Operational Review
other businesses

Aggregates
A joint venture with Roadstone Provinces Limited which provides for the extraction and marketing of sand and gravel deposits on Bord na Móna land in Co. Westmeath continued trading satisfactorily during the 2006/2007 financial year.

Small enterprises
Bord na Móna Energy Limited operates a range of small enterprises with a combined turnover of €5.5 million in 2006/2007 compared with €5.6 million in 2005/2006. These include operation of ash landfills for the power stations, engineering services and the Clonmacnoise and West Offaly tourist railway.

Investment for the future
Capital expenditure for 2006/2007 amounted to €17.1 million (€17.6 million in 2005/2006). The major areas of investment in each of the businesses are outlined above in the relevant sections. In addition, the roll-out of the ERP system continued during the period and some €2.1 million was expended on this project.

Research and development: In 2006/2007 Bord na Móna spent some €2.4 million on research and development including new business development, exclusive of grants (compared with €2.3 million in 2005/2006). The major areas of investment are outlined above in the sections on each of the businesses. Seven people are employed full-time on research and development and a further twelve part-time.

Funds from Operating Activities
The Group generated cashflow of €38.6 million from operating activities in 2006/2007 compared to €45.3 million in the previous year.

	06/07 €million	05/06 €million
Net cash flow from operating activities	38.6	45.3
Capital expenditure and acquisitions	(95.8)	(11.9)
Other	(6.2)	(1.7)
Dividend paid	(3.9)	-
(Decrease)/increase in net cash	(67.3)	31.7

At year end, the Group had net borrowings of €55.1 million due mainly to the acquisition of Edenderry Power Limited. The Group's balance sheet remains strong. The detailed cash flow statement is given on page 35 supported by Note 20 to the Financial Statements.

Capital structure and treasury policy
Net Borrowings reached a peak of €60 million during the year compared with a peak of €21 million in the previous year. Bank interest and similar charges were €1.4 million compared with €0.5 million in the previous year.

Treasury policy for the Group is approved by the Board and implemented and monitored by the Group Treasury function. The Board's policy is to minimise funding costs while maintaining flexibility in volatile markets, always subject to acceptable levels of treasury risk. Year-end debt was mainly at fixed interest rates. Balance sheet exposure in relation to foreign currency investments is hedged as far as possible by borrowings in the same currency as the underlying net assets.

At year end the Group had $150 million (€117.5 million) fixed rate debt raised on the US Private Placement debt market. In order to fully hedge the associated US dollar exchange rate exposures and convert the underlying interest rates to fixed, the Group entered into a number of cross currency swaps to match the maturity profile of the debt.

The maturity profile of debt at year-end was17% repayable in June 2013, 40% repayable in June 2016 and 43% repayable in June 2018.

The Group nets foreign currency cash flows to minimise overall exposure and has adopted a selective hedging approach in managing this exposure to secure the euro value of receivables and payables.

Pensions
The Group operates pension schemes covering the majority of employees which are funded by contributions from the employer and the members. Contributions are based on the advice of a professional actuary obtained at regular intervals. The General Employees' Superannuation Scheme (GESS) is currently in deficit and discussions with employee representatives on a range of pension initiatives to improve the security of pensions promises to employees including the funding of this deficit are ongoing. The Pensions Board and other key stakeholders were kept advised of these developments. In view of the funding position of the GESS, no pension increases were proposed by the Trustees of the Scheme since July 2002.

Capital Expenditure
€17.1 million

Cashflow from Operating Activities
€38.6 million

In view of a continuing improvement in the funding position of the Regular Works Employees' Superannuation Scheme during 2006/2007, the Scheme Trustees proposed an increase in pensions of 2% with effect from 1 July 2006 and this was approved by the Board and Minister for Communications, Marine and Natural Resources with the consent of the Minister for Finance.

Financial Reporting Standard 17 'Retirement Benefits' is dealt with at Note 25 on pages 51 to 55.

Conclusion

Bord na Móna continues to be the most important source of indigenous energy in Ireland. This assumes even greater significance when one considers that Ireland relies on imported energy sources for approximately 90% of its needs. These sources have been subject to volatile market conditions in the recent past. The continued availability of peat based energy in the medium term continues to be of strategic national importance. The importance of developing a sustainable energy future for Ireland was recognised this year in the publication of the Energy Green Paper by the Government which was quickly followed by the White Paper: Delivering a Sustainable Energy Future for Ireland.

In our submission as part of the consultation process for these Papers, Bord na Móna highlighted the principal areas of energy policy which we believe should be the focus of attention, and clearly defined action plans, in this policy area as:

- technical and capacity upgrade of the electricity grid in order to encourage and support the introduction of additional generation from renewable sources;
- promotion of the development and diversified ownership of a much more flexible generation portfolio;
- introduction of a range of support mechanisms which will ensure the adequate supply of bioenergy materials, especially to the heat and power sectors; and
- taking a leadership role in policy support for the development of waste to energy, and the recovery of biofuels from the waste stream.

