Financial Review

Results

Group turnover increased by €104.3m (48.8%) during the year to €318.1m, principally due to the inclusion of full year figures for Medite Europe Limited and a strong performance generally in the panel products and forestry divisions. Export sales accounted for 53.9% of total sales. Strong log and wood panel prices increased profit after tax by 79% from €22.5m in 2006 to €40.1m.

EBITDA for the group increased from €51.5m in 2006 to €76.5m in 2007, an increase of 48.5%.

Interest and financing charges for the year were €7.5 million an increase of €2.5 million on 2006 mainly due to the additional borrowings associated with the acquisition of Medite Europe Limited which was completed in November 2006. The underlying EBIT interest cover for the year was 7.6 times.

The group tax charge for 2007 is €6.3m (2006:€4.8m), an effective tax rate of 12.9%.

Capital Expenditure

The significant capital investment programme continued during 2007 with capital expenditure of €58.4m. A significant proportion of the expenditure is incurred in enhancing and maintaining the forest estate and expanding the road network within the forest however, the expenditure also included a number of capital projects in Medite and Smart*Ply*.

Net Debt and Gearing

Net debt at €149.7m is down €13.6m on 2006. Gross debt decreased by €18.5m and cash balances decreased by €4.9 million. Gearing was 12.4% at year end and 56% of the debt portfolio was at fixed interest rates. The ratio of net debt to EBITDA was 1.96 times and within the limit of 3.1 times provided in our banking covenants.

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 2005 – Coillte and 27 November 2006 – Medite) indicated that the market value of the scheme's assets was €159.7m, which was €10.2m less than the scheme's liabilities. Coillte has reviewed the funding arrangements for these schemes with its advisers and has increased its contribution rate to address the deficit and support the benefits accruing to members on an ongoing basis.

Key Financial Performance Indicators

	2007	2006
Revenue (€'m)	**318.1**	213.8
EBITDA (€'m)	**76.5**	51.5
EBIT (€'m)	**53.9**	32.3
Interest cover, excluding associates		
- EBITDA basis (times)	**10.8**	12.44
- EBIT basis (times)	**7.6**	7.8
Net Debt (€'m)	**149.7**	163.3
Net debt as a percentage of total equity (%)	**12.4**	14.2
Net debt as a percentage of fixed assets (%)	**10.7**	12.0
Net debt/EBITDA	**1.96**	3.17
Effective tax rate (%)	**12.9**	17.5

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

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

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

The group has also adopted the full requirements of Financial Reporting Standard 17 (FRS 17) retirement benefits' disclosure. The assumptions used in calculating the FRS 17 deficit are more conservative and give rise to a significantly higher deficit than the one emerging from the actuarial pension funding valuation. The deficit on the fund, based on FRS 17 and calculated using the projected unit method, is €66.3m (2006: €71.1million) and is fully reflected in the group accounts.

Financial Risk Management

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

In order to ensure stability of cash out flows and hence manage interest rate risk, the Group has a policy of maintaining at least 50% (2006: 50%) of its debt at a fixed rate. Further to this the Group seeks to minimise the risk of uncertain funding in its operations by borrowing within a spread of maturity periods. Financial instruments are used to manage interest rate and financial risk. The Group does not engage in speculative activity and treasury operating policy is risk averse.

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.

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. The Group has an investment in IForUT, a non listed unit trust. The Directors are satisfied with the marketability of this investment. The unit holdings in IForUT are also subject to an independent annual valuation.

Foreign exchange risk

The Group is exposed to foreign exchange risks in the normal course of business, principally on the sale of sterling and US dollars. The Group's policy on mitigating the effect of this currency exposure is to hedge sterling and US dollars for the next three months by entering into forward foreign exchange contracts based on expected sales in these markets.

Credit risk

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

Liquidity risk

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

Interest rate and cash flow risk

The Group has both interest bearing assets and interest bearing liabilities. Cash balances are the only interest bearing asset which earn interest at a fixed rate. The Group has a policy of maintaining at least 50% of debt at fixed rate to ensure the certainty of future interest cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Ivan Schuster
Chief Financial Officer

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2007.

The Company

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

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

Principal activities and review of the business

The principal activities of the Group are forestry and forestry related activities, engineered wood products and land development. The review of the business required by Section 13 (as amended) of the Companies (Amendment) Act, 1986 is included in the information given on pages 10 to 19.

Results

Details of the results of the Group are set out in the profit and loss account on page 30 and the related notes. The Directors do not propose the payment of a dividend for the year.

Directors

The Directors of the Company were appointed by the Minister for Agriculture, Fisheries and Food. The Directors in office during the year ended 31 December 2007 were as follows:

Brendan McKenna (Chairman)	Eugene Griffin
David Gunning (Chief Executive)	Sinead Leech
Breffni Byrne	Philip Lynch
Grainne Hannon	Frank Toal
Richard Howlin	Yvonne Scannell

Brendan McKenna retired from the board on 25 June 2007 and was reappointed to the Board on 8 October 2007. Breffni Byrne retired from the board on 8 August 2007 and was reappointed to the Board on 27 November 2007. Sinead Leech retired from the Board on the 25 June 2007 and was replaced by Yvonne Scannell on 27 November 2007.

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

Statement of Directors' Responsibilities

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

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

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

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

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Acts 1963 to 2006 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of Coillte Teoranta's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

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

Board of Directors

During the year the Board consisted of the Chief Executive, a non-executive Chairman and seven non-executive Directors. The Chairman and non-executive board members are independent of the Chief Executive and senior management. All the Directors are appointed to the Board by the Minister for Agriculture, Fisheries and Food for a period not to exceed 5 years and their terms of office are set out in writing. The level of remuneration for the Board of Directors is also determined by the Minister and remuneration of non-executive Directors is not linked to performance.

The Board meets formally on a monthly basis. It has a schedule of matters specifically reserved to it for decision and is satisfied that the direction and control of the Group is firmly in its hands. The Group's annual budget and rolling five year plan are reviewed and approved by the Board. The Board receives monthly management accounts promptly with detailed comparison of actual to budget. The presentation of management accounts is supported by detailed presentations by senior management to the Board on a regular basis. All significant contracts, major investments and capital expenditure are also subject to review by the Board. Each non-executive Director brings an independent judgement to bear on all matters dealt with by the Board including those relating to strategy, performance, resources and standards of conduct.

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

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

Audit Committee

Members: Breffni Byrne (Chairman), Grainne Hannon and Frank Toal

The Audit Committee is composed of non-executive Directors, including two qualified accountants and operates under formal terms of reference. Breffni Byrne retired from the committee on 8 August 2007 and was reappointed to the Audit Committee on 27 November 2007. Sinead Leech retired from the committee on 25 June 2007 and was replaced by Frank Toal on 27 November 2007. The Committee may review any matters relating to the financial affairs of the Group, in particular, the annual financial statements, the financial controls, the internal audit function, reports of the external and internal auditors and proposed changes to accounting policies. The Chief Executive, Chief Financial Officer, the Chief Internal Auditor and other senior managers are normally invited to attend these meetings as appropriate. The Committee is responsible for the appointment and fees of the external auditors and meets with them to plan and subsequently review the results of the annual audit. The external auditors also meet privately with the Committee. The Chief Internal Auditor reports directly to the Committee and the Committee is responsible for approval of the internal audit plan. The Chief Internal Auditor also meets privately with the committee.

