

The National Oil Reserves Agency Limited
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' Report and
Financial Statements

Year ended 31st December 2011

Registered Number 229229

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

<i>Contents</i>	<i>Page</i>
Directors and other information	2
Chairperson's Statement	3 - 13
Directors' report	13 - 17
Statement of Directors' responsibilities in respect of the Directors' report and financial statements	18
Chairperson's Statement on Internal Financial Control	19 - 20
Comptroller and Auditor General Report	21 - 22
Statement of accounting policies	23 - 25
Profit and Loss Account and statement of total recognised gains and losses	26 - 27
Balance sheet	28
Cash Flow Statement	29
Notes forming part of the financial statements	30 - 44

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors and other information

Directors	Aidan Donnelly (Chairman) Vincent Caffrey Seán Fitzgerald Aoife MacEvilly Oliver Whelan Pat Meehan (CEO)	
Secretary	David Corcoran	
Management	Pat Meehan David Corcoran Michael Cavanagh	Chief Executive Financial Controller Operations Manager
Company number	229229	
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, and
- administering Ireland's Biofuel Obligation Scheme

Background to NORA

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 1st August 2007 upon the introduction of the National Oil Reserves Agency Act 2007 which established NORA as a stand-alone 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 and 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)

EU and IEA Stocks Obligation

Under the National Oil Reserves Agency Act 2007 and associated legislation, 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.

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

These Regulations, effective 1st August 2007 set out the information to be provided by the National Oil Reserves Agency (NORA), oil companies and oil consumers to the Minister in monthly statistical returns and provides for the variation in the amount of the NORA levy to be paid (changed from 0.476 cent per litre to 1.00 cent per litre with effect from 1st November 2007, and to 2.00 cent per litre with effect from 1st 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 regarding meeting Ireland's oil stocks obligation.

Biofuels Obligation Scheme

On 1st July 2010, NORA commenced its administration of Ireland's Biofuel Obligation Scheme upon the introduction of the "Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010". This legislation was introduced to give effect to the provisions of the Council Directive 2009/28/EC on the promotion of the use of energy from renewable sources.

The Scheme places an obligation on suppliers of mineral oil to ensure that 4.166% (by volume) of the motor fuels (generally Gasoline and Motor Diesel) they place on the market in Ireland is produced from renewable sources, e.g. Ethanol and Biodiesel.

Under the terms of the National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010, a Biofuel Levy of 2.00 cent per litre is payable on the sales of all Biofuels into the market with effect from 1st July 2010.

NORA's Oil Stocks Obligation

NORA meets its oil 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.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

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 1 (Gasoline) decreased by 7.3% (26,900 tonnes), and CATEGORY 2 (Distillates - Diesel, Gas Oil, Kerosene) increased by 3.3%, (35,900 tonnes) from 1st August 2011. There have been no stocks obligation for CATEGORY 3 (Fuel Oils) since 1st August 2007 and this nil obligation continued through 2011.

At year-end of 2011, the breakdown of the stocks held by NORA was as follows:

	2011 ('000 Tonnes)	% of TOTAL	2010 ('000 Tonnes)	% of TOTAL
Stocks in Ireland	769	51%	671	46%
Stocks Abroad	610	41%	557	38%
Stock Tickets (Ireland)	0	0%	0	0%
Stock Tickets (Abroad)	120	8%	235	16%
Total:	1,499		1,463	

The physical stocks owned by NORA and stored both in Ireland and abroad at the end of 2011 consisted of the following:

	2011 ('000 Tonnes)	2010 ('000 Tonnes)
CAT I - Gasoline	286	242
CAT II - Distillates	1093	985
Total:	1,379	1,227

Obligation Volumes- v - Actual Stocks Held

A summary of NORA's Stock Obligation Volumes- v - Actual Stocks Held, and Stock Obligation Days - v - Actual No. of Days Stocks held, of as of the end of year, for the period 2006 to 2011 is set out below.

Category 1 Stocks	2006	2007	2008	2009	2010	2011
Obligation Stocks (Tonnes)	377,000	385,000	406,000	393,000	368,000	341,100
Actual Stocks Held	377,000	385,000	406,000	393,000	377,211	341,876
Stock Days - Obligation	82	81	83	83	83	84
Stock Days - Held	82	81	83	83	84	84

Category 2 Stocks	2006	2007	2008	2009	2010	2011
Obligation Stocks (Tonnes)	1,082,000	1,177,000	1,251,000	1,242,000	1,080,000	1,115,900
Actual Stocks Held - Cat 2	1,091,000	1,177,000	1,261,000	1,241,000	1,084,941	1,112,691
Stock Days - Obligation	77	77	78	78	78	80
Stock Days - Held	79	77	79	78	78	80

The National Oil Reserves Agency Limited

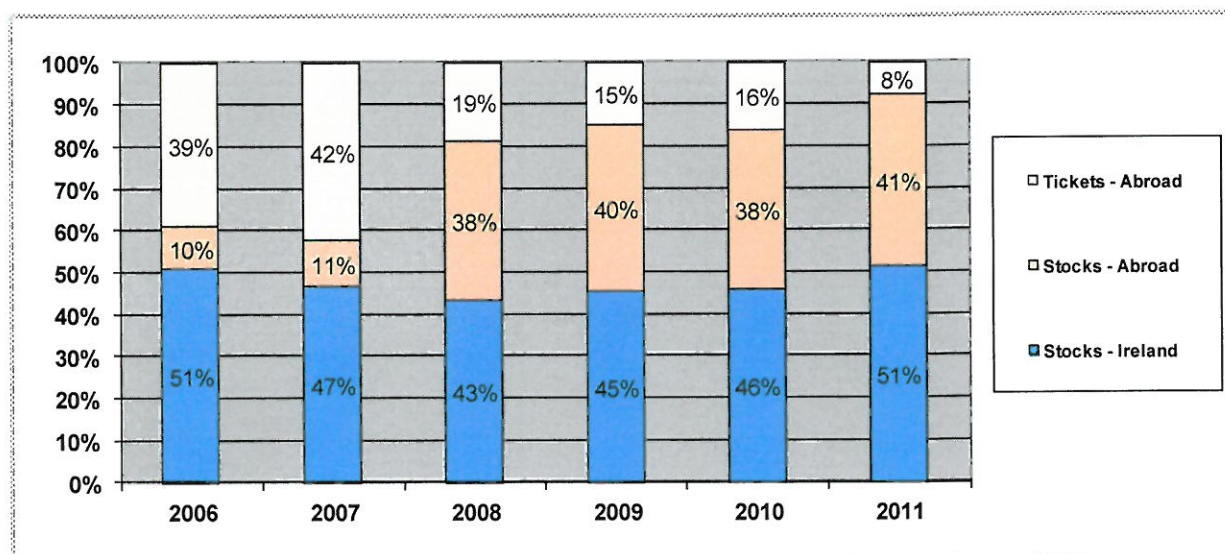
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

World Oil Market, Financial Markets and Storage Procurement

Among the most notable developments in the business sector in which the Agency operates (international and domestic) in 2011 were the changes in the world oil, oil storage, 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 in recent years as NORA has progressively improved its physical stock position. A profile of physical stocks held at home and abroad, together with stock tickets in terms of their relative proportions of NORA's annual stocks obligation for recent years is set out below.

