Performance 2010







2010 Highlights

- Profit of €32.1m up from €4.2m in 2009
- Group turnover was €250.4m an increase of €43.5m
- Capital expenditure increased to €45.5m from €40.7m
- 6,000 ha of forests planted
- €7.9m revenue delivered from new products during 2010
- Reduction in net debt by €26.8m to €150.6m
- 2.26 million m^3 of sawlog and pulpwood sold
- Completion and sale of first JV wind farm project at Garvagh Glebe in Co Leitrim
- New products launched in our Medite MDF range to positive market reaction
- Completed construction of over 100 masts as part of the National Broadband Scheme
- Official opening of the Dublin Mountains Way hiking trail as part of our work in the Dublin Mountains Partnership
- Won Energy Globe Award for Restoring Priority Woodlands Habitats LIFE Project

Chairman's Statement

Excellent Performance

Coillte had an excellent year in 2010 achieving a net profit after tax of €32.1m, up from €4.2m in 2009. This improvement was largely driven by strong demand for logs sold to sawmills in the first half of the year and higher prices for our panel board products, especially our Smart*Ply* oriented strand board (OSB) product range. Effective cost control also contributed, as did good management of exchange rate exposure and interest costs.

However, the economic environment in which the Group operates continues to be fragile and there is considerable price volatility for our core products. Demand for logs fell towards the end of 2010 and adverse movements in foreign exchange rates are also a concern. All the indications are that 2011 will be a more difficult year. We have made very good progress in our transformation programme which positions us to better deal with the volatility which looks set to be a feature of our business for some time to come.

Strategic Development

The Irish economy as a whole and the construction sector in particular, continued to stagnate in 2010 and there is unlikely to be any significant increase in activity in 2011. The UK economy is forecast to grow by 2% in 2011. In both of these key markets planned reductions in public expenditure, increases in taxation and other austerity measures are likely to impact economic recovery in the forest products and property sectors.

The continuing difficult market conditions for construction products reinforce the need for the Group to continue to implement our clear, distinct strategy which is focused on managing our full range of natural resources innovatively and sustainably.

Our strategy recognises that Coillte has two essential assets - forests and land. Our businesses are about adding value to these assets in a sustainable way. Coillte will continue to 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 in the medium term while also fulfilling important national objectives in relation to forestry, sustainable timber products, climate change and renewable energy.

2010 provided ample evidence that our strategy is correct and appropriate and we are rapidly gaining momentum in a number of areas.

In our forestry business our sawmill customers have proven to be resilient in coping with the downturn in construction activity in Ireland through 2008-9. Nevertheless the volume of log sales to sawmills was down overall during 2010 despite the success of sawmills in export markets. However sales of wood panels were up by 25%. We also reviewed our forestry strategy during 2010 and have developed a clear roadmap to improve the competitive position of our forestry business.

In panel products, demand and prices for Smart*Ply* OSB were strong while demand for Medite MDF was flat through 2010. We received planning permission to facilitate reinvestment in the Smart*Ply* facility and have developed a new added value business model that will increase our product range to meet more demanding customer requirements. In Medite we completed a number of investments that improved product quality and lowered input costs and positions the business well for the future.

The number and value of property sales achieved in 2010 reflected the depressed state of the property market. However, we made excellent progress in our telecoms infrastructure business by completing 104 masts as part of the National Broadband Scheme undertaken by '3' with Government support under the National Development Plan.

In relation to renewable energy we recorded a number of significant developments. We completed our first wind farm at Garvagh Glebe, Co. Leitrim in a joint venture with ESB Power Generation and subsequently sold our 50% share of the project to ESB. We received planning permission for a major windfarm in Cloosh Valley, in Co. Galway in a joint venture with SSE Renewables and Finavera. We also progressed six other projects through different stages of the planning process. In addition to Coillte led projects, we facilitated the development of windfarms with a total generation capacity of 54 MW through sales of sites, provision of rights-of-way and other easements. We progressed our partnership with John Sisk & Son and CES to deliver biomass heat solutions to industrial clients and completed a number of pre-feasibility and feasibility studies for clients.

Destination 2012

In addition to implementing focused strategies in each business we have taken a number of actions to improve performance across the Group. Destination 2012 is a Group wide initiative, started in 2009, to transform Coillte into a high performance organisation. We have set ourselves challenging goals in relation to how we partner with customers, how we deliver economic value, how we become a more vibrant and competitive organisation and how we can become a more progressive business. Substantial progress towards this goal was achieved in 2010. These goals, and associated key performance indicators that we use to measure progress, have triggered a focused programme of actions that are addressing issues such as customer satisfaction, innovation, cost reduction, employee engagement and sustainability across the Group.

I am certain that this combination of focused business strategies at the division level, coupled with Group wide initiatives to drive performance improvement at the individual, team and business unit levels is already delivering results. I am also confident that as these initiatives progress Coillte will take performance to a new level and that this drive for improvement will continue beyond 2012.

Sustainable Pension Arrangements

In previous reports I highlighted the Board's concern that the cost of funding the Group's defined benefit pension schemes was unsustainable. The most recent actuarial valuations (31 December 2008 - Coillte and 1 January 2009 - Medite) estimated that the combined deficit was €98.3m.

I am pleased to report that Coillte has agreed a funding plan with the Trustees and the Pensions Board to address the deficit in the Coillte scheme and ensure the sustainability of our pension arrangements. The plan provides that the deficit will be closed over a period of 10 years. This is a significant development, which in addition to safeguarding pensions for Coillte employees, also provides certainty about how this substantial liability will be managed.

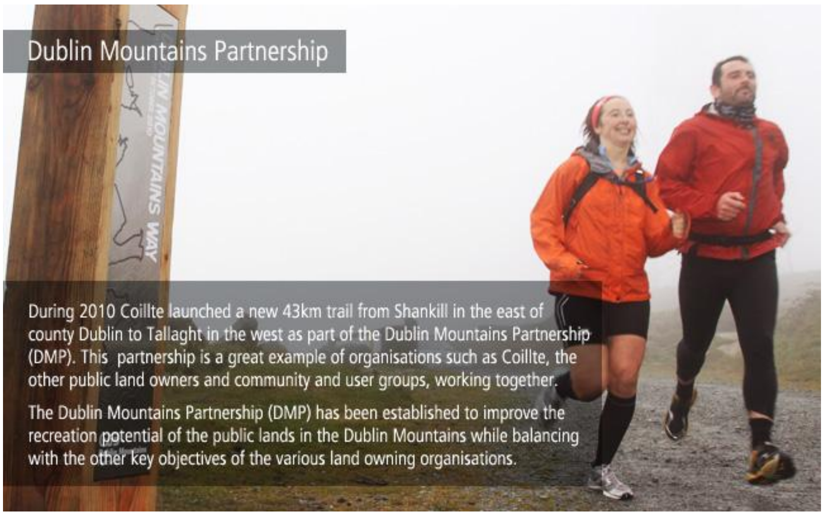
Commitment to Sustainability

While Coillte is focused on commercial success we are committed to ensuring that we deliver the fullest possible range of environmental and social benefits in the management of our business. Coillte has an ongoing commitment to comply with all Forest Stewardship Council (FSC) principles to protect and maintain the integrity of the forest estate in the long term. In 2010 we published our first Sustainability Report in compliance with the Global Reporting Initiative C standard. We have also initiated work to assess and reduce the carbon footprint of our operations.

Our forests provide very important recreation facilities that attract over 18 million visits annually. Coillte is pleased to work in partnership with local authorities and others to enhance these facilities and increase the benefits for local communities and tourism.

Corporate Governance

The Board and Management of Coillte have a longstanding commitment 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. During 2010 the Corporate Governance Committee of the Board undertook a fundamental review of our governance systems and practices. We also undertook an independently facilitated Review of Board Effectiveness and updated our Code of Conduct for Directors and Employees. 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 continued support. 2010 was a difficult year for many businesses and 2011 is unlikely to be any easier. We are committed to working with our customers and partners to manage our way collectively through the current difficulties.

The Board wishes to acknowledge the encouragement and assistance of the former Minister for Agriculture, Fisheries and Food, Brendan Smith, TD, former Minister of State with responsibility for Forestry Sean Connick, former Minister for Finance Brian Lenihan TD and the officials of their Departments. We congratulate the new Government on their election and assure our shareholders the Minister for Agriculture, Food and Marine and the Minister for Public Expenditure and Reform of our full support.

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 especially like to thank Eugene Griffin whose term of office as a director ended in 2010.

I would also like to join with my fellow Directors in thanking management and employees throughout the Group for their efforts. This is a challenging time for every business and Coillte is no exception. Employees have shown tremendous commitment and enthusiasm for our transformation efforts and this augurs well for the future of the business.

Brendan McKenna.

Brendan McKenna
Chairman

Board of Directors

Brendan McKenna
Chairman

Brendan was reappointed by the Minister for Agriculture, Food and Marine 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 of Ireland. He is a member of the Remuneration Committee.

Board Meetings attended 2010: 12 out of 12

Denis Byrne

Denis was appointed to the Board of Coillte in 2010. Denis was an Assistant Secretary General in the Department of Agriculture, Food and Marine with responsibility for forestry until his retirement in December 2009. He is a member of the Audit and Risk Committee.

Board Meetings attended 2010: 12 out of 12

Breffni Byrne

Breffni was reappointed to the Board during 2007, for a second 5 year term. He is Chairman of NCB Stockbrokers and a non-executive Director of 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 and Risk Committee and is a member of the Remuneration Committee.