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

Remuneration Committee

Members: Brendan McKenna (Chairman), Breffni Byrne and Richard Howlin

The Committee operates under formal terms of reference and met twice during the year. It assists the Board in implementing the performance related pay system applicable to the Chief Executive and selects the specific performance criteria applicable to this aspect of the Chief Executive's remuneration. It advises the Board on executive remuneration generally in the Company and provides guidance and advice to the Chief Executive with regard to implementation of Board policy in this area. Breffni Byrne retired from the Committee on 8 August 2007 and was reappointed to the Remuneration Committee on 27 November 2007. Details of Director's fees are set out in note 3 to the financial statements. Coillte's policy in relation to remuneration of the Chief Executive is in accordance with "Arrangements for determining the remuneration of the Chief Executive of Commercial State Bodies under the aegis of the Department of Public Enterprise" issued in July 1999. An assistant secretary from the Department of Agriculture, Fisheries and Food attends the meetings of the remuneration committee.

Relations with Shareholders

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

Internal Control

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

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

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

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

- An audit committee that reviews the effectiveness of the Group's system of internal financial control on an annual basis.

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

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

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

Books of Account

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

Health and Safety

The Group has a general safety statement in accordance with the Safety, Health and Welfare at Work Act, 1989. A central safety committee and regional sub-committees monitor and improve safety standards throughout the Group on a continuous basis and ensure compliance with all relevant legislation. Safety guidelines have been issued on individual forest operations.

Research and Development

During the year, the Group continued its research and development programme in relation to its forestry and panel products activities.

Prompt Payments

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

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

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

Going Concern

The Directors, after making enquiries, believe that the Group has adequate resources to continue in operation for the foreseeable future and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Subsidiary and Associated Undertakings

A list of subsidiary and associated undertakings as at 31 December 2007 is set out in note 28.

Auditors

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

Brendan McKenna
Chairman

David Gunning
Chief Executive

Independent Auditor's Report

to the Members of Coillte Teoranta

We have audited the Group and Parent Company financial statements (the "financial statements") on pages 26 to 63 which comprise the Group profit and loss account, Group balance sheet, Company balance sheet, Group cashflow statement, statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 26 to 29.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 20.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006, and the European Communities (Companies: Group Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and the Company's affairs as at 31 December 2007 and of the Group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006 and the European Communities (Companies: Group Accounts) Regulations, 1992.

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

In our opinion the information given in the Directors' report on pages 20 to 23 is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet on page 32 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2007 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

27 March 2008

Accounting Policies

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

Authority

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

Basis of Preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets and have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2006, and the European Communities (Companies: Group Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Consolidation and Equity Accounting

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

Fair Value Accounting

The company acquired 100% of the share capital of Weyerhaeuser Europe Limited on 27 November 2006 and, in accordance with FRS 7 – fair values for acquisition accounting, has restated all of the assets acquired to fair value. The land and buildings were valued by an independent firm of property advisers however, there is no active market for the sale of plant and equipment used in the manufacture of medium density fibreboard. Therefore the valuation of plant and equipment was based on depreciated replacement cost having regard to the age, remaining useful life and the condition of the assets concerned.

A critical assumption behind the calculation was the estimate of the remaining useful lives of the asset which was based on the judgement of local management. The depreciated replacement cost does not exceed the recoverable amount of the assets.

Turnover

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

Revenue from the sale of standing timber is recognised when the timber is released to the customer for harvest. Revenue from the sale of harvested timber is recognised when delivered to the mill gate. Revenue from the sale of panel products is recognised when the goods are delivered. Revenue from the sale of fixed assets is recognised when an unconditional contract has been signed. Revenue is recognised on the sale of units in the Irish Forestry Unit Trust or by marking units that are readily realisable to market.

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

All other revenue is recognised when the goods or services are delivered.

Tangible Assets

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

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

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable.

Forest Capitalisation Policy

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

Depletion

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

Leased Assets

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

Financial Assets

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

Intangible Assets

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

Stocks

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

Financial Instruments

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

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

Foreign Currencies

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

Pensions

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

(b) Pension entitlements of employees of Smart*Ply* Europe Limited are funded through a separately administered defined contribution superannuation scheme. Pension entitlements of employees in Coillte Teoranta and Medite Europe Limited who are not members of the defined benefit superannuation scheme are funded through separately administered defined contribution superannuation schemes.

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

Grants

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

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

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

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

Deferred Taxation

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

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

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

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

Research Expenditure

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

Legal Claims and Provisions

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

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

Group Profit and Loss Account

Year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Group turnover	1	**318,128**	213,789
Operating costs		**(253,930)**	(181,514)
Operating profit before exceptional items		**64,198**	32,275
Exceptional items	5	**(10,272)**	-
Operating profit		**53,926**	32,275
Share of associated undertaking losses	31	**(38)**	(4)
Profit before finance charge and taxation		**53,888**	32,271
Net finance charge	6	**(7,481)**	(5,014)
Profit before taxation	2	**46,407**	27,257
Taxation	7	**(6,279)**	(4,793)
Retained profit for the year		**40,128**	22,464

Note: *Movements on reserves are set out in note 21.*

Brendan McKenna
Chairman

David Gunning
Chief Executive

Group Balance Sheet

At 31 December 2007

	Notes	**2007 €'000**	2006 €'000
Fixed assets			
Tangible assets	8	**1,387,118**	1,354,494
Investment in associated undertakings	9,31	**93**	131
Other financial assets	9	**7,109**	6,659
Intangible assets	10	**1,894**	2,206
		1,396,214	1,363,490
Current assets			
Stocks	11	**25,082**	21,973
Debtors	12	**66,761**	68,852
Cash		**10,580**	15,504
		102,423	106,329
Creditors: Amounts falling due within one year			
Trade creditors and accruals	13	**59,982**	58,608
Loans and other debt	15	**5,208**	6,626
		65,190	65,234
Net current assets		**37,233**	41,095
Total assets less current liabilities		**1,433,447**	1,404,585
Creditors: Amounts falling due after one year	16	**157,409**	175,338
Pension fund liability	18	**66,346**	71,092
Provisions for liabilities and charges	19	**5,812**	5,469
		229,567	251,899
Capital and reserves			
Called up share capital	20	**795,060**	795,060
Capital conversion reserve fund	20	**6,145**	6,145
Profit and loss account	21	**257,090**	210,913
Grant reserve	21	**145,585**	140,568
Shareholders' funds		**1,203,880**	1,152,686
		1,433,447	1,404,585

Brendan McKenna
Chairman

David Gunning
Chief Executive

Company Balance Sheet

At 31 December 2007

	Notes	**2007 €'000**	2006 €'000
Fixed assets			
Tangible assets	8	**1,309,627**	1,274,686
Financial assets	9	**65,185**	93,924
		1,374,812	1,368,610
Current assets			
Stocks	11	**5,977**	5,006
Debtors	12	**38,998**	38,597
Cash		**4,849**	3,982
		49,824	47,585
Creditors: Amounts falling due within one year			
Trade creditors and accruals	13	**39,930**	37,655
Loans and other debt	15	**5,025**	5,000
		44,955	42,655
Net current assets		**4,869**	4,930
Total assets less current liabilities		**1,379,681**	1,373,540
Creditors: Amounts falling due after one year	16	**155,384**	170,819
Pension fund liability	18	**64,317**	67,669
Provisions for liabilities and charges	19	**2,645**	2,620
		222,346	241,108
Capital and reserves			
Called up share capital	20	**795,060**	795,060
Capital conversion reserve fund	20	**6,145**	6,145
Profit and loss account	21	**210,545**	190,659
Grant reserve	21	**145,585**	140,568
Shareholders' funds		**1,157,335**	1,132,432
		1,379,681	1,373,540

