

The National Oil Reserves Agency Limited

Directors' report and
financial statements

Year ended 31st December 2006

Registered number 229229

The National Oil Reserves Agency Limited

Directors' report and financial statements

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The National Oil Reserves Agency Limited

Directors and other information

Directors	Aidan Donnelly (Chairman) Mary Austin Vincent Caffrey Gene Fitzgerald Sean Fitzgerald
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Secretary	David Corcoran
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Registered office	7 Clanwilliam Square Grand Canal Quay Dublin 2
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Auditors	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
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Bankers	Bank of Ireland Lower Baggot Street Dublin 2
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Solicitors	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2
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The National Oil Reserves Agency Limited

Directors' report

The directors submit their report together with the audited financial statements for the year ended 31 December 2006.

Principal activities, business review and future developments

The company is a subsidiary of Irish National Petroleum Corporation Limited and operates on an arm's length basis in administering national strategic stocks. In accordance with the European Communities (Minimum Stocks of Petroleum Oils) Regulations, 1995, the operations of the company consist of managing the strategic stocks of Ireland required under EU legislation. The company meets its obligations by owning stocks and by entering into agreements with third parties in Ireland and abroad to store stocks owned by the company and to make other strategic stocks available in certain specific circumstances. The costs of its operations are recoverable by the company through the oil stocks levy which taking one year with another shall meet but not exceed the costs incurred by the company in carrying out its duties under the Regulations.

The directors do not anticipate any significant changes in the principal activities of the company in the foreseeable future.

Business risks and management

The principle business risks arising from the company's activities are interest rate, oil price, foreign exchange, credit and liquidity risks. The Board approves and periodically reviews policies for managing each of these risks and that appropriate reporting procedures are in place.

Stocks are mainly financed by medium term Revolving Credit Facilities, with the aim of having a balanced maturity profile. Borrowings are in Euro to match Levy income. Strategic stocks of oil products owned by the company are not hedged as the date of disposal is not known.

Current policy is to have a balanced profile of debt at fixed and floating interest rates. However, this level can be increased or reduced where short term cash surpluses are used to repay debt, or in anticipation of future borrowings. Interest rates are fixed via the use of interest rate swaps.

Exchange rate exposure arises on strategic stock purchases and disposals and on certain operating costs. Foreign currency spot and forward contracts and options are used to reduce volatility arising from currency fluctuations and to minimise costs.

The company seeks to minimise cash balances but where necessary cash surpluses are deposited with banks with an appropriate credit standing.

All financial instruments are used to match underlying physical requirements and are non speculative. In addition, financial transactions entered into are in line with the Specification of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act, 1992.

Further details in relation to treasury policy are disclosed in note 12 to the financial statements.

The National Oil Reserves Agency Limited

Directors' report (*continued*)

Results for the period and dividends

The results are disclosed on page 9 of the financial statements. As noted in the profit and loss account, a gain on the disposal of Strategic Stocks of €5.4 million (2005: €23.2 million) was recorded in 2006. The gain on disposal of strategic stocks mainly relates to the upgrading of stocks during the year to meet new EU specifications.

Directors' and company secretary's interests

On 27 September 2006 Mary Spollen retired as company secretary and David Corcoran was appointed to this position at the same date.

The directors and company secretary, holding office at the balance sheet date, had no beneficial interest in the share capital of any group companies during the financial year or at the balance sheet date.

Post balance sheet events

Save as disclosed in note 21, there have been no significant events since the balance sheet date and the date of approval of these financial statements.

Prompt Payments Act

NORA complies with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2002 and its predecessor, the Prompt Payments of Accounts Act, 1999. NORA operates a policy of paying all undisputed supplier invoices within the agreed terms of payment and within 45 days of receipt of invoice.

Accounting records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the company are maintained at 7 Clanwilliam Square, Grand Canal Quay, Dublin 2.

Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditors, KPMG, Chartered Accountants, will continue in office.

On behalf of the board

Sean Fitzgerald
Director

Mary Austin
Director

3 April, 2007

The National Oil Reserves Agency Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The company's financial statements are required by law to give a true and fair view of the state of affairs of the company and of its surplus or deficit for that period.

In preparing each of the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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 are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2006.

On behalf of the board

Sean Fitzgerald
Director

Mary Austin
Director

3 April, 2007

Independent auditors' report to the members of The National Oil Reserves Agency Limited

We have audited the financial statements of The National Oil Reserves Agency Limited for year ended 31 December 2006, which comprise the profit and loss account, the balance sheet, cashflow statement and the related notes. These financial statements have been prepared under the accounting policies therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated 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 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2006. We also report to you whether, in our opinion: proper books of account have been kept by the company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account.