Board Meetings attended 2010: 12 out of 12

David Gunning

David was appointed Chief Executive and a Director in 2006. He is also Chairman of SmartPly 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 2010: 12 out of 12

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). Alma is a member of the Audit and Risk Committee.

Board Meetings attended 2010: 11 out of 12

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 2010: 12 out of 12

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 CIE. She is a member of the Remuneration Committee.

Board Meetings attended 2010: 10 out of 12

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 and Risk Committee.

Board Meetings attended 2010: 12 out of 12

Directors' Expenses:

The aggregate expenses paid to Directors in 2010 were €16,192 (2009: €15,013).

Chief Executive's Review

2010 saw the pace of change across the Group quicken, as we continued our transformation into a high performance organisation. The markets in which we operate continued to be challenging but 2010 also offered opportunities which we were able to seize.

The strong financial performance for 2010, with profit of €32.1m, came about as a result of a number of factors, including strong demand for logs and higher wood panel (particularly OSB) prices coupled with tight control of costs.

Key achievements in 2010 included:

- We continued to work with our sawmill customers during 2010 to promote Irish timber in the UK and were in a position to benefit from the increased demand.
- Our panel products' business was able to increase prices across some of its product range and export significant volumes of material. On average over 80 truck loads of our panel products are being exported every day.
- We exceeded our target of €7.5m in revenue generated from new products and continued to invest in innovation so we can add value to our great fibre resource.
- 2010 saw the completion and sale of our first joint venture wind farm at Garvagh Glebe in County Leitrim.
- Excellent progress was made in securing planning permissions for our wind portfolio.
- We completed a programme of building over 100 new telecommunications masts as part of the National Broadband Scheme to help bring broadband to the whole country and will continue to develop this business in 2011.
- Our positive contribution to the health and well being of the nation through the provision of outdoor recreation and nature conservation. Highlights included National Trails Day and the opening of a new landmark walking route - the Dublin Mountains Way. Our 'Healthy Forest, Healthy People' exhibition continued to tour the country showcasing the positive contribution Coillte makes.

These achievements demonstrate that we are delivering on our core purpose - we are managing a unique set of natural resources in innovative and sustainable ways. But we can and will do more; that is the challenge we face in 2011 and beyond, in executing our strategy across our four main areas of business: forestry, panel products, land management and renewable energy.

The transformation of Coillte continues and we will maintain momentum in 2011. We are working to address the fundamental issue of our costs and detailed work is going on in each business area to address this.

Coillte continued to work closely with its partners and customers to promote Irish timber and timber products abroad. Coillte and Enterprise Ireland supported Irish sawmillers including Glennon Brothers, Murray Timber Products and Grainger Sawmills at the BEST Build Show in Birmingham. This event was attended by approximately 20,000 people.

Outlook

The economic environment in Coillte's core markets of Ireland, UK and the EU remains difficult with low levels of GDP growth rates forecast for 2011.

Log prices have already reduced in Q1 2011. Similarly, OSB prices performed strongly in 2010 and while underlying demand remains strong, some decline is expected in 2011. MDF demand remains fragile with no significant price recovery forecast for 2011.

We are facing the challenge of volatile markets and uncertain exchange rates. We will continue to work closely with our customers to ensure we are meeting their needs, we will continue to introduce new products and we will lower our costs further in 2011.

David Gunning
Chief Executive

Group Executive Team

David Gunning
Chief Executive

Gerry Britchfield
Managing Director,
Coillte Panel Products

Gerry Egan
Group Director,
Corporate Affairs

Mark Foley
Managing Director,
Coillte Enterprise

Eamonn McGee
Group Director,
Human Resources

Gerard Murphy
Managing Director,
Coillte Forest

Ivan Schuster
Chief Financial Officer

Coillte Forest

Coillte Forest manages all aspects of the Group's forestry business. These include the establishment of plantations, timber harvesting, sales and marketing, recreation and environmental management and the provision of forestry services to customers.

2010 was a successful year for Coillte Forest. Roundwood sales were strong in the first half of the year but demand declined as the year progressed with the result that overall sales of sawlog and pulpwood amounted to 2.26 million m^3, a 6% decline on 2009. Prices for sawlog were on average 46% higher than in 2009, which was Coillte's worst ever year for log prices. These price rises were driven by better than anticipated sales of construction sawnwood by our sawmill customers into the UK market. However, demand for logs and prices reduced sharply in the second half of the year. Sales of pulpwood were strong throughout 2010 reflecting strong demand for fibre in the wood panel and energy markets. We imported pulpwood from Scotland to meet increased demand.

During 2010 we continued to work closely with our sawmill customers to promote the use of Irish timber in the UK at events such as the Best Build show in Birmingham. We also enhanced how we communicate and transact with our sawmill customers with the successful launch of an extranet, providing customers with improved access to information.

During the year we completed a forecast of roundwood that will be available from our forests in the period 2011-2015 and communicated it to the industry. We continued to focus on developing new revenue streams. An example of innovation in this area was the fulfilment of the first commercial contract for bundled forest residues for use in energy generation.

We planted just over 6,000 ha of forests, through reforestation and new plantations for private clients. We also built and upgraded over 250 km of forest roads.

2010 was also one of the worst years on record for forest fires with approx 800 ha of Coillte's forests lost during the year. A concerted awareness campaign was launched to warn people of the dangers of forest fires and of burning vegetation. Significant efforts were made by Coillte employees, our neighbours and the emergency services. Thanks are due to all involved, without whose support more forests would have been lost to fire. We continued to improve the management of our fire planning systems with enhanced links to An Garda Siochana and the Defence Forces during the year.

Recreation

Coillte is the largest provider of outdoor recreation in Ireland with an estimated 18 million visits to our forests each year and an estimated value to users of approx €100m per annum. We manage 10 forest parks and over 150 recreation sites and over 50% of all off road national long distance hiking routes.

Despite the challenging economic climate Coillte secured over €1m in external funding to support the recreation service across the company, mainly from the Department of Community, Equality and Gaeltacht Affairs, the Irish Sports Council and through the work of the Dublin Mountains Partnership.

In 2010 a record number of events were held across the country for National Trails Day, led by Coillte, to promote the great network of trails which exist for people to enjoy. An estimated 20,000 people participated in the fun. Our partners in the event are the Department of Community, Equality and Gaeltacht Affairs, the National Trails Office of the Irish Sports Council and Fáilte Ireland, as well as the Countryside Access and Activities Network in Northern Ireland.

In October Coillte officially launched the Dublin Mountains Way. This marked the culmination of two years work by the Dublin Mountains Partnership in developing a trail which links the west Dublin suburb of Tallaght with Shankill in the east via a 43 km trail across the Dublin Mountains.

During 2010 Coillte also announced the construction of the first ever purpose built mountain bike trail in the Dublin Mountains, which will add to our existing world class facilities at Ballinastoe in County Wicklow, Ballyhoura on the Limerick Cork border and Derroura in County Galway.

Environment

The Forest Stewardship Council (FSC) has certified since 2001 that our forests are managed responsibly in accordance with strict social, environmental and economic criteria.

Coillte manages over 15% of its entire estate primarily for nature conservation and biodiversity and 2010 saw us further enhance our reputation in this area with the securing of another EU funded LIFE project. This project is the largest raised bog project in Ireland and is a fourth EU LIFE project managed by Coillte, a unique achievement in Ireland. This new €2.1m raised bog project builds on the work already done over the last four years in restoring blanket and raised bogs.

During 2010 Coillte also received an Energy Globe Award for its Restoring Priority Woodlands Habitats Project which has restored 550 ha of unique native woodland habitats on nine sites across the country. Since year end we have been informed that this project has been selected as one of the 19 Best LIFE Nature projects out of the 59 that were completed and evaluated in 2010.

Outlook

Demand for sawnwood in Ireland in 2011, based on 10,000 housing unit starts, is expected to be less than 400,000 m^3. This highlights the need to secure and strengthen Ireland's market position in the UK and the performance of the UK timber market will have a significant bearing on Coillte's performance in 2011.

The UK economy which had been performing strongly early in 2010 began to slow towards the middle of the year with commentators anticipating 2011 to be another difficult year.

The UK has also undergone a dramatic slowdown in the construction sector, however the level of housing starts showed tentative signs of increasing in 2010 from a historically low level in 2009. The expectation by the Timber Trade Federation remains that overall timber demand will increase by 2.4%. With an import demand for 5.1 million m^3 of timber, this should offer opportunities for Irish suppliers.

Coillte Forest will continue to focus on reducing costs and transforming how we do business. We are committed to developing new and innovative ways to better serve our customers in 2011 and beyond.

Coillte Panel Products

Coillte Panel Products is an innovative and increasingly significant player in the European panel products sector. Its brands, Medite MDF (medium density fibreboard) and Smart*Ply* OSB (oriented strand board) benefit greatly from being part of the integrated Coillte Group as fibre security is becoming an increasingly important competitive advantage for the business.

Medite and Smart*Ply* products are manufactured in Clonmel and Waterford and are Forest Stewardship Council (FSC) certified, differentiating them from many competitor and substitute products. These sustainable timber products play a key role in building for a carbon neutral future. An integral part of the Coillte Panel Products approach is its commitment to innovation, in the form of both new product development and process improvement. The business exports almost 90% of production and has sales and marketing teams in the UK, Ireland and the Netherlands.

