

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

**Directors' Report and
Financial Statements**

Year ended 31st December 2017

Registered Number 229229

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

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Directors and other information

Directors	Aidan Donnelly (Resigned as Chairman 9 th February 2018) Terry Nolan (Appointed as Chairman 9 th February 2018) Frank O'Connor Frank O'Flynn Rebecca Minch (Appointed 8 th February 2017) Pat Meehan (Chief Executive)
Secretary	David Corcoran (Resigned 6 th April 2017) Lisa Mullan (Appointed 6 th April 2017)
Management	Pat Meehan Chief Executive Lisa Mullan Financial Controller Michael Cavanagh Commercial Operations Manager Leo Whelan Technical Operations Manager (Resigned 15 th February 2018)
Company number	229229
Registered office	7 Clanwilliam Square Grand Canal Quay Dublin 2 D02 CV48
Auditors	Comptroller and Auditor General 3A Mayor Street Upper Dublin 1 D01 PF72
Bankers	Bank of Ireland Lower Baggot Street Dublin 2 D02 Y754
Solicitors	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2 D02 T380

The National Oil Reserves Agency Designated Activity Company

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Chairperson's Statement

The National Oil Reserves Agency Designated Activity Company (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. 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, Climate Action and Environment.

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, Climate Action and Environment and the continued operation of the Agency as a private limited company under the Companies Act 2014;
- 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;

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Chairperson's Statement (continued)

- 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 Stock 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, Climate Action and Environment 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 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 and remit in meeting Ireland's oil stock Obligation.

NORA's Oil Stock 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, Climate Action and Environment regarding the quantities of oil to be held by NORA in 2017, NORA has continued to meet its overall stock Obligation on an ongoing basis as set out by the Department of Communications, Climate Action and Environment (DCCAE).

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 Chairperson's Statement (continued)

The year on year changes to NORA's Obligation volumes between 2016 and 2017 were as follows:

	Obligation Volume (Tonnes) 2017	Obligation Volume (Tonnes) 2016	Obligation Days 2017	Obligation Days 2016
Refined Product	1,563,000	1,515,000		
Crude Oil	70,000	70,000		
Equivalent Total in Refined Product Only	1,633,000	1,585,000	90	90

Strategic Oil Stocks Obligation

The calculation of Ireland's annual oil stocks Obligation volume is determined by the methodology set out in the EU Oil Stocks Directive 2009/119.

The increase in NORA's stock Obligation from 2016 to 2017 arises from an increase in "net imports" of oil to Ireland in 2016 over that of 2015.

At year-end 2017, the breakdown of the stocks held by NORA was as set out below, compared to corresponding data for 2016:

	2017 (‘000 Tonnes)	% of TOTAL	2016 (‘000 Tonnes)	% of TOTAL
Stocks in Ireland	1,001	60%	1,068	67%
Stocks Abroad	694	41%	546	34.5%
Stock Tickets (Ireland)	0	0%	0	0%
Stock Tickets net (Abroad)	(17) *	(1%)	(30) *	(1.5%)
Total:	1,678		1,584	

* Net position at 31st December 2017. Included are sales of stock tickets which occasionally arise when the Agency has temporary surpluses of stocks against its Obligation, and forms part of the Agency's normal business operations.

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 Chairperson's Statement (continued)

The physical stocks, excluding stock tickets, owned by NORA and stored both in Ireland and abroad at the end of 2017 consisted of:

	2017 ('000 Tonnes)	2016 ('000 Tonnes)
CATEGORY I – Gasoline	311	309
CATEGORY II – Distillates	1,385	1,305
Total:	1,696	1,614

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 2011 to 2017 is set out below.

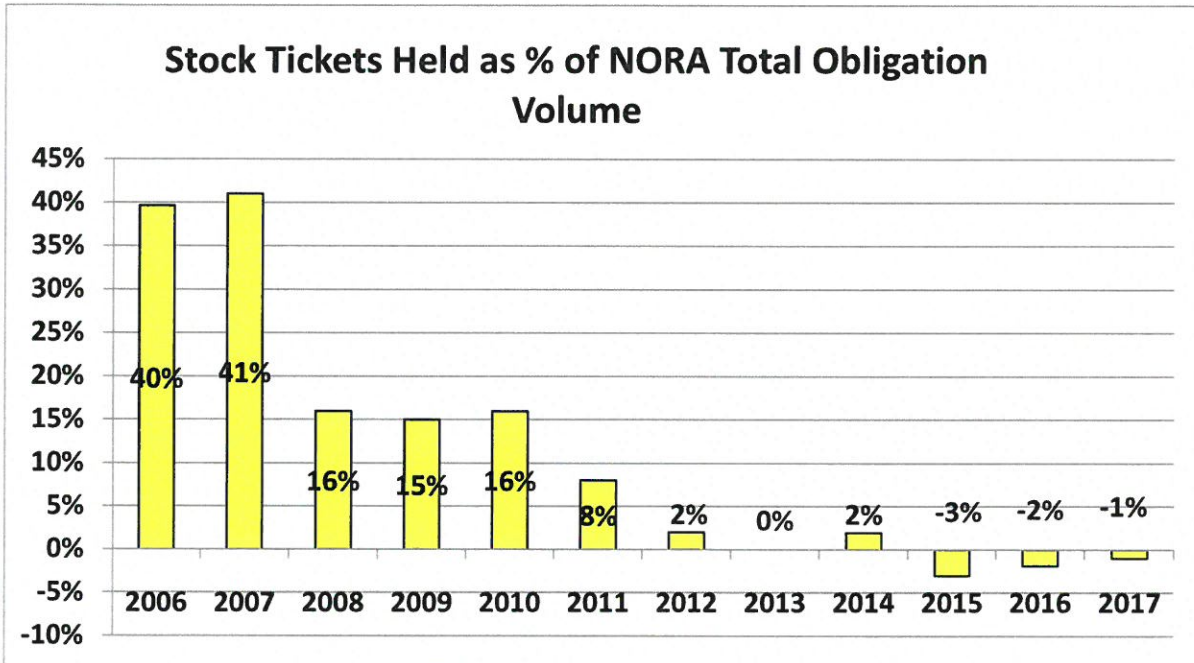
All Category Stocks	2011	2012	2013	2014	2015	2016	2017
Stock Obligation (Tonnes)	1,457,000	1,386,000	1,456,000	1,524,000	1,506,670	1,585,000	1,632,850
Actual Stocks Held	1,454,567	1,396,159	1,458,587	1,547,000	1,573,730	1,584,079	1,678,493
Stock Days - Obligation	83	84	88	89.5	90	90	90
Stock Days - Held	83	84	88	91	94	90	92.5

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 or 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.

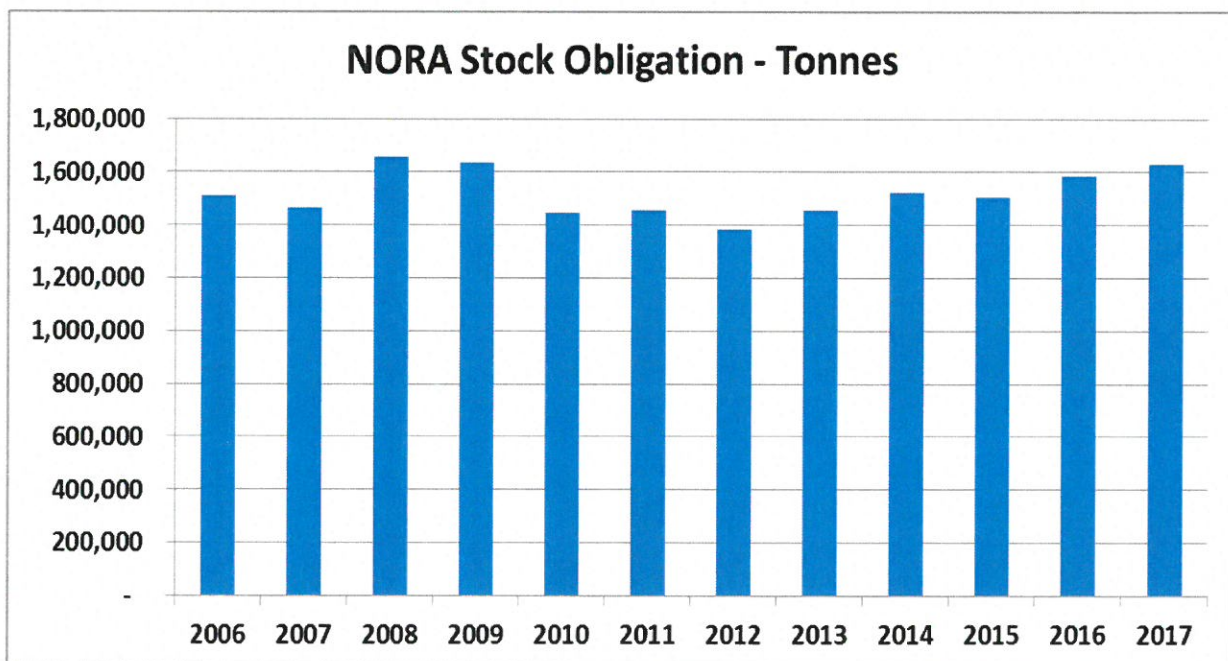
The extent to which NORA is dependent on stock tickets has reduced dramatically in recent years as NORA has progressively improved its physical stock position.

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 Chairperson's Statement (continued)

A profile of physical stocks held at home and abroad, together with stock tickets in terms of their relative proportions of NORA's annual stock Obligation for recent years is set out below.

