

The National Oil Reserves Agency Limited
An Ghníomhaireacht Chúltaca Ola Náisiúnta

**Directors' report and
financial statements**

Year ended 31st December 2008

Registered number 229229

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

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The National Oil Reserves Agency Limited

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Directors and other information

| | | |
|--------------------------|--|---|
| Directors | Aidan Donnelly (Chairman) Katherine Licken Vincent Caffrey Sean Fitzgerald Oliver Whelan Pat Meehan (CEO) | |
| Secretary | David Corcoran | |
| Management | Pat Meehan David Corcoran Michael Cavanagh | Chief Executive Financial Controller Operations Manager |
| Registered office | 7 Clanwilliam Square Grand Canal Quay Dublin 2 | |
| Auditors | Comptroller and Auditor General Dublin Castle Dublin 2 | |
| Bankers | Bank of Ireland Lower Baggot Street Dublin 2 | |
| Solicitors | Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2 | |

The National Oil Reserves Agency Limited

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Chairperson's Statement

The National Oil Reserves Agency Limited (NORA) is responsible for ensuring that Ireland meets its obligations under EU legislation and International Energy Agency (IEA) rules to maintain a minimum of 90 days stocks of oil for use in the event of a physical shortage of supplies.

NORA was established in 1995 under the European Communities (Minimum Stocks of Petroleum Oils) Regulations 1995 as a private limited company for the maintenance of Ireland's strategic oil reserves. For pragmatic reasons it was set up as a subsidiary of Irish National Petroleum Corporation Limited. (INPC)

In July 2001, the businesses and commercial assets of INPC were sold to Tosco Corporation (now ConocoPhillips). NORA did not form part of that transaction. It was subsequently considered appropriate that NORA should be established on a statutory basis as a private limited company independent of INPC. The Government white paper entitled "Delivering a Sustainable Energy Future for Ireland" (Section 3.7.3), published in March 2007, confirmed a commitment by Government to establish NORA as an independent statutory body in 2007.

This was achieved on August 1st 2007 upon the introduction of the **National Oil Reserves Agency Act 2007** which established NORA as a stand alone non-commercial State body under the aegis of the Minister for Communications, Energy & Natural Resources.

This Act provided for

- NORA's continued responsibility for the maintenance of strategic supplies of oil in line with the State's stockholding obligations to the EU and International Energy Agency (IEA).
- The transfer of the INPC shareholding in NORA to the Minister for Communications, Energy & Natural Resources and provided for the continued operation of the Agency as a private limited company under the Companies Acts.
- A variable levy on disposals of petroleum products to be imposed on oil companies and oil consumers.
- The furnishing to the Minister of regular returns regarding oil purchases, sales, consumption, imports and exports by oil companies, oil consumers and NORA.
- The monitoring of compliance with provisions for the application of penalties in the event of failure by oil companies and oil consumers to comply with the provisions.
- Revocation of the European Communities (Minimum Stocks of Petroleum Oils) Regulations 1995, and
- The alteration of the Memorandum and Articles of Association of NORA for the purpose of making them consistent with the Act.

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In parallel with the introduction of the National Oil Reserves Agency Act 2007, the Minister for Communications, Energy & Natural Resources also introduced the National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007.

These Regulations, effective 1st August 2007 set out the information to be provided by the National Oil Reserves Agency (NORA), oil companies and oil consumers to the Minister in monthly statistical returns and provides for the variation in the amount of the NORA levy to be paid (changed from 0.476 cent per litre to 1.00 cent per litre with effect from 1 November 2007) together with the procedures for the invoicing and payment of the levy.

This new legislation, coupled with the policies and strategies set out in the Government White Paper entitled “Delivering a Sustainable Energy Future for Ireland” (Section 3.7) form the basis for NORA’s ongoing role.

NORA meets its stockholding obligation by a combination of :

- Stocks owned by NORA and stored in Ireland and in other EU Member States with whom Ireland has concluded a Bi-lateral Oil Stockholding Agreement
- Stocks held by NORA under short term commercial contracts (“Stock Tickets”) in Ireland and in other EU Member States with whom Ireland has concluded a Bi-lateral Oil Stockholding Agreement. These contracts include an option to purchase the oil in emergency circumstances during the period of the contract.

In line with the direction of the Minister for Communications, Energy, and Natural Resources regarding the quantities of oil to be held by NORA, NORA’s obligation for CATEGORY I (Gasoline) increased by 5.5%, and CATEGORY II (Distillates – Diesel, Gas Oil, Kerosene) increased by 6.3%, from 1st August 2008. There was no stocks obligation for CATEGORY III (Fuel Oils) from 1st August 2007 and this nil obligation continued through 2008.

At year end 2008, the breakdown of the stocks (excluding Fuel Oil) held by NORA was as follows:

| | 2008 (‘000 Tonnes) | % of TOTAL | 2007 (‘000 Tonnes) | % of TOTAL |
|------------------------------------|-----------------------|---------------|-----------------------|---------------|
| Stocks in Ireland | 745 | 43% | 748 | 47% |
| Stocks Abroad | 652 | 38% | 174 | 11% |
| Stock Tickets (Ireland) | 0 | 0% | 0 | 0% |
| Stock Tickets (Abroad) | 320 | 19% | 679 | 42% |
| Total: | 1,717 | | 1,601 | |

The physical stocks owned by NORA and stored both in Ireland and abroad at the end of 2007 consisted of:

| | 2008 (‘000 Tonnes) | 2007 (‘000 Tonnes) |
|-----------------------------|-----------------------|-----------------------|
| CAT I - Gasoline | 171 | 171 |
| CAT II - Distillates | 1,226 | 751 |
| Total: | 1,397 | 922 |

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During 2008, arising from an EU Directive setting out requirements which lowered the maximum sulphur content in Gas Oil and Kerosene (Burning oil – not Jet) from 2000 ppm to 1,000 ppm, effective 1st January 2008, an upgrade of 40,000 tonnes of Gas Oil was completed.

Similarly, arising from an EU Directive setting out requirements which lowered the maximum sulphur content in Diesel (DERV) from 50 ppm to 10 ppm, effective 1st January 2008, an upgrade of 70,000 tonnes of Diesel was completed.

Obligation – v - Actual Stocks Held

| CAT I (Gasoline) Days ('000 tonnes) | | CAT II (Distillates) Days ('000 tonnes) | | CAT III (Fuel Oil) Days ('000 tonnes) | | Obligation Stock Volume |
|--|-----------------------------|--|------------------------------|--|-------------------------------|-------------------------------|
| 2008 | | 2008 | | 2008 | | |
| 81 days 385 k Tonnes | 81 days 406 k Tonnes | 78 days 1,251k Tonnes | 79 days 1,261k Tonnes | Nil Days Zero Tonnes | 50k Tonnes | |
| 2007 | | 2007 | | 2007 | | Actual Stock Volume |
| 81 days 385 k Tonnes | 81 days 385 k Tonnes) | 77 days 1,177k Tonnes | 77 days 1,177k Tonnes) | Nil days Zero Tonnes | Nil days Zero Tonnes | |
| CAT I (Gasoline) Days ('000 tonnes) | | CAT II (Distillates) Days ('000 tonnes) | | CAT III (Fuel Oil) Days ('000 tonnes) | | |

Challenging World Oil Market, World Financial Market and New Stock Procurement

The most notable developments in the business sector in which the Agency operates (international & domestic) in 2008 were the changes in the World Oil and Financial Markets. These brought considerable challenges to the work of the Agency throughout the year in the procurement of physical oil stocks and the finance required for same.