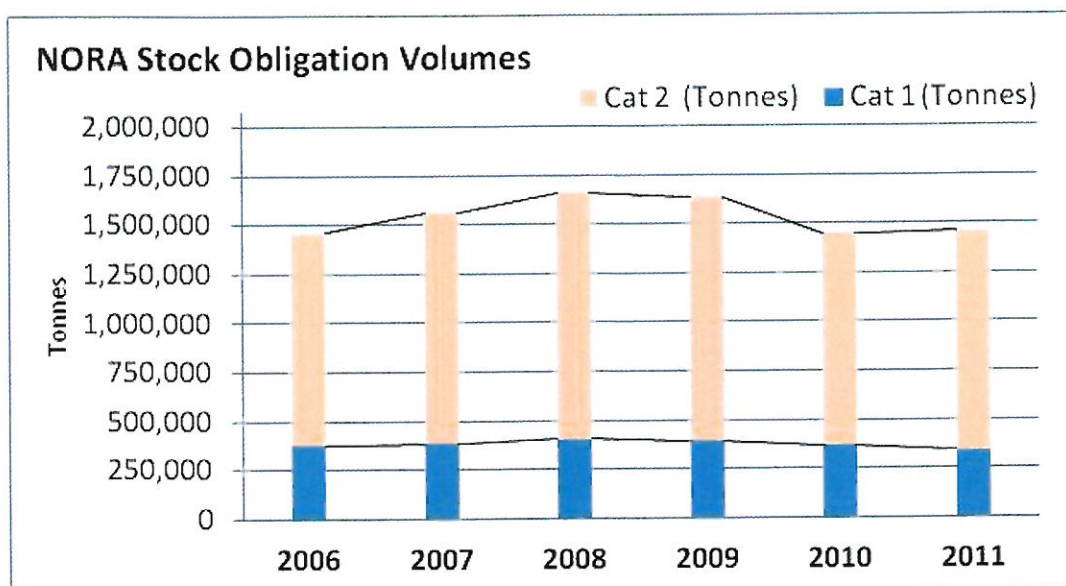


Arising from the downturn in the economy in Ireland since 2009, overall oil consumption volumes have reduced. While this in turn led to a reduction of 11% in NORA's annual Stocks Obligation volumes in 2010, overall Obligation volumes increased slightly by almost 1% in 2011, arising from the increased total number of days stock mandated to be held by NORA. Throughout 2011, the Agency maintained full compliance with its Obligation volumes. A profile of the trend in NORA's Stocks Obligation volumes for recent years is set out below.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)



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 up to 2008 resulted in existing storage capacity coming under increasing pressure. While the downturn in consumption since 2009 has slightly reduced this pressure, this has been more than offset by the introduction of Biofuels requiring the allocation of some existing storage to Bioethanol and Biodiesel, together with the introduction of a second grade of Gas Oil (existing Grade is 1000 ppm Sulphur; additional grade is 10 ppm Sulphur) requiring separate storage.

The outlook for consumption volumes in the coming years is for relatively low percentage increases in line with growth levels in the Irish economy. The net position on storage capacity therefore is that there has been no significant change in its availability on the island of Ireland.

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, subject to value for money considerations.

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

Two of these projects were completed in 2011, (Ringsend, Dublin - 65,000 tonnes of Diesel storage, and Kilroot, Co. Antrim, - 125,000 tonnes of Diesel storage) providing NORA with an additional 190,000 tonnes of storage. The third project commenced in 2011 (Tarbert, Co. Kerry - 100,000 tonnes of Diesel, and 30,000 tonnes of Kerosene storage), and when complete in 2012 will bring an aggregate increase of 320,000 tonnes of storage on the island of Ireland for NORA's use.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

In May 2009, NORA appointed consultants (Goodbody-Atkins consortium) 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.

Work on this project is progressing steadily, and will in due course identify the most beneficial plans for NORA in its quest for meeting its stocks obligations and storage requirements in future years.

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 1st November 2007, when, under the terms of the National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007, it was increased to €0.01 per litre, in line with the commitment contained in the Government White Paper "Delivering a Sustainable Energy Future for Ireland".

In line with the strategy set out in this White Paper, NORA has embarked on a challenging programme of stock building 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 the end of 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 €444.0m.

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 development

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 and Natural Resources introduced legislation (National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) (No. 2) Regulations 2009, (S.I. 220 of 2009) increasing the amount of the levy from €0.01 per litre of fuel purchased, to €0.02 per litre, with effect from 1st October 2009.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

Arising from this, the Agency commenced a debt repayment programme early in 2010, during which a total of €108.5 million was repaid, representing a 24.5% reduction in NORA's overall debt, to €335.5 million. Based on new provisions contained in the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010 NORA was authorised to engage the National Treasury Management Agency (NTMA) to assist and advise NORA in relation to its financial and borrowing activities, and such engagement commenced in 2010.

Accordingly, the NTMA is advising NORA in relation to the management of its financing and debt repayment plans. In line with NTMA advice, the amount and timing of the repayment of debt is being managed and planned taking account of the need for the ongoing retention of cash reserves, likely future requirements for capital expenditure and the renewal of essential borrowing facilities.

In 2011, a further €9.0 million was repaid, resulting in an end of year balance of €326.5m.

NORA's 5 Year Strategic Plan for the period 2012 to 2017 encompasses further storage and stocks development in line with obligation volume forecasts and the continued plans for the rebalancing of stocks onto the island of Ireland, subject to value for money considerations.

This plan has identified a requirement for a core loan requirement of c. €250 million from 2012 to 2016, after which the loan requirement is expected to reduce significantly.

Early in 2012 NORA actively engaged in a refinancing programme to procure the required loans, with the assistance of and under the guidance of the NTMA.

In mid April 2012, NORA secured re-financing to a level of €252.5 million for a five year period. This will enable the Agency to progress its stock rebalancing and storage refurbishment/redevelopment programme while maintaining its stock obligations.

End of Year Cash Position

NORA is constantly seeking to optimise "value for money" in its operations, in particular, in relation to its ongoing storage costs and financing costs, both of which combine to represent over 90% of NORA's total annual operating costs.

As outlined above, NORA has undertaken a refinancing programme early in 2012.

