The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' Report and
Financial Statements

Year ended 31st December 2012

Registered Number 229229

The National Oil Reserves Agency Limited
An Ghníomhaireacht Chúltaca Ola Náisiúnta

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Directors and other information

Directors	Aidan Donnelly (Chairman) Vincent Caffrey Seán Fitzgerald (resigned 26th September 2012) 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 Biofuels 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 Phillips66 and formerly 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 and 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 provide 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.

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 (S.I. No. 567 of 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, together with the procedures for the invoicing and payment of the levy.

This legislation, coupled with the policies and strategies set out in the Government White Paper entitled "Delivering a Sustainable Energy Future for Ireland" (Section 3.7.3) form the basis for NORA's ongoing role regarding meeting Ireland's oil stocks Obligation.

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 in accordance with S.I. No. 541 of 2012 – European Union (Oil Reserves) Regulations 2012; and

- 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 in accordance with S.I. No. 541 of 2012 – European Union (Oil Reserves) Regulations 2012. These contracts include an option to purchase the oil in emergency circumstances during the period of the contract.

In line with the direction of the Minister for Communications, Energy and Natural Resources regarding the quantities of oil to be held by NORA, NORA's Obligation for CATEGORY 1 (Gasoline) decreased by 8.3% (26,100 tonnes), and CATEGORY 2 (Distillates - diesel, gas oil, kerosene) decreased by 3.9%, (44,900 tonnes) from 1st April 2012. There has been no stocks Obligation for CATEGORY 3 (Fuel Oils) since 1st August 2007 and this nil Obligation continued through 2012.

At year-end 2012, the breakdown of the stocks held by NORA was as set out below, compared to corresponding data for 2011:

	2012 ('000 Tonnes)	% of TOTAL	2011 ('000 Tonnes)	% of TOTAL
Stocks in Ireland	**872**	**63%**	**769**	**51%**
Stocks Abroad	**574**	**41%**	**610**	**41%**
Stock Tickets (Ireland)	**0**	**0%**	**0**	**0%**
Stock Tickets (Abroad)	**(50) ***	**(4)%**	**120**	**8%**
Total:	**1,396**		**1,499**	

* Net position at 31st December 2012. Included are sales of stock tickets which arise when the Agency has temporary surpluses of stocks against its Obligation, and forms part of the Agency's normal business operations.

The physical stocks, excluding stock tickets, owned by NORA and stored both in Ireland and abroad at the end of 2012 consisted of the following:

	2012 ('000 Tonnes)	2011 ('000 Tonnes)
CATEGORY I - Gasoline	286	286
CATEGORY II - Distillates	1,160	1,093
Total:	**1,446**	**1,379**

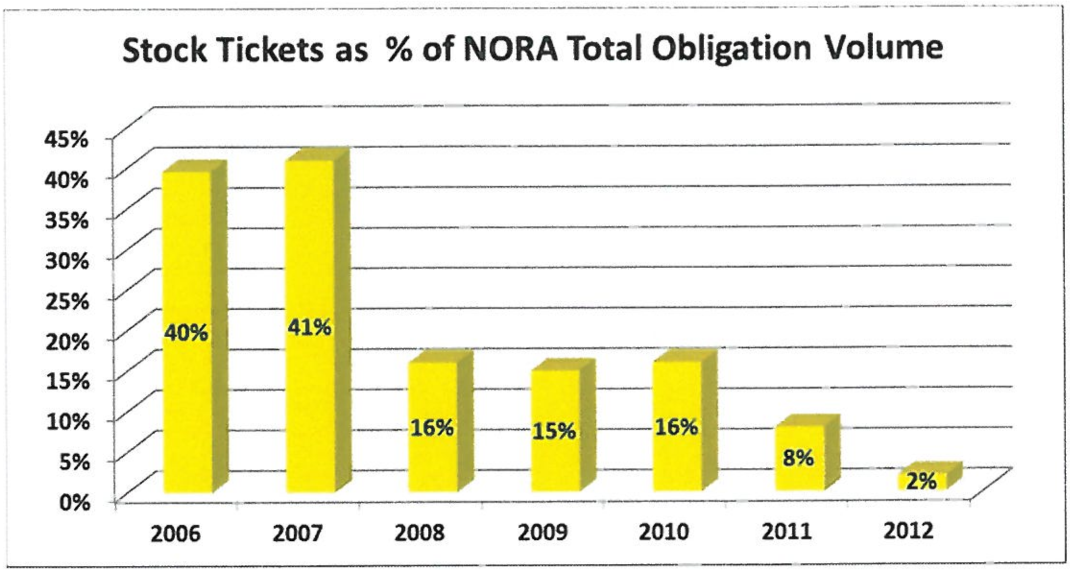
Obligation Volumes -v- Actual Stocks Held
A summary of NORA's Stock Obligation Volumes -v- Actual Stocks Held, and Stock Obligation Days -v- Actual No. of Days Stocks held, as of the end of year, for the period 2007 to 2012 is set out below.

Category 1 Stocks	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Obligation Stocks (Tonnes)	385,000	406,000	393,000	368,000	341,100	315,000
Actual Stocks Held	385,000	406,000	393,000	377,211	341,876	316,183
Stock Days - Obligation	81	83	83	83	84	84
Stock Days - Held	81	83	83	84	84	84

