COILLTE

GROW · TRANSFORM · SUSTAIN

ANNUAL REPORT & ACCOUNTS 2016

COILLTE

GROW · TRANSFORM · SUSTAIN

OUR VISION

To be the best forestry and land solutions company in Europe

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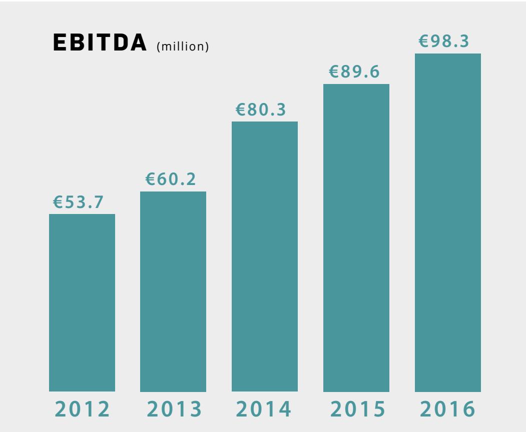
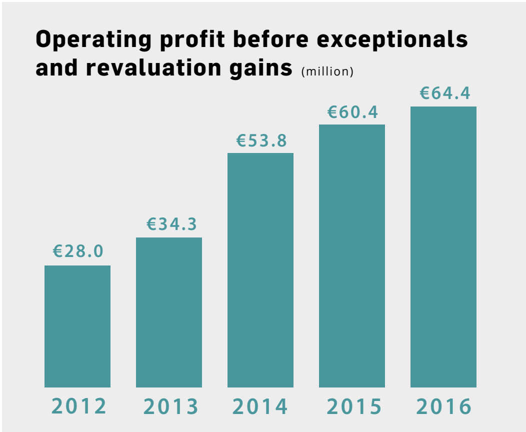
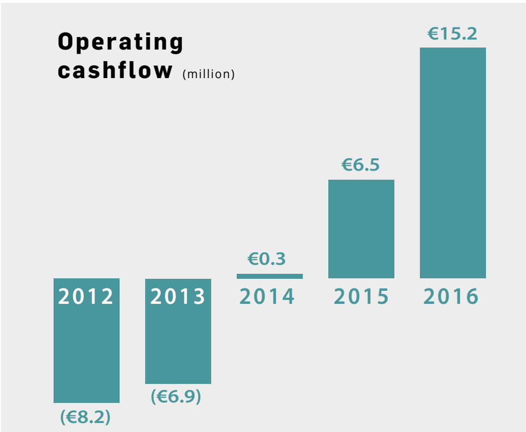
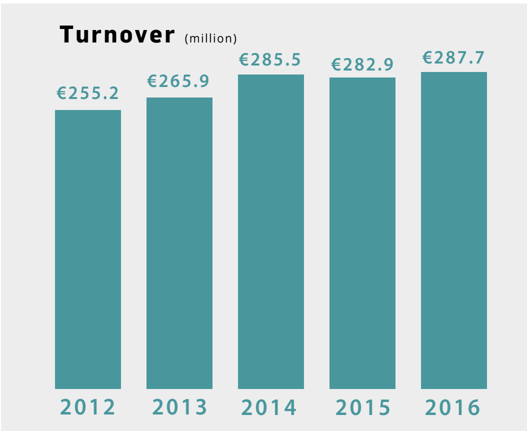


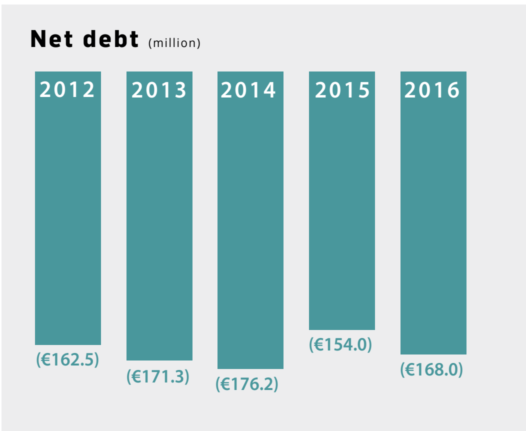




"We have set ourselves the challenge of more than doubling operating cash over the next two years"

Fergal Leamy, Chief Executive





2016 Highlights

Achieved EBITDA of

€98.3m

Delivered Operating Cash of

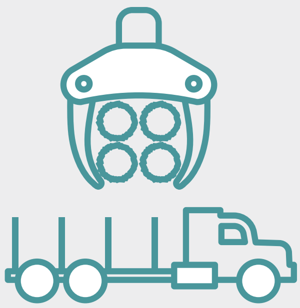
€15.2m

Increased 2.5 times year on year

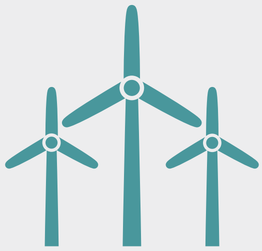
Sold

1.6m m^3 of logs

Highest in 10 years



Raheenleagh Wind Farm



Exporting power to national grid

Planted

19m trees

15% increase on 2015

Wind Farm Investment

€400m

Total investment with our partners

Refinancing Agreements

€260m

Over €3m interest cost savings per year

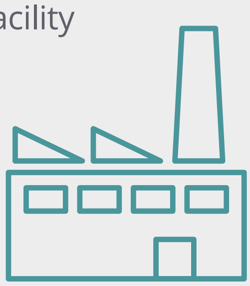
Restructured our Business

Targeted overhead savings of €15m per annum

Commissioned New

€59m

Smartply manufacturing facility



Chairman's Statement

John Moloney
Chairman

> Continued strong growth in operating cashflows is imperative to ensure that we achieve a consistent cash yield of 5% on our €1.4 billion asset by 2020

I am pleased to report that 2016 was a significant year of progress for Coillte. The Group successfully implemented the second year of its ambitious strategy which will transform its commercial performance, enabling a stronger financial return to our shareholder and supporting the delivery of world class environmental and recreational facilities that have important local and global impacts.

For 2016 the Group delivered a very strong financial performance. EBITDA increased by 10% to €98.3 million and operating profit before exceptional items and revaluation gains grew by 6.6% to €64.4 million. A key focus of our new strategy is to grow operating cashflows which increased to €15.2 million compared to €6.5 million in 2015. Continued strong growth in operating cashflows is imperative to ensure that we achieve a consistent cash yield of 5% on our €1.4 billion asset by 2020. The Board approved a dividend payment of €6.2 million to our shareholder which represents an increase of 24% compared to 2015. As well as increasing the financial return to our shareholder, Coillte continued to deliver exceptional environmental and social benefits to the people who enjoy our forests.

Strategy

The business has set key operational and financial goals that will transform the Group's commercial performance. During 2016 considerable progress was made towards achieving these ambitious targets.

In 2016 the business was restructured into three autonomous divisions and a lean centre. A new operating executive team was put in place and strong leadership teams, with high calibre individuals, were embedded across the organisation. The primary objective of this restructuring is to ensure that we have the right organisational structure in place to deliver on our strategy and to align the Group's overhead costs with industry best practice.

A new financing agreement was secured that will underpin our strategic objectives over the next five years. This new financing arrangement is much more aligned with the longer term nature of our assets and will allow us to invest in areas that previously did not make commercial sense including afforestation and immature forestry plantations.

Overall, our three business divisions are well positioned within their markets to deliver on the five year targets they committed to in 2015.

Forestry at our core

Forestry is our core business. We plan to grow this business and improve the commercial return from our forestry investments so that we achieve a long-term cash yield that is best in class in Europe. We have benchmarked extensively to define this goal.

The renewed focus within the business to grow revenues and increase sustainable operating cash flows, by working more closely with customers and deploying world class strategic planning technologies, led to a record operational performance in 2016. The business sold 1.6 million m^3 of logs to our sawmill customers and planted 19 million trees over 7,800 hectares, which represents the highest level of sales and forest establishment achieved in 10 years. Our ability to optimise the level of timber supply from our estate, combined with our world class timber sales system introduced in 2015, provides our customers with greater certainty of supply and reduces log price volatility. This in turn gives them the confidence to invest in their own processing facilities, supports their expansion in export markets and helps to secure downstream employment in Ireland.

Over the next 10 years, the forestry industry has the potential to double in size and Coillte will play a leadership role in shaping and driving this growth. We plan to become actively involved in providing sustainable solutions to private forestry owners that will drive the mobilisation of private forestry supply in Ireland. In 2017 we will be introducing a private forestry partnership initiative – Coillte Premium Partners - that will provide private forestry owners with an annual premium income and sustainable forestry management services.

Forestry also has a critical role to play in mitigating the impact of greenhouse gases and climate change by storing carbon in the trees and soil. By managing our forests in a sustainable manner, Coillte remove the equivalent of 1.1 million tonnes of carbon dioxide from the atmosphere every year. Over the coming years Coillte will increase this contribution by stimulating afforestation within Ireland and helping to increase the 11% forestation cover in Ireland today to as much as 14% in the coming years.

Value-added wood panel products

Our wood based panels business, MEDITE SMARTPLY, is a leading supplier of innovative, market led MDF and OSB value-added products. This business complements our core forestry business by providing an important outlet of scale for pulpwood from Coillte and private forests and for woodchips, which are a co-product of sawmill operations. Our objective is to operate this business independently in its own right and for the business to be recognised as a European leader based on its value-added business model.

In 2016 the business successfully commissioned its new €59 million Smartply OSB manufacturing facility at Belview, Waterford Port. This new plant underpins its differentiated, value-added business model which will improve MEDITE SMARTPLY's competitive position and its ability to meet new customer demands.

During 2016 the business continued to invest heavily in new product development and made strong progress in developing its sales and marketing capability to service its European and global customers with a range of new products. MEDITE SMARTPLY also delivered significant savings in operating overhead by successfully implementing its first operational excellence programme.

Along with global partners, BP and Accsys Technologies, in March 2017 MEDITE SMARTPLY finalised a €68 million investment to enable the construction of the world's first wood chip acetylation plant. These wood chips will be used to produce our MEDITE® TRICOYA® EXTREME product that can be used for a wide range of applications previously limited to products such as concrete, metal or plastics.

Realising value from our land assets

Coillte owns and manages approximately 7% of the country's land. Our Land Solutions division is primarily focused on developing an active portfolio asset management business, driven by market and customer insights, that will generate sustainable, recurring cash flows from this land. It provides commercial land solutions that support the delivery of Government policies, in areas such as renewable energy, tourism and infrastructure, without diminishing the wood production or carbon sequestration potential of our forest estate.

2016 was another significant year for Coillte in renewable energy. Working with our wind farm partners - ESB, Scottish and Southern Renewables (SSE) and Bord na Móna – we made strong progress in developing our 230MW wind farm portfolio. Raheenleagh Wind Farm, Co. Wicklow started exporting power to the national grid. This wind farm is an excellent example of the multiple uses of our forestry assets. It is the first wind farm in Ireland to combine an operational wind farm with commercial forestry and full public access to recreational facilities. We reached financial close on Castlepook Wind Farm, Co. Cork bringing the total investment value in our wind farm joint ventures over the last 18 months to €400 million. Cloosh Valley, Co. Galway, the largest wind development in Ireland and Sliabh Bawn Wind Farm, Co. Roscommon are both on track to become operational in 2017.

In 2016 we finalised the sale of land to IDA Ireland to facilitate the location of an Apple data centre in Co. Galway and the sale of land to Center Parcs to develop a premier holiday resort in Co. Longford. These transactions represent two of the largest foreign direct investments in Ireland and will support economic development and provide jobs in rural areas of Ireland where alternative employment opportunities may be limited.

2017 Outlook

While current economic uncertainties, including Brexit, create a more challenging operating environment, Coillte is reasonably well positioned to build further on the strong progress we have made over the last two years. Global demand for high quality wood fibre, sustainable low carbon building products and renewable energy is increasing and this creates a number of growth opportunities for our business. Maintaining a strong focus on our clear strategic goals and objectives, leveraging our brand proposition and strengthening relationships with our key customers and partners will ensure that we continue to transform and grow our business, while at the same time providing world class environmental and recreational services.

Thanks

I would like to offer my congratulations and thanks to my Board colleagues, our Chief Executive Fergal Leamy and all our people throughout the organisation for their contribution and commitment during 2016. The quality of our people is a core strength for Coillte and it is their continued dedication and hard work that will enable the delivery of our ambitious strategy.

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

On behalf of the Board and myself I want to acknowledge the support of our shareholders, the Minister for Agriculture, Food and the Marine, Mr. Michael Creed TD and the Minister for Public Expenditure and Reform, Mr. Paschal Donohue TD and their officials. I would also like to thank Minister of State, Mr. Andrew Doyle TD for his ongoing encouragement and assistance during 2016. During the year, the Group continued to interact regularly with NewERA in its role as commercial advisors to the shareholders. In this regard I would also like to thank Dr. Eileen Fitzpatrick, Director of NewERA and her officials for their support and guidance.

John Moloney
Chairman

Forest harvesting site

Chief Executive's Review

Fergal Leamy,
Chief Executive

> I am delighted to say that 2016 saw us deliver real progress, we increased our operating cashflow by 130% to €15 million and increased our EBITDA by 10% to €98 million

I am delighted to report that Coillte enters 2017 with good momentum having achieved significant progress in 2016. Despite challenging external market events, such as Brexit, we are on track versus the ambitious five year targets we set for the Group in 2015. Our three businesses are well positioned in the markets they play in and each has made significant progress over the last couple of years to strengthen their propositions and customer focus.

We are creating stronger businesses that will be more robust into the future. 2016 was a very significant year of progress as we successfully implemented the second year of our ambitious transformation strategy to become the best forestry and land solutions company in Europe. We have set clear strategic objectives and financial targets for the next 5 years that will ensure we achieve our vision and transform our business from one that makes a minimal return on investment historically to one that drives a consistent 5% return from our €1.4 billion asset base by 2020. As I outlined in last year's report, the biggest challenge we face as a Group is to generate a positive cashflow from recurring operations and by doing so increase the return to our shareholder. I am delighted to say that 2016 saw us deliver real progress on this challenge as we increased our operating cashflow by 130% to €15.2 million and increased our EBITDA by 10% to €98.3 million. We still have a significant challenge ahead to hit the targets we have set ourselves, however we are encouraged by the progress we have made to date and the fact that we are beginning to see the results from the successful execution of our strategy.

Importantly during 2016 we also made a number of significant changes and investments that will be critical enablers to the future success of our business:

- We fundamentally restructured our business to three autonomous business divisions which has resulted in a significant shift in our Group's cost base and will help unlock targeted overhead savings of €15 million per annum by 2020

- We appointed and are embedding strong leadership teams across the Group who will drive our new strategy
- We successfully secured more favourable financing facilities for up to €260 million that will underpin the Group's strategy for the next 5 years and will result in interest cost savings of over €3 million per annum
- We continued to invest strongly in our forestry assets and in leading edge technology across the Group that will help improve our operational performance
- We completed the €59 million investment in Smartply that will enable us to move to a value-added model in that business
- We completed investments totalling €160 million alongside our partners in our first two wind farms in Raheenleagh and Sliabh Bawn

Operational and Financial Performance

Reflecting on our operational and financial performance during the year, I am pleased to report that 2016 was a record year for Coillte.

Our core forestry business sold 1.6 million m^3 of logs to our sawmill customers, which was the highest level of sales achieved in 10 years. Our wood panels manufacturing business, MEDITE SMARTPLY, commissioned its new €59 million Smartply manufacturing facility and achieved the highest level of Medite MDF sales volumes ever. Our Land Solutions business completed the construction of Raheenleagh Wind Farm in County Wicklow, a joint venture with ESB. This is the first wind farm in Ireland to combine an operating wind farm with commercial forestry and full public access to recreational facilities.