In preparation for this, NORA is optimising its cash position, minimising risk and taking due account of:

- (a) its ongoing financing requirements and in particular, significant changes in storage contracts and storage development arrangements planned and contracted for in the coming years.
- (b) the procurement of oil stocks associated with the changes in (a) above
- (c) loans maturing in 2012 and 2013, totalling €326.5 million

NORA's closing cash balance was €104.3 million at 31st December 2011. Taking account of the commitments under (a) to (c) above, this cash position is temporary, and plans are in hand for the utilisation of these cash reserves in 2012 and beyond based on commitments made and/or planned for which can be summarised as follows:

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

	€ million
Cash in Hand at 31 st December 2011	104.3
Storage Refurbishment Projects 2012	(5.1)
Stock Purchases 2012	(81.4)
Loan Repayments in 2012	(106.5)
Net Position	(88.7)

New EU Directive on Strategic Stocks

In 2009, following a detailed EU wide consultation process, a new EU Strategic Oil Stocks Directive (Council Directive 2009/119/EC/2009) replacing previous legislation was approved by the EU Commission. The principal change in the new Directive is the alignment of stock measurements with that of the International Energy Agency system.

Arising from this, NORA is likely to have a requirement to hold Ireland's full 90 day obligation from 1st April 2013.

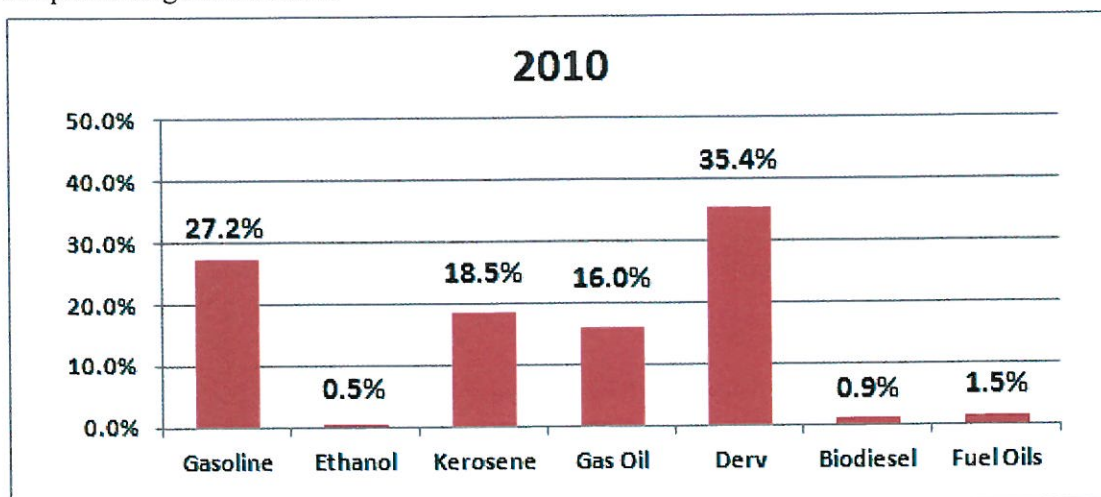
This change in NORA's stock obligation arises primarily from:

- A change in the basis of calculating annual obligation volumes from annual "consumption" to annual "net imports" to align the EU method of calculation to that of the International Energy Agency (IEA), and;
- The fact that the volumes of Industry stocks currently held on an ongoing basis which can be counted as strategic stocks under the current EU Strategic Stocks Directive will no longer be permitted to be counted as strategic stocks under the new EU Strategic Stocks Directive.

The Agency is liaising 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 its obligations under the new Directive from its effective date.

Composition of the NORA Levy

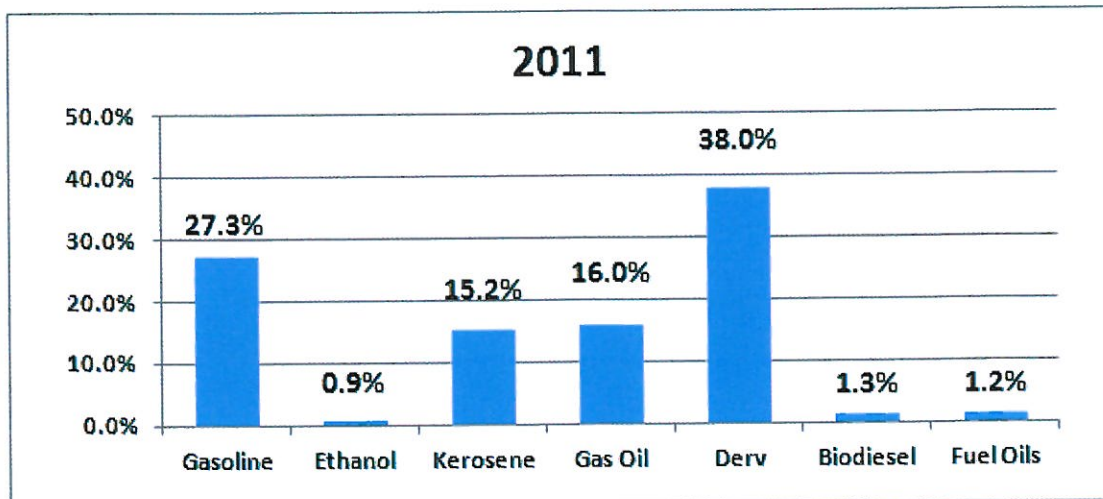
Set out hereunder is a breakdown of the levy volume percentages by product for 2011, together with comparable figures for 2010.



The National Oil Reserves Agency Limited

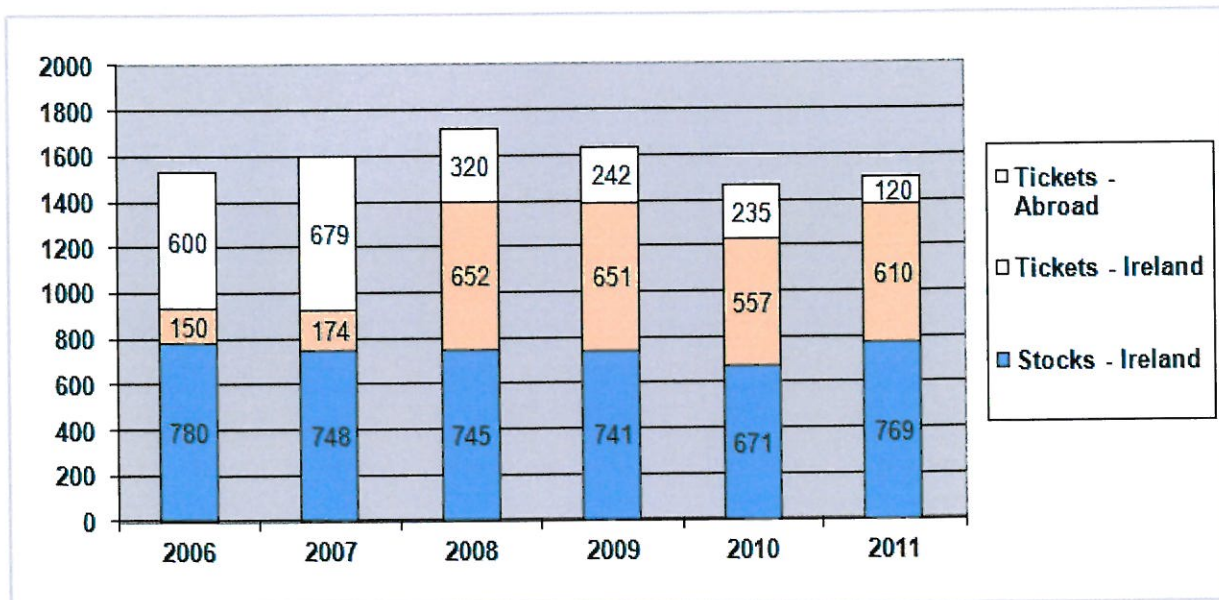
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)



