NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION

RESOURCE ACCOUNTS

2006 - 2007

(YEAR ENDED 31 MARCH 2007)

NIA 18/07- 08 **The Stationery Office**

NORTHERN IRELAND AUTHORITY FOR ENERGY REGULATION RESOURCE ACCOUNTS
For the year ended 31 March 2007

Laid before the Northern Ireland Assembly by the Department of Finance and Personnel under section 10(4) of the Government Resources and Accounts Act (Northern Ireland) 2001

14 September 2007

NIA 18/07- 08

Resource Accounts
for the year ended 31 March 2007

ANNUAL REPORT

Introduction

These Resource Accounts have been prepared and published by the Northern Ireland Authority for Utility Regulation (NIAUR). However, they relate to the affairs of the Northern Ireland Authority for Energy Regulation (NIAER) which was the name of the organisation until 1 April 2007 when it was changed by the Water and Sewerage Services (Northern Ireland) Order 2006. These accounts therefore refer throughout to NIAER, the organisation which existed during the period under review. The Accounts have been prepared under a direction issued by the Department of Finance and Personnel and in accordance with the guidance set out in the 2006–07 *Government Financial Reporting Manual* (*FReM*) issued by Department of Finance and Personnel. The accounts demonstrate the resources that have been used to deliver NIAER's objectives. This document should be read in conjunction with the NIAER Annual Report for 2006 – 07, which is published separately.

NIAER Boundary

The NIAER boundary is determined by the way in which in-year budgetary control is exercised by NIAER and for the year 2006-07 no other organisation was considered within the boundary.

History of NIAER

This is the fourth set of Resource Accounts prepared under the auspices of the Northern Ireland Authority for Energy Regulation. The offices of the Director General of Electricity Supply for Northern Ireland and the Director General of Gas for Northern Ireland were abolished on 31 March 2003 and replaced by the Northern Ireland Authority for Energy Regulation, a body corporate empowered under the Energy (Northern Ireland) Order 2003 (the Energy Order) to independently regulate both the electricity and gas industries on behalf of the Crown. The office of NIAER continued to be known as the Office for the Regulation of Electricity and Gas (OFREG). The Energy Order also transferred responsibility for electricity complaints and consumer representation to the General Consumer Council for Northern Ireland (the Consumer Council).

NIAER, a body corporate, is an independent public body set up to ensure the effective regulation of the Electricity and Gas industries in Northern Ireland, its main function in respect of:-

Electricity: is to protect the interests of electricity consumers,

Gas: is to promote the development of an efficient, economic and co-ordinated gas industry in Northern Ireland having regard to the need to protect the interests of gas consumers.

Where competition does not constitute an appropriate means of protecting consumers then regulation has historically been the alternative and price controls for both electricity and gas are currently in place. NIAER also has a range of important secondary functions which are designed to ensure that all reasonable demands for electricity are met, to secure a diverse and viable long term energy supply and to protect various disadvantaged consumer groups. NIAER has wide ranging legal powers to enable it to carry out its duties.

NIAER is enabled to recover, on behalf of the Consumer Council, costs identified as relating to that part of the Consumer Council's work on electricity and gas consumer issues.

Chief Executives Report

NIAER Reporting System

Article 6 of the Energy Order requires NIAER to produce and publish, before 1 April in each year, a Forward Work Programme for that particular financial year, but before doing so it must consult on a draft of the Programme in time to allow it to consider any representations or objections made.

NIAER is also required, as soon as practicable after the end of each financial year, to make a report to DETI, detailing how NIAER has performed during that financial year by comparing its achievements to those set out in its published Forward Work Programme. DETI is required to lay this report before the Northern Ireland assembly.

A Forward Work Programme for 2006/2007 was consulted on and published. It described NIAER's objectives as defined in the Energy Order, identified the main priorities which NIAER considered important in working towards those objectives and itemised and described the specific projects and their objectives which NIAER planned to undertake in the year commencing 1 April 2006. It also included an estimate of the overall expenditure which NIAER expected to incur during the year.