We are pleased to note that these themes are incorporated in the policy proposals and targets set out in the White Paper. I believe that Bord na Móna has the capability and the will to play a leading role in improving Ireland's position in regard to security of supply, environmental sustainability and economic competitiveness in the energy sector. This is a key strategic intent of Bord na Móna.

The year 2006/2007 was a very significant year for the Company. The twin pillars of the future were established with the acquisition of Edenderry Power Limited in December 2006 and the work on acquiring a major waste management company virtually completed, subsequently resulting in the purchase of AES. The management team was strengthened by a number of key appointments at senior level.

The Company responded well to the challenges presented by the technical problems with the ESB power stations and elsewhere in our various businesses. It is opportune for me to acknowledge the outstanding contribution of our employees, without whom we would have no business. I thank them and their Trade Union representatives for their continuing commitment to Bord na Móna and its future. I thank all of our customers for their continuing support.

As the Group moves into new businesses and builds a sustainable future, fresh challenges need to be faced, such as pension reform, access to capital to fund the planned diversification and growth and modification of attitude to risk and reward for the various stakeholders.

I look forward with great confidence to the future.

John D Hourican
Managing Director
28 June 2007

environment report

Environmental policies

Bord na Móna bases its operations on a set of principles in accordance with which it:

(a) Seeks to carry out all its activities in the most environmentally responsible fashion.

(b) Does not produce peat on any peatland considered to be of conservation interest and assists the State in preserving substantial areas of bogs of ecological or scientific interest.

(c) Will not acquire any new bogs and will produce only from bogs where drainage development has already taken place.

(d) Is committed to planning for the environmentally sustainable after-use of cutaway bogs, carries out research to this end, and implements its plans as areas of cutaway become available.

(e) Acts responsibly in relation to remains of archaeological value on its land.

(f) Researches the effects of peatland exploitation and after-use on the greenhouse gas balance.

(g) Participates in international co-operation on environmental issues.

Carrying out activities in an environmentally responsible way

Bord na Móna mitigates to the maximum extent possible the effect of its ongoing operations on wildlife habitats, air quality, water quality, the wetland archaeological resource and the environment in general.

After-use of cutaway bog

Some 22% (18,000 hectares) of Bord na Móna's landholding has reached the cutaway stage and has been rehabilitated into alternative uses. The primary use to which the cutaway has been put to date is to recreate acidic wetlands similar to the area's original condition (9,044 hectares).

The main area rehabilitated in this initiative has been the Group's lands in North West Mayo (5,600 hectares), where peat production ceased in 2003. The rehabilitation plan for these lands, based on scientific study and consultation with a wide range of interested parties and statutory bodies, was approved by the E.P.A. in 2003. The main objective of the rehabilitation programme of work was the re-wetting of the exposed bog surfaces which encourages the re-establishment of typical peatland plants and accelerates the rate of re-vegetation.

By contrast, alternative uses for the cutaway peatlands located in the midlands of Ireland, include forestry - both plantation and natural afforestation, grassland and wetland wilderness. There are some 6,000 hectares of forestry and 2,500 hectares of wetlands. A further 2,500 hectares were transformed into grassland and subsequently sold.

Each area of emerging cutaway is unique as regards its drainage potential, the nature of the residual peat and the nature of the sub-soils. Bord na Móna is committed to the long-term integrated planning of the emerging cutaways to maximise their environmental and economic potential.

Up until the 1990s, research focused on developing the technology to convert suitable areas of cutaway to productive grassland. The technology has been perfected but current EU policies render further development commercially unattractive. Current research is focusing on developing technologies to utilise the natural regeneration of birch forests as a source of wood energy for co-fuelling in the peat power plants.

Conservation of bogs

Bord na Móna's conservation policy is set out in a formal statement published in 1997. As part of its policy on the environment Bord na Móna is committed to preserving representative examples of bog types and areas of special natural beauty and significance. To date up to 7,000 hectares of Bord na Móna land has been transferred to the National Parks and Wildlife Service for conservation.

