

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

Directors' Report and
Financial Statements

Year ended 31st December 2021

Registered Number 229229

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

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The National Oil Reserves Agency Designated Activity Company
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Directors and other information

| | | |
|--------------------------|--|--|
| Directors | Terry Nolan (Chairperson) Frank O'Flynn Keara Robins Mairéad McCabe Rossa McCann (appointed 4 th January 2021) Pat Meehan (Chief Executive) (resigned 31 st May 2021) Frank Bergin (Chief Executive) (appointed 1 st June 2021) | |
| Secretary | Lisa Mullan | |
| Management | Frank Bergin Lisa Mullan Gavin Norris Justin Fahey | Chief Executive Financial Controller Technical Manager Commercial Manager |
| Company number | 229229 | |
| Registered office | Second Floor, Building Number 3 Number One Ballsbridge 126 Pembroke Road Dublin 4 D04 EP27 | |
| Auditors | Comptroller and Auditor General 3A Mayor Street Upper Dublin 1 D01 PF72 | |
| Bankers | Bank of Ireland Lower Baggot Street Dublin 2 D02 Y754 | National Treasury Management Agency Treasury Dock, North Wall Quay Dublin 1 D01 A9T8 |
| Solicitors | Arthur Cox Earlsfort Centre Earlsfort Terrace Dublin 2 D02 T380 | |

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

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, including fulfilment of the role of designated authority for measuring compliance with Article 7(a) of the EU Fuel Quality Directive (FQD).

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 business 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.

On 1st August 2007, as provided for in the National Oil Reserves Agency Act 2007, NORA was established as a stand-alone state body under the aegis of the Minister for Environment, Climate and Communications.

NORA's Oil Stocks Obligation

NORA meets its oil stockholding Obligation by a combination of:

- Stocks owned by NORA and stored in Ireland and in other EU and Non-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 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 the Department of Environment, Climate and Communications (DECC) regarding the quantities of oil to be held by NORA in 2021, NORA has continued to meet its overall stock Obligation on an ongoing basis.

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 Chairperson's Statement (continued)

The year-on-year changes to NORA's Obligation volumes between 2021 and 2020 were as follows:

| | Obligation (kT) 2021 | Obligation (kT) 2020 | Obligation Days 2021 | Obligation Days 2020 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Refined Product | 1,416 | 1,667 | | |
| Crude Oil | 70 | 70 | | |
| Equivalent Total as Refined Product | 1,472 | 1,723 | 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 obligation in any given year is determined by Ireland's net imports of oil of the previous year. Given the significant impact of the travel restrictions imposed on foot of the Covid pandemic this has led to a significant reduction in NORA's stock holding obligation.

These restrictions were particularly pronounced in the Aviation sector, where demand in 2020 was down by 64% versus 2019.

The physical stocks, excluding stock tickets, owned by NORA and stored both in Ireland and abroad at the end of 2021 compared to previous years consisted of:

| | 2021 (kT) | 2020 (kT) | 2019 (kT) | 2018 (kT) |
|--------------|--------------|--------------|--------------|--------------|
| Gasoline | 231 | 297 | 289 | 311 |
| Distillates | 1,348 | 1,350 | 1,395 | 1,304 |
| Total | 1,579 | 1,647 | 1,684 | 1,615 |

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 2013 to 2021 is set out below:

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Obligation (kT) | 1,472 | 1,723 | 1,702 | 1,655 | 1,619 | 1,585 | 1,507 | 1,524 | 1,456 |
| Stocks held (kT) | 1,623 | 1,776 | 1,799 | 1,656 | 1,679 | 1,584 | 1,574 | 1,547 | 1,459 |
| Days obligation | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 89.5 | 88 |
| Days held | 97 | 93 | 95.2 | 90 | 92.5 | 90 | 94 | 91 | 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 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.

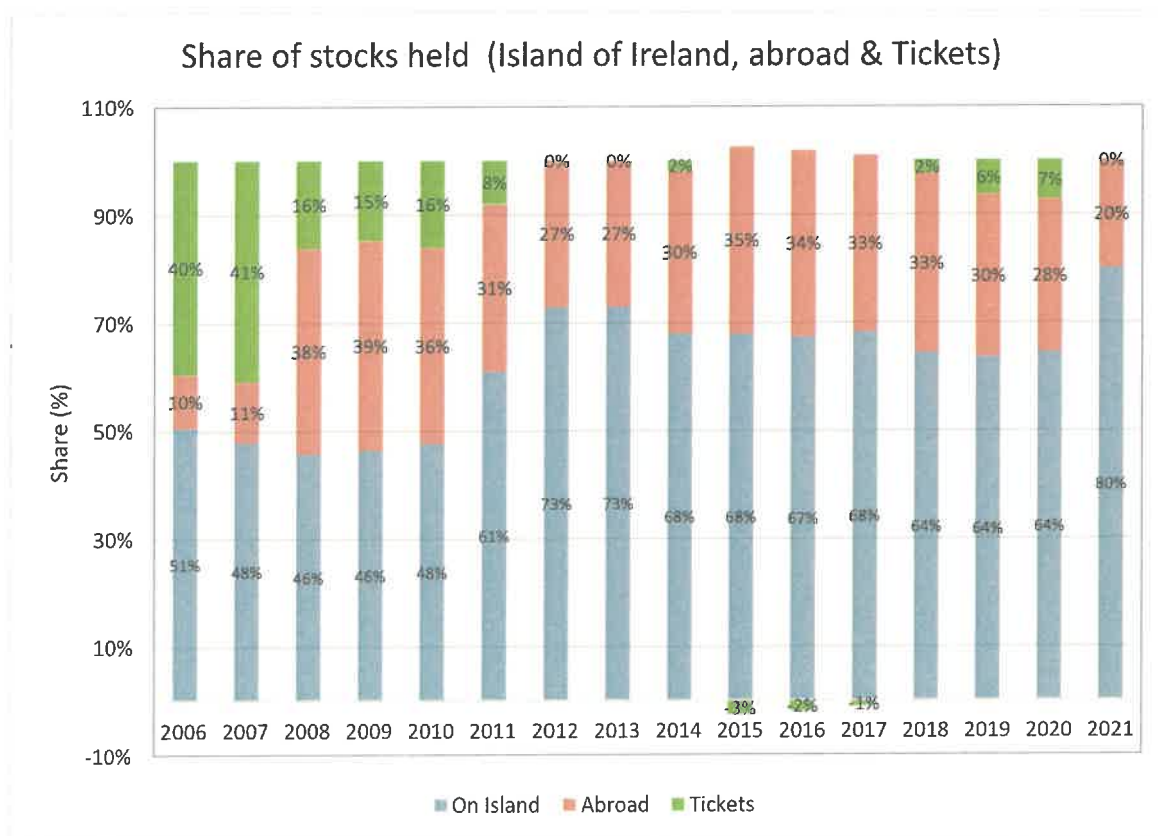
The National Oil Reserves Agency Designated Activity Company
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 Chairperson's Statement (continued)

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. NORA continues to use stock tickets as a temporary replacement for physical stocks undergoing product refreshment, as reflected in the higher stock ticket position as of 31st December 2020 (2021: NIL).

The table below sets out the breakdown of the stocks held by NORA in 2021 compared to corresponding data for 2020:

| | 2021 (kT) | % of Total | 2020 (kT) | % of Total |
|-------------------------|--------------|---------------|--------------|---------------|
| Stock in Ireland | 1,264 | 80% | 1,146 | 65% |
| Stocks Abroad | 315 | 20% | 502 | 28% |
| Stock Tickets (Ireland) | 0 | 0% | 0 | 0% |
| Stock Tickets (Abroad) | 0 | 0% | 128 | 7% |
| Total | 1,579 | | 1,776 | |

A longer-term 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:



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An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

In the year ending December 2021, NORA held all of its stock as physical product with 80% of the volume held on the island of Ireland. However, it is likely that this level will fall slightly through 2022 as product, currently out on refreshment, is returned to stock in Amsterdam.

NORA Levy Income

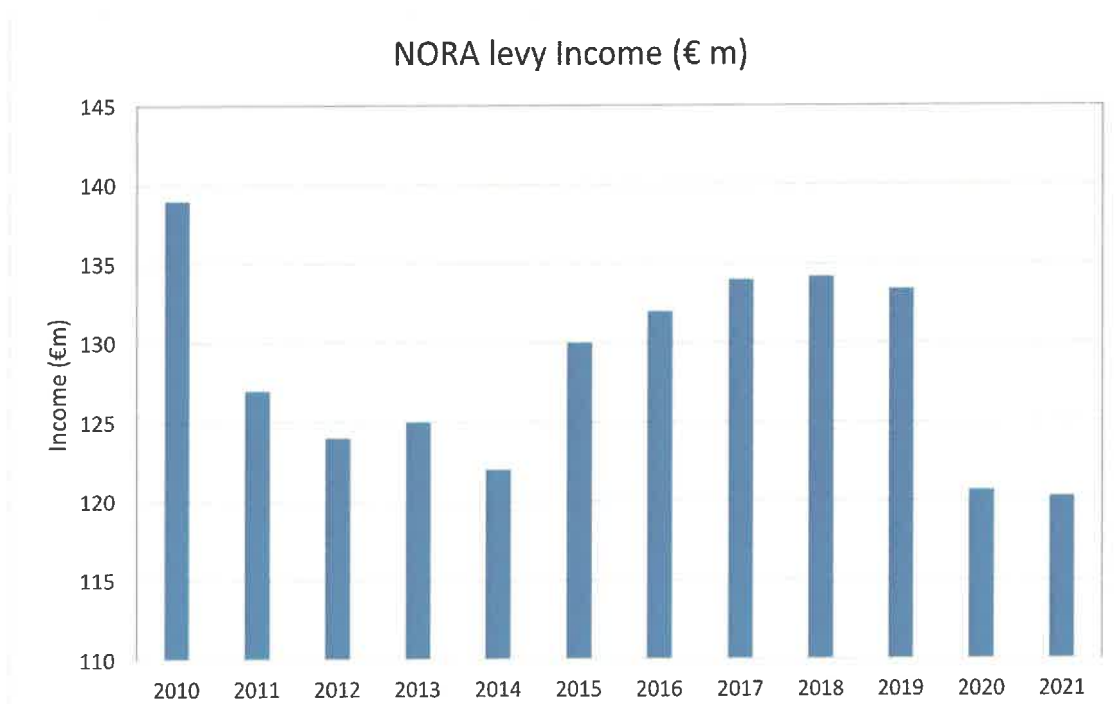
NORA is funded by a Levy on the sale of oil products. Its revenue is used to fund the procurement and holding of Ireland's strategic oil stocks. NORA receives no Exchequer funding.

