

**The National Oil Reserves Agency Limited**  
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' report and  
financial statements

**Year ended 31<sup>st</sup> December 2009**

*Registered number 229229*

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

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# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

## Directors and other information

### Directors

Aidan Donnelly (Chairman)  
Katherine Licken  
Vincent Caffrey  
Seán Fitzgerald  
Oliver Whelan  
Pat Meehan (CEO)

### Secretary

David Corcoran

### Management

Pat Meehan	Chief Executive
David Corcoran	Financial Controller
Michael Cavanagh	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

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### 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 1<sup>st</sup> 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.

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Chairperson's Statement (*continued*)

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 1<sup>st</sup> 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, and to 2.00 cent per litre with effect from 1<sup>st</sup> October 2009) 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) decreased by 3.2% , and CATEGORY II (Distillates – Diesel, Gas Oil, Kerosene) decreased by 0.7%, from 1<sup>st</sup> August 2009. There has been no stocks obligation for CATEGORY III (Fuel Oils) since from 1<sup>st</sup> August 2007 and this nil obligation continued through 2009.

At year end 2009, the breakdown of the stocks (excluding Fuel Oil) held by NORA was as follows:

	<b>2009</b> <b>('000 Tonnes)</b>	<b>% of</b> <b>TOTAL</b>	<b>2008 ('000</b> <b>Tonnes)</b>	<b>% of</b> <b>TOTAL</b>
<b>Stocks in Ireland</b>	<b>741</b>	<b>45%</b>	<b>745</b>	<b>43%</b>
<b>Stocks Abroad</b>	<b>651</b>	<b>40%</b>	<b>652</b>	<b>38%</b>
<b>Stock Tickets</b> <b>(Ireland)</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Stock Tickets</b> <b>(Abroad)</b>	<b>242</b>	<b>15%</b>	<b>320</b>	<b>19%</b>
<b>Total:</b>	<b>1,634</b>		<b>1,717</b>	

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Chairperson's Statement (*continued*)

The physical stocks owned by NORA and stored both in Ireland and abroad at the end of 2009 consisted of:

	<b>2009</b> (*000 Tonnes)	<b>2008</b> (*000 Tonnes)
<b>CAT I - Gasoline</b>	171	171
<b>CAT II - Distillates</b>	1,221	1,226
<b>Total:</b>	1,392	1,397

#### Obligation – v - Actual Stocks Held

<b>Category 1 Stocks</b>	<b>2009</b>	<b>2008</b>
Obligation Stocks (Tonnes)	393,000	406,000
Actual Stocks Held	393,000	406,000
Stock Days - Obligation	83	83
Stock Days - Held	83	83

<b>Category 2 Stocks</b>	<b>2009</b>	<b>2008</b>
Obligation Stocks (Tonnes)		
Obligation Stocks - Cat 2	1,242,000	1,251,000
Actual Stocks Held - Cat 2	1,241,000	1,261,000
Stock Days - Obligation	78	78
Stock Days - Held	78	79

#### Challenging World Oil Market, Financial Markets and Storage Procurement

The most notable developments in the business sector in which the Agency operates (international & domestic) in 2009 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 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. This gap was closed considerably through the securing of significant additional stocks (470,000 tonnes) and storage in 2008. All of these additional stocks were financed by borrowings, which grew from €157.9 million at end 2007 to €444.5 million by end 2008.

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Chairperson's Statement (*continued*)

The impact of the worldwide financial crisis is reflected in the form of increased interest charges and costs of funding. Arising from this, the Agency committed, subject to affordability, to embark upon a debt repayment programme to reduce funding costs within a reasonable timeframe.

As can be seen from the comparative table showing Stocks 2009 - v - Stocks 2008, there were only very minor stock changes in the course of 2009. Throughout 2009, the Agency maintained full compliance with its obligation volumes.

### **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, further resulted in reduced NORA storage capacity in existing commercial storage.

The Government's Energy Policy Framework 2007 – 2020 committed to the re-balancing of Ireland's strategic oil stocks, in favour of stocks held on the island of Ireland. In 2008, the Department of Communications, Energy & Natural Resources commissioned a Review of Security of Commercial Oil Supply in Ireland. The Report was undertaken by international oil consultants Purvin and Gertz, and Irish energy consultants Byrne O'Cleirigh and published in February 2009. ***The report noted that Ireland currently holds one of the lowest proportions of oil stocks within its own borders of all EU member states.***

The Purvin & Gertz / Byrne O'Cleirigh report also noted that Ireland is particularly vulnerable to supply disruptions because of our island status and the fact that 45% of our oil imports are shipped through Dublin Port. This underlines the need for an increase in the amount of strategic stocks that can be stored in Ireland and are accessible in the event of an incident at Dublin Port.

