

# The National Oil Reserves Agency Limited

Directors' report and  
financial statements

**Year ended 31<sup>st</sup> December 2005**

*Registered number 229229*

# The National Oil Reserves Agency Limited

## Directors' report and financial statements

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# The National Oil Reserves Agency Limited

## Directors and other information

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

## Directors' report for the year ended 31 December 2005

The directors submit their report together with the audited financial statements for the year ended 31 December 2005.

### **Principal activities, business review and future developments**

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

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

### **Treasury and risk management**

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

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

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

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

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

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

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

# The National Oil Reserves Agency Limited

## Directors' report (*continued*)

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

The results are disclosed on page 9 of the financial statements. As noted in the profit and loss account, a gain on disposal of Strategic Stocks of €23.2 million was recorded in 2005. In September 2005, NORA released approximately 33,000 tonnes of gasoline to meet Ireland's obligations under the International Energy Agency (IEA) Co-ordinated Response Plan. An additional 23,000 tonnes of gasoline was also disposed as part of the upgrading of stocks to meet new EU specifications.

### **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.

### **Post balance sheet events**

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

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

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

### **Prompt Payments Act**

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

### **Accounting records**

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

### **Auditors**

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

On behalf of the board

A. Donnelly  
*Director*

S. Fitzgerald  
*Director*

29 March, 2006

# The National Oil Reserves Agency Limited

## Statement of directors' responsibilities

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2005. 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 2005.

On behalf of the board

A. Donnelly  
*Director*

S. Fitzgerald  
*Director*

29 March, 2006

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

We have audited the financial statements of the National Oil Reserves Agency Limited for the year ended 31 December 2005 set out on pages 7 to 21.

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

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 4.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2005. We also report to you whether, in our opinion: proper books of account have been kept by the company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

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

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs as at 31 December 2005 and of its surplus for the year then ended;
- have been properly prepared in accordance with the Companies Acts 1963 to 2005.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

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

The net assets of the Company, as stated in the balance sheet on page 10 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2005 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

KPMG  
*Chartered Accountants*  
*Registered Auditor*  
*Dublin*

29 March, 2006



# The National Oil Reserves Agency Limited

## Statement of accounting policies

*for the year ended 31 December 2005*

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

### **Basis of preparation**

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

### **Turnover**

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

### **Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

# The National Oil Reserves Agency Limited

## Statement of accounting policies

*for the year ended 31 December 2005*

### **Strategic stocks**

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

### **Foreign currencies**

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

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

### **Operating leases**

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

# The National Oil Reserves Agency Limited

## Profit and loss account

for the year ended 31 December 2005

	<i>Note</i>	<b>2005</b> €	2004 €
<b>Turnover - continuing operations</b>	<i>1</i>	<b>35,752,174</b>	34,525,211
Operating costs	<i>2</i>	<b>(28,673,061)</b>	(27,081,806)
<b>Operating surplus - continuing operations</b>		<b>7,079,113</b>	7,443,405
Gain on disposal of strategic stocks	<i>7</i>	<b>23,181,498</b>	31,092,052
<b>Surplus on ordinary activities before interest and tax</b>		<b>30,260,611</b>	38,535,457
Net interest payable	<i>3</i>	<b>(4,186,323)</b>	(4,865,468)
<b>Surplus on ordinary activities before taxation</b>	<i>4</i>	<b>26,074,288</b>	33,669,989
Taxation charge on surplus on ordinary activities	<i>6</i>	<b>(1,253,549)</b>	-
<b>Surplus for the financial year</b>	<i>15</i>	<b>24,820,739</b>	33,669,989

## Statement of total recognised gains and losses

for the year ended 31 December 2005

<b>Surplus for the financial year</b>		<b>24,820,739</b>	33,669,989
<b>Transfer from revaluation reserve in respect of strategic stocks disposed during the year</b>	<i>14</i>	<b>596,292</b>	5,878,469
<b>Total gains and losses recognised</b>		<b>25,417,031</b>	39,548,458

