

The National Oil Reserves Agency Limited  
An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' Report and  
Financial Statements

**Year ended 31<sup>st</sup> December 2013**

*Registered Number 229229*

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

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# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

## Directors and other information

<b>Directors</b>	Aidan Donnelly (Chairman) Aoife MacEvilly Oliver Whelan Terry Nolan ( <i>appointed 14<sup>th</sup> October 2013</i> ) Hugh O'Donnell ( <i>appointed 1<sup>st</sup> January 2014</i> ) Pat Meehan (Chief Executive) Vincent Caffrey ( <i>resigned 21<sup>st</sup> July 2013</i> )
<b>Secretary</b>	David Corcoran
<b>Management</b>	Pat Meehan                      Chief Executive David Corcoran                Financial Controller Michael Cavanagh            Operations Manager
<b>Company number</b>	229229
<b>Registered office</b>	7 Clanwilliam Square Grand Canal Quay Dublin 2
<b>Auditors</b>	Comptroller and Auditor General Dublin Castle Dublin 2
<b>Bankers</b>	Bank of Ireland Lower Baggot Street Dublin 2
<b>Solicitors</b>	Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Chairperson's Statement

The National Oil Reserves Agency Limited (NORA) is responsible for:

- Ensuring that Ireland meets its obligations under EU legislation and International Energy Agency (IEA) rules to maintain a minimum of 90 days stocks of oil for use in the event of a physical shortage of supplies, and;
- Administering Ireland's Biofuels Obligation Scheme.

### Background to NORA

NORA was established in 1995 under the European Communities (Minimum Stocks of Petroleum Oils) Regulations 1995 as a private limited company for the maintenance of Ireland's strategic oil reserves. For pragmatic reasons it was set up as a subsidiary of Irish National Petroleum Corporation Limited (INPC).

In July 2001, the businesses and commercial assets of INPC were sold to Tosco Corporation (now Phillips 66 and formerly ConocoPhillips). NORA did not form part of that transaction. It was subsequently considered appropriate that NORA should be established on a statutory basis as a private limited company independent of INPC. The Government white paper entitled "Delivering a Sustainable Energy Future for Ireland" (Section 3.7.3), published in March 2007, confirmed a commitment by Government to establish NORA as an independent statutory body in 2007.

This was achieved on 1<sup>st</sup> August 2007 upon the introduction of the National Oil Reserves Agency Act 2007, which established NORA as a stand-alone state body under the aegis of the Minister for Communications, Energy and Natural Resources.

This Act provided for:

- NORA's continued responsibility for the maintenance of strategic supplies of oil in line with the state's stockholding obligations to the EU and International Energy Agency (IEA);
- The transfer of the INPC shareholding in NORA to the Minister for Communications, Energy and Natural Resources and the continued operation of the Agency as a private limited company under the Companies Acts;
- A variable levy on disposals of petroleum products to be imposed on oil companies and oil consumers;
- The furnishing to the Minister of regular returns regarding oil purchases, sales, consumption, imports and exports by oil companies, oil consumers and NORA;
- The monitoring of compliance with provisions for the application of penalties in the event of failure by oil companies and oil consumers to comply with the provisions;



# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*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, Energy and Natural Resources also introduced the National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007).

These Regulations, effective 1<sup>st</sup> 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, Energy and Natural Resources regarding the quantities of oil to be held by NORA in 2013, NORA has continued to meet its overall stock Obligation on an ongoing basis as set by the Department of Communications, Energy & Natural Resources (DCENR).

The year on year changes to NORA's Obligation volumes between 2012 and 2013 were as follows:

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

	Obligation Volume (Tonnes) 2013	Obligation Volume (Tonnes) 2012	Obligation Days 2013	Obligation Days 2012
<b>Refined Product</b>	1,400,000	1,386,000		
<b>Crude Oil</b>	70,000	0		
<b>Equivalent Total in Refined Product Only</b>	1,456,000	1,386,000	88	84

## New EU Directive on Strategic Oil Stocks

The increase in NORA's stock Obligation arises primarily from the introduction of the 2009 EU Directive (Council Directive 2009/119/EC) which became effective on 1<sup>st</sup> January 2013 and was transposed into Irish Law by the EU (Oil Reserves) Regulations 2012 (S.I. No. 541 of 2012).

The new EU Directive introduced a change in the basis of calculating annual Obligation volumes from annual "consumption" to annual "net imports" to align the EU method of calculation to that of the International Energy Agency (IEA).

In addition, the volumes of Industry stocks currently held on an ongoing basis which could be counted as strategic stocks under the previous EU Strategic Stocks Directive can no longer be counted as strategic stocks under the new EU Strategic Stocks Directive.

At year-end 2013, the breakdown of the stocks held by NORA was as set out below, compared to corresponding data for 2012:

	2013 (‘000 Tonnes)	% of TOTAL	2012 (‘000 Tonnes)	% of TOTAL
<b>Stocks in Ireland</b>	<b>1,065</b>	<b>73%</b>	<b>872</b>	<b>63%</b>
<b>Stocks Abroad</b>	<b>429</b>	<b>29%</b>	<b>574</b>	<b>41%</b>
<b>Stock Tickets (Ireland)</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Stock Tickets (Abroad)</b>	<b>(35) *</b>	<b>(2)%</b>	<b>(50) *</b>	<b>(4)%</b>
<b>Total:</b>	<b>1,459</b>		<b>1,396</b>	

\* Net position at 31<sup>st</sup> December 2013. Included are sales of stock tickets which arise when the Agency has temporary surpluses of stocks against its Obligation, and forms part of the Agency's normal business operations.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

The physical stocks, excluding stock tickets, owned by NORA and stored both in Ireland and abroad at the end of 2013 consisted of the following:

	2013 (‘000 Tonnes)	2012 (‘000 Tonnes)
<b>CATEGORY I - Gasoline</b>	285	286
<b>CATEGORY II - Distillates</b>	1,174	1,110
<b>Total:</b>	<b>1,459</b>	<b>1,396</b>

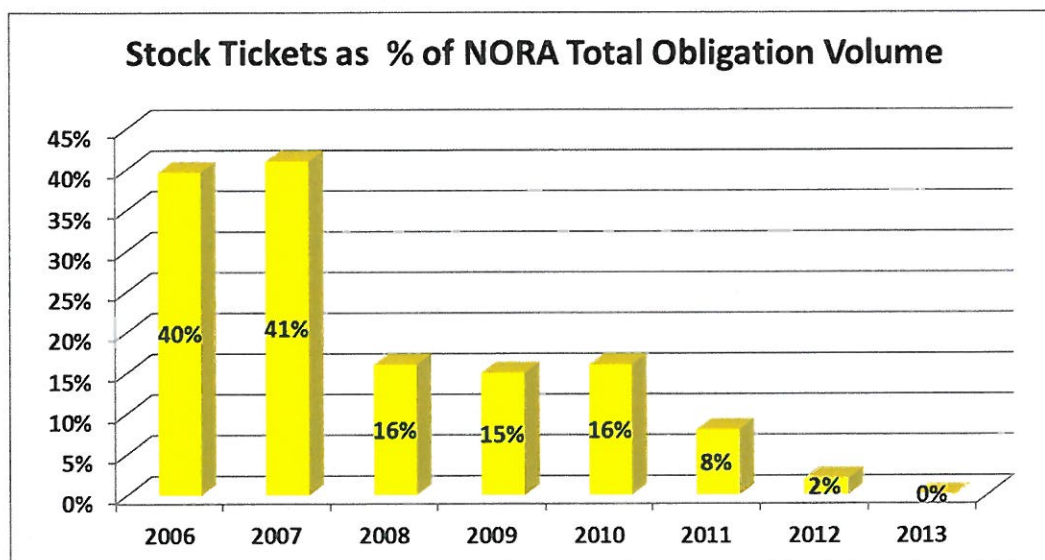
## Obligation Volumes -v- Actual Stocks Held

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 2008 to 2013 is set out below.