In addition to the analysis by Purvin & Gertz/ Byrne O'Cleirigh, the EU's new Oil Stocks Directive, (COUNCIL DIRECTIVE 2009/119/EC of 14 September 2009) strengthens existing provisions in relation to 90 day stock-holding requirements, and signals a move towards increased accessibility of stocks.

NORA has been actively seeking opportunities to develop storage on the island of Ireland in recent years. By end 2009, it had committed to three projects involving the refurbishment of existing facilities totalling 320,000 tonnes of storage for Category 2 products.

In May 2009, NORA appointed consultants to assist in the development of its long term storage plans. This includes the evaluation of options for increasing strategic storage on the island of Ireland.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (*continued*)

## NORA Levy

The Agency is funded by a levy on the sale of oil products. Its revenue, coupled with commercial loans is used to fund the procurement and holding of Ireland's strategic 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 1<sup>st</sup> 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*".

In line with the strategy set out in this White Paper, NORA has embarked on a challenging programme of stockbuilding and storage facility procurement with the aim of rebalancing 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.

NORA's debt at end 2007 was €157.9 million. With the acquisition of essential additional stocks in 2008, NORA's debt rose to €444.5m. At the end of 2009, it was €444.0 m.

In 2009, NORA reviewed and updated its 5 year Strategic Stocks and Storage Plan (2009 – 2013), based upon meeting the requirements of strategic stock obligations (EU Strategic Stocks Directive and IEA Regulations), and achieving its key objectives in line with Government policy in relation to :

- Oil Stock procurement, and rebalancing the level of stocks held on the island of Ireland
- Storage for the additional oil stocks
- Interest costs (arising from borrowings)
- Debt repayment plan
- Capital Projects associated with oil storage facility refurbishment

In the course of this review, and particularly arising from forecasts for future years, it became clear that in order for NORA to fulfil its obligations and meet its targeted objectives in the future, its revenue, based on a Levy of €0.01 per litre would need to be increased.

In light of all of the prevailing factors, and NORA's need to maintain a firm financial basis for its ongoing and future business, the Minister for Communications, Energy & Natural Resources introduced legislation (National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) (No. 2) Regulations 2009, (S.I. 200 of 2009) increasing the amount of the levy from €0.01 per litre of fuel purchased, to €0.02 per litre, with effect from 1<sup>st</sup> October 2009.

Arising from this, the Agency commenced a debt repayment programme early in 2010. The amount and timing of the repayment of debt is being planned taking account of the need for the ongoing retention of liquid reserves and the renewal of essential borrowing facilities.



**The National Oil Reserves Agency Limited**  
**An Ghníomhaireacht Chúltaca Ola Náisiúnta**  
**Chairperson's Statement (*continued*)**

**Proposed New EU Directive on Strategic Stocks**

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 mid-2009, following a detailed EU wide consultation process, a new Directive (COUNCIL DIRECTIVE 2009/119/EC of 14 September 2009) replacing previous legislation was approved by the EU. The principle change in the new Directive is the alignment of stock measurements with that of the International Energy Agency system.

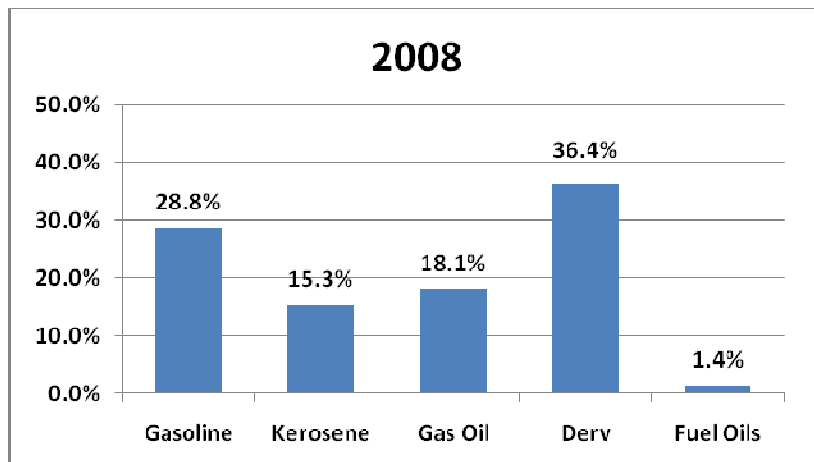
This new Directive will be effective from 31<sup>st</sup> December 2012. The Agency will liaise closely with the Department of Communications, Energy, and Natural Resources with a view to ensuring that it will be adequately prepared to achieve and maintain compliance with the new Directive from its effective date.