On behalf of the board

A. Donnelly  
Director

S. Fitzgerald  
Director

29 March, 2006

# The National Oil Reserves Agency Limited

## Balance sheet

at 31 December 2005

	<i>Note</i>	<b>2005</b> €	2004 €
<b>Fixed assets</b>			
Strategic stocks	7	227,369,327	206,641,731
Tangible assets	8	23,317	30,659
		<hr/>	<hr/>
		227,392,644	206,672,390
<b>Current assets</b>			
Debtors	9	8,650,224	9,816,930
Cash at bank and in hand		1,469,253	123,031
		<hr/>	<hr/>
		10,119,477	9,939,961
<b>Creditors:</b> amounts falling due within one year	10	(19,527,152)	(19,753,707)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(9,407,675)	(9,813,746)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		217,984,969	196,858,644
<b>Creditors:</b> bank loans falling due after more than one year	11	(96,837,645)	(100,532,059)
		<hr/>	<hr/>
<b>Net assets</b>	15	121,147,324	96,326,585
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Profit and loss account	15	109,989,824	84,572,793
Revaluation reserve	14	11,157,499	11,753,791
		<hr/>	<hr/>
<b>Shareholders' funds</b>	15	121,147,324	96,326,585
		<hr/>	<hr/>
Shareholders' funds are analysed as follows:			
Equity		1	1
Non equity		121,147,323	96,326,584
		<hr/>	<hr/>
		121,147,324	96,326,585
		<hr/>	<hr/>

On behalf of the board

A. Donnelly  
*Director*

S. Fitzgerald  
*Director*

29 March, 2006

# The National Oil Reserves Agency Limited

## Cash flow statement

for the year ended 31 December 2005

	<i>Note</i>	<b>2005</b> €	2004 €
<b>Net cash inflow from operating activities</b>	<i>16</i>	<b>9,009,985</b>	5,304,625
Returns on investments and servicing of finance	<i>17</i>	<b>(4,322,082)</b>	(4,815,108)
Corporation tax		<b>(653)</b>	101,112
Capital expenditure and financial investment	<i>17</i>	<b>6,430,591</b>	(352,193)
<b>Net cash inflow before financing</b>		<b>11,117,841</b>	238,436
Financing	<i>17</i>	<b>(9,541,009)</b>	(713,088)
<b>Increase/(decrease) in cash for the year</b>	<i>18</i>	<b>1,576,832</b>	(474,652)

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

Increase/(decrease) in cash for the year	<i>18</i>	<b>1,576,832</b>	(474,652)
Net increase in debt	<i>18</i>	<b>9,541,009</b>	713,088
<b>Movement in net debt for the year</b>	<i>18</i>	<b>11,117,841</b>	238,436
Net debt at beginning of year		<b>(117,190,053)</b>	(117,428,489)
<b>Net debt at end of year</b>		<b>(106,072,212)</b>	(117,190,053)

# The National Oil Reserves Agency Limited

## Notes forming part of the accounts

For the year ended 31 December 2005

### 1 Turnover

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

### 2 Operating costs

	2005 €	2004 €
Storage costs	17,297,450	17,084,211
Stock tickets	10,041,826	8,705,485
Other operating costs	1,333,785	1,292,110
	<hr/>	<hr/>
	28,673,061	27,081,806
	<hr/>	<hr/>

### 3 Net interest payable

	2005 €	2004 €
Interest on bank loans	4,468,604	4,982,876
Bank interest receivable	(282,281)	(117,408)
	<hr/>	<hr/>
	4,186,323	4,865,468
	<hr/>	<hr/>

### 4 Surplus before taxation for the year

This has been arrived at after charging the following items:

	2005 €	2004 €
Directors' remuneration	22,855	21,586
Auditors' remuneration	12,575	6,500
Depreciation	9,040	14,051
	<hr/>	<hr/>

### 5 Staff numbers and costs

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

	2005	2004
Administration	2	2
	<hr/>	<hr/>

# The National Oil Reserves Agency Limited

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these employees were:

	2005 €	2004 €
Wages and salaries	188,421	166,790
Social welfare costs	18,097	16,256
Pension costs	65,693	63,625
	<u>272,211</u>	<u>246,671</u>

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

### 6 Taxation

	2005 €	2004 €
Corporation tax	1,253,549	-
	<u>1,253,549</u>	<u>-</u>
<b>Factors affecting tax charge for the period:</b>		
Surplus on ordinary activities before tax	26,074,288	33,669,989
	<u>26,074,288</u>	<u>33,669,989</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax at 12.5% (2004: 12.5%)	3,259,287	4,208,749
<b>Effects of:</b>		
Expenses disallowed for tax purposes	287	153
Tax exemption relating to levy income	(317,639)	(307,566)
Expenses deductible on disposals	(1,041,476)	(4,148,822)
Depreciation in excess of capital allowances	(441)	132
Losses (utilised)/carried forward	(678,945)	221,084
Income taxable at higher rate of tax	35,285	12,216
Other timing differences	(2,809)	14,054
	<u>1,253,549</u>	<u>-</u>

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

# The National Oil Reserves Agency Limited

Notes (continued)