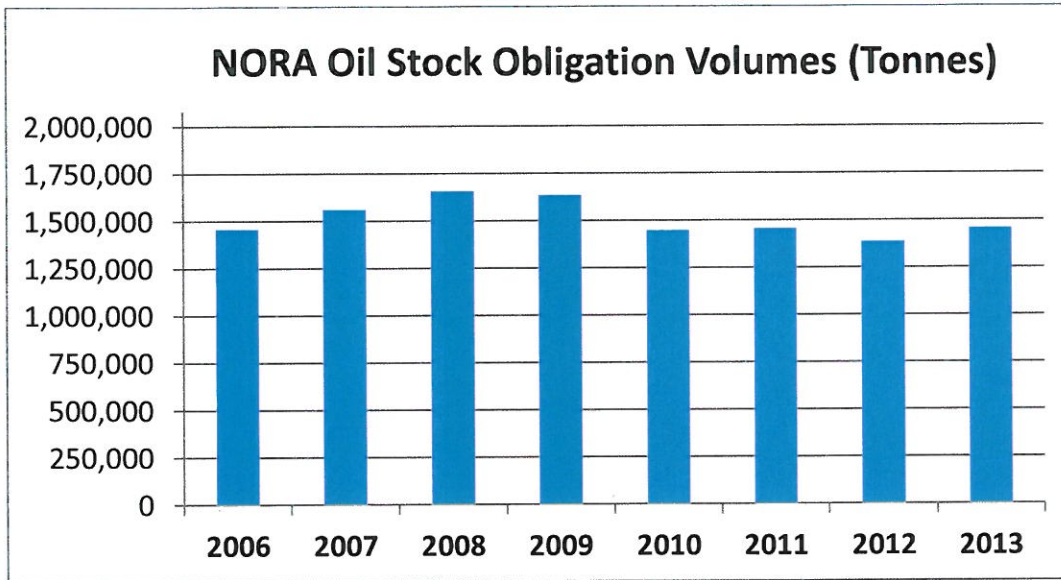
All Category Stocks	2008	2009	2010	2011	2012	2013
Stock Obligation (Tonnes)	1,657,000	1,635,000	1,448,000	1,457,000	1,386,000	1,456,000
Actual Stocks Held	1,667,000	1,634,000	1,462,000	1,454,5671	1,396,159	1,458,587
Stock Days - Obligation	82	82	82	83	84	88
Stock Days - Held	82	82	82	83	84	88

NORA meets its stock Obligation through a combination of physical stocks and stock tickets. In the absence of available storage either on the island of Ireland and within the EU, NORA has for a number of years bridged the gap between Obligation volumes and physical stocks held by way of securing stock tickets. The extent to which NORA is dependent on stock tickets has reduced dramatically in recent years as NORA has progressively improved its physical stock position. A profile of physical stocks held at home and abroad, together with stock tickets in terms of their relative proportions of NORA's annual stock Obligation for recent years is set out below.



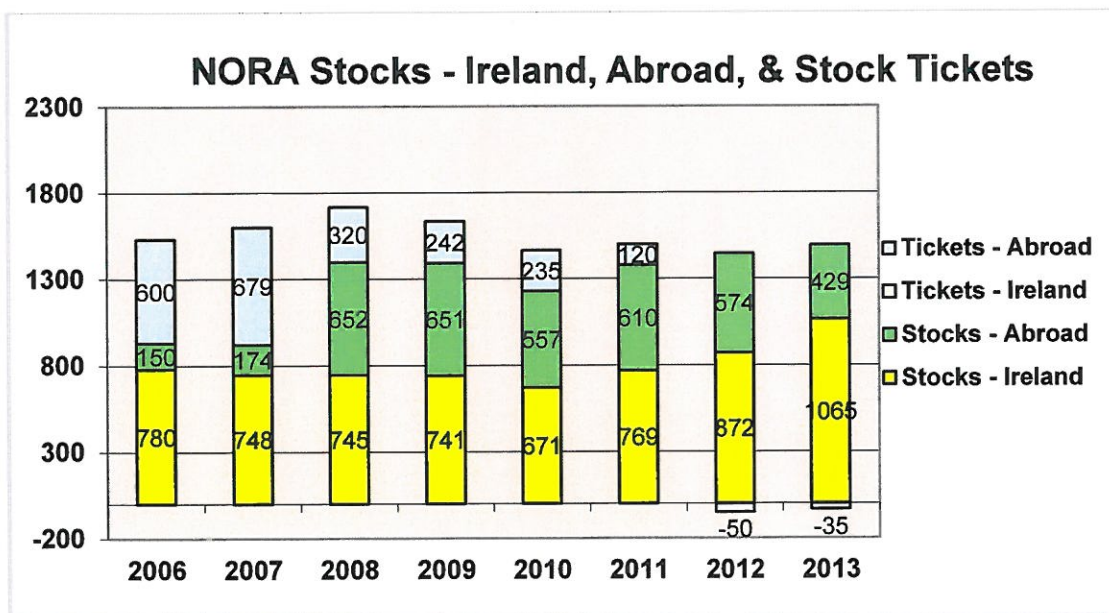
The National Oil Reserves Agency Limited  
 An Ghníomhaireacht Chúltaca Ola Náisiúnta  
 Chairperson's Statement (continued)

Throughout 2013, the Agency maintained full compliance with its Obligation volumes. A profile of the trend in NORA's Stock Obligation volumes for recent years is set out below.



**NORA Stockholding**

Set out below is a graphical representation of the breakdown of NORA's stockholding in the period 2006 to 2013 ('000 tonnes).





# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Chairperson's Statement (continued)*

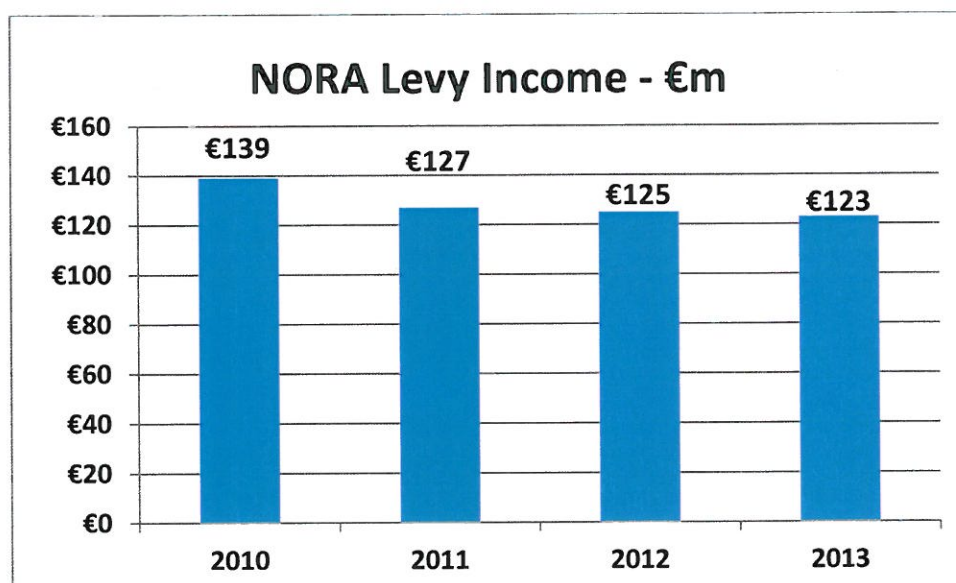
## NORA Financing

### NORA Levy Income

NORA is funded by a levy on the sale of oil products. Its revenue, coupled with commercial loans is used to fund the procurement and holding of Ireland's strategic oil stocks. NORA receives no Exchequer funding.

On 1<sup>st</sup> 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.

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



The decline in levy income reflects the downturn in oil consumption volumes in recent years, in line with the general economic downturn experienced in Ireland.