**The National Oil Reserves Agency Limited**  
An Ghníomhaireacht Chúltaca Ola Náisiúnta  
Chairperson's Statement (*continued*)

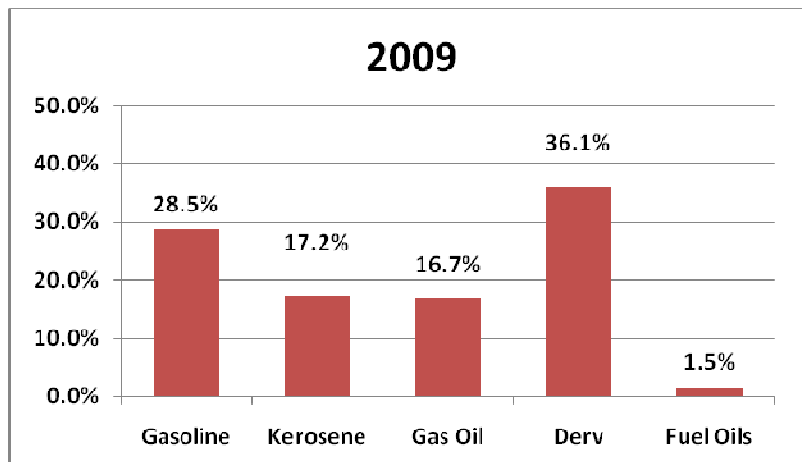
**Composition of the NORA Levy**

Set out hereunder is a breakdown of the Levy volume percentages by product for 2009, and comparable figures for 2008.

**2008**

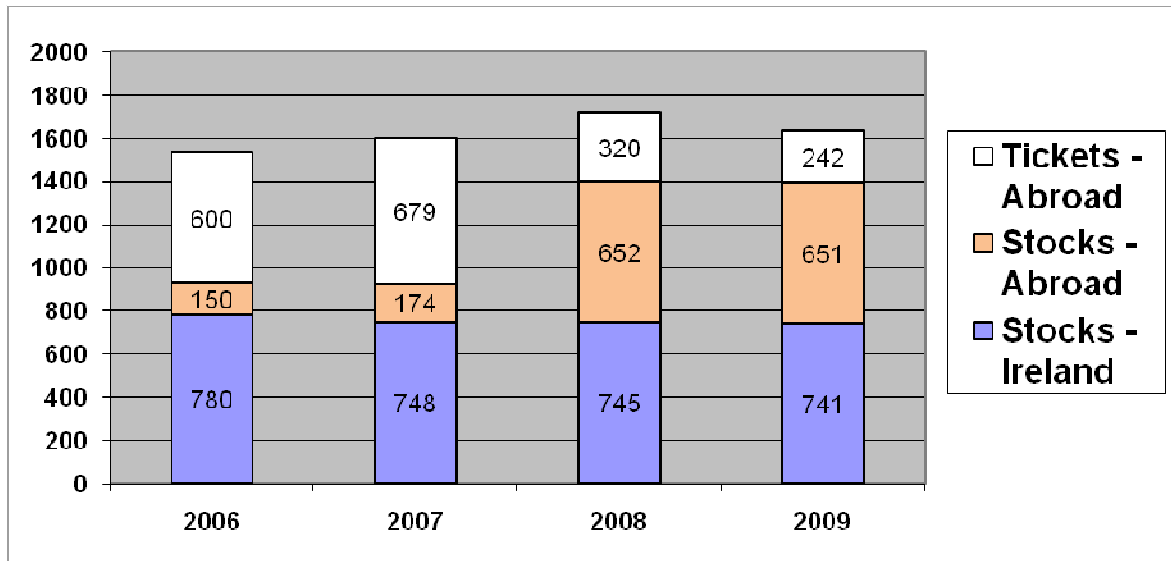


**2009**



**The National Oil Reserves Agency Limited**  
An Ghníomhaireacht Chúltaca Ola Náisiúnta  
Chairperson's Statement (*continued*)

**Breakdown of Stockholding 2006 – 2009 ('000 tonnes)**



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.

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**Aidan Donnelly**  
**Chairman**  
**April 2010**

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### **Directors' report**

The directors submit their report together with the audited financial statements for the year ended 31 December 2009.

### **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 approval of the Energy (Biofuel Obligation and Miscellaneous Provisions) Bill 2010 by the Oireachtas, is scheduled to come into operation on 1 July 2010. The Agency will liaise closely with the Department of Communications, Energy and Natural Resources in preparing all that is necessary for the administration of the Biofuels Obligation Scheme in accordance with the legislation.

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 sale 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 sales 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 National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Directors' Report (*continued*)

The Agency seeks to minimise cash balances in current accounts. Cash surpluses are deposited with banks with an appropriate credit standing, including State guaranteed short term Government Paper (NTMA Exchequer Notes) in a manner which provides the most competitive return.

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.

#### **Results for the period**

The results are disclosed on page 23 of the financial statements. As noted in the profit and loss account, a loss on the sale of Strategic Stocks of €0.7 million (2008: €0.2 million profit) was recorded in 2009. The profit arises on the sale of stocks in the normal course of business.

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

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.

#### **Directors' remuneration**

Government guidelines on the payment of Directors' fees are being complied with.