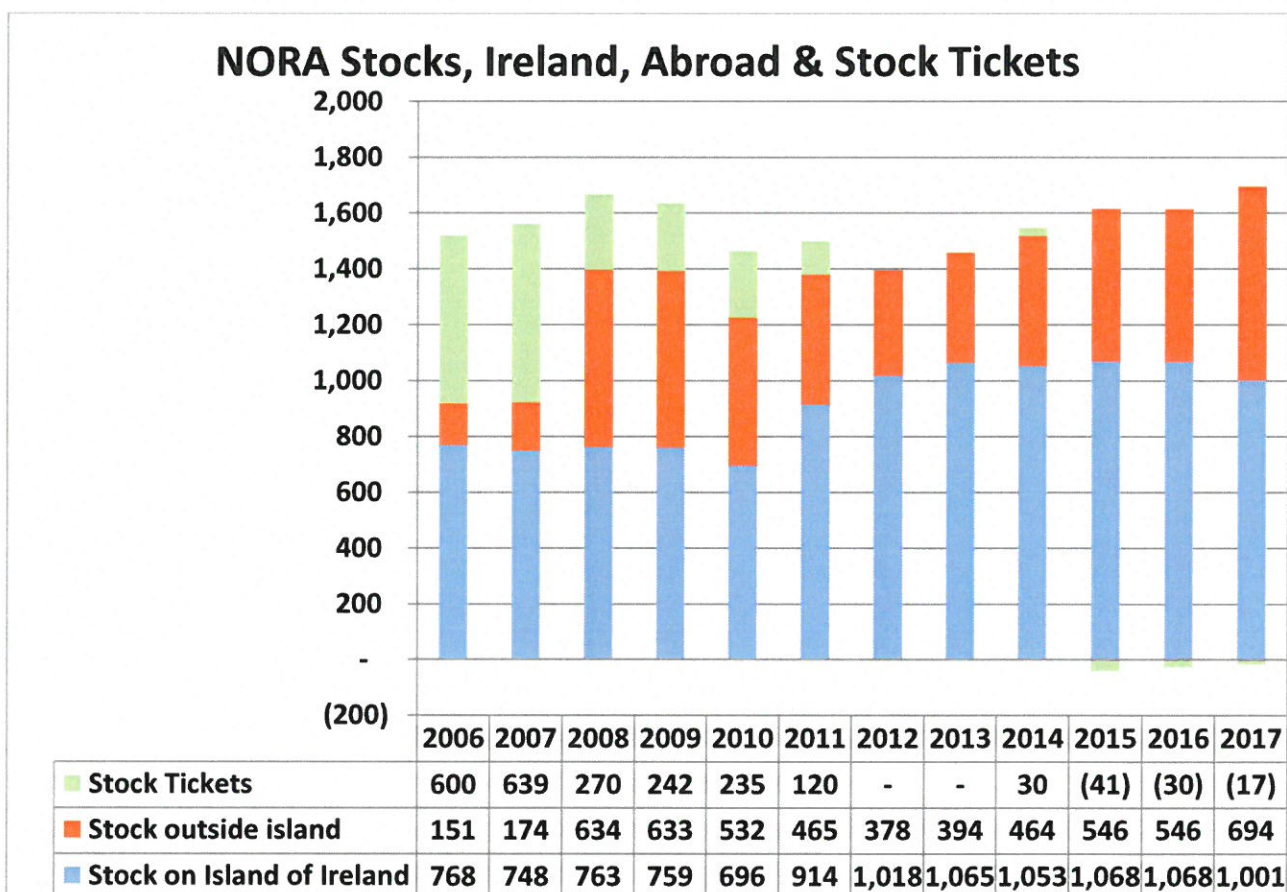


Throughout 2017, the Agency maintained compliance with its Obligation volumes. A profile of the trend in NORA's Stock Obligation volumes for recent years is set out below.



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 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 2017 ('000 tonnes).



NORA Financing

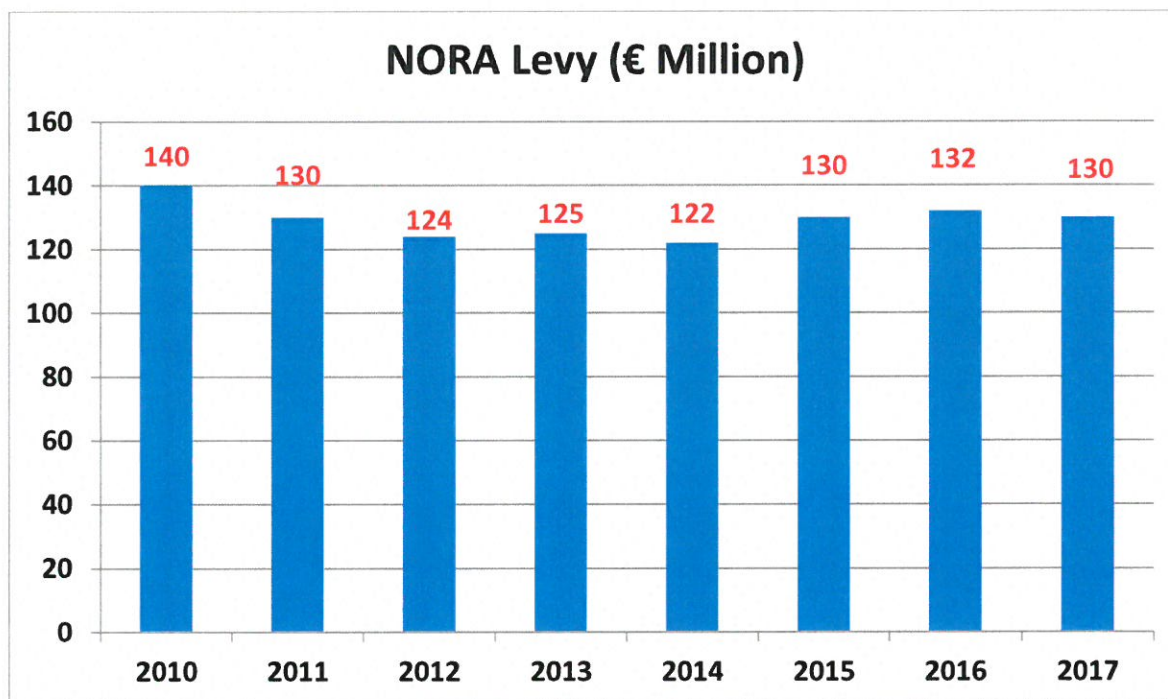
NORA Levy Income

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 funding from the Exchequer.

On 1st October 2009 the levy was increased from €0.01 per litre, to €0.02 per litre under the terms of the National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007.

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Chairperson's Statement (continued)

Levy income (€ millions) in recent years has been as follows:



The trend in levy income reflects the trend in oil consumption each year.

Financing and Debt Repayment

At the end of 2009, NORA's debt was €444.0 million. In light of:

- (a) this level of debt;
 - (b) NORA's stocks and storage development plans;
 - (c) NORA's need to maintain a firm financial basis for its ongoing and future business, and;
 - (d) the need for the State to ensure that Ireland meets its ongoing 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;
- the Minister for Communications, Climate Action and Environment increased the NORA levy from €0.01 per litre of fuel purchased, to €0.02 per litre, with effect from 1st October 2009. This gave NORA the affordability to build up its stocks, secure additional oil storage, and commence a debt repayment plan.

In April 2012 NORA secured refinancing to a level of €252.5 million for a four year period. This was increased to €277.5 million in November 2012, and in April 2013 the maturity of the facility was extended to April 2017.

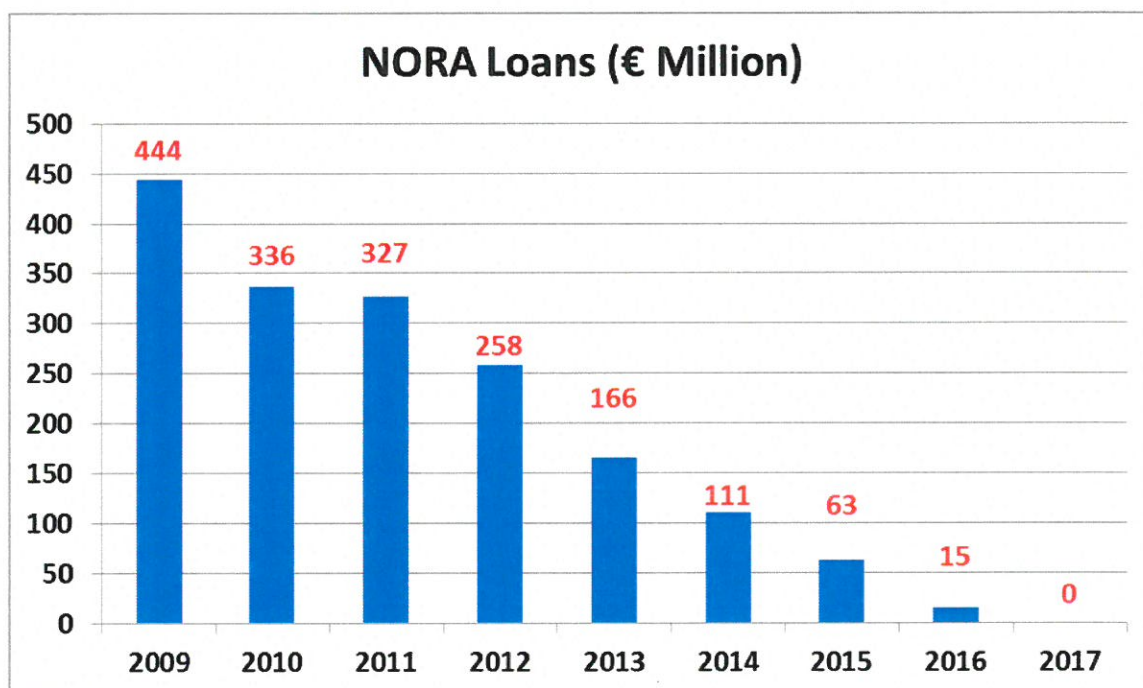
The National Oil Reserves Agency Designated Activity Company
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Chairperson's Statement (continued)

Securing this level of refinancing in a period during which financial markets were volatile was a significant achievement for the Agency. This funding enabled the Agency to progress its stock rebalancing and storage refurbishment/redevelopment programme while maintaining its stock obligations to meet Ireland's requirements under its membership of the EU and IEA.

