

# The National Oil Reserves Agency Limited

Directors' report and  
financial statements

**Year ended 31 December 2004**

*Registered number 229229*

# The National Oil Reserves Agency Limited

## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Statement of accounting policies	7
Profit and loss account and statement of total recognised gains and losses	9
Balance sheet	10
Cash flow statement	11
Notes forming part of the financial statements	12

# The National Oil Reserves Agency Limited

## Directors and other information

<b>Directors</b>	Aidan Donnelly (Chairman) Mary Austin Vincent Caffrey Gene Fitzgerald Sean Fitzgerald
------------------	---------------------------------------------------------------------------------------------------

<b>Secretary</b>	Mary Spollen
------------------	--------------

<b>Registered office</b>	7 Clanwilliam Square Grand Canal Quay Dublin 2
--------------------------	------------------------------------------------------

<b>Auditors</b>	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
-----------------	------------------------------------------------------------------------------------

<b>Bankers</b>	Bank of Ireland Lower Baggot Street Dublin 2
----------------	----------------------------------------------------

<b>Solicitors</b>	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2
-------------------	-----------------------------------------------------------------

# 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 2004.

### **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.

### **Results for the period and dividends**

The results are disclosed on page 9 of the financial statements. The directors do not propose a dividend for the year.

### **Directors' and company secretary's interests**

On 25 March 2004, Aidan Donnelly was appointed a director and as chairman of the board.

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.

### **Risk management**

The company uses various financial instruments throughout its business such as borrowings, cash and liquid resources to finance its operations. Derivatives are used in order to manage interest rate risks. Strategic stocks owned by the company are not hedged.

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

# The National Oil Reserves Agency Limited

## Directors' report *(continued)*

### **Post balance sheet events**

There have been no significant events since the balance sheet date and the date of approval of these financial statements.

### **Health and safety of employees**

The well-being of the company's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act, 1989 imposes certain requirements on employers and the company is taking the necessary action to ensure compliance with the Act.

### **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

A. Donnelly  
*Director*

V. Caffrey  
*Director*

6 April, 2005

# The National Oil Reserves Agency Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which, in accordance with applicable Irish law and accounting standards, give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2003 and all Regulations to be construed as one with those Acts. They have general responsibility 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.

On behalf of the board

A. Donnelly  
*Director*

V. Caffrey  
*Director*

6 April 2005

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

We have audited the financial statements on pages 7 to 21.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require for our audit, whether the financial statements agree with the books of account and report to you our opinion as to whether

- the company has kept proper books of account;
- the directors' report is consistent with the financial statements;
- at the balance sheet date a financial situation existed that may require the company to hold an extraordinary general meeting, on the grounds that the net assets of the company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

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

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 of the state of affairs of the company as at 31 December 2004 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003 and all Regulations to be construed as one with those Acts.

We have obtained all the information and explanations we considered 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 on pages 2 to 3 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 2004 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.

*Chartered Accountants  
Registered Auditors*

6 April, 2005



# The National Oil Reserves Agency Limited

## Statement of accounting policies

*for the year ended 31 December 2004*

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 2004*

### **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 2004

	Note	2004 €	2003 €
<b>Turnover - continuing operations</b>	1	<b>34,525,211</b>	33,111,565
Operating costs	2	<b>(27,081,806)</b>	(22,236,423)
<b>Operating surplus - continuing operations</b>		<b>7,443,405</b>	10,875,142
Gain on disposal of strategic stocks	7	<b>31,092,052</b>	1,089,622
<b>Surplus before interest and tax</b>		<b>38,535,457</b>	11,964,764
Net interest payable	3	<b>(4,865,468)</b>	(4,943,169)
<b>Surplus before taxation for the financial year</b>	4	<b>33,669,989</b>	7,021,595
Taxation	6	-	101,112
<b>Surplus for the financial year</b>	15	<b>33,669,989</b>	7,122,707
Transfer from revaluation reserve	14	<b>5,878,469</b>	-
<b>Retained surplus at beginning of year</b>		<b>45,024,335</b>	37,901,628
<b>Retained surplus at end of year</b>		<b>84,572,793</b>	45,024,335

## Statement of total recognised gains and losses

for the year ended 31 December 2004

<b>Surplus for the financial year</b>		<b>33,669,989</b>	7,122,707
<b>Transfer from revaluation reserve in respect of strategic stocks disposed during the year</b>	14	<b>5,878,469</b>	-
<b>Total gains and losses recognised</b>		<b>39,548,458</b>	7,122,707
On behalf of the board			