Directors Fees per annum are as follows: (from 1 January 2010, and taking account of the reduction of 10% effective from that date):

		€
Chairman:	Aidan Donnelly	8,978
Directors:	Seán Fitzgerald	5,985
	Vincent Caffrey	5,985
	Pat Meehan	5,985
Total		<hr/> 26,933 <hr/>

Ms. Katherine Licken and Mr. Oliver Whelan do not receive Directors' fees.

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Directors' Report (*continued*)

Directors Fees paid in the year ended 31 December 2009:

		€
Chairman:	Aidan Donnelly	9,801
Directors:	Seán Fitzgerald	6,533
	Vincent Caffrey	6,533
	Pat Meehan	6,533
Total		<hr/> 29,400 <hr/>

#### **Directors' attendance at Board meetings**

In accordance with the requirements of paragraph 3.8 of the Code of Practice for the Governance of State Bodies, the following is a summary of the attendances of each Board Member at Board meetings for the year ended 31<sup>st</sup> December 2009.

Number of Board meetings held: 6

#### Attendance:

Aidan Donnelly	6
Vincent Caffrey	5
Seán Fitzgerald	3
Katherine Licken	5
Oliver Whelan	5
Pat Meehan	6

#### **Post balance sheet events**

Save as disclosed in note 2(b), 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.

#### **Confidential Disclosures**

In accordance with the provisions of Clause 2.11 of the Code of Practice for the Governance of State Bodies the Board has approved the Agency's policy to ensure employees have the opportunity, to raise concern about possible irregularities in financial reporting or other matters.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' Report (*continued*)

## **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

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*Katherine Licken*  
Director

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*Oliver Whelan*  
Director

13 April 2010

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### **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 2009. 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 2009.

On behalf of the Board

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*Katherine Licken*  
Director

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*Oliver Whelan*  
Director

13 April 2010



# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### **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 organisation.

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.

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Chairperson's Statement on the System of Internal Financial Control (*continued*)

In particular, it includes:

- 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 2009, 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 2008 and explanation of significant variances
- annual budget and financial plan for 2010

#### **Annual Review of Controls**

I confirm that in respect of the year ended 31 December 2009 the Board conducted a review of the effectiveness of the system of internal financial control.

Signed on behalf of the Board.

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**Aidan Donnelly**  
**Chairman**  
April 2010

# **The National Oil Reserves Agency Limited**

## **An Ghníomhaireacht Chúltaca Ola Náisiúnta**

### **Comptroller and Auditor General Report**

#### **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 2009 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 2009. 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.

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### **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 2009 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2009.

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 2009 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**  
**20 April 2010**

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Statement of accounting policies

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 (*continued*)

### **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 (*continued*)

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 unit method. An excess of scheme liabilities over scheme assets is presented on the Balance Sheet as a liability.

An actuarial valuation of the scheme was carried out at 31 December 2009, which determined that the scheme met the minimum funding standard required. The next actuarial valuation against the minimum funding standard will be performed at 31 December 2010.

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Profit and loss account

For the year ended 31 December 2009

	Note	2009 €	2008 €
<b>Turnover - continuing operations</b>	1	<b>93,327,372</b>	81,367,837
Operating costs	2	(36,872,672)	(32,494,376)
<b>Operating surplus - continuing operations</b>		<b>56,454,700</b>	48,873,461
Profit/(loss) on sale of strategic stocks	7	(714,252)	154,751
Exceptional item	21	-	3,500,000
<b>Surplus on ordinary activities before interest and tax</b>		<b>55,740,448</b>	52,528,212
Net interest payable	3	(12,570,417)	(14,363,865)
<b>Surplus on ordinary activities before taxation</b>	4	<b>43,170,031</b>	38,164,347
Taxation charge on surplus on ordinary activities	6	12,834	(830,949)
<b>Surplus for the financial year</b>	15	<b>43,182,865</b>	37,333,398

On behalf of the Board

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Katherine Licken  
Director

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Oliver Whelan  
Director

13 April 2010



**The National Oil Reserves Agency Limited**  
**An Ghníomhaireacht Chúltaca Ola Náisiúnta**

**Statement of total recognised gains and losses**

*For the year ended 31 December 2009*

	<i>Note</i>	<b>2009</b> €	2008 €
<b>Surplus for the financial year</b>		<b>43,182,865</b>	37,333,398
<b>Transfer from revaluation reserve in respect of strategic stocks disposed during the year</b>	<i>14</i>	-	-
		<b>43,182,865</b>	<b>37,333,398</b>
Actual return less expected return on scheme assets	<i>20(biii)</i>	144,422	(349,845)
Experience gains/(losses) on pension scheme liabilities	<i>20(bii)</i>	29,258	(165,147)
Changes in assumptions underlying the present value of pension scheme liabilities	<i>20(bii)</i>	(55,800)	-
<b>Actuarial (loss)/gain</b>		<b>117,880</b>	(514,992)
<b>Total gains and losses recognised</b>		<b>43,300,745</b>	36,818,406

The cumulative loss recognised from actuarial gains and losses arising in the last three years amounts to €259,253.