NORA Stockholding

Set out below is a graphical representation of the breakdown of NORA's stockholding in the period 2006 to 2011 ('000 tonnes)



Biofuels Obligation Scheme

NORA commenced its administration of Ireland's Biofuels Obligation Scheme (BOS) on 1st July 2010 shortly after the introduction of the "The Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010". This legislation was introduced to give effect to the provisions of the EU Directive 2009/28/EC on the promotion of the use of energy from renewable sources.

The Scheme places an obligation on suppliers of mineral oil to ensure that 4.166% (by volume) of the motor fuels (generally Gasoline and Motor Diesel) they place on the market is Biofuel manufactured from renewable sources, e.g. Ethanol and Biodiesel.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

Under the terms of the National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2011, a Biofuel Levy of 2.00 cent per litre is payable on the sales of all Biofuels into the market with effect from 1st July 2011.

In 2010, the level of Biofuels placed on the market in the initial obligation period from 1st July to 31st December 2010 was 98.0 million litres, representing 4.29% of the total combined (mineral oil and Biofuels) volumes placed on the market, and 4.49% of the volume of mineral oil only placed on the market, exceeding the target obligation volume of 4.166%.

In 2011, the total volume of Biofuels placed on the market was 144.6 million litres. Taking account of Biofuel volume for which double certification applied as it was made from materials classified as "waste", the total effective volume placed on the market was 190 million litres, equivalent to 3.4% of Motor Fuels.

When coupled with Biofuels volumes placed on the market in 2010 in excess of the compliance target for that obligation period, the 2011 compliance target was achieved.

Ensuring adherence to adequate levels of compliance with the Biofuels Obligation Scheme is an important aspect of NORA's administration of the scheme as the extent of use of renewable motor fuels in the market is a key measure of Ireland's level of compliance with the Renewable Energy Directive.

To this end, the Agency provided the Department of Communications, Energy and Natural Resources (DCENR) with a detailed report on the 2010 performance of the BOS. A similar report has been prepared for 2011.

In addition, in 2011, the Agency conducted a detailed audit of BOS participants with the terms of the scheme, and presented a full report on same to DCENR. The findings and recommendations of the audit have since been acted upon, and a follow up audit is planned for 2012.

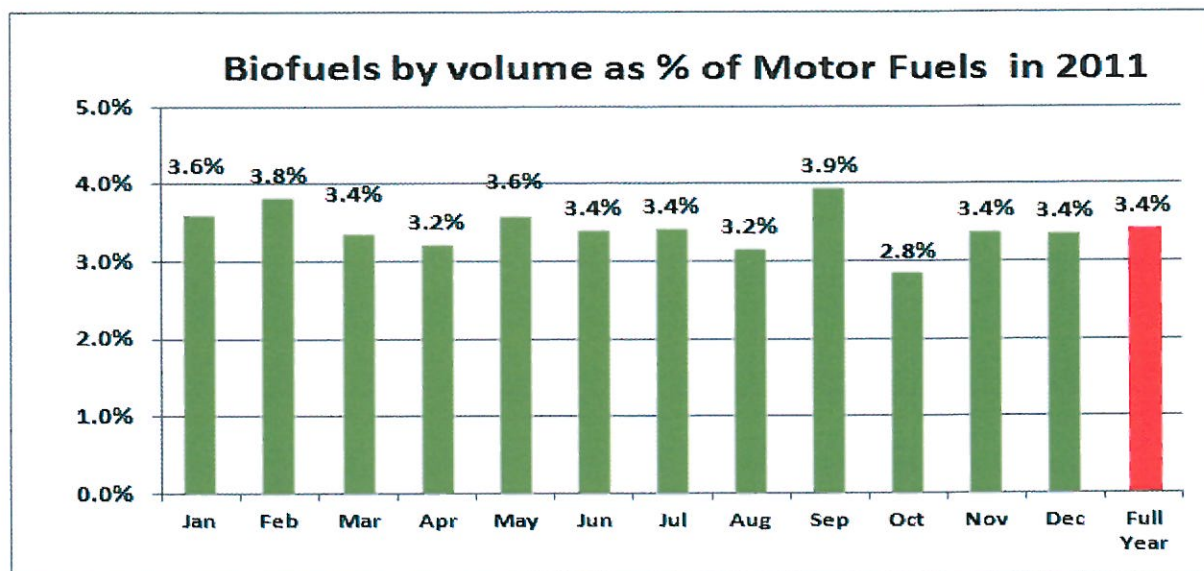
2012 will see the commencement of the measurement of sustainability criteria of Biofuels in accordance with the requirements of Articles 18 and 19 of the Renewable Energy Directive. The provision for same has been catered for through the introduction of new legislation in S.I. 33 of 2012 with effect from 2nd February 2012.

In preparation for same the Agency worked closely with representatives from the Renewable Fuels Division of DCENR in developing the standards and methodology for the operation of the legislation in a manner that would support the achievement of compliance with its requirements in the market place.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)



Conclusion

I would like to thank the members of the Board and staff for their dedication and assistance during the year. I would also like to express my thanks to the Minister and recent former Ministers for their encouragement and interest in the work of the Agency. My thanks are also due to the staff of the Oil Supply Division of the Department for their continuing support and assistance throughout the year.

Aidan Donnelly
Chairperson
May 2012

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

Directors' report

The directors submit their report and the audited financial statements for the Year ended 31st December 2011.

