

The Third Irish Forestry Fund plc.

(Incorporated in Ireland under the Companies Acts 1963 to 1990, Registration No. 281813)

Make Ireland's Natural Resources Work for You!

Placing of up to 3,000 Preference Shares of IR£500 each

Date: 18th March 1998

For further information please contact

The Third Irish Forestry Fund plc.

Kilcullen House,

Haigh Tce.,

Dún Laoghaire,

Co. Dublin.

Tel: (01) 284 1777 / (01) 284 5199

Fax: (01) 284 5195

Email: ifs@tinet.ie

This document, being a prospectus, contains the information required by, and has been drawn up in accordance with the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland ("TSSE Regulations"). A copy of this document has been delivered for registration to the Registrar of Companies (having attached thereto copies of the material contracts referred to on page 12 and any experts letters of consent) in compliance with section 47 of the Companies Act, 1963 of Ireland, as required by the TSSE Regulations.

Investors are advised to take independent advice from a professional advisor before making any investment. This proposal should be evaluated in conjunction with the key assumptions on page 9.

The directors, whose names appear on page 5, take responsibility for the information contained in this document and have taken all reasonable care to ensure that the facts contained herein are true and accurate in all material respects and that there are no material facts, the omission of which would make misleading any statement herein, whether of fact or opinion.

Applications to participate in the Fund must be made on the terms of this Prospectus and on the application form contained herein. Applications must reach the registered office of the Fund by no later than 30th April 1998. Applications are accepted strictly in order of receipt and the right is reserved to close the application list at any time before that date. In the event of over subscription, the over-subscribing investors will be refunded in full.

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Forward

Executive Summary

The Third Irish Forestry Fund plc was incorporated on the 11th March 1998 for the purpose of raising IR£1.5 Million to invest in forestry in Ireland. Once planted, these forests will take approximately thirty years to mature. Once mature, the trees will be sold to the highest bidding mill and the underlying land will be sold on the open market. At that stage the Fund will be wound up and **all** the profits of the Fund will be distributed to the Preference Shareholders.

Management

The Forests will be established by Mid-Western Forestry Services Ltd. and managed by IFS Irish Forestry Services Ltd. Contracts have been signed with these parties which will ensure the plantations will be managed by experienced professionals thus maximising the value of the Forests.

Market

Timber products are in practically everything we see around us today. Uses of timber are such that it is the second largest product, after oil, to be imported into the EU. It is recognised that we need to plant trees today to meet the increased demand in timber products of tomorrow. This has not only been recognised by the public sector, but the establishment of four very large timber mills in Ireland over the past number of years has shown that the private sector has become more aware of the vast potential of forestry in Ireland.

Investment Proposal and Rate of Return

Investment in the Fund is by way of Preference Shares. Each Preference Share costs £500. Multiple shares may be purchased. Shares may be purchased by Investors for themselves or for others eg: children or grandchildren. Preference Shares are the only types of shares that will rank for distribution.

All profits made by the Fund will be distributed to the Preference Shareholders. Based on the assumptions set out on Page 9 of this prospectus **a once off investment of £500 per share would result in a distribution in excess of £28,500 tax free per share when the crop is harvested in 30 years time. This equates to a compound annual rate of return of 14.4% per annum. Assuming Inflation to average 4.5% per annum, this equates to a real rate of return (i.e. net of inflation) of 9.9% per annum.**

Tax Status of Investment

Profits from the occupation of woodland managed on a commercial basis are exempt from Income and Corporation Tax. The Fund has been designed to take advantage of these provisions.

Definitions

“The Fund”

means The Third Irish Forestry Fund plc.

“Forestry”

means Commercial Forestry and the occupation of which as defined by the Finance Act, 1969.

“Directors”

means the Directors of this Fund.

“Investor”

means a fully paid up subscriber to the Preference shares of the Fund.

“Yield class”

means the internationally recognised system of assessing quantity of timber produced from a plot of land.

“Independent Forestry Consultant”

means a properly qualified and recognised professional who is a Member of the Society of Irish Foresters.