**Movement in pension reserve**

<b>Balance at beginning of year</b>	<b>(246,226)</b>	268,766
<b>Actuarial (loss)/ gain</b>	<b>117,880</b>	(514,992)
<b>Balance at end of year</b>	<b>(128,346)</b>	(246,226)

On behalf of the Board

*Katherine Licken*  
*Director*

*Oliver Whelan*  
*Director*

13 April 2010

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Balance sheet

At 31 December 2009

	Note	2009 €	2008 €
<b>Fixed assets</b>			
Strategic stocks	7	562,191,727	563,777,403
Tangible assets	8	36,388	57,497
		<u>562,228,115</u>	<u>563,834,900</u>
<b>Current assets</b>			
Debtors	9	36,350,120	20,118,294
NTMA exchequer notes	18	-	35,000,000
Cash at bank and in hand		82,803,584	23,185,409
		<u>119,153,704</u>	<u>78,303,703</u>
<b>Creditors: amounts falling due within one year</b>			
Bank loans	11	(80,000,000)	(106,450,000)
Other creditors	10	(8,793,060)	(12,205,919)
		<u>30,360,644</u>	<u>(40,352,216)</u>
<b>Net current assets/(liabilities)</b>		<u>592,588,759</u>	<u>523,482,684</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: bank loans falling due after more than one year</b>	11	(364,000,000)	(338,000,001)
		<u>228,588,759</u>	<u>185,482,683</u>
<b>Net assets excluding pension liability</b>			
<b>Pension asset/(liability)</b>	20(bi)	88,653	(106,017)
		<u>228,677,412</u>	<u>185,376,666</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Profit and loss account	15	218,388,314	175,205,448
Revaluation reserve	14	10,417,443	10,417,443
Pension reserve	15	(128,346)	(246,226)
		<u>228,677,412</u>	<u>185,376,666</u>
<b>Shareholders' funds</b>	15		
		<u>228,677,411</u>	<u>185,376,665</u>
Shareholders' funds are analysed as follows:			
Equity		1	1
Non equity		228,677,411	185,376,665
		<u>228,677,412</u>	<u>185,376,666</u>
On behalf of the Board			

Katherine Licken  
Director

Oliver Whelan  
Director

13 April 2010

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Cash flow statement

For the year ended 31 December 2009

	<i>Note</i>	<b>2009</b> €	<b>2008</b> €
<b>Net cash inflow/(outflow) from operating activities</b>			
	<i>16</i>	<b>40,383,885</b>	50,944,011
Returns on investments and servicing of finance	<i>17</i>	<b>(15,469,317)</b>	(10,412,420)
Corporation tax		<b>(717,817)</b>	2,723,643
Capital expenditure and financial investment	<i>17</i>	<b>871,424</b>	(272,894,950)
Management of liquid resources		<b>35,000,000</b>	(35,000,000)
<b>Net cash inflow/(outflow) before financing</b>		<b>60,068,175</b>	(264,639,716)
Financing	<i>17</i>	<b>(450,001)</b>	286,588,000
<b>Increase/(decrease) in cash for the year</b>	<i>18</i>	<b>59,618,174</b>	21,948,284

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

Increase/(decrease) in cash for the year	<i>18</i>	<b>59,618,174</b>	21,948,284
Net increase/(decrease) in debt	<i>18</i>	<b>(34,549,999)</b>	(251,588,000)
<b>Movement in net debt for the year</b>	<i>18</i>	<b>25,068,175</b>	(229,639,716)
Net debt at beginning of year		<b>(386,264,591)</b>	(156,624,875)
<b>Net debt at end of year</b>		<b>(361,196,416)</b>	(386,264,591)

On behalf of the Board

\_\_\_\_\_  
Katherine Licken  
Director

\_\_\_\_\_  
Oliver Whelan  
Director

13 April 2010

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2009

## 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 2009 (S.I. No. 22 0 of 2009) and National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007).

## 2 Operating costs

	2009 €	2008 €
Storage costs	28,466,229	24,828,964
Stock tickets (a)	4,328,849	3,031,797
Other operating costs (b)	4,077,594	4,633,615
	<hr/>	<hr/>
	36,872,672	32,494,376
	<hr/>	<hr/>

(a) 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 application for reclaim of VAT of €196,376 incurred in 2007 and 2008 has been refused by the Revenue authorities in the Netherlands. While the Agency has lodged a formal appeal, it is considered prudent to include a provision in Stock tickets for the amounts due, pending final outcome of the appeal.

(b) An amount of €638,000, comprising a settlement with a third party together with costs of professional advice to NORA, was incurred in relation to a procurement matter.