On 1st October 2009, the NORA 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. The Biofuel Levy was also set at €0.02 per litre upon the introduction of the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010 which introduced the Biofuels Obligation Scheme (BOS).

On 1st August 2020, arising from the enactment of the National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020, the Biofuel Levy was amended to €0.001 per litre. This led to a reduction in income from the BOS levy in 2021 of c. €4.9 million and c. €2.4 million in 2020.

NORA's levy income continued to be impacted by Covid-19 and the reduction in oil demand which further reduced NORA's income

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



Levy income to 31st December 2021 reflects the continued impact of the Covid-19 restrictions imposed from March 2020.

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Chairperson's Statement (continued)

Financing

In March 2017, NORA reached a point of zero debt having reduced its debt from €444 million in 2009. Since 2017, NORA has managed its cash reserves by holding deposits with financial institutions and the National Treasury Management Agency (NTMA). NORA reviews its deposit strategy regularly and considers both market interest rates and capital preservation when making its decisions on depositing funds.

Climate Action Fund

Since the conclusion of the repayment of debt in 2017, the annual level of income derived from the NORA and Biofuel levies resulted in a surplus of income for the Agency each year until 2021. This surplus had been retained pending the development of plans by Government for the repurposing of the Levy as a source of funding for the new Climate Action Fund (CAF).

Accordingly, the National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act was enacted on 1st August 2020. This new legislation facilitates the transfer of allocated funds to the Department of Environment, Climate and Communications as directed by the Minister. In accordance with the provisions of this legislation, NORA transferred €96 million to the Climate Action Fund during 2021 and €28 million during 2020.

End of Year Financial 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 92% of NORA’s total annual operating costs.

At 31st December 2021, NORA’s cash in hand was €109.3 million, this includes cash held in current accounts, call deposit accounts and National Treasury Management Agency (NTMA) exchequer notes due to mature between 31st December 2021 and 31st March 2022. The cash in hand position does not include NTMA exchequer notes with maturity dates after 31st March 2022 which amount to €237.5 million. These NTMA exchequer notes have been classified as financial investments within these financial statements. This cash in hand position takes account of:

- (a) NORA’s ongoing financing requirements and commitments, and;
- (b) the procurement of oil stocks associated with planned changes in storage contract arrangements and stock procurement in 2022 and onwards.

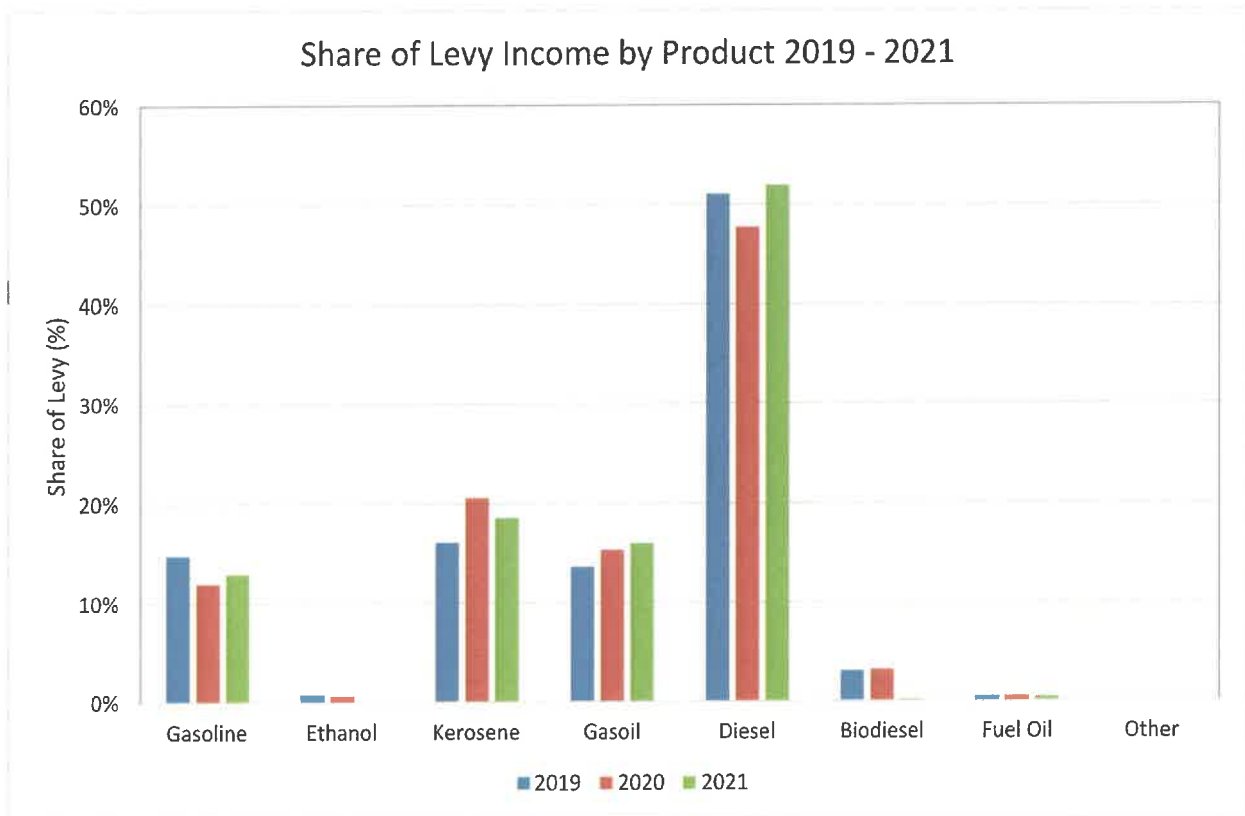
Taking account of the commitments above, plans are in hand for the utilisation and availability of these cash balances in 2022 and beyond, based on commitments made and/or planned which are summarised as follows:

| | <u>€ million</u> |
|---|------------------|
| Cash in Hand at 31 st December 2021 | 109.3 |
| Stock Purchases/Sales 2022 (net position of agreements) | + <u>10.0</u> |
| Net Cash Position | <u>119.5</u> |
| NTMA Exchequer Notes with maturity over 3 months | <u>237.5</u> |

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 Chairperson’s Statement (continued)

Composition of the NORA Levy

A breakdown of the Levy volume percentages by product for 2021, together with comparable figures for 2020 and 2019 is set out below:



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 (the Renewable Energy Directive – RED) 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 of the motor fuels (generally Gasoline and Motor Diesel) they place on the market are Biofuels manufactured from sustainable, renewable sources, e.g. Ethanol and Biodiesel.

In 2010, the biofuel obligation rate was set at 4.17% (i.e. 4 litres of biofuel and 96 litres of fossil fuel in every 100 litres of fuel placed in the market). The blend obligation rate has steadily increased in the intervening period up to 12.359% for 2021. This rate has been further increased with effect from 1st January 2022 to 14.942%

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Chairperson’s Statement (continued)

During the year, as part of a reorganisation within the Department of Environment, Climate and Communications, the responsibility for Renewables in Transport was transferred to the Department of Transport. In November, the Department of Transport issued an updated Policy Statement on Renewables in Transport. This document sets out a number of ambitious targets including an indicative trajectory for further increases in the biofuel blending obligation rate for the period to 2030, the move to an energy-based model for the obligation and the introduction and incentivisation of development fuels to capture just some of the elements.

The Biofuel Obligation Scheme (BOS) is entering a critical phase and NORA will continue to work with the Department of Transport to support a smooth implementation of these initiatives.

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.

Biofuel Obligation Rates and Volumes 2010 – 2021

| Year | Biofuel Volume (mL) | BOS Certificates | Physical Biofuel blend rate | Blend rate inclusive of double certs | Obligation rate |
|------|---------------------|------------------|-----------------------------|--------------------------------------|-----------------|
| 2010 | 99 | 110 | 4.3% | 5.0% | 4.2% |
| 2011 | 144 | 194 | 3.3% | 4.5% | 4.2% |
| 2012 | 128 | 199 | 3.0% | 4.8% | 4.2% |
| 2013 | 150 | 244 | 3.5% | 5.9% | 6.4% |
| 2014 | 167 | 265 | 3.8% | 6.3% | 6.4% |
| 2015 | 184 | 309 | 4.1% | 7.1% | 6.4% |
| 2016 | 174 | 285 | 3.7% | 6.3% | 6.4% |
| 2017 | 226 | 393 | 4.8% | 8.9% | 8.7% |
| 2018 | 216 | 383 | 4.6% | 8.5% | 8.7% |
| 2019 | 260 | 476 | 5.5% | 10.7% | 11.1% |
| 2020 | 239 | 457 | 6.1% | 12.3% | 12.4% |
| 2021 | 246 | 476 | 5.9% | 12.1% | 12.4% |

Obligated parties can meet up to 15% of their annual obligation by carrying forward certificates from prior years. Inclusive of some carried forward certificates, the 2021 compliance target was achieved.