The National Treasury Management Agency (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 planned and undertaken, taking account of the need for the ongoing retention of cash reserves, likely future requirements for capital expenditure, oil stock purchasing and the renewal of borrowing facilities.

At 31st December 2016, NORA's loans were €15.0 million and at 15th March 2017, NORA had repaid its debt in full.

The profile of NORA's stocks in recent years is set out earlier in this report. Set out below is the profile of NORA's end of year debt from end 2009 to end 2017.



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 Chairperson's Statement (continued)

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.

NORA’s closing cash balance was €102.2 million at 31st December 2017. This cash position took account of:

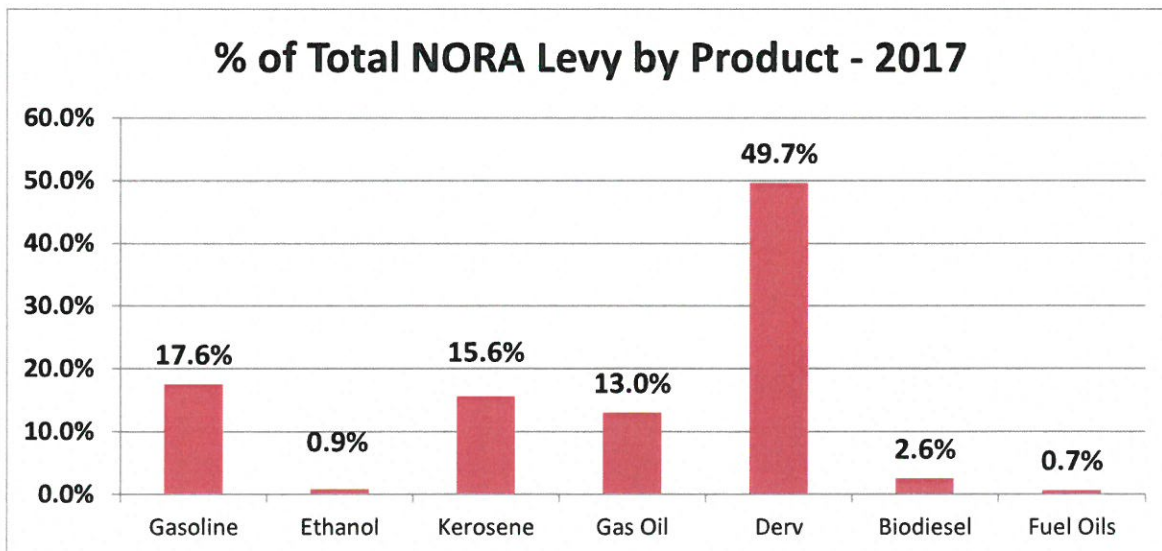
- (a) NORA’s ongoing financing requirements and commitments;
- (b) the procurement of oil stocks associated with planned changes in storage contract arrangements and stock procurement in 2018 and onwards, and;
- (c) retention of a liquidity reserve for use in the event of an oil supply emergency.

Taking account of the commitments above, plans are in hand for the utilisation and availability of these cash reserves in 2018 and beyond, based on commitments made and/or planned which are summarised as follows:

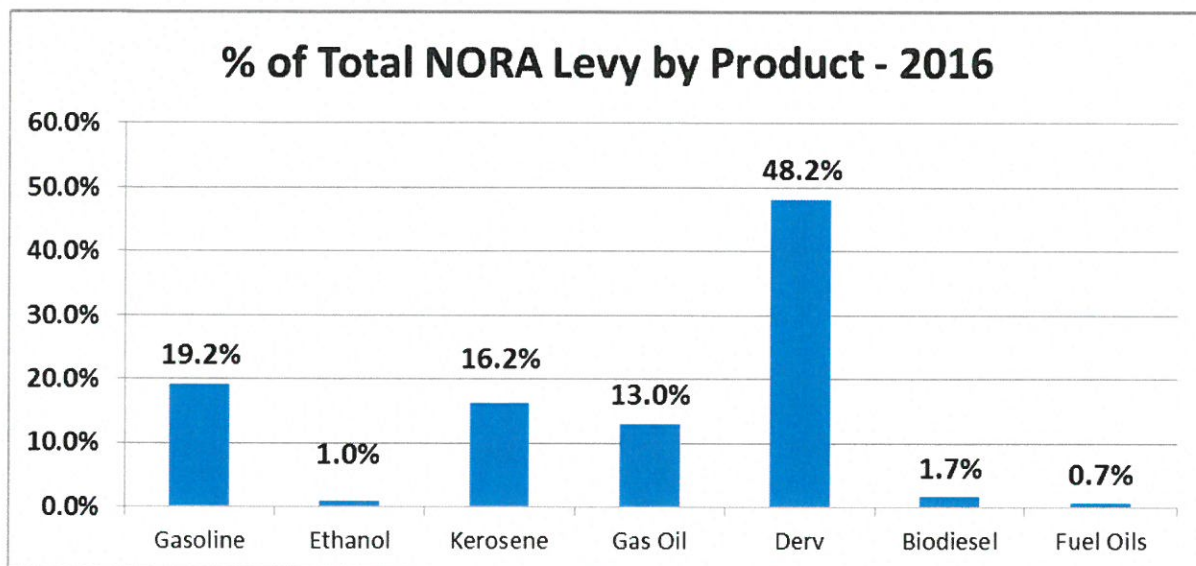
	<u>€ million</u>
Cash in Hand at 31 st December 2017	102.2
Storage Development Projects	- 14.0
Stock Purchases 2018	- 5.0
Stock Purchases 2019	<u>- 71.0</u>
Net Position	<u>12.2</u>

Composition of the NORA Levy

Set out hereunder is a breakdown of the levy volume percentages by product for 2017, together with comparable figures for 2016.



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Chairperson's Statement (continued)



Biofuels Obligation Scheme

NORA commenced its administration of Ireland's Biofuels Obligation Scheme (BOS) on 1st July 2010 shortly after the introduction of 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 a minimum percentage (2013 to 2016 it was 6.383% by volume, this increased in 2017 to 8.70%) of the motor fuels (generally Gasoline and Motor Diesel) they place on the market are Biofuels 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 Biofuels Levy of €0.02 per litre is payable on the sales of all Biofuels into the market with effect from 1st July 2010.

Biofuels Obligation Volumes

The table below sets out how the volume of Biofuels as a percentage of total Motor Fuels per annum placed on the market compares to the minimum percentage Biofuels Obligation.

It should be noted that the percentages take account of the fact that:

- i. The terms of compliance with the Biofuels Obligation enables Obligated Parties to carry excess Biofuels Certificates earned in one year through to the next, to meet compliance in that year, and;
- ii. Biofuels placed on the market that are made from wastes or residues qualify for "double certificates" i.e., 1 litre of Biofuel made from waste will earn 2 Biofuels Certificates, and thus, with a significant volume of "waste or residue" Biofuels placed on the market, the total volume placed is likely to be less than the total Obligation volume percentage, but compliance with the Obligation is still achieved.

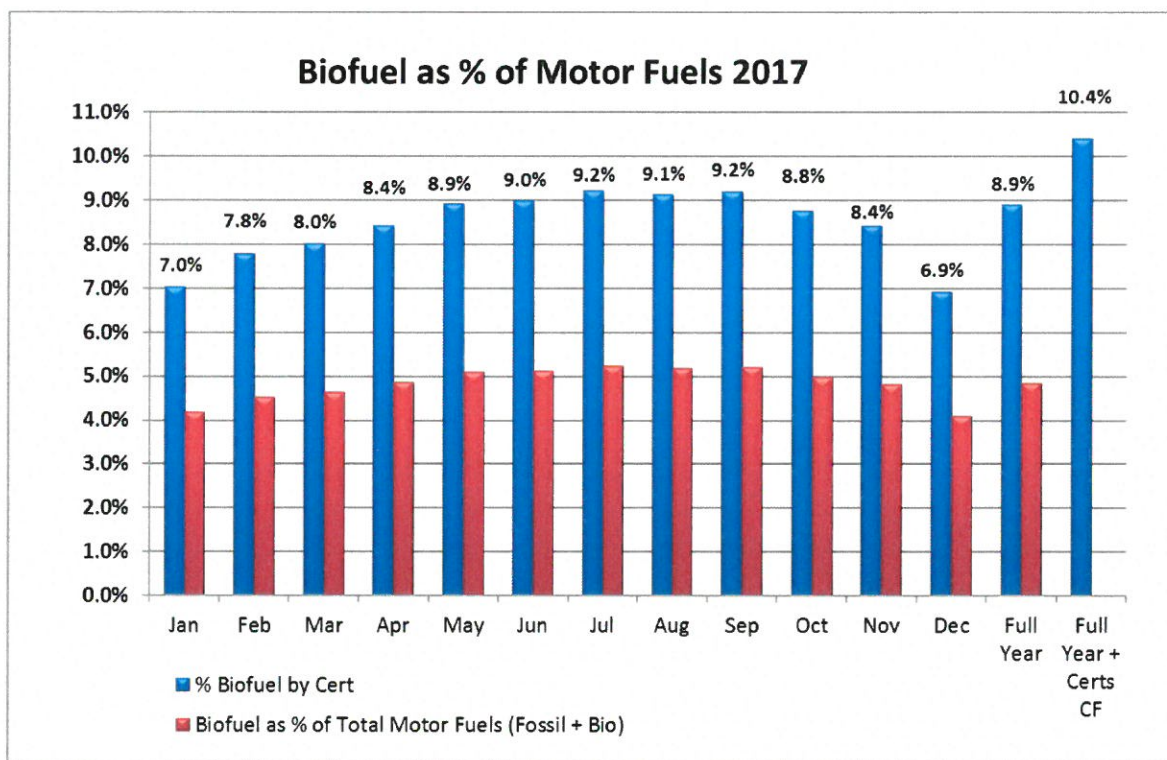
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 Chairperson's Statement (continued)