## 7 Strategic stocks

	2005 €	2004 €
<b>At cost</b>		
<i><b>Petroleum products</b></i>		
At beginning of year	206,641,733	175,215,233
Additions in year	27,973,603	83,127,224
Disposals during the year	(7,246,009)	(51,700,726)
	<hr/>	<hr/>
<b>At end of year</b>	227,369,327	206,641,731
	<hr/>	<hr/>
<b>Gain on disposal of strategic stocks</b>		
Net disposal proceeds	30,427,507	82,792,778
Less: Cost of product	(7,246,009)	(51,700,726)
	<hr/>	<hr/>
	23,181,498	31,092,052
	<hr/>	<hr/>

As explained in the Directors' Report, the gain on disposal of strategic stocks is associated with the IEA Co-ordinated Response Plan and the upgrading of stocks to meet new EU specifications. The gain arises from the significant difference between the original cost of stocks and their disposal value, in a year when oil prices continued to maintain historically high levels. The proceeds are being reinvested in financing replacement stocks (Note 17).

Strategic stocks are held at the direction of the Minister of Communications, Marine and Natural Resources and are not intended to be sold in the short or medium term. The replacement cost of the stocks at 31 December 2005 was €390,723,768 (2004: €251,768,900).



# The National Oil Reserves Agency Limited

Notes (continued)

## 8 Tangible fixed assets

	Motor Vehicles €	Fixtures and fittings €	Computer Equipment €	Total €
<i>Cost</i>				
At beginning of year	23,140	21,045	15,481	59,666
Additions in year	-	-	1,698	1,698
<b>At end of year</b>	<b>23,140</b>	<b>21,045</b>	<b>17,179</b>	<b>61,364</b>
<i>Depreciation</i>				
At beginning of year	5,785	9,196	14,026	29,007
Charge for year	4,339	3,157	1,544	9,040
<b>At end of year</b>	<b>10,124</b>	<b>12,353</b>	<b>15,570</b>	<b>38,047</b>
<i>Net book value:</i>				
<b>At 31 December 2005</b>	<b>13,016</b>	<b>8,692</b>	<b>1,609</b>	<b>23,317</b>
At 31 December 2004	17,355	11,849	1,455	30,659

## 9 Debtors

	2005 €	2004 €
Trade debtors	3,271,335	2,806,886
Amounts due from parent undertaking	-	165,256
Value added tax	1,888,172	3,559,584
Prepayments and accrued income	3,487,953	3,282,640
Other debtors	2,764	2,564
	<b>8,650,224</b>	<b>9,816,930</b>

All debtors are due within one year.

# The National Oil Reserves Agency Limited

## Notes (continued)

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

	2005 €	2004 €
Trade creditors	80,317	231,567
Bank overdraft	43,820	274,430
Bank loans	10,660,000	16,506,595
Accruals and deferred income	7,186,790	2,531,549
PAYE/PRSI	8,440	626
Corporation Tax	1,252,896	-
Others creditors	291,685	208,940
Amounts owed to parent undertaking	3,204	-
	<hr/>	<hr/>
	19,527,152	19,753,707
	<hr/>	<hr/>

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

	2005 €	2004 €
Bank loans	96,837,645	100,532,059
	<hr/>	<hr/>

#### *Maturity analysis:*

	2005 €	2004 €
Bank loans are repayable as follows:		
Within one year	10,660,000	16,506,595
Between one and two years	-	97,732,059
Between two and five years	96,837,645	2,800,000
	<hr/>	<hr/>
	107,497,645	117,038,654
	<hr/>	<hr/>

# The National Oil Reserves Agency Limited

Notes *(continued)*

## 12 Treasury risk management

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

The profile of the company's bank loans at 31 December 2005 was as follows:

Currency	Weighted average interest rates		Weighted average debt	
	Fixed %	Floating %	Fixed €'000	Floating €'000
Euro	3.89	2.55	76,000	31,498
	=====	=====	=====	=====

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

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

Currency	€'000
Euro	113,202
	=====

### *(c) Currency analysis*

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

	€'000 USD	€'000 £ STG
Monetary assets	40	102
Monetary liabilities	(28)	-
	=====	=====
Net monetary assets	12	102
	=====	=====

### *(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 2005.

The unrealised loss on euro interest swaps at 31 December 2005 approximated € 0.625 million.

# The National Oil Reserves Agency Limited

## Notes (continued)

### 13 Called up share capital

There are 100 ordinary shares of €1.27 authorised, of which 1 share was allotted, called up and fully paid at 31 December 2005.