### Financing and Debt Repayment

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

- this level of debt;
- NORA's stocks and storage development plans;
- NORA's need to maintain a firm financial basis for its ongoing and future business, and;
- 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, Energy & Natural Resources increased the levy from €0.01 per litre of fuel purchased, to €0.02 per litre, with effect from 1<sup>st</sup> October 2009. This gave NORA the affordability to build up its stocks, secure additional oil storage, and commence a debt repayment plan.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Chairperson's Statement (continued)*

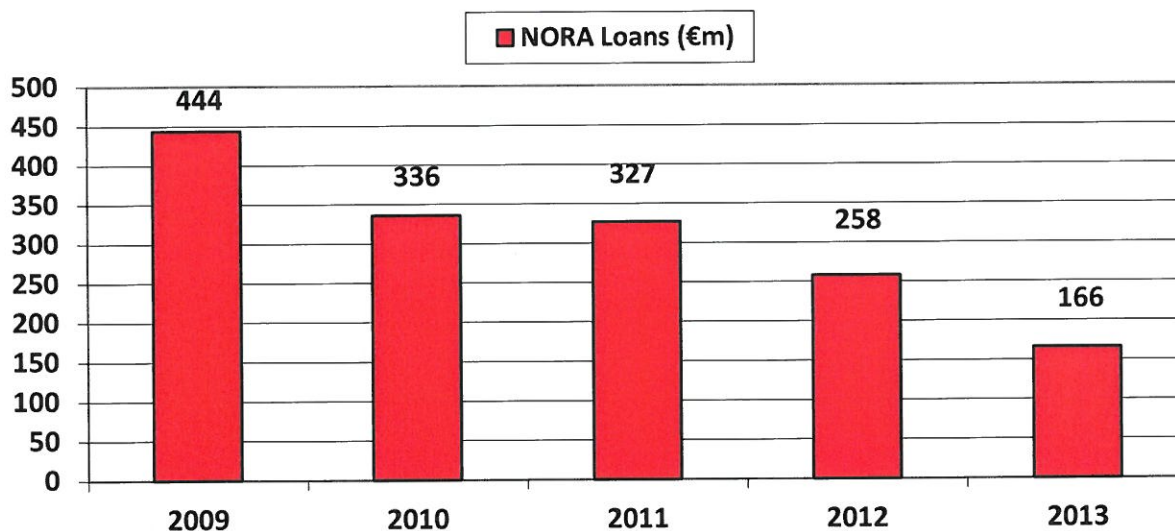
In April 2012 NORA secured refinancing to a level of €252.5 million for a four year period. This was increased to €277.5 million in November 2012, and in April 2013 the maturity of the facility was extended to April 2017.

Securing this level of refinancing in a period during which financial markets were volatile was a significant achievement for the Agency. This funding will enable 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 NTMA is advising NORA in relation to the management of its financing and debt repayment plans. In line with NTMA advice, the amount and timing of the repayment of debt is being planned taking account of the need for the ongoing retention of cash reserves, likely future requirements for capital expenditure, oil stock purchasing and the renewal of essential borrowing facilities.

At 31<sup>st</sup> December 2013, NORA's loans were €166 million.

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 2013.



# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Chairperson's Statement (continued)*

## End of Year 2013 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 undertook a 5 year refinancing programme in 2012.

NORA’s closing cash balance was €27.9 million at 31<sup>st</sup> December 2013.

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 early in 2014, and;
- (c) loans maturing and loan repayments planned in 2014.

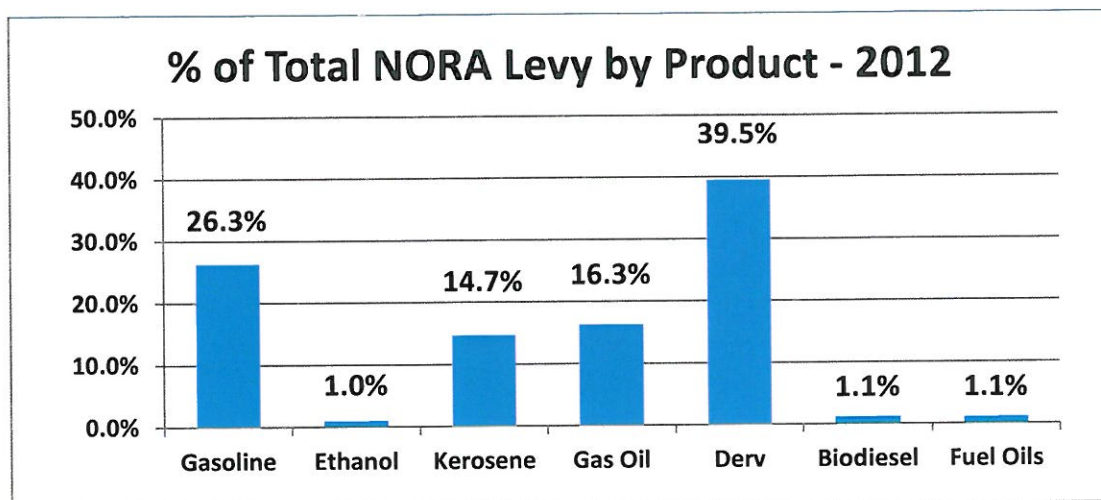
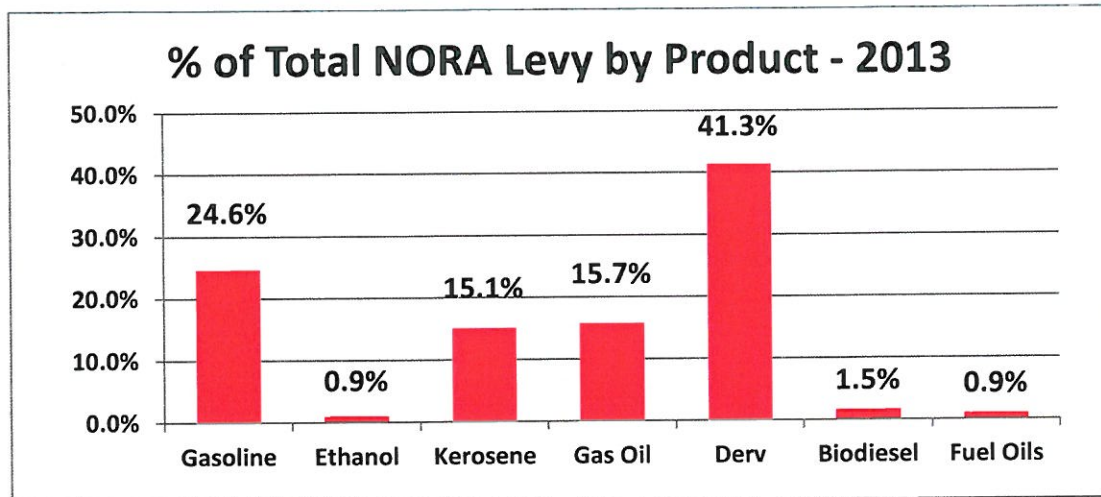
Taking account of the commitments above, this cash position is temporary, and plans are in hand for the utilisation of these cash reserves in 2014 and beyond, based on commitments made and/or planned which are summarised as follows:

	<u>€ million</u>
Cash in Hand at 31 <sup>st</sup> December 2013	27.9
Storage Development Projects 2014	- 1.6
Stock Purchases 2014	- 5.2
Loan Repayments in 2014	<u>- 60.0</u>
Net Position	<u>- 38.9</u>

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*Chairperson's Statement (continued)*

**Composition of the NORA Levy**

Set out hereunder is a breakdown of the levy volume percentages by product for 2013, together with comparable figures for 2012.





# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Chairperson's Statement (continued)*

## Biofuels Obligation Scheme

NORA commenced its administration of Ireland's Biofuels Obligation Scheme (BOS) on 1<sup>st</sup> 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 (in 2013 it was 6.38% by volume) 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 1<sup>st</sup> 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:

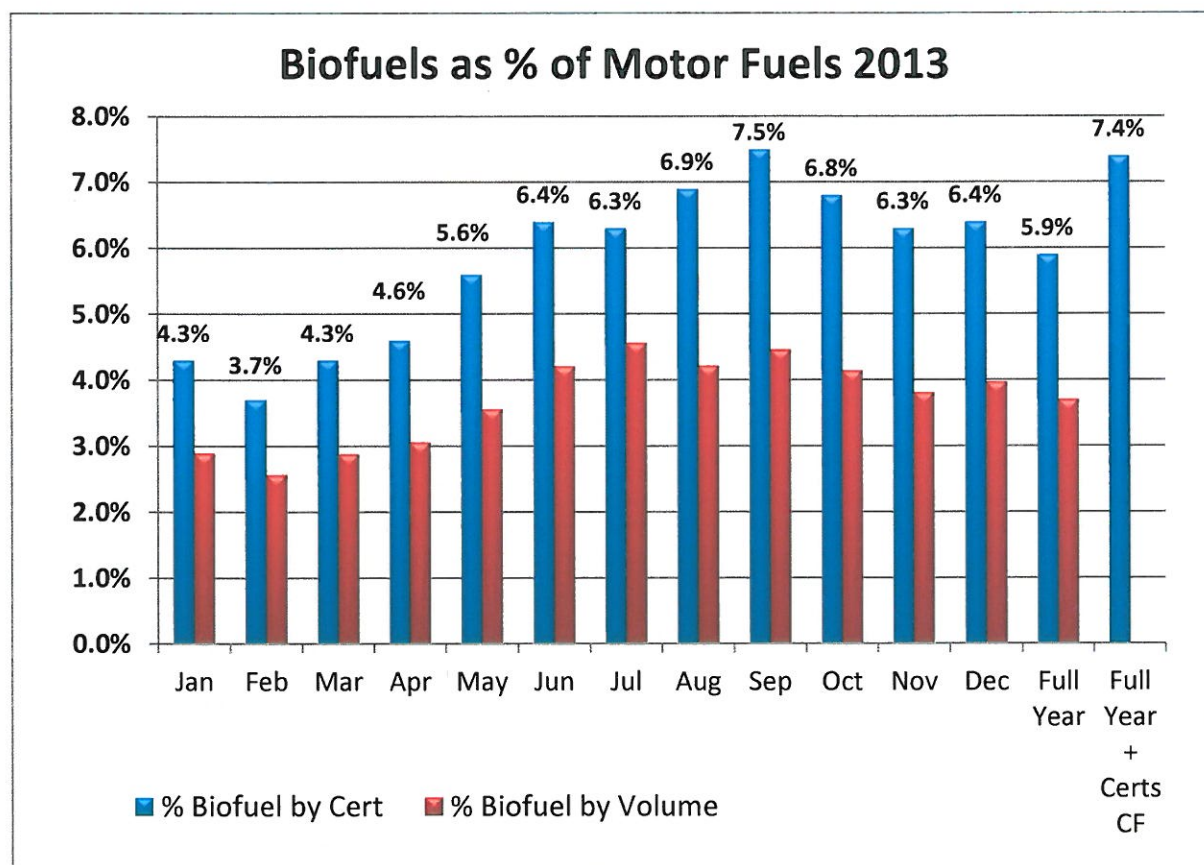
- i. The terms of compliance with the Biofuels Obligation enables Obligated Parties to carry excess Biofuels Certificates earned in one year through to the next, to meet compliance in that year,
- ii. Biofuels placed on the market that are made from wastes or residues qualify for "double certificates" 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.

	<b>Biofuels Placed on Market as % of Total Motor Fuels</b>	<b>Biofuels % Obligation Volume</b>
<b>2010</b>	4.310%	4.166%
<b>2011</b>	3.400%	4.166%
<b>2012</b>	4.800%	4.166%
<b>2013</b>	3.710%	6.383%

In 2012, the total volume of Biofuels placed on the market was 128 million litres. Taking account of Biofuels volume for which double certification applied as it was made from materials classified as "waste", the total effective volume placed on the market was 198.8 million litres, equivalent to 4.8% of Motor Fuels.

In 2013, the total volume of Biofuels placed on the market was 151 million litres. Taking account of Biofuels volume for which double certification applied as it was made from materials classified as "waste", the total effective volume placed on the market was 244 million litres, equivalent to 5.9% of Motor Fuels.

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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 2013 compliance target was achieved.

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

To this end, the Agency provided DCENR 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](http://www.nora.ie).

**Increase in Biofuels Obligation Volumes**

In 2012, following a review undertaken by the Renewable Fuels Division of DCENR, and a consultation process with obligated parties and the oil industry, the decision was taken to increase the obligation rate under the Biofuels Obligation Scheme from 4.166% by volume to 6.383% by volume with effect from 1<sup>st</sup> January 2013.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Chairperson's Statement (continued)*

This increase was the first in what is expected to be a series of increases required between now and 2020, in order that Ireland can meet the requirement set out in the EU Renewable Energy Directive that each member state must ensure that by 2020 a minimum of 10% of energy used in transport comes from renewable sources.

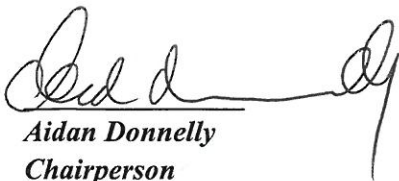
The current rate of 6.383% will continue to apply for 2014. It is expected that a further review of the Biofuels obligation rate will be undertaken by DCENR in 2014, in consultation with all key stakeholders.

## **Energy Management Obligation in 2013**

In 2013 NORA met its Public Body Energy Management obligations under S.I. No. 542 of 2009. NORA progressed its Energy Management objectives by continuing to participate in the Sustainable Energy Authority of Ireland's (SEAI) public sector Advice, Mentoring & Assessment (AMA) programme. A more detailed report on NORA's Energy Management report is available on NORA's website, [www.nora.ie](http://www.nora.ie).

## **Conclusion**

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



*Aidan Donnelly*  
**Aidan Donnelly**  
**Chairperson**

**6<sup>th</sup> June 2014**

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

## *Directors' Report*

The directors submit their report and the audited financial statements for the year ended 31<sup>st</sup> December 2013.

### **Principal activities and review of the business**

On 1<sup>st</sup> August 2007, the Agency was established as an Agency on a statutory basis under the aegis of the Minister for Communications, Energy and Natural Resources. The Agency operates in accordance with several statutes and regulations, key among them:

- National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) Regulations 2009 (S.I. No. 214 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) (No. 2) Regulations 2009 (S.I. No. 220 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. No. 356 of 2010);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Buy-out Charge) Regulations 2010 (S.I. No. 644 of 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 Biofuels Obligation Scheme. The company meets its oil stock 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 1<sup>st</sup> July 2010 following the commencement of the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010. The Agency has successfully managed the fourth Biofuels Obligation period (1<sup>st</sup> January to 31<sup>st</sup> December 2013) in accordance with the requirements of the scheme, and will adapt such administration to meet future scheme requirements as they develop.



# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Directors' Report (continued)*

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

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

## **Business risks and management**

### **Policy**

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

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

### **Risk management process**

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

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

### **Business risks**

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

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

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Directors' Report (continued)*

Stocks are mainly financed by medium term revolving credit facilities, with the aim of having a balanced maturity profile. Borrowings are in Euro to match levy income. Strategic stocks of oil products owned by the company are not hedged as the date of sale is not known.

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

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

The Agency seeks to minimise cash balances in current accounts. Cash surpluses are deposited with banks with an appropriate credit standing, in a manner which provides the most competitive return.

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

## **Results for the period**

The results are disclosed on pages 27–28 of the financial statements. As noted in the profit and loss account, a surplus of €82.8 million (2012: €85.3 million surplus) was recorded for the year. The entire surplus on the profit and loss account is considered not to be available for distribution (see Note 15 to the financial statements).

The company had debt outstanding of €166m at 31<sup>st</sup> December 2013 and is committed to reducing its debt over an acceptable period of time. This programme of debt reduction will be balanced with the Agency's primary remit of maintaining stocks in accordance with its obligations. In this regard, the Agency is advised by the NTMA in relation to the management of its financing and debt repayment plans, with the amount and timing of the repayment of debt being planned 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 €82.8 million is a loss on the sale of strategic stocks of €0.4 million (2012: €1.3 million profit). The loss arises on the sale of stocks in the normal course of business.