Brendan McKenna
Chairman

David Gunning
Chief Executive

Group Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Net cash inflow from operating activities	25(a)	**63,696**	23,515
Return on investment and servicing of finance			
Interest paid	25(b)	**(5,883)**	(4,193)
Finance lease interest paid	2	**(17)**	(16)
		(5,900)	(4,209)
Taxation paid		**(8,755)**	(4,470)
Capital expenditure			
Additions to tangible fixed assets	25(c)	**(58,298)**	(48,766)
Sale of tangible fixed assets	25(d)	**19,537**	27,843
Capital grants received	25(e)	**5,687**	6,638
		(33,074)	(14,285)
Acquisitions and disposals			
Investment in associated undertaking		**-**	(8)
Investment in subsidiary undertakings	25(i)	**-**	(65,970)
Disposal of subsidiary undertaking	25(j)	**(2,410)**	-
		(2,410)	(65,978)
Net cash inflow/(outflow) before financing		**13,557**	(65,427)
Financing			
Repayment of finance leases	25(e)	**(211)**	(214)
(Decrease)/Increase in bank loans	25(h)	**(17,912)**	71,094
(Decrease)/Increase in net cash		**(4,566)**	5,453

Brendan McKenna
Chairman

David Gunning
Chief Executive

Statement of Total Recognised Gains and Losses

Year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Profit for the year		**40,128**	22,464
Grants receivable less amounts amortised	22	**5,017**	5,602
Actuarial gain	18(b)	**6,482**	23,314
Deferred tax related to actuarial movement	19	**(433)**	(727)
Total recognised gains for the year		**51,194**	50,653

1. Segmental Reporting

Turnover

Analysis by class of business and by geography

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

	Forest		Enterprise		Panel		Group	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000	**2007 €'000**	2006 €'000	**2007 €'000**	2006 €'000
Segment Revenue								
Republic of Ireland	**111,795**	99,181	**39,635**	52,250	**31,121**	20,653	**182,551**	172,084
United Kingdom	**10,842**	8,427	**1,007**	2,640	**108,079**	35,883	**119,928**	46,950
Rest of the World	**2**	1	**696**	1,278	**50,740**	22,699	**51,438**	23,978
	122,639	107,609	**41,338**	56,168	**189,940**	79,235	**353,917**	243,012
Inter-segment sales	**(26,273)**	(20,228)	**(9,516)**	(8,995)	**-**	-	**(35,789)**	(29,223)
Sales to third parties	**96,366**	87,381	**31,822**	47,173	**189,940**	79,235	**318,128**	213,789

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

2. Profit before taxation

		2007 €'000	2006 €'000
Profit before taxation has been arrived at after charging/(crediting):			
Auditors' remuneration:	- audit services	**218**	223
	- audit-related services	**126**	134
	- non-audit related services	**49**	91
Depreciation		**11,794**	6,627
Interest payable on borrowings wholly repayable within 5 years		**7,230**	4,229
Finance lease charges		**17**	16
Operating lease charges – plant and machinery		**626**	562
Research expenditure		**1,124**	1,150
Amortisation of grants (note 22)		**(1,133)**	(493)
Amortisation of goodwill (note 10)		**312**	204

	2007 €'000	2006 €'000
Auditors' remuneration for audit-related services comprised:		
Taxation advice and compliance	**73**	71
Pension audit	**20**	18
Attendance at timber auctions	**33**	45
	126	134

	2007 €'000	2006 €'000
Auditors' remuneration for non-audit related services comprised:		
IT and business review services	**26**	80
HR services	**8**	11
Other	**15**	-
	49	91

A further €nil (2006: €165,000) for non-audit related services was capitalised as part of the acquisition costs of Medite Europe Limited.

3. Emoluments of Directors and Chief Executive

	Fees €'000	Salary €'000	Bonus €'000	Pension Contribution €'000	Taxable Benefits €'000	Other Emoluments €'000	2007 Total €'000	2006 Total €'000
Parent Company								
David Gunning*	14	254	48	63	30	-	409	253
Martin Lowery	-	-	-	-	-	-	-	258
Eugene Griffin	14	75	-	18	-	-	107	100
Brendan McKenna	24	-	-	-	-	-	24	24
Breffni Byrne	8	-	-	-	-	-	8	14
Richard Howlin	14	-	-	-	-	-	14	14
Sinead Leech	8	-	-	-	-	-	8	14
Frank Toal	14	-	-	-	-	-	14	50
Philip Lynch	14	-	-	-	-	-	14	14
Grainne Hannon	22	-	-	-	-	-	22	14
Yvonne Scannell	-	-	-	-	-	-	-	-
	132	329	48	81	30	-	620	755

** The 2006 emoluments for David Gunning relate to his salary from 20 March 2006 and did not include a bonus which was paid in 2007.*

4. Employees and remuneration

The average number of persons employed by the Group (excluding associated undertakings) during the year was 1,269 (2006: 1,214) which comprise 606 (2006: 570) industrial workers and 663 (2006: 644) non-industrial employees.

	2007 €'000	2006 €'000
The staff costs comprise:		
Wages and salaries	**62,988**	55,459
Social welfare costs	**4,844**	3,904
Pension costs	**8,188**	8,050
	76,020	67,413
Own work capitalised	**(14,546)**	(15,430)
Charge to profit and loss account	**61,474**	51,983

5. Exceptional items

Exceptional items included in operating costs comprised:

	2007 €'000	2006 €'000
Voluntary parting/early retirement programme	**10,272**	-

During 2007, a voluntary redundancy/early retirement programme was introduced for non-industrial staff in Coillte and the board also approved an alternative options scheme for industrial employees. An amount of €10.27m was charged to the Group profit and loss account in 2007, €4.56m in respect of an actuarial accrual for the additional funds to be paid into the pension scheme as a result of the programme and a further €5.71m in respect of severance costs payable to employees.

6. Net finance charges

	2007 €'000	2006 €'000
Finance charges:		
Interest on bank overdraft and loans	**7,230**	4,229
Pension fund deficit – financing cost	**397**	875
	7,627	5,104
Finance income:		
Interest receivable	**(146)**	(90)
	7,481	5,014

7. Taxation

	2007 €'000	2006 €'000
Current tax:		
Corporation tax at 12.5% (2006: 12.5%)	**3,753**	659
Less: Woodlands relief	**(789)**	(578)
	2,964	81
Foreign tax - Netherlands	**3**	8
- United Kingdom	**22**	-
Taxation on disposal of fixed assets at 20%	**2,998**	4,620
Taxation on rental income at 25%	**-**	52
Total current tax	**5,987**	4,761
Deferred tax:		
Origination and reversal of pension timing differences	**14**	-
Origination and reversal of other timing differences	**278**	32
Total taxation on profit on ordinary activities	**6,279**	4,793

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:

	2007 €'000	2006 €'000
Profit on ordinary activities before tax	**46,407**	27,257
Profit on ordinary activities multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2006: 12.5%)	**5,801**	3,407
Effects of:		
Woodlands relief	**(789)**	(578)
Differences between capital allowances and depreciation	**891**	480
Adjustments in respect of prior years	**(1,198)**	(576)
Higher rates of tax on certain activities	**1,718**	2,049
Manufacturing relief	**(721)**	-
Expenses not deductible for tax purposes	**473**	64
Loss relief utilised	**(213)**	(93)
Foreign tax	**25**	8
Total current tax	**5,987**	4,761

No asset has been recognised for deferred tax of €3,572,000 (2006: €3,946,000) arising on the losses carried forward in one of the Group companies. In view of the volatile nature of the business it was not considered prudent to recognise the asset at this stage.