With the end of 2007 came the deadline for the change in specifications for sulphur content for Diesel (DERV - 50 ppm to 10 ppm), together with Gas Oil & Kerosene (not Jet) (2000 ppm to 1000 ppm). Quarter 4 2007 saw significant volumes of old specification product sold into the market to make way for products meeting the new specifications.

In the absence of available storage volumes both on the island of Ireland and within the EU, NORA has for many years bridged the gap between obligation volumes and physical stocks held by way of securing stock tickets.

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Market conditions at the start of 2008 were severely adverse to this policy. Oil prices continued to rise steadily. With the oil market in backwardation, conditions were discouraging for traders to re-build stocks for long term retention. The net result was a market which saw a rapid decline in the volume of CAT II stock tickets available throughout Europe. Oil prices reached a high of \$147 per barrel in mid-July.

To add further to the Agency's challenge, arising from market growth in 2007, its stocks obligation was increased by a total of 98,000 tonnes on 1st August 2008.

In the absence of available stock tickets, in order to meet the challenge of maintaining compliance with obligation volumes, the Agency set about securing additional physical stocks and storage.

In the course of the full year 2008, the Agency succeeded in procuring a total of 470,000 tonnes of new physical stocks, in 5 newly identified storage facilities, all of which are abroad. Arising from this, despite the difficult conditions in the international oil markets, the Agency secured its position of full compliance with obligation volumes by the end of the year.

All of these additional stocks were financed by borrowings. As will be seen in the financial statements, NORA's borrowings grew from €157.9 million at end 2007 to €444.5 million by end 2008. The impact of the worldwide financial crisis is reflected in the form of increased interest rates and costs of funding. Arising from this, the Agency proposes, subject to affordability, to embark upon a debt repayment programme to reduce funding costs within a reasonable timeframe.

Oil Storage Capacity in Ireland

The absence of the development of new additional storage capacity in Ireland in recent years against a background of consistent overall growth in oil market volumes has resulted in existing storage coming under increasing pressure. The introduction of Biofuels requiring the allocation of some existing tankage to Bioethanol and Biodiesel, resulted in reduced NORA storage capacity in existing commercial storage.

The average overall growth rate in obligation between the years 2000 and 2008 was 5% equivalent to c. 83,000 tonnes p.a. All of the additional stocks procured by the Agency in 2008 (470,000 tonnes) were placed in storage abroad.

At the end of 2008, NORA's physical stocks at home and abroad were made up as follows:

| | At Home (Tonnes) & % of Total (Home + Abroad) | Abroad (Tonnes) & % of Total (Home + Abroad) |
|-----------------------------|--|---|
| CAT I - Gasoline | 98,019 (57%) | 72,815 (43%) |
| CAT II - Distillates | 647,000 (53%) | 578,831 (47%) |
| Total: | 745,019 (53%) | 651,646 (47%) |

The Government White Paper (Delivering a Sustainable Energy Future for Ireland – March 2007 – Section 3.7) sets out a commitment – *“to rebalance the strategic oil reserve by maximizing Ireland's wholly-owned stocks of oil and the level of stocks held on the island, subject to increased storage availability and value for money considerations”*.

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Focusing on this commitment, the Agency has made steady progress in identifying and securing access to additional storage for strategic stocks of CAT II products in Ireland. The Agency has entered into contractual arrangements for three key storage facilities on the island, each of which require extensive refurbishment. This work is under way, and upon completion (one in late 2009, another in 2010, and another in 2011) will provide NORA with an additional 310,000 tonnes of storage for CAT II product. Preparing and commissioning this additional storage is a key element of the Agency's plans to increase its strategic stocks on the island of Ireland.

In addition, the Department of Communications, Energy, and Natural Resources, in 2007, commissioned a study on the *"Review of the Security of Ireland's Access to Commercial Oil Supplies"*. Within this report by Consultants Purvin & Gertz/Byrne O'Cléirigh, the island's oil storage infrastructure is examined in detail. Among its key findings is the need to provide significantly increased storage facilities on the island of Ireland for strategic stocks.

The combination of the strategies and objectives set out in the Government White Paper, and the findings and recommendations of the Purvin & Gertz/Byrne O'Cléirigh Report will significantly influence NORA's future policies and strategies for securing storage for Ireland's strategic stocks. Towards the end of 2008, the Agency embarked upon the development of long term storage plans to achieve its storage objectives.

Proposed New EU Directive on Strategic Stocks

The current EU provisions for Strategic Oil Stocks arise from the following:

- a) Council Directive 2006/67/EC of 24 July 2006 imposing an obligation on Member States to maintain minimum stocks of oil.
- b) Council decision 68/416/EEC of 20 December 1968 on the conclusion and implementation of individual agreements between Governments relating to the obligation of Member States to maintain minimum stocks of oil.
- c) Council Directive 73/238/EEC of 24 July 1973 on measures to mitigate the effects of difficulties in the supply of oil products.

In 2008, the EU commenced a process of reviewing the existing legislation with a view to enhancing the security of oil supply for the EU as a whole.

By the end of 2008, following a detailed EU wide consultation process, a new Draft Directive aimed at replacing all of the above three pieces of legislation, and aligned to the International Energy Agency system had emerged.

The Agency is carefully monitoring developments in relation to the new Oil Stocks Directive with a view to ensuring that it will be adequately prepared to achieve and maintain compliance with same following its finalisation.