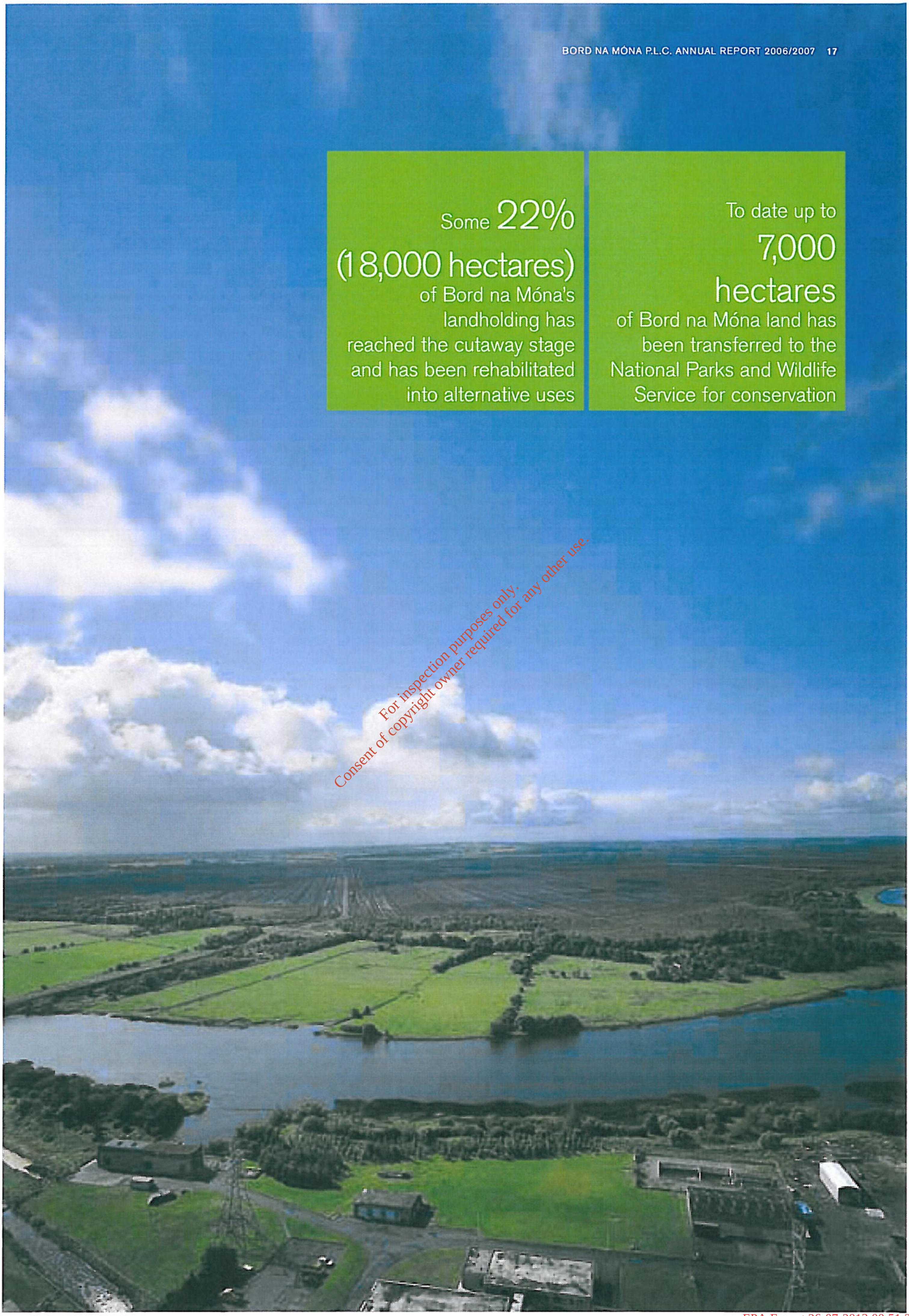
Environmental expenditure

In the 2006/2007 financial year the Group's operating costs included some €6.1 million spent on environmental protection (€7.4 million in 2005/2006). As outlined in Note 17 on page 46 the Group has provided €11.2 million for environmental reinstatement costs related to the after-use of cutaway.

Bord na Móna attaches great importance to environmental matters and a more detailed environmental report can be found in a separate Corporate Social Responsibility Report which is published concurrently with this Report.

Some 22% (18,000 hectares) of Bord na Móna's landholding has reached the cutaway stage and has been rehabilitated into alternative uses

To date up to 7,000 hectares of Bord na Móna land has been transferred to the National Parks and Wildlife Service for conservation



The Board

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01 Fergus McArdle, (Chairman)
Fergus McArdle (53) was appointed to the Board in November 2002 and as Chairman in September 2004. He is a senior partner in KMR Registered Auditors. He is a Fellow of the Chartered Association of Certified Accountants since 1978. He has a portfolio of personal business interests with directorships in Manufacturing, Service and Property Companies. He also serves on not-for-profit, commercial business, sporting and charitable bodies.

02 John D. Hourican, (Managing Director)
John Hourican (60) joined Bord na Móna in 1989 as Chief Financial Officer. He previously worked in Wavin Ireland and Wavin B.V., subsidiaries of Royal Dutch Shell B.V., and before that in the European arm of a US electronics company DTS Incorporated. He was appointed Director of Finance and Corporate Development in 1999 and became Managing Director in January 2001. He is a Fellow of the Chartered Institute of Management Accountants and a Fellow of the Chartered Association of Certified Accountants.

03 Paudge Bennett
Paudge Bennett (53) was appointed to the Board in January 2007 under the Worker Participation (State Enterprises) Acts 1977 and 1988. He joined Bord na Móna as a seasonal worker in 1973 and became a member of permanent staff in 1975. He has been a Storeman in Boora Works since then. He served as a Trustee of the Bord na Móna Pension Schemes for 11 years until 2006.

04 Paschal Campbell
Paschal Campbell (49) was appointed to the Board in November 2002. He is Managing Director of Campbell's Londis Foodstore Limited. He is a director of Woodlane Development Limited, Cois Callow Building Co. Limited and Campbell's Properties. He is a former President of Birr Chamber of Commerce.