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

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

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Directors' Report (continued)*

## Directors' remuneration

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

Directors' fees paid in the period 1<sup>st</sup> January to 31<sup>st</sup> December 2013 were:

		€	
Chairman:	Aidan Donnelly	8,978	
Directors:	Vincent Caffrey	3,491	<i>(resigned 21<sup>st</sup> July 2013)</i>
	Pat Meehan	-	
	Oliver Whelan	-	
	Aoife MacEivilly	-	
	Terry Nolan	1,320	<i>(appointed 14<sup>th</sup> October 2013)</i>
		<hr/>	
		13,789	
		<hr/>	

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 3.8 of the Code of Practice for the Governance of State Bodies, the following is a summary of the attendances of each board member at board meetings for the year ended 31<sup>st</sup> December 2013.

Number of board meetings held: 9

### Attendance:

Aidan Donnelly	9	
Vincent Caffrey	7	<i>(resigned 21<sup>st</sup> July 2013)</i>
Pat Meehan	9	
Oliver Whelan	9	
Aoife MacEivilly	8	
Terry Nolan	1	<i>(appointed 14<sup>th</sup> October 2013)</i>

## Post balance sheet events

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

## Health and safety

The wellbeing 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.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Directors' Report (continued)*

## **Confidential disclosures**

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

## **Prompt payments**

NORA complies with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2012 and its predecessor, the Prompt Payment of Accounts Act 1997.

In compliance with Government Decision No. S29296 of 8<sup>th</sup> March 2011 on Prompt Payments, NORA operates a policy of payment of all undisputed, valid supplier invoices within 15 days of receipt of invoice. Where relevant, NORA will continue to pay suppliers in line with contractual arrangements, some of which may fall outside the scope of the aforementioned 15 day Prompt Payment requirement.

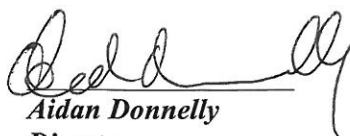
## **Accounting records**

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

## **Auditors**

In accordance with Section 29(2) of the National Oil Reserves Agency Act 2007, the Comptroller and Auditor General is the auditor of the Agency.

On behalf of the board

  
**Aidan Donnelly**  
**Director**

  
**Aoife MacEvilly**  
**Director**

**6<sup>th</sup> June 2014**



# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

## Statement of Directors' responsibilities in respect of the Directors' Report and Financial Statements

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

The National Oil Reserves Agency Act 2007 and company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company's 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.

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


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

- select suitable accounting policies and then apply them consistently;
- make 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 applicable accountancy standards have been followed, subject to any material departures, disclosed and explained in the financial statements.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2013. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2013.

On behalf of the board

  
**Aidan Donnelly**  
Director

  
**Aoife MacEivilly**  
Director

6<sup>th</sup> June 2014

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

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

### **Responsibility for system of internal financial control**

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

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

### **Key control procedures**

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

- clearly defining management responsibilities;
- establishing reporting procedures to control significant failures and ensuring appropriate corrective action is taken;
- establishing a dedicated Risk and Audit Committee;
- clear separation of Board and Management functions;
- publication of a Code of Business Conduct for Board members and staff of the Agency, and;
- establishing an Internal Audit function.

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

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

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

In particular, it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Risk and Audit Committee and Board of periodic annual financial reports which indicate financial performance against targets;
- setting targets to measure financial and other performance, and;
- regular internal audits.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

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

The internal audit function is a key element in informing the Board of the effectiveness of the system of internal financial control. The internal audit function operates in accordance with the Code of Practice for the Governance of State Bodies. The National Oil Reserves Agency's internal audit function is contracted out to Deloitte.

The annual internal audit plan is informed by an analysis of the risks to which the Agency is exposed and a formal Risk Register has been developed following a full risk analysis exercise. Internal audit plans are endorsed by the Risk and Audit Committee. The analysis of risk is also endorsed by the Risk and Audit Committee and approved by the Board. The internal auditors provide the Committee with reports on assignments carried out. These reports highlight deficiencies or weaknesses, if any, in the system of internal financial control.

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

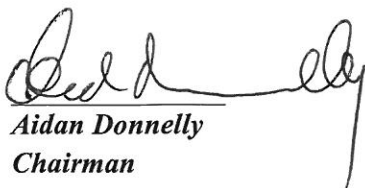
The National Oil Reserves Agency has in the year ended 31<sup>st</sup> December 2013, through the activity of the Board, monitored the work of Management in the area of financial control. Specifically, the Board examined the following:

- bi-monthly management accounts, with analysis and explanation of significant deviations from budget;
- annual accounts for 2013 and explanation of significant variances, and;
- annual budget and financial plan for 2014.

### **Annual review of controls**

I confirm that in respect of the year ended 31<sup>st</sup> December 2013 the Board conducted a review of the effectiveness of the system of internal financial control.

Signed on behalf of the Board.



*Aidan Donnelly*  
**Aidan Donnelly**  
**Chairman**

**6<sup>th</sup> June 2014**



## Comptroller and Auditor General

### Report for presentation to the Houses of the Oireachtas

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#### National Oil Reserves Agency Limited

I have audited the financial statements of the National Oil Reserves Agency Limited for the year ended 31 December 2013 under the National Oil Reserves Agency Act 2007. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under the Companies Acts 1963 to 2013, and in accordance with generally accepted accounting practice in Ireland.

#### Responsibilities of the directors

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

#### Responsibilities of the Comptroller and Auditor General

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

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

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

#### Scope of audit of the financial statements

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

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

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

In addition, I read the company's annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

#### Opinion on the financial statements

In my opinion, the financial statements:

- give a true and fair view, in accordance with generally accepted accounting practice in Ireland, of the state of the company's affairs at 31 December 2013 and of its profit for 2013; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2013.

#### Matters on which I am required to report by the Companies Acts 1963 to 2013

I have obtained all the information and explanations that I consider necessary for the purpose of my audit. In my opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

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

Under Section 40 (1) of the Companies (Amendment) Act 1983, the convening of an extraordinary general meeting of the company is required if the net assets of the company are less than half of the amount of its called-up share capital at the balance sheet date. At 31 December 2013, the net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital, and consequently, in my opinion the convening of an extraordinary general meeting is not required.

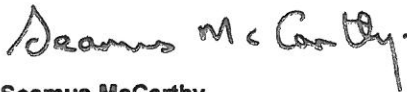
#### Matters on which I report by exception

I report by exception if

- my audit noted any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or

- the information given in the company's annual report is not consistent with the related financial statements, or
- the statement on the system of internal financial control does not reflect the company's compliance with the Code of Practice for the Governance of State Bodies, or
- the statutory disclosures of directors' remuneration and of transactions with directors are not made, or
- I find there are other material matters relating to the manner in which public business has been conducted.

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



Seamus McCarthy  
Comptroller and Auditor General  
20 June 2014

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

## *Statement of Accounting Policies*

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

### **Basis of preparation**

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

### **Turnover**

Levy income represents the invoiced value of levy income. Turnover is recognised on the basis of levy amounts due, in respect of the year, as notified by the Department of Communications, Energy and Natural Resources.

### **Taxation**

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

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

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

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

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Motor vehicles	-	33% Straight Line
Office Equipment	-	15% Straight Line
Computer Equipment	-	33% Straight Line



# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Statement of Accounting Policies (continued)*

## **Strategic stocks**

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

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.

In line with standard practice in the oil storage industry, it is the Agency's policy not to carry out annual impairment reviews, but recognises losses/gains when stocks are sold. When stocks are sold, the average cost of stocks (by location) is used as the basis of calculation of losses/gains on sale.

## **Foreign currencies**

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

## **Stock tickets**

Stock tickets are short term holding contracts under which a counterparty agrees to hold oil which will be available to the Agency during the period of the contracts, and under which the Agency has an option to purchase oil in emergency circumstances during the period of the contract, at a price to be determined in the future. The cost of these tickets is charged to the profit and loss account in the period to which the contracts relate.

## **Operating leases**

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

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

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Statement of Accounting Policies (continued)*

## **Pensions**

The NORA Act 2007 provides for the preparation and submission to the Minister for Communications, Energy and Natural Resources of a scheme or schemes for granting superannuation benefits to staff. Any such scheme requires the approval of the Minister and the consent of the Minister for Public Expenditure and Reform (DPER) before it can be implemented by the Agency.