### 14 Revaluation reserve

	2005 €	2004 €
At 1 January	11,753,791	17,632,260
Transfer to profit and loss account (note 15)	(596,292)	(5,878,469)
<b>At 31 December</b>	<b>11,157,499</b>	<b>11,753,791</b>

In 2001, by arrangement with Irish National Petroleum Corporation Limited and the Minister for Communications, Marine and Natural Resources, the company acquired strategic stocks held at the time by Irish National Petroleum Corporation Limited for a nominal payment. The company revalued these strategic stocks to the amount of their cost to Irish National Petroleum Corporation Limited. In 2004 and 2005, part of these stocks were disposed and accordingly amounts of € 5,878,469 and €596,292 respectively have been transferred from the revaluation reserve to the profit and loss account upon realisation of these reserves.

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

### 15 Reconciliation of movements in shareholders' funds

	2005 €	2004 €
(a) Opening shareholders' funds	96,326,585	62,656,596
Surplus for the financial year	24,820,739	33,669,989
<b>Closing shareholders' funds</b>	<b>121,147,324</b>	<b>96,326,585</b>

# The National Oil Reserves Agency Limited

## Notes (continued)

### 15 Reconciliation of movements in shareholders' funds (continued)

	2005 €	2004 €
(b) Profit and loss account at beginning of year	84,572,793	45,024,335
Transfer from revaluation reserve	596,292	5,878,469
Surplus for the financial year	24,820,739	33,669,989
Profit and loss account at end of year	109,989,824	84,572,793

Section 6(6) of the European Communities (Minimum Stocks of Petroleum Oils) Regulations, 1995 which governs the operations of the company requires the Minister for Communications, Marine and Natural Resources to seek to secure that taking one year with another, the proceeds of the levy income receivable by the company meet but do not exceed the costs incurred or to be incurred by the company in carrying out its functions under the Regulations. Therefore the entire balance on the profit and loss account is considered not to be available for distribution to the shareholder of the company, Irish National Petroleum Corporation Limited and is therefore classified as non equity in the parent company consolidated financial statements.

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

	2005 €	2004 €
<b>Operating surplus</b>	<b>7,079,113</b>	<b>7,443,405</b>
Decrease/(increase) in debtors	1,166,706	(1,959,865)
Increase/(decrease) in creditors	755,126	(192,966)
Depreciation	9,040	14,051
<b>Net cash inflow from operating activities</b>	<b>9,009,985</b>	<b>5,304,625</b>

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

	2005 €	2004 €
<b>Returns on investment and servicing of finance</b>		
Interest paid	(4,604,363)	(4,932,516)
Interest received	282,281	117,408
	(4,322,082)	(4,815,108)

# The National Oil Reserves Agency Limited

Notes (continued)

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

### Capital expenditure and financial investment

Purchase of strategic stocks	(23,995,218)	(83,127,226)
Purchase of tangible fixed assets	(1,698)	(17,745)
Net proceeds on disposal of strategic stocks	30,427,507	82,792,778
	<u>6,430,591</u>	<u>(352,193)</u>
<b>Financing</b>		
Bank loans	(9,541,009)	(713,088)
	<u></u>	<u></u>

## 18 Analysis of net debt

	At 1 January 2005 €	Cash flow €	At 31 December 2005 €
Cash at bank and in hand	123,031	1,346,222	1,469,253
Bank overdraft	(274,430)	230,610	(43,820)
	<u>(151,399)</u>	<u>1,576,832</u>	<u>1,425,433</u>
Bank loans	(117,038,654)	9,541,009	(107,497,645)
	<u></u>	<u></u>	<u></u>
<b>Net debt</b>	<b>(117,190,053)</b>	<b>11,117,841</b>	<b>(106,072,212)</b>
	<u></u>	<u></u>	<u></u>

## 19 Commitments

### Operating lease commitments

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

	2005 Property €000	2005 Other €000	2004 Property €000	2004 Other €000
<b>Expiring:</b>				
Within one year	51	2,651	-	1221
Between one and two years	-	503	-	-
Between two and five years	-	191	51	1,897
After more than five years	-	13,782	-	14,069
	<u>51</u>	<u>17,127</u>	<u>51</u>	<u>17,187</u>
	<u></u>	<u></u>	<u></u>	<u></u>

# The National Oil Reserves Agency Limited

Notes (continued)

## 19 Commitments (continued)

### *Foreign currency commitments*

The company has entered into foreign currency commitments of US\$2.9 million (euro equivalent: €2.3 million) relating to the acquisition of strategic stocks and operating costs, and £135,000 sterling (euro equivalent: €196,050) relating to storage expenses at 31 December 2005.

### *Capital commitments*

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

	<b>2005</b>	2004
	<b>€000</b>	€000
Contracted	2,069	23,310
	<hr/> <hr/>	<hr/> <hr/>

## 20 Related party disclosures

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

## 21 Group membership

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

## 22 Approval of financial statements

The directors approved the financial statement on 29 March 2006