The National Oil Reserves Agency Limited

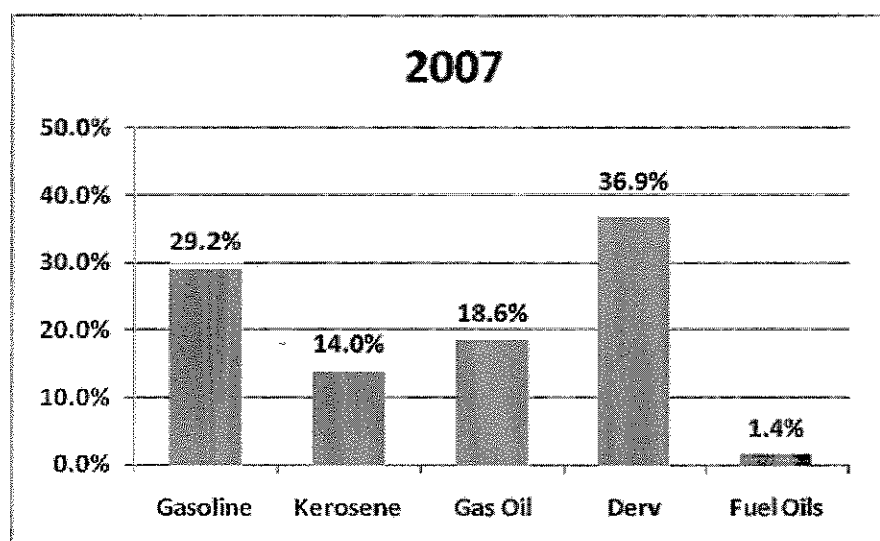
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Composition of the NORA Levy

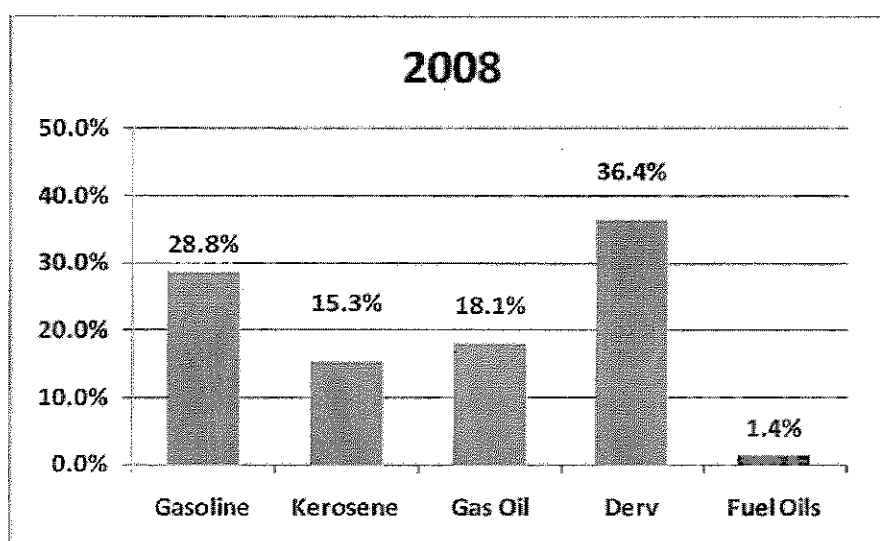
The Agency is funded by a levy on the sale of oil products and raises commercial loans to purchase oil stocks. NORA receives no Exchequer funding. The levy remained unchanged at €0.00476 per litre from the establishment of NORA in 1995, up to 1st November 2007, when, under the terms of the National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007, it was increased to €0.01 per litre, in line with the commitment contained in the Government White Paper “Delivering a Sustainable Energy Future for Ireland”.

Set out hereunder is a breakdown of the Levy volume percentages by product for 2007, and comparable figures for 2008.

2007



2008

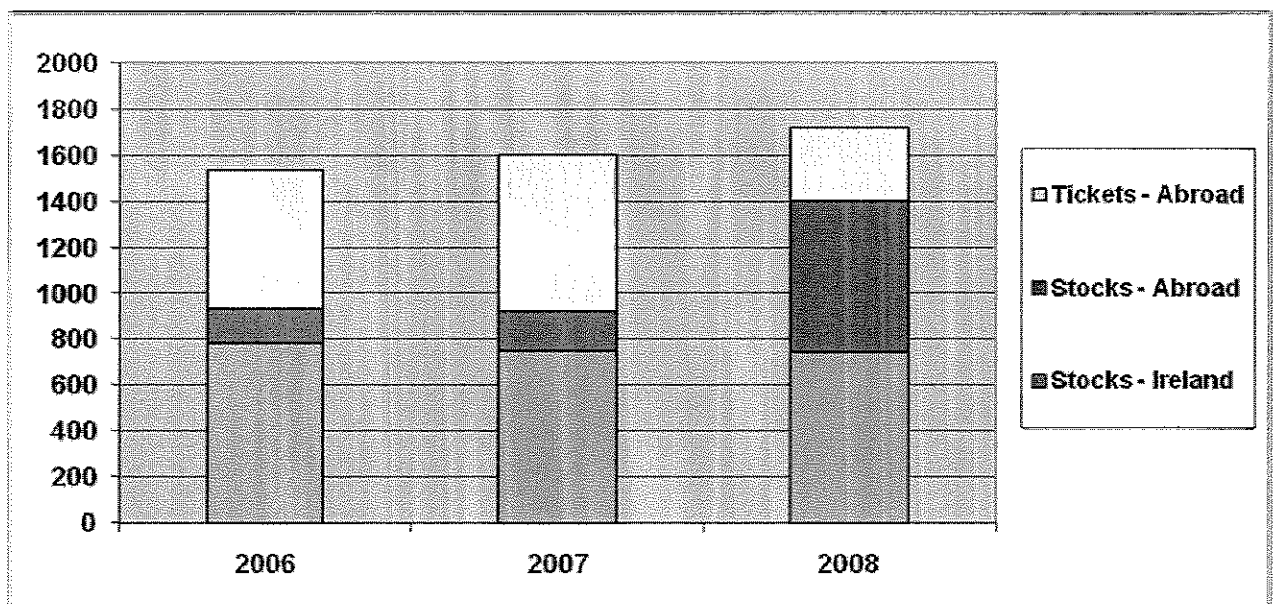


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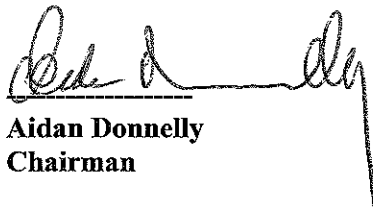
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The international oil market saw oil prices rise significantly in 2007, and continue through the first half of 2008. Considering the significant growth in the Agency's strategic stocks in 2008, together with associated borrowings, and the requirement to maintain compliance with stockholding obligations, the Agency is mindful of the need to maintain the NORA levy at a level appropriate to underpinning its stockholding strategy, while simultaneously funding a debt repayment programme.

Breakdown of Stockholding 2006 – 2008



I would like to thank the members of the Board and the Staff for their dedication and assistance during the year. I would also like to express my thanks to the Minister, Eamon Ryan T.D., for his encouragement and interest in the work of the Agency. My thanks are also due to the Staff of the Oil Supply Division of the Department for their continuing support and assistance throughout the year.



Aidan Donnelly
Chairman

3rd June 2009

The National Oil Reserves Agency Limited

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Directors' report

The directors submit their report together with the audited financial statements for the year ended 31 December 2008.

Principal activities, business review and future developments

On 1 August 2007, the Agency was established as an Agency on a statutory basis under the aegis of the Minister for Communications, Energy and Natural Resources. The Agency operates in accordance with the National Oil Reserves Agency Act 2007, and The National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007).

The operations of the Agency 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 Agency has been nominated to administer the Biofuels Obligation Scheme which, subject to the introduction of the necessary legislation, is scheduled to come into operation on January 1st 2010. Other than this, the directors do not anticipate any significant changes in the principal activities of the company in the foreseeable future.