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Chairperson's Statement (continued)

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 EU Renewable Energy Directive.

To this end, the Agency continues to provide the Department with a detailed report on the performance of the BOS for each year of the operation of the Scheme. A summary version of these reports is published on the Agency's website, <https://www.nora.ie/biofuels-obligation-scheme/bos-annual-reports.225.html>

Each year the Agency conducts a detailed audit of BOS participants within the terms of the Scheme and provides a full report on same to the Department.

BOS Buy-out Charge

During the year, BOS buy-out charges were paid to NORA by two obligated parties, these amounts were paid to the exchequer in line with legislation.

NORA – Designated Authority for the Fuel Quality Directive (FQD)

The FQD was transposed into Irish Legislation on 17th April 2017. There is a significant overlap between the reporting requirements of the RED and the FQD Directives. Given this significant overlap, it was recognised that it would be administratively simpler to combine the reporting requirements of both Directives with the BOS.

In addition to its role as administrator of the BOS, with effect from 19th April 2017, under S.I. No. 160 of 2017 transposing the EU Fuel Quality Directive (FQD) 98/70/EC as amended by 2009/30/EC, NORA was appointed as the designated authority for the administration and monitoring compliance of the Fuel Quality Directive (FQD).

The FQD sets technical specifications on health and environmental grounds for fuels use for motor vehicles. Article 7(a) of the FQD introduced an obligation on fuel suppliers to reduce greenhouse gas emissions by up to 10% per unit of energy. The target was to achieve a reduction of at least 6% by 31st December 2020 and for each subsequent year thereafter compared to 2010. SI 670 of 2020 reaffirmed that the obligations of SI 160 extended beyond 2020.

As the designated authority for the administration of Article 7(a) of the EU FQD legislation, NORA has expanded the BOS systems to establish the necessary arrangements for monitoring the compliance of obligated parties with the legislation.

Fuel suppliers are required to achieve a 6% reduction in the greenhouse gas (GHG) intensity of fuels used in road vehicles, and non-road mobile machinery, agricultural and forestry tractors, and recreational craft. The majority of this target is expected to be reached by substituting biofuel for fossil fuel.

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Chairperson's Statement (continued)

Fuel suppliers can also achieve the target by placing electricity (with a lower carbon intensity) on the market and through the use of Upstream Emission Reductions (UERs). Meeting the 6% carbon intensity reduction target is very challenging for fuel suppliers. There is a disparity between the 12.359% renewable energy target of the BOS and the 6% carbon intensity of the FQD. If fuel suppliers reach the 12.359% BOS target, they would achieve c. 3% carbon intensity reduction (this depends on the fuel mix, the carbon intensity of the biofuel supplied and on how many BOS Certs from previous periods are discharged against the Obligation in 2020 and 2021). To go beyond a 12.359% biofuel obligation requires the bioethanol and biodiesel blend walls to be exceeded. To reach a 6% carbon intensity reduction using biofuels alone would require a physical biofuel blend of around 10% in gasoline and diesel.

While carbon savings generated from electricity consumed in EVs and from Upstream Emission Reductions can also contribute to achieving the FQD targets, neither of these two routes made any significant contribution in 2020 or in 2021. This is largely driven by the fact that the potential penalty for noncompliance with SI 160 and SI 670 are significantly below the costs of either purchasing Upstream Emission Reductions or placing additional biofuel on the market.

Throughout 2021, NORA and the BOS Team have continued to support the Department of Transport in developing a strategy for managing the requirements of several complementary yet differing drivers for increasing renewable energy penetration and reducing GHG emissions in the transport sector, namely Article 7(a) of the FQD (6% carbon intensity reduction target), RED, RED II and Ireland's national policy for reducing GHG emissions. This work is expected to continue through 2022.

Energy Management Obligation in 2021

In 2021, NORA met its Public Body Energy Management obligations set out in S.I. No. 426/2014 - European Union (Energy Efficiency) Regulations 2014. NORA has progressed its Energy Management objectives by continuing to participate in the Sustainable Energy Authority of Ireland's (SEAI) public sector system for Energy Monitoring and Reporting. A more detailed report on NORA's Energy Management is available on NORA's website, www.nora.ie.

Conclusion

I would like to thank the members of the Board and staff for their dedication and assistance during the year. I would also like to express my thanks to the Minister for his encouragement and interest in the work of the Agency. My thanks are also due to the staff of the Energy Programme Performance & Delivery unit of the Department of the Environment, Climate and Communications and the Energy, Air and Adaptation unit of the Department of Transport for their continuing support and assistance throughout the year.


Terry Nolan
Chairperson

Date: 20th June 2022

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Directors' report

The directors submit their report and the audited Financial Statements for the year ended 31st December 2021.

Principal activities and review of the business

On 1st August 2007, NORA was established as an Agency on a statutory basis under the aegis of the Minister for Environment, Climate and Communications. The Agency operates in accordance with several statutes and regulations, key among them:

- National Oil Reserves Agency Act 2007 (Returns and Levy) Regulations 2007 (S.I. No. 567 of 2007);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) Regulations 2009 (S.I. No. 214 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Levy) (Amendment) (No. 2) Regulations 2009 (S.I. No. 220 of 2009);
- National Oil Reserves Agency Act 2007 (Returns and Biofuel Levy) Regulations 2010 (S.I. No. 356 of 2010);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Buy-out Charge) Regulations 2010 (S.I. No. 644 of 2010);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2012 (S.I. No. 562 of 2012);
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2018 (S.I. No. 198 of 2018);
- National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020;
- 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 three storage facilities (at Ringsend, Dublin; Tarbert, Co. Kerry; and Poolbeg, Dublin). 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 refurbishment of the facility at Poolbeg in Dublin was the next step in the Agency's storage development programme in Ireland. NORA completed the refurbishment of the redundant oil storage at the ESB site at Poolbeg Dublin, which provides c. 120,000 tonnes of additional distillate storage. The completion of this project has provided a valuable increase to oil reserves stored in Dublin Port through which circa 64% of Ireland's total oil products are imported.

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Directors' report (continued)

The original target date for the completion of this major refurbishment project was Q2 2020. However, as a result of Covid-19 restrictions, completion of this project was delayed, and the storage facility was commissioned in November 2020. The final product was delivered to site in March 2021.

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.

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.

Having repaid all remaining debt in 2017, it is planned, subject to affordability, to finance stock purchases through the use of cash and financial assets. Where 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.

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 29 of the Financial Statements. As noted in the statement of income and expenditure, a deficit of €38.6 million (2020: €34.6 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. There was no debt outstanding at the reporting date.

Included in the deficit of €38.6 million is a loss on the sale of strategic stocks of €21.3 million (2020: loss of €12.5 million). The losses arise on the sale or refreshment of stocks in the normal course of business. Also included in the deficit are tolerable stock losses written off for 2021: €0.3 million loss (2020: €0.8 million loss).

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Directors' report (continued)

Corporate Governance

The directors have adopted the Code of Practice for the Governance of State Bodies (2016). Corporate Governance within the Agency comprises the systems and procedures by which the Agency is directed, controlled and managed. The Board and Management being accountable for the proper management of the Agency is strongly guided by the Code of Practice and understands it is collectively responsible for leading and directing the Agency's activities. In meeting those responsibilities, the Agency is committed to ensuring that all activities, whether covered specifically by the Code of Practice or otherwise meet the highest possible standards of corporate governance.

Matters for decision of the Board

The directors have set out a formal schedule of matters specifically reserved for decision of the Board which is in line with the schedule as set out in the Code of Practice. The schedule also sets out the matters which will require Ministerial approval. All other matters have been designated to Management. The schedule is reviewed annually by the Board.

The following matters are specifically reserved for the decision of the Board:

- Significant acquisitions, disposals and retirement of assets (value above €1 million);
- Major investments and capital projects, delegated authority levels, treasury and risk management policies;
- Approval of terms of major contracts (subject to tender and procurement procedures);
- Policy on determination of senior management remuneration;
- Approval of annual budgets and corporate plans;
- Approval of annual reports and financial statements;
- Appointment, remuneration, assessment of performance of and succession planning for the Chief Executive Officer (CEO);
- Significant amendments to pension benefits of the Chief Executive and staff;
- Compliance with statutory and administrative requirements in relation to the approval of the appointment, number, grading and conditions of appointment of all staff, including remuneration and superannuation;
- Appointment or removal of the secretary of the Board;
- Meet at least twice per year without the executive Board members or management present to discuss relevant matters.

Business risks and management

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

- sets the risk appetite;
- 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:

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Directors' report (continued)

- 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:

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

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.

Directors' remuneration

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

Directors' fees paid in 2021 and 2020 were:

| | 2021 | 2020 |
|---|----------------|----------------|
| Chairperson: Terry Nolan | €11,970 | €11,970 |
| Directors: Frank O'Flynn | €7,695 | €7,695 |
| Keara Robins | €7,695 | €7,695 |
| Mairéad McCabe | - | - |
| Rossa McCann (appointed 4 th January 2021) | €7,664 | - |
| Pat Meehan (retired 31 st May 2021) | - | - |
| Frank Bergin (appointed 1 st June 2021) | - | - |
| | <u>€35,024</u> | <u>€27,360</u> |

Directors' expenses in 2021 amounted to €NIL (2020 - €NIL).

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' report (continued)

The remuneration of the non-executive Board members in the performance of their duties for the Agency is in compliance with Government guidelines. The Agency operates the 'One Person One Salary' principle whereby public sector employees are not entitled to receive additional fees from public sector directorships.