## 3 Net interest payable

	2009 €	2008 €
Interest on bank loans	14,677,495	16,966,574
Bank interest receivable	(2,107,078)	(2,602,709)
	<hr/>	<hr/>
	12,570,417	14,363,865
	<hr/>	<hr/>

## 4 Surplus before taxation for the year

This has been arrived at after charging the following items:

	2009 €	2008 €
Directors' remuneration	29,400	37,208
Auditors' remuneration	15,500	20,000
Depreciation	21,109	15,395
	<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 2009

In accordance with the requirements of paragraph 12.1 (iv) of the Code of Practice for the Governance of State Bodies, fees and expenses paid to the Board in the year ended 31 December 2009 are as follows:

	€ Fees	€ Travel	€ Subsistence	€ Other	€ Total
Pat Meehan	6,533	1,639	5,507	446	14,125
Aidan Donnelly	9,801	1,023	-	107	10,931
Vincent Caffrey	6,533	-	-	17	6,550
Sean Fitzgerald	6,533	-	-	90	6,623
Katherine Licken	-	-	-	17	17
Oliver Whelan	-	-	-	107	107
	<b>29,400</b>	<b>2,662</b>	<b>5,507</b>	<b>784</b>	<b>38,353</b>

## 5

### Staff numbers and costs

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

	2009	2008
Administration	<b>5</b>	<b>5</b>

The aggregate payroll costs of these employees were:

	2009 €	2008 €
Wages and salaries	<b>410,443</b>	370,710
Social welfare costs	<b>39,305</b>	35,717
Pension costs (note 20 (a))	<b>32,626</b>	(5,739)
	<b>482,374</b>	400,688

- (b) In accordance with the requirements of paragraph 12.1 (iv) of the Code of Practice for the Governance of State Bodies, details of the remuneration of the Chief Executive for the year ended 31 December 2009 are as follows:

	€
Annual basic salary	<b>120,382</b>
Actual payments under performance related pay scheme	<b>24,076</b>
Other benefits including company car	<b>13,510</b>
	<b>157,968</b>

The Chief Executive's pension entitlements do not extend beyond the standard entitlements in the defined benefit Model Superannuation Scheme for civil servants.

The National Oil Reserves Agency Limited  
 An Ghníomhaireacht Chúltaca Ola Náisiúnta  
 Notes forming part of the accounts  
 For the year ended 31 December 2009

(c) An amount of €24,820 in respect of the Pension Levy has been deducted in 2009 and paid over to the Department of Communications, Energy and Natural Resources.

**6 Taxation**

	<b>2009</b>	2008
	€	€
Corporation tax	-	830,949
Adjustments in respect of prior periods	<b>(12,834)</b>	-
	<hr/>	<hr/>
Total current tax charge	<b>(12,834)</b>	-
	<hr/>	<hr/>
<i><b>Factors affecting tax charge for the period:</b></i>		
Profit on ordinary activities before tax	<b>43,170,031</b>	38,164,347
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax at 12.5% (2008: 12.5%)	<b>5,396,254</b>	4,770,543
	<hr/>	<hr/>
<i><b>Effects of:</b></i>		
Income not taxable	<b>(11,665,990)</b>	(10,170,980)
Expenses not deductible for tax purposes	<b>851,332</b>	6,045,762
Depreciation in excess of capital allowances	<b>1,298</b>	(1,340)
Income taxable at higher rate of tax	<b>263,317</b>	189,927
Other timing differences	-	(2,964)
Unutilised tax losses	<b>5,153,789</b>	-
Adjustment in respect of prior periods	<b>(12,834)</b>	-
	<hr/>	<hr/>
	<b>(12,834)</b>	830,949
	<hr/>	<hr/>

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 2009

## 7 Strategic stocks

	2009 €	2008 €
<b>At cost</b>		
<i><b>Petroleum products</b></i>		
At beginning of year	563,777,403	290,796,872
Additions in year	453,659	273,547,873
Sales during the year	(2,039,335)	(567,342)
	<hr/>	<hr/>
<b>At end of year</b>	562,191,727	563,777,403
	<hr/>	<hr/>
<b>Profit/(loss) on sale of strategic stocks</b>		
Net sale proceeds	1,325,083	722,093
Less: Cost of product	(2,039,335)	(567,342)
	<hr/>	<hr/>
	(714,252)	154,751
	<hr/>	<hr/>

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 2009 was €611,618,255 (31 December 2008: €483,154,840). Replacement cost is calculated by reference to physical stocks held at year end, valued at average market prices for the months of December 2009 and December 2008 respectively.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2009