05 Gabriel Cribbin
Gabriel Cribbin (61) was appointed to the Board in September 2005. He is joint owner and Managing Director of Summerhill Lawns which provides gardening services. He was a member of Meath County Council for the past 20 years and also chaired the Meath County Development Board.

06 Johanna Downes
Johanna Downes (58) was appointed to the Board in November 2002 and is a Clinical Nurse Manager at University College Hospital, Galway. She is a member of the City Sports Partnership, the Business and Professional Women's Association, a member of the Finance Committee of National Breast Cancer Research Ireland and a member of Galway R.A.P.I.D. She is also involved in community and sporting activities.

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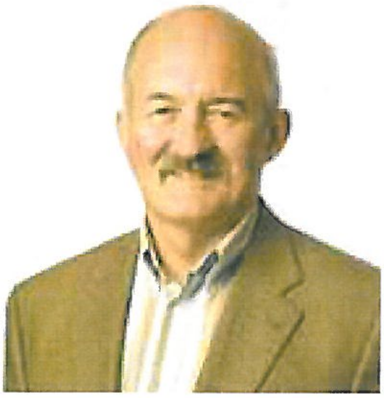

07 Paddy Fox
Paddy Fox (58) was appointed to the Board in January 1999 and reappointed in 2003 and 2007 under the Worker Participation (State Enterprises) Acts 1977 and 1988. He joined Bord na Móna as a seasonal worker in 1970 and became a member of permanent staff in 1975. He has been a team leader since 1990. He holds a Diploma in Management and Industrial Relations.

08 Anne Heraty
Anne Heraty (47) was appointed to the Board in September 2004. She is Chief Executive Officer of CPL Resources p.l.c., which provides recruitment and outsourcing services across a range of disciplines and sectors offering specialist labour market knowledge and expertise. She is a non-executive director of FORFAS and of Anglo Irish Bank p.l.c.

09 Pat Kane
Pat Kane (57) was appointed to the Board in January 2007 under the Worker Participation (State Enterprises) Acts 1977 and 1988. He joined Bord na Móna as a seasonal worker in 1965 and was made permanent in 1966. He has worked in various positions within the Company.

10 Pam Kearney
Pam Kearney (56) was appointed to the Board in September 2005. She is a partner in Optimum Asset Managers which specialises in the structuring and management of property and equity investments. She is a Fellow of the Chartered Association of Certified Accountants and an Associate of the Institute of Taxation in Ireland. She is a director of a number of companies and previously served as a director of Coillte and a member of the Governing Body of DIT.

11 Paddy Rowland
Paddy Rowland (39) was appointed to the Board in January 2003 and reappointed in January 2007 under the Worker Participation (State Enterprises) Acts 1977 and 1988. He joined Bord na Móna in 1984 as an apprentice fitter. He is currently a Draughtsman in the Peat Energy Division. He is Secretary of the Bord na Móna Amicus Group. He is also a member of Tullamore Town Council since 2004.

12 Rory Scanlan
Rory Scanlan (61) was appointed to the Board in May 2002. He is a sales and management consultant and author of "Professional Selling Skills". He is a director of Ordnance Survey Ireland and several private companies and has previously served as a director of a number of State bodies including Foir Teoranta and An Bord Trachtala.

Directors' report

Introduction

The Directors present their report and the audited financial statements of Bord na Móna p.l.c. for the period from 30 March 2006 to 28 March 2007.

Principal activities and review

The Group supplies electricity generated from peat at its generating station and supplies peat as a fuel to other electricity generating stations. It also supplies waste management services, peat briquettes, coal and oil, horticultural products, and pollution abatement products, environmental consultancy and commercial laboratory services.

The Chairman's Statement on pages 2 and 3, the Managing Director's Strategy, Operational and Financial Review on pages 4 to 15 contain a review of the development of the Group's business during the year, of the state of affairs of the businesses at 28 March 2007, of recent events and of likely future developments.

Results for the period	€000
Profit available for distribution	24,631
Dividend paid	(3,850)
Profit retained for financial year	20,781

Details of the financial results of Bord na Móna p.l.c. for the period 30 March 2006 to 28 March 2007 are given on pages 31 to 55.

Directors

Policy in Bord na Móna is determined by a twelve member Board appointed by the Government. The names of the persons who were Directors during the period are set out below.

Fergus McArdle, Chairman

John D Hourican, Managing Director

Paudge Bennett – Appointed 1 January 2007

Paschal Campbell

Gabriel Cribbin

Johanna Downes

Paddy Fox

Anne Heraty

Pat Kane – Appointed 1 January 2007

Pam Kearney

Pat McEvoy – Term of office expired 31 December 2006

P J Minogue – Term of office expired 31 December 2006

Paddy Rowland

Rory Scanlan

Corporate Governance

As part of its commitment to quality the Group has continued to implement best practice in relation to the conduct of its business and in relation to financial and general reporting.