Coillte Panel Products' sales volumes recovered strongly during 2010 and are now back to 2007 levels. The UK market has proved to be particularly resilient for both Smart*Ply* and Medite, primarily due to a combination of excellent distribution channels, strong brands and plywood substitution successes.

Overall sales volumes are up 8.4% on 2009. Whilst increasing volume sales, we also secured significant price increases for both Smart*Ply* and Medite.

During 2010, substantial progress was made in advancing key strategic and operational elements of our business plan.

A cross Divisional project focused on optimising the return from our small diameter fibre concluded that the panels business provides a strong return on this material when compared on a like-for-like basis with alternative bio-energy options.

We completed development of the proposed value added business model for Smart*Ply*, which supports the case for renewal of the Smart*Ply* facility.

We launched a number of new products and product range extensions into the market during the year, namely, a Medite Thick MDF (32mm - 45mm range) and Medite Ultralite (lightweight 500kg density MDF), and for specific industrial clients provided Medite Eco Flooring (zero added formaldehyde flooring substrate) and Medite Eco FR (zero added formaldehyde flame retardant product).

Products from the Coillte Panel Products range have been used in the Aviva Stadium at Lansdowne Road in Dublin, the new Marks & Spencer 'anchor' store at the retail gateway to the London Olympic Park, the new entertainment development at Bluewater – the leisure and shopping destination in Kent, and the new DeLaMar Theatre in Amsterdam which was opened at the end of 2010 by Queen Beatrix of the Netherlands.

We are also focused on anticipating and meeting evolving environmental standards required for both public and private projects and all Medite is manufactured to the CARB 2 (California Air Resources Board) emission standard which is being demanded by an ever growing list of multinational end users.

Outlook

We expect 2011 to be another challenging year as the balance between supply and demand in our core markets is fragile and we will need to work hard to maintain the momentum generated in 2010.

However, we are very positive about the medium term prospects for the business. Apart from the general recovery in global GDP growth, which is slowly beginning to take hold, a number of important trends are emerging which will drive demand for panel products in the future. These include EU Directives on energy performance of buildings and on renewable energy along with the growth of sustainable or 'green' procurement policies being implemented by Governments and large corporates throughout Europe.

During 2011, we will continue to focus on reducing our costs, delivering on our innovation pipeline and satisfying our customers. The growth strategy for Coillte Panel Products is to build on the Division's competitive strengths which are UK and Ireland market share, fibre security and the strength of our brands, whilst delivering the Smart*Ply* renewal based on a value added business model.

Coillte Enterprise

Coillte Enterprise is the venturing arm of the Group and seeks to identify new business opportunities and extract value from the Group's broad asset base. It comprises land sales and development, telecommunications infrastructure, renewable energy including wind farms and renewable heat solutions, Coillte Nurseries, Coillte Wood Products and Coillte Training and Safety Services.

Significant progress was made in 2010 on the delivery of our strategic objectives in Coillte Enterprise, despite the extremely difficult economic environment which has severely impacted activity and pricing in the property sales and property development markets.

Wind Energy

Major progress was made in 2010 in delivering on our plan for Wind Energy. The process of building a strong development team, to add to the existing expertise in house, was completed with the appointment of a number of new staff, all of whom have significant experience in both the development and construction phases of wind farm projects.

During 2010 planning permission was secured in Cloosh Valley in County Galway and Raheenleagh in County Wicklow for major wind farm developments. Further planning applications are well advanced for wind farm projects in counties Roscommon, Laois, Wicklow, Cork, Galway and North Tipperary. We also expect to commence early stage environmental assessment on projects in County Mayo later this year.

During the year we completed and subsequently sold our holding in the Garvagh Glebe wind farm project in County Leitrim to our Joint Venture partner ESB Power Generation.

The sales pipeline of wind farm sites remains strong notwithstanding the challenges facing developers with regard to the planning, regulatory and funding environments and the need for delivery of major upgrades to the national grid.

Property development and sales

Despite the downturn in the property market Coillte delivered approx 50 property transactions of varying scale during 2010. Identifying alternative non-forestry uses for our land will continue to be a key part of our strategy to add value to our land asset.

Telecommunications

Coillte is currently one of the leading players in the telecommunications masts business in Ireland, with a network of over 300 mast sites across the country. These masts play a key role in ensuring that mobile phone and wireless broadband services have a national reach, including some of the most remote parts of the country.

In 2010 Coillte Enterprise made an enormous contribution to the Government's National Broadband Scheme Project through the provision of 104 new mast sites and c. €4.2 million in capital investment. Over 70 sites were completed in 2010 and an additional seven sites were under construction during Q1 2011. We expect significant future expansion in this business as the telecoms operators respond to the massive growth in demand for internet enabled hand held devices.

During 2010 a new Business Manager was appointed to this area and the drafting of a "Telecoms Business Development Strategy" was commenced. We will have completed this Strategy in the early part of 2011 and critically, this work will provide the underpinning market analysis and business opportunity assessment to support continued investment in the business over the next three to five years as we seek to extract value from the rapid growth in demand for data capacity.

Biomass

In 2010 we formed a strategic partnership with Sisk/CES following an extensive assessment of the market for biomass opportunities in the power generation, combined heat and power and heat markets. The market assessment clearly demonstrated that the most appropriate, most efficient and most cost effective use of a key limited natural resource - forest originating biomass - is in renewable heat applications, where efficiencies in excess of 90% can be achieved on a consistent basis. Our target market of large scale industrial/manufacturing operations gave a clear signal of their requirement for Coillte and its partners to have the capacity to delivery fully integrated solutions including engineering, procurement, construction and fuel supply. Sisk/CES were chosen as our partners after a competitive evaluation process.

The business has delivered its first contract for a feasibility study and we are forecasting that revenues will begin to flow from late 2011. We are active in advocating the adoption of a Renewable Heat Incentive (RHI) to stimulate the industry, similar to the model recently announced in the UK.

We believe that this section of the market provides the best opportunity for Ireland to make significant inroads into our committed renewable heat target of 12% by 2020, as set out in the European Directive.

We have and continue to explore the opportunities for Coillte in this market and we have now developed a substantial amount of vital intellectual property relating to the range and viability of large scale development projects based on biomass material.

Carbon

In March 2010, Coillte hosted a forum in Trinity College Dublin to outline a concept for a carbon offset product based on a major expansion of forestry activity in Ireland. Based on extensive global research and the critical role played by Ireland's current forestry assets in combating climate change, we believe that a major expansion of Ireland's afforestation programme offers the single biggest opportunity to mitigate the effects of our national carbon emissions in a cost effective manner.

The proposal met with strong support from a cross section of key stakeholders who attended the session. Work has progressed on this proposal during 2010, with the assistance of an expert group of specialists across a range of disciplines in both the public and private sectors and we expect to launch the formal proposition in the first half of 2011.

Outlook

The market and business environment for Coillte Enterprise in 2011 will continue to be challenging.

With little or no availability of either funding or demand for property development, the establishment of the National Asset Management Agency (NAMA) and the uncertainty as to how it is to manage the assets under its stewardship, the outlook is expected to remain very uncertain with little or no activity in the development market.

Falling property prices and the overall state of the Government finances have resulted in a significant reduction in activity on national infrastructure projects, effectively eliminating compulsory purchase transactions from our sales pipeline and this looks set to continue.

Despite current market difficulties, Coillte Enterprise continues to have a steady pipeline of land and energy related sales. We have a clear strategy to invest and to drive value in our Wind Energy portfolio, with five planning applications due to be lodged in 2011.

In Telecoms, we expect to grow the business strongly on the back of the rapid demand for increased data capacity and the ongoing requirement to improve quality of service for voice and data in rural areas.

Further uncertainty in the global fossil fuels commodity market underlines the compelling business case for our biomass solutions in conjunction with our technology partners. We expect to make significant progress in this sector in 2011.

Financial Review

Results

Group turnover increased by €43.5m (21%) during 2010 to €250.4m, principally driven by strong log and OSB panel prices and a significant increase in demand for OSB, mainly in the UK market. The Group's sawmill customers have successfully developed export markets in the UK for sawn timber and there was strong demand in the first half of 2010. However, as the year progressed, demand and prices softened and this was ultimately reflected in the demand and price of logs which fell sharply in the final quarter. Demand for panel products and, in particular OSB, was very strong due to a number of factors including a shortage of plywood in European markets. This was, in turn, reflected in the sales price, particularly OSB which increased sharply during the year. Export sales account for 54% of turnover with 70% sold into the UK market.

Operating profit before exceptional items increased from €0.8m to €46.1m reflecting the improved prices achieved in 2010 and a significant reduction in operating costs as part of an ongoing initiative across the Group. Profit after tax increased from €4.2m in 2009 to €32.1m in 2010. The results include an exceptional charge of €1.4m in respect of the impairment of certain forestry assets whereas the 2009 results included an exceptional credit of €18.5m, largely as a result of the profit realised on the disposal of immature forests. Further details are provided in Note 5 to the accounts.

EBITDA for the Group increased from €55.2m to €65.6m, an increase of 18.8%. A reconciliation of EBITDA is included in Table 2 below.

Interest (including related bank costs) and financing charges for the year were €11.8 million, a decrease of €0.1 million on 2009. Interest charges on our overdrafts and loan facilities were €9.3m (2009:€8.5m) while the finance charge relating to the FRS17 finance costs associated with the pension fund deficit was €2.5m (2009:€3.3m). The underlying EBIT interest cover for the year was 5.2 times.

The Group tax charge for 2010 was €1.3m (2009:€3.3m).