The 2006/2007 Annual Report focuses on recording performance against targets as set down in the 2006/07 Forward Work Programme

The 2006/2007 Forward Work Programme is available from the NIAUR website: http://www.niaur.gov.uk/. The Annual Report should be read in conjunction with the published resource accounts both of which will be available from this office in hard copy or as electronic versions which will be downloadable from the above website.

NIAER Reporting Cycle

As a Non-ministerial Government Department, NIAER's funds are voted by Parliament and accounted for on an annual basis through the Resource Account.

Receipts from electricity and gas licensees, which are classified as CFERs within the respective Orders, have, in line with a Treasury direction using its powers under the 1920 Treasury Act, been reclassified as Accruing Resources. To put this into effect DETI nominated the Director General of Electricity Supply (now NIAER) as its agent to collect licence fees on its behalf. These were licence fees due to DETI in respect of licences issued by it at the time of privatisation of the electricity industry. Gas licences issued by DETI and the Director General of Gas both provided for licence fees to be paid to the Director (now NIAER). Prior to this electricity and gas licence fees were paid directly into the Northern Ireland Consolidated Fund by the respective organisations.

NIAER's expenditure is therefore primarily offset by annual licence fees paid by the electricity and gas licensees and recovered from electricity and gas customers. Licence fees are set annually by a determination made by NIAER – the income from electricity and gas licence fees in 2006/ 07 was £1.466 million (this figure represents the net amount after deducting fees already overpaid by licensees in respect of 2005/ 2006).

Pension Liabilities

The Northern Ireland Civil Service staff working in NIAER, on loan from their parent departments, are covered by the Northern Ireland Principal Civil Service Pension Scheme (PCSPS (NI)) and NIAER bears the cost of pension provision for those staff by payment of an Accruing Superannuation Liability Charge (ASLC). The directly recruited staff of NIAER are employed on a permanent, non-pensionable basis.

Important Events Occurring After Year End

The enactment of the Water & Sewerage Services (Northern Ireland) Order 2006 (Water Order) with effect from 1 April 2007 changed NIAER's name from the Northern Ireland Authority for Energy Regulation to the Northern Ireland Authority for Utility Regulation and expanded its role to include the economic regulation of water and sewerage services. The expected cost of water and sewerage regulation in the next financial year is £1.6m excluding any costs levied by the Consumer Council.

Investment for the future

NIAER will continue to invest in employee training and development in order that staff can develop appropriate knowledge and skills to enable NIAER to meet its key objectives. NIAER will also continue to invest in and develop its IT infrastructure.

Management

In the year under review the major proportion of all NIAER staff were on loan from DETI or the Department of Finance and Personnel (DFP).

DETI appointed Mr Peter Matthews as Non Executive Chairman of NIAER with effect from 1 April 2006 and extended the contracts of Mr John Fitzgerald, Mr Peter Lehman and Mrs Joan Whiteside by an additional 6 months, from 1 April 2006 to 30 September 2006 to allow DETI time to appoint new members. Mr John Gilliland's contract had already been extended to 31 March 2007. NIAER appointed Mr Iain Osborne as Chief Executive with effect from 15 June 2006 and he was subsequently appointed as Accounting Officer of NIAER by the Department of Finance and Personnel (DFP).

New appointments to NIAER, for a period of 3 years, effective from 1 October 2006, were Ms Etain Doyle, Dr Clive Elphick, Mr Christopher Le Fevre, Mr Philip Johnson

and Mr James Oatridge and they together with Peter Matthews and John Gilliland made up NIAER in the period to 31 March 2007. NIAER's chairman and members were remunerated in line with Senior Civil Service payscales. The Audit Committee was chaired by Mr John Gilliland and comprised Mrs Joan Whiteside and Mr Eddie Gaw (Accountant), however following the departure of Mrs Whiteside and Mr Gaw and the impending departure of Mr Gilliland the Chairmanship of the Audit Committee was relinquished by him and taken up by James Oatridge. In addition to Mr James Oatridge, the Committee then comprised John Gilliland and Clive Elphick.
DETI appointed Mr Peter Matthews as Non Executive Chairman of NIAER with effect from 1 April 2006

Management Executive

NIAER's management executive was made up of the Non Executive Chair, the Chief Executive, the Electricity Director and the Non Executive Directors.and meets on a regular basis. Details of the remuneration of NIAER members and senior managers are provided on page 13 to these accounts.