The Group complies with the provisions of the Department of Finance's "Code of Practice for the Governance of State Bodies" and has applied the principles of good corporate governance.

Board meetings

The Board met thirteen times during the financial year.

Committees of the Board

There are three standing Committees of the Board which operate under formal terms of reference.

The members of the *Risk and Audit Committee* as at 28 March 2007 were Anne Heraty (Chairperson), Paschal Campbell and Gabriel Cribbin. In addition, the Committee retained John Bourke as a special adviser. The Committee meets periodically with the internal auditor and the external auditors to discuss the Group's internal controls, the internal audit function, the choice of accounting policies and estimation techniques, the external audit plan, the statutory audit report, financial reporting and other related matters. The internal auditor and external auditors have unrestricted access to the Risk and Audit Committee.
The Chairperson of the Committee reports to the Board on all significant issues considered by the Committee and the minutes of its meetings are circulated to all Directors. The Committee met five times during the financial year.

The *Remuneration Committee* deals with the remuneration and expenses of the Managing Director and senior management within Government guidelines. The members as at 28 March 2007 were Fergus McArdle (Chairman), Paddy Fox, Pat Kane and Rory Scanlan. The Managing Director, John D Hourican attends the Committee except when his own position is being discussed. The Committee met nine times in the year ended 28 March 2007.

The *Finance Committee* considers the financial aspects of matters submitted to the Board and the procurement, disposal and leasing of land, buildings and facilities. The members as at 28 March 2007 were Fergus McArdle (Chairman), Paudge Bennett, Johanna Downes, John D Hourican, Pam Kearney and Paddy Rowland. The Committee met nine times during the financial year.

From time to time the Board also establishes temporary Committees to deal with specific matters under defined terms of reference. A Committee which was established to consider matters related to the Employee Share Ownership Plan met on one occasion in 2006.

Attendance at Board and Committee Meetings

The table below summarises the attendance of Directors at Board and Committee meetings which they were eligible to attend during the year ended 28 March 2007.

Director	Board Meetings Attended/Eligible	Committee Meetings Attended/Eligible
F McArdle, Chairman	13/13	19/19
J D Hourican, Managing Director	13/13	8/9*
P Bennett	4/4	1/1
P Campbell	8/13	5/5
G Cribbin	9/13	2/5
J Downes	12/13	10/10
P Fox	13/13	10/10
A Heraty	7/13	5/5
P Kane	4/4	N/A**
P Kearney	11/13	8/10
P McEvoy	8/9	8/8
P J Minogue	9/9	5/5
P Rowland	12/13	8/9
R Scanlan	11/13	8/9

* Mr Hourican was also in attendance at 8 of the 9 Remuneration Committees held in the year.

** Mr Kane was appointed to the Remuneration Committee and attended meetings after the year end.

Financial Risk Management

The Group's operations expose it to a variety of financial risks that include the effects of changes in 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 foreign exchange exposure together with debt finance and the related finance costs.

In order to ensure stability of cash outflows and hence manage interest rate risk, the Group has a policy of maintaining at least 50 per cent of its debt at fixed rate. At March 2007, the Group had fixed 99% (2006: 99%) of its debt. 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 no exposure to equity securities price risk as it holds no listed or other equity investments.

Foreign exchange risk

Bord na Móna's reporting currency and its share capital are denominated in euro. The Group is exposed to foreign exchange risks in the normal course of business, principally on the sale and purchase of both sterling and US dollar. Certain natural economic hedges exist within the Group, for example, a proportion of the purchases by certain of its Irish businesses are both sterling and US dollar denominated. The Group did not hedge the remaining translation exposure during the financial year ended 28 March 2007.

Directors' report

CONTINUED

The Group has investments in sterling and US dollar operations which are cash generative. The Group seeks to manage the resultant foreign currency translation risk through borrowings denominated in the local currency.

The Group had $150,000,000 fixed rate debt which was fully hedged by cross currency swaps.

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's operations are highly cash generative. The Group has historically utilised this cash to retire medium and long term debt and to fund capital expenditure. Following on the completion of the private placement of debt in 2006, the Group is now primarily financed by long-term debt with maturities between 2013 and 2018. The Group has sufficient access to further sources of short, medium and long-term debt to enable it to fund both existing 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 assets which earn interest at a variable rate. The Group has a policy of maintaining at least 50% of debt at fixed rate to ensure 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. Through a series of interest rate swaps, the Group has fixed the interest rates on its long-term debt.

Directors' responsibilities for financial statements

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 that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish Statutes 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The measures taken by 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 registered office of the Company.

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

Internal Controls

The Directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. These systems are designed to ensure that transactions are executed in accordance with management's authorisation, that reasonable steps are taken to safeguard assets and to prevent fraud, and that proper financial records are maintained. These systems are designed to manage risk and can give reasonable, but not absolute, assurance against material error.