8. Tangible assets

		Forests & land €'000	Buildings €'000	Machinery & equipment €'000	Total €'000
(a) Group					
Cost					
At 1 January 2007	(i)	1,277,157	33,413	88,906	1,399,476
Additions	(ii)	49,268	1,257	7,885	58,410
Depletion	(iii)	(10,538)	-	-	(10,538)
Disposals		(305)	(3,352)	(2,693)	(6,350)
At 31 December 2007		1,315,582	31,318	94,098	1,440,998
Accumulated depreciation					
At 1 January 2007		8,925	6,526	29,531	44,982
Charge for year	(iv)	-	1,082	10,824	11,906
Disposals		-	(1,064)	(1,944)	(3,008)
At 31 December 2007		8,925	6,544	38,411	53,880
Net book amounts					
At 31 December 2007		1,306,657	24,774	55,687	1,387,118
At 31 December 2006		1,268,232	26,887	59,375	1,354,494
(b) Company					
Cost					
At 1 January 2007	(i)	1,264,877	16,494	26,484	1,307,855
Additions	(ii)	49,268	509	1,129	50,906
Depletion	(iii)	(10,538)	-	-	(10,538)
Disposals		(305)	(3,352)	(1,465)	(5,122)
At 31 December 2007		1,303,302	13,651	26,148	1,343,101
Accumulated depreciation					
At 1 January 2007		8,365	3,746	21,058	33,169
Charge for year	(iv)	-	270	2,392	2,662
Disposals		-	(1,064)	(1,293)	(2,357)
At 31 December 2007		8,365	2,952	22,157	33,474
Net book amounts					
At 31 December 2007		1,294,937	10,699	3,991	1,309,627
At 31 December 2006		1,256,512	12,748	5,426	1,274,686

8. Tangible Assets (continued)

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

(ii) Additions to forests and land comprised €0.9m (2006: €1.01m) for afforestation, €24.3m (2006: €24.94m) for reforestation, €18.62m (2006: €17.63m) for other capital work and €5.45m (2006: €1.32m) paid for land.

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

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

Buildings	20 to 50 years
Machinery and equipment	4 to 17 years

(v) Included in the net book amount of tangible assets is an amount for capitalised leased assets of €470,000 (2006: €638,000). The depreciation charge for capitalised leased assets for the year ended 31 December 2007 was €289,000 (2006: €147,000).

9. Financial Assets

	Associated Undertakings €'000	Other Investments €'000	Total €'000
(a) Group			
Unlisted shares			
At 1 January 2007	131	6,659	6,790
Revaluation of investments	-	450	450
Share of associate losses	(38)	-	(38)
At 31 December 2007	93	7,109	7,202

9. Financial Assets (continued)

	Subsidiary Undertaking €'000	Associated Undertaking €'000	Other Investments €'000	Total €'000
(b) Company				
Unlisted shares				
At 1 January 2007	78,886	144	6,659	85,689
Revaluation of investments	-	-	450	450
Movements	(30)	-	-	(30)
At 31 December 2007	78,856	144	7,109	86,109
Loans and advances				
At 1 January 2007	8,235	-	-	8,235
Movements	(29,159)	-	-	(29,159)
At 31 December 2007	(20,924)	-	-	(20,924)
Net investment				
At 31 December 2007	57,932	144	7,109	65,185
At 31 December 2006	87,121	144	6,659	93,924

Notes:

Other investments represent the cost of forests, which were transferred to the Irish Forestry Unit Trust in exchange for units in the fund. At 31 December 2007 the Group held 2,266,326 units, which were readily realisable and were marked to market.

10. Intangible assets

	2007 €'000	2006 €'000
At 1 January (note i)	**2,206**	1,234
Goodwill on acquisition (note ii)	**-**	1,176
Amortised during year (note i and ii)	**(312)**	(204)
At 31 December	**1,894**	2,206

(i) On 1 May 2002, the Group recognised goodwill on the acquisition of Smart*Ply* Europe Limited which is being amortised on a straight line basis over its estimated useful life. This has been estimated at 10 years after taking account of the nature of the business acquired and the industry in which it operates.

(ii) On 27 November 2006 the Group recognised goodwill of €1.2 million on the acquisition of 100% of the share capital in Medite Europe Limited (see note 29). The goodwill is being amortised on a straight line basis over its estimated useful life. This has been estimated at 10 years after taking account of the nature of the business acquired and the industry in which it operates.

11. Stocks

	Group		Company	
	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Raw material and consumables	**9,281**	6,512	**5,958**	4,996
Spare parts (net of provisions)	**3,247**	5,929	**-**	-
Goods for resale	**12,554**	9,532	**19**	10
	25,082	21,973	**5,977**	5,006

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.

12. Debtors

	Group		Company	
	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade debtors	**44,601**	44,816	**18,658**	18,243
Grants receivable	**2,112**	2,782	**2,112**	2,782
Associated undertakings	**16**	452	**16**	-
Corporation and capital gains tax	**476**	-	**468**	-
Other debtors and prepayments	**18,556**	20,802	**16,744**	17,572
	65,761	68,852	**37,998**	38,597
Amounts falling due after one year				
Deferred cash consideration (note 30)	**1,000**	-	**1,000**	-
	66,761	68,852	**38,998**	38,597

13. Trade creditors and accruals

	Group		Company	
	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade creditors	**14,644**	18,098	**10,169**	11,120
Taxation and social welfare (note 14)	**2,688**	6,304	**1,145**	3,785
Accruals and deferred income	**42,056**	33,345	**28,527**	22,653
	59,388	57,747	**39,841**	37,558
Capital grants deferred (note 22)	**594**	861	**89**	97
	59,982	58,608	**39,930**	37,655

14. Taxation and social welfare

	Group		Company	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000
Taxation and social welfare comprise:				
PAYE/PRSI	**1,274**	1,943	**724**	1,198
VAT	**908**	1,923	**52**	272
Corporation and capital gains tax	**138**	2,430	**-**	2,310
Other	**368**	8	**369**	5
	2,688	6,304	**1,145**	3,785

15. Loans and other debt

	Group		Company	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000
Wholly repayable within 1 year				
Overdraft	**25**	383	**25**	-
Loan	**5,000**	6,040	**5,000**	5,000
Finance lease	**183**	203	**-**	-
	5,208	6,626	**5,025**	5,000
Repayable between 1 and 2 years (note 16)				
Loans	**7,500**	5,954	**7,500**	5,000
Finance lease	**73**	190	**-**	-
	7,573	6,144	**7,500**	5,000
Repayable between 2 and 5 years (note 16)				
Loans	**147,500**	165,918	**147,500**	165,000
Finance lease	**10**	84	**-**	-
	147,510	166,002	**147,500**	165,000
Total loans and other debt	**160,291**	178,772	**160,025**	175,000

16. Creditors

	Group		Company	
	2007	2006	**2007**	2006
	€'000	€'000	**€'000**	€'000
Amounts falling due after one year:				
Loans	**155,000**	171,872	**155,000**	170,000
Finance lease	**83**	274	**-**	-
Capital grants deferred (note 22)	**2,326**	3,192	**384**	819
	157,409	175,338	**155,384**	170,819

17. Financial instruments

For the purposes of the disclosures, that follow in this note, short-term debtors and creditors which arise directly from the Group's operations have been excluded as permitted under FRS 13. The disclosures therefore, focus on those financial instruments, which play a significant medium term role in the financial risk profile of the Group. Financial assets are separately disclosed in note 9.