Outlook

While there are signs that the Irish economy is stabilising there is little prospect of any increase in activity in 2011. The UK market performed well in 2010 however, any increase in house building in the private sector is likely to be offset by a reduction in activity in the public sector as a result of the significant cuts in Government expenditure announced last year. The demand for and price of logs fell sharply in the final quarter of 2010 however, they have now stabilised. Demand for panel products is expected to be maintained at 2010 levels throughout the current year. The current weakness in the sterling exchange rate remains a significant issue for the Group because it not only impacts on 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 further improvement is expected during 2011.

Capital Expenditure

The Group increased its capital expenditure programme in 2010 from €40.7m to €45.5m. A significant proportion of the expenditure was incurred in enhancing and maintaining the forest estate (€33.4m). However, the Group continued to invest in telecom mast sites and in developing its wind energy strategy.

Net Debt and Gearing

At year end, the Group's net debt had fallen by €26.8m to €150.6m with headroom on existing undrawn facilities of €95.3m. Gross debt increased by €2.3m and cash balances increased by €29.1m. These figures include the proceeds from the disposal of the Group's share of the Garvagh Glebe wind farm (€25.4m). Gearing was 12.3% at year end and 28% of the debt portfolio was at fixed interest rates at 31 December 2010. The ratio of net debt to EBITDA was 2.30 times and interest cover was 7.6.

Employee Benefits

Coillte operates a number of defined benefit pension schemes with assets held in separately administered funds. The most recent actuarial valuations (31st December 2008 – Coillte and 1st 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.

A funding proposal (approved by the Pensions Board) is in place for Coillte Teoranta and has the objective of bringing the Scheme back to full solvency on the Minimum Funding Standard basis by 31st December 2020. Coillte have made significant additional cash contributions to the Scheme as part of this agreed funding proposal including an up front contribution of €3m, €1.5m annual contributions over twelve years (indexed at 6.5% p.a.) and a commitment to transfer €30m of non-cash assets.

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 2010, based on FRS 17 and calculated using the projected unit method, is €89.2m (2009: €72.4million) 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 €13m transferred to the scheme since 2008 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% (2009: 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. From 8th January 2011 a number of fixed interest rate contracts came into effect increasing the percentage of the debt portfolio at fixed interest rates from 28% to 63% (Note 18).

Price risk

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

Foreign exchange risk

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

Liquidity risk

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

Table 1 – Key Financial Performance Indicators

	2010	2009
Revenue (€'m)	250.4	206.9
EBITDA (€'m)	65.6	55.2
EBIT (€'m)	44.6	19.3
Interest cover, excluding associates		
- EBITDA basis (times)	7.6	6.5
- EBIT basis (times)	5.2	2.3
Net Debt (€'m)	150.6	177.4
Net debt as a percentage of total equity (%)	12.3	14.7
Net debt as a percentage of fixed assets (%)	10.4	12.5
Net debt/EBITDA	2.3	3.21
Effective tax rate (%)	3.9	43.5

EBITDA – earnings before finance costs, tax, depreciation, depletion and intangible asset amortisation, impairment and VR costs

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

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

Table 2 – EBITDA Reconciliation

	2010 €'000	2009 €'000
EBIT	44,623	19,296
Adjustments:		
Depreciation	10,361	8,961
Depletion	9,101	18,439
Amortisation of goodwill	118	117
Share of associate losses	50	50
VR Costs	-	5,209
Impairment	1,392	3,100
EBITDA	**65,645**	**55,172**

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 2010.

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

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 increased by €43.5m (21%) to €250.4m in 2010 and the net profit for the year increased from €4.2m to €32.1m. The performance in 2010 has been driven by strong log and panel board prices, solid demand for OSB products and a reduction in input costs across the business.

The Directors do not propose payment of a dividend (2009: €Nil).

Directors

The Directors of the Company were appointed by the Minister for Agriculture, Marine and Food. The Directors in office during the year ended 31 December 2010 were as follows:

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

Denis Byrne was appointed to the Board on 1 January 2010. Eugene Griffin retired from the Board on 31 December 2010.

The Directors and Secretary have no interests in the shares of the Company, its subsidiaries, 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 that 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 or Group 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 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.

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

Corporate governance

The Board of Coillte is committed to the highest standards of corporate governance and is accountable to its shareholders for those standards. The Code of Practice for the Governance of State Bodies, issued by the Department of Finance, sets out the principles of corporate governance that apply to the Company and the Directors support the principles and provisions of the code.

The Board has 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 also assesses 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 during 2010 were Yvonne Scannell (Chairwoman), Eugene Griffin (retired on 31 December 2010), 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, Marine 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 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), Denis Byrne, Alma Kelly and Frank Toal

The Audit Committee is composed of non-executive Directors, including a qualified accountant and operates under formal terms of reference. Denis Byrne and Alma Kelly were appointed to the Committee on 28 April 2010. 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 and Breffni Byrne

The Committee operates under formal terms of reference and met twice 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 Directors' 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 "Guidelines on contracts, remuneration and other conditions of Chief Executives and senior management of Commercial State Bodies" issued in March 2006 by the Department of Finance. An Assistant Secretary from the Department of Agriculture, Marine 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, Marine and Food and/or the Minister for Public Expenditure and Reform 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 regulation

The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 ('the Regulations').

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

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

Subsidiary, associated and joint venture undertakings

A list of subsidiary, joint venture and associated undertakings as at 31 December 2010 is set out in note 28.

Auditors

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

Brendan McKenna	**David Gunning**
Chairman	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 2010 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 2010 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
4 April 2011

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 judgments

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.

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.

Operating lease rental income is charged to the profit and loss account on a straight line basis over the life of the lease agreement. 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. Critical spare parts (components) are stated at cost and are depreciated over the shorter of the economic life of the component or the tangible asset that the component is incorporated into, once the component is utilised. 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, land and critical spare parts 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.

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.

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 day 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. Non-critical 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. 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 net 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 net 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 and Coillte Panel Products (UK) 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 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 Public Expenditure and Reform, has been delegated to the Company by the Minister for Agriculture, Marine 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 Public Expenditure and Reform.

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 2010

	Notes	2010 €'000	2009 €'000
Group turnover	1	250,399	206,865
Operating costs		(204,334)	(206,048)
Operating profit before exceptional items		**46,065**	**817**
Exceptional items	5	(1,392)	18,529
Operating profit		**44,673**	**19,346**
Share of associated undertaking losses	29	(50)	(50)
Profit before finance charge and taxation		**44,623**	**19,296**
Interest payable	6	(9,274)	(8,530)
Interest receivable	6	614	83
Other finance cost	8 (b)	(2,508)	(3,333)
Profit before taxation	2	**33,455**	**7,516**
Taxation	7	(1,307)	(3,273)
Profit for the year		**32,148**	**4,243**

Note: *Movements on reserves are set out in note 26.*

Brendan McKenna
Chairman

David Gunning
Chief Executive

Group Statement of Total Recognised Gains and Losses

Year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Profit for the financial year		32,148	4,243
Actuarial (loss)/gain in respect of pension scheme	8	(17,350)	2,110
Deferred tax on actuarial (loss)/gain	19	605	(458)
Total recognised gains for the year		**15,403**	**5,895**

Group Balance Sheet

At 31 December 2010

	Notes	2010 €'000	2010 €'000	2009 €'000	2009 €'000
Fixed assets					
Tangible assets	9		1,444,422		1,421,670
Investment in joint venture					
Share of gross assets	30	-		22,609	
Share of gross liabilities	30	-	-	(22,609)	-
Financial assets	10		1,221		1,283
Intangible assets	11		696		814
			1,446,339		1,423,767
Current assets					
Stocks	12		17,449		17,462
Debtors	13		53,646		68,216
Cash			9,428		1,497
			80,523		87,175
Creditors: Amounts falling due within one year	14		(46,433)		(67,245)
Net current assets			**34,090**		**19,930**
Total assets less current liabilities			**1,480,429**		**1,443,697**
Creditors: Amounts falling due after one year	17		(162,012)		(160,059)
Provisions for liabilities and charges	19		(7,485)		(5,962)
Net assets excluding pension liability			1,310,932		1,277,676
Pension liability	8		(86,382)		(70,192)
Net assets including pension liability			**1,224,550**		**1,207,484**
Capital and reserves					
Called up share capital	20		795,060		795,060
Capital conversion reserve fund	20		6,145		6,145
Profit and loss account	21		272,072		256,669
Grant reserve	21		151,273		149,610
Shareholders' funds			**1,224,550**		**1,207,484**

Brendan McKenna
Chairman

David Gunning
Chief Executive

Company Balance Sheet

At 31 December 2010

	Notes	2010 €'000	2009 €'000
Fixed assets			
Tangible assets	9	1,375,761	1,348,245
Financial assets	10	68,217	92,283
		1,443,978	1,440,528
Current assets			
Stocks	12	4,763	6,269
Debtors	13	30,864	27,960
Cash		7,095	133
		42,722	34,362
Creditors: Amounts falling due within one year	14	(31,669)	(52,657)
Net current assets/(liabilities)		**11,053**	**(18,295)**
Total assets less current liabilities		**1,455,031**	**1,422,233**
Creditors: Amounts falling due after one year	17	(160,200)	(157,943)
Provisions for liabilities and charges	19	(2,908)	(3,348)
Net assets excluding pension liability		1,291,923	1,260,942
Pension liability	8	(80,916)	(65,676)
Net assets including pension liability		**1,211,007**	**1,195,266**
Capital and reserves			
Called up share capital	20	795,060	795,060
Capital conversion reserve fund	20	6,145	6,145
Profit and loss account	21	258,529	244,451
Grant reserve	21	151,273	149,610
Shareholders' funds		**1,211,007**	**1,195,266**