Principal activities and review of the business

On 1st 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 several statutes and regulations, key among them:

- The National Oil Reserves Agency Act 2007
- The National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No.567 of 2007) (and subsequent amendments)
- The Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010
- The National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2007 (S.I. No. 356 of 2010)
- The National Oil Reserves Agency Act 2007 (Biofuel Obligation Buy-Out Charge) Regulations 2007 (S.I. No. 644 of 2010)

The operations of the Agency consist of managing the strategic stocks of Ireland required under EU legislation and administering Ireland's Biofuel Obligation Scheme. The company meets its oil stocks 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 majority of the Agency's stocks have to date been held and managed by third parties in independently owned and operated storage facilities at home and abroad. However, as part of the Agency's long-term storage development plans, NORA has undertaken long-term leases in respect of two storage facilities (at Ringsend and Tarbert). The commissioning of Ringsend in 2011, has marked the commencement by the Agency of the responsibility for the operation, and maintenance of these facilities in accordance with all prevailing regulations, with particular emphasis on health, safety, and regulatory compliance. This approach will, in turn, be extended to the management and operation of the Tarbert storage facility when complete in 2012.

The Agency was delegated the task of administering the Biofuels Obligation Scheme which came into operation on 1st July 2010 following the commencement of the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010. The Agency has successfully managed the second biofuel obligation period (1st January to 31st December 2011) in accordance with the requirements of the scheme, and will adapt such administration to meet future scheme requirements as they develop.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' report (continued)

The costs of the Agency's operations are recoverable by the company through the oil stocks (mineral oil and biofuel) levy which, taking one year with another shall meet but not exceed the costs incurred by the company in carrying out its duties under the Regulations.

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

Business risks and management

The 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 Agency seeks to minimise cash balances in current accounts. Cash surpluses are deposited with banks with an appropriate credit standing, 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 pages 26 - 27 of the financial statements. As noted in the profit and loss account, a profit on the sale of Strategic Stocks of €35.9 million (2010: €66.1 million profit) was recorded in 2011. The profit arises on the sale of stocks in the normal course of business.

Directors and company secretary's interests

On 7th April 2011, Ms. Katherine Licken resigned from the Board. On 11th April 2011, Ms. Aoife MacEvilly was appointed to the Board.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' report (continued)

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 and were paid: (from 1st January 2010, and taking account of the reduction of 10% effective from that date):

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

The remuneration of the non-executive board members in the performance of these duties for the company is in compliance with Government guidelines.

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 31st December 2011.

Number of Board meetings held: 8

Attendance:

Aidan Donnelly	8
Vincent Caffrey	6
Seán Fitzgerald	7
Katherine Licken	1
Oliver Whelan	7
Aoife MacEvilly	7
Pat Meehan	8

(Note: Aoife MacEvilly was appointed a Director on 11th April 2011 and Katherine Licken resigned as a Director on 7th April 2011.)

Post balance sheet events

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

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' report (continued)

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 impose 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.

Prompt Payments

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.

In compliance with Government Decision S29296 of 8th March 2011 on Prompt Payments, NORA operates a policy of payment of all undisputed valid supplier invoices within 15 days of receipt of invoice. Where relevant, NORA will continue to pay suppliers in line with contractual arrangements, some of which may fall outside the scope of the aforementioned 15 day Prompt Payment requirement.

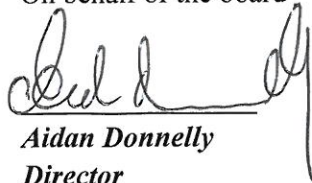
Accounting Records

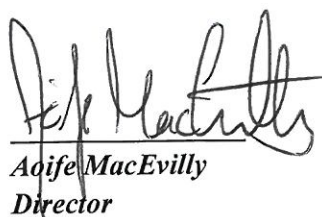
The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the company 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


Aidan Donnelly
Director


Aoife MacEvilly
Director

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

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

The directors are responsible for preparing the Annual Report and the 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.

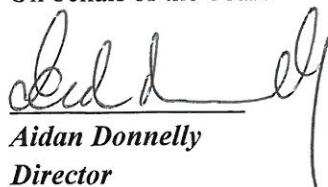
In preparing each of those financial statements, the directors are required to:

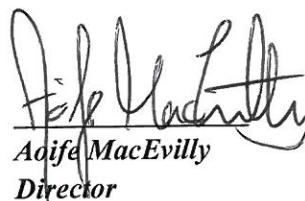
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- state whether applicable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


Aidan Donnelly
Director


Aqife MacEvilly
Director

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement on 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 Risk and Audit Committee;
- clear separation of Board and Management functions;
- publication of a Code of Business Conduct for Board members and staff of the Agency;
- establishing an Internal Audit function;

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

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

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

In particular, it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Risk and 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 National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement on Internal Financial Control

(continued)

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 Deloitte & Touche.

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 Risk and Audit Committee. The analysis of risk is also endorsed by the Risk and 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 Risk and Audit Committee and Board, which ensures that the issues raised are pursued.

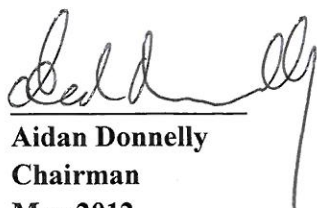
The National Oil Reserves Agency has in the Year ended 31st December 2011, through the activity of the Board, monitored the work of Management in the area of financial control. Specifically, the Board examined the following:

- bi-monthly management accounts, with analysis and explanation of significant deviations from budget
- annual accounts for 2011 and explanation of significant variances
- annual budget and financial plan for 2012

Annual Review of Controls

I confirm that in respect of the Year ended 31st December 2011 the Board conducted a review of the effectiveness of the system of internal financial control.

Signed on behalf of the Board



Aidan Donnelly
Chairman
May 2012

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**

See page 22 overleaf.



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Oil Reserves Agency Limited

I have audited the financial statements of the National Oil Reserves Agency Limited for the year ended 31 December 2011 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. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the Directors

The Directors are responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the company's affairs and of its surplus or deficit, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I

become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the Financial Statements

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 2011 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 2011 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.

Matters on which I report by exception

I report by exception if

- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the company's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Gerard Smyth

For and on behalf of the
Comptroller and Auditor General

20 June 2012

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	-	formerly 25% Reducing Balance
Motor vehicles	-	33% Straight Line from 2011
Fixtures, 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 requires the approval of the Minister and the consent of the Minister for Public Expenditure and Reform before it can be implemented by the Agency.

The Agency has submitted a scheme and, pending its formal approval, the Minister for Public Expenditure and Reform has consented to the operation, on an administrative basis, of the Model Superannuation Scheme for civil servants. This scheme operates on a "funded pension scheme" basis which means that benefits are pre-funded through the making of contributions to a separate fund controlled by trustees.

In December 2010, at the request of the Department of Public Expenditure and Reform, the Agency submitted a proposal to the Department of Communications, Energy and Natural Resources (DCENR) outlining the necessary arrangements that need to be put in place to effect the transfer of the existing pension fund to that Department.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of Accounting Policies (continued)

However, in July 2011, NORA was informed by DCENR that they had been advised by the Department of Public Expenditure & Reform (DPER) that they have decided against the option of bringing public sector pension schemes into the Pensions Board Model of Funding, whereby the Exchequer would accept liability for the funding on a "pay-as-you-go" basis.