We delivered a very strong financial performance in 2016. Most notably we increased our operating cash to €15.2 million, which represents growth of 130% on 2015. Historically operating cash has been negative or breakeven. The significant growth in operating cash gives us further confidence that we will achieve our 5% cash yield target by 2020. Operating profit before exceptional items and revaluation gains increased by 6.6% to €64.4 million. EBITDA of €98.3 million is up 10% on the previous year and represents growth of 22% over the last two years. Revenue earned of €287.7 million is 1.7% ahead of last year and represents another record result for Coillte.

A dividend of €6.2 million for 2016 was paid to our shareholder, which represents a significant increase on last year and is reflective of our improved operational and financial performance.

Our Businesses

Coillte manages a forest and land estate of over 440,000 hectares, which is equivalent to approximately 7% of the country's land. From this land we operate three strong businesses, our core forestry business, our wood panels manufacturing business, MEDITE SMARTPLY, and our Land Solutions business. During 2016 each of these businesses made excellent progress and achieved a number of their strategic milestones. The Managing Director of each of these businesses report their performance in more detail elsewhere.

Our core forestry division has the potential to be the best forestry company in Europe and we plan to increase the return on this business from 1% today to 3.5% by 2020.

During 2016 the forestry business made excellent progress towards achieving their strategic ambitions. Log sales to our sawlog customers increased 25% from 2015 to 1.6 million m^3, which is the highest sales level achieved in 10 years. Furthermore, 19 million trees were planted over 7,800 hectares, an increase of 15% on last year and the highest level of forest establishment completed in over 10 years. The record growth in our supply capabilities has been enabled by world class strategic resource planning technologies, which have been deployed to substantially improve our production operations. This provides our customers with further assurance that we can guarantee security of supply and gives them the confidence to invest and expand their own processing capabilities.

Our customers are an integral part of our supply chain. We will continue to work more closely with them to understand their needs and deliver products and services that will support their expansion in export markets. With over 70% of Irish timber products exported to the UK every year, the uncertainty created by Brexit poses a number of challenges for the forestry industry. During 2016 Coillte established a Timber Industry Brexit Forum with key industry stakeholders to identify ways that the forestry sector can minimise the potential adverse impact of Brexit and ensure that the industry delivers on its growth potential.

Currently the Irish forestry sector supports 12,000 rural based jobs in Ireland and contributes approximately €2.3 billion to the economy every year. Over the next ten years the industry has the potential to double in size with significant growth coming from privately owned forests. Coillte will play a leadership role in driving this growth. One initiative we are launching in 2017 to help mobilise private forestry is our Coillte Premium Partners service. This partnership offers private forestry owners an annual payment, professional forest management services and a share of profits at forest clearfell in return for Coillte acquiring the felling rights to the private forest plantation.

As Ireland's largest natural resources company we also have an important responsibility to make sure that we maintain the highest environmental credentials and provide the public with first class recreational facilities. A strong commercial return from our business enables us to deliver on this responsibility. In 2016 we made strong progress on our tourism and recreation strategy, securing a €550k partnership deal with Fáilte Ireland to develop key attraction destinations throughout Ireland.

Our panel manufacturing business MEDITE SMARTPLY, based in the south-east of Ireland, is the leading supplier of innovative, market led MDF and OSB timber products. This business has the potential to be the leading player in value-added wood panel products in Europe.

In 2016, MEDITE SMARTPLY successfully completed and commissioned its new Smartply manufacturing facility, which will be a key enabler for the business to achieve its value-added product strategy. To date the business has made strong progress on its commercialisation plan, securing new volume and valued-added sales and expanding into new European markets.

2016 was also a record year for Medite, with strong growth in MDF sales across all markets leading to the highest volume of MDF sales achieved in the history of the business. Medite successfully completed its first operational excellence programme resulting in significant operating overhead savings.

In March 2017, we completed a €68 million deal with global partners, BP and Accsys Technologies, to build the world's first Tricoya® wood chip manufacturing plant in the UK. This plant will enable us to significantly increase the production and sales of our innovative MEDITE® TRICOYA® EXTREME product which can be used in many exterior and wet area applications.

As we move our product sales mix from low return, commodity products towards higher return, value-added products a key challenge for us will be to have an in-depth understanding of our markets and stay ahead of the curve. To support the new value-added strategy, the division has rebranded to MEDITE SMARTPLY. This new brand positions MEDITE SMARTPLY as innovative, market led, industry leaders.

Our Land Solutions division has the potential to be a leader in providing innovative land solutions across a broad range of infrastructure sectors that support national policy objectives.

Over the next 5 years we will transform this business from one that previously relied on large one-off land sales transactions to one that has a strong pipeline of initiatives that generate sustainable, recurring income streams.

Key Figures

€15 million	5% return	€260 million	€59 million
Operating Cash 130% increase from 2015	on €1.4 billion asset by 2020	financing arrangements agreed	investment in new Smartply manufacturing facility

2016 was another really significant year for our renewables business. Raheenleagh Wind Farm in Co. Wicklow, a joint venture with ESB, started exporting power to the national grid and is the first wind farm in Ireland to combine an operating wind farm with commercial forestry and full public access to recreational amenities. We continued to make excellent progress on Cloosh Valley Wind Farm in Co. Galway, a joint venture with SSE and the largest wind development in Ireland and on Sliabh Bawn Wind Farm in Co. Roscommon, a joint venture with Bord na Móna. Both of these wind farms will become operational in 2017. We also reached financial close on Castlepook Wind Farm in Co. Cork, a joint venture with ESB. This is the fourth wind project we have financially closed on in the last 18 months and brings the total investment value in these wind farms to €400 million. Working with our partners we are now well positioned to achieve our ambition of having 320MW of installed capacity providing power for over 300,000 homes by 2019.

In 2016 we completed substantial land transactions with Centre Parcs and IDA/Apple. These transactions represent two of the largest foreign direct investments in tourism and data centres in Ireland and will provide significant rural employment and other major benefits to the country.

Over the next 10 years we will continue to maximise the value of our land to support the implementation of national Government policies in areas such as waste water treatment, residential housing, telecommunications and renewable energy.

Our People

Coillte's greatest strength is the quality and commitment of our people.

As an organisation we believe it is important to create a culture where employees are empowered to carry out their work in a respectful environment that supports the achievement of our strategic goals. We value each of our employees and are committed to bringing a renewed energy and focus on providing opportunities for their development and progression.

I would like to take this opportunity to publicly share my appreciation to all my colleagues throughout the organisation for their level of commitment, hard work and high performance that has made 2016 a very successful year.

The Future

2017 promises to be an exciting yet challenging year for the Group as we continue to focus on growing and transforming Coillte into a highly profitable business, that achieves a strong financial return for our shareholder and also provides valuable social benefits to the public. To help bring our stakeholders along with us on our journey, at the start of 2017 we launched our new brand and corporate website. Our new brand effectively communicates our vision and values and supports our objective to grow and transform our business in a sustainable manner.

It is clear that 2017 will be a crucial year for our business as we move forward from intense restructuring of the business towards maximising the return on the significant investments we have made, driving revenue, continuing to reduce our overhead cost base, reducing complexity across the Group and increasing our recurring operating cash flows. I am conscious that the ongoing economic uncertainties create a more challenging operating environment, so it is imperative that as a Group we continue to become more customer focused and continue to innovate and proactively respond to emerging customer requirements. We need to continue to build strong connections with our shareholder, our partners and other key stakeholders who are key enablers to us achieving our strategic ambitions.

I am personally proud to be leading a Group with such high potential. I believe that a strong focus on our strategic objectives combined with our current capabilities and assets puts us in a stronger position than ever to transform our business and create future growth opportunities for the Group.

Thank you

I would like to thank our shareholder, Ministers and department officials and advisors in NewERA for their support throughout 2016.

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

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

Fergal Leamy
Chief Executive

Photograph by Gareth Wray Photography©

The Emery Celtic Cross
Killea, Co. Donegal

Planted by former
forester Liam Emery

Financial Review

Gerry Britchfield
Chief Operations Officer
and Chief Financial Officer

> It is vital that we build on the substantial cost benefits flowing from key initiatives completed in 2016, by completing the restructuring of our Forest and Land Solutions divisions and hitting our key milestones in the roll out of MEDITE SMARTPLY's value-added business model

Results

The Group achieved a profit after tax of €48.2m for the financial year, which represents a marginal increase on the 2015 outturn of €47.6m. However, a more accurate measure of the underlying performance is represented by the Group's operating profit before exceptional items and revaluation gains, which increased by 6.6% to €64.4m in 2016 from €60.4m in 2015.

EBITDA for the Group increased from €89.6m in 2015 to €98.3m in 2016, an increase of almost 10%. A reconciliation of EBITDA to operating profit is included in Table 2 below. In addition, Operating Cash (a key benchmark for the business and defined as cash generated from recurring activities) more than doubled in 2016, growing from €6.5m in 2015 to €15.2m in 2016.

Group turnover increased by €4.8m (1.7%) during 2016 to €287.7m. The UK is a key export market for our Irish sawmill customers. Strong underlying demand in this market led to a 22% increase in sawlog volume sales year on year. However, the impact of this increase in volumes sold was substantially offset by a 16% reduction in sawlog prices year on year, driven primarily by a weaker Sterling exchange rate. Volume sales of panel products in 2016 were in line with 2015, with the planned reduction in sales of oriented strand board (OSB) products in the European market due to the ramp up of the new plant offset by increased sales of medium-density fibreboard (MDF) products across all markets. Average sales prices achieved for OSB products were approximately 6% higher than 2015, primarily due to a favourable geographic mix. Average sales prices achieved for MDF products were in line with those achieved in 2015. Export sales accounted for 55% of Group turnover and 74% of this figure was sold into the UK market.

Cost of sales decreased by €1.8m on 2015 (1.1%) as a result of unit cost of production savings achieved in our MEDITE SMARTPLY division due to lower raw material costs for resin and wood fibre. These savings were partially offset by the increased depletion charges on forest clearfells associated with increased log sales. Overall, the combination of a 1.7% increase in turnover and a 1.1% decrease in cost of sales led to a €6.2m (5.0%) increase in gross profit in 2016 to €131.0m.

As noted above, operating profit before exceptional items and revaluation gains increased by €4.0m (6.6%) year on year. Increased operating profits from our Forest and MEDITE SMARTPLY businesses were partially offset by a fall in other operating gains related to the contribution from the sale of land assets, which fell by €4.3m from €14.2m in 2015 to €9.9m in 2016.

The results for 2016 include an exceptional loss of €1.1m compared with an equivalent gain of €10.7m in the previous year. The exceptional loss in 2016 includes a charge for Group restructuring costs, which were partially offset by the release of a substantial pension related provision. Further details on the exceptional items are provided in Note 9 to the accounts.

Interest (including related bank costs) and financing charges for the year were €7.4m, a reduction of €3.0m on 2015. Interest charges on overdraft and loan facilities were €5.5m (2015: €7.4m) while the net finance charge relating to the defined benefit pension fund liabilities was €1.9m (2015: €3.0m). The underlying EBIT interest cover for the year was 11.1 times.

The Group tax charge for 2016 was €8.8m (2015: €31.6m). The 2015 tax charge included €18m related to the sale of our Telecoms' income streams.

Profit after tax increased marginally from €47.6m in 2015 to €48.2m in 2016.

Outlook

As we move into 2017, a number of issues are creating significant uncertainty in the key markets we operate in, most notably, the potential impact of Brexit, the implications for the global economy of a Trump presidency and the outcome of upcoming elections in France and Germany.

Whilst underlying demand in the UK economy has remained strong since the referendum in June 2016, UK consumer confidence is likely to weaken during 2017 as the implications of a "hard" Brexit are better understood and inflation increases significantly, fuelled by a weaker Sterling. Eurozone growth also remains fragile and prone to reacting badly to policy changes initiated by a Trump government with a strong protectionist stance or unfavourable outcomes in domestic elections. This underlying fragility is set against a backdrop where concerns persist that Central Banks across the globe have effectively exhausted many of their options for stimulating growth.

As ever, the Sterling exchange rate remains a key variable for the Group. With this in mind, we have availed of opportunities to put in place cover for approximately 75% of our direct exposure for 2017. However, given the weakness of Sterling since the Brexit vote in June 2016, the exchange rate underpinning a substantial proportion of our 2017 Sterling sales is significantly less favourable then the equivalent pertaining in 2016.

The potential volatility of the macroeconomic environment underlines the importance of remaining strongly focused on restructuring our business to reduce our cost base and deliver on our key financial targets. To achieve our 2017 targets, it is vital that we build on the substantial cost benefits flowing from key initiatives completed in 2016, notably the restructuring of our centre functions and the refinancing of our business, by completing the restructuring of our Forest and Land Solutions divisions and hitting our key milestones in the roll out of MEDITE SMARTPLY's value added business model.

Capital Expenditure

The Group continued its capital expenditure programme in 2016 investing €59.7m (2015: €82.9m). A significant proportion of the expenditure in 2016 was incurred on enhancing and maintaining the Group's biological assets (€25.4m), with a further €13.3m incurred on completing the investment in a new line at our Smartply facility which will support the development of a market led, value added business model.

Net Debt and Gearing

During the year, the Group's net debt increased by €14m to €168m with headroom on existing undrawn committed facilities of €119m. Prior to year end, we refinanced our debt facilities with a combination of our existing bank consortium and the European Investment Bank (EIB). This will allow us to capture very significant interest cost savings of over €3m in 2017 and beyond. Gearing was 15.6% at year end and at 31 December 2016 none of our debt portfolio was at fixed interest rates. However, on 24 January 2017, we drew down the full EIB facility of €90m at a fixed interest rate. The ratio of net debt to EBITDA at year end was 1.71 times and interest cover was 17.0 times. A final dividend for 2015 of €1.0m was authorised by the Directors and paid in May 2016 and a dividend for 2016 of €6.2m was authorised by the Directors and paid in December 2016.

Employee Benefits

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

A funding proposal (accepted by the Pensions Authority) is in place for Coillte CGA which has the objective of bringing the Scheme back to full solvency on the Minimum Funding Standard basis by 31 December 2020 and involves significant additional cash contributions by the company, additional employee contributions and tight control of increases in pension payments. The company has also given the trustees security over €20m of forestry assets that would be available to the Trustees in certain limited circumstances. These include the company terminating its liability to the scheme or not making contributions to the scheme, the wind up of the scheme or the company ceasing business.

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

The deficit on the Group's defined benefit schemes, based on the requirements of FRS 102 Section 28, at 31 December 2016, calculated using the projected unit method, is €108.1m (2015: €78.5m) and is fully reflected in the Group accounts. The increase in the deficit reflects a change in the assumptions relating to the discounting of future liabilities (the rate decreased from 2.55% to 1.85% which increased the Group's deficit by approximately €47m), partially offset by a favourable return on Scheme assets in 2016 of €13.3m (a return of approximately 7% versus an assumed return of 2.55%).

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 a risk management programme in place that seeks to manage the financial exposures of the Group by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash outflows and the management of interest rate risk, the Group has a policy of maintaining at least 50% of its debt at a fixed rate. As noted above, none of the debt portfolio at year end was at fixed interest rates. This position was adopted on foot of a specific policy derogation from the Board in the context of our intention to draw down the EIB facility at a fixed interest rate in January 2017. The Group also seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. Financial instruments are used to manage interest rate and financial risk. The Group does not engage in speculative activity and its treasury operating policy is risk averse.