	Biofuels Placed on Market as % of Total Motor Fuels	Biofuels % Obligation Volume
2010	4.31%	4.166%
2011	3.40%	4.166%
2012	4.80%	4.166%
2013	3.71%	6.383%
2014	3.91%	6.383%
2015	4.10%	6.383%
2016	3.70%	6.383%
2017	4.84%	8.695%

The volume of Biofuels placed on the market in recent years (millions of litres) has been as follows:

	2012	2013	2014	2015	2016	2017
Biofuel Volume (Excl. Double Counting Vol)	128	151	167	184	174	226
Biofuel Volume (Incl. Double Counting Vol)	199	244	264	307	284	393
Equivalent to this percentage of Fossil Fuels	4.8%	5.9%	6.3%	7.1%	6.4%	8.9%

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 Chairperson's Statement (continued)



When coupled with Biofuels volumes placed on the market in previous years in excess of the compliance target for that obligation period, and which can, under the regulations be carried over to subsequent years, the 2017 compliance target was achieved.

Monitoring the compliance of obligated parties 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 EU Renewable Energy Directive.

To this end, the Agency provided DCCAE with a detailed report on the performance of the BOS for each year to date of the operation of the scheme and a summary version of this report is published on the Agency's website, www.nora.ie.

Biofuels Obligation Rate

NORA has been responsible for administering Ireland's Biofuels Obligation Scheme since its commencement in July 2010. Since then, Biodiesel and Bioethanol have been an integral part of the transport fuels market through the mandatory inclusion of Biofuels in Motor Fuels. The applicable rates for the Biofuels Obligation Scheme have been:

- 4.17% from 1st July 2010
- 6.38% from 1st January 2013
- 8.70% from 1st January 2017

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Chairperson's Statement (continued)

Further increases are likely in the run up to 2020 in line with EU Policy, the EU Renewable Energy Directive (RED), the ILUC Directive, the EU Fuel Quality Directive (FQD) and Irish Government targets.

In late 2017, DCCAE undertook a consultation process with all stakeholders to review and plan the BOS rate for 2018 up to 2020. The outcome of this consultation will be known in early 2018.

Energy Management Obligation in 2017

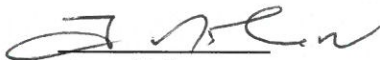
In 2017 NORA met its Public Body Energy Management obligations under S.I. No. 542 of 2009. NORA progressed its Energy Management objectives by continuing to participate in the Sustainable Energy Authority of Ireland's (SEAI) public sector Advice, Mentoring & Assessment (AMA) programme. A more detailed report on NORA's Energy Management is available on NORA's website, www.nora.ie.

Statement of Compliance with the Code of Practice for the Governance of State Bodies 2016

In my opinion, NORA's undertakings have complied with the requirements of the Code of Practice for the Governance of State Bodies during the twelve months ended 31st December 2017 and up to the date of this report.

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 Energy Security and Decarbonisation Divisions of the Department for their continuing support and assistance throughout the year.



Terry Nolan
Chairperson

 June 2018

The National Oil Reserves Agency Designated Activity Company

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Directors' report

The directors submit their report and the audited financial statements for the year ended 31st December 2017.

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, Climate Action and Environment. 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 2009);
- 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 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 medium to 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 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.

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 all biofuel obligation periods to date in accordance with the requirements of the scheme, and will adapt such administration to meet future scheme requirements as they develop.

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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

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 2016. 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 Audit and Risk 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;
- annual review and approval of policies for managing risk;
- development of and annual 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.

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Directors' report (continued)

Having repaid all remaining debt in 2017, it is planned, subject to affordability, to finance stock purchases through the use of working capital. If required, stock will be financed by medium term revolving credit facilities, with the aim of having a balanced maturity profile.

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 held in current accounts. Cash surpluses are deposited with banks with an appropriate credit standing, in a manner which provides the most competitive return while also ensuring capital preservation.

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 year

The results are disclosed on page 27 of the financial statements. As noted in the statement of income and expenditure, a surplus of €91.4 million (2016: €92.5 million surplus) was recorded for the year. The entire balance of retained earnings is considered not to be available for distribution.

The company successfully repaid all outstanding debt on 15th March 2017. No debt was outstanding at the reporting date. The Agency continues to be advised by the NTMA in relation to the management of its financing taking account of the need for the ongoing retention of cash reserves, likely future requirements for capital expenditure, oil stock purchasing and the renewal of essential borrowing facilities.

Included in the surplus of €91.4 million is a loss on the sale of strategic stocks of €13,860 (2016: €27,319 loss). The losses arise on the sale of stocks in the normal course of business. Also included in the surplus are tolerable losses written off for 2017: €0.7 million loss (2016: €0.7 million loss).

Directors' and company secretary's interests

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

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Directors' report (continued)

Directors' remuneration

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

Directors' fees paid in the period 1st January to 31st December 2017 and 2016 were:

		2017	2016
		€	€
Chairman:	Aidan Donnelly	8,978	8,978
Directors:	Terry Nolan	5,985	5,985
	Frank O'Connor	-	-
	Frank O'Flynn	5,985	5,985
	Rebecca Minch	-	-
	Pat Meehan	-	-
		<u>20,948</u>	<u>20,948</u>

Directors' expenses in 2017 amounted to €1,250 (2016 - €1,854), which related to travel.

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

Directors' attendance at board meetings

In accordance with the requirements of section 4.9 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 2017.

	<u>Board</u>	<u>Audit and Risk Committee</u>
Number of meetings held:	12	7
<u>Attendance:</u>		
Aidan Donnelly	12	
Terry Nolan	12	7
Frank O'Connor	10	5
Frank O'Flynn	12	7
Rebecca Minch (appointed 08 February 2017)	8	
Pat Meehan	12	

In accordance with section 1.7 of the Code of Practice for the Governance of State Bodies, the Board met twice during the year without the presence of executive Board members and management.

Post reporting period events

There have been no significant events since the end of the reporting period and the date of approval of these financial statements.

The National Oil Reserves Agency Designated Activity Company

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 imposes certain requirements on employers and The National Oil Reserves Agency takes the necessary action to ensure compliance with the Act.

Protected disclosures

In accordance with the provisions of section 1.14 of the Code of Practice for the Governance of State Bodies, the board has approved the Agency's policy to ensure workers have the opportunity to raise concern about possible irregularities in financial reporting or other matters.

The board has also reviewed the Agency's policy to ensure that it complies with the provisions of the Protected Disclosures Act 2014.

In accordance with the provisions of the 2014 Act, the Agency's Annual Protected Disclosures Report for 2017 is as follows: the number of protected disclosures made was nil and accordingly, it was not necessary for the Agency to take any action in this regard.

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 Sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The company's accounting records are maintained at 7 Clanwilliam Square, Grand Canal Quay, Dublin 2, D02 CV48.

Statement of relevant audit information

The Directors believe that they have complied with Section 330 of the Companies Act 2014 whereby they have taken steps to inform themselves of all relevant audit information and have established that the auditor is aware of all such information.

Audit committee

The Directors have fulfilled their requirement to establish an audit committee that meets the requirements of Section 167 of the Companies Act 2014.

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' report (continued)

Directors' Compliance Statement

Under Section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing compliance with the relevant obligations of the company. Relevant obligations are inclusive of the Companies Act 2014 and Irish tax law.

The directors also confirm that the following are in place;

- A compliance policy statement has been drawn up which sets out the company's policies regarding compliance by the company with its relevant obligations;
- The appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with the company's relevant obligations; and
- The conduct of a review of such arrangements or structures during the relevant financial year.

Additional disclosures required by the Code of Practice for the Governance of State Bodies 2016


The Chairperson has stated his opinion on the Agency's compliance with the Code of Practice for the Governance of State Bodies in the Chairperson's Report on page 15.


Disclosures as required by the Code are included in Notes 4 and 7 to the financial statements.

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


Terry Nolan
Director


Rebecca Minch
Director

Date: 2nd June 2018

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' Responsibilities Statement 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, including FRS (Financial Reporting Standard) 102 and the Companies Act 2014.

The National Oil Reserves Agency Act 2007 and Irish 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 Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland.