The principal procedures which have been put in place by the Board to provide effective internal control include:

- clearly defined management responsibilities have been established throughout the Group and the services of qualified personnel have been secured and duties properly allocated among them;
- a statement of decisions reserved to the Board;
- a process is in place whereby business risks are identified and their implications evaluated;
- a formal budgeting process for each Subsidiary and the Group Centre culminating in an annual Group budget approved by the Board;
- actual performance against budget is reported monthly to the Board;
- procedures are in place for addressing the financial implications of major business risks, including financial instructions, delegation practices, and segregation of duties and these are supported by monitoring procedures;

- management at all levels is responsible for internal control over its respective business functions;
- procedures for monitoring the effectiveness of the internal control systems include the work of the Risk and Audit Committee, management reviews, the use of external consultants, and internal audit; and
- defined procedures for the appraisal, review and control of capital expenditure.

Internal audit monitors the Group's control systems by examining financial reports, by testing the accuracy of transactions and by otherwise obtaining assurances that the systems are operating in accordance with the Group's objectives.

The Board has reviewed the effectiveness of the systems of internal control up to the date of approval of the financial statements. In particular, the Risk and Audit Committee and Board reviewed the outcome of a risk management evaluation carried out by management during the year. The evaluation identified the major risks inherent in the Group's business and assessed the controls to mitigate those risks. In general, adequate controls were found to exist and where new controls were required these are being implemented.

Going Concern
The Directors have reviewed the Group's businesses and other relevant information and confirm that Bord na Móna p.l.c. has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

Directors' and Secretary's Shareholdings
The Directors and Secretary and their families had no interests in the shares of Bord na Móna p.l.c. or any other Group company during the year ended 28 March 2007.

Codes of Conduct
The Code of Conduct for Employees continued in place during the 2006/2007 financial year. A Code of Conduct for Directors was adopted in April 2002 and remains in place.

Human Resources
Bord na Móna seeks to implement its human resources policies through participative structures and with an emphasis on personal development and performance. It aims to provide employees with a working environment characterised by respect and with competitive take-home pay using performance-related systems.

In the year under review Bord na Móna maintained its partnership relationship with its employees and their Trade Union representatives. Both sides recognise that this approach has delivered sustained results for the Group, and allowed the Group to continue its policy of enhancing working conditions and future prospects for its employees.

The Group has a policy of constantly improving health and safety in the workplace by fully integrating health and safety best practice into business management at all levels.

A full report on human resources matters is contained in the Report on Corporate Social Responsibility which is published concurrently with this Report.

Quality and Customer Service
The Board has adopted a policy that Bord na Móna will voluntarily obtain the relevant ISO accreditation and/or other relevant accreditation for all its activities. Details of the accreditations in place are given above in the sections on each of the businesses

The Group has adopted the *Code of Practice for the Delivery of Services to Customers of Commercial State Companies.*

Accounting Records
The measures taken by the Directors to secure compliance with the Group's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at the Group's registered office, Main Street, Newbridge, Co Kildare.

Payment of Accounts
The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the European Communities (Late Payment in Commercial Transactions) Regulations 2002 ("the Regulations"). Procedures have been implemented to identify the dates upon which invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the Regulations. The payment policy during the year under review was to comply with the requirements of the Regulations.

Auditors
Following a tender competition carried out in the course of the year, the Board re-appointed PricewaterhouseCoopers as auditors to the Group, with the approval of the Minister for Communications, Marine and Natural Resources.

Signed:

Fergus McArdle	John D Hourican
Chairman	Managing Director
28 June 2007	

Senior Management

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01 John D Hourican
Managing Director
See page 18

02 Michael Barry (50),
Director of Finance and Corporate Services
Michael Barry joined Bord na Móna in 2005. Previously he was Chief Financial Officer of Medisys p.l.c., a London Stock Exchange listed medical devices company and prior to that was Group Vice-President Finance of Elan Corporation p.l.c.. He is a Fellow of the Institute of Chartered Accountants in Ireland.

03 Pat Downes (42),
Director of Fuels
Pat Downes joined Bord na Móna in 2007. Previously he was Managing Director of the Baxi Group. Prior to that he was Managing Director of Potterton Myson (Irl) Limited. He holds a B.Arts., M.B.A., H.Dip.Marketing Practice., Dip M.I.S. He is a Fellow of the Chartered Institute of Marketing and a Fellow of the Royal Society for Arts, Manufactures & Commerce. He is also a member of the Institute of Directors and the Corporate Governance Association of Ireland.

04 Dermott Kelly (55),
Director of Energy
Dermott Kelly joined Bord na Móna in 2006 and was previously General Manager of e.ON p.l.c.'s operations in Ireland where his responsibilities included the Edenderry Power Plant. Prior to joining e.ON, he worked with Y.T.L. Power International and Y.T.L. Cement in Malaysia as Project Director. He has a background in Civil Engineering having spent over 20 years with John Laing Civil Engineering and John Laing International where he was Project Manager on large scale civil engineering projects throughout the U.K. and internationally.

05 Colm O'Gógáin (54),
Director - Environmental Global
Colm O'Gógáin joined Bord na Móna in 1974 and was previously Deputy Director, Peat and Allied Businesses and Chief Executive, Bord na Móna Fuels Limited He holds a Bachelor's degree in Engineering and is a Fellow of the Institution of Engineers of Ireland.