Price risk

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

Foreign exchange risk

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

Credit risk

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

Liquidity risk

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

Table 1 – Key Financial Performance Indicators

	2016	2015
Revenue (€'m)	287.7	282.9
EBITDA (€'m)	98.3	89.6
EBIT (€'m)	64.5	89.6
Operating Cash	15.2	6.5
Interest cover, excluding associates & pension deficit		
- EBITDA basis (times)	17.0	11.3
- EBIT basis (times)	11.1	11.3
Net Debt (€'m)	168.0	154.0
Net debt as a percentage of total equity (%)	15.6	14.3
Net debt as a percentage of fixed assets (%)	11.8	11.0
Net debt/EBITDA	1.71	1.72
Effective tax rate (%)	15.5	39.9

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

EBIT – earnings before finance costs and tax

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

Table 2 – EBITDA Reconciliation

	2016	2015
EBIT	64,479	89,589
Adjustments:		
Depreciation	19,038	17,657
Depletion	14,093	10,872
Amortisation	731	678
Gain on revaluation of investment properties	(1,591)	(18,485)
Share of JV losses	454	-
Exceptional costs / (gains)	1,058	(10,697)
EBITDA	**98,262**	**89,614**

The division generated EBITDA of €59.8 million (2015: €56.4 million) and operating cash of €22.0 million (2015: €16.2 million), significantly exceeding 2015 results. We achieved our strategic milestone of selling 1.6 million m^3 of sawlog to our customers, while also restocking over 7,800 hectares by planting approximately 19 million trees.

Divisional Review

Forest

Gerard Murphy
Managing Director, Forest

The Forest division manages all aspects of the Group's forestry business including the planting, growing, managing, protecting and harvesting of forests. We sell a range of wood products from our forests and also provide public goods such as nature conservation, landscape management and recreation.

The division has an ambition to become the best forestry company in Europe by taking a leadership position in our markets and supply chains, generating a long-term cash yield of 3.5% and being recognised as a dynamic employer at the leading edge of forest technology. Our objectives are focused around five themes – developing our people, growing our revenue, reducing our costs, using leading-edge technology and generating new revenue streams. To facilitate the achievement of these objectives, Forest was established as an autonomous business at the start of 2016 and functions that were previously centralised, including human resources, procurement, finance and information technology, were transferred into the Forest division.

Strong commercial performance

The Forest division delivered a very strong commercial performance in 2016 in terms of profitability and operating cash against an uncertain backdrop arising from Brexit. The division generated EBITDA of €59.8 million (2015: €56.4 million) and operating cash of €22.0 million (2015: €16.2 million), significantly exceeding 2015 results. We achieved our strategic milestone of selling 1.6 million m^3 of sawlog to our customers, while also restocking over 7,800 hectares by planting approximately 19 million trees. Sawlog prices weakened throughout the year across all areas, predominantly due to the weakening of Sterling following the Brexit decision in June, which had a negative impact on our gross profit of approximately €7.0 million. There were significant savings in management overheads compared to prior year and our unit costs of production were also favourable due to the success of our procurement strategy of moving to more long term contracts.

The Forest division exceeded sales of 1.6 million m^3 of sawlog for the first time in over ten years. This represents an increase of 25% from 2015 and gives us greater confidence that we will achieve our strategy to grow our sawlog volumes to 1.8 million m^3 annually by 2020. We exceeded our overall production targets in 2016 and through efficient supply chain management we ensured a consistent supply of sawlog to our customers throughout the year. In particular, the new paperless permit process has meant that the delivery of logs was much more efficient for Coillte and our customers. The first full year in operation of the new timber sales system has created confidence in the industry that Coillte is capable of meeting its supply commitments in a sustainable manner, and this confidence has manifested in investments in new equipment and market growth.

Key Highlights

1,600,000
m^3 sawlog sales
Highest in 10 years

19,000,000
Trees planted
Highest in over 10 years

€550,000
Partnership with Bord Fáilte

Coillte Premium Partners
Launch in April 2017

In 2016 we planted over 7,800 hectares. This was a significant achievement which represents a 15% increase from 2015. It is over ten years since we last achieved a planting programme this large. Along with this, we have also managed to carry out cultivation on 6,300 hectares, allowing us to complete nearly 60% of next year's cultivation programme. Our strategy over the coming years is to reduce the time gap between harvesting and reforestation to support our drive towards 'green planting'. This will bring many benefits to us in terms of simplifying cultivation and planting, improving plant survival and reducing the need for maintenance.

The Connected Forest

A key pillar of our strategy is to leverage world class forestry technology that will allow us to maximise value from our forest estate through the production and sale of high quality sawlog. Over the last number of years, our resource team has built a world class planning system that integrates forest inventory into our strategic and operational planning. This strategic modelling approach is now used to produce our harvest plans and production forecasts and enables us to streamline and improve our felling licence application process. The roll out of this system was a key enabler for the business to deliver record levels of sawlog to our customers in the processing sector in 2016.

The effectiveness of the resource planning system is heavily dependent on the quality of our resource inventory data. We continue to invest heavily in a multi-source forest inventory that includes various forms of field data collection and remote sensing, including aerial photography, LiDAR (airborne laser scanner) and satellite imagery. In 2016 we captured and processed LiDAR data for 39,000 hectares of our estate as part of our inventory update. In 2017 our LiDAR cover will be increased further with an additional 70,000 hectares, bringing total cover to almost 170,000 hectares.

Leading the Forestry Sector

During 2016 we progressed a number of external initiatives that will impact the forestry sector in the coming years. These initiatives will ensure that the forestry sector continues to make significant positive economic and social contributions both within Ireland and globally.

The 2015 Paris Climate Change Agreement identified land usage as a key driver of climate change. On 19 February 2016 Coillte hosted a one day conference in Farmleigh House to promote discussion and debate on the role of Irish forestry in tackling climate change. The event was opened by the European Commissioner for Agriculture, Phil Hogan and featured expert international speakers. The event initiated a national discussion on the role of Irish forestry in tackling climate change. In 2017, Coillte will continue to play a leading role in the climate change debate.

In November 2016, Coillte convened a Brexit Forum for the Irish Timber Industry to discuss and assess the common issues and the implications of Brexit for the Irish timber industry. This included a broad range of participants from the Irish Timber Industry and a second meeting was held in January 2017 with further meetings planned throughout 2017. This is an important forum to ensure that the combined views of the Irish timber industry are understood by the Irish Government.

The private forestry sector has seen considerable growth over the last number of decades stimulated by attractive grants and premium payments. This privately owned resource is heavily fragmented with an estimated 21,000 forest owners. A key objective for Coillte is to promote the mobilisation of this resource in order to grow the rural economy and to support the export led wood processing sector. We have developed a product offering aimed at forest owners, which will be launched in April 2017, based on the payment of an annuity in return for the harvesting rights to the crop.

Delivering Environmental and Social Benefits

In addition to providing wood to a range of markets, Forest delivers public goods such as recreation, biodiversity management and archaeological features which have significant national social and environmental benefits.
In 2016 we made significant progress in introducing a highly innovative classification system for our biodiversity areas, which will enable us to protect and manage these areas in a more effective manner. We are also pleased to have established a strategic partnership with Bord Fáilte to assess the feasibility of developing major tourist focused recreation facilities around some of our key forest parks, such as Avondale Forest Park, County Wicklow.

Outlook 2017

2017 will be an important year for the Forest division as we look to continue to build on the successes of 2016. The key focus will be on developing further our five strategic themes and ensuring that the business achieves its ultimate long-term goal of generating a cash yield of 3.5%. In addition, we will continue to work with our customers, the wider forestry industry and our shareholder on addressing key external factors affecting the Irish forestry industry such as Brexit and climate change.

Exceeded sales of
1.6 million m³ of sawlog
for the first time in
10 years

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

Divisional Review

MEDITE SMARTPLY

Neil Foot
Managing Director,
MEDITE SMARTPLY

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

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

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

Strategy & Objectives

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

> Differentiating our customer proposition through strengthening marketing penetration and reach, increasing delivery of customer led innovation and investing in enabling technologies

> Pursuing diversification opportunities in related products and markets

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

> Enhancing competitiveness through selective process improvements

> Establishing ourselves as a world class producer of sustainable, high quality, innovative wood based construction products

The market insight gained from strong customer relationships is crucial in defining the strategic objectives for the panels business. Real market drivers such as EU Directives on sustainability and energy efficiency are creating valuable opportunities in new market segments, such as offsite construction for MDF and OSB products with specific technical features. Today, the MEDITE

Key Highlights

418,000m^3	€59 million	First	First
Record MDF sales	Smartply manufacturing plants	Medite operational excellence programme completed	Airtight board received certification from Passivhaus Institute

SMARTPLY divisional strategy is based on developing even greater understanding of such real market drivers and future customer needs which, through innovation, can be developed into new, profitable revenue streams.

2016 Performance

In 2016, we delivered an improved financial performance substantially ahead of the prior year. Strong cost control and fiscal management resulted in improved cash generation from operating activities.

Steady, sustained recovery particularly in the UK and Dutch construction sectors underpinned continued demand growth for MDF and OSB. Improved capacity utilisation in our industry led to some intense competition in the UK and European sectors which suppressed prices and limited sales growth. Despite these factors we were able to significantly increase our sales in core markets with turnover up on 2015 due to increased sales from new products.

The successful, on time and on budget implementation and delivery of our new state of the art OSB manufacturing facility in Waterford and the re-alignment of our sales and marketing organisation is helping MEDITE SMARTPLY to successfully grow new market sectors and geographies. The new OSB line started producing board in April 2016 and customer feedback has been extremely positive. The market leading, continuous press technology ensures flatness, dimensional flexibility and quality in a wide range of panel sizes to suit an ever increasing scope of applications and is a key enabler of our value-added product strategy. The introduction of our new OSB line allows us to continually define the standards of OSB and has elevated our customer led innovation capabilities. It has enabled the development of the first airtight board to receive certification from the Passivhaus Institute, ideal for use in the construction of energy efficient and low carbon homes, through to pre-primed site hoardings, Flame Retardant OSB and a number of large format panels for offsite and 'Modern Methods of Construction' (MMC).

In March 2017, we were delighted to sign a commitment as part of a consortium planning the construction of the world's first Tricoya® wood chip acetylation plant. The consortium is formed of ourselves, chemical technology group Accsys Technologies, venture capitalists BP Ventures and Acetyl industry leader BP Chemicals. To be built in Hull, the plant will produce the raw material for the manufacture of MEDITE® TRICOYA® EXTREME, our market leading high performance wood panel. The commitment to develop this facility is a huge step forward, providing the opportunity to significantly increase our manufacturing volume and unlock interesting new markets where wood-based products would not previously have been applicable.

Throughout 2016, MEDITE SMARTPLY also made continued progress in the performance of our value-added business from an operational perspective. A key contributor to this is the successful conclusion of Medite's first operational excellence programme. Through this programme of process optimisation and some modest investment in equipment we delivered significant savings in operating overheads.

In addition to the operational performance, sales and marketing have also adapted to support our new vision. A rebranding project, combining a new name and visual identity to position MEDITE SMARTPLY as innovative, market led, industry leaders is key to supporting the value add strategy as were changes to the sales approach, concentrating on delivering specification led sales as opposed to commodity, lower value products.

As ever, our people continue to be critical to our future success and we work hard to ensure their engagement and development as a key enabler of our strategy, through general and specialised training and commercial collaborations. Health and safety is a key focus area across the organisation for all employees and we are pleased to report a good performance in this area for 2016 with an OSHA rate of 0.7.

Outlook 2017

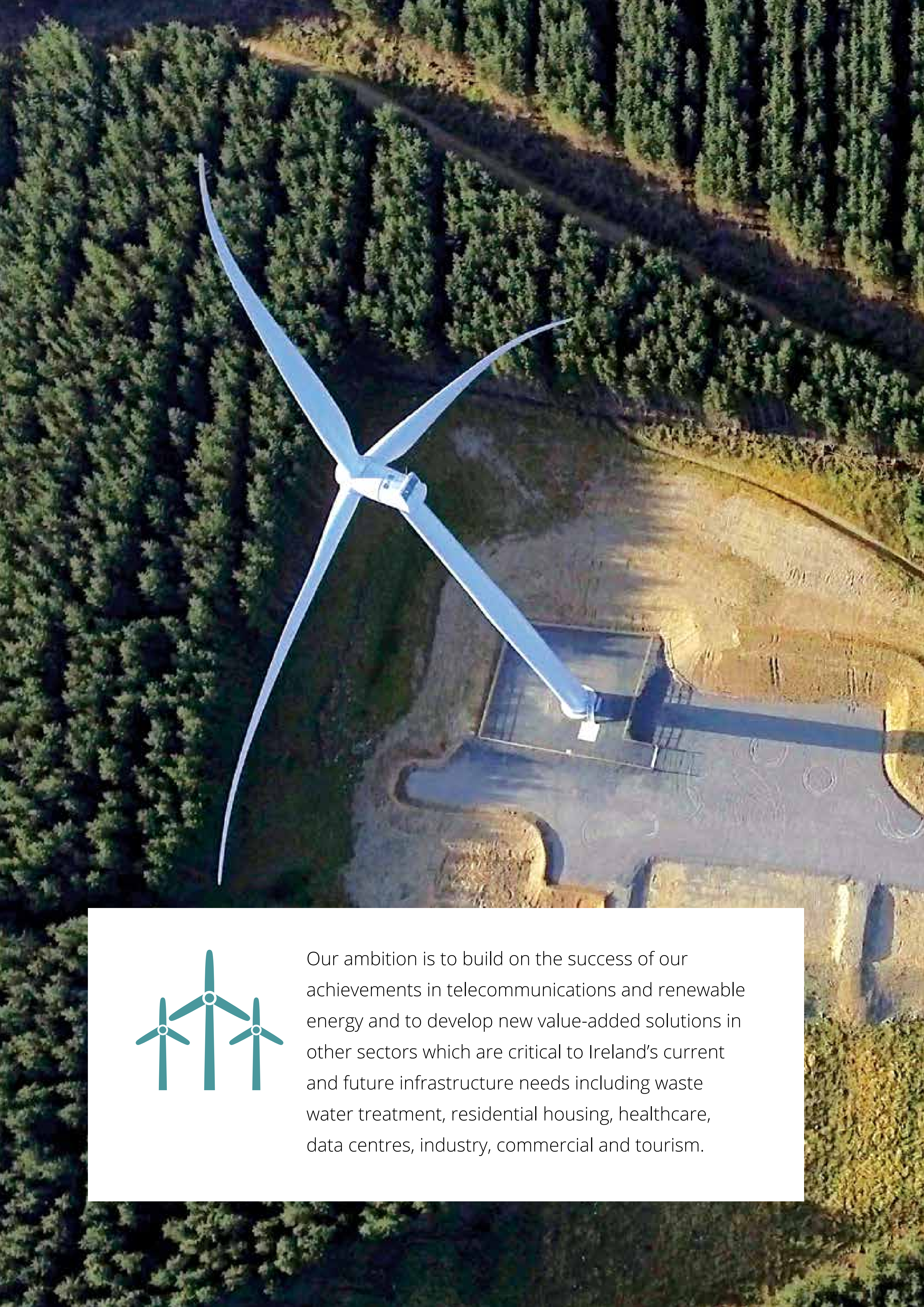
For 2017, as capacity utilisation continues to improve, we will look to develop new market opportunities enabled by recent investments in our manufacturing processes. These will come from the exploitation of opportunities identified in new geographic sales territories, market sectors and applications.

We expect demand for both MDF and OSB to benefit again this year from the continuing growth in the construction sector. In the UK, with the impact of Brexit still undetermined, demand is expected to remain stable. In Europe, demand and pricing are expected to improve as economic recovery picks up in the main markets. Our focus will be on achieving budgeted sales revenues and margins for 2017 and beyond through carefully maintaining and developing customer relationships.

2017 will be an exciting year for us as we continue to pursue new market opportunities not previously accessible to MEDITE SMARTPLY. With new products, sales, marketing and operational structures and strategies in place we have never been in a better position to make the most of these opportunities.

