OUR BUSINESS IS SUSTAINABILITY

ANNUAL REPORT 2018

COILLTE

GROW · TRANSFORM · SUSTAIN

OUR VISION

TO BECOME THE BEST FORESTRY AND LAND SOLUTIONS COMPANY IN EUROPE BY 2025.

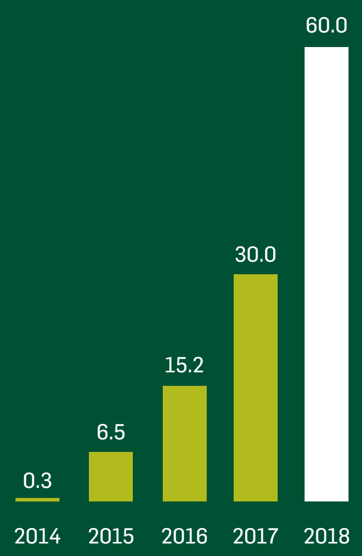
OUR VALUES

RESPECT
SIMPLICITY
EMPOWERMENT
OUTWARD LOOKING
RESPONSIBLE

CONTENTS

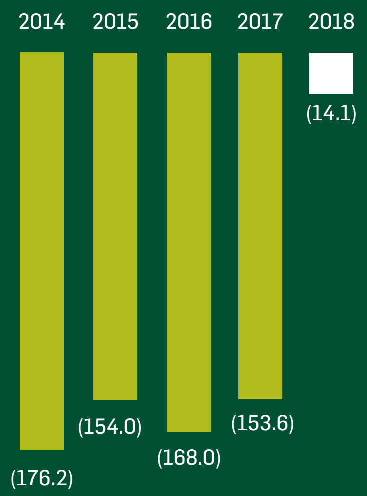
FINANCIAL PERFORMANCE

Operating cash flow
(€'million)

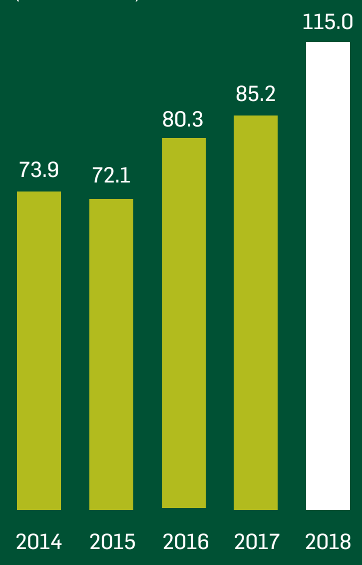


Turnover
(€'million)

Net debt
(€'million)



EBITDA*
(€'million)



*excluding large scale land transactions

2018
HIGHLIGHTS

OPERATING CASH DOUBLING TO

€60m

→

↑

4.6%

CASH YIELD ON OUR ASSET BASE

→

46%

INCREASE IN SALES OF VALUE ADDED SMARTPLY PRODUCTS

↑

20 million

TREES PLANTED FOR THE FUTURE

→

MAJOR BIOCLASSIFICATION PROJECT COMPLETED

ECONOMIC

SUSTAINABILITY

To be economically sustainable, our forestry business must be profitable. To ensure it is so, we are using the latest technologies and information to harvest our wood efficiently, safely and responsibly.

Forestry is being revolutionised by technology that links space with data.

€25m equity invested in developing wind farms over the last five years generated €127m of return.

Hand held devices allow operations staff in the field to work safely, efficiently and responsibly.

OUR BUSINESS

CHAIRMAN'S STATEMENT

John Moloney
Chairman

"I BELIEVE THAT COILLTE IS IN A BETTER POSITION THAN EVER BEFORE TO MAINTAIN ITS GROWTH MOMENTUM AND CONTINUE TO DELIVER BENEFITS TO ITS STAKEHOLDERS IN 2019 AND BEYOND."

I am very pleased to report that 2018 was another strong year of transformation and growth for the Coillte Group. Relentless dedication to achieving the strategic objectives we set out in 2015, combined with a strong customer focus has created a sustainable business which provides a strong financial return to our shareholder and delivers a range of important non-financial benefits to wider society.

Strong Performance

Last year was an excellent year across all key financial metrics with record revenues of €330m and record EBITDA of €115m. This strong financial performance, combined with the sale of Coillte's interests in a number of operating wind farm assets, allowed the Group to bring down net debt to just €14m, re-invest almost €40m in its forests for future generations and pay its shareholder a substantial dividend of €15m.

This strong performance is the culmination of a transformation which has been taking place in the business over the last number of years that has seen the Group go from cash neutral from recurring operations in 2014, to €30m cash positive in 2017 and then doubling this again to €60m in 2018. The Group is now generating a cash yield of around 4.6% which puts it in the top tier of State owned forestry companies across Europe.

Coillte has some of the best on-shore wind resources in Europe. In this regard the company's focus has shifted from initially being a passive facilitator of renewable energy projects on our lands into a highly successful on-shore wind developer. The quality of the assets which we have developed in recent years was highlighted in 2018 by the competition to acquire four of our operating wind farms and the value that was ultimately delivered. The €25 million equity invested in developing these windfarms over the last four years generated a return of €127 million demonstrating the value creation potential in the lands we manage.

The proceeds of the sale will be reinvested to generate more value and I am pleased to say we have an exciting range of new growth options generated by in-house teams which are competing for this capital. One of these is the proposal to establish a new joint venture development company to deliver 1,000 MW of on-shore renewable energy by 2030. This would provide enough green energy to power well over half a million households annually, making a significant contribution to Ireland's energy transition.

A strong business with an important purpose

Forests serve multiple and interrelated social, economic and environmental functions. Besides providing a reliable supply of sustainably produced wood fibre to a thriving timber industry which provides jobs and incomes in rural Ireland, forests continuously sequester carbon as they grow and products made from harvested wood safely lock-up carbon and provide an environmentally friendly substitute for carbon intense products such as plastic, concrete and steel. The imperative to de-carbonise our energy and production systems in the coming years means that forestry, forest products and renewable energy have never been more relevant and Coillte is ideally placed to thrive in this environment.

€127m
RETURN FROM WINDFARMS

on investment of **€25m**

18
MILLION

VISTORS
to our forests each year.

4.6%
CASH YIELD GENERATED

putting Coillte in the top tier of State owned forestry companies across Europe.

3,000km
OF HIKING TRAILS

While our forest sector is small by European standards, it is young and dynamic and recognised by its peers internationally as being innovative, progressive and technologically very advanced. In early 2018 Government published a "National Policy Statement on the Bioeconomy" which outlined a vision for lreland as a world leader in the emerging bioeconomy. As the backbone of the Irish forest sector, Coillte is well-positioned to drive the development of forestry and forest products as a central pillar in the emerging Irish Bioeconomy.

Forests also provide important non-commercial or public good benefits. They purify water supplies and regulate water flow, mitigating the risk of flood. They are a low intervention land use and this helps preserve soil stability and fertility. Finally the life cycle of forests is relatively long and, between planting and harvesting, forests provide an important habitat for wildlife and a place to recreate and experience nature.

The Coillte estate has 12 forest parks, nearly 300 recreation sites and over 3,000 kms of hiking trails and it is estimated that there are 18 million visits to our forests each year. Working with other stakeholders such as Failte Ireland and the Department for Rural and Community Development, Coillte is investing in the rural economy through the advancement of exciting projects such as the redevelopment of Avondale and four world class mountain bike trails situated across the country. In addition over one fifth (90,000 hectares) of the entire estate is dedicated to biodiversity, which Coillte is committed to protecting and enhancing. The company recognises the increasing demand for these social and environmental services from our forests and it is exploring how this important aspect of its work can be developed further in the future in partnership with others who share our commitment and values.

Our People and Culture

The strength and capabilities of our people is at the heart of Coillte's success. I would like to offer my congratulations and thanks to my Board colleagues, our Chief Executive Fergal Leamy and all our people throughout the organisation for their ongoing hard work and determination that contributed to the Group's high performance in 2018.

Coillte's culture and values are key to the Group's continued success and it is the commitment and enthusiasm of our people that enables the delivery of our strategic ambitions. Following a period of intense restructuring, 2018 was a year where the organisation focused on deep rooting our values and culture and there are very encouraging signs of progress in this area. In 2018 we began to explore Coillte as an organisation that nurtures and values people with diversity of perspectives. As a result of these discussions a Diversity and Inclusion Committee was established during the second half of the year and members have invested considerable time in educating themselves and developing our strategy and ambitions in this area.

Governance and Board Changes

Strong corporate governance is fundamental to our organisational health and continued success. Following a comprehensive recruitment process, two new non-executive Directors were appointed to the Coillte Board on 26 February 2018. Gerard Gray and Patrick Eamon King have brought considerable international and commercial experience to the Board and they have made a really positive contribution from the outset.

2019 Outlook

While the challenges presented by Brexit are considerable, I believe that Coillte is in a better position than ever before to maintain its growth momentum and continue to deliver benefits to its stakeholders in 2019 and beyond. The Group has been aggressively reducing debt levels over the last number of years and this leaves us in a strong position to cope with external shocks.

Global demand for high quality wood fibre, sustainable low carbon building products and renewable energy is increasing and this creates a number of growth opportunities for our business. A continued strong focus on our five year targets set out in 2015 along with clear direction on longer term strategy will allow us to continue to transform and grow the commercial performance of the Group while also providing valuable environmental and social benefits.

Thank-you and Farewell

On my completion of my five year term as Chairman, I stepped down from the Coillte Board on 31st of December 2018. 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 to achieve our shared objectives.

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

We have been through a significant period of change and transformation in the organisation. This leaves Coillte in a strong position for the years ahead. I want to sincerely thank each and every member of the Coillte team for their support and unstinting efforts in driving this transformation. I want to thank my Board colleagues for their support and challenge. In particular I want to recognise the outstanding executive leadership of CEO Fergal Leamy during my tenure as Chairman.

Finally, I wish my successor Bernie Gray, the Board and the wider Coillte organisation continued success into the future.

OUR BUSINESS

CHIEF EXECUTIVE'S REVIEW

Fergal Leamy
Chief Executive

"2018 WAS A VERY SIGNIFICANT YEAR OF PROGRESS AS WE IMPLEMENTED THE FOURTH YEAR OF OUR AMBITIOUS TRANSFORMATION STRATEGY THAT HAS POSITIONED US AS ONE OF THE BEST FORESTRY AND LAND SOLUTIONS COMPANIES IN EUROPE."

I am delighted to report that 2018 was a hugely successful year for the Group, one which saw us achieve a significant positive step change in our financial performance and where we exceeded the ambitious targets we set the business four years ago. We also took major strategic decisions which will help create an exciting future for the Group. The Group is in great shape and we enter 2019 with real momentum and with a much stronger set of businesses. The Group is now close to being debt free and is producing strong recurring cashflows.

2018 was a very significant year of progress as we implemented the fourth year of our ambitious transformation strategy that has positioned us as one of the best forestry and land solutions companies in Europe. Despite the challenges created by Brexit uncertainty, we are confident that continued strong execution of our strategy will ensure the business continues to prosper. A key strategic focus for our business is to generate a positive cashflow from recurring operations and by doing so increase the return to our shareholder. I am delighted that we continued to make real progress on this challenge with operating cash doubling to €60 million in 2018. This continued growth in operating cash has enabled us to achieve a 4.6% cash yield on our €1.3 billion net asset base.

In 2015 we set out a very ambitious strategy to increase operating cash from €0 to €60 million and to achieve annual EBITDA in excess of €110 million over five years. We also set out stretching growth plans for each of our divisions which would be overseen by a restructured centre. It gives me real satisfaction to report that we have achieved and in many cases beaten these targets a year ahead of schedule. This achievement is a real testament to the incredible teams and individuals we have working here at Coillte. The progress we have made in such a short period of time has put the business on a really solid footing for achieving our future ambitions. These future ambitions will challenge Coillte to become more than simply commercially successful and will require us to play a leading role in decarbonising our future and building a vibrant and strong bioeconomy.

During 2018 there were a number of major developments which will be critical enablers to the future success of our business:

- A clear highlight of the year was the execution of the sale of the majority of our interests in the operating wind farms. The total consideration that we achieved of €127 million represents a greater than five times return on our investment
- The Land Solutions Commercial Team also had a very good year with strong sales throughout the year. Over 80% of the lands they sold were lands with no forest value, helping us to positively restructure the forest estate
- MEDITE SMARTPLY had a very strong year and one which marked the culmination of years of hard work, effort and investment by the team. Sales revenues are significantly ahead of budget for the year and profits are well ahead of budget and last year
- Operationally MEDITE SMARTPLY achieved target utilisation at both plants and I am very pleased to report both plants initiated new apprenticeship programmes

"AS THE LARGEST LAND OWNER IN THE COUNTRY, WE BELIEVE THAT EACH OF COILLTE'S BUSINESSES WILL PLAY A CRITICAL ROLE IN ADDRESSING THE INCREASING CLIMATE CHALLENGE WE FACE IN IRELAND AND GLOBALLY."

1.

2.

3.

4.

5.

1. Blocking drains to re-wet blanket bog.
2. Home grown timber products.
3. Fergal Leamy with Dermot O'Leary (Nurseries Manager) at a recent visit to Ballintemple, Nurseries, Co. Carlow during plant lifting season.
4. Fergal Leamy launching Coillte Bioclassification Project at the Science Gallery, Dublin.
5. Cranberry on Coillte blanket bog.

- Our Medite Tricoya products had an important year, with demand for the product increasing and construction of the new plant in Hull underway, I am really looking forward to seeing the plant complete later this year and for us to begin to fully realise the potential of this fantastic product
- Coillte Forest delivered a record financial performance, ending the year ahead of budget and significantly ahead of the five year plan
- Forest's achievements this year are particularly impressive considering the challenges that emerged in the second half of the year as a result of an increase in private timber supply, timber imports and a fire at an important customer's mill
- In April, a major milestone for the divisional strategy was passed when FMS went live fully
- In September, Forest showcased biodiversity on the forest estate with a well-received event in Trinity College
- The year ended on a high note with planning approval for an €8 million investment in the redevelopment of Avondale Forest Park

Group Financial Performance

2018 was a very strong financial year for Coillte across all key financial metrics with record Revenues (€330m), EBITDA (€115m) and Operating Cash (€60m). The Group achieved a profit after tax of €156.4m for the financial year compared to the 2017 outturn of €42.8m. However, a more appropriate metric of the underlying performance of the Group is operating profit before exceptional items and revaluation gains which increased by 47% to €71.5m in 2018 from €48.7m in 2017.

The transformation of the underlying performance of the Group over the last number of years is best demonstrated by Operating Cash where the Group was cash neutral in 2014, increasing to €30m in 2017 and has subsequently doubled to €60m in 2018. This transformation was driven largely by significant cost restructuring, improvements in end market pricing despite the fall in value of Sterling along with increased output from our forest and panel products business over this period.

Our Businesses

Coillte manages a forest and land estate of c.440,000 hectares, which is equivalent to approximately 7% of the country's land. From this land we operate three strong businesses, our core Forest business, our wood panels manufacturing business, MEDITE SMARTPLY, and our Land Solutions business. During 2018 each of these businesses made excellent progress on achieving their strategic objectives. The Managing Director of each of these businesses will separately provide more detail on their performance.

Forestry

The Forest division delivered its best ever commercial performance in 2018. The division generated EBITDA of €71.9 million and operating cash of €36.8 million, significantly exceeding our 2017 results of €66.5 million and €25.7 million respectively. The division is now generating a 3.4% return from our forestry assets and is well on track to become the best forestry company in Europe.

The 2018 performance was driven by strong timber prices due to increasing activity in the construction sector and good demand for sawnwood in the UK, despite the ongoing uncertainty caused by Brexit. Although sawlog volumes of 1.52 million m^3 were back slightly year-on-year from 2017, sales volumes remained strong particularly given that we had to overcome the significant challenge of a fire at one of our main customers.

In 2018 the division extracted over 2.5 million cubic metres of timber and restocked 8,125 hectares of forests by planting over 20 million trees. This represents our largest reforestation planting programme and was a particularly significant achievement given the challenges of snow and drought experienced during this year of weather extremes. The unusually dry weather conditions in early summer led to the outbreak of over 150 forest fires on our lands. However due to the excellent response to this challenge from staff and emergency services, the level of forestry and habitat lost to fire was remarkably kept to just 600 hectares.

Coillte continues to lead the provision of outdoor recreation in Ireland with twelve forest parks, almost 300 recreation sites and more than 3,000kms of waymarked trails. In 2018 we developed the proposal for a new flagship project at Avondale Forest Park in Country Wicklow. The theme of the new forest park will be "A Place of Visionaries" and it will showcase the history of Irish forestry and the life and times of the Parnells, whose family home was Avondale. The project is funded and has full planning consent and construction will begin in 2019.