Under the 'One Person One Salary' principle no fees were payable to Mairéad McCabe, Pat Meehan or Frank Bergin.

Directors' fees and expenses include amounts paid directly to directors and amounts paid on their behalf.

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 (2016), the following is a summary of the attendances of each Board member at Board meetings for the year ended 31st December 2021.

| | | |
|--------------------|----------------|---|
| No. of meetings: | | 10 |
| <u>Attendance:</u> | | |
| Chairperson: | Terry Nolan | 10 |
| Director: | Frank O'Flynn | 9 |
| Director: | Keara Robins | 9 |
| Director: | Mairead McCabe | 9 |
| Director: | Rossa McCann | 10 |
| Director: | Pat Meehan | 3 (resigned 31 st May 2021) |
| Director: | Frank Bergin | 7 (appointed 1 st June 2021) |

Meetings without executive Board members or management: 2

The number of Audit & Risk Committee meetings and the summary of the attendances of each Committee member in the period 1st January to 31st December 2021 are as follows:

| | | |
|--------------------|---------------|--|
| No. of meetings: | | 5 |
| <u>Attendance:</u> | | |
| Chairperson: | Frank O'Flynn | 5 |
| Director: | Keara Robins | 5 |
| Director: | Rossa McCann | 4 (appointed 11 th February 2021) |

In accordance with section 1.7 of the Code of Practice for the Governance of State Bodies (2016), the Board met at least twice during the year without the presence of executive Board members and management.

Gender Balance, Diversity and Inclusion

The Minister for the Environment, Climate and Communications has responsibility for appointments to the Board of the Agency. At 31st December 2021, the Board was comprised of two female (33%) and four male members (67%).

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' report (continued)

The Board therefore does not meet the Government target of a minimum of 40% representation of each gender in the membership of State Boards. One male Director was appointed to the Board in 2021.

The Chairperson has due regard for the benefits of diversity. The gender composition of the Board is highlighted when making submissions to the Minister on Board appointments and re-appointments.

Post reporting period events

Covid-19 Pandemic

On 12th March 2020, as a result of the Covid-19 global pandemic, the Irish Government issued a directive instructing all non-essential businesses to close or work remotely. NORA invoked its Business Continuity Plan whereby all staff commenced working remotely and continued thereafter to manage the day-to-day business of the organisation on this basis. The Agency reviews its Business Continuity Plan and Emergency Release Model regularly and remains in a position to fully respond to an oil supply emergency. In accordance with Government guidelines, a phased return to the office will commence in 2022.

While the Covid-19 pandemic does not affect the financial reporting for 2021, the reduced levels of oil consumption arising from Covid-19 restrictions has resulted in a significant decrease in Levy income for some months in 2021. Accordingly, it is expected that oil consumption and Levy income for 2022 will be below average levels for recent years. The Agency has assessed its current and ongoing obligations and while a decrease in levy income has occurred the Agency has sufficient cash to meet its obligations for 2022 and beyond.

War on Ukraine

The Russian invasion of Ukraine on 24th February 2022 has had a significant impact on global energy markets, including the rapid rise in commodity prices. Although there have been no formal EU sanctions on the import of Russian oil and gas, oil companies across Europe and elsewhere have imposed their own self-sanction regime on product of Russian origin. This has put further pressure on product prices and exacerbated the already tight supply/demand position that had developed as global economies recovered from the impacts of the Covid-19 pandemic.

In an effort to provide some assurance to the oil markets, the IEA called for two separate voluntary releases of strategic reserves – the first of these on the 1st March 2022 and the second, larger release on 1st April 2022. Ireland opted to support these requests with the release of 30kT of Diesel from its stocks in Denmark and 57kT of Jet A1 from its stocks in the UK. In keeping with the advice from the IEA and the EU Commission, NORA does not anticipate replacing this volume until later in 2022.

The ongoing war in Ukraine continues to present some uncertainty in relation to the future supplies of oil and gas. NORA continues to monitor this supply position and has stepped up its level of readiness should it be called upon to support the industry in the continuity of supply of oil.

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Directors' report (continued)

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.

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 2021 is as follows: the number of protected disclosures made was NIL (2020: 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 Second Floor, Building Number 3, Number One, Ballsbridge, 126 Pembroke Road, Dublin 4, D04 EP27.

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)

Human Rights and Equality

The Agency is committed to protect and promote human rights and equality in accordance with the Irish Human Rights and Equality Commission Act 2014.

In accordance with Section 42 of this Act, NORA is obliged, in the performance of its functions, to have regard to the need to:

- eliminate discrimination,
- promote equality of opportunity and treatment of its staff and the persons to whom it provides services, and
- protect the human rights of its members, staff and the persons to whom it provides services.

NORA operates a policy of equal opportunity in all of its recruitment activities.

All employees received training in 2021, further training will be provided when available.

An employee survey was conducted as part of an Internal Audit review in 2021 and the survey will be repeated in 2022, the results of which and subsequent actions to address any findings will be addressed in future Directors' reports.

The topic is a standing item on the agenda of the NORA monthly team meetings and all employees are provided the opportunity to discuss any concerns. Ongoing consultation with employees helps to inform the focus of future strategic plans in relation to the Agency's commitment to protecting and promoting human rights and equality.

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 the following;

- 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 are in place that are, in the directors' opinion, designed to secure material compliance with the company's relevant obligations; and
- a review of such arrangements or structures which occur during the relevant financial year has been conducted.

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

The directors have adopted the Code of Practice for the Governance of State Bodies (2016) and other than set out under the heading "*Internal control matters*", NORA was in compliance with the Code during the twelve months to 31st December 2021 and up to the date of this report.

Disclosures as required by the Code are included in Notes 4 and 8 to the financial statements.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta
Directors' report (continued)

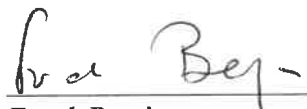
Auditors

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



Frank Bergin
Director

Date: 20th June 2022

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 these 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


Frank Bergin
Director

Date: 20th June 2022

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

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 information below sets out the details of the system 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 31st December 2021 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 directors and staff in relation to risk. The policy has been issued to all staff that 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 five times in 2021.

Risk and Control Framework

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 & Risk Committee consisting of at least two 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
Statement on Internal Control (Continued)

Ongoing Monitoring and Review

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

- identifying the nature, extent and possible implications of risks facing the Agency 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 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 audit

The internal audit function is a key element in informing the Board of the effectiveness of the system of internal control. The internal audit function operates in accordance with the Code of Practice for the Governance of State Bodies (2016). 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 Office of 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 2021, through the activity of the Board, monitored the work of Management in the area of financial, operational and internal control. Specifically, the Board examined the following:

- bi-monthly management accounts, with analysis and explanation of significant deviations from budget;
- annual financial statements for 2021 and explanations of significant variances from expenditure in 2020
- annual budget, financial plan, and corporate procurement plan for 2022
- annual review of internal financial controls
- management of ongoing capital expenditure and operational projects
- management and maintenance of oil storage operations, and;
- purchase and sale of oil stocks

The National Oil Reserves Agency Designated Activity Company

An Ghníomhaireacht Chúltaca Ola Náisiúnta

Statement on Internal Control (Continued)

Covid-19 and Impact on the Control Environment

A checklist relating to the OC&AG's special report on 'Audit Insights – Covid-19 Impact on the Control Environment' was prepared and responses to same were discussed at the Audit and Risk Committee meeting held on 11th February 2021. The Committee having discussed management's responses, were satisfied with the checklist provided and responses therein which showed the Agency's level of preparedness for such an event and advised of minimal impact on the control environment. The checklist was also used to inform the Board as part of their annual review of the effectiveness of the system of internal controls.

Procurement

The National Oil Reserves Agency has an established procurement policy and procedure. NORA's procurement practices are in accordance with this procedure. A corporate procurement plan based on the Office of Government Procurement Policy Framework document is in place and is being implemented by the Agency. The Corporate Procurement plan is updated on an annual basis.

The National Oil Reserves Agency's Procurement policy and procedure is consistent with that of the current Office of Government Procurement guidelines. In certain instances, it is deemed appropriate to apply duly authorised exceptions to this Procurement policy and procedure, (i.e. in respect of services or suppliers of works valued above €5,000 (ex VAT) for reasons such as. urgency, sole source of supply, conflict of interest, etc.).

NORA is subject to EU Directive 2014/24/EU as implemented in Ireland by the European Union (Award of Public Authority Contracts) Regulations 2016), in respect of the procurement of services, supplies and works above certain value thresholds set by the EU. Where the Regulations do not apply, either due to the value of procurement being below the EU thresholds or being outside of the Regulations, NORA adopts a process that is designed to achieve the best value for money for the Agency. Exceptions to NORA's Procurement policy and procedure are approved by management.

The use of exceptions under NORA's Procurement policy and procedure does not amount to non-compliant procurement and exceptions are signed off in restricted circumstances.

During the year ended 31st December 2021 payments with a total value of c. €783.1k (inc. VAT) were made in respect of goods/services that were the subject of procurement exceptions (€491.5k) approved by management or were single source suppliers (€291.6k).

During the year there were no items found to be non-compliant with public procurement guidelines.

Internal Control Matters

The Agency has complied with the Code of Practice for the Governance of State Bodies (2016) throughout the period with the exception of the items highlighted below.

Ministers Meeting

During the period 1st January to 31st December 2021, no meeting with the Minister took place.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta
Statement on Internal Control (Continued)

Stand by Letter of Credit

For a period of four days in November 2021, the Agency was in breach of its letter of credit policy. This exposure resulted from one advising bank's rejection of a Standby letter of Credit and the time taken for an alternative bank to confirm the Standby letter of Credit.

