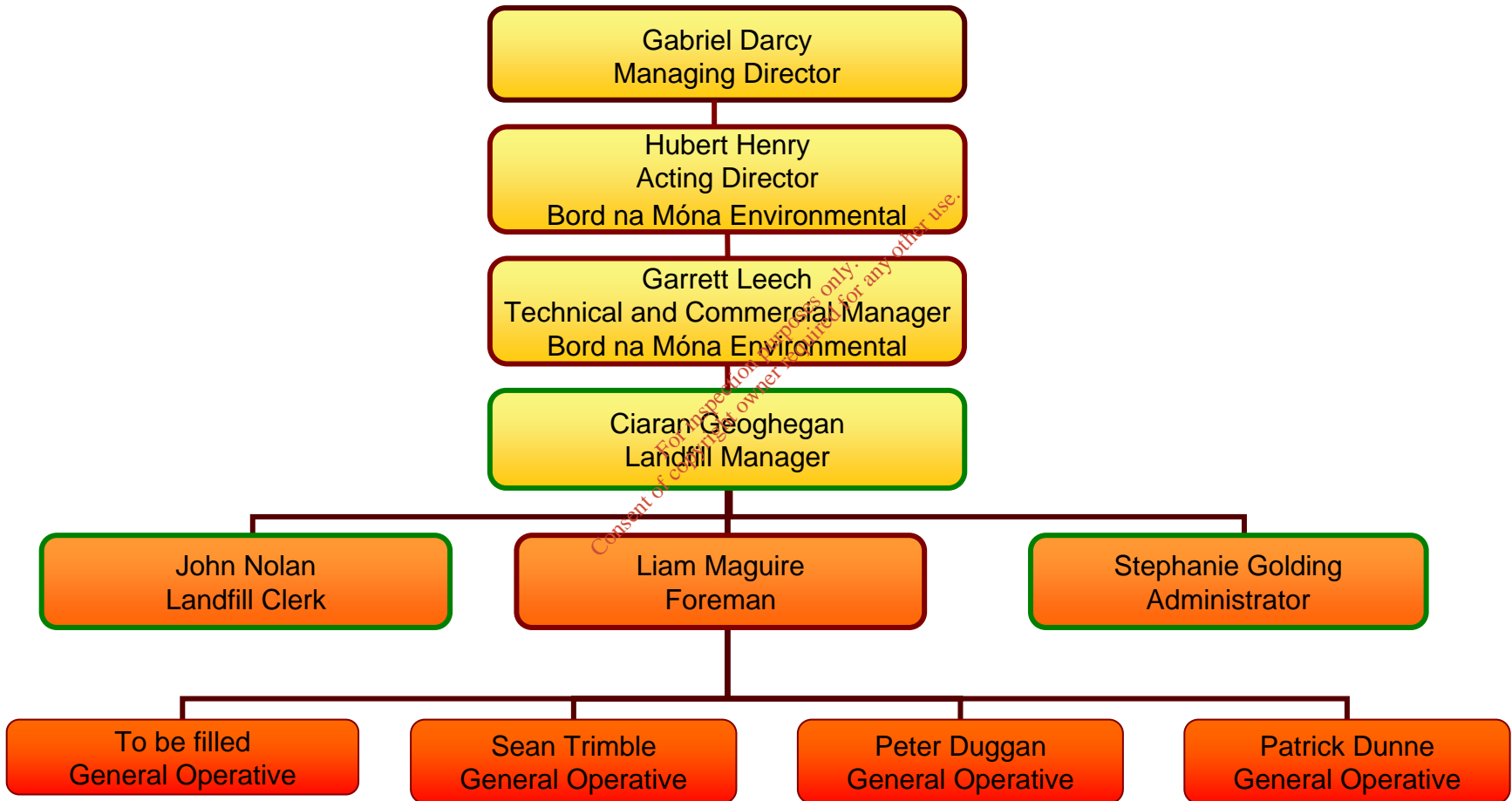


Appendix 4 Management Structure and Quality Control Systems

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Proposed Management Structure for Drehid WM Facility



* Personnel highlighted in green involved with Environmental Management of Site



ANNUAL REPORT 2006/2007

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BORD NA MÓNA 

Contents

Group Performance Indicators	1	Independent Auditors' Report	26
Chairman's Statement	2	Accounting Policies and estimation techniques	28
Managing Director's Strategy, Operating and Financial Review	4	Financial Statements	31
Environment Report	16		
The Board	18	Appendices	
Directors' Report	20	Production and Sales Statistics	56
Senior Management	24	Summary of Financial Statistics	57
		Business Addresses	58