(a) Treasury management

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

(b) Interest rate risk management

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

	2007		2006	
	€'000	**%**	€'000	%
Fixed rate financial liabilities	**90,266**	**56**	90,477	51
Floating rate financial liabilities	**70,025**	**44**	88,295	49
(note 15)	**160,291**	**100**	178,772	100
Weighted average fixed debt interest rates		**3.76%**		3.48%
Weighted average fixed debt period – years		**2.7**		2.6

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

17. Financial instruments (continued)

(b) Interest rate risk management (continued)

The Group seeks to have between 50% and 80% of its core debt fixed at all times however, under certain circumstances, as approved by the Board, it may fix a percentage outside of this band. At the end of 2007 56% of the Group's debt was fixed (2006: 51%).

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

This strategy ensures that a 1% increase in interest rates would cost the Group €700,000 (2006: €883,000) in additional interest charges per annum.

(c) Liquidity risk

The maturity profiles of debt as at 31 December 2006 and 2007 are as follows:

	2007 €'000	%	2006 €'000	%
Repayable:				
In one year or less	**5,208**	**3**	6,626	4
Between one and two years	**7,573**	**5**	6,144	3
Between two and five years	**147,510**	**92**	166,002	93
Total	**160,291**	**100**	178,772	100

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

(d) Fair values

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

17. Financial instruments (continued)

(d) Fair values (continued)

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

	Book value		Fair value		Mark-to-market gain/(loss)	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000	**2007 €'000**	2006 €'000
Assets:						
Financial assets	**7,109**	6,659	**7,109**	6,659	**-**	-
Cash	**10,580**	15,504	**10,580**	15,504	**-**	-
Liabilities:						
Overdrafts	**25**	383	**25**	383	**-**	-
Floating rate debt	**70,000**	87,912	**70,000**	87,912	**-**	-
Finance leases	**266**	477	**266**	477	**-**	-
Fixed rate debt	**90,000**	90,000	**90,000**	90,000	**-**	-
Derivatives:						
Interest rate swaps	**-**	-	**1,254**	1,002	**1,254**	1,002
Foreign exchange contracts	**-**	-	**735**	2	**735**	2

(e) Currency contracts

Sterling

At 31 December 2007, the Group had entered into Euro/Stg£ foreign exchange contracts for the sale of the total principal amount of Stg £8.2 million at the rate of 0.72. There was a gain of €557,000 on sterling forward contracts marked to market at 31 December 2007.

At 31 December 2007, the Group had Euro/Stg£ foreign exchange options and collars for the sale of the total principal amount of Stg £2.0 million at the rate of 0.72. There was a gain of €178,000 on these instruments as at 31 December 2007.

17. Financial instruments (continued)

(f) Gains and losses on hedges

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

	Gains €'000	Losses €'000	2007 Total €'000	2006 Total €'000
At 1 January 2007	1,020	(16)	1,004	(287)
Matured in the current year	176	-	176	(54)
Arising in current year	793	16	809	1,345
At 31 December 2007	1,989	-	1,989	1,004

	€'000	€'000	€'000	€'000
Expected to mature:				
Within one year	1,319	-	1,319	179
After one year	670	-	670	825
	1,989	-	1,989	1,004

18. Pensions

(a) Defined benefit pension scheme

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

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 valuations were carried out on 27 November 2006 (Medite Europe Limited) and 31 December 2005 (Coillte Teoranta).

The assumptions which have the most significant effect on the results of the actuarial valuations are those relating to the rate of return on investments and the rates of increase in remuneration and pensions. It was assumed that the rate of return on investments would on average exceed annual remuneration by 2.75% (Coillte Teoranta) and 2% (Medite Europe Limited) and pension increases by 2.75% in Coillte Teoranta. No provision was made for future pension increases in Medite Europe Limited.

The market value of the assets in the Group's defined benefit schemes at the respective valuation dates was €145.13m (Coillte Teoranta – 31 December 2005) and €14.6m (Medite Europe Limited – 29 November 2006) and the deficiency in both schemes was €9.57m (Coillte Teoranta) and €0.659m (Medite Europe Limited).

18. Pensions (continued)

(a) Defined benefit pension scheme (continued)

The valuations indicated that the actuarial value of the total scheme assets was sufficient to cover 93% of the benefits that had accrued to the members of the combined scheme as at the valuation dates. Coillte Teoranta and Medite Europe Limited contribute to their respective scheme at a rate of 25% and 15.4% respectively. The actuarial reports of both schemes are available to scheme members, but not for public inspection.

(b) Financial Reporting Standard 17 (FRS 17) 'Retirement Benefits' disclosures

	2007	2006	2005	2004	2003
The main financial assumptions used were:					
Rate of increase in salaries	**4.00%**	3.75%	3.75%	4.00%	4.00%
Rate of increase in pension payments					
- Coillte Teoranta	**4.00%**	3.75%	3.75%	4.00%	4.00%
- Medite Europe Limited	**0.00%**	0.00%	n/a%	n/a%	n/a%
Discount rate	**5.50%**	4.65%	4.20%	4.80%	5.25%
Price inflation	**2.50%**	2.25%	2.25%	2.25%	2.00%

The main post retirement mortality assumptions are based on mortality tables. Coillte uses the following mortality tables:

- 100% PA92(c=2025) (2006: 100%PA92(c=2025)) for pensioners and;
- 90% PA92(c=2025) (2006: 90% PA92(c=2025) for active/deferred members).

Based on the mortality tables used the life expectancy for a male pensioner aged 65 years at 31 December 2007 was 20.2 years (2006: 20.2 years) and for a female pensioner aged 65 years was 23.2 years (2006:23.2 years). Based on the assumed mortality improvements the life expectancy for a future male pensioner aged 65 will have increased to 21 years (2006: 20.2 years) and for a future female pensioner aged 65 will have increased to 24 years (2006:23.2 years).

The following amounts were measured in accordance with the requirements of FRS 17 at 31 December 2003-2007 inclusive.