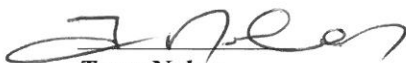
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the surplus or deficit of the company for the financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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 the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards;

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and surplus or deficit of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. 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.

On behalf of the board


Terry Nolan
Director


Rebecca Minch
Director

Date: 28 June 2018

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement on Internal Control

Responsibility for system of internal 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 control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies 2016.

In accordance with the requirements of Section 6 of the Code, (and Section 1.6 of the Code of Practice for the Governance of State Bodies – Business and Financial Reporting Requirements), the corporate governance section in the NORA 2017 Annual Report and Financial Statements sets out details of the statement on internal control in place during that year. This system continues to apply and to be adhered to.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in the National Oil Reserves Agency for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Audit and Risk Committee (ARC) has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within The National Oil Reserves Agency's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work. The ARC met seven times in 2017.

Key control procedures

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

- clearly defining management responsibilities;
- establishing reporting procedures to control significant failures and ensuring appropriate corrective action is taken;
- establishing a dedicated Audit and Risk Committee consisting of three non-executive Board members;
- 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 National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement on Internal Control

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 operation of particular controls relative to the benefit obtained.

The statement on internal 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 Audit and Risk 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 statement on internal 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 outsourced.

The annual internal audit plan is informed by an analysis of the risks to which the Agency is exposed and a formal Risk Register has been developed following a full risk analysis exercise. Internal audit plans are endorsed by the Audit and Risk Committee. The analysis of risk is also endorsed by the Audit and Risk 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 on internal control.

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

The National Oil Reserves Agency has in the year ended 31st December 2017, 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 2017 and explanation of significant variances, and;
- annual budget and financial plan for 2018.

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement on Internal Control

Procurement

I confirm that The National Oil Reserves Agency has procedures in place to ensure compliance with current procurement rules and guidelines. Matters arising regarding controls over procurement are highlighted under internal control issues below.

Annual review of controls

I confirm that in respect of the year ended 31st December 2017 the Board conducted a review of the effectiveness of the system of internal control on 8th February 2018.

Internal control issues

During November and December 2017, seven tax clearance certificates held by non-Irish suppliers expired. The suppliers were contacted and current tax clearance certificates were obtained from all non-Irish suppliers by the end of February 2018.

Signed on behalf of the Board.



Terry Nolan
Chairperson

Date: 2nd June 2018



Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Oil Reserves Agency Limited

Opinion on financial statements

I have audited the financial statements of the National Oil Reserves Agency Limited (the company) for the year ending 31 December 2017 as required under the provisions of section 29 of the National Oil Reserves Agency Act 2007. The financial statements comprise the statement of income and expenditure, the statement of comprehensive income, the statement of financial position, the statement of changes in reserves, the statement of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements

- give a true and fair view of the assets, liabilities and financial position of the company at 31 December 2017 and of its income and expenditure for 2017
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*, and
- have been properly prepared in accordance with the Companies Act 2014.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the company and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions related to going concern

As described in the appendix to this report, I conclude on

- the appropriateness of the use of the going concern basis of accounting by the directors and
- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

I have nothing to report in that regard.

Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that in my opinion

- the information given in the directors' report is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Companies Act 2014.

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

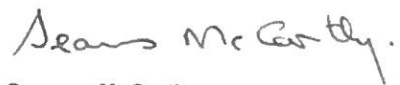
In my opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

Report on information other than the financial statements, and on other matters

The directors have presented certain other information with the financial statements. This comprises the chairperson's statement, the directors' report, the directors' responsibilities statement and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

A handwritten signature in black ink that reads "Seamus McCarthy". The signature is written in a cursive style with a period at the end.

Seamus McCarthy
Comptroller and Auditor General

29 June 2018

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta


Statement of Income and Expenditure

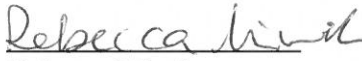
for the year ended 31st December 2017

	Notes	2017 € '000	2016 € '000
Levy Income	2	130,410	131,766
Operating costs	3	(39,206)	(38,655)
Operating surplus - continuing operations		<u>91,204</u>	<u>93,111</u>
Loss on sale of strategic stocks	9	(14)	(27)
Surplus on ordinary activities before interest and taxation		<u>91,190</u>	<u>93,084</u>
Interest receivable	5	204	198
Interest payable	5	(36)	(768)
Surplus on ordinary activities before taxation	6	<u>91,358</u>	<u>92,514</u>
Taxation charge on surplus on ordinary activities	8	-	-
Surplus for the financial year		<u><u>91,358</u></u>	<u><u>92,514</u></u>

Notes 1 - 20 on pages 32 to 55 form an integral part of these financial statements.

On behalf of the board


Terry Nolan
Director


Rebecca Minch
Director

Date: 2nd June 2018

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of Comprehensive Income

for the year ended 31st December 2017

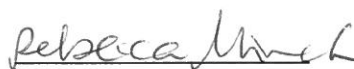
	Notes	2017 € '000	2016 € '000
Surplus for the year		<u>91,358</u>	<u>92,514</u>
Other comprehensive income			
Actual return in excess of interest on assets	18	24	68
Experience gains/(losses) on pension scheme liabilities	18	160	(63)
Change in assumptions underlying the present value of pension scheme liabilities	18	-	(213)
		<u>184</u>	<u>208</u>
Total comprehensive income for the year		<u><u>91,542</u></u>	<u><u>92,306</u></u>

Notes 1 - 20 on pages 32 to 55 form an integral part of these financial statements.

On behalf of the board



Terry Nolan
Director



Rebecca Minch
Director

Date: 2nd June 2018

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

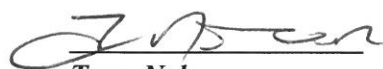
Statement of Financial Position

at 31st December 2017

	Notes	2017 € '000	2016 € '000
Fixed assets			
Strategic stocks	9	888,356	849,597
Leasehold improvements	10	27,034	22,782
Property, plant and equipment	11	59	28
		<u>915,449</u>	<u>872,407</u>
Current assets			
Receivables	12	13,441	19,111
Cash and cash equivalents	16	102,236	63,712
		<u>115,677</u>	<u>82,823</u>
Current Liabilities: amounts falling due within one year			
Bank loans	13	-	(15,000)
Payables	13	(4,132)	(4,566)
		<u>111,545</u>	<u>63,257</u>
Net current assets		<u>111,545</u>	<u>63,257</u>
Total assets less current liabilities		<u>1,026,994</u>	<u>935,664</u>
Retirement benefit asset	18	<u>529</u>	<u>317</u>
Net assets		<u>1,027,523</u>	<u>935,981</u>
Capital and reserves			
Called up share capital presented as equity	15	-	-
Revenue Reserves		1,026,994	935,664
Retirement benefit reserve	18	529	317
		<u>1,027,523</u>	<u>935,981</u>
Shareholders' funds		<u>1,027,523</u>	<u>935,981</u>

Notes 1 - 20 on pages 32 to 55 form an integral part of these financial statements.

On behalf of the board



Terry Nolan
Director



Rebecca Minch
Director

Date: 21 June 2018

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of Changes in Reserves

for the year ended 31st December 2017

	Retirement Benefit Reserve € '000	Revenue Reserves € '000	Total € '000
Balance at 1st January 2016	486	843,189	843,675
Surplus for the financial year	-	92,514	92,514
Remeasurement of net defined benefit obligation	(208)	-	(208)
Total comprehensive income for the year	(208)	92,514	92,306
Pension adjustment	39	(39)	-
Balance at 31st December 2016	317	935,664	935,981
Balance at 1st January 2017	317	935,664	935,981
Surplus for the financial year	-	91,358	91,358
Remeasurements of net defined benefit obligation	184	-	184
Total comprehensive income for the year	184	91,358	91,542
Pension adjustment	28	(28)	-
Balance at 31st December 2017	529	1,026,994	1,027,523

Net equity is attributable to the holders of the ordinary shares in the Company.

An adjustment has been made to bring the retirement benefit reserve in line with the retirement benefit asset.

Section 44(3) of the National Oil Reserves Agency Act 2007 provides that in determining the rate of the levy, the Minister for Communications, Climate Action and Environment 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 statement of income and expenditure is considered not to be available for distribution.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement of Cash Flows

for the year ended 31st December 2017

	Notes	2017 € '000	2016 € '000
Cash flows from operating activities			
Operating Surplus		91,190	93,084
<i>Adjustments for:</i>			
Depreciation of leasehold improvements	10	2,237	2,249
Depreciation of property, plant and equipment	11	32	31
(Gain)/loss on disposal of property, plant and equipment		(26)	-
Retirement benefit charge less contribution		(28)	(39)
Strategic stock losses written off	9	693	678
<i>Changes in:</i>			
Trade and other receivables		5,666	(5,426)
Trade and other payables		(334)	(1,606)
Strategic stock		(39,452)	(193)
Cash generated from operating activities		<u>59,978</u>	<u>88,778</u>
Cash flows from investing activities			
Movements in leasehold improvements	10	(6,489)	(3,241)
Movements in property, plant and equipment	11	(63)	(32)
Proceeds from sale of tangible assets		26	-
Interest received	5	208	256
Net cash from investing activities		<u>(6,318)</u>	<u>(3,017)</u>
Cash flows from financing activities			
Repayments of borrowings		(15,000)	(48,000)
Interest paid	5	(136)	(938)
Net cash used in financing activities		<u>(15,136)</u>	<u>(48,938)</u>
Movement in cash and cash equivalents in the year		38,524	36,823
Cash and cash equivalents at the beginning of year	16	<u>63,712</u>	<u>26,889</u>
Cash and cash equivalents at the end of year	16	<u>102,236</u>	<u>63,712</u>

Notes 1 - 20 on pages 32 to 55 form an integral part of these financial statements.