Introduction

Bord na Móna is embarked on a new era of growth and development. While continuing to optimise the returns from its traditional businesses, the Group has made significant progress in implementing its strategy to sustain Bord na Móna into the future and deliver enhanced value to shareholders. This strategy includes:

- continuing to optimise our traditional businesses and investing to strengthen and secure them where feasible; and
- further progressing our agenda of diversification into power generation with major emphasis on indigenous resources and renewables and developing a fully integrated waste management business with a strong commitment to best practice and technology.

The implementation of this strategy will be delivered by a restructured organisation reflecting the new direction. In looking at the year 2006/2007, we report on:

- Energy - comprising power generation by Edenderry Power and from renewables and peat supply to the two ESB stations and to the Group's Fuels and Horticulture businesses;
- Environmental Global - comprising integrated waste management including recycling, collection and managed landfill services, wastewater treatment and clean air solutions;
- Fuels - comprising home and industrial heating products including coal, peat briquettes, oil distribution and other complementary products; and
- Horticulture - comprising peat-based growing media products in Ireland and internationally.

The businesses are described on pages 4 to 15 and are conducted through subsidiary companies with Bord na Móna p.l.c. acting as the holding company.

Group Performance Indicators

Financial summary

	2006/2007	2005/2006
	€'000	€'000

Turnover	299,175	295,738
Earnings before interest, tax, depreciation and amortisation (EBITDA)	45,398	53,048
Operating profit before reorganisation and redundancy costs	24,906	33,141
Operating profit	23,704	29,976
Profit before tax	29,207	34,043
Profit after tax	24,342	28,915
Shareholders' funds (Borrowings)/net cash	235,480 (55,093)	206,165 12,198

Ratios

	2006/2007	2005/2006
Operating profit/turnover	7.9%	10.1%
Gross return on net capital employed	9.1%	16.6%
Debt/Equity	23.0%	0%
Interest cover/EBITDA (times)	32.1	112.6
Current ratio (times)	2.5	1.7

	2006/2007	2005/2006
Payroll costs €'000 (gross of employers' pension costs)	95,159	90,544
Payroll costs €'000 (net of employers' pension costs)	90,511	85,848
Numbers employed at peak	2,017	2,088
Average employment numbers	1,751	1,781

Turnover 2006/2007 (€ million)

HORTICULTURE	53.2
ENVIRONMENTAL & OTHER	38.0
FUELS	124.3
ENERGY	83.6

Value of third-party sales by product (€ million)

MILLED PEAT	60.8
ELECTRICITY	19.0
HORTICULTURAL PEAT PRODUCTS	53.2
BRIQUETTES	34.2
COAL	46.4
OIL	35.0
ENVIRONMENTAL	33.4
OTHER	17.1

Production (Tonnes '000)

MILLED PEAT	3,668	06/07
	3,941	05/06
HORTICULTURAL PEAT PRODUCTS	1,803	06/07
	1,701	05/06
BRIQUETTES	231	06/07
	230	05/06

Chairman's Statement continuing to maximise returns



It is with great pleasure that I present my annual report as Chairman of Bord na Móna p.l.c. I am pleased to report that Bord na Móna delivered another strong year in 2006/2007 and has embarked on a new era of growth and development. The Bord na Móna Group has begun to implement its Strategy to become a major player in the energy and waste management sectors while continuing to maximise returns from its traditional businesses and deliver enhanced value to its shareholders.

In 2006/2007, Bord na Móna achieved a number of exciting and significant milestones as part of the implementation of its strategic plan. These include:

- a new organisation structure which reflects the strategic focus is now in place;
- the Group concluded a very successful Private Placement of Debt in the United States which raised \$150 million (€117.5 million);
- an amendment to the Turf Development Act 1998 increased the Group's borrowing limit to €400 million;
- the Group acquired Edenderry Power at a cost of €79 million in December 2006. This 128 Megawatt station enables Bord na Móna to supply electricity generated from its traditional peat fuel while continuing to supply the ESB stations; and
- construction work commenced on a waste management project at Drehid, Timahoe, Co. Kildare.