A. Donnelly  
Director

V. Caffrey  
Director

6 April 2005

# The National Oil Reserves Agency Limited

## Balance sheet

at 31 December 2004

	<i>Note</i>	<b>2004</b> €	2003 €
<b>Fixed assets</b>			
Strategic stocks	7	206,641,731	175,215,233
Tangible assets	8	30,659	26,965
		<hr/>	<hr/>
		206,672,390	175,242,198
<b>Current assets</b>			
Debtors	9	9,816,930	7,958,177
Cash at bank and in hand		123,031	597,683
		<hr/>	<hr/>
		9,939,961	8,555,860
<b>Creditors:</b> amounts falling due within one year	10	(19,753,707)	(14,312,671)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(9,813,746)	(5,756,811)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		196,858,644	169,485,387
<b>Creditors:</b> bank loans falling due after more than one year	11	(100,532,059)	(106,828,791)
		<hr/>	<hr/>
<b>Net assets</b>	15	96,326,585	62,656,596
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Profit and loss account		84,572,793	45,024,335
Revaluation reserve	14	11,753,791	17,632,260
		<hr/>	<hr/>
<b>Shareholders' funds</b>		96,326,585	62,656,596
		<hr/>	<hr/>
Shareholders' funds are analysed as follows:			
Equity		1	1
Non equity	15	96,326,584	62,656,595
		<hr/>	<hr/>
		96,326,585	62,656,596
		<hr/>	<hr/>

On behalf of the board

A. Donnelly  
*Director*

V. Caffrey  
*Director*

6 April 2005

# The National Oil Reserves Agency Limited

## Cash flow statement

for the year ended 31 December 2004

	<i>Note</i>	<b>2004</b> €	2003 €
<b>Net cash inflow from operating activities</b>	<i>16</i>	<b>5,304,625</b>	8,001,085
Returns on investments and servicing of finance	<i>17</i>	<b>(4,815,108)</b>	(4,773,374)
Corporation tax		<b>101,112</b>	101,322
Capital expenditure and financial investment	<i>17</i>	<b>(352,193)</b>	(12,315,684)
<b>Net cash outflow before financing</b>		<b>238,436</b>	(8,986,651)
Financing	<i>17</i>	<b>(713,088)</b>	9,355,917
<b>(Decrease)/increase in cash for the year</b>	<i>18</i>	<b>(474,652)</b>	369,266

## Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash for the year	<i>18</i>	<b>(474,652)</b>	369,266
Net increase in debt	<i>18</i>	<b>713,088</b>	(9,355,917)
<b>Movement in net debt for the year</b>	<i>18</i>	<b>238,436</b>	(8,986,651)
Net debt at beginning of year		<b>(117,428,489)</b>	(108,441,838)
<b>Net debt at end of year</b>		<b>(117,190,053)</b>	(117,428,489)

# The National Oil Reserves Agency Limited

## Notes forming part of the accounts

For the year ended 31 December 2004

### 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

	2004 €	2003 €
Storage costs	17,084,211	15,175,613
Stock tickets	8,705,485	5,801,590
Other operating costs	1,292,110	1,259,220
	<hr/>	<hr/>
	27,081,806	22,236,423
	<hr/>	<hr/>

### 3 Net interest payable

	2004 €	2003 €
Interest on bank loans	4,982,876	5,115,174
Bank interest receivable	(117,408)	(172,005)
	<hr/>	<hr/>
	(4,865,468)	4,943,169
	<hr/>	<hr/>

### 4 Surplus before taxation for the period

This has been arrived at after charging the following items:

	2004 €	2003 €
Directors' remuneration	21,586	13,373
Auditors' remuneration	6,500	6,050
Depreciation	14,051	10,369
	<hr/>	<hr/>

### 5 Staff numbers and costs

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

	2004	2003
Administration	2	2
	<hr/>	<hr/>

# The National Oil Reserves Agency Limited

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these employees were:

	2004 €	2003 €
Wages and salaries	166,790	153,760
Social welfare costs	16,256	14,259
Other pension costs	63,625	68,612
	<hr/>	<hr/>
	246,671	236,631
	<hr/>	<hr/>

The company is in the process of setting up a defined benefit pension scheme and, until such time as the scheme is set up, the employer and employee pension contributions are being held in a separately identifiable bank account.