“Forest Premia”

means annual amounts paid by the Forest Service to the owner of land under afforestation, in this case, the Fund.

“Forest Service”

means the Government department set up to administer Forestry in Ireland

“Forestry Contractor”

means a contractor who is experienced in the establishment and management of Forest plantations.

“Prospectus”

means this prospectus dated 18th March 1998.

“Closing Date”

means the 30th April 1998.

Directors, Management Team & Advisors

Declan Kennedy ACCA

Mr. Kennedy is an accountant who is responsible for developing the concept of The Third Irish Forestry Fund plc. It is a concept for which he won the 1997 Entrepreneur of the Year Award resulting in the highly successful Second Irish Forestry Fund plc of which he is Managing Director. He has had an interest in Forestry for many years, having applied for his first afforestation grant in 1983. Since that time he has believed that collective ownership of land under forestry is important for the Irish economy, both in terms of meeting planting targets set out by the Forest Service, and in providing investment opportunities to more modest investors to participate directly in forestry. Mr. Kennedy is Managing Director of The Third Irish Forestry Fund plc.

Paul Brosnan MA B.Sc.

Mr. Brosnan is a professional marketing consultant specialising in the Financial Services Industry. Formerly Group Marketing Director of the Aspekt Kilcullen Group, a financial services information and publishing company which focuses on the Central European capital markets. He has also gained extensive experience in marketing financial instruments in Ireland, Britain and Australia. Mr. Brosnan is a Director of this Fund and is also a Director of The Second Irish Forestry Fund plc.

The address of the Directors for the purpose of the Fund is: Kilcullen House, Haigh Terrace, Dun Laoghaire, Co. Dublin.

Tim O'Sullivan Dip. For. Sc.

An independent forestry consultant, having recently taken early retirement from Coillte, with over 30 years experience in state, semi-state and private forestry. Mr. O'Sullivan will act as the Independent Forestry Consultant to the Fund.

Nicholas Cotter

An accomplished private forest manager with many years experience in the fields of land acquisition and valuation, investment advice, forest establishment and maintenance. Mr. Cotter is a director of Mid-Western Forestry Services Ltd. which has been retained to act as the Forest Contractor.

Deloitte & Touche, Earlsfort Terrace, Dublin 2, will act as auditors to the Fund.

Lacy Walsh, 63 Fitzwilliam Square, Dublin 2, will act as solicitors to the Fund.

ACC Bank plc. Upper Hatch Street, Dublin 2, will act as bankers to the Fund.

Section A Features of The Investment

Introduction

Ireland has always been known as a tree growing island. When man first arrived here the country was completely covered with trees. Demand for timber products steadily increased to such an extent that 90 years ago, only 1% of the country remained afforested.

Today 8.1% of the country is covered with trees. Although a vast improvement, this should be considered in the context of an EU average of 31%. Successive Irish governments have attempted to make forestry more attractive by offering afforestation **grants, forest premia** and **tax exemption** on profits from the occupation of woodland for commercial Forestry.

The EU has financially supported this objective for no reason other than it makes economic sense to do so:

- The EU produces 300% of its food requirements yet only 25% of its timber requirements.
- By actively pursuing a policy of afforestation, land can be used more productively & profitably thus reducing the level of subsidy paid to farmers.

Encouragingly, Ireland has the best climate for growing trees in the Northern Hemisphere (they grow up to 3 times faster here than elsewhere in Europe). Therefore, it makes sense that the EU has pushed for the increased afforestation programme that now exists. Not only has this been recognised by the public sector, but the arrival of companies such as: Louisiana Pacific Coillte, Medite, Masonite and Finsa to Ireland show that many private sector companies see the vast potential of commercial forestry in Ireland. Indeed, it is expected that the forestry industry will be the third largest Irish industry by the year 2015.

The Third Irish Forestry Fund plc. is offering a product where the problems of tying up large amounts of money for a long time are overcome. It acts as a type of co-op where monies are pooled to take advantage of economies of scale and ultimately **all** profits are distributed to the investors

The Third Irish Forestry Fund plc. is seeking to place 3,000 preference shares at an affordable £500 each. The resulting £1,500,000 will be used to purchase land in Ireland. Grants will then be used to afforest those lands and Forest Premia will be used to cover the overheads to ensure that essential maintenance is carried out, and other essential costs of the Fund are met.