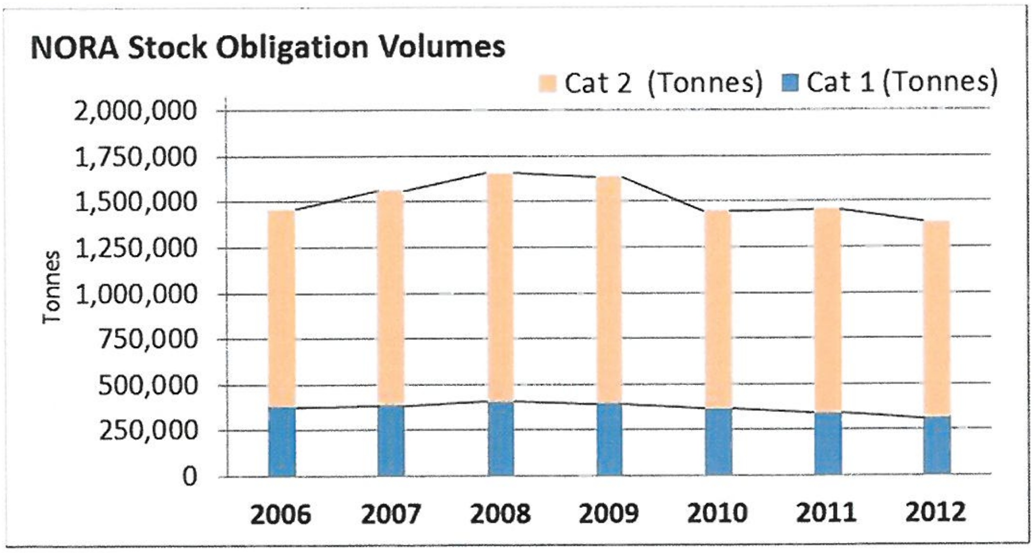
Category 2 Stocks	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Obligation Stocks (Tonnes)	1,177,000	1,251,000	1,242,000	1,080,000	1,115,900	1,071,000
Actual Stocks Held - Cat 2	1,177,000	1,261,000	1,241,000	1,084,941	1,112,691	1,079,796
Stock Days - Obligation	77	78	78	78	80	85
Stock Days - Held	77	79	78	78	80	86

Among the most notable developments in the business sector in which the Agency operates (international and domestic) in 2012 were the developments challenges in the world oil, oil storage, and financial markets. These brought considerable challenges to the work of the Agency throughout the year.

NORA meets its stock Obligation through a combination of physical stocks and stock tickets. In the absence of available storage either on the island of Ireland and within the EU, NORA has for a number of years bridged the gap between Obligation volumes and physical stocks held by way of securing stock tickets. The extent to which NORA is dependent on stock tickets has reduced dramatically 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.

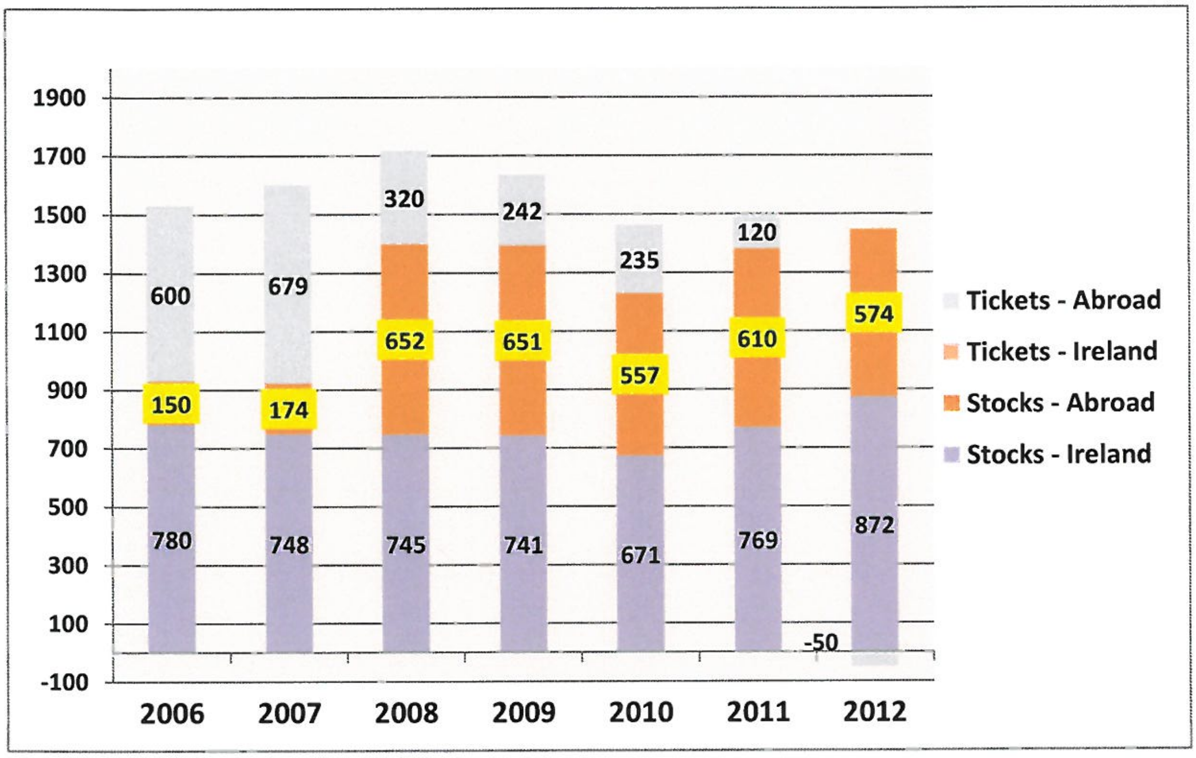


Arising from the downturn in the economy in Ireland in recent years, overall oil consumption volumes have reduced. This in turn led to a reduction in NORA's annual Stocks Obligation volumes in 2012. Throughout 2012, the Agency maintained full compliance with its Obligation volumes. A profile of the trend in NORA's Stocks Obligation volumes for recent years is set out below.



NORA Stockholding

Set out below is a graphical representation of the breakdown of NORA's stockholding in the period 2006 to 2012 ('000 tonnes).



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.

NORA's current Strategic Storage Plan takes particular account of the significant increase in stocks Obligation arising from the implications of the implementation of the new EU Stocks Directive NORA and the requirement to hold Ireland's full 90 day Obligation by 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 EU (Oil Reserves) Regulations 2012 (S.I. No. 541 of 2012) as signed by the Minister on 19th December 2012, transposed the 2009 EU Directive into Irish Law.