Therefore, the NORA Board has approved the completion of all necessary arrangements to set up the NORA Pension Scheme on a stand-alone basis, which include finalisation of the Trust Deed and Scheme Regulations and obtaining DPER approval for the Scheme.

In the interim, as the scheme continues to be maintained on an independent basis, and considering 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.

A triennial actuarial valuation of the scheme was carried out at 31st December 2011, which determined that the scheme met the minimum funding standard required. The next actuarial valuation against the minimum funding standard will be performed at 31st December 2012.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

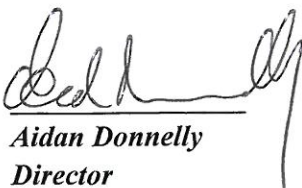
Profit and loss account

For the Year ended 31st December 2011

		2011	2010
	Note	€	€
Levy Income	1	129,664,352	139,711,142
Exchequer funds receivable		731	-
Operating costs	2	(38,751,721)	(34,812,704)
Exchequer funds payable		(731)	-
Operating surplus - continuing operations		<u>90,912,631</u>	<u>104,898,438</u>
Profit/(loss) on disposal of strategic stocks	7	<u>35,880,453</u>	<u>66,130,896</u>
Profit on ordinary activities before interest and tax		<u>126,793,084</u>	<u>171,029,334</u>
Net interest payable	3	<u>(4,763,794)</u>	<u>(8,623,842)</u>
Surplus on ordinary activities before taxation	4	<u>122,029,290</u>	<u>162,405,492</u>
Taxation charge on surplus on ordinary activities	6	<u>(626,983)</u>	<u>(600,738)</u>
Profit for the financial year	15	<u><u>121,402,307</u></u>	<u><u>161,804,754</u></u>

The Accounting Policies, Cashflow Statement and notes 1 to 22 form an integral part of these financial statements.

On behalf of the board


Aidan Donnelly
 Director


Aoife MacEvilly
 Director

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of total recognised gains and losses

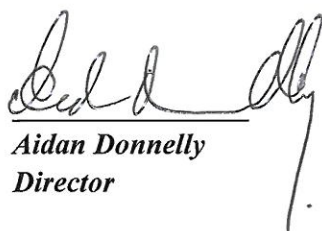
For the Year ended 31st December 2011

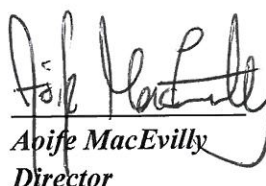
		2011	2010
	Note	€	€
Surplus for the financial year		121,402,307	161,804,754
		<u>121,402,307</u>	<u>161,804,754</u>
Actual return less expected return on scheme assets	20	(70,490)	16,522
Experience gains/(losses) on pension scheme liabilities	20	7,239	32,870
Changes in assumptions underlying the present value of pension scheme liabilities	20	(42,912)	(39,362)
		<u>(106,163)</u>	<u>10,030</u>
Total gains and losses recognised		<u>121,296,144</u>	<u>161,814,784</u>

The cumulative loss recognised from actuarial gains and losses arising in the last five years amounts to €94,386.

The Accounting Policies, Cashflow Statement and notes 1 to 22 form an integral part of these financial statements.

On behalf of the board


Aidan Donnelly
Director


Aislinn MacEvilly
Director

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Balance sheet

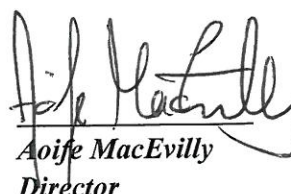
At 31st December 2011

	Notes	2011 €	2010 €
Fixed assets			
Strategic stocks	7	695,136,335	548,239,905
Tangible assets	8	29,891	22,738
		<u>695,166,226</u>	<u>548,262,643</u>
Current assets			
Debtors	9	47,001,746	45,792,950
Cash at bank and in hand		104,267,722	145,013,999
		<u>151,269,468</u>	<u>190,806,949</u>
Creditors: amounts falling due within one year			
Bank Loans	11	(106,500,000)	(9,000,000)
Other Creditors	10	(8,302,191)	(13,247,219)
		<u>36,467,277</u>	<u>168,559,730</u>
Net current assets/(liabilities)		<u>731,633,503</u>	<u>716,822,373</u>
Total assets less current liabilities			
Creditors: bank loans falling due after more than one year	11	(220,000,000)	(326,500,000)
		<u>511,633,503</u>	<u>390,322,373</u>
Net assets excluding pension liability			
Pension Asset/(Liability)	20	154,837	169,823
		<u>511,788,340</u>	<u>390,492,196</u>
Net assets			
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	15	511,569,288	390,258,158
Revaluation reserve		64,214	64,214
Pension reserve	15	154,837	169,823
		<u>511,788,340</u>	<u>390,492,196</u>
Shareholders' funds	15		

The Accounting Policies, Cashflow Statement and notes 1 to 22 form an integral part of these financial statements.

On behalf of the board


Aidan Donnelly
Director


Aoife MacEvilly
Director

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Cash flow statement

For the Year ended 31st December 2011

	Notes	2011 €	2010 €
Net cash inflow/(outflow) from operating activities	16	85,931,875	99,376,961
Returns on investments and servicing of finance	17	(4,736,664)	(9,248,277)
Taxation		(1,906,441)	500,588
Capital expenditure and financial investment	17	(111,035,047)	80,081,143
Net cash inflow/(outflow) before financing		(31,746,277)	170,710,415
Financing	17	(9,000,000)	(108,500,000)
Increase/(decrease) in cash for the year	18	(40,746,277)	62,210,415

Reconciliation of net cash flow to movement in net funds (Note 16)

Increase/(decrease) in cash for the year	18	(40,746,277)	62,210,415
Net increase/(decrease) in debt	18	9,000,000	108,500,000
Movement in net debt for the year	18	(31,746,277)	170,710,415
Net debt at beginning of year		(190,486,001)	(361,196,416)
Net debt at end of year		(222,232,278)	(190,486,001)

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements

For the Year ended 31st December 2011

1. Levy Income

Levy income is collected in accordance with the terms of the following Regulations:

- (a) National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2009 (S.I. No. 220 of 2009);
- (b) National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007);
- (c) National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. 356 of 2010) and;
- (d) National Oil Reserves Agency Act 2007 (Biofuel Obligation Buy-Out Charge) Regulations 2010 (S.I. 644 of 2010).