MEDITE SMARTPLY

Our panel manufacturing business, MEDITE SMARTPLY, based in the south-east of Ireland, is the leading supplier of sustainable, market led MDF and OSB wood products and is a key outlet for pulp supply from our core forestry division. During 2018 good progress was made towards positioning this business as a leader in value-added wood panel products in Europe.

Turnover in 2018 was 11% ahead of 2017 reflecting strong prices and demand for sustainable panel products in the UK construction market. Implementation of a commercial strategy, in conjunction with our key strategic customers, helped MEDITE SMARTPLY penetrate new market sectors and geographies with an expanded product range of specialist and technical value-added products. Penetration into the landscape sector led to excellent sales results and increased demand for MEDITE TRICOYA EXTREME (MTX) MDF and groundwork undertaken in 2017 led to considerable growth for SMARTPLY panels in the off-site construction sector.

From an operational perspective this year saw both plants achieving planned utilisations. Also this year both plants launched new apprenticeship programmes and in the Dartford office a sales graduate programme was launched.

Land Solutions

Our Land Solutions division is making very good progress towards becoming a leader in providing innovative, land solutions. As the largest land owner in the country, Coillte has a distinct competitive advantage in sourcing and providing optimal land solutions across a broad range of infrastructure sectors that support national policy objectives including renewable energy, housing and tourism.

The execution of the sale of the majority of our interests in the operating wind farms was an outstanding outcome for the Group and was very well received by our stakeholders and the media. The sale of these assets will facilitate the next wave of development which will see Coillte, with a partner, develop a potential 1GW of wind over the next 10 years. Work has begun in earnest on this development portfolio and the planning cycle will begin for a number of projects in 2019. The new developments will feature best in class community engagement and if successful these projects will bring a range of tangible benefits to the local communities.

The Land Solutions Commercial Team also had a very good year with strong sales throughout the year. Over 80% of the lands they sold were “D” lands or land with no forest value, helping us to positively restructure the forest estate. The team also bought over 200ha of bare land and immature forests which means we are now ahead of our land mitigation strategy for the first time since its introduction in July 2016.

Climate Change & Biodiversity

As the largest land owner in the country, we believe that each of Coillte’s businesses will play a critical role in addressing the increasing climate challenge we face in Ireland and globally. Our businesses mitigate carbon emissions through the sustainable management of our forests and land, by embedding carbon in value-added wood products as a natural substitute for energy intensive construction materials, by supplying biomass as a carbon neutral fuel source and by seamlessly integrating renewable energy sources such as wind and solar on our land.

This year we worked closely with our shareholder to develop a sustainable afforestation plan that will increase Ireland’s forestry cover. Significant progress has been achieved and we are working towards initiating a new non-commercial woodlands programme in 2019.

Also in 2018 we completed a major project to classify the 90,000 hectares of land dedicated to biodiversity on our estate. A consequence of this is that we now have much better visibility and understanding of biodiversity on our estate which will help us with planning to enhance and protect these areas in the future. We showcased this excellent work at a major event in Trinity College which attracted significant media interest.

Thank you

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

I would like to thank our customers, suppliers and other key partners and stakeholders for their support and engagement as we strive to continually improve our business. I would also like to thank our shareholder, Ministers and department officials and advisors in NewERA for their support throughout 2018.

We look forward to continuing to build stronger relationships with you as we work together to achieve our mutual objectives.

Transition

I would like to acknowledge and thank our Chairman and Board for their continued support, insight and challenge throughout the last year. 2019 will be one of transition for our Board and Senior leadership. In December 2018, John Moloney stepped down as Chairman of Coillte following a successful completion of his five year term. During his time he has overseen an extraordinary transformation of Coillte and has made a lasting impact on the Group. I would like to thank John personally for his incredible support and guidance over the last few years as we have worked to transform Coillte both financially and operationally. We have made significant changes to the business designed to underpin its long-term viability and sustainability and John’s support has been critical to this achievement. He has been incredibly generous with his time and insight and can be rightly credited with inspiring our continued focus on customers and cash.

In addition to John Moloney stepping down, Roisin Brennan, Dermot Mulvihill, Jerry Houlihan and Thomas O’Malley’s terms as Directors are due to expire in the coming months. I would like to thank each of Roisin, Dermot, Jerry and Thomas for their strong contribution over the last five years, I have commented on many occasions that our excellent Board is a key reason for what we have been able to achieve in the last few years and each of these Directors have played their part and made significant contributions.

As we say goodbye to our outgoing Directors, I would like to warmly welcome new additions to our Board. Bernie Gray has been appointed as our new Chairperson. Bernie, who was previously Chair of Eirgrid, is an executive coach and management consultant. She is currently a member of DCU Governing Authority and the Accountability Board of the Civil Service having previously had a career as HR director with Eircom. I would also like to welcome Gerry Gray and Patrick Eamon King who joined our Board as Non-executive Directors last year and have already made a positive impact on the Group.

In addition to these changes, I have also informed the Board earlier this year of my own intention to step down as CEO and as a Board member in June of 2019. I have taken this decision largely because I believe we have achieved what we set out to achieve four years ago and it is the right time for a new leader to write the next chapter for Coillte. It is also the right time for me to move on to a new challenge. The last four years have been the highlight of my career to date. I have enjoyed every moment of the experience and am incredibly proud of what we as a team have achieved. I feel incredibly honoured and humbled to have been given the opportunity to lead such a great group of people. I would like to thank each of the team for the part they have played in creating the Group we have today and for the extraordinary support they have given me along the way. Coillte is a very special organisation with an incredibly talented team and I believe it is in very good hands with a team capable of building on what we have achieved.

I am delighted to say that the team will be led from April by Gerry Britchfield who has agreed to step into the role of Acting Chief Executive. Gerry has worked closely alongside me over the last four years and has been a key leader in the transformation and is ideally placed to begin to write the next chapter for Coillte. I am very proud of what we as a team have achieved over the last few years and will leave secure in the knowledge that we are in a stronger position than ever to capitalise on the opportunities in the forest products and renewable energy sectors and I look forward to watching progress over the coming years.

OUR BUSINESS

FINANCIAL REVIEW

Gerry Britchfield
Chief Operations Officer and Chief Financial Officer

"THE GROUP'S BALANCE SHEET IS IN A HEALTHY POSITION. CONSEQUENTLY, IT IS TIMELY TO EMBARK ON A STRATEGY REFRESH EXERCISE WHICH WE AIM TO COMPLETE IN Q3 IN ORDER TO SET AN EXCITING FUTURE DIRECTION."

Results

2018 was a very strong financial year for Coillte across all key financial metrics with record Revenues (€330m), EBITDA (€115m) and Operating Cash (€60m, i.e. cash generated from recurring activities) achieved by the Group. Also during 2018, the Group disposed of its majority stake in its windfarm investments for €127.1m following an initial investment of c.€25m, representing a greater than 5 times return on the original investment.

The transformation of the underlying performance of the Group over the last number of years is best depicted by the improvement in Operating Cash where the Group was cash neutral in 2014, increasing to €30m in 2017 and has subsequently doubled to €60m in 2018. This transformation was driven largely by significant cost restructuring, improvements in end market pricing despite the fall in value of Sterling along with increased output from our forest and panel products business over this period.

EBITDA for the Group increased by 35% from €85.2m in 2017 to €115.0m in 2018. A reconciliation of EBITDA to operating profit is included in Table 2 below.

The Group achieved a profit after tax of €156.4m for the financial year compared to the 2017 outturn of €42.8m. However, a more appropriate metric of the underlying performance of the Group is operating profit before exceptional items and revaluation gains which increased by 47% to €71.5m in 2018 from €48.7m in 2017.

Group turnover increased by €31.7m (10.6%) during 2018 to €330.3m. The UK continues to be a key export market for both our MEDITE SMARTPLY business and our Irish sawmill customers. Export sales accounted for 58% of Group turnover and 75% of this figure was sold into the UK market where strong UK demand for wood panel boards and sawnwood in 2018 was underpinned by a robust UK house construction sector. In addition, the continued recovery of the Irish construction sector in 2018 supported c.6% revenue growth in Irish markets.

Sawlog prices were 16% higher than 2017 levels as a result of strong end market prices along with increased demand for sawlog material, particularly in the first half of the year. Sawlog volumes fell by 7% year on year largely due to a slowdown in demand in the second half of 2018 along with the impact of reduced capacity of one of our main customers following a fire during the year. Volume sales of panel products in 2018 were 3% lower than 2017 levels as the business continued its shift from commodity to value added products with an increase of 46% in sales of OSB's value added product lines. Average sales prices achieved for OSB and MDF products were 27% and 11% higher respectively than 2017 as a result of strong recovery in end market prices coupled with our strategy to move from commodity to value added products.

Cost of sales increased by €7.6m on 2017 (4%) largely as a result of increased energy and resin costs in the MEDITE SMARTPLY division. The recent significant restructuring of the Group's cost base which is delivering c.€13m of annual overhead savings has put the Group in a strong position to withstand the various market challenges that are anticipated as we enter the final stages of the Brexit transition.

The results for 2018 include an exceptional gain of €86.1m (2017: loss €0.4m). The exceptional gain largely relates to the Group's disposal of its majority stake in its operating windfarm assets which resulted in a gain of €92.9m following an initial investment of c.€25m. In addition, the Group received €8.7m in distributions from its windfarm investments during 2018. Further details on the Group's exceptional items are included in Note 9 of the financial statements.

Interest (including related bank costs) and financing charges for the year were €4.0m, a reduction of €0.8m or 17% on 2017. Interest charges on overdraft and loan facilities were €2.5m (2017: €2.9m), reflective of the lower debt levels in 2018. Interest charges have fallen from €9.5m in 2014 to €2.5m in 2018 as a result of the favourable terms of the Group's refinancing completed in December 2016 along with lower debt levels. The net finance charge relating to the defined benefit pension fund liabilities was €1.5m (2017: €1.9m) reflective of the lower pension deficit. Underlying EBIT interest cover for the year was 67.7 times.

The Group tax charge for 2018 was €6.2m (2017: €3.5m) which includes a deferred tax charge of €1.7m relating to the gain on revaluation of investment properties.

Outlook

As we enter 2019, the biggest uncertainty facing our business is whether Britain will leave the European Union under a 'hard' or 'soft' Brexit deal. To date, the UK construction sector has proved remarkably resilient, however, as we approached year end, increased levels of uncertainty were beginning to become evident. A "hard" Brexit on World Trade Organisation (WTO) terms would have very serious implications for our business, both through the imposition of non-tariff barriers to trade, particularly customs checks, and tariffs on panel products. This will likely result in significant delays, particularly in the short term, for exporters along with increased compliance costs while it is also likely in this scenario that a significant slowdown in UK construction activity will occur, with a consequent worsening in the trading environment for our products. On the positive side, the Irish construction sector continues to expand with housing completions of 19,000 in 2018 potentially increasing to 22,000 in 2019.

As ever, the Sterling exchange rate remains a key variable for the Group. Given that over 40% of our turnover is generated in the UK and, in addition, our Irish based sawmill customers export c.60% of their sawnwood output to the UK, which indirectly feeds back into log prices for Coillte. In a "hard" Brexit scenario it is likely that EUR/STG will spike towards parity and consequently, we have availed of opportunities to put in place cover for c.74% of our direct exposure for 2019.

In early 2019, we announced that Coillte and ESB have entered bilateral discussions to explore a partnership opportunity on a potential 1,000 MW pipeline with discussions to conclude by end of May 2019 (subject to normal regulatory and shareholder approvals). An additional 1,000MW of renewable energy would provide enough green energy to power over half a million households annually while significantly assisting the delivery of Ireland's expected 2030 targets for renewable electricity generation.

The potential volatility of the macroeconomic environment facing us underlines very clearly why we need to continue to stay sharply focused on protecting and building on the substantial overhead cost savings of €13m p.a. captured over the past number of years. In addition, we need to ensure we continue to hit our key milestones in the roll out of MEDITE SMARTPLY's value added business model, including the successful implementation of the MEDITE TRICOYA EXTREME investment. We look forward to the completion of the construction of the world's first Tricoya® acetylation plant in Hull which will allow us to significantly increase the production and sale of this highly innovative, water proof product, which brings MDF into a whole range of new applications. We have a clear plan in place for delivering our key targets in 2019 but will need to remain relentlessly focused on execution in order to ensure success in a volatile marketplace.

Following the sale of the majority of our operating wind assets, the Group's balance sheet is in a healthy position. Consequently, it is timely to embark on a Strategy refresh exercise which we aim to complete in Q3 in order to set an exciting future direction for the Group.

Included in this analysis will be a number of large scale capital investment opportunities already identified, including phase 2 of the Smartply renewal, the acquisition of immature forests, the next phase of our renewable energy pipeline and a significant bio-energy investment in Medite.

Capital Expenditure

The Group continued its capital expenditure programme in 2018 investing €52.2m (2017: €55.6m). A significant proportion of the expenditure in 2018 was incurred on enhancing and maintaining the Group's biological assets (€28.5m), with a further €8.4m on enhancing the road network within the estate.

Net Debt and Gearing

Largely as a result of the successful sale of the Group's majority stake in operating wind assets for €127.1m, the Group's Net Debt fell by €139.5m during 2018 to €14.1m, while its headroom on existing undrawn committed facilities is €95m at year end. Total facilities available to the Group are €185m of which €90m (EIB facility) was drawn at December 2018 while in addition the Group has cash balances of €75.2m (see Note 22 for further disclosures on the Group's facilities). The maturity profile of the Group's facilities is c.5 years for the RCF and c.8 years for the EIB facility while the EIB facility has a fixed interest rate of 0.743% for the next c.4 years. As a result of very low net debt levels, the Group's ratio of net debt to EBITDA at year end was only 0.12 times while interest cover to EBITDA was 46.8 times. A final dividend for 2018 of €15.0m was authorised by the Directors and paid in December 2018.

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 2017 – Coillte and 1 January 2018 – Medite) indicated that the market value of the scheme's assets was €305.5m, which was €6.1m less than the scheme's liabilities, excluding the Funding Standard Reserve requirements.

A funding proposal (accepted by the Pensions Authority) is in place for Coillte CGA which has the objective of bringing the Scheme back to full solvency on the Minimum Funding Standard basis by 31 December 2020 and involves significant additional cash contributions by the company, additional employee contributions and tight control of increases in pensions in payment. The company has also given the trustees security over €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 Limited Scheme was approved by the Pensions Authority in July 2015. The funding proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 2023 and involves significant additional cash contributions by that company, additional employee contributions and benefit changes for members.

The deficit on the Group's defined benefit schemes, based on the requirements of FRS 102 Section 28, at 31 December 2018, calculated using the projected unit method, is €55.1m (2017: €76.3m) and is fully reflected in the Group financial statements. The decrease in the deficit primarily reflects the impact of a reduction in the assumed rate of future inflation to reflect current market expectations (1.75% to 1.50%) resulting in a c.€14m reduction in liabilities along with positive experience movements of c.€15m emerging from the recently completed triennial valuation. These impacts were partially offset by an adverse return on Scheme assets in 2018 of €6.0m (a return of c.-2% versus an assumed return of +2.1%).

Financial Risk Management

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

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

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

Price risk

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

Foreign exchange risk

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

Credit risk

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

Liquidity risk

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

RECORD EBITDA OF
€115m

OPERATING CASH DOUBLES TO
€60m

NET DEBT FALLS TO LESS THAN
€15m

Table 1 – Key Financial Performance Indicators

	2018	2017
Operating Cash (€'m)	**60.0**	30.0
Revenue (€'m)	**330.3**	298.7
EBITDA (€'m)	**115.0**	85.2
EBIT (€'m)	**166.5**	51.1
Interest cover, excluding associates & pension deficit		
- EBITDA basis (times)	**46.8**	29.6
- EBIT basis (times)	**67.7**	17.7
Net Debt (€'m)	**14.1**	153.6
Net debt as a percentage of total equity (%)	**1.1**	13.5
Net debt as a percentage of fixed assets (%)	**1.0**	10.6
Net debt/EBITDA	**0.12**	1.80
Effective tax rate (%)	**3.8**	7.5

EBITDA – earnings before finance costs, tax, depreciation, depletion, intangible asset amortisation, share of JV and associates profits/(losses), exceptional items and revaluation gains
EBIT – earnings before finance costs and tax
Interest cover – the ratio of EBITDA or EBIT to net interest charges on overdraft and loan facilities

Table 2 – EBITDA Reconciliation

	2018	2017
EBIT	**166,526**	51,065
Adjustments:		
Depreciation	**19,945**	19,916
Depletion*	**13,019**	12,993
Amortisation of intangible assets	**1,768**	826
Gain on revaluation of investment properties	**(5,221)**	-
Share of JV and associates profits	**(3,672)**	(2,765)
Cash distributions from JV entities	**8,749**	2,738
Exceptional items	**(86,106)**	423
EBITDA	**115,008**	85,196

* Excluding depletion of €1.2m (2017: €2.8m) classified as exceptional

ENVIRONMENTAL

SUSTAINABILITY

We are determined to protect and care for the environment and we work with and respect nature across all of our forests. In addition, about 20% of our estate, nearly 90,000 hectares of forest lands, are managed with nature conservation and biodiversity as the primary objective. Rare species and habitats are identified, mapped and protected. In addition, and in partnership with the LIFE Nature Unit we have restored some of Ireland's rarest forest and peatland habitats.