The Agency is liaising closely with the Department of Communications, Energy and Natural Resources (DCENR) 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.

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 reduced this pressure, this has been partially 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 (there are now two grades - 1000 ppm Sulphur gas oil and 10 ppm Sulphur gas oil) 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 rebalancing of Ireland's strategic oil stocks, in favour of stocks held on the island of Ireland, subject to value for money considerations.

In 2011, two key new storage projects were completed:

- Ringsend, Dublin – storage for 65,000 tonnes of diesel
- Kilroot, Co. Antrim – storage for 125,000 tonnes of diesel

A further key storage redevelopment project was completed in 2012. At Tarbert, Co. Kerry, NORA invested c. €10m in the refurbishment and development of a former fuel oil storage facility, converting it to use for the storage of diesel and kerosene.

By the end of 2012, c.100,000 tonnes of diesel were stored at Tarbert, and a further 30,000 tonnes of kerosene were delivered early in 2013.

These valuable storage developments form a key part of NORA's ongoing plans for the steady rebalancing of stocks from abroad onto the island of Ireland.

In May 2009, NORA appointed consultants (Goodbody-Atkins consortium) to assist in the development of its long term storage plans. This included the evaluation of options for increasing strategic storage on the island of Ireland. Work on this project is progressing steadily. A number of specific options are under active consideration to build upon the progress outlined above.

This work is ongoing and will continue with a view to identifying and implementing the most beneficial plans for NORA in its quest for meeting its stocks obligations and storage requirements in future years.

NORA Financing

NORA Levy Income

NORA 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, and was further increased to €0.02 per litre on 1st October 2009.

Arising from the downturn in oil consumption volumes in recent years, levy income has fallen from €140m in 2010, to €130m in 2011, and to €123m in 2012.

Financing and Debt Repayment

At the end of 2009, NORA's debt was €444.0 million. In light of this level of debt, NORA's stocks and storage development plans, 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. No. 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.

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. Arising from 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 2011.

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 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 2016 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 identified a requirement for refinancing of c. €300 million over the period 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 refinancing to a level of €252.5 million for a five year period. This was increased to €277.5 million in November 2012. Securing this level of refinancing in a period during which financial markets were volatile was a significant achievement for the Agency. This new funding will enable the Agency to progress its stock rebalancing and storage refurbishment and redevelopment programme while maintaining its stock obligations to meet Ireland's requirements under its membership of the EU and IEA.

At 31st December 2012, NORA's loans had been reduced to €258 million.

End of Year 2012 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 in 2012.

NORA's closing cash balance was €36.6 million at 31st December 2012.

This cash position took account of:

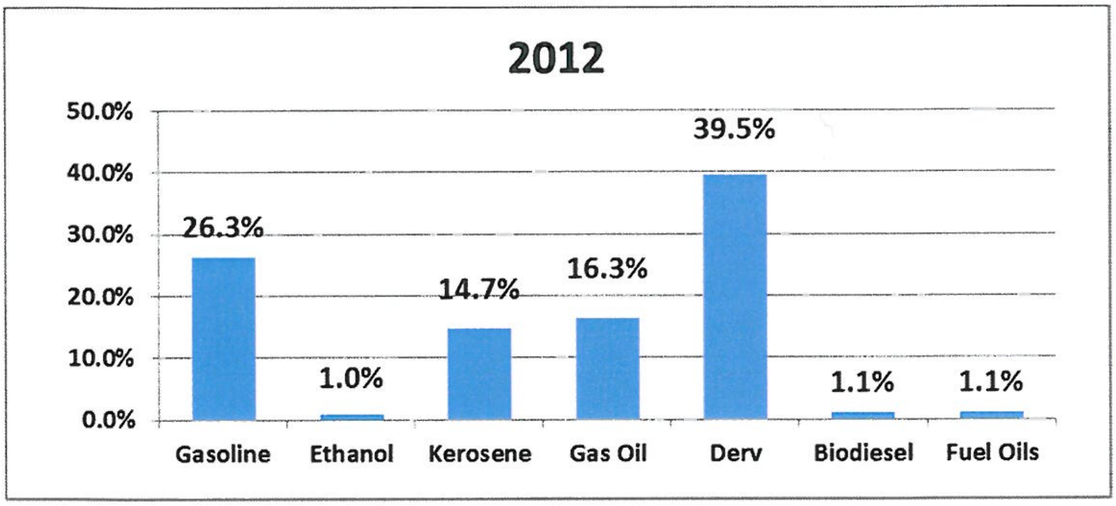
- NORA's ongoing financing requirements and commitments;
- the procurement of oil stocks associated with the changes in storage contract arrangements at end 2012 and early in 2013; and
- loans maturing in 2013.

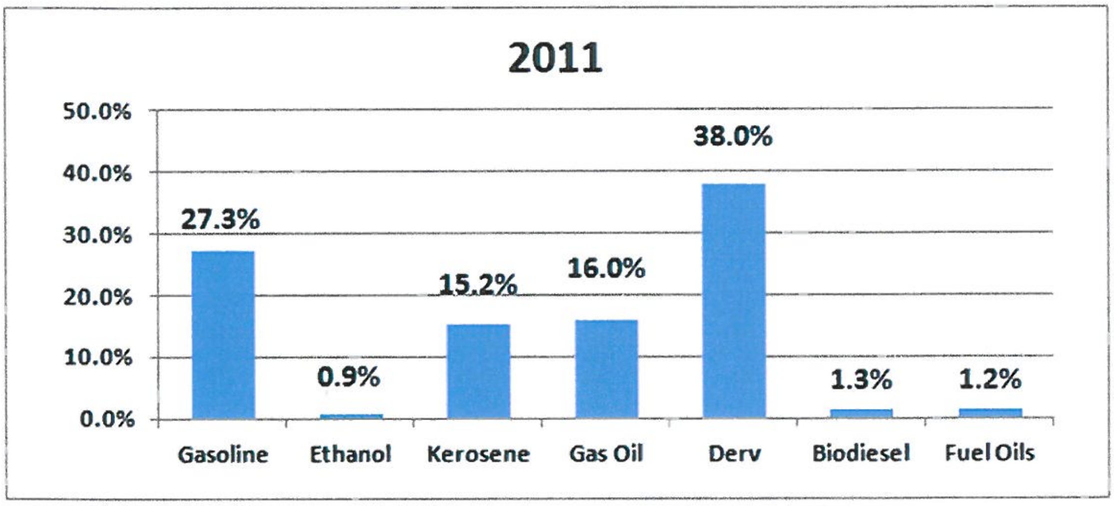
Taking account of the commitments above, this cash position is temporary, and plans are in hand for the utilisation of these cash reserves in 2013 and beyond based on commitments made and/or planned which can be summarised as follows:

	€ million
Cash in Hand at 31st December 2012	36.6
Storage Development Projects 2013	- 1.0
Stock Purchases 2013	- 11.0
Loan Repayments in 2013	- 220.0
Net Position	- 195.4

Composition of the NORA Levy

Set out hereunder is a breakdown of the levy volume percentages by product for 2012, together with comparable figures for 2011.





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.

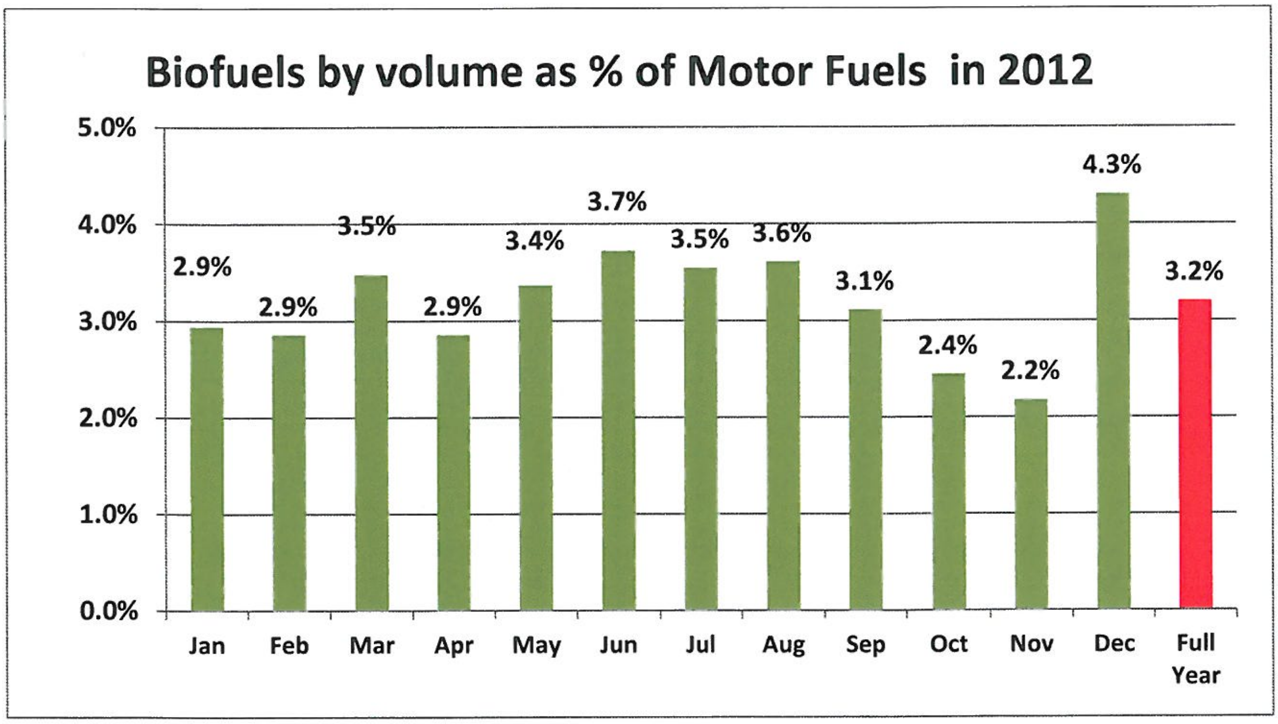
Under the terms of the National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. No. 356 of 2010), a Biofuel Levy of €0.02 per litre is payable on the sales of all biofuels into the market with effect from 1st July 2011.

BOS Obligation Volumes

In 2010, the level of Biofuels placed on the market in the initial Obligation period from 1st July to 31st December 2010 was 98.5 million litres, representing 4.31% of the total combined (mineral oil and biofuels) volumes placed on the market, and 4.51% 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.

In 2012, the total volume of Biofuels placed on the market was 128 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 199 million litres, equivalent to 3.2% of Motor Fuels.



New BOS Legislation

Biofuel Sustainability Criteria

2012 saw the commencement of the measurement of sustainability criteria of Biofuels in accordance with the requirements of Articles 18 and 19 of the EU Directive.

The provision for same was catered for through the introduction of new legislation in S.I. No. 33 of 2012 European Union (Biofuel Sustainability Criteria) Regulations 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.

Achieving compliance with the new legislation presented a significant challenge to a number of BOS Obligated Parties. The Agency worked proactively with BOS participants to assist them in their understanding of the legislation and to promote timely application for BOS Certificates.

Increase in Biofuel Obligation Volumes

In 2012, the Renewable Fuels Division of DCENR carried out a review of Biofuel Obligation Volumes for Ireland. Following a consultation process with obligated parties and the oil industry, and taking account of the obligations The Minister for Communications, Energy and Natural Resources signed the National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2012 (S.I. No. 562 of 2012).