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

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

In the interim, as the scheme continues to be maintained on an independent basis, and considering the associated implications in respect of pension funding, the Agency considers it appropriate to implement the provisions of Financial Reporting Standard (FRS) 17.

The pension charge in the profit and loss account comprises the current service cost plus the difference between the expected return on scheme assets and the interest cost of scheme liabilities. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses for the year in which they occur.

Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit method. An excess of scheme liabilities over scheme assets is presented on the Balance Sheet as a liability.

A triennial actuarial valuation of the scheme was carried out as at 1<sup>st</sup> January 2012 and recommended the ongoing contribution rate. The next actuarial valuation against the minimum funding standard will be performed at 1<sup>st</sup> January 2015. In addition, an actuarial valuation against the minimum funding standard was performed at 31<sup>st</sup> December 2013, which confirmed that the scheme met the minimum funding standards at that date.



The National Oil Reserves Agency Limited  
An Ghníomhaireacht Chúltaca Ola Náisiúnta

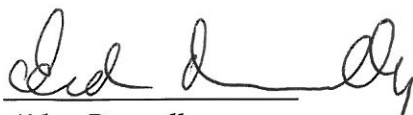
**Profit and Loss Account**

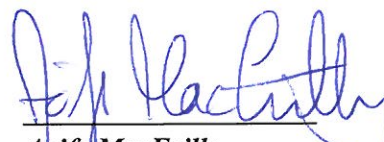
for the year ended 31<sup>st</sup> December 2013

	Note	2013 €	2012 €
<b>Levy income</b>	1	123,420,257	122,755,088
Operating costs	2	(35,128,125)	(35,711,036)
<b>Operating surplus - continuing operations</b>		<u>88,292,132</u>	<u>87,044,052</u>
(Loss)/profit on sale of strategic stocks	7	<u>(367,571)</u>	<u>1,299,833</u>
<b>Surplus on ordinary activities before interest and tax</b>		87,924,561	88,343,885
Net interest payable	3	<u>(5,149,188)</u>	<u>(3,696,354)</u>
<b>Surplus on ordinary activities before taxation</b>	4	82,775,373	84,647,531
Taxation (charge)/credit on surplus on ordinary activities	6	-	626,983
<b>Surplus for the financial year</b>	15	<u><u>82,775,373</u></u>	<u><u>85,274,514</u></u>

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

On behalf of the board

  
Aidan Donnelly  
Director

  
Aoife MacEvilly  
Director

The National Oil Reserves Agency Limited  
An Ghníomhaireacht Chúltaca Ola Náisiúnta

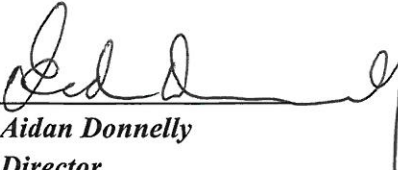
Statement of total recognised gains and losses  
for the year ended 31<sup>st</sup> December 2013

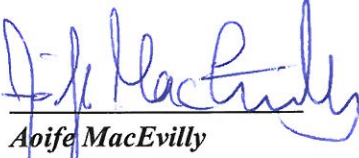
	Note	2013 €	2012 €
<b>Surplus for the financial year</b>		82,775,373	85,274,514
Actual return less expected return on pension scheme assets	20	50,364	156,575
Experience gains/(losses) on pension scheme liabilities	20	139,703	20,307
Changes in assumptions underlying the present value of pension scheme liabilities	20	(99,549)	(336,602)
		<u>90,518</u>	<u>(159,720)</u>
<b>Total gains and losses recognised</b>		<u>82,865,891</u>	<u>85,114,794</u>

The cumulative actuarial loss recognised in the STRGL is €424,600.

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

On behalf of the board

  
**Aidan Donnelly**  
Director

  
**Aoife MacEvilly**  
Director

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

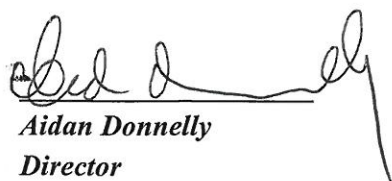
### Balance Sheet

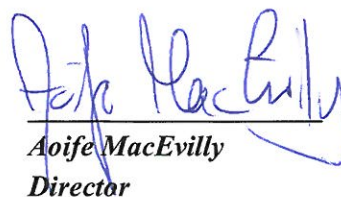
at 31<sup>st</sup> December 2013

	Notes	2013 €	2012 €
<b>Fixed assets</b>			
Strategic stocks	7	789,004,803	778,559,434
Tangible assets	8	37,039	22,010
		<u>789,041,842</u>	<u>778,581,444</u>
<b>Current assets</b>			
Debtors	9	34,674,415	48,250,028
Cash at bank and in hand		27,941,954	36,621,868
		<u>62,616,369</u>	<u>84,871,896</u>
<b>Creditors: amounts falling due within one year</b>			
Bank loans	11	-	(220,000,000)
Other creditors	10	(6,075,066)	(8,617,936)
		<u>56,541,303</u>	<u>(143,746,040)</u>
<b>Net current assets/(liabilities)</b>			
		<u>845,583,145</u>	<u>634,835,404</u>
<b>Total assets less current liabilities</b>			
Creditors: bank loans falling due after more than one year	11	(166,000,000)	(38,000,000)
		<u>679,583,145</u>	<u>596,835,404</u>
<b>Net assets excluding pension liability</b>			
Pension Asset	20	185,870	67,728
		<u>679,769,015</u>	<u>596,903,132</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Profit and loss account		679,583,144	596,835,403
Pension reserve	15	185,870	67,728
		<u>679,769,015</u>	<u>596,903,132</u>
<b>Shareholders' funds</b>			
	15	<u>679,769,015</u>	<u>596,903,132</u>

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

On behalf of the board.

  
Aidan Donnelly  
Director

  
Aoife MacEvilly  
Director

# The National Oil Reserves Agency Limited

## An Ghníomhaireacht Chúltaca Ola Náisiúnta

### Cash Flow Statement

for the year ended 31<sup>st</sup> December 2013

	Notes	2013 €	2012 €
Net cash inflow/(outflow) from operating activities	16	97,544,466	88,787,884
Returns on investments and servicing of finance	17	(5,132,301)	(5,338,416)
Taxation		1,767,983	(462,395)
Capital expenditure and financial investment	17	(10,860,062)	(82,132,927)
<b>Net cash inflow/(outflow) before financing</b>		<u>83,320,086</u>	<u>854,146</u>
Financing	17	(92,000,000)	(68,500,000)
<b>Increase/(decrease) in cash for the year</b>	18	<u>(8,679,914)</u>	<u>(67,645,854)</u>

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

Increase/(decrease) in cash for the year	18	(8,679,914)	(67,645,854)
Net (increase)/decrease in debt	18	92,000,000	68,500,000
<b>Movement in net debt for the year</b>	18	<u>83,320,086</u>	<u>854,146</u>
Net debt at beginning of year		(221,378,132)	(222,232,278)
<b>Net debt at end of year</b>		<u>(138,058,046)</u>	<u>(221,378,132)</u>

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Notes forming part of the financial statements*

*for the year ended 31<sup>st</sup> December 2013*

## 1. Levy income

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

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

Due to the introduction of the Biofuels Obligation Scheme in July 2010, NORA's turnover for the year is segregated into the following categories:

	2013	2012
	€	€
Fossil Fuel	120,355,061	120,261,929
Biofuels	3,065,196	2,493,159
	<u>123,420,257</u>	<u>122,755,088</u>

## 2. Operating costs

	2013	2012
	€	€
Storage costs	31,462,673	31,602,777
Stock tickets	(1,769,514)	(319,677)
Salaries and directors' fees	475,528	527,677
Administration and professional fees	617,260	398,027
Finance costs - including syndicated loan facility and foreign exchange costs	2,264,825	2,136,006
Stock upgrade and movement costs	515,408	31,435
Other operating costs	1,561,945	1,334,791
	<u>35,128,125</u>	<u>35,711,036</u>

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Notes forming part of the financial statements (continued)*