Shortly after the year end, Bord na Móna completed the acquisition of Advanced Environmental Solutions (Ireland) Limited, a leading waste management company for €62 million. The latter project represents a major step in Bord na Móna's planned development of its waste management services. The Group also continues to assess other significant opportunities in line with its strategy.

The financial results showed a modest increase in turnover at €299.2 million for 2006/2007, reflecting the contribution from Edenderry Power Limited and this was achieved despite the protracted unscheduled outage at the West Offaly Power Station which impacted negatively on sales and profits. Costs of €3.7 million were incurred in the impairment of goodwill (€2.5 million) and reorganisation and redundancy (€1.2 million). Profit before tax in 2006/2007 at €29.2 million compares with €34.0 million for 2005/2006 and profit after tax in 2006/2007 at €24.8 million compares with €28.9 million in 2005/2006. The higher profits in 2005/2006 are accounted for by a number of once off gains in that year.

The Board accords priority to corporate governance based on best practice and emerging regulation and trends. A comprehensive risk management analysis was again undertaken and the outcome of the analysis was reviewed in detail by the Risk and Audit Committee and subsequently by the Board. The process confirmed that the Group has an appropriate and responsive system of internal controls to mitigate significant risks which acts to keep exposures at an acceptable level. I am confident that Bord na Móna has a very effective system of corporate governance.

Turnover
 €299.2 million

Profit before tax
 €29.2 million

The Company also paid a dividend to its shareholder, the State, during the year. This amounted to €3.9 million and was the first dividend paid by Bord na Móna p.l.c. This was a significant milestone in the history of the Group which celebrated its 60th anniversary in 2006.

I would like to thank my Board colleagues for their commitment and support during the year under review. I would like to congratulate Mr Paddy Fox and Mr Paddy Rowland, who were elected under the Worker Participation Acts and who were re-appointed to the Board with effect from January 2007. Mr Pat Kane and Mr Paudge Bennett were also elected at that time and were appointed to the Board from January 2007. Mr Pat McEvoy and Mr P J Minogue stood down as Directors during the year. Both had served as Directors for a period of twelve years, having been elected by their fellow employees under the Worker Participation Acts on three occasions. Both Pat and PJ made a valuable contribution to Bord na Móna during their terms on the Board. I would also like to take this opportunity to express my sincere thanks to the management team led by Mr John D Hourican, Managing Director. I thank John and his colleagues and all our employees, for their dedication and hard work in delivering an excellent year for the Group.

I would like to thank the outgoing Minister for Communications, Marine and Natural Resources, Mr Noel Dempsey, T.D for his ongoing support for Bord na Móna. I welcome his successor, Mr Eamonn Ryan T.D. I also express my appreciation to Mr Brendan Tuohy, Secretary General of the Department, Ms Sara White, Deputy Secretary General and the other officers of the Department for their interest and advice.

The Board is pleased to report the initial steps which have been taken in implementing the new strategic direction for Bord na Móna. We believe that this will secure the future of the Group and enhance the interests of the shareholders, management and employees. The Board is fully committed to the achievement of a successful and vibrant future for the Group by continuing to provide the environment and support which will facilitate the achievement of the strategy. We are also ready to play our part in contributing to a sustainable energy future for Ireland by contributing to the advancement of the energy policy agenda as set out in the White Paper: Delivering a Sustainable Energy Future for Ireland published during the year.

Fergus McArdle
 CHAIRMAN
 28 June 2007

Managing Director's Review positioning for the future

GROUP STRATEGY AND STRUCTURE

In my review of last year, I set out Bord na Móna's strategic intent and the path to its achievement. We are now starting to quicken our pace to create a Group which will play a leading role in providing products and services in the current and future energy, waste and environmental markets, primarily in Ireland but also overseas as the Group's businesses develop. During 2006/2007, we succeeded in taking a number of important steps towards meeting that objective.

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*John D Hourican, Managing
Director Bord na Móna at
Edenderry Power Limited.*

We re-shaped the organisation structure of the Group to reflect our new priorities and allocated responsibilities and resources for the various businesses in order to provide the necessary focus and expertise at business level to meet the Group's overall strategic objectives.

In June 2006, we completed a very successful Private Placement of Debt in the US market. The amount raised was US\$150.0 million (€117.5 million). This initiative was very well received in the financial community.

In December 2006, the necessary legislation to give effect to an increase in the Group's borrowing powers from €127 million to €400 million was enacted following approval by the Government.