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 Directors' Report and consider implications for our report if we become aware of any apparent misstatements within it.

Independent auditors' report to the members of The National Oil Reserves Agency Limited *(continued)*

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 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 Company's affairs as at 31 December 2006 and of its surplus for the year then ended;
- have been properly prepared in accordance with the Companies Acts 1963 to 2006.

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 financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 10 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2006 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.

*KPMG Chartered Accountants
Registered Auditor
Dublin*

3 April, 2007

The National Oil Reserves Agency Limited

Statement of accounting policies

for the year ended 31 December 2006

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with Financial Reporting Standards of the Accounting Standards Board as promulgated by the Institute of Chartered Accountants in Ireland.

Turnover

Turnover represents the invoiced value of levy income, excluding value added tax. Turnover is recognised upon notification of levy amounts due.

Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The charge for depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	15% straight line
Computer equipment	-	33% straight line

The National Oil Reserves Agency Limited

Statement of accounting policies

for the year ended 31 December 2006

Strategic stocks

Strategic stocks of petroleum products are valued at cost. Cost includes the purchase price, freight and other costs incurred in bringing the stocks to their present location and condition. Strategic stocks are classified as fixed assets as it is not intended that they be sold in the short or medium term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the rate of exchange applicable at the balance sheet date, except where specifically covered by a forward foreign exchange contract, in which case the translation is at the contracted rate of exchange. All exchange differences arising are dealt with in the profit and loss account.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

The National Oil Reserves Agency Limited

Profit and loss account for the year ended 31 December 2006

	<i>Note</i>	2006 €	2005 €
Turnover - continuing operations	<i>1</i>	37,000,935	35,752,174
Operating costs	<i>2</i>	(29,647,471)	(28,673,061)
Operating surplus - continuing operations		7,353,464	7,079,113
Gain on disposal of strategic stocks	<i>7</i>	5,361,018	23,181,498
Surplus on ordinary activities before interest and tax		12,714,482	30,260,611
Net interest payable	<i>3</i>	(4,652,444)	(4,186,323)
Surplus on ordinary activities before taxation	<i>4</i>	8,062,038	26,074,288
Taxation charge on surplus on ordinary activities	<i>6</i>	(566,322)	(1,253,549)
Surplus for the financial year	<i>15</i>	7,495,716	24,820,739

Statement of total recognised gains and losses for the year ended 31 December 2006

Surplus for the financial year		7,495,716	24,820,739
Transfer from revaluation reserve in respect of strategic stocks disposed during the year	<i>14</i>	105,069	596,292
Total gains and losses recognised		7,600,785	25,417,031

On behalf of the board

Sean Fitzgerald
Director

Mary Austin
Director

3 April, 2007

The National Oil Reserves Agency Limited

Balance sheet

at 31 December 2006

	Note	2006 €	2005 €
Fixed assets			
Strategic stocks	7	277,106,142	227,369,327
Tangible assets	8	16,006	23,317
		<u>277,122,148</u>	<u>227,392,644</u>
Current assets			
Debtors	9	8,739,744	8,650,224
Cash at bank and in hand		1,506,182	1,469,253
		<u>10,245,926</u>	<u>10,119,477</u>
Creditors: amounts falling due within one year	10	(4,827,424)	(19,527,152)
Net current assets/(liabilities)		<u>5,418,502</u>	<u>(9,407,675)</u>
Total assets less current liabilities		<u>282,540,650</u>	<u>217,984,969</u>
Creditors: bank loans falling due after more than one year	11	(153,897,610)	(96,837,645)
Net assets		<u>128,643,040</u>	<u>121,147,324</u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	15	117,590,609	109,989,824
Revaluation reserve	14	11,052,430	11,157,499
Shareholders' funds	15	<u>128,643,040</u>	<u>121,147,324</u>
Shareholders' funds are analysed as follows:			
Equity		1	1
Non equity		128,643,039	121,147,323
		<u>128,643,040</u>	<u>121,147,324</u>