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

1. Summary of Significant 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

These financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) of the Financial Reporting Council as promulgated by the Institute of Chartered Accountants in Ireland.

These financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2014 applicable to the company reporting at 31st December 2017.

The statement of cash flows was prepared using the indirect method.

The principal accounting policies are set out below and have been applied consistently throughout the year.

The financial statements are prepared in Euro which is the functional currency of the company.

Use of Estimates and Judgements

The preparation of financial statements in conformity with Financial Reporting Standards requires the directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, there are significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements in the following areas:

Note 9: Strategic stocks

Strategic Stocks are held at the direction of the Minister for Communications, Climate Action and Environment and are not intended to be sold in the short or medium term. These oil stocks are classified as fixed assets rather than inventory as it better reflects the Agency's purpose and objectives, and are valued at cost less accumulated impairment losses. A detailed impairment assessment is undertaken at each reporting date to assess the recoverable value of the stocks held. The key judgments underpinning this assessment relate to global prevailing oil prices and the historic and intended utilisation of these oil stocks.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

1. Summary of Significant Accounting Policies (continued)

Use of Estimates and Judgements (continued)

Note 18: Retirement Benefit Obligations

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and inflation rates), are updated annually based on current economic conditions and any relevant changes to the terms and conditions of the retirement benefit and post-retirement plans.

The assumptions can be affected by:

- (i) the discount rate, changes in the rate of return on high-quality corporate bonds;
- (ii) future compensation levels, future labour market conditions, and;
- (iii) health care cost trend rates, the rate of medical cost inflation in the relevant regions.

Revenue

Revenue comprises the fair value of consideration received and receivable exclusive of value added tax. Levy income represents the invoiced amounts received and receivable in respect of the year as notified by the Department of Communications, Climate Action and Environment.

Taxation

The company is managed and controlled in the Republic of Ireland and consequently, is tax resident in the Republic of Ireland. Tax is recognised in the statement of income and expenditure, except to the extent that it relates to items recognised in other comprehensive income or directly in reserves.

(i) *Current tax*

Current tax is calculated on the surplus for the period. Current tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position.

(ii) *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable surpluses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable surpluses will be available against which the temporary differences can be utilised.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

1. Summary of Significant Accounting Policies (continued)

Taxation (continued)

(ii) Deferred tax (continued)

Deferred tax liabilities are recognised in relation to the pension scheme surplus (see note 13). As it is highly likely that any taxable surplus could be offset against brought forward tax losses, a deferred tax asset of an equal amount has been recognised separately in the financial statements (see note 12).

Current or deferred taxation assets and liabilities are not discounted.

Leasehold Improvements

Leasehold improvements include lease incentives relating to long term oil product storage agreements and the cost of refurbishing certain terminals where the Agency has a property lease and is the terminal operator.

Lease incentives occur when an upfront payment is made at the beginning of a storage agreement in return for reduced monthly storage payments for the duration of the agreement. The initial payment is capitalised and amortised in a straight line over the term of the agreement.

Additionally, NORA has entered into property leases for oil terminals that it uses to store strategic stocks. As part of the commercial agreements the Agency undertakes the responsibility to refurbish the facilities so that they are suitable for storing oil products. External refurbishment costs are capitalised and amortised over the term of the lease once each terminal is operational.

Property, Plant and Equipment

(i) Cost

Property, plant and equipment are recorded at historical cost or deemed cost, less accumulated depreciation and impairment losses. Cost includes prime cost and overheads in financing the construction of property, plant and equipment.

(ii) Depreciation

Depreciation is provided on property, plant and equipment, on a straight line basis so as to write off their cost less residual amounts over their estimated economic lives.

The estimated economic lives assigned to property, plant and equipment are as follows:

Motor vehicles	-	33% Straight Line
Office equipment	-	15% Straight Line
Computer equipment	-	33% Straight Line
Fixtures & fittings	-	15% Straight Line

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

1. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

(ii) Depreciation (continued)

The company's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the statement of income and expenditure.

(iii) Impairment

Assets not carried at fair value are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If the recoverable amount of the asset (or the asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of income and expenditure, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of income and expenditure.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of income and expenditure.

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

1. Summary of Significant Accounting Policies (continued)

Strategic Stocks

Strategic Stocks of petroleum products are valued at cost less accumulated impairment losses. 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.

Operating stock losses arise from evaporation of oil products held in storage over time. In addition, losses/gains in measurement arise from changes in temperature and pressure caused by weather conditions at the time of measurement. The Agency continuously monitors such operating losses and measurement differences against industry standards. Operating stock losses are recognised in the year in which they occur based on the difference between actual stock measurement at year end and "book" stocks (by location).

Impairment of Assets

The carrying amounts of the Agency's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset may be determined by reference to its value in use or its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income and expenditure. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

In the case of Strategic Stocks, the recoverable amount is determined by reference to value in use, taking very specific account of the strategic purpose and remit of the Agency.

Strategic Stocks are held solely in order to be available to meet the Agency's statutory remit rather than for commercial purposes and will only be released to the market at times of crisis and at the direction of the Minister for Communications, Climate Action and Environment and in response to a co-ordinated (IEA and/or EU) international response to an identified matter. On this basis, the Board deems it appropriate to include in its value in use assessment historic evidence and other qualitative factors deemed relevant to estimating the recoverable value of Strategic Stocks held at each reporting date. Further information is set out in note 9 to the financial statements.

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

1. Summary of Significant Accounting Policies (continued)

Currency

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in Euro, which is the company's functional and presentation currency and is denoted by the symbol "€".

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions or at a contracted rate.

At each year end, foreign currency monetary items are translated using the closing rate. Monetary assets and liabilities are cash balances and unsettled sales and purchases invoices.

Stock Tickets

Stock tickets are short term holding contracts under which one party agrees to hold oil which will be available to a counterparty during a specified period, and under which the counterparty has an option to purchase oil in emergency circumstances, at a price to be determined in the future. In periods when the Agency's physical stocks are below its stockholding obligation it purchases stock tickets, and conversely in periods when the Agency's physical stocks are in excess of its stockholding obligation it may sell stock tickets in certain locations. The revenue or costs relating to these tickets is recorded in the statement of income and expenditure in the period to which the contracts relate.

Leases

Operating Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income and expenditure on a straight line basis over the period of the lease.

Employee Benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined retirement benefit plans.

(i) Short Term Benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

1. Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

(ii) Defined Retirement Benefit Plan

Defined retirement benefit pension scheme assets are measured at fair value. Defined retirement benefit pension scheme liabilities are recognised as the net total of the present value of defined retirement benefit obligations under the plan less the fair value of plan assets at the reporting date using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the statement of financial position as a liability. The defined retirement benefit pension charge to operating surplus comprises past service costs. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of changes in reserves for the year in which they occur.

(iii) Single Pension Scheme

The Agency also operates the Single Public Service Pension Scheme (Single Scheme) which is the defined retirement benefit pension scheme for public servants recruited on or after 1st January 2013. Single Scheme members' and employer's contributions are paid over to the Department of Public Expenditure and Reform.

The scheme provides for a pension and retirement lump sum based on career-average pensionable remuneration, and spouse's and children's pensions. The minimum pension age is 66 years (rising in line with State pension age changes). It includes an actuarially-reduced early retirement facility from age 55. Pensions in payment increase in line with the consumer price index.

Bank Borrowings

Bank borrowings are recognised initially at the transaction price (present value of cash payable, including transaction costs). Where the future expected cash flows are known or can be reliably estimated subsequent measurement is at amortised cost using the effective interest rate method.

Revolving Credit Facilities (RCFs) are measured at transaction price as the expected cash flows are not known.

Derivative Financial Instruments

Under advice from the National Treasury Management Agency (NTMA), the Agency uses Interest Rate Swaps (IRS, "Swaps") to hedge the interest rate risk from the RCF's floating rates. Derivative financial instruments are recognised at fair value based on mark to market valuations provided by the counterparty banks.

Comparative Figures

Comparative figures have been regrouped and reanalysed, where necessary, on the same basis as those for the current period.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

2. 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 Biofuel Obligation Scheme in July 2010, NORA's Levy Income for the year is segregated into the following categories:

	2017	2016
	€ '000	€ '000
Fossil Fuel	125,897	128,276
Biofuel	4,513	3,490
	<u>130,410</u>	<u>131,766</u>

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

3. Operating Costs

	2017	2016
	€ '000	€ '000
Storage Costs	35,248	34,038
Strategic stocks losses write off	693	678
Stock tickets	(229)	(234)
Salaries and retirement benefit costs (Note 7(a))	639	607
Directors' fees (Note 7(c))	21	21
Administration and professional fees	854	800
Finance costs	26	1,382
Stock upgrade and movement costs	602	143
Profit on disposal of property, plant and equipment	(26)	-
Other operating costs	1,378	1,220
	<u>39,206</u>	<u>38,655</u>

Finance costs include Syndicated Loan Facility Participation, Utilisation and Commitment Fees.

Other operating costs include Insurance and Quality Monitoring of Stocks costs, together with BOS Scheme Administration costs.

4. Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced 'business-as-usual' functions.