Aileen O'Sullivan and Gerard Murphy of Coillte with Declan Little of Woodlands of Ireland at the signing of a Charter of Commitment to protection of the People's Millennium Forests.

Liz Bonnin, biochemist and BBC TV presenter with Coillte's Aileen O'Sullivan and Ciarán Fallon at the launch of Bioclassification Project.

Old woodlands and remains of an estate wall. Coillte's estate is rich in heritage and one fifth of the estate is managed primarily for biodiversity.

DIVISIONAL REVIEW

FOREST DIVISION HIGHLIGHTS

Mark Carlin
Managing Director

"THE SIGNIFICANT GROWTH IN CASH EARNINGS IS PARTICULARLY SATISFYING AND COILLTE FOREST IS NOW GENERATING A 3.4% RETURN FROM OUR FORESTRY ASSETS, WHICH IS JUST BELOW OUR 2022 STRATEGIC TARGET OF 3.5%."

Commercial Performance in 2018

The Forest division delivered its best ever commercial performance in 2018 in terms of both profitability and operating cash. The division generated EBITDA of €71.9 million (up from €66.5 million in 2017) and operating cash of €36.8 million (up from €25.7 million in 2017), significantly exceeding our 2017 results. The significant growth in cash earnings is particularly satisfying and Coillte Forest is now generating a 3.4% return from our forestry assets, which is just below our 2022 strategic target of 3.5%.

The 2018 performance was driven by strong timber prices due to increasing activity in the construction sector and good demand for sawnwood in the UK. This is despite the ongoing concern and uncertainty caused by Brexit. Although sawlog volumes of 1.52 million m^3 were back slightly year-on-year from 2017, sales volumes remained strong particularly given that we had to overcome the significant challenge of a fire at one of our main customers, GP-Wood.

The Forest division manages all aspects of the Group's forestry business; including tree planting, growing, managing, protecting and harvesting of forests. We sell a range of wood products and our forests and lands also provide the public with a range of ecosystem services such as nature conservation, carbon sequestration along with extensive recreational opportunities.

The division has an ambition to be amongst the best forestry companies 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.

Customers and End Markets

Coillte Forest had a record turnover of €149m from roundwood sales in 2018, up by €8.1m compared to 2017. This performance was mainly driven by strong prices in end markets in Ireland and the United Kingdom. There was a drop in sawlog sales which was mainly driven by increased supply from private sources in Ireland and a fire in GP Wood's plant in July. Across the industry, all of our customers continue to invest and build capacity to process the increased supply from Coillte and from the private estate which will double the size of the industry over the next ten years.

Looking ahead into 2019, end markets remain stable but the threat of Brexit continues to undermine investment and confidence, which could start to reduce demand and prices for timber. We continue to work with our customers with the creation of Forest Industries Ireland (FII) and are planning to launch a new timber marketing promotion strategy later in the year.

€71.9
MILLION

EBITDA
up from
€66.5 million
in 2017

€36.8
MILLION

OPERATING CASH
up from
€25.7 million
in 2017

80
KILOMETRES
OF FOREST ROADS
CONSTRUCTED

2.5
MILLION
CUBIC METRES
OF TIMBER
PRODUCED

3.4%
RETURN
FROM OUR
FORESTRY ASSETS

20
MILLION
TREES
PLANTED

Forest Operational Performance in 2018

2018 was another significant and notable year for Coillte's forest operations. The division produced over 2.5 million cubic metres of timber; planted 20 million trees and constructed 80kms of forest roads across our estate. The division restocked 8,125 hectares of forest lands in 2018, which represents our largest reforestation programme in our history, and was a particularly significant achievement given the weather challenges we experienced with significant snow and drought events during the 2018 planting season.

Both the timber harvesting and replanting targets were achieved in the face of significant challenges during 2018, notably the long summer heat wave which prompted a national red alert status for forest fires across the country during the month of July. These unprecedented weather conditions unfortunately led to the outbreak of over 150 forest fires on our lands. However, due to the excellent response to this challenge from Coillte fire-fighters, supported by the local Fire Services and the Air Corps, the level of forestry and habitat lost to fire was kept to just 600 hectares. Without the determination, skills and coordination of Coillte personnel during this critical period the area lost to fire would undoubtedly have been significantly greater.

Coillte's Forest Stewardship and Biodiversity Management in 2018

Coillte is fully committed to the ongoing sustainable management of our forest estate, balancing the economic needs of our customers with the environmental and social values of our estate. In 2018, Coillte demonstrated its excellence in forest management by meeting the requirements of multiple external certification standards including FSC®[1], PEFC™[2], OHSAS 18001 and ISO 14001.

In 2018, Coillte completed a major biodiversity project called 'BioClass', which was aimed at reviewing and mapping over 90,000 hectares of biodiversity lands across our entire estate. A major benefit from the project is that we now have much better visibility and understanding of our biodiversity resource and the location of habitats that have ecological value at national or international level.

The project work was showcased at a National Level event in 2018 attracting significant national media and stakeholder interest in this work. BioClass has laid the foundation for our biodiversity strategy, which will commence the process of planning and managing our biodiversity areas, prioritising the sites that will yield the highest biodiversity benefits. We look forward to developing this concept further, and seeking strategic partnerships that enable us to expand this aspect of our business.

Recreation in Coillte's Forests

Coillte continues to lead the provision of outdoor recreation in Ireland with twelve forest parks, almost 300 recreation sites and more than 3,000kms of waymarked trails developed on our lands. Along with some very ambitious plans being developed for our Forest Parks, we will continue to grow our offering of the highest quality outdoor recreation trails and destinations in Ireland. We are continuing our approach of working with strategic partners to develop our recreation resource.

2018 saw some very exciting developments in Coillte's recreation strategy. A planning application was lodged for a major redevelopment of Avondale House and Forest Park to create a new visitor destination of national scale. Capital funding of €8 million has been secured from both Coillte and Fáilte Ireland to develop the first phase of this exciting flagship visitor project. The theme of the new forest park will be "A Place of Visionaries" and will showcase the history of Irish forestry and Samuel Hayes along with the life of the Parnell family, both inextricably linked to Avondale.

The expansion of our ever popular mountain bike offering continued apace in 2018 with the construction of the first phases of two new national mountain bike trail centres in the Slieve Blooms, in counties Laois & Offaly and at Coolaney in County Sligo. An investment of more than €2 million was secured to develop over 40kms of trails and associated visitor facilities across both of these exciting new sites. When complete, and in association with our other sites at Ballinastoe, Ticknock and Derroura, this will set Ireland as a viable international destination for overseas mountain bike riders for the first time.

[1] FSC licence code FSC- C005714
[2] PEFC Licence Code NSAI-PEFC FM.006

€2 MILLION

was secured to develop over 40kms of bike trails and associated visitor facilities

DIVISIONAL REVIEW

MEDITE SMARTPLY

Neil Foot
Managing Director,
MEDITE SMARTPLY

"MEDITE SMARTPLY'S STRATEGIC VISION IS TO BECOME 'THE LEADING AND MOST RESPECTED EUROPEAN MANUFACTURER OF INNOVATIVE MDF AND OSB' THROUGH PRODUCT AND BRAND DIFFERENTIATION WHILE MAXIMISING THE VALUE OF COILLTE'S OVERALL FIBRE BASKET."

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, landscaping, 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 the country. Consuming in excess of one million tonnes of pulpwood and sawmill residues each year, we form an integral component of the export oriented Irish forest products sector.

Strategy & Objectives

MEDITE SMARTPLY's strategic vision is to become 'the leading and most respected European manufacturer of innovative MDF and OSB through product and brand differentiation while maximising the value of Coillte's overall fibre basket. Our strategy is based on real customer insight and market drivers garnered from over 30 years' experience in the European panel market and is framed around:

- Customer and product profitability - developing the correct mix of customers, products and territories within which we operate
- Product differentiation - developing and commercialising our 'specialist' and 'technical' product solutions
- Customer intimacy – we must put our customers at the heart of everything we do
- Diversification – developing new sectors and territories whilst developing skills and people

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 energy efficiency and sustainability are creating valuable opportunities in new market segments, such as offsite construction, temporary works and site enablement for MDF and OSB products with specific technical and environmental features. Today, the divisional strategy is based on developing even greater understanding of such real market drivers and future customer needs which, through innovation, can be developed into new, profitable revenue streams.

2018 Performance

2018 once again proved to be a year of challenges, including continued increases in raw material costs, intense uncertainty over Brexit and a softening in demand from Europe. However, a robust commercial strategy, vigorous activities and a focus on customer intimacy meant these challenges were faced and effectively addressed during the period, resulting in a record year for the business.

Image: The Central Bank of Ireland, renovated with MEDITE PREMIER FR

Most impressively our 2018 performance showed significant increase over our 2017 EBITDA. At the same time, we exceeded both our operating cash and trading margin targets, representing a major step forward in the performance of our business.

To achieve this, we significantly improved many areas of our operations. Highlights for the year include:

- Sustained price and margin development in the year whilst maintaining positive customer relationships
- The successful installation and commissioning of new equipment at the SMARTPLY Waterford plant, ahead of plan and exceeding targeted output
- Improved plant reliability from SMARTPLY helping to restore service levels
- Lowering our Carbon footprint with efficient low energy lighting upgrade in MEDITE. The first of its size (industrial scale) in Ireland
- Major organisation renewal in our Commercial and Operations functions
- Winner at the Timber Trade Journal (TTJ) Awards for Marketing Excellence

Our thorough implementation of our commercial strategy in conjunction with our key strategic customers, helped us penetrate new market sectors and geographies with our expanded product range of specialist and technical value-added products. Penetration into the landscape sector led to excellent sales results and increased demand for our revolutionary MEDITE TRICOYA EXTREME (MTX) MDF, whilst the groundwork undertaken in 2017 led us to deliver considerable growth for SMARTPLY panels in the offsite construction realm.

As ever, our people continue to be critical to our future success and we work hard to ensure their engagement and development as a key enabler of our strategy through training and empowerment. 2018 saw us commence our sales graduate programme from our Dartford UK office, while both production facilities saw apprenticeship programmes launched.

Outlook 2019

Moving forward into 2019, we have even greater ambitions for our business. We will look to improve our revenue, volume, mix and margins, which will help us to achieve an even more demanding profit target.
With construction markets still strong and demand remaining high throughout Europe, we will focus on maximising our plants' utilisation to support our customers' growth requirements during the year.
The commissioning of the world's first Tricoya® wood chip acetylation plant in Hull will further allow us to explore an even broader scope of potential markets and geographies for MTX.

While the outcome of Brexit remains unclear, we continue to maintain our strategic options and develop sensible contingency plans which will address different possible scenarios.

> "WE WILL CONTINUE TO PROMOTE AND DEVELOP OUR GLOBALLY RECOGNIZED MEDITE SMARTPLY BRAND THROUGHOUT OUR ACTIVITIES, DELIVERING ACKNOWLEDGED THOUGHT LEADERSHIP IN SUCH PROPOSITION AREAS AS MOISTURE, FIRE AND WELLBEING. THIS BRAND STRENGTH, MATCHED BY HIGH QUALITY PRODUCTS AND LEADING INNOVATION, WILL ENABLE US TO MAXIMISE THE MARKET OPPORTUNITIES OVER THE COMING YEAR."

1.

2.

3.

4.

5.

1. Paul Newman Landscapes creates BBQ area from MEDITE TRICOYA EXTREME.
2. Hanson Architects create utilitarian office with exposed SMARTPLY OSB3.
3. School achieves aesthetic fire performance with MEDITE PREMIER FR.
4. Acoustic wood panels made from MEDITE PREMIER FR.
5. Tom Hill Garden Design and Landscaping create garden obelisk from MEDITE TRICOYA EXTREME.

DIVISIONAL REVIEW

LAND SOLUTIONS

Gerard Murphy
Managing Director,
Land Solutions

"IN 2018, WE COMPLETED OVER 90 LAND TRANSACTIONS IN SECTORS INCLUDING RENEWABLE ENERGY, AGGREGATES, INFRASTRUCTURE, COMMERCIAL, INDUSTRIAL AND TOURISM."

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

Coillte is now well established in the renewable energy sector with our four joint venture windfarms operating successfully during 2018. The sale of our 50% share in three of these windfarms and 12.5% in one of these windfarms, generated significant return on investment and will support the next wave of development and key strategic projects.

Renewable Energy – A New Wave of Development

Onshore wind has been the single biggest contributor to Ireland's ambition in respect of our 2020 renewable energy targets. Ireland is expected to achieve its RES-E (Renewable Energy Sources – Electricity) target of 40% of electricity generation from renewable sources by 2020. Coillte has already played a significant role in achieving these targets with four wind farms, developed as joint ventures with ESB, Bord Na Mona and SSE, commercially operating in 2018.

The sale of assets during 2018 will facilitate the next wave of development which will see Coillte, with a partner, develop a potential 1GW of wind over the next 10 years. Work has begun in earnest on this development portfolio and the planning cycle will begin for a number of projects in 2019. The new developments will feature best in class community engagement and if successful these projects will bring a range of tangible benefits to the local communities.

As a reminder of the current challenging planning environment, our 46MW wind farm at Bunkimalta in County Tipperary, a joint venture with ESB, and our 46MW wind farm at Cullenagh in County Laois were unfortunately subject to successful legal challenges during 2018.

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

Land – Sales and Development

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 2018, we completed over 90 land transactions in sectors including renewable energy, aggregates, infrastructure, commercial, industrial and tourism.

Our sustainable land sales strategy is to focus on sales of land which are considered unsuitable for forestry. In 2018 80% of our sales were in this category. We also acquired 200 HA's of land during the year.

We took our first consented site for a residential housing development in Moycullen, County Galway to market in late 2018 and we hope to transact a sale during 2019. We also advanced our data centre ambitions and have an exciting pipeline of other development projects that will support national infrastructure.


1.


2.


3.


4.


5.

1. Pat Neville, Coillte with Niall Collins T.D. and Kevin O'Keeffe T.D. at the opening of the new MTB trail at Castlepook.
2. Participants enjoying a very warm Ros Run at Sliabh Bawn Wind Farm in July.
3. Sliabh Bawn's Trim Trail offers outdoor fitness and activity equipment along the 3km trail – a great all round work out.
4. Local primary school pupils visit Raheenleagh Wind Farm to learn about Renewable Energy on their doorstep.
5. Riders attacking the new Castlepook MTB trail as part of the Ballyhoura 10th anniversary celebrations.

"THE OUTLOOK FOR LAND SOLUTIONS IS POSITIVE DUE TO THE RECENT STRONG ECONOMIC GROWTH AND THE NEED FOR CRITICAL INFRASTRUCTURE TO SUPPORT THIS GROWTH. IRELAND IS ALSO FACING CHALLENGES IN RELATION TO CLIMATE CHANGE AND OUR OBLIGATIONS IN RELATION TO RENEWABLE ENERGY INFRASTRUCTURE PROVISION AND CARBON REDUCTION."

Outlook

As well as our Renewable Energy ambitions our development pipeline includes solutions such as residential housing in proximity to urban centres, nursing homes, senior housing, primary healthcare, data centres, industrial development, wireless telecommunications for the National Broadband Plan and commercial tourism.

As custodians of a very large land bank with significant experience in delivering and enabling major infrastructure projects across a range of sectors, Coillte is now well placed to support Ireland in achieving key targets and ambitions.

40%

ELECTRICITY GENERATION FROM RENEWABLE SOURCES BY 2020

90

LAND TRANSACTIONS SUCCESSFULLY COMPLETED

200

HA'S OF LAND WERE ACQUIRED DURING THE YEAR

SOCIAL

SUSTAINABILITY

We want the Irish people to maintain a long-term sense of ownership and pride in our forests. To ensure this, we provide a huge number of outdoor recreation events, we welcome the public to visit our forests according to the Leave No Trace principles and we consult with the public regularly on our forest and operation plans.

Celebrating the opening of a new mountain biking trail with a local community group and staff from the local Business Area Unit (BAU).

450 people take part in the Ros Run at Sliabh Bawn in July 2018.

Coillte is working positively to reduce the stigma associated with mental health challenges through Green Ribbon events.

CULTURE

OUR PEOPLE

Tara Flynn
Group HR Director

Sustaining our growth and transformation strategy was the primary objective for our People Strategy during 2018. Bedding down our new structures, incorporating our values into what we do and how we do it, and developing new skills and capabilities have been key elements of this strategy.