Due to the introduction of the Biofuels Obligation Scheme, NORA's turnover for the year is segregated into the following categories:

	2011 €	2010 €
Fossil Fuel	126,772,911	137,740,821
Biofuel	2,891,441	1,970,321
	<u>129,664,352</u>	<u>139,711,142</u>

2. Operating Costs

	2011 €	2010 €
Storage Costs	29,269,595	31,168,008
Stock tickets	2,362,690	2,340,969
Other operating costs	7,119,436	1,303,727
	<u>38,751,721</u>	<u>34,812,704</u>

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

3. Net interest payable	2011	2010
	€	€
Interest on bank loans	10,329,976	11,029,310
Bank interest receivable	(5,543,753)	(2,403,298)
Levy interest receivable	(1,139)	(2,170)
VAT interest receivable	(21,290)	-
	<u>4,763,794</u>	<u>8,623,842</u>

4. Surplus before taxation for the year

This has been arrived at after charging the following items:

	2011	2010
	€	€
Directors' remuneration	26,933	26,933
Auditors' remuneration	16,800	15,500
Depreciation	15,673	15,225
Amortisation	2,227,632	2,178,825
	<u>2,286,038</u>	<u>2,236,483</u>

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 31st December 2011 were: Fees €26,933.00 and Travel €996.00

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

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:

	2011	2010
Administration	6	5

The aggregate payroll costs of these employees were:

	2011	2010
	€	€
Wages and salaries	381,851	375,381
Social welfare costs	38,477	34,093
Pension costs	28,143	30,732
	<u>448,471</u>	<u>440,206</u>

- (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 31st December 2011 are as follows:

	€
Annual basic salary	110,843
Actual payments under performance related pay scheme	22,169
Other benefits including company car	12,916
	<u>145,928</u>

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

- (c) An amount of €31,330 in respect of the Pension Levy has been deducted in 2011 and paid over to the Department of Communications, Energy and Natural Resources.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

6. Taxation

	2011 €	2010 €
Corporation tax	<u>626,983</u>	<u>600,853</u>
<i>Factors affecting tax charge for period</i>		
Profit on ordinary activities before tax	<u>122,029,290</u>	<u>162,405,492</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.50% (31 st December 2010 : 12.50%)	15,253,661	20,300,687
<i>Effects of:</i>		
Income not taxable	(16,210,939)	(17,464,164)
Expenses not deductible for tax purposes	890,894	565,916
Depreciation in excess of capital allowances	398	563
Income taxable at higher rate of tax	692,969	300,326
Other timing differences	-	-
Utilisation of losses forward	-	(3,102,590)
Current tax charge for period	<u>626,983</u>	<u>600,738</u>

The company is not liable to corporation tax on its levy income for the year. In accordance with FRS 19, no deferred tax asset has been recognised in respect of tax losses carried forward, as it cannot be considered more likely than not, that there will be suitable future profits to offset the losses forward. The total unrecognised deferred tax asset arising thereon is €28,244,893 as at 31st December 2011 (2010: €27,965,878).

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

7. Stocks	2011 €	2010 €
At Cost		
<i>Petroleum Products</i>		
At beginning of year	548,239,905	562,191,727
Additions in year	168,171,494	60,130,565
Sales during the year	(21,275,064)	(74,082,387)
At end of year	695,136,335	548,239,905
 Profit/(loss) on sale of strategic stocks		
Net sale proceeds	57,155,517	140,213,283
Less: Cost of product	(21,275,064)	(74,082,387)
	35,880,453	66,130,896

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 31st December 2011 was €996,109,422 (31st December 2010: €732,773,491). Replacement cost is calculated by reference to physical stocks held at year-end, valued at average market prices for the months of December 2011 and December 2010 respectively.

As outlined in the Chairperson's Statement, the profit on sale of strategic stocks arises from the Agency's withdrawal of stocks from a number of existing storage locations, in advance of commencing storage with new replacement stocks in alternative locations in 2011. The proceeds from the sale of strategic stocks are being reinvested in financing replacement stocks.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

8. Tangible fixed assets	Motor Vehicles €	Office Equipment €	Computer Equipment €	Total €
<i>Cost/revaluation</i>				
At beginning of year	38,406	24,198	44,884	107,488
Additions in year	40,082	-	-	40,082
Disposals in year	(38,406)	-	-	(38,406)
At end of year	<u>40,082</u>	<u>24,198</u>	<u>44,884</u>	<u>109,164</u>
<i>Depreciation</i>				
At beginning of year	20,408	20,759	43,583	84,750
Charge for the Year	13,970	938	766	15,674
Disposals in year	(21,151)	-	-	(21,151)
At end of year	<u>13,227</u>	<u>21,697</u>	<u>44,349</u>	<u>79,273</u>
At 31st December 2011	<u>26,855</u>	<u>2,501</u>	<u>535</u>	<u>29,891</u>
At 31st December 2010	<u>17,998</u>	<u>3,439</u>	<u>1,301</u>	<u>22,738</u>

9. Debtors	2011 €	2010 €
Trade debtors	11,871,708	11,389,054
Value added tax	985,864	4,159,254
Prepayments and accrued income	33,293,759	30,133,082
Corporation Tax	678,605	-
Other debtors	171,810	111,560
	<u>47,001,746</u>	<u>45,792,950</u>

All debtors are due within one year.

Debtors are net of a provision for doubtful debt of €410,657.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

10. Creditors: amounts falling due within one year	2011 €	2010 €
Trade creditors	1,038,718	900,531
Accruals	7,051,577	11,625,712
Corporation tax	-	600,738
PAYE/PRSI	14,358	10,906
Other creditors	197,538	109,332
	<u>8,302,191</u>	<u>13,247,219</u>
11. Creditors: amounts falling due after more than one year	2011 €	2010 €
Bank loans	<u>326,500,000</u>	<u>335,500,000</u>
<i>Maturity analysis:</i>		
	2011 €	2010 €
Bank loans are repayable as follows:		
(a) Under one year	106,500,000	9,000,000
(b) Over one year	<u>220,000,000</u>	<u>326,500,000</u>
	<u>326,500,000</u>	<u>335,500,000</u>

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

12. Treasury risk management

(a) Interest rate and currency profile

The profile of the company's bank loans at 31st December 2011 was as follows:

Currency	Weighted average interest rates		Weighted average debt	
	Fixed %	Floating %	Fixed €'000	Floating €'000
Euro	4.18	2.38	97,100	229,400

(b) Schedule of undrawn committed facilities

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

Currency	€'000
Euro	-

(c) Currency Analysis

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

	€'000 USD	€'000 £ STG	€'000 DKK
Monetary assets	5,297	165	254
Monetary liabilities	(310)	(112)	-
	<u>4,987</u>	<u>53</u>	<u>254</u>

(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 31st December 2011.

The unrealised loss on euro interest swaps at 31st December 2011 approximated to €3.76 million.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

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 31st December 2011.

14. Revaluation reserve

	2011	2010
	€	€
At 1 st January 2011	64,214	10,417,443
Transfer to profit and loss account	-	(10,353,229)
At 31st December 2011	64,214	64,214

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.