Update on Tax Clearance Certificates Matter

As part of its ongoing business, and as an essential element to the fulfilment of the Agency's remit of maintaining 90 days oil stocks obligation for Ireland, NORA engages the services of a number of storage companies and service providers abroad and within the EU.

None of these storage companies have a trading presence in Ireland, and neither do they have a tax presence in Ireland.

Nonetheless, it is a requirement of the Revenue Commissioners that companies with whom state bodies' trade have tax clearance certificates (TCC's). NORA requests each of these companies obtain a TCC from the Revenue Commissioners.

In 2020, NORA reported the non-compliance of two foreign supplier tax clearance certificates which were out of date at 31st December. Both tax clearance certificates had been received by 15th January 2021.

At 31st December 2021, all tax clearance certificates had been received and were up to date.

Update on Single Scheme Pension Internal Control Matter

In the Chairperson's Report to the Minister at 31st December 2020, it was reported that a new employee opted not to join the Single Public Service Pension Scheme and NORA was non-compliant with the Department of Public Expenditure and Reform guidelines in this area. As of 1st June 2021, the employee had joined the Scheme, however the Agency remained non-compliant with Department of Public Expenditure guidelines in this area for the period 1st January to 31st May 2021. All other new employees since 1st January 2013 have joined the scheme.

Annual review of controls

I confirm that the National Oil Reserves Agency has procedures to monitor the effectiveness of its risk management and control procedures. The National Oil Reserves Agency's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work and the senior management within the National Oil Reserves Agency responsible for the development and maintenance of the internal financial control framework.

The National Oil Reserves Agency Designated Activity Company
An Ghníomhaireacht Chúltaca Ola Náisiúnta
Statement on Internal Control (Continued)

Review of the Effectiveness of the System of Internal Controls

I confirm that in respect of the year ended 31st December 2021, the Board conducted a review of the effectiveness of the system of internal control on 15th February 2022.

Signed on behalf of the Board.



Terry Nolan
Chairperson

Date: 20th June 2022



Ard Reachtair Cuntas agus Ciste Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Oil Reserves Agency Designated Activity Company

Opinion on the financial statements

I have audited the financial statements of the National Oil Reserves Agency Designated Activity Company (the company) for the year ended 31 December 2021 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 2021 and of its income and expenditure for 2021
- 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

The directors have prepared the financial statements on a going concern basis. As described in the appendix to this report, I conclude on

- the appropriateness of the use by the directors of the going concern basis of accounting, 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, 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.



Seamus McCarthy
Comptroller and Auditor General

23 June 2022

Appendix to the report

Responsibilities of the Directors

As detailed in the directors' responsibilities statement, the directors are responsible for

- the preparation of annual financial statements in the form prescribed under the Companies Act 2014
- ensuring that the financial statements give a true and fair view in accordance with FRS 102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 29 of the National Oil Reserves Agency Act 2007 to audit the financial statements of the company and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.

- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on 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. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the company to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

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

Statement of Income and Expenditure

for the year ended 31st December 2021

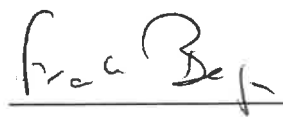
| | Notes | 2021 € '000 | 2020 € '000 |
|--|-------|-----------------|----------------|
| Income | 2 | 120,139 | 120,660 |
| Exchequer funds receivable | 2 | 2,517 | - |
| Operating costs | 3 | (41,730) | (45,470) |
| Exchequer funds payable | 2 | (2,517) | - |
| Other income | 21 | 347 | - |
| Operating surplus - continuing operations | | 78,756 | 75,190 |
| Loss on sale of strategic stocks | 10 | (21,264) | (12,533) |
| Transfer to Climate Action Fund | 5 | (96,000) | (28,000) |
| Deficit / Surplus on ordinary activities before interest and taxation | | (38,508) | 34,657 |
| Interest receivable | 6 | 6 | 25 |
| Interest payable | 6 | (113) | (95) |
| Deficit / Surplus on ordinary activities before taxation | | (38,615) | 34,587 |
| Taxation charge on surplus on ordinary activities | 9 | - | - |
| Deficit / Surplus for the financial year | | (38,615) | 34,587 |

Notes 1 - 23 on pages 34 - 63 form an integral part of these financial statements.

On behalf of the Board



Terry Nolan
Director



Frank Bergin
Director

Date: 20 June 2022

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

Statement of Comprehensive Income

for the year ended 31st December 2021

| | Notes | 2021 € '000 | 2020 € '000 |
|--|-------|-----------------|----------------|
| Deficit / Surplus for the year | | <u>(38,615)</u> | <u>34,587</u> |
| Other comprehensive income | | | |
| Actual return in excess of interest on assets | 21 | (8) | 162 |
| Experience gains on pension scheme liabilities | 21 | 9 | 12 |
| Change in assumptions underlying the present value of pension scheme liabilities | 21 | 84 | (32) |
| Wind-up of NORA pension scheme | 21 | <u>(1,027)</u> | - |
| | | (942) | 142 |
| Total comprehensive income for the year | | <u>(39,557)</u> | <u>34,729</u> |

Notes 1 - 23 on pages 34 - 63 form an integral part of these financial statements.

On behalf of the Board



Terry Nolan
Director



Frank Bergin
Director

Date: 20 June 2022

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

Statement of Financial Position

at 31st December 2021

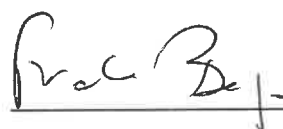
| | Notes | 2021 € '000 | 2020 € '000 |
|---|-------|------------------|------------------|
| Fixed assets | | | |
| Strategic stocks | 10 | 788,620 | 928,994 |
| Leasehold improvements | 11 | 37,539 | 41,403 |
| Property, plant and equipment | 12 | 162 | 222 |
| | | <u>826,321</u> | <u>970,619</u> |
| Current assets | | | |
| Receivables | 13 | 58,802 | 30,671 |
| Financial investments | 14 | 237,500 | 172,500 |
| Cash and cash equivalents | 19 | 109,320 | 128,460 |
| | | <u>405,622</u> | <u>331,631</u> |
| Current Liabilities: amounts falling due within one year | | | |
| Payables | 15 | (12,966) | (44,596) |
| Net current assets | | <u>392,656</u> | <u>287,035</u> |
| Total assets less current liabilities | | <u>1,218,977</u> | <u>1,257,654</u> |
| Payables: amounts falling due after more than one year | | | |
| Other creditors | 16 | (66) | (128) |
| Net assets excluding retirement benefit | | <u>1,218,911</u> | <u>1,257,526</u> |
| Net retirement benefit asset (NORA Scheme) | 21 | - | 944 |
| Deferred retirement benefit asset (SPSPS) | 21 | 738 | - |
| Retirement benefit liability (SPSPS) | 21 | (738) | - |
| Net assets | | <u>1,218,911</u> | <u>1,258,470</u> |
| Capital and reserves | | | |
| Called up share capital presented as equity | 18 | - | - |
| Revenue Reserves | | 1,218,911 | 1,257,526 |
| Retirement benefit reserve | 21 | - | 944 |
| Shareholders' funds | | <u>1,218,911</u> | <u>1,258,470</u> |

Notes 1 - 23 on pages 34 - 63 form an integral part of these financial statements.

On behalf of the Board



Terry Nolan
Director



Frank Bergin
Director

Date: 20 June 2022

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

Statement of Changes in Reserves

for the year ended 31st December 2021

| | Retirement Benefit Reserve € '000 | Revenue Reserves € '000 | Total € '000 |
|---|--|--|-------------------------|
| Balance at 1st January 2020 | 790 | 1,222,953 | 1,223,743 |
| Surplus for the financial year | - | 34,587 | 34,587 |
| Remeasurement of net defined benefit obligation | 142 | - | 142 |
| Total comprehensive income for the year | 142 | 34,587 | 34,729 |
| Pension adjustment | 13 | (13) | - |
| Balance at 31st December 2020 | 945 | 1,257,527 | 1,258,472 |
| Balance at 1st January 2021 | 945 | 1,257,527 | 1,258,472 |
| Deficit for the financial year | - | (38,615) | (38,615) |
| Remeasurements of net defined benefit obligation - NORA | 82 | - | 82 |
| Total comprehensive income for the year | 82 | (38,615) | (38,533) |
| Wind-up of NORA pension scheme | (1,027) | - | (1,027) |
| Balance at 31st December 2021 | - | 1,218,911 | 1,218,911 |

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

During the year it was agreed the NORA Pension Scheme would be wound up effective 30th April 2021.

Section 44(3) of the National Oil Reserves Agency Act 2007 provides that in determining the rate of the Levy, the Minister for Environment, Climate and Communications 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.

Notes 1 - 23 on pages 34 - 63 form an integral part of these financial statements.

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

Statement of Cash Flows

for the year ended 31st December 2021

| | Notes | 2021 € '000 | 2020 € '000 |
|---|-------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Operating Deficit / Surplus | | (38,508) | 34,657 |
| <i>Adjustments for:</i> | | | |
| Depreciation of leasehold improvements | 11 | 3,846 | 2,510 |
| Depreciation of property, plant and equipment | 12 | 59 | 64 |
| Gain on disposal of property, plant and equipment | | (14) | (22) |
| Retirement benefit charge less contribution | | - | (13) |
| Strategic stock losses written off | 10 | 315 | 775 |
| <i>Changes in:</i> | | | |
| Trade and other receivables | | (28,131) | 26,517 |
| Trade and other payables | | (31,692) | 38,914 |
| Strategic stock | | 140,059 | (29,409) |
| Cash generated from operating activities | | 45,934 | 73,993 |
| Cash flows from investing activities | | | |
| Movements in leasehold improvements | 11 | 18 | (4,796) |
| Movements in property, plant and equipment | 12 | 1 | (72) |
| Proceeds from sale of tangible assets | | 14 | 22 |
| Interest received | 6 | 6 | 26 |
| Negative interest paid on deposits | 6 | (113) | (95) |
| Net cash from investing activities | | (74) | (4,915) |
| Cash flows from financing activities | | | |
| Movement in short term financial investments | | (65,000) | (172,500) |
| Net cash used in financing activities | | (65,000) | (172,500) |
| Movement in cash and cash equivalents in the year | | (19,140) | (103,422) |
| Cash and cash equivalents at the beginning of year | 19 | 128,460 | 231,882 |
| Cash and cash equivalents at the end of year | 19 | 109,320 | 128,460 |

Notes 1 - 23 on pages 34 - 63 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 2021.