### 6 Taxation

	2004 €	2003 €
Corporation tax	-	-
Recovery in respect of prior years	-	101,112
	<hr/>	<hr/>
	-	101,112
	<hr/>	<hr/>
<b>Factors affecting tax charge for the period:</b>		
Surplus on ordinary activities before tax	33,669,989	7,021,595
	<hr/>	<hr/>
Surplus on ordinary activities multiplied by standard rate of corporation tax at 12.5% (2003: 12.5%)	4,208,749	877,699
<b>Effects of:</b>		
Expenses disallowed for tax purposes	153	242
Tax exemption relating to levy income	(307,566)	(765,492)
Expenses deductible on disposals	(4,148,822)	(345,508)
Depreciation in excess of capital allowances	132	(172)
Losses carried forward	221,084	211,730
Income taxable at higher rate of tax	12,216	21,501
Recovery in respect of prior years	-	(101,112)
Other timing differences	14,054	-
	<hr/>	<hr/>
	-	(101,112)
	<hr/>	<hr/>

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

	2004 €	2003 €
<b>At cost</b>		
<i><b>Petroleum products</b></i>		
At beginning of period	175,215,233	161,811,861
Additions in period	83,127,226	36,134,746
Disposals during the period	(51,700,726)	(22,731,374)
	<hr/>	<hr/>
<b>At end of period</b>	206,641,733	175,215,233
	<hr/>	<hr/>
<b>Gain on disposal of strategic stocks</b>		
Net disposal proceeds	82,792,778	23,820,996
Less: Cost of product	(51,700,726)	(22,731,374)
	<hr/>	<hr/>
	31,092,052	1,089,622
	<hr/>	<hr/>

The gain on disposal of strategic stocks mainly relates to the upgrading of stocks during the year to meet new EU specifications. The gain arises from the significant difference between the original cost of stocks and their disposal value, in a year when oil prices rose to historically high levels. The proceeds have been reinvested in financing replacement stocks (Note 17). Certain transactions relating to the upgrading of stocks were not complete at 31 December 2004 and are reflected in Capital commitments (Note 19).

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 2004 was €251,768,900 (2003: €192,379,401).



# 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	10,530	21,045	15,874	47,449
Additions in year	23,140	-	1,002	24,142
Disposals in year	(10,530)	-	(1,395)	(11,925)
<b>At end of year</b>	<b>23,140</b>	<b>21,045</b>	<b>15,481</b>	<b>59,666</b>
<i>Depreciation</i>				
At beginning of year	4,607	6,039	9,838	20,484
Charge for year	5,785	3,157	5,109	14,051
Disposals	(4,607)	-	(921)	(5,528)
<b>At end of year</b>	<b>5,785</b>	<b>9,196</b>	<b>14,026</b>	<b>29,007</b>
<i>Net book value:</i>				
<b>At 31 December 2004</b>	<b>17,355</b>	<b>11,849</b>	<b>1,455</b>	<b>30,659</b>
At 31 December 2003	5,923	15,006	6,036	26,965

## 9 Debtors

	2004 €	2003 €
Trade debtors	2,806,886	2,839,000
Amounts due from parent undertaking	165,256	213,249
Corporation tax	-	101,112
Value added tax	3,559,584	1,531,945
Prepayments and accrued income	3,282,640	3,270,783
Other debtors	2,564	2,088
	<b>9,816,930</b>	<b>7,958,177</b>

All debtors are due within one year.

# The National Oil Reserves Agency Limited

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	2004 €	2003 €
Trade creditors	231,567	270,576
Bank overdraft	274,430	-
Bank loans	16,506,595	11,197,381
Accruals and deferred income	2,531,549	2,714,857
PAYE/PRSI	626	641
Other creditors	208,940	129,216
	<hr/>	<hr/>
	19,753,707	14,312,671
	<hr/>	<hr/>

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

	2004 €	2003 €
Bank loans	100,532,059	106,828,791
	<hr/>	<hr/>

#### *Maturity analysis:*

	2004 €	2003 €
Bank loans are repayable as follows:		
Within one year	16,506,595	11,197,381
Between one and two years	97,732,059	81,828,791
Between two and five years	2,800,000	25,000,000
	<hr/>	<hr/>
	117,038,654	118,026,172
	<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 2004 was as follows:

Currency	Weighted average interest rates		Weighted average debt	
	Fixed %	Floating %	Fixed €'000	Floating €'000
Euro	4.42	2.50	69,944	47,094
	=====	=====	=====	=====

### *(b) Schedule of undrawn committed facilities*

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

Currency	€'000
Euro	52,252
	=====

### *(c) Currency analysis*

The following is an analysis of the company's foreign currency denominated assets and liabilities.