## 8 Tangible fixed assets

	Motor Vehicles €	Fixtures and fittings €	Computer Equipment €	Total €
<i>Cost</i>				
At beginning of year	38,406	24,198	43,309	105,913
Additions in year	-	-	-	-
Disposals in year	-	-	-	-
<b>At end of year</b>	<b>38,406</b>	<b>24,198</b>	<b>43,309</b>	<b>105,913</b>
<i>Depreciation</i>				
At beginning of year	8,574	18,700	21,143	48,417
Charge for year	6,660	1,121	13,327	21,109
Disposals in year	-	-	-	-
<b>At end of year</b>	<b>15,234</b>	<b>19,821</b>	<b>34,470</b>	<b>69,526</b>
<i>Net book value:</i>				
<b>At 31 December 2009</b>	<b>23,172</b>	<b>4,377</b>	<b>8,839</b>	<b>36,388</b>
<b>At 31 December 2008</b>	<b>29,832</b>	<b>5,499</b>	<b>22,166</b>	<b>57,497</b>

## 9 Debtors

	2009 €	2008 €
Trade debtors	10,234,962	6,853,084
Value added tax	969,009	1,554,314
Prepayments and accrued income	24,571,424	11,674,438
Corporation Tax	500,475	-
Other debtors	74,250	36,458
	<b>36,350,120</b>	<b>20,118,294</b>

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 2009

## 10 Creditors: amounts falling due within one year

	2009	2008
	€	€
Trade creditors	1,145,135	2,363,598
Accruals	7,528,774	9,545,932
Corporation Tax	-	230,176
PAYE/PRSI	9,603	6,816
Others creditors	109,548	59,397
	<hr/>	<hr/>
	8,793,060	12,205,919
	<hr/>	<hr/>

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

	2009	2008
	€	€
Bank loans	364,000,000	338,000,001
	<hr/>	<hr/>

### Maturity analysis:

	2009	2008
	€	€
Bank loans are repayable as follows:		
Within one year	80,000,000	106,450,000
Between one and two years	19,000,000	138,000,001
Between two and five years	345,000,000	200,000,000
Greater than five years	-	-
	<hr/>	<hr/>
	444,000,000	444,450,001
	<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 2009*

**12 Treasury risk management**

**(a) Interest rate and currency profile**

The profile of the company's bank loans at 31 December 2009 was as follows:

<b>Currency</b>	<b>Weighted average interest rates</b>		<b>Weighted average debt</b>	
	<b>Fixed %</b>	<b>Floating %</b>	<b>Fixed €'000</b>	<b>Floating €'000</b>
Euro	<b>3.91</b>	<b>1.91</b>	<b>158,000</b>	<b>286,000</b>

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

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

<b>Currency</b>	<b>€'000</b>
Euro	1

**(c) Currency analysis**

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

	<b>€'000 USD</b>	<b>€'000 £ STG</b>	<b>€'000 DKK</b>
Monetary assets	345	4,810	108
Monetary liabilities	(24)	(524)	-
Net monetary assets/(liabilities)	321	4,286	108

**(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 2009.

The unrealised loss on euro interest swaps at 31 December 2009 approximated to €7.95 million.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2009

## 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 2009.

## 14 Revaluation reserve

	2009 €	2008 €
At 1 January	10,417,443	10,417,443
Transfer to profit and loss account (note 15)	-	-
<b>At 31 December 2009</b>	<b>10,417,443</b>	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.

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	175,205,449	10,417,443	(246,226)	185,376,666
Surplus for the financial year	43,182,865	-	117,880	43,300,745
Actuarial Gain/(Loss)	-	-	-	-
	<u>218,388,314</u>	<u>10,417,443</u>	<u>(128,346)</u>	<u>228,677,411</u>

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.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the accounts

For the year ended 31 December 2009

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

	2009 €	2008 €
<b>Operating surplus</b>	<b>56,454,700</b>	48,873,461
(Increase)/decrease in debtors	(15,285,878)	(1,197,436)
(Decrease)/increase in creditors	(729,255)	(139,974)
Exceptional item	-	3,500,000
Depreciation	21,109	15,395
Pension charge less contribution	(76,791)	(107,435)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>40,383,885</b>	50,944,011
	<hr/> <hr/>	<hr/> <hr/>

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

	2009 €	2008 €
<b>Returns on investment and servicing of finance</b>		
Interest paid	(17,781,722)	(12,866,025)
Interest received	2,312,405	2,453,605
	<hr/>	<hr/>
	(15,469,317)	(10,412,420)
	<hr/> <hr/>	<hr/> <hr/>

### Capital expenditure and financial investment

	2009 €	2008 €
Purchase of strategic stocks	(453,659)	(273,547,873)
Purchase of tangible fixed assets	-	(69,170)
Proceeds on sale of strategic stocks	1,325,083	722,093
	<hr/>	<hr/>
	871,424	(272,894,950)
	<hr/> <hr/>	<hr/> <hr/>

### Financing

Bank loans	(450,001)	286,588,000
	<hr/> <hr/>	<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 2009