Minister Creed officially opened the new Smartply manufacturing facility in December 2016

Photo L-R: F. Leamy, J. Moloney, Deputy Phelan, N. Foot, Minister Creed



Our ambition is to build on the success of our achievements in telecommunications and renewable energy and to develop new value-added solutions in other sectors which are critical to Ireland's current and future infrastructure needs including waste water treatment, residential housing, healthcare, data centres, industry, commercial and tourism.

Divisional Review

Land Solutions

Mark Foley
Managing Director,
Land Solutions

Land Solutions was established as an autonomous business division within Coillte at the start of 2016, having previously traded under the brand Coillte Enterprise. Our strategy is to become the best land solutions business in Europe by 2020, through the deployment of our extensive land asset of 15,000 hectares in pursuit of high quality value-added solutions across a broad spectrum of development opportunities, particularly in sectors which play a key role in supporting national policy objectives. Our ambition is to build on the success of our achievements in telecommunications and renewable energy and to develop new value-added solutions in other sectors which are critical to Ireland's current and future infrastructure needs including waste water treatment, residential housing, healthcare, data centres, industry, commercial and tourism. We have a valuable land asset, a world class development team, a successful track record, a culture of innovation and a proven capacity to work in partnership with public and private sector businesses.

2016 was a year of significant transition for the business which included both a restructuring and a rebranding as an autonomous business unit, the appointment of a new leadership team and a shift in strategic emphasis from a transactional focus to an investment and development focus in pursuit of long term recurring income streams. Whilst land transactions will continue to play an important role in terms of value-added cash generation, our new strategy is specifically focused on creating development opportunities in new sectors where our assets and competencies can generate real competitive advantage. We are focused on creating market awareness of both our assets and our ambition and on generating a development pipeline of quality assets across a broad range of new sectors for delivery in the next two to five years.

Wind Energy – Supporting Ireland's Decarbonisation Ambition

On-shore wind has been the single biggest contributor to Ireland's ambition in respect of our 2020 renewable energy targets. Ireland is expected to achieve its RES-E (Renewable Energy Sources – Electricity) target of 40% of electricity generation from renewable sources by 2020. Coillte has played a defining role in this ambition, having transitioned from being a major supplier of quality development sites to a position where Coillte is one of the leading wind farm developers in Ireland. 2016 was a signature year for Coillte during which our €70 million, 11 Turbine, 35 MW wind farm in Raheenleagh County Wicklow, a joint venture with ESB, was completed on-time, under budget and with an exemplary health and safety record. Today Raheenleagh

Key Highlights

15,000
hectares
Land Asset

€160 million
wind farm investment completed for Sliabh Bawn and Raheenleagh

Raheenleagh
First to combine an operating wind farm with commercial forestry and a public recreation amenity

65
land transactions completed including sale to IDA and Center Parcs

provides electricity for 22,500 homes in Ireland and is the first wind farm in Ireland to combine an operating wind farm, commercial forestry and full access to the community for amenity purposes with purpose built walking trails.

Our €90 million, 64MW wind farm at Sliabh Bawn in County Roscommon, a joint venture with Bord na Móna, was commissioned before year end and is expected to be fully operational in spring 2017. Our €190 million, 105MW wind farm at Cloosh Valley in Galway, a joint venture with SSE and the largest on-shore wind farm in Ireland, progressed on target, with all civil works completed by year end and the erection of turbines commenced in late December. The project is expected to be fully operational in quarter 4, 2017.

Our €64 million, 33MW wind farm at Castlepook in County Cork, a joint venture with ESB, secured funding in quarter 3, 2016 and is on track to be complete in quarter 2, 2018. Our 46MW wind farm at Cullenagh in County Laois is being progressed through planning, pre-construction and bank funding stages during 2017. Our 46MW wind farm at Bunkimalta in County Tipperary, a joint venture with ESB, currently the subject of legal challenge to the European Court of Justice.

On the policy front, we welcome the Government's stated commitment to a new support scheme as part of Ireland's decarbonisation ambition and COP 21 commitments. We support the process to update the wind energy guidelines and we support the concept of new and innovative measures to enable both greater community engagement and enhanced community benefit from future developments in their environs.

Land

Coillte owns and manages approximately 7% of the land of Ireland and we have a long standing track record in providing land solutions across a broad range of sectors, whilst protecting the integrity of our core productive forest estate.

In 2016, we completed over 65 land tranactions in sectors including renewable energy, aggregates, community projects, commercial, industrial, residential, tourism and infrastructure.

We completed the previously announced transaction with the UK company Centre Parcs, which will see the largest foreign direct investment in tourism in Ireland taking place in Ballymahon, County Longford. The facility is expected to open, at a cost of €230 million in 2019 and will employ approximately 1,000 staff.

We also finalised a land sales transaction with IDA/Apple for lands to support the largest investment in a data centre in Ireland (circa $900 million) at Derrydonnell, County Galway, further enhancing Ireland's reputation as a world class location for global ICT companies.

Outlook

We enhanced our organisation in 2016 to support our ambition to create value-added solutions in new sectors, in support of national policy objectives. We are developing an early stage pipeline of new opportunities in these new sectors, including integrated constructed wetlands for waste water treatment in rural towns, residential housing in proximity to urban centres, nursing homes, healthcare, data centres, telecommunications, the National Broadband Plan and commercial tourism.

The outlook is generally positive, given the context of ongoing economic recovery and growth and an improving sentiment around the availability of funding. The emerging National Planning Framework, as well as economic and social imperatives manifesting at an individual county level, are clearly setting the agenda for dealing with Ireland's infrastructure deficit in areas such as housing, water and waste water treatment, senior housing, telecommunications, transport, data centres, green energy, industry, commercial and tourism. We believe that Land Solutions will be a key enabler to unlocking solutions to this infrastructure deficit.

Launch of the Galway Wind Park Sustainability Impact Report - November 2016

Photo L-R: F. Leamy, First Minister N. Sturgeon, G. Alexander (SSE Finance Director), Minister Naughten

Tibradden Wood,
Co. Dublin

One of the many open access forest parks that members of the public visit

Board of Directors

John Moloney, Chairman

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

Board meetings attended 13/13

Fergal Leamy, Chief Executive

Fergal was appointed to the role of Chief Executive of Coillte in April 2015. He has more than 16 years food and agriculture experience at the highest level. Fergal began his career at McKinsey & Company where he worked with many leading food and agriculture clients. He moved from McKinsey to establish and run Greencore's US operations. Before joining Coillte, he worked for Terra Firma, a leading Private Equity house in London and was responsible for running a number of international companies.

Board meetings attended 13/13*

Julie Murphy-O'Connor

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

Board meetings attended 13/13

Jerry Houlihan

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

Board meetings attended 12/13

* F. Leamy attended 2 board meetings in his capacity as a Director, having been appointed on 24 November 2016. All previous meetings were attended in his capacity as Chief Executive.

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

Board meetings attended 12/13

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

Board meetings attended 12/13

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

Board meetings attended 12/13

Donal Moriarty, Legal Counsel and Company Secretary
Donal was appointed as Legal Counsel and Company Secretary with effect from 04 January 2017. Prior to this he spent 8 years in Aer Lingus where he was Executive Counsel responsible for Legal, Company Secretarial, Governmental Affairs and Communications. He is a Solicitor of 20 years standing and previously held an in-house role in IONA Technologies plc and an in-practice role in William Fry Solicitors.

Directors' expenses:
The aggregate expenses paid to Directors in 2016 was €26,782 (2015: €13,742). These mainly relate to travel expenses.

Photo L-R: F. Leamy, Commissioner P. Hogan and A. McDowell (EIB, Vice President) at Raheenleagh wind farm following the official announcement of €90 million EIB funding to Coillte

Financial Statements

Coillte Cuideachta Ghníomhaíochta Ainmnithe
Statutory Financial Statements

For the financial year ended
31 December 2016

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited financial statements for the financial year ended 31 December 2016.

The Company

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

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

On 30 November 2016, on its conversion to a Designated Activity Company, the Company's name was changed from Coillte Teoranta to Coillte Cuideachta Ghníomhaíochta Ainmnithe (CGA).

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

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

Results and dividends

Details of the results of the Group are set out in the profit and loss account and the related notes. Group turnover at €287.7m in 2016, a c.2% increase on 2015, reflects strong underlying demand in the UK market while operating costs fell by €4.0m year on year. Other profit from trading activities was €17.1m (2015: €17.6m) arising from the Group's land dealing and development business while other operating gains are reflective of the contribution from other asset sales of €9.9m (2015: €14.2m). As a result of the above, operating profit (before exceptional items and revaluation gains) increased from €60.4m in 2015 to €64.4m in 2016. Additional commentary on the financial results is set out in the 2016 Financial Review.

A dividend of €0.00983 per share totaling €6.2m was authorised by the Board and paid in December 2016. In respect of 2015 the Group paid total dividends of €5m, comprising an interim dividend of €4m paid in December 2015 and a final dividend of €1m paid in May 2016 following approval at the Annual General Meeting.

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

Directors

The Directors of the Company were appointed by the Minister for Agriculture, Food and the Marine. The Directors in office during the financial year ended 31 December 2016 are set out below. Mr Fergal Leamy was appointed as a Director on 24 November 2016. All other Directors served for the entire financial year.

John Moloney (Chairman)

Fergal Leamy (Chief Executive Officer)

Roisin Brennan

Julie Murphy-O'Connor

Jerry Houlihan

Dermot Mulvihill

Thomas O'Malley

Mr Gerry Egan served as Company Secretary until 31 August 2016. Ms Maura McCarthy served as Company Secretary on an interim basis until 4 January 2017. On 20 December 2016, Mr Donal Moriarty was appointed as Company Secretary with effect from 4 January 2017.

The Directors and Secretary have no interests in the shares of the Company or its subsidiaries as at 31 December 2016.

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

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

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

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

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

> Select suitable accounting policies and then apply them consistently;

> Make judgments and estimates that are reasonable and prudent;

> State whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and

> Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

> Correctly record and explain the transactions of the Group and Company;

> Enable, at any time, the assets, liabilities, financial position and profit or loss of the Group and Company to be determined with reasonable accuracy; and

> Enable the Directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

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

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

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

> Issued a compliance policy statement setting out the Company's policies in respect of compliance by the Company with its relevant obligations.

> Ensured that there are appropriate arrangements and structures in place and that they are satisfied that they provide reasonable assurance of compliance in all material respects with those obligations.

> Reviewed the existing arrangements and structures during the year to ensure they continue to provide reasonable assurance of compliance in all material respects with those obligations.

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

Corporate Governance

The Board of Coillte CGA is committed to the highest standards of corporate governance and is accountable to its shareholders for those standards. The Code of Practice for the Governance of State Bodies (2009 edition), issued by the Department of Finance, and applicable in respect of the financial year ended 31 December 2016, sets out the principles of corporate governance that apply to the Group and the Directors support the principles and provisions of the Code.

Board of Directors

Throughout the financial year the Board consisted of a non-executive Chairman and five non-executive Directors. The Chief Executive was appointed as a Director on 24 November 2016. The Chairman and non-executive board members are independent of the Chief Executive and senior management. All the Directors are appointed to the Board by the Minister for Agriculture, Food and the Marine for a period not to exceed 5 financial years and their terms of office are set out in writing. The level of remuneration for the Board of Directors is also determined by the Minister and remuneration of non-executive Directors is not linked to performance.

The Board meets formally on a regular basis. It met on 13 occasions in 2016. It has a schedule of matters specifically reserved to it for decision and is satisfied that the direction and control of the Group is firmly in its hands. The Group's annual budget and rolling five year financial plan are reviewed and approved by the Board. The Board receives monthly management accounts promptly with detailed comparison of actual to budget. The presentation of management accounts is supported by presentations by senior management to the Board on a regular basis. Significant contracts, not in the normal course of business, major investments and capital expenditure are also subject to review by the Board. Each non-executive Director brings independent judgement to bear on all matters dealt with by the Board including those relating to strategy, performance, resources and standards of conduct.

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

The Board has two committees as follows:

Audit Committee

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

The Audit Committee is composed of non-executive Directors and operates under formal terms of reference. It met on six occasions in 2016. The Committee may review any matters relating to the financial affairs of the Group, in particular, the annual financial statements, the financial control framework, the Assurance and Compliance function (including internal audit), reports of the external and internal auditors and proposed changes to accounting policies. The Chief Executive, Chief Financial Officer, the Assurance and Compliance Director and other senior managers are normally invited to attend these meetings as appropriate. The 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 Assurance and Compliance Director reports directly to the Committee and the Committee is responsible for approval of the internal audit plan. The Assurance and Compliance Director also meets privately with the Committee.

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

In keeping with best practice, the Audit Committee, on behalf of the Board, completed a formal external audit tender process resulting in KPMG being appointed as external auditors in respect of the financial year ending 31 December 2016.

Remuneration Committee

The Remuneration Committee of the Board was reconstituted in 2016 to advise the Board in regard to policy on remuneration generally in the Group and to give guidance and advice to the Chief Executive in regard to the implementation of the Board's policy.

The members of the Committee are John Moloney and Roisin Brennan. It met on three occasions in 2016. The terms of reference of the Remuneration Committee will be further reviewed in 2017 and its final membership confirmed once the current two vacancies on the Board are filled.

Directors' and Chief Executive's remuneration:

	Fees	Salary	Pension Contribution	Taxable Benefit	2016 Total	2015 Total
	€'000	€'000	€'000	€'000	€'000	€'000
Parent Company Directors						
John Moloney*	13	-	-	-	13	13
Julie Murphy - O'Connor**	-	-	-	-	-	-
Roisin Brennan	13	-	-	-	13	13
Jerry Houlihan	13	-	-	-	13	13
Dermot Mulvihill	13	-	-	-	13	13
Thomas O'Malley	13	34	2	-	49	49
Fergal Leamy (CEO) ***	-	191	48	15	254	179
	65	225	50	15	355	280

* Mr. Moloney waived €10,000 in emoluments being the differential between the fee payable to the Chairman and other Directors.
** All emoluments in 2016 and 2015 were waived.
*** Mr. Leamy, Chief Executive, was appointed to the Board of Directors in November 2016. The emoluments disclosed above relate to the full financial year.

Internal control

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

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

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

> An organisation structure with clear operating and reporting procedures, authorisation limits, segregation of duties and delegated authorities.

> A comprehensive system of financial reporting.

> Annual budgets and long term plans for the business that identify key risks and opportunities.

> Monitoring performance against budgets and reporting on it to the Board on a monthly basis.

> A formal code of business conduct applicable to the business and communicated to staff.

> An internal audit function that reviews the system of internal controls on a regular basis.

> An Audit Committee that reviews the effectiveness of the Group's system of internal financial control on an annual basis.

A risk register has been compiled that identifies the most significant risks facing the Group. In reviewing these risks, managers were asked to pay particular attention to:

> The counter measures in place to mitigate the risk.

> The net residual risk having regard to the processes and controls in place.

> Actions required or being taken to further mitigate the risk.

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

Accounting records

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

Research and development

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

Prompt payments regulation

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

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

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

Foreign branches, subsidiary and joint venture undertakings

A list of branches outside the Republic of Ireland, subsidiary and joint venture undertakings as at 31 December 2016 is set out in note 18.

Political donations

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

Events since the end of the financial year

Significant events since the end of the financial year are set out in note 35..

Relevant audit information

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

Auditors

The Auditor, KPMG, was appointed during the year and has indicated its willingness to continue in office.

On behalf of the Board

John Moloney
Chairman

Dermot Mulvihill
Director

6 April 2017

Independent auditor's report to the members of Coillte Cuideachta Ghníomhaíochta Ainmnithe

We have audited the Group and Company financial statements of Coillte Cuideachta Ghníomhaíochta Ainmnithe for the year ended 31 December 2016 which comprise:

- the Group profit and loss account for the year then ended;
- the Group statement of other comprehensive income for the year then ended;
- the Group balance sheet at that date;
- the Company balance sheet at that date;
- the Group cash flow statement for the year then ended;
- the Company cash flow statement for the year then ended;
- the Group statement of changes in equity for the year then ended;
- the Company statement of changes in equity for the year then ended
- the related notes.