Brendan McKenna
Chairman

David Gunning
Chief Executive

Group Cash Flow Statement

Year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
Net cash inflow from operating activities	25(a)	71,452	11,143
Return on investment and servicing of finance			
Net Interest	25(b)	(10,105)	(6,495)
Taxation		(2,819)	782
Capital expenditure			
Purchase of tangible fixed assets	25(c)	(45,372)	(40,626)
Sale of tangible fixed assets	25(d)	10,763	16,564
Capital grants received	25(e)	2,663	2,466
Sale of JV shareholding		193	-
Net cash outflow from capital expenditure		(31,753)	(21,596)
Net cash inflow/(outflow) from management of liquid resources		**26,775**	**(16,166)**
Financing			
Capital element of finance lease payments	25(e)	(16)	(61)
Increase in borrowings	25(h)	2,300	5,700
Increase/(decrease) in net cash		**29,059**	**(10,527)**

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**		**Group**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Segment Revenue								
Republic of Ireland	112,139	79,583	23,958	31,137	16,433	13,715	152,530	124,435
United Kingdom	4,490	5,826	932	1,522	89,025	70,667	94,447	78,015
Rest of the World	591	84	234	924	39,894	32,237	40,719	33,245
	117,220	85,493	25,124	33,583	145,352	116,619	287,696	235,695
Inter-segment sales	(31,250)	(22,758)	(6,047)	(6,072)	-	-	(37,297)	(28,830)
Sales to third parties	**85,970**	**62,735**	**19,077**	**27,511**	**145,352**	**116,619**	**250,399**	**206,865**

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.

Notes to the Financial Statements

2. **Profit before taxation**		**2010**	**2009**
		€'000	**€'000**
Profit before taxation has been arrived at after charging/(crediting):			
Auditors' remuneration:	- statutory audit of Group accounts	192	191
	- audit-related services	436	216
	- non-audit related services	116	152
Depreciation		10,259	8,961
Interest payable on borrowings wholly repayable within 5 years		9,274	8,530
Operating lease charges – plant and machinery		213	455
Research expenditure		1,823	1,557
Operating lease rental income		(4,235)	(3,703)
Amortisation of grants (note 22)		(855)	(345)
Amortisation of goodwill (note 11)		118	117
Impairment of fixed assets (note 9)		1,392	3,100

	2010	**2009**
	€'000	**€'000**
Auditors' remuneration for statutory audit of parent company accounts	147	147

Auditors' remuneration for audit-related services comprised:

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	€'000	**€'000**	**€'000**	**€'000**
Taxation advice and compliance	347	170	320	150
Pension audit	21	21	21	21
Grant claims	18	-	15	-
Accounting and other advice	50	25	50	20
	436	216	406	191

Auditors' remuneration for non-audit related services comprised:

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	€'000	**€'000**	**€'000**	**€'000**
Advisory services	116	152	116	152

Notes to the Financial Statements

3. Emoluments of Directors and Chief Executive

	Fees	Salary	Performance related pay	Pension Contribution	Taxable Benefit	Other Emoluments	2010 Total	2009 Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Parent Company								
David Gunning	13	297	56*	74	33	-	473	417
Eugene Griffin	13	75	-	19	-	-	107	106
Brendan McKenna	22	-	-	-	-	-	22	22
Breffni Byrne	13	-	-	-	-	-	13	13
Alma Kelly	13	-	-	-	-	-	13	13
Seamus Murray	13	-	-	-	-	-	13	13
Frank Toal	13	-	-	-	-	-	13	13
Denis Byrne	13	-	-	-	-	-	13	-
Yvonne Scannell	13	-	-	-	-	-	13	13
	126	372	56	93	33	-	680	610

**Performance related pay was in respect of 2008. This payment was deferred from 2009 pending an improvement in the Group's trading performance.*

4. Employees and remuneration

The average number of persons employed by the Group (excluding associated and joint venture undertakings) during the year was 1,053 (2009 : 1,170) which comprise 466 (2009 : 551) industrial workers and 587 (2009 : 619) non-industrial employees.

	2010	2009
	€'000	€'000
The staff costs comprise:		
Wages and salaries	53,343	53,407
Social welfare costs	4,289	4,485
Pension costs	4,357	5,601
	61,989	63,493
Own work capitalised	(11,561)	(13,221)
Charge to profit and loss account	50,428	50,272

5. Exceptional items

Exceptional items included in operating profit comprised:	2010	2009
	€'000	€'000
Voluntary parting/early retirement programme (note a)	-	5,209
Impairment of fixed assets (note b)	1,392	3,100
Profit on sale of immature forest (note c)	-	(25,372)
Grants released on sale of immature forest (note c)	-	(1,466)
	1,392	(18,529)

Notes to the Financial Statements

5 Exceptional items – continued

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. There was no equivalent charge in 2010.

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 €1.4m (2009: €3.1m) in the Group profit and loss account.

c) Profit on sale of immature forest

During 2009 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

	2010	**2009**
	€'000	**€'000**
Finance charges:		
Interest on bank overdraft and loans wholly repayable within 5 years and other related bank costs	9,274	8,530
Finance income:		
Interest receivable	(614)	(83)
	8,660	8,447

Notes to the Financial Statements

7. Taxation

	2010	2009
	€'000	€'000
Current tax:		
Corporation tax at 12.5% (2009: 12.5%)	3,229	1,823
Less: Woodlands relief	(2,658)	(1,822)
	571	1
Foreign tax - Netherlands	5	2
- United Kingdom	23	-
Adjustment in respect of prior years	(3,565)	(760)
Taxation on disposal of fixed assets at 25% (2009: 25%)	3,580	4,773
Total current tax	614	4,016
Deferred tax:		
Origination and reversal of pension timing differences	(3)	(21)
Origination and reversal of other timing differences	696	(722)
Total taxation on profit on ordinary activities	1,307	3,273

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

	2010	2009
	€'000	€'000
Profit on ordinary activities before tax	33,455	7,516
Profit on ordinary activities multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2009: 12.5%)	4,182	940
Effects of:		
Woodlands relief	(2,658)	(1,822)
Impairment of assets and associated goodwill	174	388
Expenses not deductible for tax purposes	526	958
Differences between capital allowances and depreciation	400	380
Adjustments in respect of prior years	(3,565)	(760)
Higher rates of tax on certain activities	1,791	2,505
Unutilised current year tax losses	522	1,784
Utilisation of losses forward from prior years	(658)	-
Group relief	-	(300)
Foreign tax	28	2
Other	(128)	(59)
Total current tax	614	4,016

Notes to the Financial Statements

8. 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 3% (Coillte Teoranta) in the last full valuations and 2% (Medite Europe Limited) and pension increases by 3% 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.

A funding proposal in respect of the Coillte Teoranta scheme has been approved by the Pensions Board. The funding proposal will return the scheme to full solvency on a Minimum Funding Standard basis by 31 December 2020. The agreement will require Coillte to make significant additional contributions and will also increase employee contributions.

The amounts recognised in the balance sheet are as follows:	**2010 €'000**	**2009 €'000**
Present value of funded obligations	(262,369)	(233,847)
Fair value of plan assets	173,199	161,475
Pension Liability	(89,170)	(72,372)
Related deferred tax asset (note 19)	2,788	2,180
Net pension liability	**(86,382)**	**(70,192)**

Notes to the Financial Statements

8 Pensions (continued)

(b) Financial Reporting Standard 17 (FRS 17) - continued

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

	2010	2009
	€'000	€'000
Current service cost	3,685	5,022
Past service cost	-	3,130
Capitalised costs	(875)	(1,234)
Net operating cost	2,810	6,918
Expected return on scheme assets	(10,554)	(8,474)
Interest on liability	13,919	12,896
Capitalised costs	(857)	(1,089)
Net finance cost	2,508	3,333
Total profit and loss account charge	**5,318**	**10,251**

The amounts recognised in the statement of total recognised gains and losses are as follows:

	2010	2009
	€'000	€'000
Actual return less expected return on pension scheme assets	(702)	1,562
Experience gains and losses arising on the scheme liabilities	3,570	(12,723)
Changes in assumptions underlying the present value of scheme liabilities	(20,218)	13,271
Actuarial (loss)/gain recognised	(17,350)	2,110

The cumulative actuarial loss recognised in the statement of total recognised gains and losses up to and including the financial year ended 31 December 2010 is € 5,366,000 (2009: gain €11,984,000).

The actual return on plan assets was:

	2010	2009
	€'000	€'000
Actual return on plan assets	9,852	10,036

Expected contributions for the year ended 31 December 2011 are €8,028,000.

Notes to the Financial Statements

8 Pensions (continued)

(b) Financial Reporting Standard 17 (FRS 17) - continued

Movement in scheme assets and liabilities

	Pension Assets €'000	Pension Liabilities €'000	Pension Deficit €'000
At 31 December 2009	161,475	(233,847)	(72,372)
Current service cost	-	(3,685)	(3,685)
Interest on scheme liabilities	-	(13,919)	(13,919)
Expected return on scheme assets	10,554	-	10,554
Actual less expected return on scheme assets	(702)	-	(702)
Experience gains on liabilities	-	3,570	3,570
Changes in assumptions	-	(20,218)	(20,218)
Contributions by plan participants	1,970	(1,970)	-
Past service cost	-	-	-
Benefits paid from plan assets	(7,700)	7,700	-
Employer contributions paid	7,602	-	7,602
As at 31 December 2010	**173,199**	**(262,369)**	**(89,170)**

	Pension Assets €'000	Pension Liabilities €'000	Pension Deficit €'000
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
Past service cost	-	(3,130)	(3,130)
Contributions by plan participants	1,037	(1,037)	-
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)**

Notes to the Financial Statements

8 Pensions (continued)

(b) Financial Reporting Standard 17 (FRS 17) - continued

The following amounts were measured in accordance with the requirements of FRS 17 at 31 December 2006-2010 inclusive.