Success has been achieved through the continued commitment and ongoing resilience of our people across the Group and by the implementation of a number of HR initiatives that are underpinned by our five core values - Empowerment, Simplicity, Outward Looking, Respect and Responsibility.

Talent Management and Succession Planning

Our Talent Management and Succession Planning strategy is based on a combination of providing opportunities for career development and investing in the future development of our people as well as bringing in new talent into the Group.

Our new organisational strategy has involved the creation of key strategic roles such as the Chief Operations Officer and Supply Chain & Business Development Director for MEDITE SMARTPLY and the Head of External Affairs for the Group. There were also a number of promotions including the appointment of the Director of Forest Operations to the MD Forest role. This internal expertise was complemented by a number of new hires in areas such as the Renewable Energy Team in the Land Solutions division where new perspectives and capabilities have contributed to the teams high performance.

Growing our leadership capability continues to be a key priority for us. We rolled out a number of initiatives throughout the year to support our high performing people in reaching their full potential. A number of our senior managers participated in our 'TRANSFORM' Leadership Programme which was run in conjunction with the IMI.

Ensuring that our management teams have the right skills and supports to deliver on our business and people strategies was another key focus for us during the year. A number of our people managers successfully completed a Leadership Development Programme which was run in conjunction with Ibec.

Our Group Graduate Development Programme 'Nurture' continues to attract a diverse pool of high calibre candidates. In 2018 our Programme attracted a record high number of applications and we were delighted to welcome 8 new graduates in September.

Living our Values

To enable the implementation of our high performance culture, we developed a behavioural framework for each of our values. This framework sets out descriptive and action oriented statements which describe and underpin the cultural change we are working towards by aligning us all to a collective expectation of how to behave. The launch of this framework led to a number of engagements across our divisions about our culture and to the incorporation of our values into our key HR policies and procedures of recruitment and selection, induction /onboarding, performance management, reward and recognition and codes of conduct.

852
POSTS OVER THE LAST 6 MONTHS

yammer

30
VOLUNTEERS FOR AMBASSADOR PROGRAMME

Forest Careers Ireland

26,000
PLASTIC BOTTLES SAVED FROM LANDFILL

SUSTAINABLE DEVELOPMENT GOALS

376,000
PLASTIC CUPS SAVED FROM LANDFILL

250+
APPOINTMENTS

Health Screening Programme

125+
ATTENDED 16 FOCUS GROUPS

Everyone Lets Grow Together

Diversity and Inclusion

The importance of an inclusive organisation that nurtures and values people with diversity of perspectives and experience and how this enhances our decision making and ultimately our business performance was a key output from our values engagements. Our Diversity and Inclusion Committee was established during the second half of the year and members have invested considerable time in educating themselves and getting up to speed on what organisations are doing in this space with a view to informing our strategy and objectives.

The formal launch of our strategy and programme of events in Q2 2019 will include initiatives to create awareness and understanding of all aspects of Diversity and Inclusion by challenging our unconscious biases and to specifically increase female representation across our divisions including at management level and to improve accessibility in all of our offices.

Our aim is to shift the focus on Diversity and Inclusion from being a compliance driven agenda to being the 'right thing to do' and being a critical enable in executing an effective business strategy.

Health and Safety

The Group is committed to maintaining the highest standards of health and safety for all employees, contractors and other key stakeholders. We have health and safety committees throughout the Group who are responsible for identifying and managing potential health and safety risks and for reviewing details of any accidents or incidents against the international Occupational Safety and Health Administration standard.

Our OSHA performance of 1.94 against a target of 1.5 for the year was a disappointing outcome for the year. With our continued focus on health and safety, we have undertaken a review of this performance so that we can learn from these experiences and incorporate these learnings into our future plans from a behavioural, work practices and resourcing perspective.

As part of our Health and Well Being strategy, a comprehensive health screening programme was made available to our people across the country. The service was provided by Healthcare Screening Ireland and the wide range of Health Screening tests available included Lead Resting ECG Heart Tracing, Full Cholesterol Profile, Diabetes Test, BMI, Blood Pressure Measurement & Resting Heart Rate, Bowel Cancer Screening, Prostate Cancer Screening and Cardiovascular Risk Assessment. Other initiatives included our free flu vaccinations campaign and health insurance workshops held in a number of offices to ensure that people are getting the right cover at the right price.

War on Plastics Initiative

Our 'War on Plastics' initiative aims to reduce the waste, improve our recycling rates and eliminate single use plastics in our offices and operations through education and action. Recycling Awareness Workshops were held throughout the Group to raise awareness of what can and can't be recycled and the differences between reusable and single use plastic. In conjunction with separate waste streams; general, recycling and compost bins were introduced.

Great progress has been made to date and staff feedback has been overwhelmingly positive in relation to the changes made. Highlights to date include:

- The removal of all single use plastic cups and cutlery from our offices
- The removal of single use bottles of water and the introduction of reusable water bottles
- The removal of plastic bottles and their replacement with aluminium cans in all vending machines

These actions to date has resulted in the prevention of 376,000 plastic cups and 26,000 plastic bottles flowing to landfill/incineration.

Going forward we hope to build on these successes in our offices and work with our procurement team to continue our focus in 2019 especially in areas of operations. Thank you to everyone for getting on board with the reduce, reuse, recycle message in the office and also for sharing it with friends and family.

OUR VALUES

RESPECT

- Diversity of expertise and backgrounds
- Two way feedback
- Mindful of our impact
- Set up for success
- Informed decisions

SIMPLICITY

- Easy to do business with
- Clear - avoid complicated jargon
- Things right first time
- Simpler ways to work
- Remove complexity

EMPOWERMENT

- Trusted to take responsibility
- Accountable for all decisions
- Constructive feedback
- Courage to query
- Recognise each others contribution

OUTWARD LOOKING

- External perspectives
- Consult with relevant stakeholders
- Impact of our decisions
- Understanding customers needs
- Commercial focus

RESPONSIBILITY

- Courage to speak up
- Safe and healthy work environment
- Responsibility
- Operate in a sustainable manner
- Responsible ambassadors

OUR VALUES IN ACTION

EMPOWERMENT

"We recently introduced actiTIME which is available online and also in an app. This actiTIME allows our project managers to easily record time across a range of projects."

Clodagh O'Reilly
Finance and Business Services Director, Land Solutions

RESPECT

"I voluntered for the Diversity and Inclusion committee to help gain insight from other companies of how they tackle Diversity and Inclusion, and find strengths and weaknesses within our own company on where we can tackle these issues. We have linked in with many companies nationwide and have done great work with the likes of ESB and Great Place to Work. I'm very proud of this initiative and going forward we shall help ensure that everyone has an equal part to play in Coillte."

Ricky Byrne
Forester, Coillte Forest

RESPONSIBILITY

"We spent the last 12 months developing a more indepth and inclusive stakeholder engagement approach. Zoho CRM removes the complexity of keeping data on spreadsheets and enables us to access live information across a range of users. This software has been a great benefit for our team."

Andy Fox
Community Engagement Manager, Land Solutions

SIMPLICITY

"After a review of our processes, we identified the creditor invoice approval process as an area that needed to be simplified. The improvements are that there are less steps in the process meaning both our stakeholders and finance teams benefit. The improved and simplified process is a clear example of how we can remove complexity and find simplier ways to work."

Dawn O'Brien
Accounts Payable Manager, Coillte Forest

OUTWARD LOOKING

"Training Record Management System (TRMS), allows contractors to upload and manage their operators training records. This system replaces the more time consuming and less reliable process of manually collecting and checking contractors paper certificates on site."

Kay Maguire
Training Standards Specialist, Coillte Forest

BOARD OF DIRECTORS

John Moloney, Chairman

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

Board meetings attended 11/12

Fergal Leamy, Chief Executive

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

Board meetings attended 12/12

Julie Murphy-O'Connor

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

Board meetings attended 12/12

Jerry Houlihan

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

Board meetings attended 12/12

Roisin Brennan

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

Board meetings attended 12/12

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 12/12

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 8/9

Gerard Gray

Gerard was appointed to the board in 2018. He has more than 35 years' experience working in senior financial and strategy roles in international blue chip organisations including PwC, Ford Motor Company and Pilkington. Now retired, Gerard holds numerous Non Executive positions in the UK and Ireland.

Board meetings attended 10/10

Patrick Eamon King

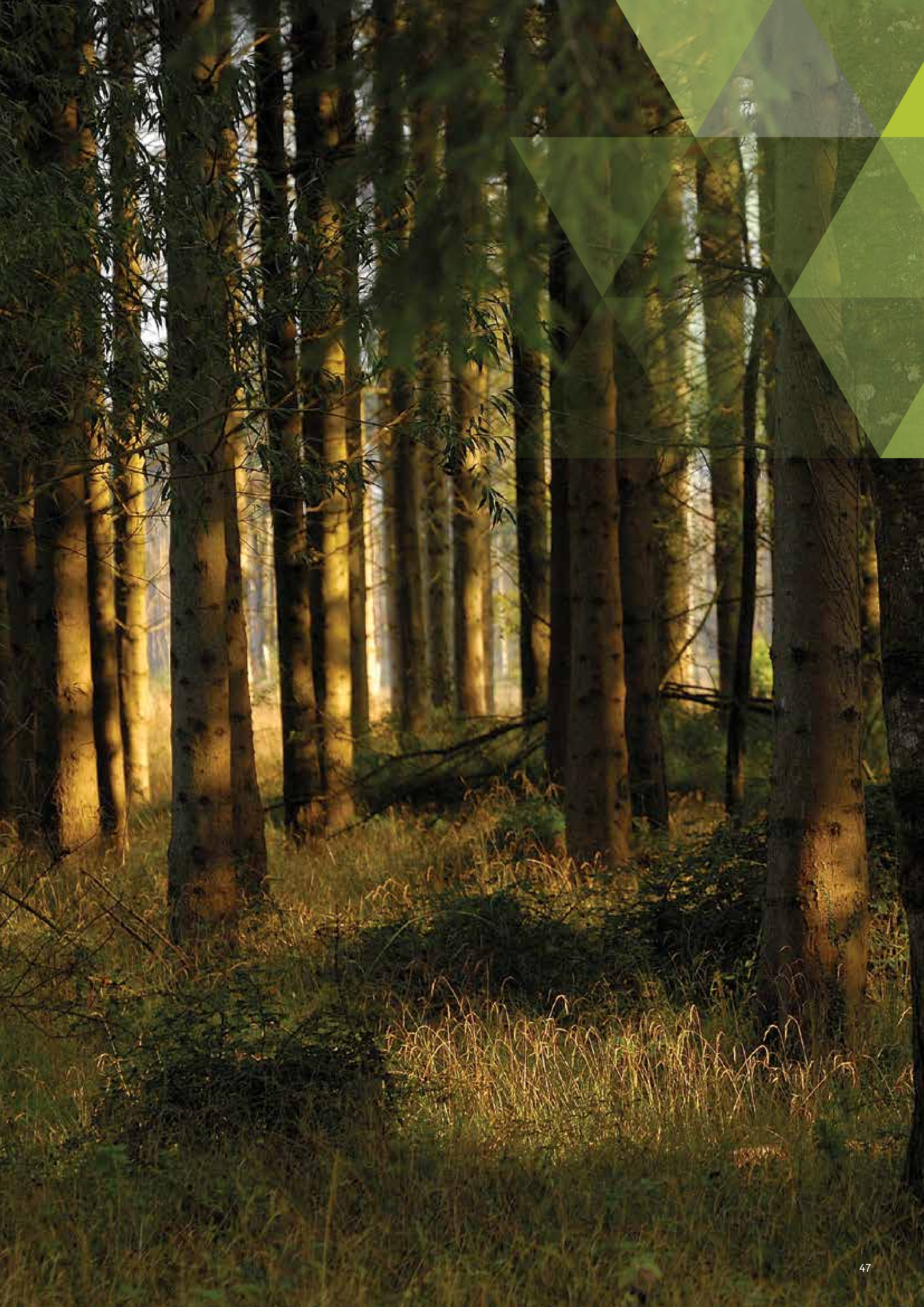
Patrick Eamon was appointed to the board in 2018. He spent 13 years as Head of Corporate Development with the Ardagh Group SA and now holds the position of Corporate Development Consultant with Paragon Group Ltd.

Board meetings attended 10/10

Grainne McLaughlin

General Counsel and Company Secretary

Grainne is Coillte's General Counsel and Company Secretary. Grainne, a UCD graduate, qualified as a solicitor with William Fry. More recently she was Vice-President at Virgin Media Ireland for many years prior to joining the Department of Communications, Climate Action and Environment as a Senior Legal Consultant.



SUSTAINABLE GROWTH

ACCOUNTS

Coillte Cuideachta Ghníomhaíochta Ainmnithe
Statutory Financial Statements
For the financial year ended
31 December 2018

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 2018.

The Company

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

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

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

The principal activities of the Group are forestry and forestry related activities, wood based panels, renewable energy and land development. The review of the business including principal risks and uncertainties as required by sections 326 and 327 of the Companies Act 2014 is included in the Chairperson'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 €330.3m in 2018, a c.11% increase on 2017, reflects strong underlying demand in the UK market while operating costs increased by €9.9m year on year largely as a result of increased energy and resin costs in the MEDITE SMARTPLY division. Other operating gains, reflective of the contribution from other asset sales of €9.2m (2017: €8.1m), were recorded during the year. Operating profit (before exceptional items and revaluation gains) increased from €48.7m in 2017 to €71.5m in 2018. The results for 2018 include an exceptional gain of €85.7m (2017: loss €0.4m). The exceptional gain largely relates to the Group's disposal of its majority stake in its operating windfarm assets which resulted in a gain of €92.9m following an initial investment of c.€25m.

In addition, the Group received €8.7m in distributions from its windfarm investments during 2018. Additional commentary on the financial results is set out in the 2018 Financial Review.

A dividend of €0.02377 per share totalling €15.0m was authorised by the Board and paid in December 2018. Total dividends paid in the year ended 31 December 2017 amounted to €8.0m paid in December 2017.

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

Directors and Company Secretary

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

The following Directors were in office during the financial year ended 31 December 2018:

John Moloney (Chairperson)
Fergal Leamy (Chief Executive Officer)
Thomas O'Malley
Julie Murphy-O'Connor
Patrick Eamon King
Jerry Houlihan
Dermot Mulvihill
Roisin Brennan
Gerard Gray

Julie Murphy O'Connor retired by rotation on 24 June 2018 and was reappointed to the Board on the same date for a 5 year term.

Thomas O'Malley retired by rotation on 11 July 2018 and was reappointed to the Board on 24 September 2018 for 1 year.

John Moloney (Chairperson) retired by rotation on 31 December 2018.

Bernie Gray (Chairperson) was appointed to the Board on 13 March 2019.

Report of the Directors

Ms. Maura McCarthy was appointed as Company Secretary on an interim basis from 21 November 2017 to 21 February 2018. Ms. Grainne McLaughlin was appointed Company Secretary with effect from 21 February 2018.

The Directors and Secretary have no interests in the shares of the Company or its subsidiaries as at 31 December 2018.

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.

Report of the Directors

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 (2016 edition), issued by the Department of Public Expenditure and Reform, 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

During the financial year the Board consisted of a non-executive Chairperson, seven non-executive Directors and the Chief Executive. The Chairperson 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 twelve occasions in 2018. It has a schedule of matters specifically reserved to it for decision and is satisfied that the direction and control of the Group is firmly in its hands. The Group's annual budget and rolling five year financial plan are reviewed and approved by the Board. The Board receives monthly management accounts promptly with detailed comparison of actual to budget. The provision of management accounts is supported by presentations by senior management to the Board on a regular basis. Significant contracts, not in the normal course of business, major investments and capital expenditure are also subject to approval by the Board. Each non-executive Director brings independent judgement to bear on all matters dealt with by the Board including those relating to strategy, performance, resources and standards of conduct.

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

Accounting records

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

Report under section 22 of the Protected Disclosures Act 2014

The Group has implemented a Protected Disclosures Policy in accordance with the requirements of the Protected Disclosures Act 2014.

Section 22 of the Protected Disclosures Act 2014 requires the Group to publish an Annual report relating to protected disclosures made under the Protected Disclosures Act 2014. In accordance with this requirement, the Directors confirm that no protected disclosures were made during the financial year ending 31 December 2018.

Report of the Directors

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.

Subsidiary, joint venture and associate undertakings

A list of subsidiary, joint venture and associate undertakings as at 31 December 2018 is set out in note 18.

Political donations

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

Events since the end of the financial year

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

Relevant audit information

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

Auditors

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

On behalf of the Board

Bernie Gray
Chairperson

Gerard Gray
Director

Date: 28 March 2019

Statement on Internal Control

Scope of Responsibility

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

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

Purpose of the System of Internal Control

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

The system of internal control, which accords with guidance contained in the Code of Practice for the Governance of State Bodies, has been in place in Coillte CGA for the year ended 31 December 2018 and up to the date of approval of the financial statements.