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 10: Strategic stocks

Strategic Stocks are held at the direction of the Minister for Environment, Climate and Communications 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 2021

1. Summary of Significant Accounting Policies (continued)

Use of Estimates and Judgements (continued)

Note 21: 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 Environment, Climate and Communications.

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 2021

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 15). 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 13).

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 2021

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 2021

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. 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 Environment, Climate and Communications 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 10 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 2021

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 2021

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.

The company did not have any bank borrowings in 2021.

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.

The company did not have any interest rate derivative financial instruments in 2021.

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 2021

1. Summary of Significant Accounting Policies (continued)

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 2021

2. Income

a. 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).
- National Oil Reserves Agency Act 2007 (Biofuel Obligation Rate) Order 2018 (S.I. No. 198 of 2018).
- National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020.

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:

| | 2021 | 2020 |
|-------------|----------------|---------------|
| | € '000 | € '000 |
| Fossil Fuel | 119,869 | 117,846 |
| Biofuel | 270 | 2,814 |
| | 120,139 | 120,660 |

b. BOS Buy-Out Charge

During the year, BOS buy-out charges were paid to NORA by two obligated parties, these amounts were paid to the exchequer in line with legislation.

| | 2021 | 2020 |
|----------------------------|----------------|---------------|
| | € '000 | € '000 |
| Exchequer funds receivable | 2,517 | - |
| Exchequer funds payable | (2,517) | - |
| | - | - |

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 2021

3. Operating Costs

| | 2021 | 2020 |
|---|---------------|---------------|
| | € '000 | € '000 |
| Storage Costs | 40,073 | 38,578 |
| Strategic stocks losses write off | 315 | 775 |
| Stock tickets | (83) | 277 |
| Salaries and retirement benefit costs (Note 8(a)) | 768 | 735 |
| Directors' fees (Note 8(d)) | 35 | 27 |
| Administration and professional fees | 729 | 791 |
| Finance costs (including FX gains) | (1,870) | 2,046 |
| Covid-19 related costs | 3 | 584 |
| Provision for onerous lease contract (Note 16) | - | 250 |
| Other operating costs | 1,760 | 1,407 |
| | <u>41,730</u> | <u>45,470</u> |

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.

| | 2021 | 2020 |
|------------------|----------------|----------------|
| | € | € |
| Legal advice | 18,344 | 11,663 |
| Financial advice | 87,422 | 44,247 |
| Human Resources | 53,071 | 33,395 |
| Other | 8,119 | 11,975 |
| | <u>166,956</u> | <u>101,280</u> |

Legal costs relating to contracts with third parties does not exceed €50,000 for the reporting period and therefore are not disclosed separately within this note.

All consultancy costs have been charged to 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 2021

5. Transfer to Climate Action Fund

The National Oil Reserves Agency (Amendment) and Provision of Central Treasury Services Act 2020 was enacted on 1st August 2020. This legislation facilitates the transfer of NORA Levy funds to the Climate Action Fund and is facilitated by the Department of the Environment, Climate and Communications. In the year ended 31st December 2021, NORA Levy funds invoiced and collected from 1st January 2021 to 31st October 2021 were available for transfer to the Climate Action Fund.

Following discussions with DECC and having taken into consideration the provisions contained within the legislation, at the direction of the Minister for the Environment, Climate and Communication NORA transferred the amount of €96 million to the Climate Action Fund in December 2021 (2020: €28 million).

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | € '000 | € '000 |
| Transfer to Climate Action Fund | <u>96,000</u> | <u>28,000</u> |
| 6. Interest Payable and Receivable | | |
| | 2021 | 2020 |
| | € '000 | € '000 |
| Negative interest paid on deposits | 113 | 95 |
| Interest on bank loans paid | - | - |
| | <u> </u> | <u> </u> |
| Bank interest receivable | (5) | (24) |
| Levy interest receivable | (1) | (1) |
| | <u> </u> | <u> </u> |
| | (6) | (25) |
| | <u> </u> | <u> </u> |
| | 107 | 70 |
| | <u> </u> | <u> </u> |
| <u>Cash flows from financing activities</u> | | |
| Interest on bank loans paid | - | - |
| Accrued interest payable | - | - |
| | <u> </u> | <u> </u> |
| | - | - |
| | <u> </u> | <u> </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 2021

6. Interest Payable and Receivable (continued)

Cash flows from investing activities

| | | |
|------------------------------------|------------|-------------|
| Bank and levy interest receivable | (6) | (25) |
| Accrued interest receivable | - | (1) |
| | <u>(6)</u> | <u>(26)</u> |
| Negative interest paid on deposits | <u>113</u> | <u>95</u> |

7. Surplus before Taxation for the Year

This has been arrived at after charging the following items:

| | 2021 | 2020 |
|---|-----------|-----------|
| | € '000 | € '000 |
| Directors' remuneration | 35 | 27 |
| Auditors' remuneration | 37 | 37 |
| Depreciation of leasehold improvements | 3,846 | 2,510 |
| Depreciation of property, plant and equipment | <u>59</u> | <u>64</u> |

8. 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:

| | 2021 | 2020 |
|------------|----------|----------|
| Executives | 1 | 1 |
| Operations | 2 | 3 |
| Finance | 4 | 2 |
| | <u>7</u> | <u>6</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 2021

8. Staff Numbers and Costs (continued)

The aggregate payroll costs of these employees were:

| | 2021 | 2020 |
|--|-------------------|---------------|
| | € '000 | € '000 |
| Wages and salaries | 615 | 589 |
| Social welfare costs | 69 | 63 |
| Retirement benefit costs | 6 | 33 |
| Single Public Service Pension Scheme costs | 78 | 50 |
| | <u>768</u> | <u>735</u> |

In accordance with the Government Decision announced in Budget 2012, the Agency's Employment Control Framework (ECF) employment numbers ceiling for 2021 was 8 staff (2020: 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 €729,323 disclosed in Note 3 to the Financial Statements (2020: €790,632).

The Single Public Service Pension Scheme costs of €78k in 2021 (2020: €50k) relate to employer contributions for the year 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. Employee contributions to the scheme in the year were €26k (2020: €17k)

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

| | 2021 | 2020 |
|-------------------------------|-----------------|-------------|
| Between €60,000 and €70,000 | 1 | - |
| Between €70,000 and €80,000 | 1 | 1 |
| Between €80,000 and €90,000 | 1 | 1 |
| Between €90,000 and €100,000 | 1 | 1 |
| Between €100,000 and €110,000 | - | - |
| Between €110,000 and €120,000 | 1 | 1 |
| Between €120,000 and €130,000 | - | - |
| Between €130,000 and €140,000 | - | - |
| Between €140,000 and €150,000 | - | - |
| Between €150,000 and €160,000 | 1 | 1 |
| | <u>6</u> | <u>5</u> |

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8. Staff Numbers and Costs (continued)

- (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:

| | 2021 | 2020 |
|--------------------------------------|----------------|----------------|
| | € | € |
| Annual basic salary | 468,249 | 439,942 |
| Director's fee | 35,024 | 27,360 |
| Other benefits including company car | 6,210 | 14,786 |
| | <u>509,483</u> | <u>482,088</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.

On 1st June 2021 Frank Bergin was appointed as Chief Executive Officer following the retirement of Pat Meehan on 31st May 2021.

- (c) Details of the remuneration of the Chief Executives for the year ended 31st December 2021 which are included in the wages and salaries costs figure of €614,639 are as follows:

| | 2021 | 2020 |
|--------------------------------------|----------------|----------------|
| | € | € |
| Annual basic salary - Pat Meehan | 99,729 | 140,284 |
| Annual basic salary - Frank Bergin | 87,226 | - |
| Other benefits including company car | 6,210 | 14,786 |
| | <u>193,165</u> | <u>155,070</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.

Expenses of €626 (2020: €3,060) were incurred by the Chief Executives in the year and relate directly to the performance of their 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.

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8. Staff Numbers and Costs (continued)

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

| | 2021 | 2020 |
|---|----------------------|---------------|
| | € | € |
| Terry Nolan | 11,970 | 11,970 |
| Frank O'Flynn | 7,695 | 7,695 |
| Keara Robins | 7,695 | 7,695 |
| Mairéad McCabe | - | - |
| Rossa McCann (appointed 4th January 2021) | 7,664 | - |
| Pat Meehan (retired 31st May 2021) | - | - |
| Frank Bergin (appointed 1st June 2021) | - | - |
| | <u>35,024</u> | <u>27,360</u> |

Directors' expenses in 2021 amounted to €NIL (2020 - €NIL).