	2007	2006	2005	2004	2003
Expected rate of return:					
Equities	**7.50-8.00%**	7.50%	7.10%	7.80%	8.00%
Bonds	**4.30-4.40%**	3.95%	3.15%	3.80%	4.50%
Property	**5.75-5.90%**	5.40%	5.00%	4.80%	5.50%
Other	**3.00%**	2.00%	2.00%	2.00%	4.75%

	2007 €'000	2006 €'000	2005 €'000	2004 €'000	2003 €'000
Market Value:					
Equities	**117,429**	118,637	99,572	80,648	75,647
Bonds	**38,553**	38,381	24,936	21,381	15,742
Property	**10,075**	10,097	8,805	8,581	9,244
Other	**12,835**	9,998	11,821	3,719	2,190
Total market value of assets	**178,892**	177,113	145,134	114,329	102,823
Present value of scheme liabilities	**(245,238)**	(248,205)	(231,486)	(198,509)	(142,127)
(Deficit) in the scheme	**(66,346)**	(71,092)	(86,352)	(84,180)	(39,304)

18. Pensions (continued)

(b) Financial Reporting Standard 17 (FRS 17) 'Retirement Benefits' disclosures (continued)

For the purposes of disclosure under FRS 17 – 'Retirement Benefits' the assets and liabilities of the Coillte Teoranta and Medite Europe Limited defined benefit schemes have been combined in 2007. Under FRS 17 the respective deficits in the Coillte Teoranta and Medite Europe Limited schemes were €64.3m and €2.0m.

Based on the approach prescribed in FRS 17, the profit and loss account charge for the years ended 31 December 2006 and 2007 are as follows:

	2007 €'000	2006 €'000
Current service cost	**7,756**	7,635
Past service cost	**4,562**	-
Operating cost	**12,318**	7,635
Expected return on assets	**(11,306)**	(6,177)
Interest on liability	**11,703**	7,052
Finance charge	**397**	875
Total profit and loss account charge	**12,715**	8,510

Included in statement of total recognised gains and losses:

	2007 €'000	2006 €'000
Actual return less expected return on pension scheme assets	**(13,918)**	7,277
Experience gains and losses arising on the scheme liabilities	**(3,542)**	(5,151)
Changes in assumptions underlying the present value of scheme liabilities	**23,942**	21,188
Actuarial gain recognised in statement of total recognised gains and losses	**6,482**	23,314

The movement in the scheme deficit during the year is analysed as follows:

	2007 €'000	2006 €'000
Opening deficit at 1 January	**(71,092)**	(86,352)
Acquisitions	**-**	(4,998)
Profit and loss account charge	**(12,715)**	(8,856)
Contributions by the Group	**10,979**	5,800
Actuarial gain	**6,482**	23,314
Closing deficit at 31 December	**(66,346)**	(71,092)

18. Pensions (continued)

(b) Financial Reporting Standard 17 (FRS 17) 'Retirement Benefits' disclosures (continued)

	2007	2006	2005	2004	2003
History of experience gains/losses					
Difference between the expected and actual return on scheme assets:					
Amounts (€'000)	**(13,918)**	7,277	14,269	1,473	2,624
% of scheme assets	**7.8%**	4.1%	9.8%	1.3%	2.6%
Experience gains and losses on scheme liabilities:					
Amounts (€'000)	**(3,542)**	(5,151)	(9,701)	(8,698)	1,417
% of the present value of the scheme liabilities	**(1.4%)**	(2.1%)	(3.9%)	(4.4%)	1.0%
Total amount recognised in statement of total recognised gains and losses:					
Amounts (€'000)	**6,482**	23,314	(1,764)	(44,904)	(2,582)
% of the present value of the scheme liabilities	**2.6%**	9.4%	(0.7%)	(22.6%)	(1.8%)

(c) Defined contribution pension scheme

Smart*Ply* Europe Limited contributes to a defined contribution pension scheme on behalf of certain of its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost for the period amounted to €365,000 (2006: €335,000) and contributions of €24,000 (2006: €34,000) were not transferred to the fund until after the year end.

The Group contributes to a defined contribution pension scheme on behalf of certain employees in Coillte Teoranta and Medite Europe Limited who are not members of the defined benefit schemes. The assets of these schemes are held separately from those of the Group in an independently administered scheme. The pension cost for the period amounted to €91,299 (2006: €50,000) and contributions of €6,234 (2006: €45,000) were not transferred to the fund until after the year end.

19. Provisions for liabilities and charges

	Group		Company	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000
Deferred taxation arising on pension deficits	**(1,815)**	(2,262)	**(1,613)**	(1,920)
Deferred taxation arising on other timing differences	**4,571**	4,293	**1,202**	1,102
Legal and other provisions	**3,056**	3,438	**3,056**	3,438
	5,812	5,469	**2,645**	2,620

	Group		Company	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000
Deferred taxation arising on pension deficits				
At 1 January	**(2,262)**	(2,489)	**(1,920)**	(2,489)
Acquisition	**-**	(500)	**-**	-
Net movement recognised in STRGL	**433**	727	**307**	569
Net movement recognised in Profit & Loss	**14**	-	**-**	-
At 31 December	**(1,815)**	(2,262)	**(1,613)**	(1,920)

	Group		Company	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000
Deferred taxation arising on other timing differences				
At 1 January	**4,293**	1,023	**1,102**	1,023
Acquisition	**-**	3,238	**-**	-
Net movements (note 7)	**278**	32	**100**	79
At 31 December	**4,571**	4,293	**1,202**	1,102

	Group		Company	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000
Legal and other provisions				
At 1 January	**3,438**	2,986	**3,438**	2,946
Net movements	**(382)**	452	**(382)**	492
At 31 December	**3,056**	3,438	**3,056**	3,438

20. Called up share capital

	2007 €'000	2006 €'000
Ordinary shares of €1.26 each		
Authorised:	**1,260,000**	1,260,000
Issued and fully paid	**795,060**	795,060

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

21. Reserves

	Grant Reserve 2007 €'000
At 1 January	**140,568**
Forestry grants receivable during year (note 22)	**5,017**
At 31 December	**145,585**

	Profit and Loss Account	
	2007 €'000	2006 €'000
Parent company	**210,545**	190,659
Subsidiary undertakings	**46,596**	20,267
Associated undertaking	**(51)**	(13)
	257,090	210,913

In accordance with Section 3(2) of the Companies (Amendment) Act, 1986 a separate profit and loss account for the Company has not been presented in these financial statements.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets as per note 9.

Other than the effect of these revaluations the reserves noted above are stated on a historical cost basis.

22. Forestry and other grants

	Forestry €'000	Other €'000	2007 Total €'000	Forestry €'000	Other €'000	2006 Total €'000
(a) Group						
At 1 January	**140,568**	**4,053**	**144,621**	134,966	3,267	138,233
Acquisition	**-**	**-**	**-**	-	1,307	1,307
Movement	**5,017**	**-**	**5,017**	5,602	(28)	5,574
	145,585	**4,053**	**149,638**	140,568	4,546	145,114
Amortised during year	**-**	**(1,133)**	**(1,133)**	-	(493)	(493)
At 31 December	**145,585**	**2,920**	**148,505**	140,568	4,053	144,621

	Forestry €'000	Other €'000	2007 Total €'000	Forestry €'000	Other €'000	2006 Total €'000
(b) Company						
At 1 January	**140,568**	**916**	**141,484**	134,966	1,014	135,980
Movement	**5,017**	**-**	**5,017**	5,602	-	5,602
	145,585	**916**	**146,501**	140,568	1,014	141,582
Amortised during year	**-**	**(443)**	**(443)**	-	(98)	(98)
At 31 December	**145,585**	**473**	**146,058**	140,568	916	141,484