Capacity to Handle Risk

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

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

Risk and Control Framework

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

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

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

A risk register has been compiled that identifies the most significant risks facing the Group and these have

Statement on Internal Control

been identified, evaluated and graded according to their significance. The key risks are reviewed and updated by the Board on a regular basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level. In reviewing these risks, managers were asked to pay particular attention to:

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

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

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

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

Ongoing Monitoring and Review

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

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

Procurement

The Board confirms that Coillte CGA has procedures in place to facilitate compliance with current procurement rules and guidelines and that, during the year ended 31 December 2018, Coillte CGA complied with those procedures.

Review of Effectiveness

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

Internal Control Issues

No weaknesses in internal control were identified during the year ended 31 December 2018 that require disclosure in the financial statements.

Bernie Gray	Gerard Gray
Chairperson	Director

Date: 28 March 2019

Governance Statement and Board Members' Report

Governance

The Board of Coillte CGA was established under The Forestry Act, 1988. The Board is accountable to the Minister for Agriculture, Food and the Marine and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of Coillte CGA is the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team follow the broad strategic direction set by the Board, and ensure that all Board members have a clear understanding of the key activities and decisions related to the Group, and of any significant risks likely to arise. The CEO, who is a Board member, acts as a direct liaison between the Board and management of Coillte CGA.

Board Responsibilities

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

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

Standing items considered by the Board at each meeting include:

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

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

The Board is responsible for approving the annual plan and budget. An evaluation of the performance of Coillte CGA by reference to the 2018 annual plan and budget was carried out in January 2019.

The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board considers that the financial statements of Coillte CGA give a true and fair view of the financial performance of Coillte CGA for the year ended 31 December 2018 and of its financial position at that date.

Board Structure

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

Governance Statement and Board Members' Report

Board Member	Role	Date Appointed
Bernie Gray	Chairperson	13 March 2019
Fergal Leamy	Ordinary Member	24 November 2016
Roisin Brennan	Ordinary Member	1 May 2014
Julie Murphy-O'Connor	Ordinary Member	24 June 2018 (reappointed)
Jerry Houlihan	Ordinary Member	1 May 2014
Dermot Mulvihill	Ordinary Member	11 July 2014
Thomas O'Malley	Ordinary Member	24 September 2018 (reappointed, for one year)
Gerard Gray	Ordinary Member	26 February 2018
Patrick Eamon King	Ordinary Member	26 February 2018

The Board completed a Board Effectiveness and Evaluation Review in November 2018. This review concluded that the Board is operating effectively.

The Board has established two committees, as follows:

Audit and Risk Committee

Members: Gerard Gray (Chairperson), Julie Murphy-O'Connor, Jerry Houlihan, Dermot Mulvihill (resigned from Audit and Risk Committee in November 2018) and Patrick Eamon King (appointed in March 2019).

The Audit and Risk Committee comprises non-executive Directors and operates under formal terms of reference. It met on four occasions in 2018. The role of the Audit and Risk Committee is to support the Board in relation to its responsibilities for issues of risk, control and governance and associated assurance. The Audit and Risk Committee is independent from the financial management of the organisation. In particular the Audit and Risk Committee ensures that the internal control systems, including internal audit activities, are monitored actively and independently. The Audit and Risk Committee reports formally to the Board after each meeting.

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

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

Remuneration Committee

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

The members of the Committee are Roisin Brennan, Patrick Eamon King (appointed to the Remuneration Committee in September 2018) and John Moloney (resigned from Remuneration Committee in November 2018). It met on three occasions in 2018.

Governance Statement and Board Members' Report

Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board meetings for 2018 is set out below, including the fees and expenses received by each member:

Directors	Board Meetings attended (12 held)	Fees €'000	Salary €'000	Pension Contribution €'000	Taxable Benefits €'000	2018 Total €'000	2017 Total €'000
John Moloney[1]	11/12	13	-	-	-	13	13
Bernie Gray[2]	-	-	-	-	-	-	-
Julie Murphy - O'Connor[3]	12/12	-	-	-	-	-	-
Roisin Brennan	12/12	13	-	-	-	13	13
Jerry Houlihan	12/12	13	-	-	-	13	13
Dermot Mulvihill	12/12	13	-	-	-	13	13
Gerard Gray[4]	10/10	13	-	-	-	13	-
Patrick Eamon King[4]	10/10	13	-	-	-	13	-
Thomas O'Malley[5]	8/9	11	36	3	-	50	54
Fergal Leamy (CEO)	12/12	-	225	56	34	315	277
		89	**261**	**59**	**34**	**443**	**383**

[1] Mr. Moloney waived €10,000 in emoluments being the differential between the fee payable to the Chairperson and other Directors.
[2] Ms. Bernie Gray was appointed to the Board on 13 March 2019 and therefore was not in receipt of any fees, expenses or emoluments during the year ended 31 December 2018.
[3] Ms. Murphy-O'Connor waived all emoluments in 2018 and 2017.
[4] Mr. Gray and Mr. King were appointed to the Board of Directors on 26 February 2018 and therefore were not in receipt of any fees, expenses or emoluments during the financial year ended 31 December 2017.
[5] Mr. O'Malley retired by rotation from the Board of Directors in July 2018 and was reappointed to the Board of Directors in September 2018 for 1 year.

Key Personnel Changes

Ms. Grainne McLaughlin was appointed General Counsel & Company Secretary from 21 February 2018.
Mr Mark Foley resigned from the Company on 30 June 2018 and Mr. Mark Carlin was appointed to the Operating Executive from 1 January 2019.

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

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

Employee Short-Term Benefits

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

Range		Number of Employees	
From	**To**	**2018**	**2017**
€50,000	€74,999	**296**	295
€75,000	€99,999	**127**	133
€100,000	€124,999	**35**	35
€125,000	€149,999	**8**	10
>€150,000		**9**	7

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

Consultancy Costs

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

	2018 €'000	2017 €'000
Legal advice	**408**	442
Financial/actuarial advice	**226**	190
Marketing	**567**	425
Human Resources	**85**	87
Business Improvement	**168**	116
Other	**664**	575
Total Consultancy*	**2,118**	1,835

**Consultancy costs exclude exceptional consultancy costs of €3,745,000 associated with the disposal of windfarm investments.*

	2018 €'000	2017 €'000
Consultancy costs capitalised	**194**	621
Consultancy costs charged to the profit and loss account	**1,924**	1,214
	2,118	1,835

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

Legal Proceedings and Settlements

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

	2018 €'000	2017 €'000
Legal proceedings	**334**	408
Conciliation and arbitration payments	**-**	10
Settlements	**136**	127
	470	545

Gas Networks Ireland have initiated legal proceedings against the Company in relation to alleged damage to a gas pipeline running through a Coillte property. Our insurers are defending this legal action. In order to adopt a prudent approach in the financial statements, we have provided for an amount within the legal proceedings category above, equivalent to the excess under our insurance policy in relation to this matter. At 31 December 2018 the Group have a provision of €212,000 (2017: €216,000) relating to this matter.

Travel and Subsistence Expenditure

Travel and subsistence expenditure incurred during the reporting period was:

	2018 €'000	2017 €'000
Domestic		
- Board*	**23**	18
- Employees	**1,931**	2,053
International		
- Board*	**-**	-
- Employees	**418**	372
	2,372	2,443

**Comprises travel and subsistence of amounts payable directly to Board members.*

Hospitality Expenditure

Hospitality expenditure incurred during the reporting period was as follows:

	2018 €'000	2017 €'000
Staff hospitality	**62**	69
Client hospitality	**222**	152
	284	221

Compliance with Code of Practice for the Governance of State Bodies

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

Bernie Gray
Chairperson

Gerard Gray
Director

Date: 28 March 2019

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

1. Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements of Coillte Cuideachta Ghníomhaíochta Ainmnithe ('the Company') for the year ended 31 December 2018, which comprise:

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

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

In our opinion, the Group and Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

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

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

We have nothing to report on going concern

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

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Financial Performance section, 2018 Highlights section, the Chairperson's Statement, the Chief Executive's Review, the Financial Review, the Divisional Reviews, the Directors' Report, the Statement on Internal Control, and the Governance Statement. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report;

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

- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

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

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

Matters on which we are required to report by exception

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

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

2. Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 51, the directors are responsible for the preparation of the financial statements including being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern; disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our report is made solely to the Company's members, as a body, in accordance with 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

Date: 28 March 2019

Group Profit and Loss Account

Financial year ended 31 December 2018	Notes	2018 €'000	2017 €'000
Turnover	5	**330,332**	298,651
Cost of sales		**(199,586)**	(192,014)
Gross profit		**130,746**	106,637
Distribution costs		**(28,413)**	(27,248)
Administrative expenses		**(39,983)**	(38,780)
Other operating gains	10	**9,177**	8,114
Operating Profit before exceptional items and revaluation gains		**71,527**	48,723
Gain on revaluation of investment properties	16	**5,221**	-
Exceptional items	9	**86,106**	(423)
Operating profit	6	**162,854**	48,300
Share of joint venture profits	18	**4,034**	3,093
Share of associate losses	18	**(362)**	(328)
Profit before interest and taxation		**166,526**	51,065
Interest payable and similar charges	11	**(3,959)**	(4,797)
Profit on ordinary activities before taxation		**162,567**	46,268
Tax on profit on ordinary activities	13	**(6,164)**	(3,473)
Profit for the financial year		**156,403**	42,795

Group Statement of Other Comprehensive Income

Financial year ended 31 December 2018	Notes	2018 €'000	2017 €'000
Profit for the financial year		**156,403**	42,795
Other comprehensive income/(expenses):			
Re-measurement of net defined benefit pension liability	14	**16,281**	28,733
Movement on deferred tax relating to defined benefit pension liability	13	**(1,333)**	691
Effective portion of changes in fair value of cash flow hedges			
Fair value movement on cash flow hedges	23	**807**	1,345
Cash flow hedges – reclassification to profit and loss account	23	**(1,345)**	299
Deferred tax effect of fair value movement on cash flow hedges	13	**48**	(129)
Share of other comprehensive income of joint ventures	18	**2,366**	4,330
Other comprehensive income for the financial year, net of tax		**16,824**	35,269
Total comprehensive income for the financial year		**173,227**	78,064

Group Balance Sheet

At 31 December 2018	Notes	2018 €'000	2017 €'000
Fixed assets			
Intangible assets	15	**11,968**	10,809
Tangible assets	16	**611,286**	605,481
Biological assets	17	**829,827**	815,612
Investments	18	**10,709**	16,054
		1,463,790	1,447,956
Current assets			
Stocks	19	**24,146**	23,414
Debtors	20	**115,082**	139,333
Cash at bank and in hand		**75,217**	8,432
		214,445	171,179
Creditors - amounts falling due within of financial year	21	(56,019)	(60,497)
Net current assets		**158,426**	110,682
Total assets less current liabilities		**1,622,216**	1,558,638
Creditors - amounts falling due after more than one financial year	22	**(89,292)**	(158,681)
Provisions for liabilities	24	**(55,394)**	(58,291)
Deferred government grants	25	**(125,660)**	(126,789)
Net assets before pension liability		**1,351,870**	1,214,877
Defined benefit pension liability	14	**(55,113)**	(76,347)
Net assets		**1,296,757**	1,138,530
Capital and reserves			
Called-up share capital presented as equity	26	**795,060**	795,060
Undenominated capital	27	**6,145**	6,145
Cash-flow hedge reserve	27	**769**	1,259
Retained earnings	27	**494,783**	336,066
Shareholders' funds		**1,296,757**	1,138,530

The notes on pages 71 to 120 are an integral part of these financial statements. The financial statements on pages 63 to 120 were authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf by:

Bernie Gray
Chairperson

Gerard Gray
Director

Company Balance Sheet

At 31 December 2018	Notes	2018 €'000	2017 €'000
Fixed assets			
Intangible assets	15	**11,839**	10,763
Tangible assets	16	**514,136**	507,645
Biological assets	17	**829,827**	815,612
Investments	18	**79,740**	81,785
		1,435,542	1,415,805
Current assets			
Stock	19	**3,318**	3,953
Debtors	20	**174,365**	201,865
Cash at bank and in hand		**72,916**	8,539
		250,599	214,357
Creditors - amounts falling due within one financial year	21	**(105,044)**	(93,012)
Net current assets		**145,555**	121,345
Total assets less current liabilities		**1,581,097**	1,537,150
Creditors - amounts falling due after more than one financial year	22	**(89,292)**	(158,681)
Provisions for liabilities	24	**(51,861)**	(51,899)
Deferred government grants	25	**(125,660)**	(126,724)
Net assets before pension liability		**1,314,284**	1,199,846
Defined benefit pension liability	14	**(53,904)**	(75,562)
Net assets		**1,260,380**	1,124,284
Capital and reserves			
Called-up share capital presented as equity	26	**795,060**	795,060
Undenominated capital	27	**6,145**	6,145
Cash-flow hedge reserve	27	**371**	382
Retained earnings	27	**458,804**	322,697
Shareholders' funds		**1,260,380**	1,124,284

The notes on pages 71 to 120 are an integral part of these financial statements. The financial statements on pages 63 to 120 were authorised for issue by the Board of Directors on 28 March 2019 and were signed on its behalf by:

Bernie Gray
Chairperson

Gerard Gray
Director

Group Statement of Cash Flows

Financial year ended 31 December 2018	Notes	2018 €'000	2017 €'000
Net cash inflow from operating activities before taxation paid	31	**85,704**	73,431
Taxation paid		**(6,738)**	(4,013)
Net cash inflow from operating activities		**78,966**	69,418
Cash flows from investing activities			
Additions to intangible assets	15	**(2,927)**	(3,351)
Additions to tangible assets	16	**(25,230)**	(14,335)
Additions to biological assets	17	**(28,478)**	(28,055)
Additions to financial assets	18	**-**	(11,399)
Proceeds from disposals of JV investments		**116,700**	-
Distributions from joint venture undertakings		**8,749**	2,738
Proceeds from disposals of tangible and intangible assets		**9,472**	9,270
Other exceptional cash item		**(582)**	-
Receipt of capital government grants	20/25	**531**	505
Net cash inflow/(outflow) from investing activities		**78,235**	(44,627)
Cash flows from financing activities			
Decrease in borrowings	22	**(72,742)**	(7,824)
Repayment of capital element of finance leases		**-**	(2)
Interest paid	31	**(2,674)**	(2,399)
Dividends paid	12	**(15,000)**	(8,000)
Net cash outflow from financing activities		**(90,416)**	(18,225)
Net increase in cash and cash equivalents		**66,785**	6,566
Cash and cash equivalents at 1 January		**8,432**	1,866
Cash and cash equivalents at 31 December		**75,217**	8,432

Company Statement of Cash Flows

Financial year ended 31 December 2018	Notes	2018 €'000	2017 €'000
Net cash inflow from operating activities before taxation paid	32	**53,721**	56,226
Taxation paid		**(4,046)**	(3,308)
Net cash inflow generated from operating activities		**49,675**	52,918
Cash flows from investing activities			
Additions to intangible assets	15	**(2,795)**	(3,327)
Additions to tangible assets	16	**(14,221)**	(10,512)
Additions to biological assets	17	**(28,478)**	(28,055)
Amounts owed from/(by) subsidiary undertakings	20/21	**15,874**	(3,157)
Proceeds from the disposal of JV investments		**116,700**	-
Distributions from/(advances to) joint venture undertakings		**8,749**	2,738
Proceeds from disposals of tangible assets		**9,333**	9,253
Other exceptional cash items		**(582)**	-
Receipt of capital government grants	20/25	**531**	505
Net cash inflow/(outflow) from investing activities		**105,111**	(32,555)
Cash flows from financing activities			
Decrease in borrowings	22	**(72,742)**	(7,824)
Interest paid		**(2,667)**	(2,387)
Dividends paid	12	**(15,000)**	(8,000)
Net cash outflow from financing activities		**(90,409)**	(18,211)
Net decrease in cash and cash equivalents		**64,377**	2,152
Cash and cash equivalents at 1 January		**8,539**	6,387
Cash and cash equivalents at 31 December		**72,916**	8,539

Group Statement of Changes in Equity

Financial year ended 31 December 2018	Notes	Called-up share capital presented as equity	Undenominated capital	Cashflow hedge reserve	Profit and loss account	Total
		€'000	€'000	€'000	€'000	€'000
At 1 January 2018		**795,060**	**6,145**	**1,259**	**336,066**	**1,138,530**
Profit for the financial year		**-**	**-**	**-**	**156,403**	**156,403**
Other comprehensive (expense)/ income for the financial year		**-**	**-**	**(490)**	**17,314**	**16,824**
Total comprehensive (expense)/ income for the financial year		**-**	**-**	**(490)**	**173,717**	**173,227**
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	**-**	**-**	**-**	**(15,000)**	**(15,000)**
At 31 December 2018		**795,060**	**6,145**	**769**	**494,783**	**1,296,757**
At 1 January 2017		795,060	6,145	(256)	267,517	1,068,466
Profit for the financial year		-	-	-	42,795	42,795
Other comprehensive income for the financial year		-	-	1,515	33,754	35,269
Total comprehensive income for the financial year		-	-	1,515	76,549	78,064
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	-	-	-	(8,000)	(8,000)
At 31 December 2017		795,060	6,145	1,259	336,066	1,138,530

Company Statement of Changes in Equity

Financial year ended 31 December 2018	Notes	Called-up share capital presented as equity €'000	Undenominated capital €'000	Cashflow hedge reserve €'000	Profit and loss account €'000	Total €'000
At 1 January 2018		**795,060**	**6,145**	**382**	**322,697**	**1,124,284**
Profit for the financial year		**-**	**-**	**-**	**134,797**	**134,797**
Other comprehensive (expense)/ income for the financial year		**-**	**-**	**(11)**	**16,310**	**16,299**
Total comprehensive (expense)/ income for the financial year		**-**	**-**	**(11)**	**151,107**	**151,096**
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	**-**	**-**	**-**	**(15,000)**	**(15,000)**
At 31 December 2018		**795,060**	**6,145**	**371**	**458,804**	**1,260,380**
At 1 January 2017		795,060	6,145	90	268,738	1,070,033
Profit for the financial year		-	-	-	34,739	34,739
Other comprehensive income for the financial year		-	-	292	27,220	27,512
Total comprehensive income for the financial year		-	-	292	61,959	62,251
Transactions with shareholders recorded directly in equity:						
Dividends paid	12	-	-	-	(8,000)	(8,000)
At 31 December 2017		795,060	6,145	382	322,697	1,124,284

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 €134,797,000 (2017: €34,739,000).