Also in December 2006 we completed the purchase of Edenderry Power Limited from E.ON UK p.l.c. for a consideration of €79 million. The station has been in operation since 2000 and supplies 128 megawatts of electricity to the national grid, with Bord na Móna milled peat as its fuel. This acquisition represents the first major step in implementing our strategy to develop a significant presence in power generation in Ireland.

Over the course of the year we commenced construction of a technologically advanced managed landfill site at Drehid in County Kildare. The full realisation of this project will involve expenditure of some €50 million. The current phase of development involves expenditure of €18 million and will enable the facility to open for business later in 2007.

In May 2007, just after year-end, we completed the acquisition of Advanced Environmental Solutions (Ireland) Limited (AES), which represents a key element of Bord na Móna's strategy of diversification into the integrated waste management sector. The consideration for 100% of the share capital of the Company was €62 million. AES is one of Ireland's leading and largest waste management businesses, serving over 6,000 commercial customers and some 55,000 households through a network of waste transfer centres and recycling facilities. The business provides an integrated waste management offer encompassing consultation, collection, recovery and disposal with a strong emphasis on recycling.

Our programme to implement an Enterprise Resource Planning (ERP) system, which will provide the first-class business processes, administration, financial management and accounting systems required to support Bord na Móna into the future, continues on schedule.

These initiatives, together with current activities, will provide the financing and resources essential to support the Group's business development activities.

Our strategic intent entails the transformation of Bord na Móna from a reliance on its traditional, but largely mature, businesses of fuel supply for electricity generation, industrial and domestic heating and supply of growing media, to a Group with a primary focus on waste management and power generation with an emphasis on renewable sources of energy. The process of transformation has moved forward significantly in 2006/2007 and is expected to accelerate during the coming year.

OPERATIONAL AND FINANCIAL

Whilst implementation of the Government approved strategy of diversification and growth of the Group has been a major focus for Bord na Móna this year, I am pleased to report that our current traditional businesses continued to perform well during the period. Strong financial and operational performance continued in line with previous years.

The main financial features for the year were:

- turnover of €299.2 million up 1.2 % on the previous year (€295.7 million);
- earnings before interest, tax, depreciation and amortisation (EBITDA) of €45.4 million, down somewhat on the 2005/2006 figure of €53.0 million reflecting the forced outage at the West Offaly Power Station and one-off gains in the previous year;
- profit before tax of €29.2 million, €4.8 million down on the previous year;
- profit after tax of €24.8 million (8.3% of sales) compared with €28.9 million (9.8% of sales) in 2005/2006;
- in 2006/2007 gross operating cash flow before working capital movements at €45.4 million was €3.7 million down on the previous year. Working capital requirements of €6.8 million, net capital

expenditure of €16.3 million, investment in acquisitions of €79.5 million, corporation tax payments and interest costs of €6.2 million and a dividend payment of €3.9 million resulted in a cash outflow of €67.3 million for the year;

- reflecting in particular the acquisition of Edenderry Power Limited in December 2006, the Group had net borrowings of €55.1 million at year end, compared to net cash of €12.2 million at March 2006; and
- the Group paid a dividend to the shareholder of €3.9 million in the year.

A summary of the key Group financial results for the past three years has been:

	06/07 €000	05/06 €000	04/05 €000
Turnover	299,175	295,738	257,860
% change	+1.2	+14.7	+2.0
EBITDA	45,398	53,048	20,380
% change	-14.4	+160.3	-41.0
Profit Before Tax	29,207	34,043	4,011
% change	-14.2	+748.7	-74.9
Shareholders' Funds	235,480	206,165	150,581
% change	+14.2	+36.9	-7.8

In the 2006/2007 financial year 50% of the Group's turnover came from its traditional peat based business as compared to 52% in the previous year.

The Group's traditional businesses of peat supply for Energy, Fuels and Horticulture remain fully focussed on extracting maximum value from these activities by pursuing improved efficiency and investing in enhancement opportunities. The newer business areas reflecting strategy implementation are naturally in an earlier phase of development. The main developments during the year to end March 2007 in each of the business areas are detailed overleaf.