On behalf of the board

Sean Fitzgerald
Director

Mary Austin
Director

3 April, 2007

The National Oil Reserves Agency Limited

Cash flow statement

for the year ended 31 December 2006

	<i>Note</i>	2006 €	2005 €
Net cash inflow from operating activities	<i>16</i>	3,996,381	9,009,985
Returns on investments and servicing of finance	<i>17</i>	(4,136,134)	(4,322,082)
Corporation tax		(1,803,667)	(653)
Capital expenditure and financial investment	<i>17</i>	(44,375,796)	6,430,591
Net cash inflow before financing		(46,319,216)	11,117,841
Financing	<i>17</i>	46,399,965	(9,541,009)
Increase in cash for the year	<i>18</i>	80,749	1,576,832

Reconciliation of net cash flow to movement in net debt

Increase in cash for the year	<i>18</i>	80,749	1,576,832
Net increase in debt	<i>18</i>	(46,399,965)	9,541,009
Movement in net debt for the year	<i>18</i>	(46,319,216)	11,117,841
Net debt at beginning of year		(106,072,212)	(117,190,053)
Net debt at end of year		(152,391,428)	(106,072,212)

The National Oil Reserves Agency Limited

Notes forming part of the accounts

For the year ended 31 December 2006

1 Turnover

Turnover comprises revenue from a levy which is collected in accordance with the terms of the European Communities (Minimum Stocks of Petroleum Oils) Regulations, 1995 (S.I. No. 96 of 1995).

2 Operating costs

	2006 €	2005 €
Storage costs	17,981,281	17,297,450
Stock tickets	10,210,618	10,041,826
Other operating costs	1,455,572	1,333,785
	<u>29,647,471</u>	<u>28,673,061</u>

3 Net interest payable

	2006 €	2005 €
Interest on bank loans	4,755,382	4,468,604
Bank interest receivable	(102,938)	(282,281)
	<u>4,652,444</u>	<u>4,186,323</u>

4 Surplus before taxation for the year

This has been arrived at after charging the following items:

	2006 €	2005 €
Directors' remuneration	33,000	22,855
Auditors' remuneration	16,000	12,575
Depreciation	7,311	9,040
	<u></u>	<u></u>

5 Staff numbers and costs

The average number of persons employed by the company in the financial period analysed by category was as follows:

	2006	2005
Administration	5	2
	<u></u>	<u></u>

The National Oil Reserves Agency Limited

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these employees were:

	2006 €	2005 €
Wages and salaries	293,640	188,421
Social welfare costs	28,282	18,097
Pension costs	98,690	65,693
	<u>420,612</u>	<u>272,211</u>

6 Taxation

	2006 €	2005 €
Corporation tax	566,322	1,253,549
	<u>566,322</u>	<u>1,253,549</u>
<i>Factors affecting tax charge for the period:</i>		
Surplus on ordinary activities before tax	8,062,038	26,074,288
	<u>8,062,038</u>	<u>26,074,288</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax at 12.5% (2005: 12.5%)	1,007,755	3,259,288
<i>Effects of:</i>		
Non taxable/deductible (income)/expenses	(324,760)	(326,314)
Expenses deductible on disposals	(125,301)	(1,032,801)
Depreciation in excess of capital allowances	(1,624)	(441)
Losses (utilised)/carried forward	-	(678,945)
Income taxable at higher rate of tax	12,867	35,285
Other timing differences	(2,615)	(2,523)
	<u>566,322</u>	<u>1,253,549</u>

The company is not liable to corporation tax on its levy income for the year.

The National Oil Reserves Agency Limited

Notes (continued)

7 Strategic stocks

	2006 €	2005 €
At cost		
<i>Petroleum products</i>		
At beginning of year	227,369,327	206,641,733
Additions in year	80,157,201	27,973,603
Disposals during the year	(30,420,386)	(7,246,009)
	<hr/>	<hr/>
At end of year	277,106,142	227,369,327
	<hr/>	<hr/>
Gain on disposal of strategic stocks		
Net disposal proceeds	35,781,405	30,427,507
Less: Cost of product	(30,420,386)	(7,246,009)
	<hr/>	<hr/>
	5,361,019	23,181,498
	<hr/>	<hr/>

The gain on disposal of strategic stocks of €5.4 million mainly relates to the upgrading of stocks during the year to meet the new EU specifications. The gain arises from the difference between the original cost of stocks and their disposal value. The proceeds have been reinvested in financing replacement stocks (Note 17).

Strategic stocks are held at the direction of the Minister of Communications, Marine and Natural Resources and are not intended to be sold in the short or medium term. The replacement cost of the stocks at 31 December 2006 was €388,431,128 (2005: €390,723,768).