- (e) An amount of €17,047 (2020 - €19,846) in respect of the Annual Superannuation Contribution in respect of all staff has been deducted in 2021 and paid over to the Department of Environment, Climate and Communications.
- (f) Management and staff related hospitality expenses for the year were €778 (2020 - €687).
- (g) Total expenditure on foreign travel incurred in the year in respect of the CEO and all staff was €1,064 (2020 - €2,899).
- (h) Total expenditure on domestic travel incurred in the year in respect of the CEO and all staff was €4,587 (2020 - €7,627).
- (i) The statement of income and expenditure includes the following hospitality expenditure:

| | 2021 | 2020 |
|--------------------|-------------------|-------------|
| | € | € |
| Staff hospitality | 767 | 151 |
| Client hospitality | 11 | 536 |
| Total | <u>778</u> | <u>687</u> |

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9. Taxation

| | 2021 | 2020 |
|---|-----------------|---------------|
| | € '000 | € '000 |
| Current tax | | |
| Corporation tax for current year | - | - |
| | <u>-</u> | <u>-</u> |
| Factors affecting tax charge for period | | |
| Deficit / Surplus on ordinary activities before taxation | (38,615) | 34,587 |
| | <u>(38,615)</u> | <u>34,587</u> |
| Deficit / Surplus on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.50% (2020: 12.50%) | (4,827) | 4,323 |
| | <u>(4,827)</u> | <u>4,323</u> |
| Effects of: | | |
| Income not taxable | (15,018) | (15,086) |
| Expenses not deductible for tax purposes | 11,997 | 4,368 |
| Profit on disposal of tangible assets | - | (1) |
| Unrecognised losses | 7,848 | 6,396 |
| | <u>7,848</u> | <u>6,396</u> |
| Current tax charge/(credit) for year | - | - |
| | <u>-</u> | <u>-</u> |

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 deferred tax asset arising thereon is €72.8m as at 31st December 2021 (2020: €65.0m)

The total unrecognised deferred tax asset arising on tax losses carried forward is €72.8m as at 31st December 2021 (2020: €64.9m).

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10. Strategic Stocks

| | 2021 | 2020 |
|---|-----------------|-----------------|
| At Cost | € '000 | € '000 |
| <i>Petroleum Products</i> | | |
| At beginning of year | 928,994 | 900,360 |
| Additions in year | 12,161 | 53,695 |
| Sales during the year | (152,220) | (24,286) |
| Losses written off during the year | (315) | (775) |
| At end of year | 788,620 | 928,994 |
| Loss on sale of strategic stocks | | |
| Net sales proceeds | 131,325 | 11,792 |
| Less: Cost of product | (152,589) | (24,325) |
| | (21,264) | (12,533) |

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

The Directors noted the prevailing oil market prices during 2021 and identified this as an indicator of impairment. A detailed impairment assessment was undertaken by the Agency based on the position at 31st December 2021, 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 2021.

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.

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Post the impairment assessment that was completed by the Directors, Russia invaded Ukraine. This led to a significant rise in oil prices. In March and April 2022 the IEA called for two voluntary releases of strategic reserves and Ireland has opted to support and participate in these releases. This has led to the release of a small portion of the Agency's stocks from Denmark and the United Kingdom. The fact that commodity prices have risen sharply on foot of this crisis supports the Directors' assessment of the recoverable value of the stocks held by the Agency.

The replacement cost of stocks at 31st December 2021 was €939.6 million (31st December 2020: €608.2 million). Replacement cost is calculated by reference to physical stocks held at year end, valued at average market prices for the months of December 2021 and December 2020 respectively.

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11. Leasehold Improvements

a. Year Ended 31st December 2021

| | Leasehold Improvements € '000 | Total € '000 |
|------------------------------|--|-------------------------|
| <i>Cost</i> | | |
| At beginning of period | 67,489 | 67,489 |
| Additions in period | 54 | 54 |
| Disposals in period | (72) | (72) |
| At end of period | <u>67,471</u> | <u>67,471</u> |
| <i>Depreciation</i> | | |
| At beginning of period | 26,086 | 26,086 |
| Charge for the year | 3,846 | 3,846 |
| At end of period | <u>29,932</u> | <u>29,932</u> |
| <i>Net book value:</i> | | |
| At 31st December 2021 | <u><u>37,539</u></u> | <u><u>37,539</u></u> |
| At 31st December 2020 | <u><u>41,403</u></u> | <u><u>41,403</u></u> |

b. Year Ended 31st December 2020

| | Leasehold Improvements € '000 | Total € '000 |
|------------------------------|--|-------------------------|
| <i>Cost</i> | | |
| At beginning of period | 62,693 | 62,693 |
| Additions in period | 4,796 | 4,796 |
| At end of period | <u>67,489</u> | <u>67,489</u> |
| <i>Depreciation</i> | | |
| At beginning of period | 23,576 | 23,576 |
| Charge for the year | 2,510 | 2,510 |
| At end of period | <u>26,086</u> | <u>26,086</u> |
| <i>Net book value:</i> | | |
| At 31st December 2020 | <u><u>41,403</u></u> | <u><u>41,403</u></u> |
| At 31st December 2019 | <u><u>39,117</u></u> | <u><u>39,117</u></u> |

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12. Property, Plant and Equipment

a. Year Ended 31st December 2021

| | Motor vehicles € '000 | Office Equipment € '000 | Computer Equipment € '000 | Fixtures & Fittings € '000 | Total € '000 |
|------------------------------|--------------------------------------|--|--|---|-------------------------|
| <i>Cost</i> | | | | | |
| At beginning of period | 42 | 66 | 113 | 217 | 438 |
| Additions in period | - | 10 | 12 | - | 22 |
| Disposals in period | (42) | - | (22) | - | (64) |
| At end of period | - | 76 | 103 | 217 | 396 |
| <i>Depreciation</i> | | | | | |
| At beginning of period | 14 | 35 | 99 | 68 | 216 |
| Charge for the year | 5 | 7 | 15 | 32 | 59 |
| Disposals in period | (19) | - | (22) | - | (41) |
| At end of period | - | 42 | 92 | 100 | 234 |
| <i>Net book value:</i> | | | | | |
| At 31st December 2021 | - | 34 | 11 | 117 | 162 |
| At 31st December 2020 | 28 | 31 | 14 | 149 | 222 |

b. Year Ended 31st December 2020

| | Motor vehicles € '000 | Office Equipment € '000 | Computer Equipment € '000 | Fixtures & Fittings € '000 | Total € '000 |
|------------------------------|--------------------------------------|--|--|---|-------------------------|
| <i>Cost</i> | | | | | |
| At beginning of period | 48 | 62 | 103 | 201 | 414 |
| Additions in period | 42 | 4 | 10 | 16 | 72 |
| Disposals in period | (48) | - | - | - | (48) |
| At end of period | 42 | 66 | 113 | 217 | 438 |
| <i>Depreciation</i> | | | | | |
| At beginning of period | 48 | 28 | 89 | 35 | 200 |
| Charge for the year | 14 | 7 | 10 | 33 | 64 |
| Disposals in period | (48) | - | - | - | (48) |
| At end of period | 14 | 35 | 99 | 68 | 216 |
| <i>Net book value:</i> | | | | | |
| At 31st December 2020 | 28 | 31 | 14 | 149 | 222 |
| At 31st December 2019 | - | 34 | 14 | 166 | 214 |

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13. Receivables

| | 2021 | 2020 |
|--------------------|---------------|---------------|
| | € '000 | € '000 |
| Trade receivables | 10,789 | 18,200 |
| Value added tax | 1,258 | 1,160 |
| Prepayments | 431 | 368 |
| Accrued income | 46,324 | 10,825 |
| Deferred tax asset | - | 118 |
| | 58,802 | 30,671 |

Value added tax at 31 December 2021 consists of €1.3m refund due from Irish Revenue.

14. Financial Investments

| | 2021 | 2020 |
|---------------------------------------|----------------|---------------|
| | € '000 | € '000 |
| Exchequer notes greater than 3 months | 237,500 | 172,500 |

Financial investments consist of exchequer notes purchased from the National Treasury Management Agency with a maturity date more than 3 months after the year end. Exchequer notes with a maturity date of less than 3 months after the year end have been recognised within cash and cash equivalents.

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15. Current Liabilities: amounts falling due within one year

| | 2021 € '000 | 2020 € '000 |
|---|----------------|----------------|
| Accruals | 4,558 | 44,351 |
| PAYE/PRSI | 21 | 21 |
| Deferred tax liability | - | 118 |
| Other payables | 2 | 45 |
| Provision for onerous contracts due within one year | 61 | 61 |
| Value Added Tax | 8,324 | - |
| | <u>12,966</u> | <u>44,596</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.

At 31 December 2021, there was an amount of €NIL accrued for the purchase of strategic stocks, at 31 December 2020: €40.4m was accrued for the purchase of strategic stock.

Value added tax at 31 December 2021 includes a payment of €8.3m (62.8m kr) due to the Danish Taxation authorities.

16. Payables: amounts falling due after more than one year

| | 2021 € '000 | 2020 € '000 |
|--|----------------|----------------|
| Provision for onerous contracts due after one year | <u>66</u> | <u>128</u> |

Maturity analysis:

| | 2021 € '000 | 2020 € '000 |
|---|----------------|----------------|
| Onerous contracts are repayable as follows: | | |
| (a) Within one to two years | 61 | 61 |
| (b) Within two to five years | 5 | 67 |
| | <u>66</u> | <u>128</u> |

In the current market conditions the office at 7 Clanwilliam Square is not expected to be subleased for the remainder of the lease contract. Therefore the remaining lease has been deemed an onerous contract and the expense from 1st January 2020 to the end of the lease in January 2024 (€250k) has been realised in the Statement of Income and Expenditure and the liability has been realised within creditors in 2021 and 2020.