Operational Review energy

The major development in this area was the completion of the purchase of Edenderry Power Limited from e.ON UK p.l.c. during the year. The station has been in operation since 2000 and produces 128 Megawatts of electricity which supplies circa 3% of Ireland's national requirement. It employs 45 people directly and a further 250 indirectly through supplies to and services provided for the plant. Utilising modern fluidised bed boiler technology enables the plant to achieve a highly efficient rate of energy conversion with consequent reduction of emissions per kilowatt hour generated. The acquisition was completed in December 2006 following an extensive due diligence process and after receiving the necessary approval of the shareholders. The station contributed turnover of €8.9 million in the year 2006/2007 to Bord na Móna. The acquisition represents the first major step in implementing our strategy to develop a significant presence in power generation in Ireland and we are actively pursuing other complementary projects.



Energy Sales

€83.6 million

Peat volume sales in tonnes

3.3 million



The Energy Division also produces and sells milled peat feedstock for the generation of electricity at the three peat burning power stations, the ESB stations at West Offaly and Lough Ree and the Company's station at Edenderry Power Limited. The ESB station at West Offaly experienced a significant outage during the year due to technical issues. This impacted on overall sales which were therefore below expectations for the year. Sales to Edenderry were close to the annual target during the period. Overall sales to power stations in 2006/2007 were 2.4 million tonnes compared to sales of 2.8 million tonnes for 2005/2006.

The generation of electricity from peat reflects Government policies on the use of economic indigenous energy and on strategic diversification of the fuels used in energy supply. This has become more significant as the price of imported energy rose sharply during the period. In addition, Ireland is now dependent on imports to meet 90% of its energy requirements.

On renewable energy, including wind energy and biomass, the Group continued to pursue its strategic objectives during the period.

Bord na Móna owns 88.5% of Renewable Energy Ireland Limited which operates a 6.45 MW wind farm in Co. Mayo, which was the first commercial wind farm established in Ireland.

The Group has full planning permission to develop one of the largest wind farms in Europe at this location which will deliver 320 MW of electricity when fully operational. The Group is also testing the feasibility of a wind farm development on its lands at Mount Lucas in Co. Offaly and evaluating the potential for similar projects on its other landholdings.

Wind farm developments provide an attractive solution to Ireland's growing energy needs, providing environmentally friendly energy based on indigenous resources. Ireland provides ideal wind availability for wind farms.

A critical prerequisite to their development is the availability of timely and economic connection to the national electricity grid. The current system of allocating grid connection is not conducive to the development of wind farms in Ireland. Bord na Móna has made submissions to the Commission for Energy Regulation suggesting necessary reforms in relation to the regulatory framework. This issue is made all the more critical in view of the impending all-island electricity market which is due later this year.

Last year, Bord na Móna established a trial in the production of biomass suitable for energy generation on certain of its cutaway peatlands and monitoring of this experiment continued during the year. The Group notes the target adopted by the Government for replacement of generating electricity from renewable materials and is fully committed to supporting the achievement of this target. In this context, Bord na Móna will pursue the use of its generating station at Edenderry as a trial site for the use of biomass to generate electricity.

The Energy Division also supplies other Bord na Móna companies with peat as raw material for the manufacture of horticultural products and briquettes.

The principal activities in ongoing businesses during the year were:

- Volume sales of 3.3 million tonnes of peat of which,
 - 1.4 million tonnes were supplied to the Electricity Supply Board for power generation,

- 1.0 million tonnes were supplied to Edenderry Power Limited for power generation,
- 0.4 million tonnes of milled moss peat were supplied to Bord na Móna Horticulture Limited,
- 0.5 million tonnes were supplied to Bord na Móna Fuels Limited for the manufacture of peat briquettes;
- the production target of 3.7 million tonnes of milled peat in the summer of 2006 was achieved. This compared with 3.9 million tonnes harvested in the summer of 2005. This was the fourth year in succession that the target was fully achieved. The target is adjusted from year to year to take account of stock levels and anticipated demand; and
- The Fuel Sales Agreements in respect of the peat fired stations, as approved by the Commission for Electricity Regulation, continued to operate during the year.

Bord na Móna retains an agreement with Shell E & P Ireland for the deposition of approximately 450,000 cubic metres of peat from the site for the Shell gas terminal at Bellanaboy in Co. Mayo on the Company's Srahmore bog in the Bangor Erris area. The operation of this contract was affected by the ongoing controversy surrounding the building of the gas terminal. However, work on the contract recommenced in March 2007.

Capital Expenditure: Capital expenditure included the replacement of plant for existing bog and transport operations.