Business risks and management

The principal business risks arising from the company's activities are interest rate, oil price, foreign exchange, counterparty, credit and liquidity risks. The Board approves and periodically reviews policies for managing each of these risks and ensures 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 Agency seeks to minimise cash balances but where necessary cash surpluses are deposited with banks with an appropriate credit standing, including State guaranteed short term Government Paper (NTMA Exchequer Notes).

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.

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Directors' report (*continued*)

Results for the period

The results are disclosed on page 20 of the financial statements. As noted in the profit and loss account, a gain on the disposal of Strategic Stocks of €0.2 million (2007: €12.4 million) was recorded in 2008. The gain arises on the disposal of stocks in the normal course of business.

Directors' and company secretary's interests

On 1 January 2008, Mr. Pat Meehan was appointed to the position of Chief Executive and to the Board. On 11 April 2008, Mr. Oliver Whelan was appointed to 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.

Post balance sheet events

Save as disclosed in note 20, there have been no significant events since the balance sheet date and the date of approval of these financial statements.

Health and Safety

The well being of the Agency's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 2005 imposes certain requirements on employers and National Oil Reserves Agency takes 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.

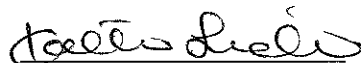
Accounting records

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.

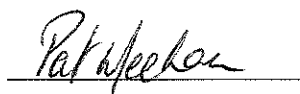
Auditors

In accordance with Section 29(2) of the National Oil Reserves Agency Act, 2007, the Comptroller and Auditor General is appointed as auditor of the Agency.

On behalf of the board



Katherine Licken
Director



Pat Meehan
Director

3rd June 2009

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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.

The National Oil Reserves Act 2007 and 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.

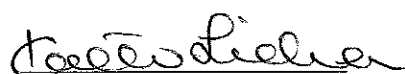
In preparing each of the financial statements, the directors are required to:

- 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.
- state whether applicable accountancy standards have been followed, subject to any material departures, disclosed and explained in the financial statements.

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



Katherine Licken
Director



Pat Meehan
Director

3rd June 2009

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Chairperson's Statement on the System of Internal Financial Control

Responsibility for System of Internal Financial Control

On behalf of the Board of the National Oil Reserves Agency, I acknowledge the Board's responsibility for ensuring that an effective system of internal financial control is maintained and operated for the organization.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected in a timely period. In considering the effectiveness of internal financial controls the Board has regard, among other things, to the requirements of the Code of Practice for the Governance for State Bodies.

Key Control Procedures

The Board has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing reporting procedures to control significant failures and ensuring appropriate corrective action is taken;
- establishing a dedicated Audit Committee;
- clear separation of Board and Management functions;
- publication of a Code of Business Conduct for Board members and staff of the Agency;
- establishing an Internal Audit function;

The Board has established processes to identify and evaluate business risks by:

- identifying the nature, extent and possible implications of risks facing the Board including the extent and categories which it regards as acceptable
- assessing the likelihood of identified risks occurring;
- assessing the Board's ability to manage and mitigate the risks that do occur;
- having regard to the costs of operating particular controls relative to the benefit obtained;

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties and a system of delegation and accountability.

In particular, it includes:

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- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Audit Committee and Board of periodic annual financial reports which indicate financial performance against targets;
- setting targets to measure financial and other performance;
- regular internal audits

The Internal Audit function is a key element in informing the Board of the effectiveness of the system of internal financial control. The internal audit function operates in accordance with the Code of Practice for the Governance of State Bodies. The National Oil Reserves Agency's internal audit function is contracted out to a firm of accountants.

The annual internal audit plan is informed by an analysis of the risks to which the Agency is exposed and a formal Risk Register has been developed following a full risk analysis exercise. Internal audit plans are endorsed by the Audit Committee. The analysis of risk is also endorsed by the Audit Committee and approved by the Board. The internal auditors provide the Committee with reports on assignments carried out. These reports highlight deficiencies or weaknesses, if any, in the system of internal financial control.

Correspondence with the Comptroller and Auditor General, including the Audit Management Letter, and any issues raised therein, are brought to the attention of the Audit Committee and Board, which ensures that the issues raised are pursued.

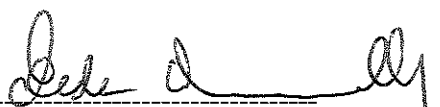
The National Oil Reserves Agency has in the year ended 31 December 2008, through the activity of the Board, monitored the work of Management in the area of financial control. Specifically, the Board examined the following:

- bi-monthly management accounts, with analysis and explanation of significant deviations from budget
- annual accounts for 2007 and explanation of significant variances
- annual budget and financial plan for 2009

Annual Review of Controls

I confirm that in respect of the year ended 31 December 2008 the Board conducted a review of the effectiveness of the system of internal financial control.

Signed on behalf of the Board.


Aidan Donnelly, Chairman

3rd June 2009

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NATIONAL OIL RESERVES AGENCY

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of the National Oil Reserves Agency for the year ended 31 December 2008 under the National Oil Reserves Agency Act, 2007.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes.

Respective Responsibilities of the Directors and the Comptroller and Auditor General

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and Generally Accepted Accounting Practice in Ireland are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for ensuring the regularity of transactions.

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

I report my 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 the Companies Acts 1963 to 2006. I also report whether in my 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, I state whether I have obtained all the information and explanations necessary for the purposes of my audit, and whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I review whether the Statement on Internal Financial Control reflects the Company's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

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Basis of audit opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made 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.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my 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 at 31 December 2008 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2006.

I have obtained all the information and explanations that I consider necessary for the purpose of my audit. In my opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In my 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, are more than half of the amount of its called-up share capital and, in my opinion, on that basis there did not exist at 31 December 2008 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.



John Buckley
Comptroller and Auditor General
8 June 2009

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of accounting policies

for the year ended 31 December 2008

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 on the basis of levy amounts due, in respect of the year, as notified by the Department of Communications, Energy and Natural Resources.

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

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of accounting policies

for the year ended 31 December 2008

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.

Stock tickets

Stock tickets are short term holding contracts under which a counterparty agrees to hold oil which will be available to the Agency during the period of the contracts, and under which the Agency has an option to purchase oil in emergency circumstances during the period of the contract, at a price to be determined in the future. The cost of these tickets is charged to the profit and loss account in the period to which the contracts relate.

Operating leases

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

Pensions

The NORA Act 2007 provides for the preparation and submission to the Minister for Communications, Energy and Natural Resources of a scheme or schemes for granting superannuation benefits to staff. Any such scheme needs the approval of the Minister and the consent of the Minister for Finance before it can be implemented by the Agency. The Agency has submitted a scheme and, pending its formal approval, the Minister for Finance has consented to the operation, on an administrative basis, of the Model Superannuation Scheme for civil servants. This scheme operates on a “pay-as-you-go” basis which means that benefits are not pre-funded through the making of contributions to a separate fund controlled by trustees.