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06 Gerry O'Hagan (48), Director of Marketing and Commercial Development
Gerry O'Hagan joined Bord na Móna in 2005. He previously worked with Procter and Gamble, Campbell Soup Company and Dairygold and operated his own consultancy. He also served 4 years as the Marketing Director of Riverdance. He is a member of the Institute of Marketing and holds a B.A. (Hons) in Business Studies.

07 Prof J Owen Lewis (60), Director of Innovation and R&D
Owen Lewis joined Bord na Móna in December 2006 on a part-time basis. He is also Professor of Architectural Science and Director of the UCD Energy Research Group. Qualified as an architect and building services engineer, he previously served as Dean of the Faculty of Engineering & Architecture UCD and Principal of the UCD College of Engineering, Mathematical & Physical Sciences and Vice President of the university, and has co-ordinated considerable European energy research activities.

08 Pat Ring (46), Director of Horticulture
Pat Ring joined Bord na Móna in 1983. He has held various management positions within the Group. He was previously European Business Manager, Horticulture and prior to that Operations Manager in the Horticulture business. He is a Chartered member of the Institution of Engineers of Ireland. He holds a BE (Civil) from University College Cork.

09 Jim Stockwell (52), Director Group HR
Jim Stockwell joined Bord na Móna in November 2006. Prior to that he was HR Director of Global Technology in Vodafone Group, U.K. Before that he had been HR Director of Vodafone Ireland. He holds a B.A. and M.Sc. (Management) from the University of Dublin.

10 Gerry Ryan (52), Group Secretary
Gerry Ryan joined Bord na Móna in 2005. He was previously Group Secretary of eircom p.l.c. and Administrator of the eircom Superannuation Schemes. A former Chairman of the Irish Association of Pension Funds, he is currently a Director of the Pensions Board and an Associate of the Irish Institute of Pension Managers. He holds a B.Commerce from the National University of Ireland and a M.Sc. (Organisation Behaviour) from the University of Dublin.

Independent auditors' report to the shareholders of Bord na Móna p.l.c.

We have audited the Group and parent company financial statements (the "financial statements") on pages 28 to 55. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies and estimation techniques on pages 28 to 30.

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 22.

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 Chairman's Statement, the Managing Director's Strategy, Operating and Financial Review, the Environment Report, and the Directors' Report. 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 28 March 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 34 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 28 March 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
28 June 2007

Accounting policies and estimation techniques

Basis of preparation
The financial statements are 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.

Basis of accounting
The financial statements are prepared under the historical cost convention. Assets are stated at cost or valuation less accumulated depreciation from the date of original acquisition or valuation. Prior year numbers and disclosures have been reclassified where necessary for consistency.

Basis of consolidation
The consolidated financial statements include the financial statements of Bord na Móna p.l.c. and all of its subsidiaries.

The results of subsidiary undertakings acquired or sold are included in the consolidated profit and loss account and cashflow statement up to or from the date control passes.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Shares in subsidiary companies are stated in the company balance sheet at cost less provision for any reduction to recoverable amount.

Turnover
Turnover is comprised of revenue, excluding value added tax and trade discounts, on goods and services to external customers arising in the normal course of business. Turnover on long-term contracts is recognised using the percentage-of-completion method, calculated on an input cost basis.
The Group supplies electricity to ESB Customer Supply under a power purchase agreement for the period to December 2015. Turnover is recognised for capacity availability, energy supplied and related pass through costs such as EU ETS in accordance with the terms of the power purchase agreement.

Turnover is stated as after eliminating sales within the Group.

Research and development
Expenditure on pure or applied research and development is written off to the profit and loss account as incurred.

Pension costs
The Group has both defined benefit and defined contribution pension arrangements. Defined benefit pension scheme assets are measured at fair value. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability net of related deferred tax and pension scheme surpluses, to the extent that they are considered recoverable, are presented on the balance sheet as an asset net of related deferred tax. The defined benefit pension charge to operating profit comprises the current service cost and past service costs. The excess of the expected return on scheme assets over the interest cost on the scheme liabilities is presented in the profit and loss account as other finance income. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses for the year in which they occur.

The defined contribution pension charge to operating profit comprises the contribution payable to the scheme for the year.

Goodwill
Purchased goodwill, being the excess of the consideration paid on the acquisition of a business over the fair values of the entity's identifiable assets and liabilities, is capitalised and classified as an asset on the balance sheet. Goodwill is amortised on a straight line basis over its useful economic life not exceeding twenty years.

Tangible fixed assets and depreciation
Freehold land, and the estimated residual value of peatland after the peat production phase, are stated at cost. Peatland and other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off the cost of peatland over the remaining useful lives of the Fuel Supply Agreements with the peat-fired generating stations and tangible fixed assets over their estimated useful lives.