Research and development: The principal areas of R&D were in improvements in peat extraction and transport and in activities related to emerging renewable energy technologies, including biomass and hydrogen.

Operational Review environmental global

This Division is responsible for implementing Bord na Móna's strategy in waste management. The realisation of this strategy will take a significant step forward with the construction and opening of the waste management facility at Drehid, Timahoe, Co. Kildare. This work commenced during 2006/2007 and the first phase will open for business later this year. The facility will comprise a fully enclosed composting plant primarily to handle biowaste from household, commercial and industrial sources and a residual landfill.

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completed the
acquisition of

Advanced Environmental Solutions Limited



Revenue
€33.4 million

In line with the strategy for this business area, the Group recently completed the acquisition of Advanced Environmental Solutions Limited (AES) for €62 million. AES is a leading waste management business, serving over 6,000 commercial customers and some 55,000 households through a network of waste transfer centres and recycling facilities, mainly in the Irish midlands. The business provides an integrated waste management offer encompassing consultation, collection, recovery and disposal with a strong emphasis on recycling. The acquisition represents a significant milestone in our strategic intent to develop a fully integrated waste management business. The process of building on the synergies between AES and our current businesses is fully underway.

The Environmental business also provides solutions in the areas of wastewater treatment and air pollution abatement systems. In addition the business provides laboratory and technical services. It caters for a broad range of domestic, industrial and municipal clients in Ireland, the UK, Continental Europe and the USA.

Revenue from sales in the year 2006/2007 was €33.4 million compared to €27.5 million for the previous year. Of this revenue, 33% was generated in Ireland, 49% in the UK, and 18% in the USA.

The main sections of the current environmental business are described below as are the key developments in the 2006/2007 financial year. Performance in the year improved on 2005/2006 notwithstanding ongoing difficult market conditions, particularly in the UK market.

In Ireland, strong performance was recorded in the small scale wastewater treatment sector with sales and profitability significantly up on budget and on prior year.

The technical services business, which provides laboratory and analytical services, environmental monitoring and consultancy experienced significant competition from large scale competitors and resulted in lower than budgeted sales.

In the United States, where the Company also operates in the small scale sector, a similar strong performance was achieved and this business continues to expand.

In the UK, continuing procurement delays in the Asset Management Programme for the water industry continue to impact on sales in both the large scale wastewater and clean air solutions businesses. Resources were deployed to product and service development for the businesses, principally Membrane Bio-reactors (MBR) and Hybrid-Submerged Aerated Filters (HSAF) and these products were successfully launched and have generated promising sales towards the year-end.

Quality: The environmental testing laboratory is accredited to the ISO 17025 standard. The small-scale wastewater treatment unit in Ireland also holds Agrément accreditation for all of its products. Brightwater Engineering is accredited to BS EN ISO 9001: 2000 and Investors in People.

Capital Expenditure: The business invested mainly to cater for development of new businesses and product expansion over the course of the year. The level of expenditure was proportional to the potential returns from the business.

Research and development: Significant investment in the area of research and development was made in the business in order to enhance the existing suite of products and develop new technologies to capitalise on emerging market opportunities.

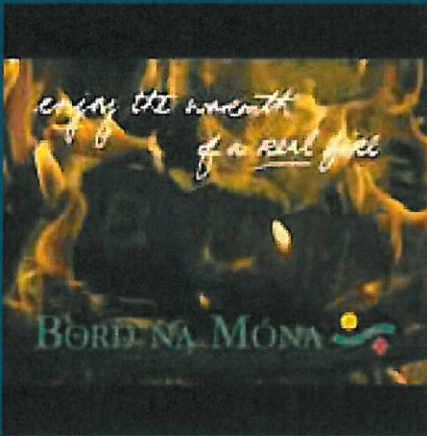
Construction commenced of a technologically advanced managed landfill site at Drehid in County Kildare.

Operational Review fuels

This Division manufactures and markets peat briquettes, imports and distributes coal and operates an oil distribution business. It also manufactures and distributes a range of convenience products including firelighters, Firelog and Firepak[®].

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Derrinlough-Erriqueva Factory.



Sales to third parties
€124.3 million



Sales to third parties for the year were €124.3 million compared to €129.5 million in the previous year, with some resulting reduction in profits.