This will increase the Obligation rate under the Biofuels Obligation Scheme from 4% by volume to 6% by volume with effect from 1st January 2013. This increase is the first in a series of increases required between now and 2020, in order that Ireland can meet the requirement set out in the Renewable Energy Directive that each member state must ensure that by 2020 a minimum of 10% of energy used in transport comes from renewable sources.

The new rate will apply for 2013 and 2014. A further review by DCENR is likely in 2014.

Energy Management Obligation in 2012

In 2012 NORA met its Public Body Energy Management obligations under S.I. No. 542 of 2009. NORA progressed its Energy Management objectives by continuing to participate in the Sustainable Energy Authority of Ireland's (SEAI) public sector Advice, Mentoring & Assessment (AMA) programme. A more detailed report on NORA's Energy Management report is available on NORA's website, www.nora.ie.

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 for his encouragement and interest in the work of the Agency. My thanks are also due to the staff of the Oil Security Division of the Department for their continuing support and assistance throughout the year.

Aidan Donnelly
Chairperson
19th June 2013

The directors submit their report and the audited financial statements for the year ended 31st December 2012.

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:

- National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) Regulations 2009 (S.I. No. 214 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) (No. 2) Regulations 2009 (S.I. No. 220 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. No. 356 of 2010);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Buy-out Charge) Regulations 2010 (S.I. No. 644 of 2010);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2012 (S.I. No. 562 of 2012);
- Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010;
- European Union (Biofuel Sustainability Criteria) Regulations 2012 (S.I. No. 33 of 2012); and
- European Union (Oil Reserves) Regulations 2012 (S.I. No. 541 of 2012).

The operations of the Agency consist of managing the strategic stocks of Ireland required under EU legislation and administering Ireland's Biofuels 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 and Tarbert in 2012, 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 2013.

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 third biofuel Obligation period (1st January to 31st December 2012) in accordance with the requirements of the scheme, and will adapt such administration to meet future scheme requirements as they develop.

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

Policy

It is the company's policy to develop and implement a risk management process which:

- enables identification and assessment of risks that could impact the achievement of the Agency's remit and business objectives; and
- ensures that appropriate mitigating measures and controls are adopted and implemented.

Risk management process

The Agency has developed a risk management process to meet the requirements of the Code of Practice for the Governance of State Bodies 2009. The process has been approved by the Board and is supported in the following manner:

- risk management is included in the terms of reference for the Risk and Audit Committee;
- the CEO has been given specific responsibility for management of the risk management process and has been assigned the role of Chief Risk Officer;
- periodic review and approval of policies for managing risk;
- development of and periodic review of the Agency's Risk Register, in order to identify, manage and mitigate risks identified; and
- ensuring that appropriate reporting procedures are in place.

Business risks

The principal business risks arising from the company's activities are as follows:

- oil price;
- interest rate;
- foreign exchange;
- liquidity;
- management and operation of oil storage facilities;
- shipment of oil;
- credit; and
- counterparty risk.

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.

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 €1.3 million (2011: €35.9 million profit) was recorded in 2012. The profit arises on the sale of stocks in the normal course of business.

Directors and company secretary's interests

The directors and company secretary, holding office at the balance sheet date, had no beneficial interest in the share capital of any group companies during the financial year or at the balance sheet date.

Directors' remuneration

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

Directors' Fees per annum are as follows 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 **	4,489
	Pat Meehan	5,985
	Oliver Whelan	-
	Aoife MacEvilly	-
		25,437

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 section 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 2012.

Number of board meetings held:	10
Attendance:	
Aidan Donnelly	10
Vincent Caffrey	7
Seán Fitzgerald **	5
Oliver Whelan	10
Aoife MacEvilly	10
Pat Meehan	10

** Seán Fitzgerald resigned as a director on 26th September 2012.

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

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

Confidential disclosures

In accordance with the provisions of section 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 2012 and its predecessor, the Prompt Payment of Accounts Act 1997.

In compliance with Government Decision No. 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 the auditor of the Agency.

On behalf of the board

Oliver Whelan	***Pat Meehan***
Director	***Director***

19th June 2013

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- 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 2012. 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 2012.

On behalf of the board

Oliver Whelan Pat Meehan

Oliver Whelan
Director

Pat Meehan
Director

19th June 2013

Chairperson's Statement on the System of Internal Financial Control

Responsibility for system of internal financial control

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

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

The internal audit function is a key element in informing the Board of the effectiveness of the system of internal financial control. The internal audit function operates in accordance with the Code of Practice for the Governance of State Bodies. The National Oil Reserves Agency's internal audit function is contracted out to 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 2012, 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 2012 and explanation of significant variances; and
- annual budget and financial plan for 2013.

Annual review of controls

I confirm that in respect of the year ended 31st December 2012 the Board conducted a review of the effectiveness of the system of internal financial control.

Signed on behalf of the Board

Aidan Donnelly
Chairperson
19th June 2013

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 2012 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 statements have been prepared in the form prescribed under the Companies Acts 1963 to 2012, and in accordance with 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 profit or loss, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and to 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 the company's 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 2012 and of its profit for 2012; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2012.

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 2012 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 money has 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 company's annual report is not consistent with the related 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.

Seamus McCarthy

Seamus McCarthy
Comptroller and Auditor General
27 June 2013

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

Levy Income 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 – 33% Straight Line
Fixtures, fittings – 15% Straight Line
Computer Equipment – 33% Straight Line

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.

The accounting treatment of the costs of refurbishment of storage facilities is based on the substance of the transactions being that of lease incentives. Accordingly, the aggregate benefit of incentives is recognised as a reduction of rental expense. The benefit has been allocated on a straight line basis over the shorter of the lease term and the period ending on the date from which it is expected that the prevailing market rental will be payable.

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 (DPER), 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.