The financial reporting framework that has been applied in their preparation is Irish law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion the Group financial statements and the Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

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

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

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

3 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Directors' Report does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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

David Meagher

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

6 April 2017

Group Profit and Loss Account

Financial year ended 31 December 2016		**2016**	**2015**
	Notes	**€'000**	€'000
Turnover	5	**287,727**	282,909
Cost of sales		**(173,788)**	(175,652)
Other profit from trading activities	10	**17,057**	17,551
Gross profit		**130,996**	124,808
Distribution costs		**(25,667)**	(24,869)
Administrative expenses		**(50,815)**	(53,770)
Other operating gains	10	**9,886**	14,238
Operating Profit before exceptional items and revaluation gains		**64,400**	60,407
Gain on revaluation of investment properties	16	**1,591**	18,485
Exceptional items	9	**(1,058)**	10,697
Operating profit	6	**64,933**	89,589
Share of joint venture losses	18	**(454)**	-
Profit before interest and taxation		**64,479**	89,589
Interest receivable and similar income	11	**2**	2
Interest payable and similar charges	11	**(7,442)**	(10,441)
Net interest expense	11	**(7,440)**	(10,439)
Profit on ordinary activities before taxation		**57,039**	**79,150**
Tax on profit on ordinary activities	13	**(8,814)**	(31,551)
Profit for the financial year		**48,225**	47,599

Group Statement of Other Comprehensive Income

Financial year ended 31 December 2016	Notes	2016 €'000	2015 €'000
Profit for the financial year		**48,225**	47,599
Other comprehensive (expenses)/income:			
Re-measurement of net defined benefit pension liability	14	**(43,553)**	54,732
Movement on deferred tax relating to defined benefit pension liability	13	**906**	(1,239)
Effective portion of changes in fair value of cash flow hedges			
Fair value movement on cash flow hedges	24	**(297)**	2,323
Cash flow hedges – reclassification to profit and loss account	24	**(1,363)**	773
Deferred tax effect of fair value movement on cash flow hedges	13	**214**	(256)
Share of other comprehensive expenses of joint ventures	18	**(6,683)**	(825)
Other comprehensive (expenses)/income for the financial year, net of tax		**(50,776)**	55,508
Total comprehensive (expenses)/income for the financial year		**(2,551)**	103,107

Group Balance Sheet

At 31 December 2016	Notes	2016 €'000	2015 €'000
Fixed assets			
Intangible assets	15	8,748	6,214
Tangible assets	16	612,871	594,389
Biological assets	17	802,597	797,001
Investments in joint ventures	18	-	2,104
		1,424,216	1,399,708
Current assets			
Stocks	19	23,727	24,261
Debtors	20	153,588	139,981
Cash at bank and in hand		1,866	34,137
		179,181	198,379
Creditors - amounts falling due within one financial year	21	(71,221)	(67,978)
Net current assets		107,960	130,401
Total assets less current liabilities		1,532,176	1,530,109
Creditors - amounts falling due after more than one financial year	22	(166,505)	(187,799)
Provisions for liabilities	25	(60,948)	(56,761)
Deferred government grants	26	(128,109)	(128,881)
Net assets before pension liability		1,176,614	1,156,668
Defined benefit pension liability	14	(108,148)	(78,451)
Net assets		1,068,466	1,078,217
Capital and reserves			
Called-up share capital presented as equity	27	795,060	795,060
Undenominated capital	28	6,145	6,145
Cash-flow hedge reserve	28	(256)	1,190
Retained earnings	28	267,517	275,822
Shareholders' funds		1,068,466	1,078,217

The notes on pages 51 to 93 are an integral part of these financial statements. The financial statements on pages 43 to 93 were authorised for issue by the Board of Directors on 6 April 2017 and were signed on its behalf by:

John Moloney
Chairman

Dermot Mulvihill
Director

Company Balance Sheet

At 31 December 2016	Notes	2016 €'000	2015 €'000
Fixed assets			
Intangible assets	15	**8,704**	6,041
Tangible assets	16	**507,238**	496,297
Biological assets	17	**802,597**	797,001
Investments	18	**81,785**	81,785
		1,400,324	1,381,124
Current assets			
Stocks	19	**4,356**	4,518
Debtors	20	**210,696**	175,132
Cash at bank and in hand		**6,387**	34,414
		221,439	214,064
Creditors - amounts falling due within one financial year	21	**(101,042)**	(75,116)
Net current assets		**120,397**	138,948
Total assets less current liabilities		**1,520,721**	1,520,072
Creditors - amounts falling due after more than one financial year	22	**(166,505)**	(187,797)
Provisions for liabilities	25	**(52,251)**	(52,502)
Deferred government grants	26	**(127,799)**	(128,258)
Net assets before pension liability		**1,174,166**	1,151,515
Defined benefit pension liability	14	**(104,133)**	(76,252)
Net assets		**1,070,033**	1,075,263
Capital and reserves			
Called-up share capital presented as equity	27	**795,060**	795,060
Undenominated capital	28	**6,145**	6,145
Cash-flow hedge reserve	28	**90**	(724)
Retained earnings	28	**268,738**	274,782
Shareholders' funds		**1,070,033**	1,075,263

The notes on pages 51 to 93 are an integral part of these financial statements. The financial statements on pages 43 to 93 were authorised for issue by the Board of Directors on 6 April 2017 and were signed on its behalf by:

John Moloney
Chairman

Dermot Mulvihill
Director

Group Statement of Cash Flows

Financial year ended 31 December 2016	Notes	**2016** **€'000**	**2015** €'000
Net cash inflow from operating activities before taxation paid	32	39,710	54,473
Taxation paid		**(7,586)**	(24,413)
Net cash inflow from operating activities		32,124	30,060
Cash flows from investing activities			
Additions to intangible assets	15	**(3,275)**	(2,190)
Additions to tangible assets	16	**(24,391)**	(49,045)
Additions to biological assets	17	**(25,368)**	(25,314)
Additions to financial assets	18	**-**	(2,929)
Amounts owed by joint venture undertakings	20	**(8,231)**	(17,105)
Proceeds from disposals of trading, tangible and intangible assets		**27,795**	32,590
Proceeds from sale of Telecoms' income streams		**-**	67,470
Receipt of capital government grants	20/26	**1,000**	210
Net cash (outflow)/inflow from investing activities		(32,470)	3,687
Cash flows from financing activities			
(Decrease)/increase in borrowings	23	**(18,260)**	12,442
Repayment of capital element of finance leases	23	**(9)**	(15)
Interest paid and received	32	**(6,456)**	(7,549)
Dividends paid	12	**(7,200)**	(4,000)
Net cash (outflow)/inflow from financing activities		(31,925)	878
Net (decrease)/increase in cash and cash equivalents		(32,271)	34,625
Cash and cash equivalents at 1 January		34,137	(488)
Cash and cash equivalents at 31 December		1,866	34,137

Company Statement of Cash Flows

Financial year ended 31 December 2016	Notes	2016 €'000	2015 €'000
Net cash inflow from operating activities before taxation paid	33	29,202	62,993
Taxation paid		(6,090)	(23,016)
Net cash inflow generated from operating activities		23,112	39,977
Cash flows from investing activities			
Additions to intangible assets	15	(3,271)	(2,167)
Additions to tangible assets	16	(9,785)	(9,948)
Additions to biological assets	17	(25,368)	(25,314)
Additions to financial assets	18	-	(2,929)
Amounts advanced to subsidiary undertakings	20/21	(1,164)	(30,447)
Amounts advanced to joint venture undertakings	20	(8,231)	(35,025)
Proceeds from disposals of trading and tangible assets		27,795	32,590
Proceeds from sale of Telecoms' income streams		-	67,470
Receipt of capital government grants	20/26	1,000	210
Net cash outflow from investing activities		(19,024)	(5,560)
Cash flows from financing activities			
(Decrease)/increase in borrowings	23	(18,260)	12,442
Interest paid and received		(6,655)	(8,020)
Dividends paid	12	(7,200)	(4,000)
Net cash (outflow)/inflow from financing activities		(32,115)	422
Net (decrease)/increase in cash and cash equivalents		(28,027)	34,839
Cash and cash equivalents at 1 January		34,414	(425)
Cash and cash equivalents at 31 December		6,387	34,414

Group Statement of Changes in Equity

Financial year ended 31 December 2016	Notes	**Called-up share capital presented as equity** €'000	**Undenominated capital** €'000	**Cash-flow hedge reserve** €'000	**Profit and loss account** €'000	**Total** €'000
At 1 January 2016		**795,060**	**6,145**	**1,190**	**275,822**	**1,078,217**
Profit for the financial year		**-**	**-**	**-**	**48,225**	**48,225**
Other comprehensive expenses for the financial year		**-**	**-**	**(1,446)**	**(49,330)**	**(50,776)**
Total comprehensive expenses for the financial year		**-**	**-**	**(1,446)**	**(1,105)**	**(2,551)**
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	**-**	**-**	**-**	**(7,200)**	**(7,200)**
At 31 December 2016		**795,060**	**6,145**	**(256)**	**267,517**	**1,068,466**
At 1 January 2015		795,060	6,145	(1,650)	179,555	979,110
Profit for the financial year		-	-	-	47,599	47,599
Other comprehensive income for the financial year		-	-	2,840	52,668	55,508
Total comprehensive income for the financial year		-	-	2,840	100,267	103,107
Transactions with shareholders recorded directly in equity:						
Dividends Paid	12	-	-	-	(4,000)	(4,000)
At 31 December 2015		795,060	6,145	1,190	275,822	1,078,217

Company Statement of Changes in Equity

Financial year ended 31 December 2016	Notes	Called-up share capital presented as equity €'000	Undenominated capital €'000	Cash-flow hedge reserve €'000	Profit and loss account €'000	Total €'000
At 1 January 2016		795,060	6,145	(724)	274,782	1,075,263
Profit for the financial year		-	-	-	41,542	41,542
Other comprehensive income/(expenses) for the financial year		-	-	814	(40,386)	(39,572)
Total comprehensive income for the financial year		-	-	814	1,156	1,970
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	-	-	-	(7,200)	(7,200)
At 31 December 2016		795,060	6,145	90	268,738	1,070,033
At 1 January 2015		795,060	6,145	(930)	176,697	976,972
Profit for the financial year		-	-	-	52,409	52,409
Other comprehensive income for the financial year		-	-	206	49,676	49,882
Total comprehensive income for the financial year		-	-	206	102,085	102,291
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	-	-	-	(4,000)	(4,000)
At 31 December 2015		795,060	6,145	(724)	274,782	1,075,263

Notes to the Financial Statements

1 Company Information

Coillte CGA (The Irish Forestry Board) was established under the Forestry Act, 1988. Coillte CGA is a designated activity company limited by shares, that is to say a private company limited by shares registered under Part 16 of the Companies Act 2014. Coillte CGA is domiciled in Ireland and the address of its registered office is Dublin Road, Newtownmountkennedy, Co. Wicklow and the company number is 138108.

2 Statement of compliance

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

3 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

(b) Going concern

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

(c) Exemptions

As permitted by Section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its separate profit and loss account in these financial statements and from filing it with the Registrar of Companies. The Company's profit for the financial year was €41,542,000 (2015: €52,409,000).

(d) Consolidation and equity accounting

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

(i) Investments in subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Notes to the Financial Statements

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

(ii) Investments in joint ventures

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

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

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

(iii) Jointly controlled operations

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

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

(e) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Notes to the Financial Statements

(f) Revenue recognition

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

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

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

(i) Sale of goods and rendering of services

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

(ii) Operating lease rental income

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

(iii) Government grants

The Group's accounting policy in respect of government grants is disclosed in note (t).

(g) Exceptional items

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

(h) Employee benefits

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

(i) Short term benefits

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

(ii) Defined benefit pension plans

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

Notes to the Financial Statements

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

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

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

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

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

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

(iii) Defined contribution pension plans

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

(i) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

Notes to the Financial Statements

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

(j) Intangible assets

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

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

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

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

(k) Tangible assets

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

(i) Depreciation

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

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

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

(ii) Subsequent additions

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

(iii) Assets in the course of construction

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

(iv) Derecognition

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

(v) Transfers to stock

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

Notes to the Financial Statements

(l) Investment properties

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

(m) Biological assets

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

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

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

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

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

(n) Borrowing costs

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

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

(o) Leased assets

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

(i) Finance lease assets

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

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

Notes to the Financial Statements

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

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

(ii) Operating lease assets

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

(iii) Lease incentives

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

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

(p) Impairment of non-financial assets

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

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

(q) Stocks

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

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

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

Notes to the Financial Statements

(r) Cash and cash equivalents

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

(s) Provisions and contingencies

(i) Provisions

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

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

(ii) Replanting obligation

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

(iii) Contingencies

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

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(t) Government grants

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

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

Grants in respect of afforestation costs which have been capitalised are released to the profit and loss account when the related forest plantations are clear felled.

Government grants of a revenue nature are deferred and credited to the profit and loss account over the period necessary to match them with the costs that they are intended to compensate.

Notes to the Financial Statements

(u) Financial instruments

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

(i) Financial assets

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

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

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

(ii) Financial liabilities

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

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

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

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

(iii) Derivative financial instruments

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

Notes to the Financial Statements

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

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

(iv) Hedging

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

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

The fair values of various derivative instruments are disclosed in note 24 and the movements on the cash-flow hedge reserve in equity are shown in the statement of other comprehensive income. The full fair value of a derivative is classified as a non-current asset or non-current liability if the remaining maturity of the derivative is more than twelve months and as a current asset or current liability if the remaining maturity of the derivative is less than twelve months.

(v) Research and development

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

(w) Distributions to equity shareholders

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

(x) Emission rights

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

4 Critical accounting judgements and estimation uncertainty

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

Notes to the Financial Statements

(a) Critical accounting estimates and assumptions

(i) Revaluation of investment properties

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

(ii) Impairment of non-financial assets and goodwill

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

(iii) Pensions

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

(iv) Useful economic lives of tangible assets

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

(v) Depletion

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

Notes to the Financial Statements

(vi) Impairment of debtors

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

(vii) Provisions for liabilities

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

5 Turnover

Analysis of turnover

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

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

	Forest		Land Solutions*		MEDITE SMARTPLY		Group	
	2016 €'000	2015 €'000	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000	**2016 €'000**	2015 €'000
Group turnover								
Continuing operations:								
Republic of Ireland	**125,484**	122,431	**4,519**	7,651	**31,289**	28,581	**161,292**	158,663
United Kingdom	**12,379**	11,218	**-**	70	**105,329**	101,428	**117,708**	112,716
Rest of the World	**107**	262	**-**	-	**41,767**	44,728	**41,874**	44,990
Inter-segment sales**	**(33,147)**	(33,460)	**-**	-	-	-	**(33,147)**	(33,460)
Sales to third parties	**104,823**	100,451	**4,519**	7,721	**178,385**	174,737	**287,727**	282,909

* The turnover attributable to the Telecoms income streams was €nil (2015: €4.0 million).
** Representing sales from the Group's Forest division to its MEDITE SMARTPLY division.