The promoters of this fund established The Second Irish Forestry Fund plc., a company incorporated on 24th September 1997 for the purpose of raising money from the public for investment in commercial forestry. Application for membership of The Second Irish Forestry Fund plc. closed on the 19th December 1997. It raised in excess of IR£500,000 by way of share issue. Land has been purchased with this money and as at the date of this Prospectus most of the land has been planted. The remaining land will be planted prior to the end of the present planting season. The Directors are very happy with the progress to date and expect the Fund to progress according to plans.

The Fund

The Third Irish Forestry Fund is a public limited company set up to take advantage of the **grants, forest premia** and the **tax favoured** status of commercial Forestry allowing investors, at modest levels of investment, an opportunity to participate in an attractive investment where **100% of the profits** will be returned to the Investors. Monies received will be used to purchase suitable land in Ireland. The **grant** scheme in operation at present will pay for that land to be cleared, fenced and planted. The **forest premia** received will cover essential forest management fees, and other necessary overheads.

The attraction of this investment is its simplicity and the fact that it is asset backed. Monies contributed by the investors will be used to purchase land which will then be afforested. For this once off investment of £500, based on the assumptions on page 9 (which includes an assumption that inflation will average 4½% per annum over the 30 years of the Fund), **the investor should receive a distribution in excess of £28,500 when the trees are harvested in 30 years time.** Investors will not be asked to contribute further amounts to this Fund. Under the normal course of business it may be necessary to borrow money to meet the necessary overheads of managing the forests.

The type of tree to be planted is called “*Sitka Spruce*” which is the most popular tree to be planted in Ireland. This tree produces vast quantities of high quality commercial timber in a relatively short period. Among its uses are:

- Paper & Pulp
- Construction
- Furniture
- Posts & Fences
- MDF (Medium Density Fibreboard)
- OSB (Oriented Strand Board)

Much work has been done in Ireland over the past number of years to attract state-of-the-art timber processing facilities to Ireland. This has been successfully accomplished with the opening of the Finsa chipboard factory in Clare, the Medite MDF factory in Clonmel (one of the largest of its kind in the world), and more recently with the opening of the £80 Million Masonite factory in Leitrim and the £40 Million Louisiana-Pacific Coillte OSB plant in Waterford. This has positioned Ireland at the forefront of timber production internationally into the 21st Century.

It is expected that the timber industry will be the third largest industry in Ireland by the year 2015. In order for this to happen, trees must be planted now so that they may be harvested in future years.

The Third Irish Forestry Fund plc. is offering Investors the opportunity, through investing in this Fund, to become part of the fastest growing and potentially most profitable industry in Ireland.

Project Timescale

It will take approximately 30 years for the trees to mature at which time they will be harvested and sold to the highest bidding mill. The underlying land will also be sold. The Fund will then be wound up and the profits will be distributed to the investors.

During the 30 year life of the forest it will be thinned twice. This is to allow the larger trees room to grow. Initially 2,500 trees are planted per hectare. At first thinning, approximately 60% of the trees are removed. On second thinning, a further four hundred trees are removed. These thinnings will themselves provide the necessary income to finance the Fund to clearfell.

Forest Management Strategy

Land is to be purchased subject to attaining planning approval and satisfying Yield class assessments, as prepared by the Independent Forestry Consultant. Afforestation and maintenance grants will be applied for and the mandate for such grants are to be assigned to Mid-Western Forestry Services Ltd, who have planted in excess of 2,500 acres on behalf of clients. Once the land has been planted but prior to the Forest Service approval of the grant, an independent assessment will take place. This is to be conducted by the Independent Forestry Consultant to the Fund. The Directors believe that this is necessary to ensure that the long term interests of the Preference Shareholders are maintained. Subsequent to the consultant's report and recommendations having been acted upon by the Forest Contractor, the Forest Service will provide the statutory inspection to ensure that the contractor's obligations have been met. The proposed forest management plan is outlined below:

Year	Activity	Comment
1998	Land purchase	Land to be cleared, drained, fenced & planted.
2005	Fertiliser	To further enhance growth.
2013	Brash & Prune	To aid access, quality and strength of final timber.
2014	Build road	To further aid access to the land.
2015	Thinning	Reduce competition for nutrients, light and space to improve growth on remaining trees.
2016	Repair & Prune	Repair drainage channels, fences and further increase the quality of final timber.
2020	Thinning	Selective thinning allows the strongest trees to thrive.
2021	Repair	Ensure drainage channels and fences are in operation and effective.
2027	Clearfell	Maximise the return for the Investors.

Deviations from this plan will only be made with reference to qualified silvicultural professionals, and will at all times be subject to the objective of maximising the Investors' returns.

Returns

Once the Forests are mature they will be sold as standing timber. The underlying land will then also be sold. All profits from the sale of these assets plus retained profits will then be distributed to the Preference Shareholders. Based on the assumptions set out below, **a once off investment of £500 per share would result in a distribution in excess of £28,500 Tax Free per share when the crop is harvested. This equates to a compound annual rate of return of 14.4% per annum.**

Illustrative Financial Tables

The Illustrative Financial returns set out below are based on the following assumptions:

- i. Land of the necessary quality will be acquired at current market value.
- ii. The duration of the Fund is thirty years, subject to any changes in tree felling regulations which may reduce the volume of trees that may be felled in any one year.
- iii. Initial costs will comprise Commission (5%), Stamp duty (6% on land acquisition, 1% on share issue), Professional fees and Marketing costs (2.5%) of funds raised.
- iv. The following costs are assumed to be incurred. Grant Available

1) Fertiliser	£100 per ha	No
2) Brashing/pruning	£375 per ha	Yes
3) Roads	£350 per ha	Yes
4) Pruning	£425 per ha	Yes
5) Repair	£50 per ha	No
- v. The forest will be thinned at years 17 and 22 at no cost to the Fund
- vi. Revenue from thinned trees is based on expected sizes of trees at time of thinning with prices based on the average actual prices paid from 1995 to 1997 for similar sized trees.
- vii. Revenue at clearfell is based on expected size of trees at clearfell, the volume of trees per hectare and prices based on the average actual prices paid over 1995 to 1997 for similar trees.
- viii. The land is sold at open market value as forestry land. In these projections, it is assumed that land will be sold at a price which will not give a rise to a gain for Capital Gains Tax purposes.
- ix. Inflation is assumed to be 4½% per annum for the duration of the Fund.
- x. Profits from commercial forestry continue to be exempt from Irish Taxation.

Illustrative Returns:

Units purchased	1	2	5	10	20
Investment	£500	£1,000	£2,500	£5,000	£10,000
Expected Value at Year 6	£1,000	£2,000	£5,000	£10,000	£20,000
Expected Value at Year 30 (Clearfell)	£28,727	£57,454	£143,635	£287,270	£574,540

The projection of illustrative returns should not be regarded as a forecast but as a projection based on the assumptions stated above. Because the projections cover a period of 30 years the assumptions are necessarily more subjective than would be appropriate for a forecast. The promoters have taken care to ensure that the assumptions used are reasonable based on historical trends and current forest management practice. Future events and circumstances may cause actual results to vary from those projected.

Proceeds of Placing

Funds raised under this placing will be used to:

- a) acquire land of the necessary quality, by means of an arms length transaction, for Forestry investment purposes.
- b) meet the initial costs of establishing the Fund, including commissions, Stamp Duty, professional fees and marketing costs. It is estimated that the preliminary expenses and costs of establishing the company and raising the capital from investors, will be of the order of IR£37,500.

The Minimum Amount required to be raised from Investors to enable the Third Irish Forestry Fund plc to proceed with its plans is IR£250,000.

Risks

Fire Damage

In the past years there have been very few forest fires in Ireland. This is indicative of the quality of scrub clearance and forest management insisted upon by the Forest Service. Historically, trees have been planted to minimise the risk of fire.