Certain staff are members of an existing funded defined benefit scheme. Since 2007, the company had pursued a proposal whereby it was intended that, in due course, these staff will be admitted to the “pay-as-you-go” scheme and the existing fund will be wound up and its assets transferred to the Exchequer. The Agency was in discussions with the Department of Communications, Energy and Natural Resources about facilitating this change and in determining how future pension costs will be met.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of accounting policies

for the year ended 31 December 2008

However, it has not been possible to bring this proposal to a satisfactory conclusion within an acceptable timeframe. Arising from this, the Board has reconsidered matters and in April 2009, took the decision to maintain the NORA Pension Scheme as an independent scheme, and to seek the approval of the Minister for that scheme in accordance with the provisions of the National Oil Reserves Agency Act 2007.

Accordingly, in view of the intention to maintain the scheme on an independent basis, and the associated implications in respect of pension funding, the Agency considers it appropriate to implement the provisions of Financial Reporting Standard (FRS) 17.

The pension charge in the Profit and loss account comprises the current service cost plus the difference between the expected return on scheme assets and the interest cost of scheme liabilities.

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.

Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected units method. An excess of scheme liabilities over scheme assets is presented on the Balance Sheet as a liability.

The 2007 financial statements have been restated in line with the new accounting policy. The effect of the change in accounting policy is shown in Note 20 (g)

The National Oil Reserves Agency Limited
An Ghníomhaireacht Chúltaca Ola Náisiúnta


Profit and loss account
for the year ended 31 December 2008

| | | 2008 | 2007 |
|---|-------------|---------------------|------------------|
| | <i>Note</i> | € | As restated € |
| Turnover - continuing operations | <i>1</i> | 81,367,837 | 46,708,092 |
| Operating costs | <i>2</i> | (32,494,376) | (32,822,891) |
| Operating surplus - continuing operations | | 48,873,461 | 13,885,201 |
| Gain on disposal of strategic stocks | <i>7</i> | 154,751 | 12,438,322 |
| Exceptional item | <i>21</i> | 3,500,000 | - |
| Surplus on ordinary activities before interest and tax | | 52,528,212 | 26,323,523 |
| Net interest payable | <i>3</i> | (14,363,865) | (6,001,191) |
| Surplus on ordinary activities before taxation | <i>4</i> | 38,164,347 | 20,322,332 |
| Taxation charge on surplus on ordinary activities | <i>6</i> | (830,949) | (675,878) |
| Surplus for the financial year | <i>15</i> | 37,333,398 | 19,646,454 |

On behalf of the Board



Katherine Licken
Director



Pat Meehan
Director

3rd June 2009

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of total recognised gains and losses for the year ended 31 December 2008


| | | 2008 | 2007 |
|--|----------|-------------------|------------------|
| | Note | € | As restated € |
| Surplus for the financial year | | 37,333,398 | 19,646,454 |
| Transfer from revaluation reserve in respect of strategic stocks disposed during the year | 14 | - | 634,987 |
| | | 37,333,398 | 20,281,441 |
| Actual return less expected return on scheme assets | 20(biii) | (349,845) | (14,027) |
| Experience gains/(losses) on pension scheme liabilities | 20(bii) | (165,147) | (7,714) |
| Changes in assumptions underlying the present value of pension scheme liabilities | 20(bii) | - | 159,600 |
| Actuarial (loss)/gain | | (514,992) | 137,859 |
| Total gains and losses recognised | | 36,818,406 | 20,419,300 |

The cumulative loss recognised from actuarial gains and losses arising in the last three years amounts to €339,775.

Movement in pension reserve

| | | |
|-------------------------------------|------------------|---------|
| Balance at beginning of year | 268,766 | 130,907 |
| Actuarial (loss)/ gain | (514,992) | 137,859 |
| Balance at end of year | (246,226) | 268,766 |

On behalf of the Board



Katherine Licken
Director



Pat Meehan
Director

3rd June 2009

The National Oil Reserves Agency Limited

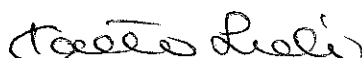
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Balance sheet

at 31 December 2008

| | Note | 2008 € | 2007 As restated € |
|---|--------|---------------------|--------------------------|
| Fixed assets | | | |
| Strategic stocks | 7 | 563,777,403 | 290,796,872 |
| Tangible assets | 8 | 57,497 | 3,953 |
| | | <u>563,834,900</u> | <u>290,800,825</u> |
| Current assets | | | |
| Debtors | 9 | 20,118,294 | 22,245,752 |
| NTMA exchequer notes | 18 | 35,000,000 | - |
| Cash at bank and in hand | | 23,185,409 | 1,237,126 |
| | | <u>78,303,703</u> | <u>23,482,878</u> |
| Creditors: amounts falling due within one year | | | |
| Bank loans | 11 | (106,450,000) | - |
| Other creditors | 10 | (12,205,919) | (8,164,271) |
| | | <u>(40,352,216)</u> | <u>15,318,607</u> |
| Net current assets/(liabilities) | | <u>(40,352,216)</u> | <u>15,318,607</u> |
| Total assets less current liabilities | | <u>523,482,684</u> | <u>306,119,432</u> |
| Creditors: bank loans falling due after more than one year | 11 | (338,000,001) | (157,862,001) |
| | | <u>185,482,683</u> | <u>148,257,431</u> |
| Net assets excluding pension liability | | <u>185,482,683</u> | <u>148,257,431</u> |
| Pension Liability | 20(bi) | (106,017) | 300,828 |
| | | <u>185,376,666</u> | <u>148,558,259</u> |
| Net assets | | <u>185,376,666</u> | <u>148,558,259</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 1 | 1 |
| Profit and loss account | 15 | 175,205,448 | 137,872,049 |
| Revaluation reserve | 14 | 10,417,443 | 10,417,443 |
| Pension reserve | 15 | (246,226) | 268,766 |
| | | <u>185,376,666</u> | <u>148,558,259</u> |
| Shareholders' funds | 15 | <u>185,376,666</u> | <u>148,558,259</u> |
| Shareholders' funds are analysed as follows: | | | |
| Equity | | 1 | 1 |
| Non equity | | 185,376,665 | 148,558,258 |
| | | <u>185,376,666</u> | <u>148,558,259</u> |

On behalf of the Board



Katherine Licken
Director



Pat Meehan
Director

3rd June 2009

The National Oil Reserves Agency Limited
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Cash flow statement
for the year ended 31 December 2008

| | <i>Note</i> | 2008 | 2007 |
|--|-------------|----------------------|------------------|
| | | € | As restated € |
| Net cash inflow/(outflow) from operating activities | | | |
| | <i>16</i> | 50,944,011 | 6,951,157 |
| Returns on investments and servicing of finance | <i>17</i> | (10,412,420) | (5,921,576) |
| Corporation tax | | 2,723,643 | (4,016,324) |
| Capital expenditure and financial investment | <i>17</i> | (272,894,950) | (1,246,704) |
| Management of liquid resources | | (35,000,000) | - |
| Net cash inflow/(outflow) before financing | | (264,639,716) | (4,233,447) |
| Financing | <i>17</i> | 286,588,000 | 3,964,391 |
| Increase/(decrease) in cash for the year | <i>18</i> | 21,948,284 | (269,056) |