(d) Consolidation and equity accounting

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

Notes to the Financial Statements

(i) Investments in subsidiaries

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

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

(ii) Investments in joint ventures

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

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

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

(iii) Jointly controlled operations

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

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

(iv) Investments in associate companies

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

Notes to the Financial Statements

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

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

(e) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into euro using the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are 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.

(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.

Notes to the Financial Statements

Sale of goods and rendering of services

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

(g) Exceptional items

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

(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.

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.

Notes to the Financial Statements

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.

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.

Notes to the Financial Statements

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

Depreciation on certain plant and installation, included in plant and machinery, is provided on a unit of production basis over the estimated useful lives of the assets. The following rates were being applied to these assets as at 31 December 2018:

• Plant and installations	8.33% / 12 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'.

Notes to the Financial Statements

(v) Transfers to stock

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

(l) Investment properties

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

(m) Biological assets

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

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

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

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

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

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

(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.

Notes to the Financial Statements

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

(o) Leased assets

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

(i) Finance lease assets

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

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

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

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

(ii) Operating lease assets

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

(p) Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

(q) Stocks

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

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

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

(r) Cash and cash equivalents

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

(s) Provisions and contingencies

(i) Provisions

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

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

(ii) Replanting obligation

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

(iii) Contingencies

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

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

Notes to the Financial Statements

(t) Government grants

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

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

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

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

(u) Financial instruments

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

(i) Financial assets

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

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

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

Financial assets are 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.

Notes to the Financial Statements

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.

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

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

(iv) Hedging

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

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

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

(v) Research and development

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

Notes to the Financial Statements

(w) Distributions to equity shareholders

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

(x) Emission rights

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

4. Critical accounting judgements and estimation uncertainty

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

(i) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit and loss account. The Group engaged independent valuation specialists to assist in determining the fair value at 31 December 2018. 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.

Notes to the Financial Statements

(iii) Pensions

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

(iv) Useful economic lives of tangible assets

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

(v) Depletion

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

(vi) Impairment of debtors

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

(vii) Provisions for liabilities

The determination of the Group's provisions for liabilities inevitably involves a high degree of judgment. Where provisions are deemed necessary, judgments are made in relation to the future cash outflows arising in connection with provisions made. The main judgmental 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 judgment.

Notes to the Financial Statements

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	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000
Group turnover								
Continuing operations:								
Republic of Ireland	**132,927**	127,877	**3,731**	3,161	**36,621**	34,117	**173,279**	165,155
United Kingdom	**13,529**	12,521	**45**	-	**128,840**	109,559	**142,414**	122,080
Rest of the World	**2,146**	138	**-**	-	**45,887**	44,718	**48,033**	44,856
Inter-segment sales*	**(33,394)**	(33,440)	**-**	-	**-**	-	**(33,394)**	(33,440)
Sales to third parties	**115,208**	107,096	**3,776**	3,161	**211,348**	188,394	**330,332**	298,651

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

Notes to the Financial Statements

6. Operating profit

	2018 €'000	2017 €'000
Operating profit has been arrived at after charging/(crediting):		
Depreciation (note 16)	**19,945**	19,916
Depletion (note 17)	**13,019**	12,993
Amortisation of grants (note 25)	**(1,604)**	(1,724)
Amortisation of intangible assets (note 15)	**1,768**	826
Operating lease charges	**1,140**	1,839
Operating lease rental income	**(2,494)**	(1,597)
Research and development expenditure	**598**	523
Impairment of trade receivables	**(153)**	(183)
Inventory recognised as an expense	**182,796**	183,267
Impairment of inventory (included in 'cost of sales')	**59**	60
Gain on revaluation of investment properties (note 16)	**(5,221)**	-
Exceptional items (note 9)	**(86,106)**	423

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

	Group		**Company**	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Audit of the financial statements	**211**	202	**159**	159
Other assurance services	**37**	27	**36**	27
Tax advisory services	**153**	90	**150**	73
Other non-audit services	**311**	43	**311**	43
	712	362	**656**	302

Notes to the Financial Statements

7. Emoluments of Directors

	2018 €'000	2017 €'000
Emoluments	**384**	332
Contributions to retirement benefits schemes	**59**	51
Total	**443**	383

Retirement benefits are accruing to 2 (2017: 2) Directors, one Director under a defined benefit scheme and one Director under a defined contribution scheme.

8. Employees and remuneration

The average number of persons employed by the Group (excluding joint venture and associate undertakings) during the year was 806 (2017: 827).

	2018 €'000	2017 €'000
Staff costs comprise:		
Wages and salaries	**50,014**	48,811
Social insurance costs	**5,005**	5,017
Other retirement benefit costs	**6,271**	7,021
	61,290	60,849
Less: Own work capitalised	**(9,914)**	(9,138)
Charge to profit and loss account	**51,376**	51,711
Other retirement benefit costs comprise:		
Defined contribution scheme pension costs (note 14)	**1,230**	1,160
Defined benefit scheme pension costs (note 14)	**5,041**	5,861
	6,271	7,021

Wages and Salaries	**2018 €'000**	2017 €'000
Wages and salaries comprise:		
Basic pay	**42,312**	42,308
Overtime	**4,289**	4,044
Allowances	**3,413**	2,459
	50,014	48,811

Notes to the Financial Statements

Key management compensation	**2018 €'000**	2017 €'000
Short term benefits	**1,460**	1,565
Post-employment benefits	**113**	145
	1,573	1,710

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of the Group and Company. These include the Board members and senior executives. Senior Executives comprised the CEO plus five others during 2018 (2017: six) (some for part of the year).

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

9. Exceptional items

	2018 €'000	2017 €'000
Recognised in arriving at operating profit:		
Profit on the disposal of windfarm investments (note A)	**92,912**	-
Restructuring (note B)	**-**	2,198
Depletion & related costs re Forest Fires (note C)	**(1,777)**	(3,740)
Gain on disposal of intellectual property (note D)	**-**	399
Reversal of impairment loss of biological assets (note E)	**-**	720
Accelerated amortisation of ECA fees (note F)	**(1,279)**	-
Recognition of deferred costs associated with projects (note G)	**(3,750)**	-
	86,106	(423)

Notes to the Financial Statements

A. Profit on the disposal of windfarm investments

During 2018, the Group disposed of its 50% stake in Cloosh Valley Wind Farm Holdings DAC and Raheenleagh Power DAC along with a 12.5% stake in Sliabh Bawn Wind Holdings DAC to Greencoat Renewables PLC. In addition, the Group disposed of its 50% stake in Castlepook Power DAC to ESB Wind Development Limited. The profit relating to these disposals was €92.9m.

B. Restructuring

In 2017, the Group recorded a credit to the profit and loss account of €2.2m, in respect of the outturn of a restructuring programme which included severance and actuarial costs relating to the past service of departing employees along with a pension curtailment credit of €0.6m.

C. Depletion & related costs in relation to forest fires

During 2018 and 2017, there were a number of significant forest fires which affected c.600 hectares of forestry. The associated costs of fire-fighting and the accelerated depletion of the damaged biological assets totalled €1.8m and these have been recognised as exceptional costs in the current year (2017: €3.7m).

D. Gain on disposal of intellectual property

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

E. Reversal of impairment loss of biological assets

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

F. Accelerated amortisation of bank transaction costs

The early repayment of the ECA facility in December 2018 resulted in the write off of the remaining transaction costs associated with this facility (€1.3m) that were being recognised over the life of the facility (see note 22).

G. Impairment of windfarm assets

During 2018, two adverse planning decisions on windfarm projects resulted in a write down of €3.75m of costs previously deferred.

10. Other operating gains

Other operating gains, all of which relate to profits realised on the disposal of fixed assets, amount to €9.2 million (2017: €8.1 million).

Notes to the Financial Statements

11. Interest payable and similar charges

	2018 €'000	2017 €'000
Interest on bank overdrafts and loans, and other related bank costs	**2,458**	2,878
Net interest expense on pension deficit (note 14)	**1,480**	1,898
Unwind of discount (note 24)	**21**	21
Other finance costs	**1,501**	1,919
Total interest payable	**3,959**	4,797

12. Dividends

Equity dividends declared and paid on ordinary shares:

	2018 €'000	2017 €'000
Dividend of €0.02377 per share for the financial year ended 31 December 2018	**15,000**	-
Dividend of €0.01268 per share for the financial year ended 31 December 2017	**-**	8,000
	15,000	8,000

A dividend of €0.02377 per share totalling €15.0m was authorised by the Board and paid in December 2018. Total dividends paid in the year ended 31 December 2017 amounted to €8.0m.

Notes to the Financial Statements

13. Taxation

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

	2018 €'000	2017 €'000
Current tax:		
Corporation tax at 12.5%	**6,864**	5,102
Less: Woodlands relief	**(3,944)**	(3,957)
Irish corporation tax	**2,920**	1,145
Foreign tax - Netherlands	**2**	3
- United Kingdom	**21**	30
Adjustment in respect of prior financial years	**(1,058)**	(986)
Taxation on disposal of fixed assets at 33%	**3,114**	3,094
Total current tax	**4,999**	3,286
Deferred tax:		
Pension timing difference	**144**	89
Revaluation of investment properties	**1,723**	-
Other timing differences	**(702)**	98
Total deferred tax	**1,165**	187
Total taxation on profit on ordinary activities*	**6,164**	3,473

** Includes €Nil (2017: €0.1 million) taxation relating to exceptional items (note 9).*

Notes to the Financial Statements

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

	2018 €'000	2017 €'000
Current tax:	-	-
Deferred tax:		
Pension timing difference	**1,333**	(691)
Other timing differences	**(48)**	129
Total tax charge/(credit) included in the statement of other comprehensive income	**1,285**	(562)

(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:

	2018 €'000	2017 €'000
Profit on ordinary activities before tax	**162,567**	46,268
Profit on ordinary activities multiplied by the standard rate of tax in the Republic of Ireland of 12.5%	**20,321**	5,784
Effects of:		
Woodlands relief	**(3,944)**	(3,957)
Tax on exempt income other than woodland profit	**(11,931)**	-
Utilisation of losses carried forward	**(159)**	-
Expenses non-deductible for tax purposes	**438**	545
Differences between capital allowances and depreciation	**(480)**	(34)
Adjustments in respect of prior financial years	**(1,058)**	(986)
Higher rates of tax on certain activities	**3,482**	2,467
Foreign tax	**21**	16
Other	**(526)**	(362)
	6,164	3,473

Notes to the Financial Statements

14. Pensions

A. Defined benefit pension scheme

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

The pension costs relating to the Group's defined benefit schemes are assessed in accordance with the advice of independent qualified actuaries. The valuations were based on the attained age and the projected unit credit method and the last full valuations were carried out as at 1 January 2018 (Medite Europe DAC) and 31 December 2017 (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 1.25% (Coillte CGA) and 1.4% (Medite Europe DAC) in the last full valuations and that pension increases of 1.75% 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 €271.1 million (Coillte CGA – 31 December 2017) and €34.4 million (Medite Europe DAC – 1 January 2018) and the deficits in the schemes, inclusive of the Funding Standard Reserve, at those dates were €23.7 million (Coillte CGA) and €4.6 million (Medite Europe DAC).

The valuations indicated that the actuarial value of the total scheme assets was sufficient to cover 92% of the benefits that had accrued to the members of the combined scheme, inclusive of the Funding Standard Reserve, as at the valuation dates. Coillte CGA and Medite Europe DAC contribute to their respective scheme on behalf of members at a rate of 25% and 15.4% respectively. The actuarial reports of both schemes are available to scheme members, but not for public inspection.

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

A funding proposal in respect of the Coillte CGA scheme was approved by the Pensions Authority in 2010. The funding proposal has the objective of returning the scheme to full solvency on a Minimum Funding Standard basis by 31 December 2020. The funding proposal requires Coillte to make significant additional contributions and employees to increase their contributions. A funding agreement which varied some of the terms of the funding proposal was agreed with the Trustees in July 2014. This agreement puts in place a number of alternative measures to the transfer of non-cash assets, which was part of the original funding proposal. These alternative measures include further Company cash contributions over the period to the pension fund. The Company has also given the Trustees security over €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

Notes to the Financial Statements

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:

	2018 €'000	2017 €'000
Current service cost	**5,041**	5,861
Curtailment/past service credit	**-**	(600)
	5,041	5,261
Less: Capitalised expenses	**(1,148)**	(1,263)
Total charge in operating profit	**3,893**	3,998
Net interest expense	**1,480**	1,898
Total profit and loss account charge	**5,373**	5,896

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

	2018 €'000	2017 €'000
Return on scheme assets excluding interest income	**(12,315)**	6,669
Actuarial gains	**28,596**	22,064
Re-measurement gains recognised in the statement of other comprehensive income	**16,281**	28,733

Expected contributions for the financial year ending 31 December 2019 are €8,028,000.

Notes to the Financial Statements

Movement in scheme assets and liabilities

	Pension assets €'000	Pension liabilities €'000	Pension deficit €'000
At 1 January 2018	**306,228**	**(382,575)**	**(76,347)**
Benefits paid from plan assets	**(13,009)**	**13,009**	**-**
Employer contributions paid	**11,471**	**-**	**11,471**
Contributions by plan participants	**1,190**	**(1,190)**	**-**
Current service cost	**-**	**(4,704)**	**(4,704)**
Administration expenses	**(334)**	**-**	**(334)**
Interest income/(expense)	**6,345**	**(7,825)**	**(1,480)**
Re-measurement gains/losses			
- Actuarial gains	**-**	**28,596**	**28,596**
- Return on plan assets excluding interest income	**(12,315)**	**-**	**(12,315)**
As at 31 December 2018	**299,576**	**(354,689)**	**(55,113)**
At 1 January 2017	293,296	(401,444)	(108,148)
Benefits paid from plan assets	(10,384)	10,384	-
Employer contributions paid	10,227	-	10,227
Contributions by plan participants	1,321	(1,321)	-
Current service cost	-	(5,589)	(5,589)
Curtailment credit	-	600	600
Administration expenses	(272)	-	(272)
Interest income/(expense)	5,371	(7,269)	(1,898)
Re-measurement gains			
- Actuarial gains	-	22,064	22,064
- Return on plan assets excluding interest income	6,669	-	6,669
As at 31 December 2017	306,228	(382,575)	(76,347)

For the purposes of disclosure the assets and liabilities of the Coillte CGA and Medite Europe DAC defined benefit schemes have been combined. At 31 December 2018, the deficit in the Coillte CGA scheme was €53.9 million (2017: deficit of €75.6 million) and the deficit in the Medite Europe DAC scheme was €1.2 million (2017: deficit of €0.7 million).