Notes to the Financial Statements

6 Operating profit

	2016	2015
	€'000	€'000
Operating profit has been arrived at after charging/(crediting):		
Depreciation (note 16)	19,038	17,657
Depletion (note 17)	14,093	10,872
Amortisation of grants (note 26)	(1,690)	(7,564)
Amortisation of intangible assets (note 15)	731	678
Operating lease charges	1,933	1,549
Research and development expenditure	545	725
Operating lease rental income	(860)	(4,270)
Impairment of trade receivables	(84)	(149)
Inventory recognised as an expense	170,401	168,973
Impairment of inventory (included in 'cost of sales')	12	321
Impairment of tangible assets (note 16)	-	1,451
Impairment of biological assets (note 17)	-	60,838
Profit on sale of Telecoms income streams (note 9)	-	(62,611)
Gain on revaluation of investment properties (note 16)	(1,591)	(18,485)
Other exceptional items (note 9)	1,058	(4,565)

Notes to the Financial Statements

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

Incoming Auditors

	Group		Company	
	2016	**2015**	**2016**	**2015**
	€'000	€'000	**€'000**	€'000
Audit of the financial statements	**202**	-	**159**	-
Other assurance services	**15**	36	**15**	36
Tax advisory services	**69**	39	**30**	-
Other non-audit services	**79**	-	**79**	-
	365	75	**283**	36

Outgoing Auditors

	Group		Company	
	2016	**2015**	**2016**	**2015**
	€'000	€'000	**€'000**	€'000
Audit of the financial statements	**-**	224	**-**	180
Other assurance services	**4**	138	**-**	117
Tax advisory services	**112**	468	**101**	431
Other non-audit services	**58**	292	**55**	292
	174	1,122	**156**	1,020

7 Emoluments of Directors

	2016	**2015**
	€'000	€'000
Emoluments	**305**	99
Contributions to retirement benefits schemes	**50**	2
Total	**355**	101

Mr. Fergal Leamy was appointed a Director in November 2016. The emoluments disclosed relate to the full financial year.

Retirement benefits are accruing to 2 (2015: 1) Directors, one Director under a defined benefit scheme and one Director under a defined contribution scheme.

Notes to the Financial Statements

8 Employees and remuneration

The average number of persons employed by the Group (excluding joint venture undertakings) during the year was 862 (2015: 897) which comprise 399 (2015: 418) industrial workers and 463 (2015: 479) non-industrial employees.

	2016	2015
	€'000	€'000
Staff costs comprise:		
Wages and salaries	51,230	53,539
Social insurance costs	5,098	5,081
Other retirement benefit costs	6,054	7,773
	62,382	66,393
Less: Own work capitalised	(8,215)	(8,343)
Charge to profit and loss account	54,167	58,050
Other retirement benefit costs comprise:		
Defined contribution scheme pension costs (note 14)	1,400	719
Defined benefit scheme pension costs (note 14)	4,654	7,054
	6,054	7,773

Key management compensation	2016	2015
	€'000	€'000
Group and Company's key management personnel compensation	2,020	2,224

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group and Company. These include the Board members and senior executives.

Notes to the Financial Statements

9 Exceptional items

	2016	2015
	€'000	€'000
Recognised in arriving at operating profit:		
Restructuring (note A)	(12,591)	(4,701)
Past service pension credit (note B)	11,533	-
Defined benefit pension curtailment credit (note C)	-	9,266
Impairment of biological assets, net of grants (note D)	-	(55,028)
Profit on sale of Telecoms' income streams (note E)	-	62,611
Impairment of tangible assets (note F)	-	(1,451)
	(1,058)	10,697

A. Restructuring

During 2016 and 2015, the Group announced a number of restructuring programmes that are currently being implemented. The associated severance and actuarial costs relating to the past service of departing employees is €12.6 million (2015: €4.7 million). This exceptional charge includes a pension curtailment loss of €1.2 million (2015: €1.4 million).

B. Past service pension credit

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

C. Defined benefit pension curtailment

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

D. Impairment of biological assets

In 2015, the Group reviewed the carrying value of certain forestry assets. As a consequence of the review, the Group has written down these biological assets to their estimated recoverable amount by including a net impairment charge of €55.0 million in the profit and loss account. The net impairment charge includes the release of €5.8 million of deferred government grants related to these biological assets.

E. Profit on the sale of Telecoms' income streams

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

F. Impairment of tangible assets

In 2015 the Group reviewed the carrying value of certain fixed assets in its Land Solutions Division. As a consequence of the review, the Group recorded a write down of the assets to their recoverable amount by including an Impairment of tangible assets charge of €1.45 million.

10 Other profit from trading activities and other operating gains

Other profit from trading activities which relates to the Group's land dealing and development business, amount to €17.1 million (2015: €17.6m). Sales proceeds in relation to these transactions amounted to €18.0 million (2015: €29.6m).

Other operating gains, all of which relate to profits realised on the disposal of fixed assets, amount to €9.9 million (2015: €14.2 million).

Notes to the Financial Statements

11 Net finance charges

	2016	2015
	€'000	€'000
(a) Interest receivable and similar income		
Interest receivable	(2)	(2)
(b) Interest payable and similar charges		
Interest on bank overdrafts and loans, and other related bank costs	5,773	7,906
Less: Capitalised borrowing costs	(209)	(480)
Interest payable recognised in profit and loss account	5,564	7,426
Net interest expense on pension deficit (note 14)	1,858	2,995
Unwind of discount (note 25)	20	20
Other finance costs	1,878	3,015
Total interest payable	7,442	10,441
Net interest expense	7,440	10,439

12 Dividends

Equity dividends declared and paid on ordinary shares:

	2016	2015
	€'000	€'000
Interim dividend of €0.00634 per share for the financial year ended 31 December 2015	-	4,000
Final dividend of €0.00158 per share for the financial year ended 31 December 2015	1,000	-
Dividend of €0.00983 per share for the financial year ended 31 December 2016	6,200	-
	7,200	4,000

A dividend in respect of the financial year ended 31 December 2016 of €0.00983 per share was authorised and paid by the Board in December 2016. The 2015 interim dividend of €0.00634 per share was authorised by the Board and paid in December 2015. The 2015 final dividend of €0.00158 per share was approved at the Annual General Meeting in May 2016 and paid in May 2016.

Notes to the Financial Statements

13 Taxation

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

	2016	2015
	€'000	€'000
Current tax:		
Corporation tax at 12.5%	**4,230**	5,128
Less: Woodlands relief	**(2,996)**	(2,285)
Irish corporation tax	**1,234**	2,843
Foreign tax - Netherlands	**10**	4
- United Kingdom	**37**	17
Adjustment in respect of prior financial years	**(870)**	(1,310)
Taxation on disposal of fixed assets (including sale of Telecoms' income streams in 2015) at 33%	**8,091**	22,850
Total current tax	**8,502**	24,404
Deferred tax:		
Pension timing difference	**82**	1,233
Revaluation of investment properties	**525**	6,100
Other timing differences	**(295)**	(186)
Total deferred tax	**312**	7,147
Total taxation on profit on ordinary activities*	**8,814**	31,551

* Includes €nil million (2015: €19.1 million) taxation relating to exceptional items (note 9).

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

	2016	2015
	€'000	€'000
Current tax:	**-**	-
Deferred tax:		
Pension timing difference	**(906)**	1,239
Other timing differences	**(214)**	256
Total tax (income)/expense included in the statement of other comprehensive income	**(1,120)**	1,495

Notes to the Financial Statements

(c) Reconciliation of tax charge

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

	2016	2015
	€'000	€'000
Profit on ordinary activities before tax	**57,039**	79,150
Profit on ordinary activities multiplied by the standard rate of tax in the Republic of Ireland of 12.5%	**7,130**	9,894
Effects of:		
Woodlands relief	**(2,996)**	(2,285)
Impairment of assets	**-**	7,060
Other income not subject to tax	**-**	(2,194)
Expenses non deductible for tax purposes	**636**	2,469
Differences between capital allowances and depreciation	**(124)**	(657)
Adjustments in respect of prior financial years	**(870)**	(1,310)
Higher rates of tax on certain activities	**5,203**	18,978
Foreign tax	**22**	17
Other	**(187)**	(421)
	8,814	31,551

14 Pensions

A. Defined benefit pension scheme

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

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

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

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

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

Notes to the Financial Statements

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

A funding proposal in respect of the Coillte CGA scheme was approved by the Pensions Authority in 2010. The funding proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 31 December 2020. The funding proposal requires Coillte to make significant additional contributions and employees to increase their contributions. A funding agreement which varied some of the terms of the funding proposal was agreed with the Trustees in July 2014. This agreement puts in place a number of alternative measures to the transfer of non-cash assets, which was part of the original funding proposal. These alternative measures include further Company cash contributions over the period to the pension fund. The Company has also given the Trustees security over €20m of forestry assets that would be available to the Trustees in certain circumstances. These include the Company terminating its liability to the scheme or not making contributions to the scheme, the wind up of the scheme or the Company ceasing business. In addition, the funding agreement notes that the Company intends to limit future increases in pensions in payment to increases in the Consumer Price Index. The Trustees have notified the Pensions Authority of these changes and the Pensions Authority have confirmed they are satisfied with them.

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

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

	2016	**2015**
	€'000	€'000
Current service cost	**4,654**	7,054
Curtailment/past service credit	**(10,360)**	(7,849)
	(5,706)	(795)
Less: Capitalised expenses	**(851)**	(1,287)
Total credit in operating profit	**(6,557)**	(2,082)
Net interest expense	**1,858**	2,995
Total profit and loss account (credit)/charge	**(4,699)**	**913**

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

	2016	**2015**
	€'000	€'000
Return on scheme assets excluding interest income	**13,297**	5,419
Actuarial (losses)/gains	**(56,850)**	49,313
Re-measurement (losses)/gains recognised in the statement of other comprehensive income	**(43,553)**	54,732

Expected contributions for the financial year ending 31 December 2017 are €11,384,000.

Notes to the Financial Statements

Movement in scheme assets and liabilities

	Pension assets	Pension liabilities	Pension deficit
	€'000	€'000	€'000
At 1 January 2016	272,144	(350,595)	(78,451)
Benefits paid from plan assets	(10,327)	10,327	-
Employer contributions paid	10,008	-	10,008
Contributions by plan participants	1,457	(1,457)	-
Current service cost	-	(4,481)	(4,481)
Curtailment/past service credit	-	10,360	10,360
Administration expenses	(173)	-	(173)
Interest income/(expense)	6,890	(8,748)	(1,858)
Re-measurement gains/losses			
- Actuarial losses	-	(56,850)	(56,850)
- Return on plan assets excluding interest income	13,297	-	13,297
As at 31 December 2016	293,296	(401,444)	(108,148)
At 1 January 2015	258,994	(400,822)	(141,828)
Benefits paid from plan assets	(9,762)	9,762	-
Employer contributions paid	10,845	-	10,845
Contributions by plan participants	1,488	(1,488)	-
Current service cost	-	(6,687)	(6,687)
Curtailment credit	-	7,849	7,849
Administration expenses	(367)	-	(367)
Interest income/(expense)	5,527	(8,522)	(2,995)
Re-measurement gains			
- Actuarial gains	-	49,313	49,313
- Return on plan assets excluding interest income	5,419	-	5,419
As at 31 December 2015	272,144	(350,595)	(78,451)

For the purposes of disclosure the assets and liabilities of the Coillte CGA and Medite Europe DAC defined benefit schemes have been combined. The deficit in the Coillte CGA scheme was €104.1 million (2015: deficit of €76.3 million) and the deficit in the Medite Europe DAC scheme was €4.0 million (2015: deficit of €2.2 million).

Notes to the Financial Statements

The fair value of the plan assets was:

	2016	2015
	€'000	€'000
Equities	102,120	92,167
Bonds	111,790	104,821
Property	20,485	17,089
Other	58,901	58,067
Total market value of assets	293,296	272,144

The actual return on plan assets was:

	2016	2015
	€'000	€'000
Actual return on plan assets	20,187	10,946

The principal actuarial assumptions at the balance sheet date:

	2016	2015
Rate of increase in salaries	2.10%	2.00%
Rate of increase in pension payments		
- Coillte CGA	1.60%	1.50%
- Medite Europe DAC	0.00%	0.00%
Discount rate	1.85%	2.55%
Price inflation	1.60%	1.50%
Post-retirement mortality*		
Current pensioners at 65 - Male	22.9	22.8
Current pensioners at 65 - Female	24.9	24.8
Future pensioners at 65 - Male	25.1	25.0
Future pensioners at 65 - Female	27.2	27.1

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

B. Defined contribution pension scheme

The Group also contributes to a number of defined contribution pension schemes on behalf of certain employees who are not members of the defined benefit schemes. The assets of these schemes are held separately from those of the Group or Company in independently administered schemes. The pension cost for the period amounted to €1,400,000 (2015: €719,000) and contributions of €66,000 (2015: €66,000) were not transferred to the funds until after the financial year end.

Notes to the Financial Statements

15 Intangible assets

A. Group

	Notes	Software €'000	Goodwill €'000	Total €'000
Cost				
At 1 January 2016	(i)	**15,744**	**1,176**	**16,920**
Additions		**3,275**	**-**	**3,275**
Disposals – cost		**(478)**	**-**	**(478)**
At 31 December 2016		**18,541**	**1,176**	**19,717**
Accumulated amortisation				
At 1 January 2016		**(9,638)**	**(1,068)**	**(10,706)**
Amortisation	(iii)	**(623)**	**(108)**	**(731)**
Disposals – amortisation		**468**	**-**	**468**
At 31 December 2016		**(9,793)**	**(1,176)**	**(10,969)**
Net book amounts				
At 31 December 2016		**8,748**	**-**	**8,748**
At 31 December 2015		**6,106**	**108**	**6,214**
Cost				
At 1 January 2015	(i)	13,708	1,176	14,884
Additions		2,190	-	2,190
Disposals - cost		(154)	-	(154)
At 31 December 2015		15,744	1,176	16,920
Accumulated amortisation				
At 1 January 2015		(9,139)	(951)	(10,090)
Amortisation	(iii)	(561)	(117)	(678)
Disposals - amortisation		62	-	62
At 31 December 2015		(9,638)	(1,068)	(10,706)
Net book amount				
At 31 December 2015		6,106	108	6,214
At 31 December 2014		4,569	225	4,794

Notes to the Financial Statements

B. Company

	Notes	**Software** €'000
Cost		
At 1 January 2016		**14,441**
Additions		**3,271**
Disposals – cost		**(478)**
At 31 December 2016		**17,234**
Accumulated amortisation		
At 1 January 2016		**(8,400)**
Amortisation	(iii)	**(598)**
Disposals - amortisation		**468**
At 31 December 2016		**(8,530)**
Net book amounts		
At 31 December 2016		**8,704**
At 31 December 2015		**6,041**
Cost		
At 1 January 2015		12,428
Additions		2,167
Disposals - cost		(154)
At 31 December 2015		14,441
Accumulated amortisation		
At 1 January 2015		(7,933)
Amortisation	(iii)	(529)
Disposals - amortisation		62
At 31 December 2015		(8,400)
Net book amounts		
At 31 December 2015		6,041
At 31 December 2014		4,495

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

(ii) Intangible assets include software costs incurred in developing the Group's Forest Management System. At 31 December 2016, the asset is under construction and is carried at € 6.5 million (2015: €4.3 million). There are no other individual material intangible assets.