Reconciliation of net cash flow to movement in net debt

| | | | |
|--|-----------|----------------------|---------------|
| Increase/(decrease) in cash for the year | <i>18</i> | 21,948,284 | (269,056) |
| Net increase in debt | <i>18</i> | (251,588,000) | (3,964,391) |
| Movement in net debt for the year | <i>18</i> | (229,639,716) | (4,233,447) |
| Net debt at beginning of year | | (156,624,875) | (152,391,428) |
| Net debt at end of year | | (386,264,591) | (156,624,875) |

On behalf of the Board



Katherine Licken
Director



Pat Meehan
Director

3rd June 2009

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

1 Turnover

Turnover comprises revenue from a levy which is collected in accordance with the terms of the National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007).

2 Operating costs

| | 2008 | 2007 |
|-----------------------|-------------------|-------------------|
| | € | As restated € |
| Storage costs | 24,828,964 | 21,698,165 |
| Stock tickets | 3,031,797 | 7,978,176 |
| Other operating costs | 4,633,615 | 3,146,550 |
| | <u>32,494,376</u> | <u>32,822,891</u> |

3 Net interest payable

| | 2008 | 2007 |
|--------------------------|-------------------|------------------|
| | € | As restated € |
| Interest on bank loans | 16,966,574 | 6,560,761 |
| Bank interest receivable | (2,602,709) | (559,570) |
| | <u>14,363,865</u> | <u>6,001,191</u> |

4 Surplus before taxation for the year

This has been arrived at after charging the following items:

| | 2008 | 2007 |
|-------------------------|---------|------------------|
| | € | As restated € |
| Directors' remuneration | 37,208 | 13,125 |
| Auditors' remuneration | 20,000 | 16,500 |
| Depreciation | 15,395 | 6,350 |
| | <u></u> | <u></u> |

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

5 Staff numbers and costs

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

| | 2008 | 2007 As restated |
|----------------|------|---------------------|
| Administration | 5 | 4 |

The aggregate payroll costs of these employees were:

| | 2008 € | 2007 As restated € |
|--------------------------|----------------|--------------------------|
| Wages and salaries | 370,710 | 289,195 |
| Social welfare costs | 35,717 | 26,995 |
| Pension costs (Note 20A) | (5,739) | 45,190 |
| | <u>400,688</u> | <u>361,380</u> |

6 Taxation

| | 2008 € | 2007 As restated € |
|--|----------------|--------------------------|
| Corporation tax | 830,949 | 675,878 |
| Factors affecting tax charge for the period: | | |
| Surplus on ordinary activities before tax | 38,164,347 | 20,290,269 |
| Surplus on ordinary activities multiplied by standard rate of corporation tax at 12.5% (2007: 12.5%) | 4,770,543 | 2,536,284 |
| Effects of: | | |
| Non taxable/deductible (income)/expenses | (4,123,772) | (954,465) |
| Expenses deductible on disposals | (1,446) | (930,357) |
| Depreciation in excess of capital allowances | (1,340) | (485) |
| Income taxable at higher rate of tax | 189,928 | 27,028 |
| Other timing differences | (2,964) | (2,899) |
| Losses (utilised)/carried forward | - | - |
| Adjustment in respect of prior year | - | 772 |
| | <u>830,949</u> | <u>675,878</u> |

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

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

7 Strategic stocks

| | 2008 | 2007 |
|---|--------------------|--------------------|
| | € | As restated € |
| At cost | | |
| <i>Petroleum products</i> | | |
| At beginning of year | 290,796,872 | 277,106,142 |
| Additions in year | 273,547,873 | 23,381,500 |
| Disposals during the year | (567,342) | (9,690,770) |
| | <hr/> | <hr/> |
| At end of year | 563,777,403 | 290,796,872 |
| | <hr/> | <hr/> |
| Gain on disposal of strategic stocks | | |
| Net disposal proceeds | 722,093 | 22,129,092 |
| Less: Cost of product | (567,342) | (9,690,770) |
| | <hr/> | <hr/> |
| | 154,751 | 12,438,322 |
| | <hr/> | <hr/> |

The gain on disposal of strategic stocks of €154,751 relates to the disposal of stocks in the normal course of business.

Strategic stocks are held at the direction of the Minister of Communications, Energy 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 2008 was €483,154,840 (2007: €531,259,561). Replacement cost is calculated by reference to physical stocks held at year end, valued at average market prices for the months of December 2008 and December 2007 respectively.

The Directors have considered the difference between the book value of the strategic stocks (€563,777,403) and their replacement cost at 31 December 2008 (€483,154,840). In this regard, and in line with the provisions of FRS 11 and FRS 15, an impairment review was conducted with reference to 'value in use' of the stocks at 31 December 2008. In this context, special consideration was given to NORA's remit in managing Ireland's strategic stocks and their release in an emergency situation. On the basis of the impairment review, the Directors do not consider it necessary to write down the value of the stocks at 31 December 2008.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

8 Tangible fixed assets

| | Motor Vehicles € | Fixtures and fittings € | Computer Equipment € | Total € |
|----------------------------|------------------------|-------------------------------|----------------------------|----------------|
| <i>Cost</i> | | | | |
| At beginning of year | - | 21,045 | 18,798 | 39,843 |
| Additions in year | 38,406 | 6,253 | 24,511 | 69,170 |
| Disposals in year | | (3,100) | - | (3,100) |
| At end of year | 38,406 | 24,198 | 43,309 | 105,913 |
| <i>Depreciation</i> | | | | |
| At beginning of year | - | 18,667 | 17,223 | 35,890 |
| Charge for year | 8,574 | 2,901 | 3,920 | 15,395 |
| Disposals in year | | (2,869) | - | (2,869) |
| At end of year | 8,574 | 18,699 | 21,143 | 48,416 |
| <i>Net book value:</i> | | | | |
| At 31 December 2008 | 29,832 | 5,499 | 22,166 | 57,497 |
| At 31 December 2007 | - | 2,378 | 1,575 | 3,953 |

9 Debtors

| | 2008 € | 2007 As restated € |
|--|-------------------|--------------------------|
| Trade debtors | 6,853,084 | 6,658,422 |
| Amounts due from former parent undertaking | - | 105,364 |
| Value added tax | 1,554,314 | 422,970 |
| Corporation tax | - | 3,324,894 |
| Prepayments and accrued income | 11,674,438 | 11,734,102 |
| Other debtors | 36,458 | - |
| | 20,118,294 | 22,245,752 |

All debtors are due within one year.