Notes to the Financial Statements

The fair value of the plan assets was:

	2018 €'000	2017 €'000
Equities	**86,360**	99,479
Bonds	**135,935**	123,004
Property	**20,714**	20,147
Other	**56,567**	63,598
Total market value of assets	**299,576**	306,228

The actual return on plan assets was:

	2018 €'000	2017 €'000
Actual return on plan assets	**(5,970)**	12,040

Principal actuarial assumptions at the balance sheet date:

	2018	2017
Rate of increase in salaries	**2.00%**	2.25%
Rate of increase in pension payments		
- Coillte CGA	**1.50%**	1.75%
- Medite Europe DAC	**0.00%**	0.00%
Discount rate	**2.10%**	2.10%
Price inflation	**1.50%**	1.75%
Post-retirement mortality*		
Current pensioners at 65 - Male	**22.4**	22.3
Current pensioners at 65 - Female	**24.3**	24.2
Future pensioners at 65 - Male	**24.1**	24.0
Future pensioners at 65 - Female	**26.1**	26.0

** 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 €1,230,000 (2017: €1,160,000) and contributions of €66,000 (2017: €92,000) 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 2018		**20,041**	**1,176**	**21,217**
Additions		**2,927**	**-**	**2,927**
Disposals – cost		**(2,718)**	**-**	**(2,718)**
At 31 December 2018		**20,250**	**1,176**	**21,426**
Accumulated amortisation				
At 1 January 2018		**(9,232)**	**(1,176)**	**(10,408)**
Amortisation		**(1,768)**	**-**	**(1,768)**
Disposals – amortisation		**2,718**	**-**	**2,718**
At 31 December 2018		**(8,282)**	**(1,176)**	**(9,458)**
Net book amounts				
At 31 December 2018		**11,968**	**-**	**11,968**
At 31 December 2017		**10,809**	**-**	**10,809**
Cost				
At 1 January 2017		18,541	1,176	19,717
Additions		3,351	-	3,351
Disposals – cost		(1,851)	-	(1,851)
At 31 December 2017		20,041	1,176	21,217
Accumulated amortisation				
At 1 January 2017		(9,793)	(1,176)	(10,969)
Amortisation		(826)	-	(826)
Disposals - amortisation		1,387	-	1,387
At 31 December 2017		(9,232)	(1,176)	(10,408)
Net book amount				
At 31 December 2017		10,809	-	10,809
At 31 December 2016		8,748	-	8,748

Notes to the Financial Statements

B. Company

	Software €'000
Cost	
At 1 January 2018	**18,710**
Additions	**2,795**
Disposals – cost	**(2,718)**
At 31 December 2018	**18,787**
Accumulated amortisation	
At 1 January 2018	**(7,947)**
Amortisation	**(1,719)**
Disposals - amortisation	**2,718**
At 31 December 2018	**(6,948)**
Net book amounts	
At 31 December 2018	**11,839**
At 31 December 2017	**10,763**
Cost	
At 1 January 2017	17,234
Additions	3,327
Disposals – cost	(1,851)
At 31 December 2017	18,710
Accumulated amortisation	
At 1 January 2017	(8,530)
Amortisation	(804)
Disposals - amortisation	1,387
At 31 December 2017	(7,947)
Net book amounts	
At 31 December 2017	10,763
At 31 December 2016	8,704

Intangible assets include software costs incurred in developing the Group's Forest Management System, with a carrying value of € 7.7 million (2017: €8.6 million). There are no other individual material intangible assets. 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 2018	(i)	**352,751**	**33,488**	**20,481**	**308,528**	**175,614**	**890,862**
Additions		**1,898**	**2,827**	**-**	**8,384**	**7,715**	**20,824**
Disposals		**(225)**	**(700)**	**-**	**-**	**(994)**	**(1,919)**
Surplus on revaluation		**-**	**-**	**5,221**	**-**	**-**	**5,221**
At 31 December 2018		**354,424**	**35,615**	**25,702**	**316,912**	**182,335**	**914,988**
Accumulated depreciation							
At 1 January 2018		**-**	**(26,274)**	**-**	**(171,786)**	**(87,321)**	**(285,381)**
Charge for financial year		**-**	**(1,192)**	**-**	**(7,921)**	**(10,832)**	**(19,945)**
Disposals		**-**	**561**	**-**	**-**	**1,063**	**1,624**
At 31 December 2018		**-**	**(26,905)**	**-**	**(179,707)**	**(97,090)**	**(303,702)**
Net book amounts							
At 31 December 2018		**354,424**	**8,710**	**25,702**	**137,205**	**85,245**	**611,286**
At 31 December 2017		**352,751**	**7,214**	**20,481**	**136,742**	**88,293**	**605,481**
Cost							
At 1 January 2017	(i)	353,349	33,467	20,481	299,631	172,069	878,997
Additions		9	21	-	8,897	4,291	13,218
Disposals		(607)	-	-	-	(746)	(1,353)
Transfers to stock		-	-	-	-	-	-
At 31 December 2017		352,751	33,488	20,481	308,528	175,614	890,862
Accumulated depreciation							
At 1 January 2017		-	(25,061)	-	(163,946)	(77,119)	(266,126)
Charge for financial year		-	(1,213)	-	(7,840)	(10,863)	(19,916)
Disposals		-	-	-	-	661	661
At 31 December 2017		-	(26,274)	-	(171,786)	(87,321)	(285,381)
Net book amounts							
At 31 December 2017		352,751	7,214	20,481	136,742	88,293	605,481
At 31 December 2016		353,349	8,406	20,481	135,685	94,950	612,871

Notes to the Financial Statements

B. Company	Notes	Land	Buildings	Investment Properties	Forest roads & bridges	Machinery & equipment	Total
		€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2018	(i)	**340,969**	**11,750**	**20,481**	**308,528**	**9,728**	**691,456**
Additions		**1,898**	**92**	**-**	**8,386**	**149**	**10,525**
Disposals		**(225)**	**(700)**	**-**	**-**	**(533)**	**(1,458)**
Surplus on revaluation				**5,221**			**5,221**
Transfers to stock		**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2018		**342,642**	**11,142**	**25,702**	**316,914**	**9,344**	**705,744**
Accumulated depreciation							
At 1 January 2018		**-**	**(4,871)**	**-**	**(171,786)**	**(7,154)**	**(183,811)**
Charge for financial year		**-**	**(239)**	**-**	**(7,921)**	**(867)**	**(9,027)**
Disposals		**-**	**561**	**-**	**-**	**669**	**1,230**
At 31 December 2018		**-**	**(4,549)**	**-**	**(179,707)**	**(7,352)**	**(191,608)**
Net book amounts							
At 31 December 2018		**342,642**	**6,593**	**25,702**	**137,207**	**1,992**	**514,136**
At 31 December 2017		**340,969**	**6,879**	**20,481**	**136,742**	**2,574**	**507,645**
Cost							
At 1 January 2017	(i)	341,567	11,729	20,481	299,631	9,259	682,667
Additions		9	21	-	8,897	1,032	9,959
Disposals		(607)	-	-	-	(563)	(1,170)
Transfers to Stock		-	-	-	-	-	-
At 31 December 2017		340,969	11,750	20,481	308,528	9,728	691,456
Accumulated depreciation							
At 1 January 2017		-	(4,632)	-	(163,946)	(6,851)	(175,429)
Charge for financial year		-	(239)	-	(7,840)	(877)	(8,956)
Disposals		-	-	-	-	574	574
At 31 December 2017		-	(4,871)	-	(171,786)	(7,154)	(183,811)
Net book amounts							
At 31 December 2017		340,969	6,879	20,481	136,742	2,574	507,645
At 31 December 2016		341,567	7,097	20,481	135,685	2,408	507,238

Notes to the Financial Statements

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

(ii) At 31 December 2018 €1.2 million (2017: €5.6 million) of total additions was unpaid and included within creditors due within one financial year.

The carrying value of land comprises:

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Investment properties at fair value	**25,702**	20,481	**25,702**	20,481
Other land at cost	**354,424**	352,751	**342,642**	340,969
	380,126	373,232	**368,344**	361,450

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 2018 on an open market valuation basis in accordance with the RICS Valuation – Global Standards 2017 (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 2018 was determined by the Directors using the independent valuations carried out by CBRE.

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 8.5% to 10.3% has been applied.

Investment properties: Group and Company

	2018 €'000	2017 €'000
At 1 January	**20,481**	20,481
Surplus on revaluation	**5,221**	-
At 31 December	**25,702**	20,481

The historic cost of investment properties at 31 December 2018 was €0.5 million (2017: €0.5 million).

Notes to the Financial Statements

17. Biological assets

Group and Company

	Notes	2018 €'000	2017 €'000
Cost			
At 1 January	(i)/(ii)	**878,586**	866,435
Additions		**28,478**	28,055
Reclassification		-	(144)
Depletion	(iii)	**(14,263)**	(15,760)
At 31 December		**892,801**	878,586
Accumulated impairment			
At 1 January		**(62,974)**	(63,838)
Reversal of impairment loss		-	720
Reclassification		-	144
At 31 December		**(62,974)**	(62,974)
Net book amounts			
At 31 December		**829,827**	815,612

(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 359,000 hectares of forestland in the Republic of Ireland and approximately 16,100 hectares of standing forest plantations established on leased land.

(ii) 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).

(iii) During 2018 and 2017, there were a number of significant forest fires which affected c.600 hectares of forestry. The associated accelerated depletion costs of the damaged biological assets was €1.2 million (2017: €2.8 million) and has been recognised as part of exceptional costs in the current year.

Notes to the Financial Statements

18. Investments

Subsidiary undertakings, joint ventures and associates

A. Group

	Notes	2018 €'000	2017 €'000
Joint venture undertakings	(a)	**-**	4,983
Associate undertakings	(b)	**10,709**	11,071
		10,709	16,054

(a) Joint venture undertakings

	Notes	2018 €'000	2017 €'000
At 1 January		**4,983**	-
Reclassification of provision for liabilities (note 24)		**(2,592)**	(640)
Reclassification to investments in associates	(iii)	**330**	-
Disposals	(ii)	**(9,121)**	-
Share in profit of joint ventures	(i)	**4,034**	1,630
Share in other comprehensive income/(expense) of joint ventures	(i)	**2,366**	3,993
At 31 December		**-**	4,983

(b) Investments in associates

	Notes	2018 €'000	2017 €'000
At 1 January		**11,071**	-
Reclassification from joint ventures	(iii)	**(330)**	-
Reclassification of associates to provisions (note 24)	(iv)	**330**	-
Additions	(v)	**-**	11,399
Share in loss of associates		**(362)**	(328)
At 31 December		**10,709**	11,071

(i) In 2018 the Group recorded its 50% share in its joint ventures' profits amounting to €4,034,000 (2017: €3,093,000). The Group also recognised its 50% share in its joint ventures' movement in cash-flow hedge reserves driven by the changes in fair value of the joint ventures' derivative financial instruments used to hedge their interest rate risk exposure, amounting to a gain of €2,366,000 (2017: €4,330,000).

Where the Group's share of profits in each individual joint ventures exceeds the Group's investment in that joint venture, the carrying amount of the Group's investment in that joint venture is recognised in investments. In 2018 individual investments in joint ventures with a positive investment value amounted to €Nil (2017: €4,983,000).

Notes to the Financial Statements

Where the Group's share of losses in each individual joint ventures exceeds the Group's investment in the joint venture, the carrying amount of the Group's investment in that joint venture is reduced to €Nil and a balance of €Nil (2017: €2,952,000) at 31 December 2018 is recognised in provisions for liabilities.

(ii) In 2018 the Group disposed of its 50% shareholding in Raheenleagh Power DAC, Castlepook Power DAC and Cloosh Valley Wind Farm Holdings DAC and 25% of its shareholding in Sliabh Bawn Wind Holdings DAC.

(iii) As a result the Group's disposal of 25% of its 50% shareholding in Sliabh Bawn Wind Holdings DAC, the Group's investment in Sliabh Bawn Wind Holdings DAC has been reclassified from investments in joint ventures to investments in associate undertakings.

(iv) In 2018 the Group recorded its share of its associates' losses amounting to €362,000 (2017: €328,000). Where the Group's share of profits in each individual associate exceeds the Group's investment in that associate, the carrying amount of the Group's investment in that associate is recognised in investments. In 2018 individual investments in associates with a positive investment value amounted to €10,709,000 (2017: €11,071,000). Where the Group's share of losses in each individual associate exceeds the Group's investment in the associate, the carrying amount of the Group's investment in that associate is reduced to €nil and a balance of €330,000 (2017: €NIL) at 31 December 2018 is recognised in provisions for liabilities.

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

B. Company

	Notes	Subsidiary undertakings	Joint venture undertakings	Total
		€'000	€'000	€'000
Unlisted shares				
At 1 January 2018		78,856	2,929	81,785
Disposals		-	(2,045)	(2,045)
At 31 December 2018		78,856	884	79,740
At 1 January 2017 and 31 December 2017		78,856	2,929	81,785

Notes to the Financial Statements

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

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

Joint Venture Undertakings	% Held	Principal Activities	Registered Office and Country of Incorporation
Moylurg Rockingham DAC	50	Forest recreation	Lough Key Forest and Activity Park, Boyle, Co. Roscommon, Ireland.

Associated Undertakings	% Held	Principal Activities	Registered Office and Country of Incorporation
Sliabh Bawn Wind Holdings DAC	37.5	Wind energy	Dublin Road, Newtownmountkennedy, Co. Wicklow, Ireland.
Tricoya Technologies Limited	12	Development and licencing of intellectual property	Brettenham House, 19 Lancaster Place, London, WC2E 7EN.
Tricoya Ventures UK Limited	8	Production and sale of acetylated wood chips	Brettenham House, 19 Lancaster Place, London, WC2E 7EN.

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

Notes to the Financial Statements

19. Stocks

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Raw materials and consumables	**2,571**	5,262	**744**	1,132
Spare parts	**5,122**	3,648	**-**	-
Finished goods	**16,453**	14,504	**2,574**	2,821
	24,146	23,414	**3,318**	3,953

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

20. Debtors

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Trade debtors	**43,720**	45,870	**22,108**	24,033
Amounts owed by subsidiary undertakings	**-**	-	**69,852**	69,118
Amounts owed by joint venture/associate undertakings	**1,297**	22,598	**14,737**	40,518
Forest plantations to be planted (note 24)	**42,449**	44,193	**42,449**	44,193
Deferred tax (note 24)	**1,759**	3,237	**1,603**	3,131
Derivative financial instruments (note 23)	**949**	1,806	**371**	285
Grants receivable	**452**	508	**452**	508
Corporation Tax	**104**	-	**9**	-
Other debtors	**21,095**	19,174	**21,095**	19,173
Prepayments	**3,257**	1,947	**1,689**	906
	115,082	139,333	**174,365**	201,865

Trade debtors are stated after provisions for impairment of €1,029,000 (2017: €1,356,000). Amounts owed by subsidiary, joint venture and associate undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements

21. Creditors: amounts falling due within one financial year

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Trade creditors	**11,337**	8,436	**6,680**	6,516
Taxation and social insurance	**2,031**	4,894	**1,869**	3,149
Accruals	**42,479**	43,540	**26,981**	27,088
Derivative financial instruments (note 23)	**139**	241	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**69,481**	52,873
Amounts owed to joint venture undertakings	**33**	33	**33**	33
Loans and finance leases (note 22)	**-**	3,353	**-**	3,353
	56,019	60,497	**105,044**	93,012

Taxation and social insurance comprise:	**2018 €'000**	2017 €'000	**2018 €'000**	2017 €'000
PAYE/PRSI	**944**	1,717	**809**	847
VAT	**637**	1,442	**614**	806
Corporation and capital gains tax	**-**	1,635	**-**	1,399
Other	**450**	100	**446**	97
	2,031	4,894	**1,869**	3,149

Trade and other creditors are payable at various dates in the next three months after the end of the financial year, in accordance with the creditors' usual and customary credit terms. Trade creditors of €4,133,000 (2017: €1,868,000) have reserved title to goods supplied.

Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

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

Notes to the Financial Statements

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

Bank Loans

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Loans	**89,292**	158,681	**89,292**	158,681

Group Borrowings

The Group's loans and other debt comprises:

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Details of loans and other debt				
RCF facility	-	51,000	-	51,000
ECA facility	-	23,469	-	23,469
EIB facility	**90,000**	90,000	**90,000**	90,000
Transaction costs	**(708)**	(2,435)	**(708)**	(2,435)
	89,292	162,034	**89,292**	162,034

Bank Loans are repayable as follows:

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Within one year	-	3,353	-	3,353
Between two and five years	-	13,412	-	13,412
After 5 years	**89,292**	145,269	**89,292**	145,269
	89,292	162,034	**89,292**	162,034

Notes to the Financial Statements

Group Facilities

The Group has a total of €185m of facilities available to it at year end comprising:	Available Facility €'m	Drawn Down as at 31 December 2018 €'m
• a syndicated revolving credit facility ('RCF') (i)	90.0	-
• a bank overdraft facility	5.0	-
• a European Investment Bank facility (ii)	90.0	90.0

(i) The RCF was negotiated in 2016 with an initial term of five years and the Group having the right to extend this by up to two additional years. In 2017 and 2018, on the first and second anniversaries of the agreement, the Group extended the facility by an additional year. Drawings incur interest at a margin of between 1% and 2.5%, depending on the performance of the Group in the previous reporting period. The margin is in addition to the floating Euribor charge, and a commitment fee is payable on any unutilised portion of the facility at a rate of 0.35% of the applicable margin.