Expected rate of return:	**2010**	**2009**	**2008**	**2007**	**2006**
Equities	7.50%	8.00%	8.50%	7.50 – 8.00%	7.50%
Bonds	3.40%	3.80%	3.75%	4.30 – 4.40%	3.95%
Property	5.50%	6.00%	6.00%	5.75 – 5.90%	5.40%
Other	2.00%	2.00%	2.50%	3.00%	2.00%

Market Value:	**2010**	**2009**	**2008**	**2007**	**2006**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Equities	107,007	99,695	70,250	117,429	118,637
Bonds	50,867	40,741	44,482	38,553	38,381
Property	12,357	13,310	8,213	10,075	10,097
Other	2,968	7,729	15,463	12,835	9,998
Total market value of assets	173,199	161,475	138,408	178,892	177,113
Present value of scheme liabilities	(262,369)	(233,847)	(221,022)	(245,238)	(248,205)
Deficit in the scheme	(89,170)	(72,372)	(82,614)	(66,346)	(71,092)

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 2010. Under FRS 17 the deficit in the Coillte Teoranta scheme net of deferred tax was €80.9m (2009: deficit of €65.7m) and the deficit in the Medite Europe Limited scheme net of deferred tax was €5.5m (2009: deficit of €4.5m).

The principal actuarial assumptions at the balance sheet date:

The main financial assumptions used were:	**2010**	**2009**	**2008**	**2007**	**2006**
Rate of increase in salaries	3.50%	3.50%	3.50%	4.00%	3.75%
Rate of increase in pension payments					
- Coillte Teoranta	3.50%	3.50%	3.50%	4.00%	3.75%
- Medite Europe Limited	0.00%	0.00%	0.00%	0.00%	0.00%
Discount rate	5.50%	5.90%	5.75%	5.50%	4.65%
Price inflation	2.00%	2.00%	2.00%	2.50%	2.25%

8 Pensions (continued)

(b) Financial Reporting Standard 17 (FRS 17) - continued

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:

	2010	**2009**
Male – current pensioner	22.80	21.70
Female – current pensioner	24.40	24.70
Male – future pensioner (age 45)	25.60	22.70
Female – future pensioner (age 45)	26.60	25.80

Amounts for the current and previous four years are as follows:	**2010**	**2009**	**2008**	**2007**	**2006**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Present value of the defined benefit obligation	(262,369)	(233,847)	(221,022)	(245,238)	(248,205)
Fair value of plan assets	173,199	161,475	138,408	178,892	177,113
Pension Deficit	(89,170)	(72,372)	(82,614)	(66,346)	(71,092)

	2010	**2009**	**2008**	**2007**	**2006**
Experience adjustment on plan liabilities as a percentage of scheme liabilities at the balance sheet date	(1.36%)	5.4%	(4.14%)	1.44%	2.04%
Experience adjustment on plan assets as a percentage of scheme assets at the balance sheet date	(0.41%)	1.0%	(37.10%)	(7.78%)	4.28%

Sensitivity analysis of the scheme liabilities

A decrease of 1% in the discount rate would increase the Coillte defined benefit pension scheme obligation by €46.7m and an increase of 1% in the discount rate would decrease the Coillte defined benefit pension scheme obligation by €35.9m. A decrease of 1% in the discount rate would increase the Medite defined benefit obligation by €4.8m and an increase of 1% in the discount rate would decrease the Medite defined benefit pension scheme obligation by €3.7m.

(c) Defined contribution pension scheme

Smart*Ply* Europe Limited and Coillte Panel Products UK Limited contribute to defined contribution pension schemes on behalf of certain of its employees. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost for the period for Smart*Ply* Europe Limited amounted to €363,000 (2009: €326,000) and contributions of €24,000 (2009: €23,000) were not transferred to the fund until after the year end while the pension cost for the period for Coillte Panel Products UK Limited amounted to €109,000 (2009: €109,000) and contributions of €3,458 (2009: €3,210) were not transferred to the fund until after the year end.

The Group contributes to a separately funded defined contribution pension scheme on behalf of certain employees in Coillte Teoranta and Medite Europe Limited who are not members of the defined benefit schemes. The assets of these schemes are held separately from those of the Group in an independently administered scheme. The pension cost for the period amounted to €200,000 (2009: €144,000) and contributions of €27,393 (2009: €11,785) were not transferred to the fund until after the year end.

Notes to the Financial Statements

9. Tangible assets

(a) Group	Notes	Forests & land	Buildings	Machinery & equipment	Total
		€'000	**€'000**	**€'000**	**€'000**
Cost					
At 1 January 2010	(i)	1,355,948	35,524	115,479	1,506,951
Additions	(ii)	33,394	68	12,012	45,474
Depletion	(iii)	(9,101)	-	-	(9,101)
Disposals		(1,466)	(1,510)	(12,054)	(15,030)
At 31 December 2010		1,378,775	34,082	115,437	1,528,294
Accumulated depreciation					
At 1 January 2010		10,625	16,743	57,913	85,281
Charge for year	(iv)	-	2,771	7,590	10,361
Provision for Impairment	(vi)	1,392	-	-	1,392
Disposals		-	(1,267)	(11,895)	(13,162)
At 31 December 2010		12,017	18,247	53,608	83,872
Net book amounts					
At 31 December 2010		1,366,758	15,835	61,829	1,444,422
At 31 December 2009		1,345,323	18,781	57,566	1,421,670

(b) Company	Notes	Forests & land	Buildings	Machinery & equipment	Total
		€'000	**€'000**	**€'000**	**€'000**
Cost					
At 1 January 2010	(i)	1,343,668	13,789	30,827	1,388,284
Additions	(ii)	33,394	68	8,356	41,818
Depletion	(iii)	(9,101)	-	-	(9,101)
Disposals		(1,466)	(1,510)	(10,699)	(13,675)
At 31 December 2010		1,366,495	12,347	28,484	1,407,326
Accumulated depreciation					
At 1 January 2010		10,065	4,909	25,065	40,039
Charge for year	(iv)	-	272	1,668	1,940
Provision for Impairment	(vi)	1,392	-	-	1,392
Disposals		-	(1,267)	(10,539)	(11,806)
At 31 December 2010		11,457	3,914	16,194	31,565
Net book amounts					
At 31 December 2010		1,355,038	8,433	12,290	1,375,761
At 31 December 2009		1,333,603	8,880	5,762	1,348,245

9. Tangible Assets - continued

(i) Tangible assets taken over from the Department of Agriculture, Marine 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, Marine and Food. Subsequent additions are stated at cost.

(ii) Additions to forests and land comprised €0.93m (2009:€0.63m) for afforestation, €18.08m (2009:€17.83m) for reforestation, €13.36m (2009:€11.30m) for other capital work and €1.02m (2009:€1.74m) 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 €6,000 (2009: €18,000). The depreciation charge for capitalised leased assets for the year ended 31 December 2009 was €12,000 (2009: €30,000).

(vi) Tangible assets are reviewed for impairment if events or changes in circumstances indicate that their carrying value may be impaired. During 2010, 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 €1.4m (2009: €3.1m) in the Group profit and loss account.

10. Financial Assets

(a) Group

	Associated Undertakings	**Joint Venture (ii)**	**Other Investments**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Unlisted shares				
At 1 January 2010	(151)	-	1,434	1,283
Revaluation of investments	-	-	(12)	(12)
Share of associate losses (note 29)	(50)	-	-	(50)
At 31 December 2010	(201)	-	1,422	1,221

Notes to the Financial Statements

10. Financial Assets - continued

(b) Company

	Subsidiary Undertaking €'000	Associated Undertaking €'000	Joint Venture €'000	Other Investments €'000	Total €'000
Unlisted shares					
At 1 January 2010	78,856	-	-	1,434	80,290
Revaluation of investments	-	-	-	(12)	(12)
At 31 December 2010	78,856	-	-	1,422	80,278
Loans , advances and trading balances					
At 1 January 2010	(9,565)	124	21,434	-	11,993
Movements	(2,635)	15	(21,434)	-	(24,054)
At 31 December 2010	(12,200)	139	-	-	(12,061)
Net investment					
At 31 December 2010	66,656	139	-	1,422	68,217
At 31 December 2009	69,291	124	21,434	1,434	92,283

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 2010 the Group held 471,516 units which were readily realisable and were marked to market.

(ii) During 2010 the Group disposed of its 50% shareholding (being nominal amount of €1) in Garvagh Glebe Windpower Limited to its joint venture partner, ESB Power Generation Holding Company Limited, for €193,079. All trading loan balances were repaid in full to the Group.

(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.

Notes to the Financial Statements

11. Intangible assets

	2010	2009
	€'000	€'000
At 1 January	814	931
Amortised during year (note i)	(118)	(117)
At 31 December	696	814

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

12. Stocks

	Group		Company	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Raw material and consumables	8,016	8,794	4,763	6,269
Non critical spare parts (net of provisions)	1,593	2,753	-	-
Goods for resale	7,840	5,915	-	-
	17,449	17,462	4,763	6,269

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.