However, in July 2011, NORA was informed by DCENR that they had been advised by 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 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 as at 1st January 2012 and recommended the ongoing contribution rate. The next actuarial valuation against the minimum funding standard will be performed at 1st January 2015. In addition, an actuarial valuation against the minimum funding standard was performed at 31st December 2012, which confirmed that the scheme met the minimum funding standards at that date.

Profit and loss account

for the year ended 31st December 2012

	Note	2012 €	2011 €
Levy income	*1*	122,755,088	129,664,352
Exchequer funds receivable		-	731
Operating costs	*2*	(35,711,036)	(38,751,721)
Exchequer funds payable		-	(731)
Operating surplus - continuing operations		87,044,052	90,912,631
Profit/(loss) on disposal of strategic stocks	*7*	1,299,833	35,880,453
Profit on ordinary activities before interest and tax		88,343,885	126,793,084
Net interest payable	*3*	(3,696,354)	(4,763,794)
Surplus on ordinary activities before taxation	*4*	84,647,531	122,029,290
Taxation credit/(charge) on surplus on ordinary activities	*6*	626,983	(626,983)
Profit for the financial year	*15*	85,274,514	121,402,307

The accounting policies, cashflow statement and notes 1 to 22 form an integral part of these financial statements.

On behalf of the board

Oliver Whelan

Oliver Whelan
Director

Pat Meehan

Pat Meehan
Director

19th June 2013

Statement of total recognised gains and losses
for the year ended 31st December 2012

	Note	2012	2011
		€	€
Surplus for the financial year		85,274,514	121,402,307
Actual return less expected return on scheme assets	20	156,575	(70,490)
Experience gains/(losses) on pension scheme liabilities	20	20,307	7,239
Changes in assumptions underlying the present value of pension scheme liabilities	20	(336,602)	(42,912)
		(159,720)	(106,163)
Total gains and losses recognised		85,114,794	121,296,144

The cumulative actuarial loss recognised in the STRGL is €515,117.

The accounting policies, cashflow statement and notes 1 to 22 form an integral part of these financial statements

On behalf of the board

Oliver Whelan　　　　Pat Meehan

Oliver Whelan　　　　***Pat Meehan***
Director　　　　***Director***

19th June 2013

The National Oil Reserves Agency Limited
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Balance sheet
at 31st December 2012

	Notes	2012 €	2011 €
Fixed assets			
Strategic stocks	*7*	778,559,434	695,136,335
Tangible assets	*8*	22,010	29,891
		778,581,444	695,166,226
Current assets			
Debtors	*9*	48,250,028	47,001,746
Cash at bank and in hand		36,621,868	104,267,722
		84,871,896	151,269,468
Creditors: amounts falling due within one year			
Bank loans	*11*	(220,000,000)	(106,500,000)
Other creditors	*10*	(8,617,936)	(8,302,191)
Net current assets/(liabilities)		(143,746,040)	36,467,277
Total assets less current liabilities		634,835,404	731,633,503
Creditors: bank loans falling due after more than one year	*11*	(38,000,000)	(220,000,000)
Net assets excluding pension liability		596,835,404	511,633,503
Pension Asset/(Liability)	*20*	67,728	154,837
Net assets		596,903,132	511,788,340
Capital and reserves			
Called up share capital	*13*	1	1
Profit and loss account	*15*	596,835,403	511,569,288
Revaluation reserve	*14*	-	64,214
Pension reserve	*15*	67,728	154,837
Shareholders' funds	*15*	596,903,132	511,788,340

The accounting policies, cashflow statement and notes 1 to 22 form an integral part of these financial statements

On behalf of the board.

Olive Whelan　　　　Pat Meehan

Oliver Whelan
Director

Pat Meehan
Director

19th June 2013

Cash flow statement

for the year ended 31st December 2012

	Notes	2012 €	2011 €
Net cash inflow/(outflow) from operating activities	*16*	88,787,884	85,931,875
Returns on investments and servicing of finance	*17*	(5,338,416)	(4,736,664)
Taxation		(462,395)	(1,906,441)
Capital expenditure and financial investment	*17*	(82,132,927)	(111,035,047)
Net cash inflow/(outflow) before financing		854,146	(31,746,277)
Financing	*17*	(68,500,000)	(9,000,000)
Increase/(decrease) in cash for the year	*18*	(67,645,854)	(40,746,277)

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

Increase/(decrease) in cash for the year	*18*	(67,645,854)	(40,746,277)
Net increase/(decrease) in debt	*18*	68,500,000	9,000,000
Movement in net debt for the year	*18*	854,146	(31,746,277)
Net debt at beginning of year		(222,232,278)	(190,486,001)
Net debt at end of year		(221,378,132)	(222,232,278)

1. **Levy income**

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

- National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007;
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) Regulations 2009 (S.I. No. 214 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) (No. 2) Regulations 2009 (S.I. No. 220 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. No. 356 of 2010);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Buy-out Charge) Regulations 2010 (S.I. No. 644 of 2010); and
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2012 (S.I. No. 562 of 2012).

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

	2012	2011
	€	€
Fossil Fuel	**120,261,929**	126,772,911
Biofuel	**2,493,159**	2,891,441
	122,755,088	129,664,352

2. **Operating costs**

	2012	2011
	€	€
Storage costs	**31,602,777**	29,269,595
Stock tickets	**(319,677)**	2,362,690
Salaries and directors' fees	**527,677**	475,404
Administration and professional fees	**398,027**	318,288
Finance costs – including syndicated loan facility and foreign exchange costs	**2,136,006**	3,374,919
Stock upgrade and movement costs	**31,435**	1,529,614
Other operating costs	**1,334,791**	1,421,211
	35,711,036	38,751,721

3. **Net interest payable**

	2012	2011
	€	€
Interest on bank loans	**7,157,915**	10,329,976
Bank interest receivable	**(3,460,505)**	(5,543,753)
Levy interest receivable	**(1,056)**	(1,139)
VAT interest receivable	**-**	(21,290)
	3,696,354	4,763,794

4. Surplus before taxation for the year

This has been arrived at after charging the following items:

	2012	2011
	€	€
Directors' remuneration	**25,437**	26,933
Auditors' remuneration	**16,800**	16,800
Depreciation	**16,226**	15,673
Amortisation	**2,163,375**	2,227,632

Fees and expenses paid to the board in the year ended 31st December 2012 were: Fees €25,437 and Travel €1,696.