## 18 Analysis of net debt

	At 1 January 2009 €	Cash flow €	At 31 December 2009 €
Cash at bank and in hand	23,185,410	59,618,174	82,803,584
Bank overdraft	-	-	-
	<u>23,185,410</u>	<u>59,618,174</u>	<u>82,803,584</u>
Exchequer notes ( <i>Liquid Resource</i> )	35,000,000	(35,000,000)	-
Bank loans	(444,450,001)	450,001	(444,000,000)
	<u>(409,450,001)</u>	<u>(34,549,999)</u>	<u>(444,000,000)</u>
<b>Net debt</b>	<u><b>(386,264,591)</b></u>	<u><b>25,068,175</b></u>	<u><b>(361,196,416)</b></u>

## 19 Commitments

### *Operating lease commitments*

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

	2009 Property €000	2009 Oil Storage €000	2008 Property €000	2008 Oil Storage €000
<b><i>Expiring:</i></b>				
Within one year	50	121	50	93
Between one and two years	100	2,495	100	1,037
Between two and five years	200	6,907	200	9,076
After more than five years	450	19,049	500	19,193
	<u>800</u>	<u>28,572</u>	<u>850</u>	<u>29,399</u>

### *Foreign currency commitments*

The company had no foreign currency commitments at 31 December 2009.

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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 2009 was as follows:

	2009 €000	2008 €000
Contracted	10,004	-
Authorised but not contracted	10,000	6,580
	<hr/>	<hr/>

## 20 Pensions

### (a) Pension costs

	2009 €	2008 €
Current Service cost	52,659	44,256
Interest cost	58,334	26,888
Expected return on scheme assets	(58,284)	(59,181)
Less: employees contributions	(20,083)	(17,702)
	<hr/>	<hr/>
	32,626	(5,739)
	<hr/>	<hr/>

### (bi) Net pension liability

	2009 €	2008 €
Present value of funded obligations	1,100,900	1,012,700
Fair value of scheme assets	(1,189,553)	(906,683)
	<hr/>	<hr/>
Net liability/(asset)	(88,653)	106,017
	<hr/>	<hr/>

### (bii) Present value of scheme obligations

	2009	2008
at beginning of year	1,012,700	174,800
Current service cost	52,659	44,256
Interest cost	58,334	26,888
Actuarial (gain)/loss	26,542	165,147
Benefits transferred	-	898,834
Benefits paid	(49,335)	(297,225)
	<hr/>	<hr/>
Present value of scheme obligations at end of year	1,100,900	1,012,700
	<hr/>	<hr/>

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**20 Pensions (continued)**

	<b>2009</b>	2008
	€	€
<b>(biii) Change in scheme assets</b>		
Fair value of scheme assets at beginning of year	<b>906,683</b>	475,628
Expected return on scheme assets	<b>58,284</b>	59,181
Actuarial gain/(loss)	<b>144,422</b>	(349,845)
Employer contributions	<b>109,416</b>	102,408
Members' contributions	<b>20,083</b>	17,702
Benefits transferred	-	898,834
Benefits paid	<b>(49,335)</b>	(297,225)
	<hr/> <b>1,189,553</b> <hr/>	<hr/> 906,683 <hr/>
Closing value of scheme assets		

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 arrangement 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 65<sup>th</sup> birthday. Pensions in payment (and deferment) normally increase in line with general public service sector salary inflation.

	<b>2009</b>	2008
Discount rate	<b>5.20%</b>	5.50%
Salary increases	<b>3.50%</b>	3.75%
Pension increases	<b>3.00%</b>	3.25%
Inflation increases	<b>2.00%</b>	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:

	<b>Retiring at 65</b>
Males	21.6
Females	23.3

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**20 Pensions (continued)**

The scheme assets at year end comprised:

	<b>2009</b>	<b>2008</b>
Equities	<b>32.7%</b>	64.9%
Bonds	<b>63.0%</b>	20.1%
Property	<b>3.2%</b>	4.4%
Other	<b>1.1%</b>	10.6%
	<b>100.0%</b>	100.0%

Actual return less expected return on scheme assets

	<b>2009</b>	<b>2008</b>
	€	€
Actual return	<b>202,706</b>	(290,664)
Less: expected return	<b>(58,284)</b>	(59,181)
Actuarial gain/(loss)	<b>144,422</b>	(349,845)

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	€000	€000	€000	€000
Defined Benefit Obligations	1,101	1,013	(175)	(242)
Fair Value of Scheme Assets	(1,190)	(907)	476	373
Deficit/(Surplus) for funded scheme	(89)	106	301	131
Experience (gains)/losses on scheme liabilities				
Amount	28.2	165.1	7.7	2.6
Percentage of scheme liabilities	2.7%	16.3%	4.4%	1.1%

**(e) Funding of pensions**

A triennial actuarial valuation of the scheme was carried out at 1 January 2009 and recommended a contribution rate of 23.6% of basic salaries (inclusive of members' contributions).

Depending on the outcome of this valuation, the agency is expected to contribute at least €102,000 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.

## **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 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.

## **23 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.

## **24 Approval of financial statements**

The directors approved the financial statements on 13 April 2010.