The capital growth element of the forest is insured. Unlike other saving schemes, you will not be asked to pay insurance costs. These costs will be met in the first instance by the European Union, in the form of forest premia and later by sales of thinnings. In effect the investment is self-financing. Furthermore, the EU guarantees that in the event of a fire the trees will be re-planted free of charge.

Disease

Irish forests are considered to be the healthiest in Europe, due mainly to our island status and the rigid enforcement of strict forest plant health regulations. This, coupled with a very strong management presence, will virtually eliminate any risk.

Weather

One of the reasons why the chosen tree, "*Sitka Spruce*" grows so well in Ireland is due to our wet, mild climate. However, frost and wind damage are two potential problems. Both of these risks can be greatly minimised by the careful selection of sites. Through knowledge and experience the Fund will purchase and afforest, on behalf of the Investors, only the most suitable land.

Inherent Risk

The cash flow forecasts of The Third Irish Forestry Fund plc are based on current industry norms. These norms may change either favourably or unfavourably. The tax situation is based on tax legislation currently in force and changes to such legislation may arise in the future.

Exit Mechanisms

Once mature in approximately 30 years, the forests will be sold as standing timber. This method of selling timber is at present seen to be the most beneficial, in terms of maximising shareholders' return. Once the trees have been harvested and the land cleared, the land will be disposed of in a manner which, in the opinion of the Directors, is most likely to maximise the return to the investors. **All** monies will then be pooled along with retained profits and interest earned and distributed to the Preference shareholders. The Fund will then be dissolved.

Tax Liability

At present, under section 18 of the Finance Act 1969, profits from the occupation of commercial woodland are tax free. Under Section 93 of the Corporation Tax Act, 1976, distributions made from such profits are also tax free. The Fund is designed to take advantage of these provisions. The increase in the value of the underlying land is not exempt from Capital Gains Tax and thus will be taxable in accordance with Capital Gains tax legislation. Proceeds from the sale of the underlying land will constitute a small fraction of the total proceeds.

Early Exit Mechanisms

As a public limited company, shares in the Fund can be freely transferred at any time up until the forest reaches maturity. It should be noted that the shares are not listed on any recognised Stock Exchange, however, the promoters intend to introduce over time a service whereby potential sellers of existing shares will be matched with interested buyers of those shares. The directors may, in their absolute discretion, without assigning any reason, decline to register any transfer of any share, whether or not it is a fully paid share.

Section B General Information

Share Capital

The authorised share capital of the Fund is £33,000 divided into 30,000 Ordinary Shares of IR£1 each and 3,000 Preference Shares of IR£1 each. The Preference Shares will be sold at £500 each.

The Preference Shares are the only shares entitled to participate in the growth of the forest investment and, as such, will be the only shares to participate in the final distribution to be made at the time the forest is harvested, in approximately 30 years. Preference shareholders shall not have any right to attend or vote at Annual General Meetings.

30,000 Ordinary Shares of IR£1 each have been issued to the Directors of the Third Irish Forestry Fund plc., which have been paid up as to 25p per share. These shares will not rank for dividend, but will carry votes to ensure that necessary decisions involving management of the Fund can be made.

Material Contracts

Three contracts have been entered into:

- (i)* The forest establishment contract has been awarded to Mid-Western Forestry Services Ltd., of which Mr. Nicholas Cotter is a Director.
- (ii)* IFS Irish Forestry Services Limited has been awarded the contract to maintain the forests. Mr. Declan Kennedy and Mr. Paul Brosnan are Directors of this company.
- (iii)* Mr. T.P. O’Sullivan has been contracted to act as an independent forestry consultant to the company.

Directors’ Remuneration

No remuneration to the Directors will be provided for by the Fund. The Directors at present are also Directors of IFS Irish Forestry Services Ltd. The Fund has secured the services of IFS Irish Forestry Services Ltd to maintain the forests to a level that maximises the potential of the forests, as laid out in the Material Contracts section. This is fundamental to maximising the returns. The consideration for this contract is presently set at £30 per acre. This fee is index linked to the Retail Price Index and is payable annually. The Directors will also be Investors in the Fund.