13. Debtors

	Group		Company	
	2010	2009	2010	2009
Amounts falling due within one year	€'000	€'000	€'000	€'000
Trade debtors	37,593	31,322	15,851	13,538
Grants receivable	2,339	2,845	2,339	2,845
Other debtors and prepayments	13,714	12,615	12,674	11,577
	53,646	46,782	30,864	27,960
Amounts falling due after one year				
Joint venture loan	-	21,434	-	-
	53,646	68,216	30,864	27,960

14. Trade creditors and accruals

	Group		Company	
	2010	2009	2010	2009
Amounts falling due within one year	**€'000**	**€'000**	**€'000**	**€'000**
Bank overdrafts (note 16)	-	21,128	-	21,025
Finance leases (note 16)	6	22	-	-
Trade creditors	7,628	9,713	5,328	7,164
Taxation and social welfare (note 15)	4,806	8,806	3,428	7,120
Accruals and deferred income	33,666	27,235	22,874	17,278
	46,106	66,904	31,630	52,587
Capital grants deferred (note 22)	327	341	39	70
	46,433	67,245	31,669	52,657

15. Taxation and social welfare

	Group		Company	
	2010	2009	2010	2009
Taxation and social welfare comprise:	**€'000**	**€'000**	**€'000**	**€'000**
PAYE/PRSI	1,948	2,042	1,272	1,033
VAT	1,854	2,579	1,240	1,960
Corporation and capital gains tax	944	3,149	876	3,126
Other	60	1,036	40	1,001
	4,806	8,806	3,428	7,120

16. Loans and other debt

	Group		Company	
	2010	2009	2010	2009
	€'000	**€'000**	**€'000**	**€'000**
Wholly repayable within 1 year				
Overdraft	-	21,128	-	21,025
Finance lease	6	22	-	-
	6	21,150	-	21,025
Repayable between 2 and 5 years (note 17)				
Loans	160,000	157,700	160,000	157,700
Total loans and other debt	160,006	178,850	160,000	178,725

17. Creditors

	Group		Company	
	2010	2009	2010	2009
Amounts falling due after one year:	**€'000**	**€'000**	**€'000**	**€'000**
Loans	160,000	157,700	160,000	157,700
Capital grants deferred (note 22)	2,012	2,359	200	243
	162,012	160,059	160,200	157,943

18. 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 10.

(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:

	2010		2009	
	€'000	**%**	**€'000**	**%**
Fixed rate financial liabilities	45,006	28	100,022	56
Floating rate financial liabilities	115,000	72	78,828	44
(note 16)	160,006	100	178,850	100
Weighted average fixed debt interest rates		6.80%		4.32%
Weighted average fixed debt period – years		2.6		1.0

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. In certain circumstances the Group may fix a percentage outside of this band and at the end of 2010, 28% of debt was fixed (2009:56%). In order to ensure against any long term exposure to interest rate movements the Group entered into a number of fixed interest rate contracts in March 2010. This enabled the Group to benefit from floating interest rates until 8 January 2011 while ensuring that fixed cover would apply to 63% of its debt thereafter.

Notes to the Financial Statements

18. 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 means that a 1% increase in interest rates would cost the Group €1,150,000 (2009: €788,000) in additional interest charges per annum.

(c) Liquidity risk:

The maturity profiles of debt as at 31 December 2009 and 2010 are as follows:

	2010		2009	
Repayable:	**€'000**	**%**	**€'000**	**%**
In one year or less	6	1	21,150	12
Between two and five years	160,000	99	157,700	88
Total	160,006	100	178,850	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 €95.3m (2009: €18.8m) as at 31 December 2010.

(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)	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Assets:	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Financial assets	1,422	1,434	1,422	1,434	-	-
Cash	9,428	1,497	9,428	1,497	-	-
Liabilities:						
Overdrafts	-	21,128	-	21,128	-	-
Floating rate debt	160,000	157,700	160,000	157,700	-	-
Finance leases	6	22	6	22	-	-
Derivatives:						
Interest rate swaps	-	-	(2,541)	(3,127)	(2,541)	(3,127)
Foreign exchange contracts	-	-	831	(87)	831	(87)

18. Financial instruments (continued)

(e) Currency contracts: (Sterling)

At 31 December 2010, the Group had entered into Euro / Stg£ foreign exchange contracts for the sale of the total principal amount of Stg £35.8 million at the rate of 0.8441. There was a gain of €818,642 on sterling forward contracts marked to market at 31 December 2010.

At 31 December 2010, the Group had Euro / Stg £ foreign exchange options and collars for the sale of the total principal amount of Stg £2.2 million at the rate of 0.8770. There was a profit of €12,011 on these instruments as at 31 December 2010.

(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	2010 Total	2009 Total
	€'000	**€'000**	**€'000**	**€'000**
Unrecognised gains and (losses) on hedges at 1 January 2010	-	(3,214)	(3,214)	300
Gains and (losses) arising in previous years recognised prior to 1 January 2010	-	1,280	1,280	(2,323)
Gains / (losses) arising in 2010 that were not recognised prior to 1 January 2010	831	(607)	224	(1,191)
Unrecognised gains and (losses) on hedges at 31 December 2010	831	(2,541)	(1,710)	(3,214)
Expected to mature:	**€'000**	**€'000**	**€'000**	**€'000**
Within one year	831	348	1,179	(341)
After one year	-	(2,889)	(2,889)	(2,873)
	831	(2,541)	(1,710)	(3,214)

Notes to the Financial Statements

19. Provisions for liabilities and charges

	Group		Company	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Legal and other provisions	3,876	3,049	2,612	3,049
Deferred taxation excluding deferred taxation on pension deficit	3,609	2,913	296	299
	7,485	5,962	2,908	3,348

a) Legal and other provisions

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

	Group		Company	
	2010	2009	2010	2009
Legal and other provisions	€'000	€'000	€'000	€'000
At 1 January	3,049	3,093	3,049	3,093
Net movements	827	(44)	(437)	(44)
At 31 December	3,876	3,049	2,612	3,049

b) Deferred tax

	Group		Company	
Deferred taxation excluding deferred taxation	2010	2009	2010	2009
on pension liability	€'000	€'000	€'000	€'000
At 1 January	2,913	3,635	299	296
Net movements (note 7)	696	(722)	(3)	3
At 31 December	3,609	2,913	296	299

No asset has been recognised for deferred tax of €4,709,000 (2009: €5,260,000) 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.

	Group		Company	
	2010	2009	2010	2009
Deferred taxation arising on pension deficits	€'000	€'000	€'000	€'000
At 1 January	(2,180)	(2,617)	(1,678)	(1,874)
Net movement recognised in STRGL	(605)	458	(502)	196
Net movement recognised in Profit & Loss	(3)	(21)	-	-
At 31 December	(2,788)	(2,180)	(2,180)	(1,678)

Notes to the Financial Statements

20. Called up share capital

	2010	2009
	€'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.

21. Reserves

	Grant Reserve	
	2010	2009
	€'000	€'000
At 1 January	149,610	148,834
Net movement in forestry grants (note 26)	1,663	776
At 31 December	151,273	149,610

	Profit and Loss Account	
	2010	2009
	€'000	€'000
Parent company	258,529	244,451
Subsidiary undertakings	13,744	12,369
Associated undertaking	(201)	(151)
	272,072	256,669

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.

22. Forestry and other grants

(a) Group

			2010			2009
	Forestry	Other	Total	Forestry	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January	149,610	2,700	152,310	148,834	1,895	150,729
Receivable during year	2,157	-	2,157	2,242	1,150	3,392
	151,767	2,700	154,467	151,076	3,045	154,121
Amortised during year	(494)	(361)	(855)	-	(345)	(345)
Amortisation related to immature forest sales (note 5)	-	-	-	(1,466)	-	(1,466)
At 31 December	151,273	2,339	153,612	149,610	2,700	152,310

(b) Company

			2010			2009
	Forestry	Other	Total	Forestry	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January	149,610	313	149,923	148,834	386	149,220
Movement	2,157	-	2,157	2,242	-	2,242
	151,767	313	152,080	151,076	386	151,462
Amortised during year	(494)	(74)	(568)	-	(73)	(73)
Amortisation related to immature forest sales (note 5)	-	-	-	(1,466)	-	(1,466)
At 31 December	151,273	239	151,512	149,610	313	149,923

22. Forestry and other grants (continued)

Other grants (notes 14 and 17)

The period over which other capital grants will be amortised is as follows:

(a) Group

		2010		2009
	€'000	€'000	€'000	€'000
Within 1 year		327		341
Between 2 and 5 years	1,227		1,202	
Over 5 years	785		1,157	
		2,012		2,359
		2,339		2,700

(b) Company

		2010		2009
	€'000	€'000	€'000	€'000
Within 1 year		39		70
Between 2 and 5 years	75		115	
Over 5 years	125		128	
		200		243
		239		313

23. Future capital expenditure not provided for

	2010	2009
	€'000	€'000
Contracted for	-	-
Authorised by the Directors but not contracted for	64,764	43,973
At 31 December	64,764	43,973

24. Contingencies and commitments

(a) Government grants

A contingent liability of €52,835,000 (2009: €63,355,000) 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 €'000	**Machinery & equipment €'000**	**Total 2010 €'000**	**Total 2009 €'000**
Within one year	40	30	70	60
Between two and five years	265	183	448	460
Over five years*	395	-	395	497
	700	213	913	1,017

* Included within the commitments for land and buildings, Smart*Ply* Europe Limited leases 60 acres on which its facility is constructed from Waterford Harbour Commissioners and Kilkenny County Council. The lease agreement expires in 2034, it is renewable at five 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 2010 the Company was committed to making an annual payment of €112,000 (2009: €112,000) 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.