The National Oil Reserves Agency Limited
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

10 Creditors: amounts falling due within one year

| | 2008 | 2007 |
|------------------|-------------------|--------------------------|
| | € | As restated € |
| Trade creditors | 2,363,598 | 2,436,941 |
| Accruals | 9,545,932 | 5,702,122 |
| Corporation Tax | 230,176 | - |
| PAYE/PRSI | 6,816 | 7,626 |
| Others creditors | 59,397 | 17,582 |
| | <hr/> | <hr/> |
| | 12,205,919 | 8,164,271 |
| | <hr/> | <hr/> |

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

| | 2008 | 2007 |
|------------|--------------------|--------------------------|
| | € | As restated € |
| Bank loans | 338,000,001 | 157,862,001 |
| | <hr/> | <hr/> |

Maturity analysis:

| | 2008 | 2007 |
|--------------------------------------|--------------------|-------------|
| | € | € |
| Bank loans are repayable as follows: | | |
| Within one year | 106,450,000 | - |
| Between one and two years | 138,000,001 | 75,937,001 |
| Between two and five years | 200,000,000 | 50,000,000 |
| Greater than five years | - | 31,925,000 |
| | <hr/> | <hr/> |
| | 444,450,001 | 157,862,001 |
| | <hr/> | <hr/> |

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

12 Treasury risk management

(a) Interest rate and currency profile

The profile of the company's bank loans at 31 December 2008 was as follows:

| Currency | Weighted average interest rates | | Weighted average debt | |
|----------|---------------------------------|------------|-----------------------|----------------|
| | Fixed % | Floating % | Fixed €'000 | Floating €'000 |
| Euro | 3.89 | 5.21 | 169,600 | 274,850 |

(b) Schedule of undrawn committed facilities

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

| Currency | €'000 |
|----------|--------|
| Euro | 19,550 |

(c) Currency analysis

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

| | €'000 USD | €'000 £ STG | €'000 SEK |
|-----------------------------------|--------------|----------------|--------------|
| Monetary assets | 1,200 | 4,226 | - |
| Monetary liabilities | (7) | (490) | (68) |
| Net monetary assets/(liabilities) | 1,193 | 3,736 | (68) |

(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 2008.

The unrealised loss on euro interest swaps at 31 December 2008 approximated €4.16 million.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

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 2008.

14 Revaluation reserve

| | 2008 | 2007 |
|---|-------------------|-------------------|
| | € | As restated € |
| At 1 January | 10,417,443 | 11,052,430 |
| Transfer to profit and loss account (note 15) | - | (634,987) |
| At 31 December 2008 | 10,417,443 | 10,417,443 |

In 2001, by arrangement with Irish National Petroleum Corporation Limited and the Minister for Communications, Energy 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 2007, part of these stocks was disposed of and an amount of €634,987 has 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

| | Profit & Loss Account € | Revaluation Reserve € | Pension Reserve € | Total € |
|-------------------------------------|-------------------------------|-----------------------------|-------------------------|-------------|
| Opening balance at 1 January | | | | |
| as previously reported | 137,839,987 | 10,417,443 | - | 148,257,430 |
| Prior Year Adjustment | 32,063 | - | 268,766 | 300,828 |
| Opening Balance at 1 January | | | | |
| as restated | 137,872,050 | 10,417,443 | 268,766 | 148,558,259 |
| Surplus for the financial year | 37,333,398 | - | - | 37,333,398 |
| Actuarial Gain/(Loss) | - | - | (514,992) | (514,992) |
| | 175,205,448 | 10,417,443 | (246,226) | 185,376,665 |

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

15 Reconciliation of movements in shareholders' funds (continued)

Section 44(3) of the National Oil Reserves Agency Act, 2007 provides that in determining the rate of the Levy, the Minister for Communications, Energy and Natural Resources shall seek to ensure that (taking one year with another) the sums realised by applying those rates to the volume assessments meet but do not exceed the estimated expenses of the Agency. Therefore the entire balance on the profit and loss account is considered not to be available for distribution.

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

| | 2008 | 2007 |
|--|-------------------|-------------------|
| | € | As restated € |
| Operating surplus | 48,873,461 | 13,885,201 |
| (Increase)/decrease in debtors | (1,197,436) | (10,181,114) |
| (Decrease)/increase in creditors | (139,974) | 3,272,783 |
| Exceptional item | 3,500,000 | - |
| Depreciation | 15,395 | 6,350 |
| Pension charge less contribution | (107,435) | (32,063) |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 50,944,011 | 6,951,157 |
| | <hr/> | <hr/> |

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

| | 2008 | 2007 |
|---|----------------------|--------------------|
| | € | As restated € |
| Returns on investment and servicing of finance | | |
| Interest paid | (12,866,025) | (6,481,146) |
| Interest received | 2,453,605 | 559,570 |
| | <hr/> | <hr/> |
| | (10,412,420) | (5,921,576) |
| | <hr/> | <hr/> |
| Capital expenditure and financial investment | 2008 | 2007 |
| | € | As restated € |
| Purchase of strategic stocks | (273,547,873) | (23,381,499) |
| Purchase of tangible fixed assets | (69,170) | 5,703 |
| Proceeds on disposal of strategic stocks | 722,093 | 22,129,092 |
| | <hr/> | <hr/> |
| | (272,894,950) | (1,246,704) |
| | <hr/> | <hr/> |

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2008

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

| | | |
|------------------|-------------|-----------|
| Financing | | |
| Bank loans | 286,588,000 | 3,964,391 |

18 Analysis of net debt

| | At 1 January 2008 € | Cash flow € | At 31 December 2008 € |
|--|---------------------------|----------------------|-----------------------------|
| Cash at bank and in hand | 1,237,126 | 21,948,284 | 23,185,410 |
| Bank overdraft | - | - | - |
| | <u>1,237,126</u> | <u>21,948,284</u> | <u>23,185,410</u> |
| Exchequer notes (<i>Liquid Resource</i>) | - | 35,000,000 | 35,000,000 |
| Bank loans | (157,862,001) | (286,588,000) | (444,450,001) |
| | <u>(157,862,001)</u> | <u>(251,588,000)</u> | <u>(409,450,001)</u> |
| Net debt | <u>(156,624,875)</u> | <u>(229,639,716)</u> | <u>(386,264,591)</u> |

19 Commitments

Operating lease commitments

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

| | 2008 Property €000 | 2008 Oil Storage €000 | 2007 Property €000 | 2007 Oil Storage €000 |
|----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
| Expiring: | | | | |
| Within one year | 50 | 93 | 50 | 213 |
| Between one and two years | 100 | 1,037 | 100 | - |
| Between two and five years | 200 | 9,076 | 200 | 6,279 |
| After more than five years | 450 | 19,193 | 500 | 18,680 |
| | <u>800</u> | <u>29,399</u> | <u>850</u> | <u>25,172</u> |

Foreign currency commitments

The company has entered into foreign currency commitments of £2.2 million sterling (euro equivalent: €2.7 million) relating to storage expenses at 31 December 2008.