Other grants (notes 13 and 16)

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

	2007 €'000	2007 €'000	2006 €'000	2006 €'000
(a) Group				
Within 1 year		**594**		861
Between 2 and 5 years	**1,236**		1,795	
Over 5 years	**1,090**		1,397	
		2,326		3,192
		2,920		4,053

22. Forestry and other grants (continued)

	2007		2006	
	€'000	**€'000**	€'000	€'000
(b) Company				
Within 1 year		**89**		97
Between 2 and 5 years	**197**		322	
Over 5 years	**187**		497	
		384		819
		473		916

23. Future capital expenditure not provided for

	2007 €'000	2006 €'000
Contracted for	**-**	218
Authorised by the Directors but not contracted for	**23,459**	4,074
At 31 December	**23,459**	4,292

24. Contingencies and commitments

(a) Government grants

A contingent liability of €80,314,000 (2006: €85,602,000) exists in respect of government grants which become repayable if certain conditions, as set out in the agreements, are not adhered to. The most significant of these conditions relates to afforestation grants. Plantations must be adequately maintained and protected for a period of at least ten years after the date of payment of the grant, failing which all grant monies or part thereof may be refundable.

(b) The Irish Forestry Unit Trust

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

24. Contingencies and commitments (continued)

(c) Operating lease commitments

Commitments under operating leases expire as follows:

	Land & Buildings €'000	Machinery & equipment €'000	Total 2007 €'000
Within one year	4	56	60
Between two and five years	127	323	450
Over five years*	102	-	102
	233	379	612

* Smart*Ply Europe Limited leases the 60 acres on which its facility is constructed from Waterford Harbour Commissioners and Kilkenny County Council. The lease agreement expires in 2014, it is renewable at five year intervals thereafter and it provides for rent reviews every five years. The Company has a commitment, under the terms of the lease, to ship a certain agreed tonnage of finished product through the Port of Waterford each year. At 31 December 2007, the Company was committed to making an annual payment of €102,000 (2006: €102,000) in respect of these lease obligations.*

25. Notes to the Group Cashflow Statement

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

	Notes	**2007 €'000**	2006 €'000
Operating profit		**53,926**	32,275
Finance lease interest	2	**17**	16
Adjustments for items not involving the movement of funds			
Depreciation	2	**11,794**	6,627
Amortisation of grants	22	**(1,133)**	(493)
Amortisation of goodwill	10	**312**	204
Profit on sale of tangible fixed assets	25(d)	**(16,772)**	(26,914)
Profit on disposal of subsidiary	30	**(58)**	-
Depletion	8	**10,538**	12,390
Revaluation of IFUT units	9	**(450)**	(397)
Movement in provisions and liabilities	19	**(382)**	452
Movement in pension fund liability		**1,339**	2,181
Movement in working capital			
(Increase) Decrease in stocks	25(g)	**(3,427)**	241
Decrease (Increase) in debtors	25(g)	**1,576**	(3,516)
Increase in creditors	25(g)	**6,416**	449
		63,696	23,515

25. Notes to the Group Cashflow Statement (continued)

(b) Interest paid and received

	Notes	2007 €'000	2006 €'000
Interest charge	6	**7,230**	4,229
Interest received		**(146)**	(90)
Movement of interest accrual	25(g)	**(1,201)**	54
		5,883	4,193

(c) Additions to tangible fixed assets

	Notes	2007 €'000	2006 €'000
Fixed asset additions	8	**58,410**	49,425
New finance leases		**-**	(520)
Less: non cash consideration (depreciation)		**(112)**	(139)
		58,298	48,766

(d) Sale of tangible fixed assets

	Notes	2007 €'000	2006 €'000
Net book value of assets sold	8	**3,342**	929
Disposal of subsidiary		**(577)**	-
Profit on disposals		**16,772**	26,914
Cash consideration		**19,537**	27,843

(e) Analysis of changes in financing during the year

	Share Capital €'000	Share Capital Conversion €'000	Capital Grants €'000	Finance Lease Obligations €'000
At 1 January 2007	795,060	6,145	144,621	477
Cash inflows from financing	-	-	5,687	-
Repayment of finance leases	-	-	-	(211)
Movement in capital grants receivable	-	-	(670)	-
Capital grants amortised	-	-	(1,133)	-
At 31 December 2007	**795,060**	**6,145**	**148,505**	**266**

25. Notes to the Group Cashflow Statement (continued)

(f) Analysis of movement in net debt

	Balance 1 Jan €'000	Cash Flows €'000	**Balance 31 Dec €'000**
Cash at bank	15,504	(4,924)	**10,580**
Bank overdraft	(383)	358	**(25)**
	15,121	(4,566)	**10,555**
Debt due within one year	(6,243)	1,060	**(5,183)**
Debt due after one year	(172,146)	17,063	**(155,083)**
At 31 December	(163,268)	13,557	**(149,711)**

(g) Analysis of movement in working capital

	Balance 1 Jan €'000	**Balance 31 Dec €'000**	Disposal €'000	Cash Flows €'000
Stock	21,973	**25,082**	(318)	(3,427)
Debtors < 1 year (excluding tax)	68,852	**65,285**	(1,321)	2,246
Less movement in capital grants receivable	-	**670**	-	(670)
	68,852	**65,955**	(1,321)	1,576
Creditors				
(excluding tax and capital grants)	55,317	**59,250**	(3,684)	7,617
less: accrued interest	(652)	**(1,853)**	-	(1,201)
At 31 December	54,665	**57,397**	(3,684)	6,416

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

	2007 €'000	2006 €'000
(Decrease)/Increase in cash in the period	**(4,566)**	5,453
Cash outflow on finance leases	**211**	214
Cash outflow/(inflow) on bank loans	**17,912**	(71,094)
	13,557	(65,427)
Loans and finance lease acquired	**-**	(114)
New finance leases	**-**	(520)
Net debt at the beginning of the year	**(163,268)**	(97,207)
Net debt at the end of the year	**(149,711)**	(163,268)

25. Notes to the Group Cashflow Statement (continued)

(i) Purchase of subsidiary undertaking (note 29)

	2007 €'000	2006 €'000
Consideration given:		
Cash	-	67,789
Bank balances acquired	-	(1,819)
Net cash outflow in respect of purchase of subsidiary undertaking	-	65,970

Medite Europe Limited, a subsidiary undertaking acquired on 27 November 2006, had cash inflows from operating activities of €1,105,000, received interest income of €4,000 and incurred capital expenditure of €9,000 in 2006.

(j) Disposal of a subsidiary undertaking – (note 30)

	2007 €'000	2006 €'000
Consideration received:		
Bank balances disposed	**(2,410)**	-

Griffner Coillte Limited, a subsidiary undertaking disposed of on 15 May 2007, had cash outflows from operating activities of €902,000 and incurred capital expenditure of €11,000.

The disposal proceeds for Griffner Coillte Limited was satisfied by a deferred cash consideration of €1,000,000.