The National Oil Reserves Agency Limited

Notes (continued)

8 Tangible fixed assets

	Motor Vehicles €	Fixtures and fittings €	Computer Equipment €	Total €
<i>Cost</i>				
At beginning of year	23,140	21,045	17,179	61,364
Additions in year	-	-	-	-
At end of year	23,140	21,045	17,179	61,364
<i>Depreciation</i>				
At beginning of year	10,124	12,353	15,570	38,047
Charge for year	3,254	3,157	900	7,311
At end of year	13,378	15,510	16,470	45,358
<i>Net book value:</i>				
At 31 December 2006	9,762	5,535	709	16,006
At 31 December 2005	13,016	8,692	1,609	23,317

9 Debtors

	2006 €	2005 €
Trade debtors	2,692,715	3,271,335
Amounts due from parent undertaking	51,581	-
Value added tax	1,437,655	1,888,172
Prepayments and accrued income	4,555,831	3,487,953
Other debtors	1,962	2,764
	8,739,744	8,650,224

All debtors are due within one year.

The National Oil Reserves Agency Limited

Notes (continued)

10 Creditors: amounts falling due within one year

	2006 €	2005 €
Trade creditors	135,985	80,317
Bank overdraft	-	43,820
Bank loans	-	10,660,000
Accruals and deferred income	4,672,746	7,186,790
PAYE/PRSI	3,142	8,440
Corporation Tax	15,551	1,252,896
Others creditors	-	291,685
Amounts owed to parent undertaking	-	3,204
	<hr/>	<hr/>
	4,827,424	19,527,152
	<hr/>	<hr/>

11 Creditors: bank loans falling due after more than one year

	2006 €	2005 €
Bank loans	153,897,610	96,837,645
	<hr/>	<hr/>

Maturity analysis:

	2006 €	2005 €
Bank loans are repayable as follows:		
Within one year	-	10,660,000
Between one and two years	60,497,610	-
Between two and five years	64,300,000	96,837,645
Greater than five years	29,100,000	-
	<hr/>	<hr/>
	153,897,610	107,497,645
	<hr/>	<hr/>

The National Oil Reserves Agency Limited

Notes *(continued)*

12 Treasury risk management

(a) Interest rate and currency profile

The profile of the company's bank loans at 31 December 2006 was as follows:

Currency	Weighted average interest rates		Weighted average debt	
	Fixed %	Floating %	Fixed €'000	Floating €'000
Euro	3.73	3.77	95,000	58,898
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Schedule of undrawn committed facilities

The company has undrawn committed borrowings facilities, maturing within one year as follows

Currency	€'000
Euro	100,452
	<u> </u>

(c) Currency analysis

The company had no material foreign currency denominated assets and liabilities at 31 December 2006.

(d) Fair value of financial assets and liabilities

The fair value of the company's short term financial assets and financial liabilities approximate to their book value at 31 December 2006.

The unrealised gain on euro interest swaps at 31 December 2006 approximated € 1.23 million.

The National Oil Reserves Agency Limited

Notes *(continued)*

13 Called up share capital

There are 100 ordinary shares of €1.27 authorised, of which 1 share was allotted, called up and fully paid at 31 December 2006.

14 Revaluation reserve

	2006 €	2005 €
At 1 January	11,157,499	11,753,791
Transfer to profit and loss account (note 15)	(105,069)	(596,292)
At 31 December 2006	11,052,430	11,157,499

In 2001, by arrangement with Irish National Petroleum Corporation Limited and the Minister for Communications, Marine and Natural Resources, the company acquired strategic stocks held at the time by Irish National Petroleum Corporation Limited for a nominal payment. The company revalued these strategic stocks to the amount of their cost to Irish National Petroleum Corporation Limited. In 2006 and 2005, part of these stocks were disposed and accordingly amounts of €105,069 and €596,292 respectively have been transferred from the revaluation reserve to the profit and loss account upon their realisation.

The directors consider that this reserve is not available for distribution.