*for the year ended 31<sup>st</sup> December 2013*

<b>3. Net interest payable</b>	<b>2013</b>	<b>2012</b>
	€	€
Interest on bank loans	5,613,291	7,157,915
Bank interest receivable	(463,339)	(3,460,505)
Levy interest receivable	(764)	(1,056)
	<u>5,149,188</u>	<u>3,696,354</u>

## **4. Surplus before taxation for the year**

This has been arrived at after charging the following items:

	<b>2013</b>	<b>2012</b>
	€	€
Directors' remuneration	13,789	25,437
Auditors' remuneration	26,800	16,800
Depreciation	32,093	16,226
Amortisation	1,912,486	2,163,375
	<u>1,985,168</u>	<u>2,381,838</u>

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

## 5. Staff numbers and costs

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

	2013	2012
Administration	4	6

The aggregate payroll costs of these employees were:

	2013	2012
	€	€
Wages and salaries	351,993	412,808
Social welfare costs	35,899	42,274
Pension costs	73,847	47,158
	<u>461,739</u>	<u>502,240</u>

- (b) Details of the remuneration of the Chief Executive for the year ended 31<sup>st</sup> December 2013 are as follows:

	2013	2012
	€	€
Annual basic salary	130,600	122,747
Director's fee *	-	5,985
Other benefits including company car	12,085	12,792
	<u>142,685</u>	<u>141,524</u>

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

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

Expenses of €24,300 (2012 - €41,668 (inclusive of an amount of €11,585 in respect of delegates' allowance, which was abolished in 2012, backdated to 2008)) were incurred by the Chief Executive in the year and relate directly to the performance of his duties. These expenses include the following categories: mileage, subsistence, air fares, hotel accommodation, entertainment and other expenses.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

(c) Directors' fees paid in the period were:

	2013	2012
	€	€
Aidan Donnelly	8,978	8,978
Vincent Caffrey	3,491	5,985
Pat Meehan	-	5,985
Oliver Whelan	-	-
Aoife MacEvilly	-	-
Terry Nolan	1,320	-
Seán Fitzgerald	-	4,489
	<u>13,789</u>	<u>25,437</u>

Directors' expenses in 2013 amounted to €2,497 (2012 - €1,696), which comprised €1,370 in respect of mileage and €1,127 in respect of entertainment.

- (d) An amount of €28,268 (2012 - €31,681) in respect of the Pension Levy in respect of all staff has been deducted in 2013 and paid over to the Department of Communications, Energy and Natural Resources.
- (e) Management and staff related entertainment expenses for the year were €2,726 (2012 - €1,286).
- (f) Total expenditure on foreign travel incurred in the year in respect of the Chief Executive and all staff was €17,703 (2012 - €38,415).



# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

## 6. Taxation

	2013	2012
	€	€
Adjustments in respect of prior periods	-	(626,983)
Total current tax charge/(credit)	<u>-</u>	<u>(626,983)</u>
 <i>Factors affecting tax charge for period</i>		
Surplus on ordinary activities before tax	<u>82,775,373</u>	<u>84,647,531</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.50% (2012: 12.50%)	10,346,922	10,580,941
 <i>Effects of:</i>		
Income not taxable	(15,427,627)	(15,344,518)
Expenses not deductible for tax purposes	212,241	88,763
Depreciation in excess of capital allowances	2,233	866
Income taxable at higher rate of tax	58,087	432,563
Utilisation of losses forward	4,808,144	4,241,385
Adjustment in respect of prior periods	-	(626,983)
Current tax charge/(credit) for year	<u>-</u>	<u>(626,983)</u>

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

In accordance with FRS 19, no deferred tax asset has been recognised in respect of tax losses carried forward, as it cannot be considered more likely than not, that there will be suitable future surpluses to offset the losses forward. The total unrecognised deferred tax asset arising thereon is €36,645,796 as at 31<sup>st</sup> December 2013 (2012: €31,859,497).

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

7. Stocks	2013	2012
	€	€
<b>At Cost</b>		
<b><i>Petroleum Products</i></b>		
At beginning of year	778,559,434	695,136,335
Additions in year	10,914,666	87,651,222
Sales during the year	(469,297)	(4,228,123)
<b>At end of year</b>	<b>789,004,803</b>	<b>778,559,434</b>
<b>(Loss)/profit on sale of strategic stocks</b>		
Net sales proceeds	101,726	5,527,956
Less: Cost of product	(469,297)	(4,228,123)
	<b>(367,571)</b>	<b>1,299,833</b>

Strategic stocks are held at the direction of the Minister of Communications, Energy and Natural Resources and are not intended to be sold in the short or medium term. The replacement cost of the stocks at 31<sup>st</sup> December 2013 was €1,061,508,555 (31<sup>st</sup> December 2012: €1,098,195,428).

Replacement cost is calculated by reference to physical stocks held at year end, valued at average market prices for the months of December 2013 and December 2012 respectively.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

8. Tangible fixed assets	Motor Vehicles €	Office Equipment €	Computer Equipment €	Total €
<i>Cost</i>				
At beginning of year	40,082	19,901	51,273	111,256
Additions in year	-	1,166	45,956	47,122
Disposals in year	-	-	-	-
<b>At end of year</b>	<u>40,082</u>	<u>21,067</u>	<u>97,229</u>	<u>158,378</u>
<i>Depreciation</i>				
At beginning of year	26,454	16,532	46,260	89,246
Charge for the year	13,628	1,019	17,446	32,093
Disposals in year	-	-	-	-
<b>At end of year</b>	<u>40,082</u>	<u>17,551</u>	<u>63,706</u>	<u>121,339</u>
<b>At 31<sup>st</sup> December 2013</b>	<u>-</u>	<u>3,516</u>	<u>33,523</u>	<u>37,039</u>
At 31 <sup>st</sup> December 2012	<u>13,628</u>	<u>3,369</u>	<u>5,013</u>	<u>22,010</u>
9. Debtors		2013 €	2012 €	
Trade debtors		32,339	9,707,622	
Value added tax		954,909	1,197,194	
Prepayments and accrued income		33,440,175	35,367,457	
Corporation Tax		-	1,767,983	
Other debtors		246,992	209,772	
		<u>34,674,415</u>	<u>48,250,028</u>	

All debtors are due within one year.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

<b>10. Creditors: amounts falling due within one year</b>	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Trade creditors	293,867	979,266
Accruals	5,526,765	7,414,520
PAYE/PRSI	(21)	(19)
Other creditors	254,455	224,169
	<u>6,075,066</u>	<u>8,617,936</u>

<b>11. Creditors: amounts falling due after more than one year</b>	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Bank loans	<u>166,000,000</u>	<u>258,000,000</u>

*Maturity analysis:*

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Bank loans are repayable as follows:		
(a) Under one year	-	220,000,000
(b) Over one year	166,000,000	38,000,000
	<u>166,000,000</u>	<u>258,000,000</u>

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

## 12. Treasury risk management

### (a) Interest rate and currency profile

The profile of the company's bank loans at 31<sup>st</sup> December 2013 was as follows:

Currency	Weighted average interest rates		Weighted average debt	
	Fixed %	Floating %	Fixed €'000	Floating €'000
Euro	3.29	2.49	70,000	96,000
	=====	=====	=====	=====

### (b) Schedule of undrawn committed facilities

The company has undrawn committed borrowings facilities, maturing after more than one year as follows:

Currency	€'000
Euro	111,500
	=====

### (c) Currency Analysis

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

	€'000 USD	€'000 STG	€'000 DKK
Monetary assets	1,540	281	156
Monetary liabilities	-	-	-
	=====	=====	=====
	1,540	281	156
	=====	=====	=====

### (d) Fair value of financial assets and liabilities

The fair value of the company's short term financial assets and financial liabilities approximate to their book value at 31<sup>st</sup> December 2013.

The unrealised loss on Euro interest rate swaps at 31<sup>st</sup> December 2013 approximated to €0.47 million.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

*Notes forming part of the financial statements (continued)*

*for the year ended 31<sup>st</sup> December 2013*

## 13. Called up share capital

There are 100 ordinary shares of €1.27 authorised, of which 1 share was allotted, called up and fully paid at 31<sup>st</sup> December 2013.