(ii) In December 2016, the Group entered into a 10 year facility agreement for €90m with the European Investment Bank, which was drawn in 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 had undrawn facilities of €95m (2017: €74m) as at 31 December 2018.

Notes to the Financial Statements

23. Financial instruments

A. Financial assets and liabilities:

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Financial assets measured at fair value through profit or loss:				
Forward foreign currency contracts	**949**	1,806	**371**	285
Financial assets that are debt instruments measured at amortised costs:				
Trade debtors (note 20)	**43,720**	45,870	**22,108**	24,033
Amounts owed by subsidiary undertakings (note 20)	**-**	-	**69,852**	69,118
Amounts owed by joint venture/associate undertakings (note 20)	**1,297**	22,598	**14,737**	40,518
Other debtors (note 20)	**21,095**	19,174	**21,095**	19,173
Grants receivable (note 20)	**452**	508	**452**	508
	66,564	88,150	**128,244**	153,350
Financial liabilities measured at fair value through profit or loss:				
Forward foreign currency contracts	**(139)**	(241)	**-**	-
Financial liabilities that are debt instruments measured at amortised costs:				
Trade creditors (note 21)	**(11,337)**	(8,436)	**(6,680)**	(6,516)
Amounts owed to subsidiary undertakings (note 21)	**-**	-	**(69,481)**	(52,873)
Amounts owed to joint venture undertakings (note 21)	**(33)**	(33)	**(33)**	(33)
Loans (note 22)	**(89,292)**	(162,034)	**(89,292)**	(162,034)
	(100,662)	(170,503)	**(165,486)**	(221,456)

Notes to the Financial Statements

B. Derivative financial instruments:

Group

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

Forward foreign currency contracts

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

At 31 December 2018, all of the outstanding vanilla forward contracts will mature within 12 months (2017: 12 months) of the financial year end, with €71.5m to mature in 2019. The Group is contracted to sell Stg £62.4 million (2017: Stg £79.0 million) and receive a fixed euro amount in return. The Group is contracted to buy USD $2.0 million (2017: USD $2.7 million) and pay a fixed euro amount in return.

As at 31 December 2018 the Group had average rate forward contracts outstanding for a notional amount of £21.0 million (2017: £14.0 million), where the Group will pay the difference of the average exchange rate based on known observations and the strike price.

The forward foreign currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for Euro /Stg£ and Euro/US$. At 31 December 2018, the forward foreign currency contracts have a positive fair value of €810,000 (2017: €1,565,000 positive). During 2018, a hedging gain of €807,000 (2017: €1,345,000) was recognised in the statement of other comprehensive income for changes in the fair value of the forward foreign currency contracts and €1,345,000 (2017: loss of €299,000) was reclassified from the hedge reserve to the profit and loss account.

Interest rate swaps

At 31 December 2018 and 2017, the Group had no interest rate swaps outstanding.

Company

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

Forward foreign currency contracts

At 31 December 2018, all of the outstanding contracts will mature within 12 months of the financial year end. The Company has entered into average rate forwards for a notional amount of £21.0 million (2017: £14.0 million), where the Company will pay the difference of the average exchange rate based on known observations and the strike price. At 31 December 2018, the forward foreign currency contracts have a positive fair value of €0.3 million (2017: €0.3 million).

Interest rate swaps

The Company's interest rate exposure is managed via the €90.0 million European Investment Bank facility, which was drawn in early 2017 at a fixed rate of 0.743% for a period of six years.

Notes to the Financial Statements

24. Provisions for liabilities

A. Group

	Provision for replanting clear felled forest plantations	Joint venture undertakings	Associate undertakings	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2018	**44,193**	**2,592**	**-**	**2,778**	**8,728**	**58,291**
Additions	**-**	**-**	**-**	**308**	**1,723**	**2,031**
Reclassification to investments (note 18)	**-**	**(2,592)**	**-**	**-**	**-**	**(2,592)**
Reclassification to associate undertakings	**-**	**-**	**330**	**-**	**-**	**330**
Amounts charged against the provision	**(1,744)**	**-**	**-**	**(100)**	**(751)**	**(2,595)**
Unused amounts reversed	**-**	**-**	**-**	**(92)**	**-**	**(92)**
Unwind of discount	**-**	**-**	**-**	**21**	**-**	**21**
At 31 December 2018	**42,449**	**-**	**330**	**2,915**	**9,700**	**55,394**

	Provision for replanting clear felled forest plantations	Joint venture undertakings	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2017	44,232	5,033	3,084	8,599	60,948
Additions	-	-	221	-	221
Share of joint venture results	-	(7,424)	-	-	(7,424)
Reclassification to investments	-	4,983	-	-	4,983
Amounts charged against the provision	(39)	-	(386)	129	(296)
Unused amounts reversed	-	-	(162)	-	(162)
Unwind of discount	-	-	21	-	21
At 31 December 2017	44,193	2,592	2,778	8,728	58,291

B. Company

	Provision for replanting clear felled forest plantations	Legal and other provisions	Deferred tax	Total
	€'000	€'000	€'000	€'000
At 1 January 2018	**44,193**	**1,081**	**6,625**	**51,899**
Additions	**-**	**89**	**1,723**	**1,812**
Amounts charged against the provision	**(1,744)**	**(106)**	**-**	**(1,850)**
At 31 December 2018	**42,449**	**1,064**	**8,348**	**51,861**
At 1 January 2017	44,232	1,394	6,625	52,251
Amounts charged against the provision	(39)	(313)	-	(352)
At 31 December 2017	44,193	1,081	6,625	51,899

Notes to the Financial Statements

Replanting provision

Section 49(3) of the Forestry Act 1946 and Section 17(4) of the Forestry Act 2014 provide 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	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Included in debtors (note 20)	**1,759**	3,237	**1,603**	3,131
Included in provisions for liabilities (note24)	**(9,700)**	(8,728)	**(8,348)**	(6,625)
	(7,941)	(5,491)	**(6,745)**	(3,494)

The net deferred tax liability comprises:

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Accelerated capital allowances	**(1,435)**	(2,006)	**-**	-
Defined benefit pension	**1,754**	3,228	**1,603**	3,131
Derivative financial instruments	**88**	(88)	**-**	-
Revaluation of investment properties	**(8,348)**	(6,625)	**(8,348)**	(6,625)
	(7,941)	(5,491)	**(6,745)**	(3,494)

No asset has been recognised for potential deferred tax assets of €2,669,000 (2017: €3,169,000) arising on the losses carried forward in one of the Group's subsidiary undertakings. In view of the current trading environment it was not considered prudent to recognise the asset at this stage.

Notes to the Financial Statements

25. Deferred government grants

A. Group	Forestation €'000	Forest roads €'000	Other €'000	Total €'000
At 1 January 2018	**102,819**	**23,769**	**201**	**126,789**
Movement during the year	**(26)**	**501**	**-**	**475**
	102,793	**24,270**	**201**	**127,264**
Amortised during the year	**(483)**	**(1,051)**	**(70)**	**(1,604)**
At 31 December 2018	**102,310**	**23,219**	**131**	**125,660**
At 1 January 2017	103,213	24,442	454	128,109
Additions during the year	22	382	-	404
	103,235	24,824	454	128,513
Amortised during the year	(416)	(1,055)	(253)	(1,724)
At 31 December 2017	102,819	23,769	201	126,789

B. Company	Forestation €'000	Forest roads €'000	Other €'000	Total €'000
At 1 January 2018	**102,819**	**23,769**	**136**	**126,724**
Movement during the year	**(26)**	**501**	**-**	**475**
	102,793	**24,270**	**136**	**127,199**
Amortised during the year	**(483)**	**(1,050)**	**(6)**	**(1,539)**
At 31 December 2018	**102,310**	**23,220**	**130**	**125,660**
At 1 January 2017	103,213	24,442	144	127,799
Additions during the year	22	382	-	404
	103,235	24,824	144	128,203
Amortised during the year	(416)	(1,055)	(8)	(1,479)
At 31 December 2017	102,819	23,769	136	126,724

Forestry government grants

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

Notes to the Financial Statements

26. Called up share capital

	2018 €'000	2017 €'000
Ordinary shares of €1.26 each		
Authorised	**1,260,000**	1,260,000
Allocated, issued and fully paid – presented as equity	**795,060**	795,060

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

27. Other reserves

Undenominated capital

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

Cash-flow hedge reserve

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

Retained earnings

Retained earnings of the Group and Company include €16.9 million of unrealised gains representing a gain on the revaluation of investment properties of €25.2 million and a related deferred tax provision of €8.3 million. Up until such time as these are realised, these unrealised gains cannot be distributed to the shareholders by the Company.

28. Future capital expenditure not provided for

	2018 €'000	2017 €'000
Contracted for	**4,864**	4,757
Authorised by the Directors but not contracted for	**78,779**	52,818
At 31 December	**83,643**	57,575
Share of capital commitments of joint ventures	**-**	2,500

Notes to the Financial Statements

29. Leases

Operating lease agreements where the Group is lessee

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

	Group		Company	
	2018 €'000	2017 €'000	**2018 €'000**	2017 €'000
Payments due:				
Within one financial year	**1,856**	2,278	**1,576**	2,002
Between two and five financial years	**5,298**	6,846	**4,542**	5,973
Over five financial years	**9,359**	16,185	**9,291**	15,934
	16,513	25,309	**15,409**	23,909

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 2018 the company was committed to making an annual payment of €112,000 (2017: €112,000) in respect of these lease obligations. On cessation of the lease and vacating the site, the company is required to remove all plant, equipment, rolling stock and inventory and to give the lessor clear and vacant possession of the premises, foundations and fixtures. A provision has been made for this decommissioning liability. This provision is contained within other provisions (see note 24).

Notes to the Financial Statements

Operating lease agreements where the Group is lessor

The Group holds land rented to wind-farm operators as investment properties as disclosed in note 16. The Group's significant lease arrangements have remaining terms c.23 financial years. In addition to a minimum rent, the Group may receive a contingent rent based on the performance of the individual windfarms. 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 & Company	
	2018	2017
	€'000	€'000
Receipts due:		
Within one financial year	**2,566**	1,761
Between two and five financial years	**11,159**	7,208
Over five financial years	**51,643**	35,047
	65,368	44,016

30. Contingencies and commitments

Group and Company

A. The Irish Forestry Unit Trust

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

B. Immature Forest Asset

Trustees of the superannuation pension scheme have security over €20 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.

Notes to the Financial Statements

31. Notes to Group Statement of Cash Flows

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

	Notes	2018 €'000	2017 €'000
Profit for the financial year		**156,403**	42,795
Adjustments for:			
Amortisation of intangible assets	15	**1,768**	826
Depreciation of tangible assets	16	**19,945**	19,916
Profit on disposals of tangible assets		**(9,177)**	(8,114)
Profit on the sale of investments in JV		**(92,912)**	-
Gain on revaluation of investment properties	16	**(5,221)**	-
Other exceptional items	9	**6,806**	-
Depletion of biological assets	17	**13,019**	15,760
Reversal of impairment of biological assets	17	**-**	(720)
Amortisation of grants	25	**(1,604)**	(1,724)
Share of joint venture profits		**(4,034)**	(3,093)
Share of associate losses		**362**	328
Interest payable	11	**2,458**	2,878
Other finance costs	11	**1,501**	1,919
Taxation	13	**6,164**	3,473
Movement in provisions for liabilities[1]		**137**	(306)
Difference between pension charge and cash contributions		**(6,433)**	(4,966)
Working capital movements:			
(Increase)/decrease in stock		**(732)**	313
(Increase)/decrease in debtors[2]		**(1,081)**	13,623
Decrease in creditors[3]		**(1,665)**	(9,477)
Net cash inflow from operating activities before taxation paid		**85,704**	73,431

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

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

[3] *Excluding overdrafts and loans, corporation tax, capital creditors, leases, the change in fair value of derivative financial instruments (liabilities) recognised in the statement of other comprehensive income.*

Notes to the Financial Statements

B. Interest paid

	2018 €'000	2017 €'000
Interest payable (note 11)	**2,458**	2,878
Movement on interest accruals	**216**	(479)
	2,674	2,399

C. Analysis of movement in net debt

	Balance 1 Jan €'000	Cash Flows €'000	Balance 31 Dec €'000
Cash at bank	8,432	66,785	75,217
Loans	(162,034)	72,742	(89,292)
	(153,602)	**139,527**	**(14,075)**

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

	2018 €'000	2017 €'000
Increase in cash in the financial year	**66,785**	6,566
Cash outflow on finance leases	**-**	2
Cash outflow on bank loans	**72,742**	7,824
	139,527	14,392
Net debt at the beginning of the financial year	**(153,602)**	(167,994)
Net debt at the end of the financial year	**(14,075)**	(153,602)

Notes to the Financial Statements

32. Note to Company Statement of Cash Flows

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

	Notes	2018 €'000	2017 €'000
Profit for the financial year		**134,797**	34,739
Adjustments for:			
Amortisation of intangible assets	15	**1,719**	804
Depreciation of tangible assets	16	**9,027**	8,956
Profit on disposals of tangible assets		**(9,105)**	(8,181)
Profit on sale of JV investments		**(95,507)**	-
Gain on revaluation of investment properties	16	**(5,221)**	-
Other exceptional items		**6,806**	-
Depletion of biological assets	17	**13,019**	15,760
Reversal of impairment of biological assets	17	**-**	(720)
Amortisation of grants	25	**(1,539)**	(1,479)
Interest payable		**2,452**	2,866
Other finance costs		**1,479**	1,837
Taxation		**4,370**	2,301
Movement in provisions for liabilities[1]		**(17)**	(313)
Difference between pension charge and cash contributions		**(5,299)**	(4,191)
Working capital movements:			
Decrease in stock		**635**	403
(Increase)/decrease in debtors[2]		**(780)**	12,221
Decrease in creditors[3]		**(3,115)**	(8,777)
Net cash inflow from operating activities before taxation paid		**53,721**	56,226

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

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

[3] *Excluding overdrafts and loans, corporation tax, capital creditors, leases, the change in fair value of derivative financial instruments (liabilities) recognised in the statement of other comprehensive income.*

Notes to the Financial Statements

33. Related Party Transactions

Group

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

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

B. Transactions with related entities
During 2018, the Group invoiced Cloosh Valley Wind Farm DAC €1.3 million (2017: €0.3 million) for the sale of goods and supply of services. There was no balance payable as at 31 December 2018 (2017: €nil) in relation to these sales.

C. Key management compensation
The total key management compensation is disclosed in note 8.

Company

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

34. Post Balance Sheet Events

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

35. Approval of Financial Statements

The Directors approved the financial statements on 28 March 2019.

Left: Spring at Ballyhoura Trail Centre.
Photo by Rosaleen Ni Shuilleabhain, Coillte.

Below: Oak Tree seedling emerging
from Acorn - Clone Nurseries.
Photo by Jodie Uhlemann, Coillte.

Above: Corrin Hill, Fermoy, Co. Cork.
Photo by Piotr Jonca, Coillte.

Left: Carrownabanny, Co. Sligo.
Photo by Leo Boyle, Coillte.

CORPORATE INFORMATION

Registered Office

Dublin Road,
Newtownmountkennedy,
Co. Wicklow.

General Counsel and Company Secretary

Grainne McLaughlin

Auditors

KPMG
Chartered Accountants & Registered Auditors

Bankers

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

Insurance Brokers

Marsh Ireland

Solicitors

Arthur Cox
Byrne Wallace
BLM
Eversheds Sutherland
McCann Fitzgerald
McDowell Purcell
Mason Hayes & Curran
Matheson

Coillte Head Office

Dublin Road,
Newtownmountkennedy,
Co. Wicklow.

Tel: 1890 367 378
Fax: +353 1 2011199

Smartply Europe DAC

Belview,
Slieverue,
Waterford.

Tel: +353 51 851233
Fax: +353 51851130

Medite Europe DAC

Redmondstown,
Clonmel,
Co. Tipperary.

Tel: +353 52 6182300
Fax: +353 52 6121815

CPP (UK) Ltd

Persimmon House,
Anchor Boulevard,
Crossways Business Park
Dartford,
Kent DA2 6QH,
England.

Tel: +44 1322 424900
Fax: +44 1322 424920

“

THE PROGRESS WE HAVE MADE IN SUCH A SHORT PERIOD OF TIME HAS PUT THE BUSINESS ON A REALLY SOLID FOOTING FOR ACHIEVING OUR FUTURE AMBITIONS.

”

Fergal Leamy, Chief Executive

For more information about Coillte,
please contact us at:
Coillte,
Dublin Road,
Newtownmountkennedy,
Co. Wicklow,
A63 DN25.

Tel: 353 1 201 1111
Email: info@coillte.ie
www.coillte.ie

FSC
www.fsc.org
FSC® C005714
The mark of responsible forestry

COILLTE
GROW·TRANSFORM·SUSTAIN