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:

	2012	2011
Administration	**6**	6

The aggregate payroll costs of these employees were:

	2012 €	2011 €
Wages and salaries	**412,808**	381,851
Social welfare costs	**42,274**	38,477
Pension costs	**47,158**	28,143
	502,240	448,471

(b) Details of the remuneration of the Chief Executive for the year ended 31st December 2012 are as follows:

	2012 €	2011 €
Annual basic salary	**122,747**	110,843
Director's fee *	**5,985**	5,985
Actual payments under performance related pay scheme	-	22,169
Other benefits including company car	**12,792**	12,916
Employer pension contribution	**36,824**	33,253
	178,348	185,166

* In his role as a board member, the Chief Executive received a fee, as determined by the Minister for Communications, Energy and Natural Resources. The director's fee will no longer apply from 2013 onwards.

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

Expenses of €41,368 were incurred by the Chief Executive in the year and relate directly to the performance of his duties. These expenses include the following categories: mileage, subsistence, air fares, hotel accommodation and other expenses. Expenses include an amount of €11,585 in respect of delegates' allowance (abolished in 2012), backdated to 2008.

(c) An amount of €31,681 in respect of the Pension Levy in respect of all staff has been deducted in 2012 and paid over to the Department of Communications, Energy and Natural Resources.

(d) Staff related entertainment expenses for the year were €1,286.

(e) Total expenditure on foreign travel incurred in the year in respect of all staff was €38,415.

6. Taxation

	2012	2011
	€	€
Corporation tax for current year	-	626,983
Adjustments in respect of prior periods	**(626,983)**	-
Total current tax (credit)/charge	**(626,983)**	626,983

Factors affecting tax charge for period

	2012	2011
Profit on ordinary activities before tax	**84,647,531**	122,029,290
Profit on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.50% (2011 : 12.50%)	**10,580,941**	15,253,661
Effects of:		
Income not taxable	**(15,344,518)**	(16,210,939)
Expenses not deductible for tax purposes	**88,763**	890,894
Depreciation in excess of capital allowances	**866**	398
Income taxable at higher rate of tax	**432,563**	692,969
Utilisation of losses forward	**4,241,385**	-
Adjustment in respect of prior periods	**(626,983)**	-
Current tax (credit)/charge for year	**(626,983)**	626,983

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 €31,859,497 as at 31st December 2012 (2011: €28,244,893).

7. Stocks

	2012	2011
	€	€
At cost		
Petroleum products		
At beginning of year	**695,136,335**	548,239,905
Additions in year	**87,651,222**	168,171,494
Sales during the year	**(4,228,123)**	(21,275,064)
At end of year	**778,559,434**	695,136,335

Profit/(loss) on sale of strategic stocks

	2012	2011
Net sale proceeds	**5,527,956**	57,155,517
Less: cost of product	**(4,228,123)**	(21,275,064)
	1,299,833	35,880,453

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 2012 was €1,098,195,428 (31st December 2011: €996,109,422). Replacement cost is calculated by reference to physical stocks held at year end, valued at average market prices for the months of December 2012 and December 2011 respectively.

8. Tangible fixed assets

	Motor Vehicles €	Office Equipment €	Computer Equipment €	Total €
Cost				
At beginning of year	40,082	24,198	44,884	109,164
Additions in year	-	3,272	6,389	9,661
Disposals in year	-	(7,569)	-	(7,569)
At end of year	40,082	19,901	51,273	111,256
Depreciation				
At beginning of year	13,227	21,697	44,349	79,273
Charge for the year	13,227	1,088	1,911	16,226
Disposals in year	-	(6,253)	-	(6,253)
At end of year	26,454	16,532	46,260	89,246
At 31st December 2012	13,628	3,369	5,013	22,010
At 31st December 2011	26,855	2,501	535	29,891

9. Debtors

	2012 €	2011 €
Trade debtors	**9,707,622**	11,871,708
Value added tax	**1,197,194**	985,864
Prepayments and accrued income	**35,367,457**	33,293,759
Corporation tax	**1,767,983**	678,605
Other debtors	**209,772**	171,810
	48,250,028	47,001,746

All debtors are due within one year.

Debtors are net of a provision for a doubtful debt of €470,960.

10. Creditors: amounts falling due within one year	**2012**	**2011**
	€	**€**
Trade creditors	**979,266**	1,038,718
Accruals	**7,414,520**	7,051,577
PAYE/PRSI	**(19)**	14,358
Other creditors	**224,169**	197,538
	8,617,936	8,302,191

11. Creditors: amounts falling due after more than one year	**2012**	**2011**
	€	**€**
Bank loans	**258,000,000**	326,500,000

Maturity analysis:

	2012	**2011**
	€	**€**
Bank loans are repayable as follows:		
(a) Under one year	**220,000,000**	106,500,000
(b) Over one year	**38,000,000**	220,000,000
	258,000,000	326,500,000

12. Treasury risk management

(a) Interest rate and currency profile

The profile of the company's bank loans at 31st December 2012 was as follows:

	Weighted average interest rates		Weighted average debt	
	Fixed	Floating	Fixed	Floating
	%	%	€'000	€'000
Currency				
Euro	**4.95**	**1.70**	**50,600**	**207,400**

(b) Schedule of undrawn committed facilities

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

Currency	**€'000**
Euro	239,500

(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	7,230	941	167
Monetary liabilites	(8)	(279)	-
	7,222	662	167

(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 2012.

The unrealised loss on euro interest swaps at 31st December 2012 approximated to €1.96 million.

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 2012.