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19 Commitments (continued)

Capital commitments

Future capital expenditure approved by the directors in relation to the acquisition of strategic stocks at 31 December 2008 was as follows:

| | 2008 | 2007 |
|-------------------------------|-------|---------------------|
| | €000 | As restated €000 |
| Contracted | - | 105,224 |
| Authorised but not contracted | 6,580 | 8,176 |

20 Pensions

(a) Pension costs

| | 2008 | 2007 |
|----------------------------------|----------|------------------|
| | € | As restated € |
| Current Service cost | 44,256 | 74,760 |
| Interest cost | 26,888 | 12,400 |
| Expected return on scheme assets | (59,181) | (27,524) |
| Less: employees contributions | (17,702) | (14,446) |
| | (5,739) | 45,190 |

(bi) Net pension liability

| | 2008 | 2007 |
|-------------------------------------|-----------|------------------|
| | € | As restated € |
| Present value of funded obligations | 1,012,700 | 174,800 |
| Fair value of scheme assets | (906,683) | (475,628) |
| Net liability/(asset) | 106,017 | (300,828) |

| | 2008 | 2007 |
|--|-----------|------------------|
| | € | As restated € |
| (bii) Present value of scheme obligations at beginning of year | 174,800 | 241,800 |
| Current service cost | 44,256 | 74,760 |
| Interest cost | 26,888 | 12,400 |
| Actuarial (gain)/loss | 165,147 | (151,886) |
| Benefits transferred | 898,834 | - |
| Benefits paid | (297,225) | (2,274) |
| Present value of scheme obligations at end of year | 1,012,700 | 174,800 |

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20 Pensions (continued)

| | 2008 | 2007 |
|--|----------------|------------------|
| | € | As restated € |
| (biii) Change in scheme assets | | |
| Fair value of scheme assets at beginning of year | 475,628 | 372,707 |
| Expected return on scheme assets | 59,181 | 27,524 |
| Actuarial (gain)/loss | (349,845) | (14,027) |
| Employer contributions | 102,408 | 77,252 |
| Members' contributions | 17,702 | 14,446 |
| Benefits transferred | 898,834 | - |
| Benefits paid | (297,225) | (2,274) |
| Closing value of scheme assets | <u>906,683</u> | <u>475,628</u> |

The current practice of increasing pensions in line with public sector salary inflation is taken into account in measuring the defined benefit obligation.

(c) Description of scheme and actuarial assumptions

The pension scheme is a defined benefit final salary pension arrangements with benefits defined by reference to current "model" public sector scheme regulations. Employer and employee contribution rates are set having regard to actuarial advice and periodic review on the funding rate required for the scheme. The scheme provides a pension (one eightieth per year of service), a gratuity or lump sum (three eightieths per year of service) and spouse's and children's pensions. Normal Retirement Age is a member's 65th birthday. Pensions in payment (and deferment) normally increase in line with general public service sector salary inflation.

| | 2008 | 2007 |
|---------------------|-------|-------|
| Discount rate | 5.5% | 5.5% |
| Salary increases | 3.75% | 3.75% |
| Pension increases | 3.25% | 3.25% |
| Inflation increases | 2.25% | 2.25% |

Assumptions regarding future mortality experience are set based on published mortality tables (PNML00 /PNFL00) published by the actuarial profession in the UK. The 00 tables are derived from insurance company data collected between 1999 and 2002.

The mortality assumptions chosen are based on standard tables reflecting typical pensioner mortality and they allow for increasing life expectancy over time.

The average life expectancy, in years, of a pensioner retiring is as follows:

| | Retiring at 65 |
|---------|----------------|
| Males | 21.4 |
| Females | 23.1 |

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20 Pensions (continued)

The scheme assets at year end comprised:

| | 2008 | 2007 |
|----------|---------------|---------------|
| Equities | 64.9% | 77.3% |
| Bonds | 20.1% | 13.0% |
| Property | 4.4% | 5.1% |
| Other | 10.6% | 4.6% |
| | <u>100.0%</u> | <u>100.0%</u> |

Actual return less expected return on scheme assets

| | 2008 | 2007 |
|-----------------------|------------------|------------------|
| | € | As restated € |
| Actual return | (290,664) | 13,497 |
| Less: expected return | (59,181) | (27,524) |
| Actuarial gain/(loss) | <u>(349,845)</u> | <u>(14,027)</u> |

(d) History of defined benefit obligations, assets and experience gains and losses

| | 2008 | 2007 | 2006 |
|---|----------------|------------------|------------------|
| | € | € | € |
| Defined benefit obligations | 1,012,700 | (174,800) | (241,800) |
| Fair value of scheme assets | 906,683 | 475,628 | 372,707 |
| Deficit/ (surplus) for funded scheme | <u>106,017</u> | <u>(300,828)</u> | <u>(130,907)</u> |
| Experience (gains)/losses on scheme liabilities | | | |
| amount | 165,147 | 7,714 | 2,635 |
| percentage of scheme liabilities | 16.3% | 4.4% | 1.1% |

(e) Funding of pensions

A triennial actuarial valuation of the scheme is due at 1 January 2009.

Depending on the outcome of this valuation, the agency is expected to contribute at least **€102,500** to the scheme over the coming year.

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20 Pensions (continued)

(f) FRS 17

The information on pensions has been presented in line with new disclosure requirements required from 2008 under an amendment to FRS 17.

(g) Effect of Change in Accounting Policy

| | 2007 | Opening | Closing |
|------------------------|-------------------|--------------------|--------------------|
| | Surplus | Reserves | Reserves |
| As originally reported | 19,614,391 | 128,643,040 | 148,257,431 |
| Prior year adjustment | <u>32,062</u> | <u>268,766</u> | <u>300,828</u> |
| As Restated | <u>19,646,453</u> | <u>128,911,806</u> | <u>148,558,259</u> |

21 Exceptional Item

At 31 December 2007 the Agency had a contingent asset estimated at €3.5 million pertaining to a commercial agreement with a supplier. In 2008, this contingent asset materialised into a payment of €3.5m to the Agency.

22 Contingent Liability

The Company has accounted for certain transactions involving the reclaim of VAT incurred in the Netherlands under the EU 8th and 13th Directives. The Agency's ability to recover VAT of €209,280 incurred in 2007 and 2008 is contingent on the outcome of a ruling due from the Revenue authorities in the Netherlands. The amount of €209,280 is included in Debtors (Note 9).

23 Group membership

Up to 31 July 2007, 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.

On 1 August 2007, the National Oil Reserves Agency Act 2007 established the Agency on a statutory basis under the aegis of the Minister for Communications, Energy and Natural Resources.

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24 Board Members Interests

The National Oil Reserves Agency adopted procedures in accordance with the guidelines issues by the Department of Finance in relation to the disclosure of interests by board members and those procedures have been adhered to during the year. The Board members and the National Oil Reserves Agency complied with the Department of Finance Guidelines covering situations of personal interest.

25 Approval of financial statements

The directors approved the financial statements on 3rd June 2009

PRN No: A9/0445