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17. 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 | 28,063 | 2,194 | 8,449 |
| Monetary liabilities | - | - | (8,324) |
| | <u>28,063</u> | <u>2,194</u> | <u>125</u> |

Monetary assets and liabilities are cash balances and unsettled sales and purchases invoices and unsettled Danish VAT due on sales of product receivable and subsequently payable to the Danish Taxation authorities.

18. 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 2021 (31st December 2020: 1 share).

19. Cash and Cash Equivalents

| | | | | |
|-----------|---|--------------------|------------------|---------------------|
| a. | <u>Year Ended 31st December 2021</u> | 1st Jan '21 | Cash flow | 31st Dec '21 |
| | | € '000 | € '000 | € '000 |
| | Cash at bank and in hand | 128,460 | (19,140) | 109,320 |
| | | <u>128,460</u> | <u>(19,140)</u> | <u>109,320</u> |
| b. | <u>Year Ended 31st December 2020</u> | 1st Jan '20 | Cash flow | 31st Dec '20 |
| | | € '000 | € '000 | € '000 |
| | Cash at bank and in hand | 231,882 | (103,422) | 128,460 |
| | | <u>231,882</u> | <u>(103,422)</u> | <u>128,460</u> |

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20. Commitments

Operating lease commitments

Operating lease charges recognised as an expense were €34,674,207 (2020: €34,755,186)

The company has leasehold interests in its registered office at Second Floor, Building Number 3, Number One, Ballsbridge, 126 Pembroke Road, Dublin 4, D04 EP27 and in oil storage facilities at Ringsend, Dublin; Poolbeg, Dublin; and Tarbert, Co. Kerry. The company holds a further leasehold interest at 7 Clanwilliam Square, Grand Canal Quay, Dublin 2, D02 CV48.

Premises

The Agency has commitments payable up to end of January 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 €61,400 per annum.

As stated in note 16, this commitment has been recorded as an onerous contract and was expensed to the Statement of Income and Expenditure in 2020.

The Agency has commitments payable up to the year 2034 in respect of a 15 year lease for office accommodation at Second Floor, Building Number 3, Number One, Ballsbridge, 126 Pembroke Road, Dublin 4, D04 EP27. Rent reviews are carried out every 5 years and the current rent is €118,446 per annum.

At 31st December 2021 the National Oil Reserves Agency had the following minimum lease charges under non-cancellable operating leases for each of the following periods:

| | 2021 | | 2020 | |
|---------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | Property € '000 | Oil Storage € '000 | Property € '000 | Oil Storage € '000 |
| Payable: | | | | |
| Within one year | 131 | 28,679 | 118 | 32,368 |
| Within two and five years | 533 | 92,612 | 588 | 94,949 |
| After five years | 1,561 | 108,308 | 1,637 | 130,081 |
| | <u>2,225</u> | <u>229,599</u> | <u>2,343</u> | <u>257,398</u> |

Foreign currency commitments

At 31st December 2021, the Company had committed to sell \$16.5m (€14.1m) on 7th January 2022 and had also entered into a sale and purchase agreement at its site in Denmark which gave the company a Danish VAT commitment of 62.8m kr (€8.4m), (31st December 2020: NIL).

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20. Commitments (continued)

Capital commitments

Future capital expenditure approved by the directors at 31st December 2021 was as follows:

| | 2021 | 2020 |
|-------------------------------|---------------------|---------------|
| | € '000 | € '000 |
| Contracted | 113,215 | 611 |
| Authorised but not contracted | <u>5,910</u> | <u>-</u> |

At 31st December 2021, NORA was also committed to sell 157,500 tonnes of strategic stock in July 2022 as part of a contract entered into in 2021. This stock represents €56.3m of the strategic stock balance on the balance sheet at 31 December 2021.

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21. Retirement Benefit

During the year, with the agreement of the Minister for the Environment, Climate and Communications, the Minister for Public Expenditure and Reform, the Trustees and NORA ("the Employer"), and in line with the Trust Deed and Rules of the NORA Pension Scheme, it was agreed that the NORA Pension Scheme be wound up, effective 30th April 2021.

Settlements were put in place for all pensioners and deferred pensioners.

| | Single Scheme 2021 € '000 | NORA Scheme 2021 € '000 | Total 2021 € '000 | NORA Scheme 2020 € '000 |
|--|------------------------------------|----------------------------------|-------------------------|----------------------------------|
| (a) Retirement benefit costs | | | | |
| Current service cost | 222 | 7 | 229 | 42 |
| Settlement | - | 682 | 682 | - |
| Employer contribution to DPER | 78 | - | 78 | - |
| Remeasurement losses/(gains) | 3 | - | 3 | - |
| Adjustment to deferred pension finding | (229) | - | (229) | - |
| Recognised in arriving at operating surplus | 74 | 689 | 763 | 42 |
| Net interest cost credit | 4 | (3) | 1 | (9) |
| Total recognised in Statement of Income and Expenditure | 78 | 686 | 764 | 33 |
| | | 2021 € '000 | Total € '000 | 2020 € '000 |
| (bi) Movement in surplus during the year | | | | |
| Surplus in scheme at beginning of year | | 944 | 944 | 790 |
| Movement in year: | | | | |
| Current service cost | | (7) | (7) | (42) |
| Contributions - Employer | | 7 | 7 | 45 |
| Contributions - Member | | - | - | - |
| Settlement | | (682) | (682) | - |
| Refund to employer (net of expenses) | | (347) | (347) | - |
| Other finance income | | 3 | 3 | 9 |
| Remeasurements of net defined benefit obligation | | 82 | 82 | 142 |
| Surplus in scheme at end of year | | - | - | 944 |

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21. Retirement Benefit (continued)

| | Single Scheme 2021 € '000 | NORA Scheme 2021 € '000 | Total € '000 | NORA Sche 2020 € '000 |
|---|------------------------------------|----------------------------------|-----------------|--------------------------------|
| (bii) Reconciliation of scheme's liabilities | | | | |
| Opening value of scheme's liabilities | 509 | 2,068 | 2,577 | 2,025 |
| Service cost | 196 | 7 | 203 | 42 |
| Member contributions | 26 | 1 | 27 | 8 |
| Interest on scheme liabilities | 4 | 8 | 12 | 25 |
| Remeasurement losses/(gains) | 3 | (91) | (88) | 21 |
| Settlements | - | (1,957) | (1,957) | - |
| Benefits paid | - | (36) | (36) | (53) |
| Closing value of scheme's liabilities | 738 | - | 738 | 2,068 |

| | 2021 € '000 | Total € '000 | 2020 € '000 |
|---|----------------|-----------------|----------------|
| (biii) Reconciliation of scheme's assets | | | |
| Opening value of scheme's assets | 3,012 | 3,012 | 2,814 |
| Interest on scheme assets | 10 | 10 | 34 |
| Remeasurement gains | (8) | (8) | 163 |
| Employer contributions | 7 | 7 | 45 |
| Members' contributions | 1 | 1 | 9 |
| Settlement | (2,639) | (2,639) | - |
| Service costs | - | - | - |
| Refund to employer (net of expenses) | (347) | (347) | - |
| Benefits paid | (36) | (36) | (53) |
| Closing value of scheme's assets | - | - | 3,012 |

| | 2021 € '000 | 2020 € '000 |
|--|----------------|----------------|
| (biv) Deferred Retirement benefit (SPSPS) | | |
| Deferred Retirement Benefit Funding 1 January | 509 | - |
| Funding recoverable in respect of current year costs | 229 | - |
| Deferred Retirement Benefit 31 December | 738 | - |

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.

The Single Scheme pension liabilities are being funded on a pay as you go basis. The deferred funding asset is based on the provision in the Public Service Pensions (Single Scheme and Other Provisions) Act 2012 that the liability will be met from funds provided by the Oireachtas.

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21. Retirement Benefit (continued)

(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.

| | Single Scheme 2021 | NORA Scheme 2021 | NORA Scheme 2020 |
|------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Discount rate | 1.30% | 1.50% | 1.10% |
| Salary increases | 3.50% | 2.90% | 2.80% |
| Retirement benefit increases | 2.00% | 1.90% | 1.80% |
| Inflation increases | 2.00% | 1.40% | 1.30% |

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.

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

| | Single Scheme Retiring-66 in 2021 | NORA Scheme Retiring-65 in 2021 | NORA Scheme Retiring-65 in 2020 |
|---------|--|--|--|
| Males | 22.4 | 22.9 | 22.7 |
| Females | 25.0 | 24.3 | 24.2 |

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.

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21. Retirement Benefit (continued)

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> | Single Scheme Value at 31st Dec '21 € '000 | NORA Scheme Value at 31st Dec '21 € '000 | NORA Scheme Value at 31st Dec '20 € '000 |
|---|---|---|---|
| Equities | - | - | - |
| Bonds | - | - | 2,967 |
| Absolute Return | - | - | - |
| Cash | - | - | 45 |
| Overall | <u>-</u> | <u>-</u> | <u>3,012</u> |
| Total market value of assets | - | - | 3,012 |
| Present value of scheme's liabilities | - | - | (2,068) |
| | - | - | 944 |
| Related deferred tax liability/(asset) | - | - | - |
| Net retirement benefit reserve | <u>-</u> | <u>-</u> | <u>944</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 was due to be carried out at 1st January 2021. However due to the agreed wind up of the scheme no triennial valuation was carried out.

The NORA Pension Scheme in line with the Trust Deed and Rules of the Scheme having paid out the invoiced expenses relating to the wind up of the Scheme, returned the balance of funds (€366k) in the Pension Bank Account, to NORA ("the Employer") and the Trustee Bank Account was closed in January 2022. Following the closure further invoices were received in relation to the wind up and paid by NORA. Meaning a surplus of funds of €347k.

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 2021

22. 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 2021.

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, 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.

23. Approval of financial statements

The directors approved the financial statements on 20th June 2022.