26. Reconciliation of movements in shareholders' funds

	Share Capital €'000	Share Capital Conversion €'000	Capital Grants account €'000	Profit and Loss €'000	Total €'000
At 1 January 2007	795,060	6,145	140,568	210,913	1,152,686
Retained profit for the year	-	-	-	40,128	40,128
Actuarial gain recognised on pension schemes	-	-	-	6,482	6,482
Deferred tax related to actuarial gain	-	-	-	(433)	(433)
Movement in capital grants receivable	-	-	5,017	-	5,017
At 31 December 2007	**795,060**	**6,145**	**145,585**	**257,090**	**1,203,880**

27. Related party transactions

(a) The ownership of the company

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

(b) Sales of goods, property and services to entities controlled by the Irish Government*

In the ordinary course of its business the Group sold goods, property and services to entities controlled by the Irish Government, the principal of these being the ESB and Limerick County Council. Sales of these goods, property and services amounted to €2.6 million in 2007 and amounts due from these entities to the Group at 31 December, 2007 for these goods, property and services amounted to €0.4 million.

(c) Purchases of goods and services from entities controlled by the Irish Government*

In the ordinary course of its business the Group purchased goods and services from entities controlled by the Irish Government, the principal of these being the ESB and Bord Gais. Purchases of goods and services amounted to €18.2 million in 2007 and amounts due to these entities at 31 December 2007 for these goods and services amounted to €1.9 million.

(d) Transactions with related Companies

In the ordinary course of its business the Group sold goods and services to Moylurg Rockingham Limited amounting to €0.02 million, the balance due from this company at 31 December 2007 for these goods and services was €0.02 million.

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

28. Subsidiary and associated undertakings

Subsidiary Undertakings	% Held	Principal Activities	Registered Office and Country of Incorporation
Smart*Ply* Europe Limited	100	Oriented strand board (OSB) manufacture	Belview, Slieverue, Waterford, Ireland
Medite Europe Limited	100	Medium density fibreboard (MDF) manufacture	Redmonstown, Clonmel, Co. Tipperary, Ireland.
Coillte Consult Limited	100	Consultancy and related activities	Newtownmountkennedy, Co. Wicklow, Ireland

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

In accordance with Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of its wholly owned subsidiaries and, as a result, these subsidiaries have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986.

29. Acquisitions

On 27 November 2006 the Group purchased 100% of the shares in Medite Europe Limited (formerly Weyerhaeuser Europe Limited). The acquisition has been accounted for using acquisition accounting.

Details of the book value and the fair value of the net assets of Medite Europe Limited at the date of acquisition, after making adjustments to revalue the fixed assets are summarised in the table below:

	Book value €'000	Fair value adjustments €'000	Fair value €'000
Tangible fixed assets	40,155	17,958	58,113
Stocks	8,927	(919)	8,008
Debtors	20,447	-	20,447
Cash	1,819	-	1,819
Creditors < 1 year	(12,617)	-	(12,617)
Creditors >1 year	(9,043)	-	(9,043)
Net assets	49,688	17,039	66,727
Loans assumed			
Loans and finance leases < 1 year	(36)	-	(36)
Loans and finance leases > 1 year	(78)	-	(78)
Net assets acquired	**49,574**	**17,039**	**66,613**

The fair value of the consideration given for the acquisition, and the goodwill arising, is summarised below.

	€'000
Consideration given:	
Cash	67,789
Net assets acquired	66,613
Goodwill arising	1,176

The provisional fair values of the Medite acquisition presented in the 2006 financial statements were reviewed in 2007. However, the fair values of the revised calculation did not differ significantly and therefore no amendment is required.

30. Disposal of Griffner Coillte Limited

On 15 May 2007 Coillte Teoranta disposed of its 70% shareholding in Griffner Coillte Limited to Griffnerhaus AG. Griffner Coillte Limited had been accounted for on a 100% ownership basis and minority interests were provided for as a result of commitments made by the Group to fund liabilities.

	Book Value 2007 €'000
Tangible fixed assets	**577**
Stocks	**318**
Debtors	**1,321**
Cash	**2,410**
Creditors < 1 year	**(3,684)**
Net Assets	**942**
Profit on Disposal	**58**
	1,000
Consideration received:	
Deferred cash consideration	**1,000**

31. Associated Undertakings – Moylurg Rockingham Limited

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

	2007 €'000	2006 €'000
Share of turnover	**183**	-
Share of the loss after tax *	**(38)**	(4)
Share of fixed assets	**4,607**	3,324
Share of current assets	**109**	307
Share of creditors due within one year	**(473)**	(367)
Share of creditors due after one year	**(4,150)**	(3,133)
Share of net assets	**93**	131

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

32. Approval of Financial Statements

The Directors approved the financial statements on 27 March 2008.

5 Year Performance

	2007 €'000	2006 €'000	2005 €'000	2004 €'000	2003 €'000
Profit and loss account					
Turnover	**318,128**	213,789	215,673	184,965	172,121
Operating profit	**53,926**	32,275	30,557	42,994	33,062
Share of losses of joint ventures/ associates	**(38)**	(4)	(580)	(1,187)	(686)
Finance charge	**(7,481)**	(5,014)	(3,662)	(4,090)	(4,552)
Profit before taxation	**46,407**	27,257	26,315	37,717	27,824
Taxation	**(6,279)**	(4,793)	(6,661)	(2,623)	(2,314)
Profit after taxation	**40,128**	22,464	19,654	35,094	25,510
Balance sheet					
Fixed assets	**1,396,214**	1,363,490	1,274,664	1,247,502	1,217,213
Current assets	**102,423**	106,329	70,243	65,054	62,470
Creditors: amounts falling due within one year	**(65,190)**	(65,234)	(54,609)	(43,142)	(124,164)
Net current assets (liabilities)	**37,233**	41,095	15,634	21,912	(61,694)
	1,433,447	1,404,585	1,290,298	1,269,414	1,155,519
Financed by:					
Creditors: Amounts falling due after one year	**157,409**	175,338	100,393	104,474	24,333
Pension Fund Liability	**66,346**	71,092	86,352	84,180	39,304
Provisions for liabilities and charges	**5,812**	5,469	1,520	1,543	2,474
	229,567	251,899	188,265	190,197	66,111
Capital and reserves					
Called up share capital	**795,060**	795,060	795,060	795,060	795,060
Capital conversion reserve fund	**6,145**	6,145	6,145	6,145	6,145
Profit and loss account	**257,090**	210,913	165,862	147,921	156,431
Grant reserve	**145,585**	140,568	134,966	130,091	131,772
Shareholders' funds	**1,203,880**	1,152,686	1,102,033	1,079,217	1,089,408
	1,433,447	1,404,585	1,290,298	1,269,414	1,155,519

Corporate Information

Registered Office

Dublin Road,
Newtownmountkennedy,
County Wicklow

Auditors

PricewaterhouseCoopers
Chartered Accountants

Bankers

Bank of Ireland
Ulster Bank
Barclays Bank Ireland plc
Allied Irish Banks plc

Insurance Brokers

Marsh Ireland Limited

Solicitors

McCann Fitzgerald & Co
Arthur O'Hagan
Dockrell Farrell
KMB Solicitors

Head Office

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Coillte Forest

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Coillte Recreation Team

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Moylurg Rockingham Ltd.

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Lough Key Forest and Activity Park,
Boyle,
County Roscommon

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Region Offices

Southern Region

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Corporate Information (continued)

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Medite Europe Ltd.

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Co. Tipperary

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Coillte Enterprise

Coillte Nurseries

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County Carlow

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Irish Hardwoods

Dundrum, County Tipperary

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Coillte Energy

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Coillte Land Development

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