## 14. Revaluation reserve

	2013	2012
	€	€
At 1 <sup>st</sup> January 2013	-	64,214
Transfer to profit and loss account	-	(64,214)
<b>At 31<sup>st</sup> December 2013</b>	<u>-</u>	<u>-</u>

In 2001, by arrangement with Irish National Petroleum Corporation Limited and the Minister for Communications, Energy and Natural Resources, the company acquired strategic stocks held at the time by Irish National Petroleum Corporation Limited for a nominal payment. The company revalued these strategic stocks to the amount of their cost to Irish National Petroleum Corporation Limited.

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

## 15. Reconciliation of movements in shareholders' funds

	Profit & Loss Account €	Pension Reserve €	Total €
Opening balance at 1 <sup>st</sup> January 2013	596,835,403	67,729	596,903,132
Surplus for the financial year	82,775,373	-	82,775,373
Actuarial gain/(loss)	-	90,518	90,518
Pension adjustment	(27,632)	27,624	(8)
Closing balance at 31 <sup>st</sup> December 2013	<u>679,583,144</u>	<u>185,871</u>	<u>679,769,015</u>

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

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

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

	2013 €	2012 €
<b>Operating surplus</b>	<b>88,292,132</b>	87,044,052
(Increase)/decrease in debtors	<b>11,820,961</b>	(394,014)
(Decrease)/increase in creditors	<b>(2,573,090)</b>	2,192,915
(Profit)/loss on sale of tangible assets	-	1,316
Depreciation	<b>32,093</b>	16,226
Pension charge less contribution	<b>(27,630)</b>	(72,611)
<b>Net cash inflow from operating activities</b>	<b><u>97,544,466</u></b>	<u>88,787,884</u>



# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

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

	2013	2012
	€	€
<b>Returns on investment and servicing of finance</b>		
Interest paid	(5,583,073)	(9,035,087)
Interest received	450,772	3,696,671
	<u>(5,132,301)</u>	<u>(5,338,416)</u>

	2013	2012
	€	€
<b>Capital expenditure and financial investment</b>		
Purchase of strategic stocks	(10,445,369)	(83,423,099)
Purchase of tangible fixed assets	(47,122)	(9,661)
(Loss)/profit on sale of strategic stocks	(367,571)	1,299,833
	<u>(10,860,062)</u>	<u>(82,132,927)</u>

<b>Financing</b>		
Bank loans	<u>(92,000,000)</u>	<u>(68,500,000)</u>

## 18. Analysis of net debt

	at 1 <sup>st</sup> January 2013	Cash flow	at 31 <sup>st</sup> December 2013
	€	€	€
Cash at bank and in hand	36,621,868	(8,679,914)	27,941,954
Bank overdraft	-	-	-
	<u>36,621,868</u>	<u>(8,679,914)</u>	<u>27,941,954</u>
Bank loans	(258,000,000)	92,000,000	(166,000,000)
	<u>(258,000,000)</u>	<u>92,000,000</u>	<u>(166,000,000)</u>
<b>Net debt</b>	<u>(221,378,132)</u>	<u>83,320,086</u>	<u>(138,058,046)</u>

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

## 19. Commitments

### *Operating lease commitments*

The total lease payments made in 2013 by the Agency were €35,008,742.

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

### *Premises*

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

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

	2013	2013	2012	2012
	Property	Oil Storage	Property	Oil Storage
	€ 000	€ 000	€ 000	€ 000
<i>Expiring:</i>				
Within one year	-	5,184	-	4,756
Between one and two years	-	332	-	2,414
Between two and five years	-	18,483	-	16,056
After more than five years	50	4,399	50	6,470
	<u>50</u>	<u>28,398</u>	<u>50</u>	<u>29,696</u>

### *Foreign currency commitments*

The company had no foreign currency commitments at 31<sup>st</sup> December 2013.

### *Capital commitments*

Future capital expenditure approved by the directors in relation to the acquisition of strategic stocks at 31<sup>st</sup> December 2013 was as follows:

	2013	2012
	€	€
	'000	'000
Contracted	1,375	11,585
Authorised but not contracted	6,460	1,250

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

## 20. Pensions

### (a) Pension costs

	2013	2012
	€	€
Current service cost	99,024	74,139
Interest cost	67,327	61,080
Expected return on scheme assets	(74,614)	(68,077)
Less: employees contributions	(17,890)	(19,984)
	<u>73,847</u>	<u>47,158</u>

	2013	2012
	€	€
<b>(bi) Net pension liability/(asset)</b>		
Present value of funded obligations	1,784,407	1,695,421
Fair value of scheme assets	(1,970,277)	(1,763,149)
Net liability/(asset)	<u>(185,870)</u>	<u>(67,728)</u>

<b>(bii) Present value of scheme obligations</b>		
at beginning of year	1,695,421	1,281,118
Current service cost	99,024	74,139
Interest cost	67,327	61,080
Actuarial (gain)/loss	(40,154)	316,295
Benefits paid	(37,211)	(37,211)
Present value of scheme obligations at end of year	<u>1,784,407</u>	<u>1,695,421</u>

	2013	2012
	€	€
<b>(biii) Change in scheme assets</b>		
Fair value of scheme assets at beginning of year	1,763,149	1,435,955
Expected return on scheme assets	74,614	68,077
Actuarial gain/(loss)	50,364	156,575
Employer contributions	101,471	119,769
Members' contributions	17,890	19,984
Benefits paid	(37,211)	(37,211)
Closing value of scheme assets	<u>1,970,277</u>	<u>1,763,149</u>

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

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

## (c) Description of scheme and actuarial assumptions

The pension scheme is a defined benefit final salary pension arrangement with benefits defined by reference to current “model” public sector scheme regulations. Employer contribution rates are set having regard to actuarial advice and periodic review on the funding rate required for the scheme. The scheme provides a pension (one eightieth per year of service), a gratuity or lump sum (three eightieths per year of service) and spouse’s and children’s pensions. Normal retirement age is a member’s 65<sup>th</sup> birthday. Pensions in payment (and deferment) normally increase in line with general public service sector salary inflation.

	2013	2012
Discount rate	3.55%	3.90%
Salary increases	3.75%	3.85%
Pension increases	3.00%	3.00%
Inflation increases	2.00%	2.10%

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

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

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

	Retiring at 65	
Males	22.8	22.7
Females	24.5	24.4

The scheme assets at year end comprised:

	2013	2012
Equities	24.44%	22.84%
Bonds	54.06%	54.68%
Property	0.00%	0.04%
Other	21.50%	22.44%
	<u>100.0%</u>	<u>100.0%</u>

Actual return less expected return on scheme assets

	2013	2012
	€	€
Actual return	124,978	224,652
Less: expected return	(74,614)	(68,077)
Actuarial gain/(loss)	<u>50,364</u>	<u>156,575</u>

# The National Oil Reserves Agency Limited

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Notes forming part of the financial statements (continued)

for the year ended 31<sup>st</sup> December 2013

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

	2013	2012	2011	2010	2009
	€ 000	€ 000	€ 000	€ 000	€ 000
Defined benefit obligations	1,784	1,695	1,281	1,186	1,101
Fair value of scheme assets	(1,970)	(1,763)	(1,436)	(1,355)	(1,190)
Deficit/(Surplus) for funded scheme	(186)	(68)	(155)	(169)	(89)
Experience (gains)/losses on scheme liabilities					
Amount	139.7	20.3	7.2	32.9	29.3
	7.8%	1.2%	0.6%	2.8%	2.7%

## (e) Funding of pensions

A triennial actuarial valuation of the scheme was carried out at 1<sup>st</sup> January 2012 and recommended a contribution rate of 33.1% of basic salaries (inclusive of members' contributions).

## 21. Board members interests

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 2013.

The Board has adopted procedures in accordance with guidelines issued by the Department of Finance 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 Finance guidelines covering situations of personal interest. In cases of potential conflict of interest, Board members did not participate in or attend any Board discussion relating to the matter.

## 22. Approval of financial statements

The board of directors approved these financial statements for issue on 6<sup>th</sup> June 2014.