Reports to Shareholders

Investors will receive an annual report comprising a review of the year, audited accounts and a valuation of the Fund.

The Directors
The Third Irish Forestry Fund plc.
Kilcullen House
Haigh Terrace
Dun Laoghaire
Co. Dublin

18th March 1998

Re: The Third Irish Forestry Fund plc. (The Company)

Dear Sirs,

The Company was incorporated on 11th March 1998.

The Company has issued 30,000 Ordinary Shares of £1 each, paid up as to 25p per share. No material contracts have been entered into save those detailed in page 12 of this Prospectus, dated 6th March 1998.

The Company has not yet traded. No accounts have been made up for presentation to members and no dividends have been declared or paid.

We consent to the inclusion of this report in the Prospectus and take responsibility for this report.

Yours faithfully

Deloitte & Touche
Chartered Accountants

Section C Application Procedure

Procedure and Conditions for Application

To participate in the Fund completed application forms must reach the Registered office by the closing date. Applications will be accepted in order of receipt up to the maximum size of the Fund. The right is reserved to close the applications list at any time before 30th April 1998 and to reject any application in whole or in part. Furthermore, the Management reserves the right to alter the minimum subscription which an investor may make. The Fund will not proceed until a minimum of £250,000 has been received by way of subscriptions. Monies will be returned to the applicants, without interest, within fourteen days after closing date if the minimum subscription is not received.

The minimum subscription which an investor may make is £500. Further subscriptions must be made in multiples of £500. It is possible to purchase shares on behalf of others.

Applications to participate in the Fund will be considered only on the terms and conditions of this memorandum. A completed application form will only be accepted with payment of subscription. If a discrepancy arises between the application form and monies tendered, the amount of monies tendered will be taken to be indicative of the number of shares for allotment.

The management reserves the right to refuse acceptance of any application which is incorrectly presented or fails to comply with the provisions contained in the Prospectus without liability for interest and any resulting loss or damage.

Checklist for application:

- a) Completed application form.
- b) Cheque / Bank Draft / Postal Order made out to **“The Third Irish Forestry Fund plc.”** Please ensure cheques are crossed and marked **“A/C Payee, Not Negotiable”**.
- c) Send to:

The Third Irish Forestry Fund plc.
Kilcullen House
Haigh Terrace
Dún Laoghaire
Co. Dublin.

So as to be received no later than 6.00 p.m. on 30th April 1998.

Please use the pre-paid envelope provided.

Application for Membership to:

The Third Irish Forestry Fund plc.

Kilcullen House, Haigh Terrace

Dún Laoghaire, Co. Dublin.

Tel: (01) 284 1777 / (01) 284 5199

Fax: (01) 284 5195

Email: ifs@tinet.ie

I hereby apply for ___ shares at £500 each and enclose a cheque / Bank Draft / Postal Order made payable to “**The Third Irish Forestry Fund plc.**” in the amount of £ _____

Name: _____

Address: _____

Phone: _____

Fax: _____

1. I hereby irrevocably authorise the Directors to do all such things as are necessary in connection with the management of the Fund as set out in the Prospectus dated 18th March 1998 without further reference to me and notwithstanding any rights or entitlements which I may possess in respect of shares held in the Fund and in particular I hereby irrevocably authorise the Directors:

- A. To invest the subscription monies in the purchase of land for the purpose of applying for afforestation grants,
- B. To direct, in its absolute discretion, the exercise by the Directors of all voting rights in connection with investments made on behalf of the Fund.
- C. To deal with all distributions in accordance with provisions made in the Prospectus dated 18th March 1998.
- D. To place monies on deposit with ACC Bank, Dun Laoghaire, or other licensed bank.

2. I hereby accept that, subject to the compliance by the management with its duties and obligations, under no circumstances whatever shall I be entitled to hold the Directors liable for any default act or omission by the Management or the failure or loss of any kind of the Fund.

Signature: _____