The depletion method of depreciation is applied to peatlands and railways. Other tangible fixed assets are depreciated on a straight line basis at the rates shown below:

Plant & Machinery	5% to 33.3% per annum
Buildings	5% to 10% per annum
Generating Assets	4% to 10% per annum

Projects in progress represent the cost of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is charged on projects in progress.

Impairment of assets
If events or changes in circumstances indicate that the carrying value of tangible fixed assets or goodwill may not be recoverable, the Group carries out an impairment review. The need for any asset impairment provision is assessed by comparing the carrying value of the asset against the higher of its net realisable value and its value in use. The value in use is determined from discounting estimated future cash flows expected to be derived from the asset, or if more applicable, the income generating unit, to net present value. The discount rate used reflects an appropriate risk weighting for the type of investment being tested for impairment.

Leases
Assets held under finance leases are included in tangible fixed assets at cost and are depreciated over the shorter of the lease term or their useful economic life. Obligations relating to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligations.

Rentals under operating leases are charged to the profit and loss account as incurred.

Investment properties
Investment properties are included in the balance sheet at their open market value. Changes in the market value of investments are taken to the statement of total recognised gains and losses unless a deficit is expected to be permanent in which case it is charged to the profit and loss account.

Stocks, work in progress and long term contracts
Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes all direct expenditure incurred in bringing product to their current state under normal operating conditions. The cost of milled peat stock harvested is determined at each peatland location as the cost of the annual harvest allocated over the normal levels of harvest production calculated based on standard tonne. The unit cost is reduced to actual cost where actual cost per tonne is lower than standard cost per tonne. The costs of milled peat stocks include a depletion charge, direct labour, other costs and related production overheads. Variations from standard tonnage (i.e. up-tonnages where the actual output tonnages are greater due to improved moisture content) are recognised on measurement of the peat when the stock pile is fully outloaded. The additional bonuses of work groups which only arise when up tonnage is recognised are provided for when the related up-tonnages are identified and recognised as part of this measurement process. Net realisable value is based on anticipated selling price less the cost of selling such goods and any sales incentives.
Profit on long-term contracts is recognised once the outcome can be assessed with reasonable certainty. Losses on long-term contracts are provided as soon as they are foreseen. Long-term work in progress is stated net of payments received on account.

Debtors
Provisions against the non-recovery of debtors are made specifically against identified doubtful debtors. Additionally, a provision is made against other trade debts where appropriate.

Derivative financial instruments
Gains and losses arising on forward foreign exchange contracts which are used to hedge foreign transaction cash flows are recognised as an operating expense in the profit and loss account.

Interest rate swaps agreements and similar contracts are used to manage interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised as an interest expense over the period of the contracts.

Interest bearing loans and borrowings
Interest bearing loans and borrowings are initially recognised net of arrangement fees. These arrangement fees are amortised over the life of the related borrowing. Accrued finance costs, to the extent that they are payable within one year, are included in accruals rather than in the carrying amount of the debt.

Capital grants
Capital grants received in respect of tangible fixed assets are treated as a deferred credit and amortised to the profit and loss account annually over the economic useful life of the related tangible fixed assets.

Accounting policies and estimation techniques
CONTINUED

Provisions for liabilities
A provision is defined as a liability of uncertain timing or amount. Provisions are recognised in accordance with FRS 12 when the Group has a legal or constructive obligation as a result of a past event, a reliable estimate of that obligation can be made and it is possible that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material provisions are recognised at a discounted rate.

Specifically:
Provision is made for environmental reinstatement costs relating to the after-use of cutaway peatland and decommission costs. The provision is made when the circumstances giving rise to the obligation to make the reinstatement occur. The amount of the provision represents the present value of the expected future costs. Capitalised re-instatement costs are charged to the profit and loss account as depreciation on a depletion basis.

No provision has been made for the decommissioning of the generating assets as it is assumed there will be no net outflow of economic benefits.

The Group issues warranties for goods and services. The warranty costs are provided for, based on the duration of the warranty period.

Redundancy costs are provided for by the Group, once a detailed formal plan has been prepared and approved and the Group is irrevocably committed to implementing the plan.

Dividends
Dividends are recognised in the financial statements when they have been appropriately approved or authorised by the shareholder and are no longer at the discretion of the company.

Corporation tax
Current tax represents the amount expected to be paid in respect of taxable profit for the year and is calculated using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax
Deferred tax is 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profit as computed for taxation purposes and profit 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 assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the board.

The deferred tax assets and liabilities are not discounted.

Foreign currencies
Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates or forward rates where applicable. Profit and loss account items of subsidiaries based in non-euro countries are translated at average exchange rates for the year. Exchange adjustments, if any, arising from the restatement of the opening balance sheets of non-euro subsidiaries at year-end exchange rates, and from the translation of the results of those subsidiaries at average rates, are dealt with through reserves. All other exchange adjustments are dealt with in the profit and loss account for the year.

Accounting year
The financial year ends on the last Wednesday in March. These financial statements cover the 52-week period 30 March 2006 to 28 March 2007 (prior year: 52-week period 31 March 2005 to 29 March 2006).