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

Notes to the Financial Statements

16 Tangible assets

A. Group

	Notes	Land	Buildings	Investment Properties	Forest roads & bridges	Machinery & equipment	Total
		€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2016	(i)	**344,365**	**33,291**	**18,843**	**291,059**	**155,233**	**842,791**
Additions	(ii)	**4,019**	**336**	**-**	**8,572**	**18,165**	**31,092**
Surplus on revaluation	(iv)	**-**	**-**	**1,591**	**-**	**-**	**1,591**
Transfers		**5,632**	**-**	**47**	**-**	**-**	**5,679**
Disposals		**(444)**	**(160)**	**-**	**-**	**(1,329)**	**(1,933)**
Transfers to stock		**(223)**	**-**	**-**	**-**	**-**	**(223)**
At 31 December 2016		**353,349**	**33,467**	**20,481**	**299,631**	**172,069**	**878,997**
Accumulated depreciation							
At 1 January 2016		**-**	**(24,188)**	**-**	**(156,197)**	**(68,017)**	**(248,402)**
Charge for financial year		**-**	**(946)**	**-**	**(7,749)**	**(10,343)**	**(19,038)**
Disposals		**-**	**73**	**-**	**-**	**1,241**	**1,314**
At 31 December 2016		**-**	**(25,061)**	**-**	**(163,946)**	**(77,119)**	**(266,126)**
Net book amounts							
At 31 December 2016		**353,349**	**8,406**	**20,481**	**135,685**	**94,950**	**612,871**
At 31 December 2015		**344,365**	**9,103**	**18,843**	**134,862**	**87,216**	**594,389**
Cost							
At 1 January 2015	(i)	344,932	34,753	-	282,622	122,982	785,289
Additions	(ii)	452	-	-	8,437	46,481	55,370
Transfers		(358)	-	358	-	-	-
Impairments	(v)	-	(1,451)	-	-	-	(1,451)
Surplus on revaluation	(iv)	-	-	18,485	-	-	18,485
Disposals		(661)	(11)	-	-	(14,230)	(14,902)
At 31 December 2015		344,365	33,291	18,843	291,059	155,233	842,791
Accumulated depreciation							
At 1 January 2015		-	(23,214)	-	(148,492)	(63,806)	(235,512)
Charge for financial year		-	(979)	-	(7,705)	(8,973)	(17,657)
Disposals		-	5	-	-	4,762	4,767
At 31 December 2015		-	(24,188)	-	(156,197)	(68,017)	(248,402)
Net book amounts							
At 31 December 2015		344,365	9,103	18,843	134,862	87,216	594,389
At 31 December 2014		344,932	11,539	-	134,130	59,176	549,777

Notes to the Financial Statements

16 Tangible assets

B. Company

	Notes	Land	Buildings	Investment Properties	Forest roads & bridges	Machinery & equipment	Total
		€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2016	(i)	**332,583**	**11,555**	**18,843**	**291,059**	**10,210**	**664,250**
Additions		**4,019**	**334**	**-**	**8,572**	**368**	**13,293**
Surplus on revaluation	(iv)	**-**	**-**	**1,591**	**-**	**-**	**1,591**
Transfers		**5,632**	**-**	**47**	**-**	**-**	**5,679**
Disposals		**(444)**	**(160)**	**-**	**-**	**(1,319)**	**(1,923)**
Transfers to stock		**(223)**	**-**	**-**	**-**	**-**	**(223)**
At 31 December 2016		**341,567**	**11,729**	**20,481**	**299,631**	**9,259**	**682,667**
Accumulated depreciation							
At 1 January 2016		**-**	**(4,488)**	**-**	**(156,197)**	**(7,268)**	**(167,953)**
Charge for financial year		**-**	**(217)**	**-**	**(7,749)**	**(824)**	**(8,790)**
Disposals		**-**	**73**	**-**	**-**	**1,241**	**1,314**
At 31 December 2016		**-**	**(4,632)**	**-**	**(163,946)**	**(6,851)**	**(175,429)**
Net book amounts							
At 31 December 2016		**341,567**	**7,097**	**20,481**	**135,685**	**2,408**	**507,238**
At 31 December 2015		**332,583**	**7,067**	**18,843**	**134,862**	**2,942**	**496,297**
Cost							
At 1 January 2015	(i)	333,150	13,017	-	282,622	22,281	651,070
Additions		452	-	-	8,437	1,676	10,565
Transfers		(358)	-	358	-	-	-
Impairments	(v)	-	(1,451)	-	-	-	(1,451)
Surplus on revaluation	(iv)	-	-	18,485	-	-	18,485
Disposals		(661)	(11)	-	-	(13,747)	(14,419)
At 31 December 2015		332,583	11,555	18,843	291,059	10,210	664,250
Accumulated depreciation							
At 1 January 2015		-	(4,269)	-	(148,492)	(10,212)	(162,973)
Charge for financial year		-	(224)	-	(7,705)	(1,364)	(9,293)
Disposals		-	5	-	-	4,308	4,313
At 31 December 2015		-	(4,488)	-	(156,197)	(7,268)	(167,953)
Net book amounts							
At 31 December 2015		332,583	7,067	18,843	134,862	2,942	496,297
At 31 December 2014		333,150	8,748	-	134,130	12,069	488,097

Notes to the Financial Statements

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

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

(iii) At 31 December 2016 €6.7 million (2015: €6.3 million) of total additions was unpaid and included within creditors due within one financial year.

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

(v) Tangible assets are reviewed for impairment if events or changes in circumstances indicate that their carrying value may be impaired. In 2015, the Group carried out an impairment review of the carrying value of certain assets in its Land Solutions Division. Having carried out the impairment review, it was the Board's view that a provision for impairment of €1.45 million was appropriate.

(vi) Included in the net book amount of tangible assets is an amount for capitalised leased assets of €10,000 (2015: €13,000). The depreciation charge for capitalised leased assets for the financial year ended 31 December 2016 was €3,000 (2015: €19,000).

The carrying value of land comprises:

	Group		Company	
	2016	2015	**2016**	2015
	€'000	€'000	**€'000**	€'000
Investment properties at fair value	**20,481**	18,843	**20,481**	18,843
Other land at cost	**353,349**	344,365	**341,567**	332,583
	373,830	363,208	**362,048**	351,426

The Group's investment properties predominantly comprise of land rented to wind farm operators under long-term lease agreements. Investment properties were independently valued by CBRE as at 31 December 2015 on an open market valuation basis in accordance with the RICS Valuation – Professional Standards 2014 (Red Book) published by the Royal Institution of Chartered Surveyors. The valuer noted that values are subject to changes on account of market adjustments and other factors, and that values in the future may therefore be higher or lower than at the valuation date. The fair value of the investment properties at 31 December 2016 was determined by the Directors using the same assumptions as those applied by CBRE at 31 December 2015.

The significant assumptions made relating to the valuation include:

> Future rental income stream. The rental income is partially contingent on the performance of the wind farm.

> A yield range of 10.5% to 12.0% has been applied.

Investment Properties: Group and Company	**2016**	**2015**
	€'000	€'000
At 1 January	**18,843**	-
Transfers	**47**	358
Surplus on revaluation	**1,591**	18,485
At 31 December	**20,481**	18,843

The revaluation surplus of €1.6 million (2015: €18.5 million) arising on this revaluation has been credited to the profit and loss account. If the investment properties had not been subject to revaluation, they would have been included at a cost of €0.05 million (2015: €0.4 million).

Notes to the Financial Statements

17 Biological assets

Group and Company

	Notes	2016 €'000	2015 €'000
Cost			
At 1 January	(i)/(ii)	860,839	846,397
Additions	(ii)	25,368	25,314
Transfers to tangible assets		(5,679)	-
Transfers to stock		(720)	-
Depletion	(iii)	(13,373)	(10,872)
At 31 December		866,435	860,839
Accumulated impairment			
At 1 January		(63,838)	(3,000)
Provision for impairment	(iv)	-	(60,838)
At 31 December		(63,838)	(63,838)
Net book amounts			
At 31 December		802,597	797,001

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

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

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

(iv) In 2015 the Group wrote down these biological assets to their estimated recoverable amount by recording an impairment charge of €60.8 million in the profit and loss account. Deferred government grants related to these biological assets of €5.8 million were released in 2015. The net impairment charge of €55.0 million incurred in 2015 was disclosed as an exceptional item (see note 9).

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

Notes to the Financial Statements

18 Investments in joint ventures

A. Group

	Notes	2016 €'000	2015 €'000
Joint venture undertakings			
At 1 January		2,104	-
Additions	(i)	-	2,929
Share in loss of joint ventures	(ii)	(454)	-
Share in other comprehensive expense of joint-ventures	(ii)	(1,650)	(825)
At 31 December		**-**	**2,104**

B. Company

	Notes	Subsidiary undertakings €'000	Joint venture undertakings €'000	Total €'000
Unlisted shares				
At 1 January 2016		**78,856**	**2,929**	**81,785**
Additions	(i)	**-**	**-**	**-**
At 31 December 2016		**78,856**	**2,929**	**81,785**
At 1 January 2015		78,856	-	78,856
Additions	(i)	-	2,929	2,929
At 31 December 2015		**78,856**	**2,929**	**81,785**

(i) Additions in 2016 comprise the Group's nominal equity investment in its joint venture entity, Castlepook Power DAC. Additions in the prior year comprised the Group's equity investments in joint ventures Raheenleagh Power DAC, Cloosh Valley Wind Farm Holdings DAC and Sliabh Bawn Wind Holdings DAC.

(ii) The Group recorded in 2016, its 50% share in its joint ventures' profit or loss amounting to €0.5m (2015: €nil). The Group also recognised its 50% share in its joint ventures' movement in cash-flow hedge reserves driven by the fair value of the joint ventures' derivative financial instruments used to hedge their interest rate risk exposure amounting to €6.7m (2015:€0.8m). Where the Group's share of losses in its joint ventures exceeds the Group's investment in the joint venture, the carrying amount of the Group's investment in the joint venture is reduced to €nil with the balance of €5.0m (2015: €nil) being recognised in provisions for liabilities.

Notes to the Financial Statements

Listing of the Group's subsidiary and joint venture undertakings

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

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

*Both Smartply Europe DAC and Medite Europe DAC have a branch in the Netherlands which deals with MEDITE SMARTPLY product sales for Europe.

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

19 Stocks

	Group		Company	
	2016 €'000	2015 €'000	**2016 €'000**	2015 €'000
Raw materials and consumables	**6,458**	5,839	**1,245**	984
Spare parts	**2,828**	1,635	**-**	-
Finished goods	**14,441**	16,787	**3,111**	3,534
	23,727	24,261	4,356	4,518

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

Notes to the Financial Statements

20 Debtors

	Group		Company	
	2016	**2015**	**2016**	**2015**
	€'000	€'000	**€'000**	€'000
Trade debtors	**44,369**	43,763	**22,439**	19,288
Amounts owed by subsidiary undertakings	**-**	-	**64,341**	46,321
Amounts owed by joint venture undertakings	**25,336**	17,105	**43,256**	35,025
Forest plantations to be planted (note 25)	**44,232**	45,383	**44,232**	45,383
Deferred tax (note 25)	**2,635**	1,852	**2,126**	1,566
Derivative financial instruments (note 24)	**1,099**	2,167	**90**	-
Grants receivable	**609**	691	**609**	691
Other debtors	**32,485**	26,842	**32,485**	26,047
Prepayments	**2,823**	2,178	**1,118**	811
	153,588	139,981	**210,696**	175,132

Trade debtors includes €nil (2015: €3,101,000) falling due after more than one year.

Trade debtors are stated after provisions for impairment of €1,173,000 (2015: €1,370,000).

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

21 Creditors: amounts falling due within one financial year

	Group		Company	
	2016	**2015**	**2016**	**2015**
	€'000	€'000	**€'000**	€'000
Finance leases (note 23)	**2**	9	-	-
Trade creditors	**10,485**	12,834	**7,146**	8,546
Taxation and social insurance	**7,371**	5,560	**5,551**	2,678
Accruals	**49,051**	48,329	**33,706**	28,394
Derivative financial instruments (note 24)	**926**	178	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**51,253**	34,397
Amounts owed to joint venture undertakings	**33**	-	**33**	33
Loans (note 23)	**3,353**	1,068	**3,353**	1,068
	71,221	**67,978**	**101,042**	**75,116**

Trade and other creditors are payable at various dates in the next three months after the end of the financial year, in accordance with the creditors' usual and customary credit terms. Trade creditors of €3,643,000 (2015: €4,671,000) have reserved title to goods supplied.

	Group		Company	
	2016	**2015**	**2016**	**2015**
Taxation and social insurance comprise:	**€'000**	€'000	**€'000**	€'000
PAYE/PRSI	**1,977**	2,066	**958**	1,041
VAT	**2,903**	1,330	**2,086**	392
Corporation and capital gains tax	**2,362**	1,446	**2,406**	1,065
Other	**129**	718	**101**	180
	7,371	**5,560**	**5,551**	**2,678**

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

Notes to the Financial Statements

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	€'000	€'000	**€'000**	€'000
Loans (note 23)	**166,505**	187,050	**166,505**	187,050
Finance leases (note 23)	**-**	2	**-**	-
Derivative financial instruments (note 24)	**-**	747	**-**	747
	166,505	187,799	**166,505**	187,797

23 Loans and other debt

	Group		Company	
	2016	**2015**	**2016**	**2015**
	€'000	€'000	**€'000**	€'000
Repayable within 1 year				
Loans	**3,353**	1,068	**3,353**	1,068
Finance lease	**2**	9	**-**	-
	3,355	1,077	**3,353**	1,068
Repayable between 2 and 5 years				
Loans	**13,412**	178,512	**13,412**	178,512
Finance lease	**-**	2	**-**	**-**
	13,412	178,514	**13,412**	178,512
Repayable after 5 years				
Loans	**153,093**	8,538	**153,093**	8,538
	153,093	8,538	**153,093**	8,538
Total loans and other debt	**169,860**	188,129	**169,858**	188,118
Details of loans and other debt				
Group RCF facility	**146,000**	169,968	**146,000**	169,968
ECA facility	**23,858**	18,150	**23,858**	18,150
Finance leases	**2**	11	**-**	-
	169,860	188,129	**169,858**	188,118

Group Facilities

The Group has a total of €291.8m of facilities available to it at year end comprising:

> a syndicated revolving credit facility ('RCF') of €170 million

> an ECA–backed facility of €26.8 million

> a bank overdraft facility of €5 million, which was undrawn at year end, and

> a European Investment Bank facility of €90 million, which was drawn down subsequent to year end.

Notes to the Financial Statements

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

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

The Group also has an Export Credit Agency backed facility in place for the capital expenditure project in Smartply. This facility was entered into in 2014, and is required to be repaid in full by December 2025. The facility was originally for €31.8m, with the final amount used of €28.5m, which was drawn by December 2016. The principal is to be repaid over 17 semi-annual instalments, with the first repayment having being made in December 2016. It incurs an interest margin of 1.40% over 6 month Euribor.

The Group had undrawn facilities of €119m (2015: €104.4m) as at 31 December 2016.

24 Financial instruments

A. Financial assets and liabilities:

	Group		Company	
	2016 €'000	2015 €'000	**2016 €'000**	2015 €'000
Financial assets measured at 'fair value through profit or loss'				
Forward foreign currency contracts	**1,099**	2,167	**90**	-
Financial assets that are debt instruments measured at amortised costs				
Trade debtors (note 20)	**44,369**	43,763	**22,439**	19,288
Amounts owed by subsidiary undertakings (note 20)	**-**	-	**64,341**	46,321
Amounts owed by joint venture undertakings (note 20)	**25,336**	17,105	**43,256**	35,025
Other debtors (note 20)	**32,485**	26,842	**32,485**	26,047
Grants receivable (note 20)	**609**	691	**609**	691
	102,799	88,401	**163,130**	127,372
Financial liabilities measured at 'fair value through profit or loss'				
Interest rate swaps	-	(747)	**-**	(747)
Forward foreign currency contracts	**(926)**	(178)	**-**	-
	(926)	(925)	**-**	(747)
Financial liabilities that are debt instruments measured at amortised costs				
Trade creditors (note 21)	**(10,485)**	(12,834)	**(7,146)**	(8,546)
Amounts owed to subsidiary undertakings (note 21)	**-**	-	**(51,253)**	(34,397)
Amounts owed to joint venture undertakings (note 21)	**(33)**	-	**(33)**	(33)
Loans (note 23)	**(169,858)**	(188,118)	**(169,858)**	(188,118)
Finance leases (note 23)	**(2)**	(11)	**-**	-
	(180,378)	(200,963)	**(228,290)**	(231,094)

Notes to the Financial Statements

B. Derivative financial instruments:

Group

The Group uses fixed rate debt and interest rate swaps to manage interest rate risk volatility and forward foreign currency contracts to hedge currency exposure on highly probable forecasted sales transactions. The Group has elected to apply hedge accounting.