	€'000 USD	€'000 £ STG
Monetary assets	3	3
Monetary liabilities	(59)	-
	=====	=====
Net monetary assets/(liabilities)	(56)	3
	=====	=====

### *(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 2004.

The unrealised loss on euro interest swaps at 31 December 2004 approximated € 1.74 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 2004 and 31 December 2003.

## 14 Revaluation reserve

	2004 €	2003 €
At 1 January	17,632,260	17,632,260
Transfer to profit and loss account	(5,878,469)	-
<b>At 31 December</b>	<b>11,753,791</b>	<b>17,632,260</b>

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 2004, part of these stocks were disposed and accordingly an amount of € 5,878,469 has been transferred from the revaluation reserve to the profit and loss account upon realisation of these reserves.

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

## 15 Reconciliation of movements in shareholders' funds

	2004 €	2003 €
Surplus for the financial year	33,669,989	7,122,707
Opening shareholders' funds	62,656,596	55,533,899
<b>Closing shareholders' funds</b>	<b>96,326,585</b>	<b>62,656,596</b>

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.

# The National Oil Reserves Agency Limited

Notes (continued)

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

	2004	2003
	€	€
<b>Operating surplus</b>	<b>7,443,405</b>	10,875,142
(Increase)/decrease in Debtors	<b>(1,959,865)</b>	6,258,117
Decrease in Creditors	<b>(192,966)</b>	(9,142,543)
Depreciation	<b>14,051</b>	10,369
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>5,304,625</b>	8,001,085
	<hr/> <hr/>	<hr/> <hr/>

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

	2004	2003
	€	€
<b>Returns on investment and servicing of finance</b>		
Interest paid	<b>(4,932,516)</b>	(4,945,379)
Interest received	<b>117,408</b>	172,005
	<hr/>	<hr/>
	<b>(4,815,108)</b>	(4,773,374)
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital expenditure and financial investment</b>		
Purchase of strategic stocks	<b>(83,127,226)</b>	(36,134,746)
Purchase of tangible fixed assets	<b>(17,745)</b>	(1,934)
Net proceeds on disposal of strategic stocks	<b>82,792,778</b>	23,820,996
	<hr/>	<hr/>
	<b>(352,193)</b>	(12,315,684)
	<hr/> <hr/>	<hr/> <hr/>
<b>Financing</b>		
Bank loans	<b>(713,088)</b>	9,355,917
	<hr/> <hr/>	<hr/> <hr/>

# The National Oil Reserves Agency Limited

Notes (continued)

## 18 Analysis of net debt

	At 1 Jan 2004 €	Cash flow €	At 31 Dec 2004 €
Cash at bank and in hand	597,683	(474,652)	123,031
Bank overdraft	-	(274,430)	(274,430)
Bank loans	(118,026,172)	987,518	(117,038,654)
<b>Net debt</b>	<b>(117,428,489)</b>	<b>238,436</b>	<b>(117,190,053)</b>

## 19 Commitments

### *Operating lease commitments*

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

	2004 Property €000	2004 Other €000	2003 Property €000	2003 Other €000
<b><i>Expiring:</i></b>				
Within one year	-	1,221	-	1,408
Between two and five years	51	1,897	52	1,578
After more than five years	-	14,069	-	13,257
	<b>51</b>	<b>17,187</b>	<b>52</b>	<b>16,243</b>

### *Foreign currency commitments*

The company has entered into foreign currency commitments of US\$20.6 million (euro equivalent: €15.9 million) relating principally to the acquisition of strategic stocks and £70,000 sterling (euro equivalent: €99,000) relating to storage expenses at 31 December 2004.

### *Capital commitments*

Future capital expenditure approved by the directors in relation to the acquisition of strategic stocks at 31 December 2004 was as follows:

	2004 €000	2003 €000
Contracted	23,310	16,578
Authorised but not contracted	-	22,132
	<b>23,310</b>	<b>38,710</b>

# The National Oil Reserves Agency Limited

Notes *(continued)*

## **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**

The National Oil Reserves Agency Limited is 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.

## **22 Approval of financial statements**

The directors approved the financial statements on 6 April, 2005.