Notable issues during the year were:

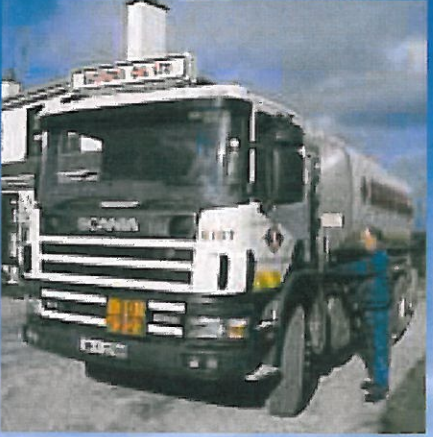
- unseasonably mild weather conditions throughout the period impacted negatively on sales volumes for solid fuels;
- sales of our Firelighters, Firelog and Firepak[®] products grew strongly although the value of sales is relatively low in absolute terms; these products are designed to meet the needs of the convenience market; and
- oil sales fell significantly over the period also due to the mild weather during key sales months.

Quality: Bord na Móna Fuels is accredited with ISO 9002 for its peat briquette business. It holds the Q-Mark based on business excellence from Excellence Ireland for its peat and coal businesses. Suttons Oil Limited holds the Q-Mark for service quality. Bord na Móna Fuels Limited is an active member of the Irish Centre for Business Excellence. The division also has the FÁS Excellence Through People accreditation.

Capital Expenditure: Capital expenditure during the year continued to focus on improving productivity in briquette manufacturing, coal yard operations and the manufacture of Firelighters and Firepak[®] by increasing automation.

Research and development: The principal areas of R&D have been in technical development of production-related processes, improving convenience retail products and product development to meet emerging consumer needs. The business is devoting considerable effort to developing wood based fuel products to serve the growing market sector for renewables and sourced and test marketed a wood pellet product.

wood based
 fuel products
 a growing market sector



Operational Review horticulture

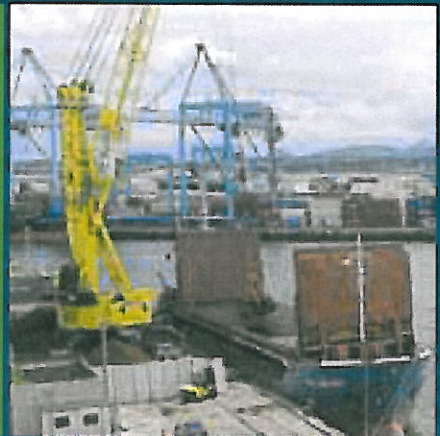
This Division produces and markets peat based growing media products for professional horticultural growers, for retail suppliers and for hobby gardening. Over 90% of the business is in export markets. The business also supplies significant quantities of bark products to the hobby gardening sector. The market has become increasingly competitive in recent years and a focus on product development and innovation is required. In addition, a focus on potential markets in southern Europe is being explored.

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Loading of bulk peat for shipment at Bord na Móna, Bulk Storage Facility, Dublin Port.



recognised as a leader in
product
development



Revenue
€53.2 million

The Company completed a fundamental review of the business during the period and is developing a number of initiatives to achieve increased efficiency and to create new business opportunities, including joint ventures and opening new markets. However, this market sector in general is experiencing a difficult period and presents an additional challenge for the business.

Sales revenue for the year amounted to €53.2 million compared with €51.3 million in the previous year. Horticulture sales are dependent on favourable weather at specific times of the year e.g. Easter. The improved sales performance reflects good weather experienced at these critical periods during 2006/2007, particularly in the UK. Margins were also under pressure as all markets are very competitive.

The business is responding to market demand for incorporation of other organic materials into the peat based products. Bord na Móna operates a technologically advanced composting facility at Kilberry, licensed by the Environmental Protection Agency. This facility processes green waste from the wood, food and drinks industry and converts this into a finished product for use in compost products produced by the business. The facility is designed to compost a wide range of organic material in a secure and environmentally safe process.

Quality: Bord na Móna Horticulture Limited has ISO 9002 and Q-Mark accreditation at its Cúil na Móna, Kilberry and Ballivor plants and at its Dublin Port facility.

Capital Expenditure: Capital expenditure was mainly related to factory improvement and equipment replacement and to the Kilberry facility.

Research and development: Bord na Móna Horticulture Limited is recognised as a leader in product development and in product reliability. R&D in 2006/2007 continued to focus on research into converting suitable organic material by biological treatment for use as a diluent for peat. For example, the potential of a wood-fibre product to complement our current diluent materials is being examined.