Forward foreign currency contracts

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

At 31 December 2016, almost all of the outstanding vanilla forward contracts will mature within 12 months (2015: 12 months) of the financial year end, with one trade for £0.3 million due to mature in January 2018. The Group is contracted to sell Stg £62.8 million (2015: Stg £56.0 million) and receive a fixed Euro amount in return.

The Group has entered into average rate forward contracts for a notional amount of £6.0 million, where the Group will pay the difference of the average exchange rate based on known observations and the strike price.

The forward foreign currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for Euro /Stg£. At 31 December 2016, the forward foreign currency contracts have a positive fair value of €173,000 (2015: €1,989,000 positive). During 2016, a hedging loss of €297,000 (2015: €2,110,000 gain) was recognised in the statement of other comprehensive income for changes in the fair value of the forward foreign currency contracts and €2,110,000 (2015: €773,000) was reclassified from the hedge reserve to the profit and loss account.

Interest rate swaps

At 31 December 2016, the Group had no interest rate swaps outstanding. At 31 December 2015, the Group had entered into interest rate swaps to manage its interest rate exposure on €90.0 million of its floating rate loans until February 2017. These interest rate swaps were cancelled upon completion of the refinancing of the Group's debt facilities in December 2016. The Group's fixed rate profile was replaced with the subsequent drawing of the €90.0 million European Investment Bank facility, which was drawn in early 2017 at a fixed rate of 0.743% for a period of six years.

At 31 December 2015, the interest rate swaps had a negative fair value of €747,000. During 2016, a cumulative hedging loss was recycled from the hedge reserve to the profit and loss account.

Company

The Company uses fixed rate debt and interest rate swaps to manage interest rate risk volatility and forward foreign currency contracts to hedge currency exposure on highly probable forecasted sales transactions. The Company has elected to apply hedge accounting.

Forward foreign currency contracts

At 31 December 2016, all of the outstanding contracts will mature within 12 months of the financial year end. There were no contracts outstanding at 31 December 2015. The Company has entered into average rate forwards for a notional amount of £6.0 million, where the Company will pay the difference of the average exchange rate based on known observations and the strike price. At 31 December 2016, the forward foreign currency contracts have a positive fair value of €0.09 million (2015: €nil).

Notes to the Financial Statements

Interest rate swaps

At 31 December 2016, the Company had no interest rate swaps outstanding. At 31 December 2015, the Company had entered into interest rate swaps to manage its interest rate exposure on €90.0 million of its floating rate loans until February 2017. These interest rate swaps were cancelled upon completion of the refinancing of the Company's debt facilities in December 2016. The Company's fixed rate profile was replaced with the subsequent drawing of the €90.0 million European Investment Bank facility, which was drawn in early 2017 at a fixed rate of 0.743% for a period of six years.

At 31 December 2015, the interest rate swaps had a negative fair value of €747,000. During 2016, a hedging loss was recycled from the hedge reserve to the profit and loss account.

25 Provisions for liabilities

A. Group

	Provision for replanting clear felled forest plantations	Joint venture undertakings	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2016	**45,383**	**-**	**2,770**	**8,608**	**56,761**
Additions	**-**	**5,033**	**594**	**525**	**6,152**
Amounts charged against the provision	**(1,151)**	**-**	**(201)**	**(534)**	**(1,886)**
Unused amounts reversed	**-**	**-**	**(99)**	**-**	**(99)**
Unwind of discount	**-**	**-**	**20**	**-**	**20**
At 31 December 2016	**44,232**	**5,033**	**3,084**	**8,599**	**60,948**
At 1 January 2015	37,952	-	3,356	2,503	43,811
Additions	23,273	-	726	6,105	30,104
Amounts charged against the provision	(15,842)	-	(980)	-	(16,822)
Unused amounts reversed	-	-	(352)	-	(352)
Unwind of discount	-	-	20	-	20
At 31 December 2015	45,383	-	2,770	8,608	56,761

B. Company

	Provision for replanting clear felled forest plantations	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000
At 1 January 2016	**45,383**	**1,019**	**6,100**	**52,502**
Additions	**-**	**490**	**525**	**1,015**
Amounts charged against the provision	**(1,151)**	**(115)**	**-**	**(1,266)**
At 31 December 2016	**44,232**	**1,394**	**6,625**	**52,251**
At 1 January 2015	37,952	1,399	-	39,351
Additions	23,273	570	6,100	29,943
Amounts charged against the provision	(15,842)	(862)	-	(16,704)
Unused amounts reversed	-	(88)	-	(88)
At 31 December 2015	45,383	1,019	6,100	52,502

Notes to the Financial Statements

Replanting provision

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

Legal and other provisions

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

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

Deferred tax

The deferred tax in the balance sheet is as follows:

	Group		Company	
	2016	2015	**2016**	2015
	€'000	€'000	**€'000**	€'000
Included in debtors (note 20)	**2,635**	1,852	**2,126**	1,566
Included in provisions for liabilities (note 25)	**(8,599)**	(8,608)	**(6,625)**	(6,100)
	(5,964)	(6,756)	**(4,499)**	(4,534)

The deferred tax asset/(liability) comprises:

	Group		Company	
	2016	2015	**2016**	2015
	€'000	€'000	**€'000**	€'000
Accelerated capital allowances	**(2,015)**	(2,301)	**-**	-
Defined benefit pension liability	**2,628**	1,818	**2,126**	1,543
Derivative financial instruments	**48**	(173)	**-**	23
Revaluation of investment properties	**(6,625)**	(6,100)	**(6,625)**	(6,100)
	(5,964)	(6,756)	**(4,499)**	(4,534)

No asset has been recognised for potential deferred tax assets of €3,407,000 (2015: €4,178,000) arising on the losses carried forward in one of the Group's subsidiary undertakings. In view of the current trading environment it was not considered prudent to recognise the asset at this stage.

Notes to the Financial Statements

26 Deferred government grants

A. Group	**Forestation**	**Forest roads**	**Other**	**Total**
	€'000	€'000	€'000	€'000
At 1 January 2016	103,522	24,584	775	128,881
Movement during the year	14	904	-	918
	103,536	25,488	775	129,799
Amortised during the year	(323)	(1,046)	(321)	(1,690)
At 31 December 2016	103,213	24,442	454	128,109
At 1 January 2015	109,668	25,681	1,096	136,445
Amortised during the year	(6,146)	(1,097)	(321)	(7,564)
At 31 December 2015	103,522	24,584	775	128,881

B. Company	**Forestation**	**Forest roads**	**Other**	**Total**
	€'000	€'000	€'000	€'000
At 1 January 2016	103,522	24,584	152	128,258
Movement during the year	14	904	-	918
	103,536	25,488	152	129,176
Amortised during the year	(323)	(1,046)	(8)	(1,377)
At 31 December 2016	103,213	24,442	144	127,799
At 1 January 2015	109,668	25,681	160	135,509
Amortised during the year	(6,146)	(1,097)	(8)	(7,251)
At 31 December 2015	103,522	24,584	152	128,258

Forestry government grants

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

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

Notes to the Financial Statements

27 Called up share capital

	2016	2015
	€'000	€'000
Ordinary shares of €1.26 each		
Authorised	**1,260,000**	1,260,000
Allocated, issued and fully paid – presented as equity	**795,060**	795,060

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

28 Other reserves

Undenominated capital

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

Cash-flow hedge reserve

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

Retained earnings

Retained earnings of the Group and Company include €13.5 million of unrealised gains representing a gain on the revaluation of investment properties of €20.1 million and a related deferred tax provision of €6.6 million. Up until such time as these are realised, these unrealised gains cannot be distributed to the shareholders by the Company.

29 Future capital expenditure not provided for

	2016	2015
	€'000	€'000
Contracted for	**6,785**	**13,203**
Authorised by the Directors but not contracted for	**48,818**	49,592
At 31 December	**55,603**	62,795
Share of capital commitments of joint ventures	**70,329**	119,335

Notes to the Financial Statements

30 Leases

Operating lease agreements where the Group is lessee

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	€'000	€'000	**€'000**	€'000
Payments due:				
Within one financial year	**2,202**	2,619	**1,986**	2,277
Between two and five financial years	**6,436**	8,335	**5,904**	7,787
Over five financial years	**17,425**	22,384	**17,124**	21,967
	26,063	33,338	**25,014**	32,031

Included within the commitments, Smartply Europe DAC leases 60 acres on which its facility is constructed from Waterford Harbour Commissioners and Kilkenny County Council. The lease agreement expires in 2034, it is renewable at five financial year intervals thereafter and it provides for rent reviews every five years. The company has an option to terminate the lease on 25 July 2024. The company has a commitment, under the terms of the lease, to ship a certain agreed tonnage of finished product through the Port of Waterford each financial year. At 31 December 2016 the company was committed to making an annual payment of €116,000 (2015: €116,000) in respect of these lease obligations. On cessation of the lease and vacating the site, the company is required to remove all plant, equipment, rolling stock and inventory and to give the lessor clear and vacant possession of the premises, foundations and fixtures. A provision has been made for this decommissioning liability. This provision is contained within other provisions (see note 25).

Operating lease agreements where the Group is lessor

The Group holds land rented to wind farm operators as investment properties as disclosed in note 16. The Group's significant lease arrangements have remaining terms between 24 and 26 financial years. In addition to a minimum rent, the Group may receive a contingent rent based on the performance of the wind farm. The minimum rent is adjusted for increases in the Consumer Price Index annually or every five years.

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

Group and Company

	2016	**2015**
	€'000	€'000
Receipts due:		
Within one financial year	**923**	558
Between two and five financial years	**6,154**	5,507
Over five financial years	**34,823**	36,376
	41,900	42,441

Notes to the Financial Statements

31 Contingencies and commitments

Group and Company

A. The Irish Forestry Unit Trust

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

B. Immature Forest Asset

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

C. Past Service Pension Costs

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

32 Notes to Group Statement of Cash Flows

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

	Notes	2016 €'000	2015 €'000
Profit for the financial year		**48,225**	47,599
Adjustments for:			
Amortisation of intangible assets	15	**731**	678
Depreciation of tangible assets	16	**19,038**	17,657
Impairment of tangible assets	16	**-**	1,451
Profit on disposals of trading and tangible assets		**(26,943)**	(31,841)
Profit on sale of Telecoms' income streams	9	**-**	(62,611)
Gain on revaluation of investment properties	16	**(1,591)**	(18,485)
Depletion of biological assets	17	**14,093**	10,872
Impairment of biological assets	17	**-**	60,838
Amortisation of grants	26	**(1,690)**	(7,564)
Share of joint venture losses (P&L)		**454**	-
Interest payable	11	**5,564**	7,426
Interest receivable	11	**(2)**	(2)
Other finance costs	11	**1,878**	3,015
Taxation	13	**8,814**	31,551
Movement in provisions for liabilities[1]		**314**	(586)
Difference between pension charge and cash contributions		**(15,714)**	(11,640)
Working capital movements:			
Decrease/(increase) in stock		**534**	(2,875)
(Increase)/decrease in debtors[2]		**(8,249)**	10,750
Decrease in creditors[3]		**(5,746)**	(1,760)
Net cash inflow from operating activities before taxation paid		**39,710**	54,473

[1]Excluding provision for replanting clear felled forest plantations, joint venture undertakings and provision for deferred tax.

[2] Excluding capital grants receivable, amounts owed by joint venture undertakings, forest plantations to be planted, deferred tax asset and the change in fair value of derivative financial instruments (assets) recognised in the statement of other comprehensive income.

[3]Excluding overdrafts and loans, corporation tax, capital creditors, leases, the change in fair value of derivative financial instruments (liabilities) recognised in the statement of other comprehensive income and deferred income in respect of Telecoms' income streams sold in 2015.

Notes to the Financial Statements

B. Interest paid and received

	2016	2015
	€'000	€'000
Interest payable (note 11)	5,773	7,906
Interest receivable (note 11)	(2)	(2)
Capitalised borrowing costs (note 11)	(209)	(480)
Movement of interest accruals	894	125
	6,456	7,549

C. Analysis of movement in net debt

	Balance 1 Jan	Cash Flows	Balance 31 Dec
	€'000	€'000	€'000
Cash at bank	34,137	(32,271)	1,866
Finance leases	(11)	9	(2)
Loans	(188,118)	18,260	(169,858)
	(153,992)	(14,002)	(167,994)

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

	2016	2015
	€'000	€'000
(Decrease)/increase in cash in the financial year	(32,271)	34,625
Cash outflow on finance leases	9	15
Cash outflow/(inflow) on bank loans	18,260	(12,442)
	(14,002)	22,198
Net debt at the beginning of the financial year	(153,992)	(176,190)
Net debt at the end of the financial year	(167,994)	(153,992)

Notes to the Financial Statements

33 Note to Company Statement of Cash Flows

Reconciliation of profit to net cash inflow from operating activities

	Notes	2016 €'000	2015 €'000
Profit for the financial year		**41,542**	**52,409**
Adjustments for:			
Amortisation of intangible assets	15	**598**	529
Depreciation of tangible assets	16	**8,790**	9,293
Impairment of tangible assets	16	**-**	1,451
Profit on disposals of trading and tangible assets		**(26,952)**	(31,841)
Profit on sale of Telecoms' income streams		**-**	(62,611)
Gain on revaluation of investment properties	16	**(1,591)**	(18,485)
Depletion of biological assets	17	**14,093**	10,872
Impairment of biological assets	17	**-**	60,838
Amortisation of grants	26	**(1,377)**	(7,251)
Interest payable		**5,761**	7,895
Other finance costs		**1,822**	2,650
Taxation		**7,956**	29,251
Movement in provisions for liabilities[1]		**375**	(380)
Difference between pension charge and cash contributions		**(14,912)**	(2,675)
Working capital movements:			
Decrease/(increase) in stock		**162**	(895)
(Increase)/decrease in debtors[2]		**(9,896)**	12,055
Increase/(decrease) in creditors[3]		**2,831**	(112)
Net cash inflow from operating activities before taxation paid		**29,202**	62,993

[1]Excluding provision for replanting clear felled forest plantations and provision for deferred tax.

[2]Excluding capital grants receivable, amounts owed by subsidiary and joint venture undertakings, forest plantations to be planted, deferred tax asset and the change in fair value of derivative financial instruments (assets) recognised in the statement of other comprehensive income.

[3]Excluding overdrafts and loans, corporation tax, capital creditors, leases, the change in fair value of derivative financial instruments (liabilities) recognised in the statement of other comprehensive income and deferred income in respect of Telecoms' income streams sold in 2015.

Notes to the Financial Statements

34 Related Party Transactions

Group

A. The ownership of the Company

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

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

B. Transactions with related entities

Cloosh Valley Wind Farm Holdings DAC

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

Moylurg Rockingham DAC

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

C. Key management compensation

The total key management compensation is disclosed in note 8.

Company

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

35 Post Balance Sheet Events

In March 2017, Medite Europe DAC completed an equity investment of a total of €11m to acquire a minority stake in Tricoya Technologies Limited and Tricoya Ventures UK Limited as part of a consortium to exploit, in a wood panels context, technology and intellectual property in respect of acetylated woodchip. This will enable Medite to produce and sell Medite® Tricoya® Extreme on a commercial and sustainable basis across Europe.

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

36 Approval of Financial Statements

The Directors approved the financial statements on 6 April 2017.

Raheenleagh Wind Farm, Co. Wicklow

First in Ireland to combine an operating wind farm with commercial forestry and a public recreation amenity

Corporate Information

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Donal Moriarty

Auditors
KPMG
Chartered Accountants & Registered Auditors

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

Insurance Brokers
Marsh Ireland

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