	2017	2016
	€	€
Legal advice	85,719	156,351
Financial advice	49,786	41,983
Human Resources	52,806	27,002
Business Systems	16,700	-
Other	10,763	6,300
	<u>215,774</u>	<u>231,636</u>

Legal advice costs do not relate to legal cases or settlements.

All consultancy costs have been charged to the Statement of Income and Expenditure.

The National Oil Reserves Agency Designated Activity Company
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Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

5. Interest Payable and Receivable

	2017	2016
	€ '000	€ '000
Interest on bank loans paid	36	768
Bank interest receivable	(204)	(196)
Levy interest receivable	-	(2)
	<u>(204)</u>	<u>(198)</u>
	<u>(168)</u>	<u>570</u>
 <u>Cash flows from financing activities</u>		
Interest on bank loans paid	36	768
Accrued interest payable	100	170
	<u>136</u>	<u>938</u>
 <u>Cash flows from investing activities</u>		
Bank and levy interest receivable	(204)	(198)
Accrued interest receivable	(4)	(58)
	<u>(208)</u>	<u>(256)</u>

6. Surplus before Taxation for the Year

This has been arrived at after charging the following items:

	2017	2016
	€ '000	€ '000
Directors' remuneration	21	21
Auditors' remuneration	34	29
Depreciation of leasehold improvements	2,237	2,249
Depreciation of property, plant and equipment	33	31
	<u>2,325</u>	<u>2,530</u>

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

7. Staff Numbers and Costs

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

	2017	2016
Executives	1	1
Operations	3	3
Finance	1	2
	<u>5</u>	<u>6</u>

The aggregate payroll costs of these employees were:

	2017	2016
	€ '000	€ '000
Wages and salaries	459	484
Social welfare costs	47	50
Retirement benefit costs (Note 18(a))	74	73
Single Public Service Pension Scheme costs	59	-
	<u>639</u>	<u>607</u>

In accordance with Government Decision announced in Budget 2012, the Agency's Employment Control Framework (ECF) employment numbers ceiling for 2017 was 8 staff (2016: 8 staff).

In addition to aggregate payroll costs, professional fees in respect of the provision of accounting, finance and administrative services to the Agency were incurred, whereby third party personnel filled designated positions in the Finance function. Such fees are included in the administration and professional fees figure of €854,215 disclosed in Note 3 to the Financial Statements (2016: €813,478).

The Single Public Service Pension Scheme costs of €59k in 2017 relate to employer contributions for the years 2015 to 2017 under the 'Single Scheme' payable to the Department of Public Expenditure and Reform as prescribed under Circular 28/2016: Single Public Service Pension Scheme: Employer Contributions required in cases of self-financing bodies or self-financing activities.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

In addition, the number of employees earning in excess of €60,000, was as follows:

Between €60,000 and €70,000	2	2
Between €70,000 and €80,000	1	2
Between €80,000 and €90,000	1	1
Between €90,000 and €100,000	-	-
Between €100,000 and €110,000	-	-
Between €110,000 and €120,000	-	-
Between €120,000 and €130,000	-	-
Between €130,000 and €140,000	-	1
Between €140,000 and €150,000	1	-
	<u>5</u>	<u>6</u>

- (b) Key management personnel consists of the members of the Board, the Chief Executive Officer, members of Operations Management and Head of Finance. The total value of employee benefits for key management personnel is set out below:

	2017	2016
	€	€
Annual basic salary	359,379	359,729
Director's fee	20,948	20,948
Other benefits including company car	13,840	13,479
	<u>394,167</u>	<u>394,156</u>

This does not include the value of retirement benefits earned in the year. Key management personnel's retirement benefit entitlements do not extend beyond the standard entitlements in the defined benefit Model Superannuation Scheme for civil servants.

During the year Lisa Mullan was appointed as Financial Controller and Company Secretary following the retirement of David Corcoran.

- (c) Details of the remuneration of the Chief Executive for the year ended 31st December 2017 which are included in the wages and salaries costs figure of €458,785 are as follows:

	2017	2016
	€	€
Annual basic salary	128,400	126,200
Other benefits including company car	13,840	13,479
	<u>142,240</u>	<u>139,679</u>

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

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

Expenses of €13,954 (2016: €16,019) were incurred by the Chief Executive in the year and relate directly to the performance of his duties as CEO, and not as a member of the Board. These expenses include the following categories: mileage, subsistence, air fares, hotel accommodation, entertainment and other expenses.

(d) Directors' fees paid in the year were:

	2017	2016
	€	€
Aidan Donnelly	8,978	8,978
Terry Nolan	5,985	5,985
Frank O'Connor	-	-
Frank O'Flynn	5,985	5,985
Pat Meehan	-	-
Rebecca Minch (appointed 08 February 2017)	-	-
	<u>20,948</u>	<u>20,948</u>

Directors' expenses in 2017 amounted to €1,250 (2016 - €1,854), which related to travel.

(e) An amount of €30,837 (2016 - €33,245) in respect of the Pension Levy in respect of all staff has been deducted in 2017 and paid over to the Department of Communications, Climate Action and Environment.

(f) Management and staff related entertainment expenses for the year were €6,937 (2016 - €6,893).

(g) Total expenditure on foreign travel incurred in the year in respect of the CEO and all staff was €12,255 (2016 - €22,367).

(h) Total expenditure on domestic travel incurred in the year in respect of the CEO and all staff was €15,206 (2016 - €15,297).

(i) The Statement of Income and Expenditure includes the following hospitality expenditure:

	2017	2016
	€	€
Staff hospitality	2,852	1,447
Client hospitality	4,085	5,446
Total	<u>6,937</u>	<u>6,893</u>

The National Oil Reserves Agency Designated Activity Company
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Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

8. Taxation

	2017	2016
	€ '000	€ '000
Current tax		
Corporation tax for current year	-	-
<i>Factors affecting tax charge for period</i>		
Surplus on ordinary activities before taxation	91,358	92,514
Surplus on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.50% (2016 : 12.50%)	11,420	11,564
<i>Effects of:</i>		
Income not taxable	(16,304)	(16,471)
Expenses not deductible for tax purposes	334	335
Income taxable at higher rate of tax	27	24
Unrecognised losses	4,454	4,548
Permanent depreciation	69	-
Current tax charge/(credit) for year	-	-

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

In accordance with FRS102, no deferred tax asset has been recognised in respect of trading tax losses carried forward, as it is unlikely that there will be suitable future surpluses to offset the losses forward. The total unrecognised deferred tax asset arising thereon is €52.8m as at 31st December 2017 (2016: €49.0m)

The total unrecognised deferred tax asset arising on tax losses carried forward is €52.8m as at 31st December 2017 (2016: €48.9m).

The National Oil Reserves Agency Designated Activity Company
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Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

9. Strategic Stocks

	2017	2016
	€ '000	€ '000
At Cost		
<i>Petroleum Products</i>		
At beginning of year	849,597	850,082
Additions in year	39,583	248
Sales during the year	(131)	(55)
Losses written off during the year	(693)	(678)
At end of year	888,356	849,597
Loss on sale of strategic stocks		
Net sales proceeds	117	28
Less: Cost of product	(131)	(55)
	(14)	(27)

Strategic Stocks are held at the direction of the Minister for Communications, Climate Action and Environment and are not intended to be sold in the short or medium term.

The Directors noted the prevailing oil market prices during 2017 and identified this as an indicator of impairment. A detailed impairment assessment was undertaken by the Agency at December 2017, of which the Directors have considered in estimating the recoverable value of Strategic Stocks held by the Agency. Following this review, the Directors have formed the view that the recoverable value of Stocks held is not less than their carrying value at December 2017.

The following are the relevant key judgements underpinning this assessment:

- Current prevailing prices in global oil markets are significantly impacted by excess supply over demand and the Board does not foresee a direction from the Minister to release any portion of its Strategic Stocks in the short or medium term while current market dynamics prevail.
- Historic utilisation of NORA's stocks has arisen primarily in times of oil supply crises or other circumstances which led to significant dislocation in oil supply dynamics in the global market or in specific regional markets and to which NORA responded based on requests, either domestically or internationally, to release Strategic Stocks to address the specific identified shortages arising. An analysis of the circumstances where the Agency participated in such co-ordinated actions indicates that an observable increase in oil pricing arose relative to prevailing prices before and after such events.
- The Directors expect that any future events or circumstances which could trigger the release of Strategic Stocks would result in a significant increase in oil market pricing, caused directly by the related restrictions on available supply to meet demand.

The replacement cost of stocks at 31st December 2017 was €847.5 million (31st December 2016: €773.7 million). Replacement cost is calculated by reference to physical stocks held at year end, valued at average market prices for the months of December 2017 and December 2016 respectively.