14. Revaluation reserve

	2012	2011
	€	€
At 1st January 2012	**64,214**	64,214
Transfer to profit and loss account	**(64,214)**	-
At 31st December 2012	-	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.

15. Reconciliation of movements in shareholders' funds

	Profit & Loss Account	Revaluation Reserve	Pension Reserve	Total
	€	€	€	€
Opening balance at 1st January 2012	511,569,288	64,214	154,837	511,788,339
Surplus for the financial year	85,274,514	-	-	85,274,514
Movement in revaluation reserve	64,214	(64,214)	-	-
Actuarial gain/(loss)	-	-	(159,720)	(159,720)
Pension adjustment	(72,611)	-	72,611	-
	596,835,405	-	67,728	596,903,133

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

	2012	2011
	€	€
Operating surplus	**87,044,052**	90,933,942
(Increase)/decrease in debtors	**(394,014)**	(438,180)
(Decrease)/increase in creditors	**2,192,915**	(4,484,691)
(Profit)/loss on sale of tangible assets	**1,316**	(3,756)
Depreciation	**16,226**	15,673
Pension charge less contribution	**(72,611)**	(91,113)
Net cash inflow from operating activities	**88,787,884**	85,931,875

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

	2012	2011
Returns on investment and servicing of finance	€	€
Interest paid	**(9,035,087)**	(10,189,523)
Interest received	**3,696,671**	5,452,859
	(5,338,416)	(4,736,664)

Capital expenditure and financial investment

	2012	2011
	€	€
Purchase of strategic stocks	**(83,423,099)**	(146,896,430)
Purchase of tangible fixed assets	**(9,661)**	(19,070)
Proceeds on sale of strategic stocks	**1,299,833**	35,880,453
	(82,132,927)	(111,035,047)

	2012	2011
Financing		
Bank loans	**(68,500,000)**	(9,000,000)

18. Analysis of net debt

	at 1st January 2012	Cash flow	at 31st December 2012
	€	**€**	**€**
Cash at bank and in hand	**104,267,722**	**(67,645,854)**	**36,621,868**
Bank overdraft			
	104,267,722	**(67,645,854)**	**36,621,868**
Bank loans	**(326,500,000)**	**68,500,000**	**(258,000,000)**
	(326,500,000)	**68,500,000**	**(258,000,000)**
Net debt	**(222,232,278)**	**854,146**	**(221,378,132)**

19. Commitments

Operating lease commitments

The total lease payments made in 2012 by the Agency were €33,701,347.

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.

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

	2012 Property € 000	**2012 Oil Storage € 000**	2011 Property € 000	2011 Oil Storage € 000
Expiring:				
Within one year	**50**	**4,756**	50	4,406
Between one and two years	**100**	**2,414**	100	2,387
Between two and five years	**200**	**16,056**	200	17,534
After more than five years	**300**	**6,470**	350	4,978
	650	**29,696**	700	29,305

Foreign currency commitments

The company had no foreign currency commitments at 31st December 2012.

Capital commitments

Future capital expenditure approved by the directors in relation to the acquisition of strategic stocks at 31st December 2012 was as follows:

	2012	**2011**
	€	**€**
	'000	**'000**
Contracted	**11,585**	4,569
Authorised but not contracted	**1,250**	500

20. Pensions

(a) Pension costs

	2012 €	2011 €
Current service cost	**1,281,118**	1,185,671
Interest cost	**74,139**	61,328
Expected return on scheme assets	**(1,435,955)**	(1,355,495)
Less: employees contributions	**(119,769)**	(119,319)
	(200,467)	(227,815)

	2012 €	2011 €
(bi) Net pension liability/(asset)		
Present value of funded obligations	**1,695,421**	1,281,118
Fair value of scheme assets	**(1,763,149)**	(1,435,955)
Net liability/(asset)	**(67,728)**	(154,837)
(bii) Present value of scheme obligations at beginning of year	**1,281,118**	1,185,671
Current service cost	**74,139**	61,328
Interest cost	**61,080**	59,296
Actuarial (gain)/loss	**316,295**	35,673
Benefits paid	**(37,211)**	(60,850)
Present value of scheme obligations at end of year	**1,695,421**	1,281,118

	2012 €	2011 €
(biii) Change in scheme assets		
Fair value of scheme assets at beginning of year	**1,435,955**	1,355,495
Expected return on scheme assets	**68,077**	74,132
Actuarial gain/(loss)	**156,575**	(70,490)
Employer contributions	**119,769**	119,319
Members' contributions	**19,984**	18,349
Benefits paid	**(37,211)**	(60,850)
Closing value of scheme assets	**1,763,149**	1,435,955

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.

	2012	**2011**
Discount rate	**3.90%**	4.80%
Salary increases	**3.85%**	3.50%
Pension increases	**3.00%**	3.00%
Inflation increases	**2.10%**	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	22.7
Females	24.4

The scheme assets at year end comprised:

	2012	**2011**
Equities	**22.84%**	37.88%
Bonds	**54.68%**	56.66%
Property	**0.04%**	1.42%
Other	**22.44%**	4.04%
	100.0%	100.0%

Actual return less expected return on scheme assets

	2012	**2011**
	€	€
Actual return	**224,652**	3,631
Less: expected return	**(68,077)**	(74,132)
Actuarial gain/(loss)	**156,575**	(70,501)

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

	2012	2011	2010	2009	2008
	€ 000	€ 000	€ 000	€ 000	€ 000
Defined benefit obligations	1,695	1,281	1,186	1,101	1,013
Fair value of scheme assets	(1,763)	(1,436)	(1,355)	(1,190)	(907)
Deficit/(Surplus) for funded scheme	(68)	(155)	(169)	(89)	106
Experience (gains)/losses on scheme liabilities					
Amount	20.3	7.2	32.9	29.3	165.1
	1.2%	0.6%	2.8%	2.7%	16.3%

(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 for issue on 19th June 2013.