15 Reconciliation of movements in shareholders' funds

	2006 €	2005 €
(a) Opening shareholders' funds	121,147,324	96,326,585
Surplus for the financial year	7,495,716	24,820,739
Closing shareholders' funds	128,643,040	121,147,324

The National Oil Reserves Agency Limited

Notes (continued)

15 Reconciliation of movements in shareholders' funds (continued)

	2006 €	2005 €
(b) Profit and loss account, at beginning of year	109,989,824	84,572,793
Transfer from revaluation reserve (note 14)	105,069	596,292
Surplus for the financial year	7,495,716	24,820,739
	<hr/>	<hr/>
Profit and loss account, at end of year	117,590,609	109,989,824
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Section 6(6) of the European Communities (Minimum Stocks of Petroleum Oils) Regulations, 1995 which governs the operations of the company requires the Minister for Communications, Marine and Natural Resources to seek to secure that taking one year with another, the proceeds of the levy income receivable by the company meet but do not exceed the costs incurred or to be incurred by the company in carrying out its functions under the Regulations. Therefore the entire balance on the profit and loss account is considered not to be available for distribution to the shareholder of the company, Irish National Petroleum Corporation Limited and is therefore classified as non equity in the parent company consolidated financial statements.

16 Reconciliation of operating surplus to net cash inflow from operating activities

	2006 €	2005 €
Operating surplus	7,353,464	7,079,113
(Increase)/decrease in debtors	(89,520)	1,166,706
(Decrease)/increase in creditors	(3,274,874)	755,126
Depreciation	7,311	9,040
	<hr/>	<hr/>
Net cash inflow from operating activities	3,996,381	9,009,985
	<hr/>	<hr/>

17 Analysis of cash flows for headings netted in the cash flow statement

	2006 €	2005 €
Returns on investment and servicing of finance		
Interest paid	(4,239,072)	(4,604,363)
Interest received	102,938	282,281
	<hr/>	<hr/>
	(4,136,134)	(4,322,082)
	<hr/>	<hr/>

The National Oil Reserves Agency Limited

Notes (continued)

17 Analysis of cash flows for headings netted in the cash flow statement (continued)

Capital expenditure and financial investment	2006 €	2005 €
Purchase of strategic stocks	(80,157,201)	(23,995,218)
Purchase of tangible fixed assets	-	(1,698)
Net proceeds on disposal of strategic stocks	35,781,405	30,427,507
	<u>(44,375,796)</u>	<u>6,430,591</u>
Financing		
Bank loans	46,399,965	(9,541,009)
	<u>46,399,965</u>	<u>(9,541,009)</u>

18 Analysis of net debt

	At 1 January 2006 €	Cash flow €	At 31 December 2006 €
Cash at bank and in hand	1,469,253	36,929	1,506,182
Bank overdraft	(43,820)	43,820	-
	<u>1,425,433</u>	<u>80,749</u>	<u>1,506,182</u>
Bank loans	(107,497,645)	(46,399,965)	(153,897,610)
Net debt	<u>(106,072,212)</u>	<u>(46,319,216)</u>	<u>(152,391,428)</u>

19 Commitments

Operating lease commitments

Annual commitments under operating leases at the balance sheet date are as follows:

	2006 Property €000	2006 Other €000	2005 Property €000	2005 Other €000
Expiring:				
Within one year	51	2,419	51	2,651
Between one and two years	-	-	-	503
Between two and five years	-	1,423	-	191
After more than five years	-	14,617	-	13,782
	<u>51</u>	<u>18,459</u>	<u>51</u>	<u>17,127</u>

The National Oil Reserves Agency Limited

Notes (continued)

19 Commitments (continued)

Foreign currency commitments

The company has no foreign currency commitments at 31 December 2006.

Capital commitments

Future capital expenditure approved by the directors in relation to the acquisition of strategic stocks at 31 December was as follows:

	2006 €000	2005 €000
Contracted	-	2,069
Authorised but not contracted	-	-
	<hr/> <hr/>	<hr/> <hr/>

20 Related party disclosures

The company is availing of the exemption under Financial Reporting Standard No. 8 *Related Party Disclosures* not to disclose details of transactions with companies within the Irish National Petroleum Corporation Limited group.

21 Group membership

At 31 December 2006, the National Oil Reserves Agency Limited was a wholly owned subsidiary undertaking of Irish National Petroleum Corporation Limited an undertaking incorporated and operating in the Republic of Ireland. The only group in which the results of The National Oil Reserves Agency Limited are consolidated is that headed by Irish National Petroleum Corporation Limited. The financial statements of that group are available to the public and may be obtained at 7 Clanwilliam Square, Grand Canal Quay, Dublin 2.

Subsequent to 31 December 2006, the National Oil Reserves Agency Bill 2006, which provides for the establishment of the Agency on a statutory basis under the aegis of the Minister for Communications, Marine and Natural Resources, was progressing through the Houses of the Oireachtas.

22 Approval of financial statements

The directors approved the financial statements on 3 April 2007.