The National Oil Reserves Agency Designated Activity Company
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Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

10. Leasehold Improvements

a. Year Ended 31st December 2017

	Leasehold Improvements € '000	Total € '000
<i>Cost</i>		
At beginning of period	39,665	39,665
Additions in period	6,489	6,489
At end of period	46,154	46,154
<i>Depreciation</i>		
At beginning of period	16,883	16,883
Charge for the year	2,237	2,237
At end of period	19,120	19,120
<i>Net book value:</i>		
At 31st December 2017	27,034	27,034
At 31st December 2016	22,782	22,782

b. Year Ended 31st December 2016

	Leasehold Improvements € '000	Total € '000
<i>Cost</i>		
At beginning of period	36,424	36,424
Additions in period	3,241	3,241
At end of period	39,665	39,665
<i>Depreciation</i>		
At beginning of period	14,634	14,634
Charge for the year	2,249	2,249
At end of period	16,883	16,883
<i>Net book value:</i>		
At 31st December 2016	22,782	22,782
At 31st December 2015	21,790	21,790

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

11. Property, Plant and Equipment

a. Year Ended 31st December 2017

	Motor vehicles € '000	Office Equipment € '000	Computer Equipment € '000	Fixtures & Fittings € '000	Total € '000
<i>Cost</i>					
At beginning of period	45	23	135	11	214
Additions in period	48	-	15	-	63
Disposals in period	(45)	-	-	-	(45)
At end of period	48	23	150	11	232
<i>Depreciation</i>					
At beginning of period	45	20	119	2	186
Charge for the year	16	1	14	1	32
Disposals in period	(45)	-	-	-	(45)
At end of period	16	21	133	3	173
<i>Net book value:</i>					
At 31st December 2017	32	2	17	8	59
At 31st December 2016	-	3	16	9	28

b. Year Ended 31st December 2016

	Motor vehicles € '000	Office Equipment € '000	Computer Equipment € '000	Fixtures & Fittings € '000	Total € '000
<i>Cost</i>					
At beginning of period	45	23	114	-	182
Additions in period	-	-	21	11	32
At end of period	45	23	135	11	214
<i>Depreciation</i>					
At beginning of period	30	19	106	-	155
Charge for the year	15	1	13	2	31
At end of period	45	20	119	2	186
<i>Net book value:</i>					
At 31st December 2016	-	3	16	9	28
At 31st December 2015	15	4	8	-	27

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An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

12. Receivables

	2017	2016
	€ '000	€ '000
Trade receivables	110	6,318
Value added tax	1,010	1,054
Prepayments	288	251
Accrued income	11,967	11,427
Deferred tax asset	66	61
	<u>13,441</u>	<u>19,111</u>

All receivables are due within one year.

13. Current Liabilities: amounts falling due within one year

	2017	2016
	€ '000	€ '000
Trade payables	330	309
Accruals	3,666	4,088
PAYE/PRSI	11	18
Deferred tax liability	66	61
Other payables	59	90
	<u>4,132</u>	<u>4,566</u>
Bank loans	-	15,000
	<u>4,132</u>	<u>19,566</u>

Some trade payables had reserved title to goods supplied to the Agency. Since the extent to which such payables are effectively secured depends on a number of factors and conditions, some of which are not readily determinable, it is not possible to indicate how much of the above amount is secured under reservation of title.

In 2012, the Agency entered into a Revolving Credit Facility (RCF) with a consortium of lenders. The RCF facility enabled the Agency to draw down loans as required up to a maximum limit of €50.0m. This RCF matured in April 2017.

A new one year RCF was entered into in May 2017, the Agency voluntarily cancelled the RCF in December 2017 as the Agency does not require a RCF for the foreseeable future.

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Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

14. Treasury Risk Management

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	308	3,081	247
Monetary liabilities	-	-	-
	<u>308</u>	<u>3,081</u>	<u>247</u>

Monetary assets and liabilities are cash balances and unsettled sales and purchases invoices.

15. Called Up Share Capital Presented as Equity

There are 100 ordinary shares of €1.27 authorised, of which 1 share was allotted, called up and fully paid at 31st December 2017 (31st December 2016: 1 share).

16. Cash and Cash Equivalents

a.	<u>Year Ended 31st December 2017</u>	1st Jan '17	Cash flow	31st Dec '17
		€ '000	€ '000	€ '000
	Cash at bank and in hand	63,712	38,524	102,236
		<u>63,712</u>	<u>38,524</u>	<u>102,236</u>
b.	<u>Year Ended 31st December 2016</u>	1st Jan '16	Cash flow	31st Dec '16
		€ '000	€ '000	€ '000
	Cash at bank and in hand	26,889	36,823	63,712
		<u>26,889</u>	<u>36,823</u>	<u>63,712</u>

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for the year ended 31st December 2017

17. Commitments

Operating lease commitments

Operating lease charges recognised as an expense were €33,837,358 (2016: €32,927,273)

The company has leasehold interests in its registered office at 7 Clanwilliam Square, Grand Canal Quay, Dublin 2 D02 CV48, 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 D02 CV48.

Rent reviews are carried out every 5 years and the current rent is €48,000 per annum.

At 31st December 2017 the National Oil Reserves Agency had the following minimum lease charges under non-cancellable operating leases for each of the following periods:

	2017		2016	
	Property € '000	Oil Storage € '000	Property € '000	Oil Storage € '000
<i>Payable:</i>				
Within one year	48	27,395	48	33,554
Within two and five years	192	86,915	192	95,020
After five years	92	173,005	140	196,849
	<u>332</u>	<u>287,315</u>	<u>380</u>	<u>325,423</u>

Foreign currency commitments

The Company had no foreign currency commitments at 31st December 2017 or 31st December 2016.

Capital commitments

Future capital expenditure approved by the directors at 31st December 2017 was as follows:

	2017 € '000	2016 € '000
Contracted	12,715	34,577
Authorised but not contracted	<u>1,233</u>	<u>3,964</u>

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Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

18. Retirement Benefit

	2017	2016
	€ '000	€ '000
(a) Retirement benefit costs		
Current service cost	80	84
Past service cost	-	-
	<hr/>	<hr/>
Recognised in arriving at operating surplus	80	84
Net interest cost credit	(5)	(11)
	<hr/>	<hr/>
Total recognised in Statement of Income and Expenditure	75	73
	<hr/>	<hr/>
	2017	2016
	€ '000	€ '000
(bi) Movement in surplus during the year		
Surplus in scheme at beginning of year	317	486
Movement in year:		
Current service cost	(80)	(84)
Contributions - Employer	103	112
Other finance income	5	11
Remeasurements of net defined benefit obligation	184	(208)
	<hr/>	<hr/>
Surplus in scheme at end of year	529	317
	<hr/>	<hr/>
	2017	2016
	€ '000	€ '000
(bii) Reconciliation of scheme's liabilities		
Opening value of scheme's liabilities	2,453	2,059
Service cost	80	84
Member contributions	18	19
Interest on scheme liabilities	47	51
Remeasurement losses/(gains)	(160)	277
Benefits paid	(124)	(37)
	<hr/>	<hr/>
Closing value of scheme's liabilities	2,314	2,453
	<hr/>	<hr/>

The National Oil Reserves Agency Designated Activity Company
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Notes Forming Part of the Financial Statements

for the year ended 31st December 2017

18. Retirement Benefit (continued)

	2017	2016
<i>(bii) Reconciliation of scheme's assets</i>	€ '000	€ '000
Opening value of scheme's assets	2,770	2,545
Interest on scheme assets	52	63
Remeasurement gains	24	68
Employer contributions	103	112
Members' contributions	18	19
Benefits paid	(124)	(37)
Closing value of scheme's assets	<u>2,843</u>	<u>2,770</u>

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

(c) Description of scheme and actuarial assumptions

The retirement benefit scheme is a defined benefit final salary retirement benefit 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 retirement benefit (one eightieth per year of service), a gratuity or lump sum (three eightieths per year of service) and spouse's and children's retirement benefits. Normal retirement age is a member's 65th birthday. Retirement benefits in payment (and deferment) normally increase in line with general public service sector salary inflation.

	2017	2016
Discount rate	1.90%	1.90%
Salary increases	3.20%	3.20%
Retirement benefit increases	2.20%	2.20%
Inflation increases	1.70%	1.70%

Assumptions regarding future mortality experience are set based on published mortality tables (PNMLOO/ PNFLOO) published by the actuarial profession in the UK. The OO 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.

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18. Retirement Benefit (continued)

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

	Retiring at 65 in 2017	Retiring at 65 in 2016
Males	22.5	22.2
Females	24.0	23.7

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and inflation rates) are updated annually, based on current economic conditions and for any relevant changes to the terms and conditions of the retirement benefit and post-retirement plans.

The assumptions can be affected by:

- (i) the discount rate, changes in the rate of return on high-quality corporate bonds;
- (ii) future compensation levels, future labour market conditions and
- (iii) health care cost trend rates, the rate of medical cost inflation in the relevant regions.

<i>(d) Scheme assets</i>	Value at 31st Dec '17 € '000	Value at 31st Dec '16 € '000
Equities	577	564
Bonds	1,821	1,770
Absolute Return	434	426
Cash	11	10
Overall	<u>2,843</u>	<u>2,770</u>
Total market value of assets	2,843	2,770
Present value of scheme's liabilities	(2,314)	(2,453)
	<u>529</u>	<u>317</u>
Related deferred tax liability/(asset)	-	-
Net retirement benefit reserve	<u>529</u>	<u>317</u>

(e) Funding of retirement benefits

A triennial actuarial valuation of the scheme was carried out as at 1st January 2018 and the recommended contribution rate was subsequently agreed. The next triennial actuarial valuation is due to be carried out at 1st January 2021.

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19. Related Party Disclosures

In the normal course of business the Agency may enter into contractual arrangements with undertakings in which Board members have interests. No such transactions occurred in the year ended 31st December 2017.

The Board has adopted procedures in accordance with guidelines issued by the Department of Public Expenditure and Reform, in relation to the disclosure of interests by Board members and these procedures were adhered to during the year. The Board complied with the Department of Public Expenditure and Reform guidelines covering situations of personal interest. In cases of potential conflict of interest, Board members do not participate in or attend any Board discussion relating to the matter.

20. Approval of financial statements

The directors approved the financial statements on 21 June 2018