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

15. Reconciliation of movements in shareholders' funds

	Profit & Loss Account €	Revaluation Reserve €	Pension Reserve €	Total €
Opening balance at 1st January 2011	390,258,158	64,214	169,823	390,492,195
Surplus for the financial year	121,402,307			121,402,307
Movement in revaluation reserve - Actuarial Gain/(Loss)			(106,163)	(106,163)
Pension Adjustment	(91,177)		91,177	-
	<u>511,569,288</u>	<u>64,214</u>	<u>154,837</u>	<u>511,788,339</u>

An adjustment has been made to bring the pension reserve in line with the pension liability.

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

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

	2011 €	2010 €
Operating surplus	90,933,942	104,898,438
(Increase)/decrease in debtors	(438,180)	(10,537,881)
(Decrease)/increase in creditors	(4,484,691)	5,072,289
(Profit) / loss on sale of tangible assets	(3,756)	-
Depreciation	15,673	15,225
Pension charge less contribution	(91,113)	(71,110)
Net cash inflow from operating activities	<u>85,931,875</u>	<u>99,376,961</u>

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

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

	2011	2010
	€	€
Returns on investment and servicing of finance		
Interest paid	(10,189,523)	(11,851,733)
Interest received	5,452,859	2,603,456
	<u>(4,736,664)</u>	<u>(9,248,277)</u>

Capital expenditure and financial investment

	2011	2010
	€	€
Purchase of strategic stocks	(146,896,430)	(60,130,565)
Purchase of tangible fixed assets	(19,070)	(1,574)
Proceeds on sale of strategic stocks	35,880,453	140,213,283
	<u>(111,035,047)</u>	<u>80,081,143</u>

Financing

Bank loans	(9,000,000)	(108,500,000)
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18. Analysis of net debt

	At 1 st January 2011	Cash flow	At 31 st December 2011
	€	€	€
Cash at bank and in hand	145,013,999	(40,746,277)	104,267,722
Bank overdraft	<u>145,013,999</u>	<u>(40,746,277)</u>	<u>104,267,722</u>
Bank loans	(335,500,000)	9,000,000	(326,500,000)
	<u>(335,500,000)</u>	<u>9,000,000</u>	<u>(326,500,000)</u>
Net debt	<u>(190,486,001)</u>	<u>(31,746,277)</u>	<u>(222,232,278)</u>

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

19. Commitments

Operating lease commitments

The total lease payments made in 2011 by the Agency were €30,945,114.

The company has leasehold interests in its registered office at 7 Clanwilliam Square, Dublin and in oil storage facilities at Ringsend, Dublin and Tarbert, Co. Kerry.

Premises

The Agency has commitments payable up to the year 2024 in respect of a 25 year lease for office accommodation at 7 Clanwilliam Square, Grand Canal Quay, Dublin 2. Rent reviews are carried out every 5 years and the current rent is €49,649 per annum.

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

	2011 Property € 000	2011 Oil Storage € 000	2010 Property € 000	2010 Oil Storage € 000
<i>Expiring:</i>				
Within one year	50	4,406	50	4,346
Between one and two years	100	2,387	100	1,056
Between two and five years	200	17,534	200	2,897
After more than five years	350	4,978	400	19,178
	<u>700</u>	<u>29,305</u>	<u>750</u>	<u>27,477</u>

Foreign currency commitments

The company has no foreign currency commitments at 31st December 2011.

Capital commitments

Future capital expenditure approved by the directors in relation to the acquisition of strategic stocks at 31st December 2011 was as follows:

	2011 € 000	2010 € 000
Contracted	4,569	1,465
Authorised but not contracted	<u>500</u>	<u>35,267</u>

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

20. Pensions

(a) Pension costs

	2011	2010
	€	€
Current service cost	61,328	57,711
Interest cost	59,296	57,780
Expected return on scheme assets	(74,132)	(67,755)
Less: employees' contributions	(18,349)	(17,004)
	<u>28,143</u>	<u>30,732</u>

(bi) Net pension liability

	2011	2010
	€	€
Present value of funded obligations	1,281,118	1,185,672
Fair value of scheme assets	(1,435,955)	(1,355,495)
Net liability/(asset)	<u>(154,837)</u>	<u>(169,823)</u>

(bii) Present value of scheme obligations

	2011	2010
At beginning of year	1,185,671	1,100,900
Current service cost	61,328	57,710
Interest cost	59,296	57,780
Actuarial (gain)/loss	35,673	6,492
Benefits paid	(60,850)	(37,211)
Present value of scheme obligations at end of year	<u>1,281,118</u>	<u>1,185,671</u>

(biii) Change in scheme assets

	2011	2010
	€	€
Fair value of scheme assets at beginning of year	1,355,495	1,189,553
Expected return on scheme assets	74,132	67,755
Actuarial gain/(loss)	(70,490)	16,522
Employer contributions	119,319	101,872
Members' contributions	18,349	17,004
Benefits paid	(60,850)	(37,211)
Closing value of scheme assets	<u>1,435,955</u>	<u>1,355,495</u>

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

20. Pensions (continued)

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

	2011	2010
Discount rate	4.80%	5.00%
Salary increases	3.50%	3.50%
Pension increases	3.00%	3.00%
Inflation increases	2.00%	2.00%

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

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

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

	Retiring at 65
Males	21.7
Females	23.4

The scheme assets at year-end comprised:

	2011	2010
Equities	37.88%	38.20%
Bonds	56.66%	56.10%
Property	1.42%	1.40%
Other	4.04%	4.30%
	<u>100.0%</u>	<u>100.0%</u>

The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the Financial Statements (continued)

For the Year ended 31st December 2011

20. Pensions (continued)

(c) Description of scheme and actuarial assumptions(continued)

Actual return less expected return on scheme assets

	2011	2010
	€	€
Actual return	3,631	84,277
Less: expected return	(74,132)	(67,755)
Actuarial gain/(loss)	<u>(70,501)</u>	<u>16,522</u>

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

	2011	2010	2009	2008	2007
	€ 000	€ 000	€ 000	€ 000	€ 000
Defined benefit obligations	1,281	1,186	1,101	1,013	(175)
Fair value of scheme assets	(1,436)	(1,355)	(1,190)	(907)	476
Deficit/(Surplus) for funded scheme	(155)	(169)	(89)	106	301
Experience (gains)/losses on scheme liabilities					
Amount	7.2	32.9	29.3	165.1	7.7
	0.6%	2.8%	2.7%	16.3%	4.4%

(e) Funding of pensions

A triennial actuarial valuation of the scheme was carried out at 1st January 2012 and recommended a contribution rate of 33.7% of basic salaries (inclusive of members' contributions).

21. Board Members Interests

The National Oil Reserves Agency adopted procedures in accordance with the guidelines issued 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.

22. Approval of financial statements

The board of directors approved these financial statements on 30th May 2012.