Notes to the Financial Statements

25 Notes to the Group Cashflow Statement

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

	Notes	2010 €'000	2009 €'000
Operating profit		44,673	19,346
Depreciation	2	10,259	8,961
Depletion	9	9,101	18,439
Impairment of fixed assets	9(vi)	1,392	3,100
Amortisation of goodwill	11	118	117
Impairment of associate		-	144
Profit on sale of tangible fixed assets	25(d)	(8,895)	(15,906)
Revaluation of IForUT units	10	12	153
Amortisation of grants	22	(855)	(345)
Disposal of shareholding in JV	10	(193)	-
Amortisation of grants related to immature sales	5	-	(1,466)
Movement in provisions and liabilities	19	827	(44)
Movement in pension fund liability		(3,060)	(11,465)
Movement in working capital			
Decrease in stocks	25(g)	13	5,585
Decrease/(increase) in debtors	25(g)	14,064	(7,218)
Increase/(decrease) in creditors	25(g)	3,996	(8,258)
		71,452	11,143

(b) Interest paid and received

		2010 €'000	2009 €'000
Interest charge	6	9,274	8,530
Interest received	6	(614)	(83)
Movement of interest accrual	25(g)	1,445	(1,952)
		10,105	6,495

(c) Additions to tangible fixed assets

		2010 €'000	2009 €'000
Fixed asset additions	9	45,474	40,698
Less: non cash consideration (depreciation)		(102)	(72)
		45,372	40,626

25 Notes to the Group Cashflow Statement - continued

(d) Sale of tangible fixed assets

	Notes	2010 €'000	2009 €'000
Net book value of assets sold	9	1,868	658
Profit on disposals of assets		8,895	15,906
Cash consideration		10,763	16,564

(e) Analysis of changes in financing during the year

	Share Capital €'000	Share Capital Conversion €'000	Capital Grants €'000	Finance Lease Obligations €'000
At 1 January 2010	795,060	6,145	152,310	22
Capital grants received	-	-	2,663	-
Repayment of finance leases	-	-	-	(16)
Movement in capital grants receivable	-	-	(506)	-
Capital grants amortised	-	-	(855)	-
At 31 December 2010	**795,060**	**6,145**	**153,612**	**6**

(f) Analysis of movement in net debt

	Balance 1 Jan €'000	Cash Flows €'000	Balance 31 Dec €'000
Cash at bank	1,497	7,931	9,428
Bank overdraft	(21,128)	21,128	-
	(19,631)	29,059	9,428
Debt due within one year	(22)	16	(6)
Debt due after one year	(157,700)	(2,300)	(160,000)
	(177,353)	26,775	(150,578)

25 Notes to the Group Cashflow Statement - continued

(g) Analysis of movement in working capital

	Balance 1 Jan €'000	Balance 31 Dec €'000	Cash Flows €'000
Stock	17,462	17,449	13
Debtors	68,216	53,646	14,570
Less capital grants receivable	(2,845)	(2,339)	(506)
	65,371	51,307	14,064
Creditors (excluding corporation tax, capital grants, overdrafts and leases)	42,605	45,156	2,551
less: accrued interest	(3,690)	(2,245)	1,445
	38,915	42,911	3,996

(h) Reconciliation of net cashflow to movements in net debt

	2010 €'000	2009 €'000
Increase/(decrease) in cash in the period	29,059	(10,527)
Cash outflow on finance leases	16	61
Cash inflow on bank loans	(2,300)	(5,700)
	26,775	(16,166)
Net debt at the beginning of the year	(177,353)	(161,187)
Net debt at the end of the year	(150,578)	(177,353)

26. 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 2010	795,060	6,145	149,610	256,669	1,207,484
Retained profit for the year	-	-	-	32,148	32,148
Actuarial gain recognised on pension schemes	-	-	-	(17,350)	(17,350)
Deferred tax related to actuarial loss	-	-	-	605	605
Net movement in forestry grants	-	-	1,663	-	1,663
At 31 December 2010	**795,060**	**6,145**	**151,273**	**272,072**	**1,224,550**

27. Related party transactions

(a) The ownership of the company
One ordinary share is held by the Minister for Agriculture, Marine and Food and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform.

(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 €3.5m in 2010 and amounts due from these entities to the Group at 31 December 2010 for these goods, property and services amounted to €2m.

(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 €11.6m in 2010 and amounts due to these entities at 31 December 2010 for these goods and services amounted to €0.6m.

(d) Transactions with state controlled financial institutions
The Group have loan facilities of €40m with Allied Irish Banks plc (A.I.B.) as part of a syndicated loan agreement which includes a number of financial institutions. Interest payments in relation to the drawn balances amount to €1.7m for 2010. At 31 December 2010 the Group had entered into Eur/Stg£ foreign exchange contracts with A.I.B. for the sale of the principal amount of Stg £21.7 million at the rate of 0.8425. The Group also had €35m of interest rate swaps in place with A.I.B. at a weighted average interest rate of 2.63%.

(e) 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 €nil (2009: €0.04m), the balance due from this company at 31 December 2010 for these goods and services was €Nil (2009: €nil).

Garvagh Glebe Windpower Limited
During 2010 the Group disposed of its 50% shareholding in Garvagh Glebe Windpower Limited to its joint venture partner, ESB Power Generation Holding Company Limited for €193,079. The Group advanced loans of €4m to Garvagh Glebe Windpower Limited in 2010 (2009: €15.2m). All loan balances were repaid when the Group disposed of its interest in the joint venture company.

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

28. Subsidiary, associated undertakings and Joint Ventures

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

Associated Undertaking	% Held	Principal Activities	Registered Office and Country of Incorporation
Moylurg Rockingham Limited	50	Forest recreation	Lough Key Forest and Activity Park, Boyle, Co. Roscommon, Ireland

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.

29. 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.

	2010	2009
	€'000	€'000
Share of turnover	508	435
Share of the loss after tax *	(50)	(50)
Share of fixed assets	4,111	4,333
Share of current assets	125	444
Share of creditors due within one year	(130)	(291)
Share of creditors due after one year	(4,307)	(4,637)
Share of net assets	(201)	(151)

* There was no tax charge during the period.

30. Joint Venture – Garvagh Glebe Windpower Limited.

During 2010 the Group disposed of its investment in the joint venture with ESB Power Generation Holding Company Limited which had the purpose of trading in wind energy. The following disclosure represents the Group's share of amounts included in the financial statements of Garvagh Glebe Windpower Limited. The Company was incorporated on 20 June 2008 and it was included in the consolidated financial statements as a joint venture using the gross equity method of accounting.

	2010	**2009**
	€'000	**€'000**
Share of turnover	-	-
Share of the loss after tax *	-	-
Share of fixed assets	-	20,500
Share of current assets	-	2,109
Share of creditors due within one year	-	-
Share of creditors due after one year	-	(22,609)
Share of net assets	-	-

* There was no tax charge during the period.

31. Approval of Financial Statements

The Directors approved the financial statements on **31 March 2011.**

5 Year Performance (Unaudited figures)

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Profit and loss account					
Turnover	250,399	206,865	249,475	318,128	213,789
Operating profit before exceptional items	46,065	817	20,543	64,198	32,275
Exceptional items	(1,392)	18,529	549	(10,272)	-
Operating profit	44,673	19,346	21,092	53,926	32,275
Share of losses of joint ventures/associates	(50)	(50)	(50)	(38)	(4)
Finance charge	(11,168)	(11,780)	(9,437)	(7,481)	(5,014)
Profit before taxation	33,455	7,516	11,605	46,407	27,257
Taxation	(1,307)	(3,273)	(2,399)	(6,279)	(4,793)
Profit after taxation	32,148	4,243	9,206	40,128	22,464
Dividend Paid	-	-	(2,600)	-	-
Retained earnings	32,148	4,243	6,606	40,128	22,464
Balance sheet					
Fixed assets	1,446,339	1,423,767	1,414,763	1,396,214	1,363,490
Current assets	80,523	87,175	87,302	102,423	106,329
Creditors: amounts falling due within one year	(46,433)	(67,245)	(93,669)	(65,190)	(65,234)
Net current assets/(liabilities)	34,090	19,930	(6,367)	37,233	41,095
	1,480,429	1,443,697	1,408,396	1,433,447	1,404,585
Creditors: Amounts falling due after one year	(162,012)	(160,059)	(120,858)	(157,409)	(175,338)
Pension Fund Liability	(86,382)	(70,192)	(82,614)	(66,346)	(71,092)
Provisions for liabilities and charges	(7,485)	(5,962)	(4,111)	(5,812)	(5,469)
	1,224,550	1,207,484	1,200,813	1,203,880	1,152,686
Financed by:					
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	272,072	256,669	250,774	257,090	210,913
Grant reserve	151,273	149,610	148,834	145,585	140,568
Shareholders' funds	1,224,550	1,207,484	1,200,813	1,203,880	1,152,686

Corporate Information

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Company Secretary
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Ulster Bank
Barclays Bank Ireland plc
Allied Irish Banks plc
HSBC Bank plc
Rabobank Ireland plc

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