Equal Opportunities

NIAER is an Equal Opportunity employer. It is fully committed to the elimination of all forms of discrimination, harassment and victimisation, not only because of the legal requirements under which it operates, but because it makes sound business sense and ensures that working relationships are based on mutual trust, respect and understanding. This allows the best use to be made of the wide variety of skills, abilities and attributes available in NIAER and promotes a harmonious working environment.

Disabled Persons

NIAER is committed to ensuring that its policies and practices comply with the requirements of the Disability Discrimination Act 1995.

Employee Involvement

NIAER recognises the benefit of keeping all its employees regularly informed about progress towards achieving its aims and objectives. After each meeting of NIAER Board the Chief Executive advises staff of all the relevant points emanating from that previous meeting.

Health and Safety

NIAER is committed to applying all existing health and safety at work legislation and regulations to ensure that staff and visitors enjoy the benefits of a safe environment. NIAER has circulated to all staff a Health and Safety Policy Statement and associated organisational and other arrangements to ensure safe and healthy working conditions.

Payment to Suppliers

NIAER is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts (Interest) Act 1998 and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid or undisputed invoice or similar demand, whichever is later. During the year, 97% of undisputed invoices were paid within this standard.

Equality Scheme

NIAER has produced an equality scheme as required by Schedule 9 of the Northern Ireland Act 1998 (the Act). This scheme sets out how it proposes to fulfil the duties imposed on it by section 75 of the Act. The scheme has been approved by the Equality Commission and is available in either paper or electronic format. It is also available on request in a variety of alternative formats. NIAER completed a 5 year review of the scheme which was submitted to the Equality Commission, on 8 February 2007, for approval.

External Auditor

Under section 10 of the Government Resource and Accounts Act (Northern Ireland) 2001, the Comptroller and Auditor General for Northern Ireland is the statutory auditor for NIAER. The notional charge for this audit service as disclosed in these accounts is £15k (2005-06 £20k).

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all the steps that I ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Internal Audit

The Internal Audit of NIAER is carried out on a contract basis. Following a tender exercise, a local company of professional accountants and auditors Helm Corporation (an organisation which operates to standards defined in the Government Internal Audit Manual) was successful and carried out the Internal Audit function for the year under review.

Register of Interests

NIAER maintains a Register of Interests containing details of company directorships and any other significant interests held by Non Executive Directors. Public access to this register can be obtained by contacting NIAER.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	2006-07	2005-06
	£000	£000
Net Resource Outturn (Estimates)	**2,590**	**1,525**
Adjustments to additionally include:		
Consolidated Fund Extra Receipts in the OCS	**-**	**4**
Net Operating Cost (Accounts)	**2,590**	**1,521**
Adjustments to remove:		
Notional Charges	**55**	**53**
Adjustments to additionally include:		
Other Consolidated Fund Extra Receipts	**-**	**-**
Resource Outturn (Budget)	**2,535**	**1,468**
Of which		
Departmental Expenditure Limits (DEL)	**2,535**	**1,468**
Annually Managed Expenditure (AME)		

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MANAGEMENT COMMENTARY

The work of NIAER is set out in the Electricity (Northern Ireland) Order 1992 and the Gas (Northern Ireland) Order 1996 both as amended by the Energy (Northern Ireland) Order 2003.

NIAER is required to make a full review of its activities in an annual report presented to DETI who is in turn required to lay the report before the assembly and arrange for its publication. NIAER is also required to forward a copy of this report to the General Consumer Council for Northern Ireland (GCCNI). This report is made on a financial year basis.

NIAER is independent of Ministerial control and as a non-ministerial government department NIAER's objectives are determined by NIAER and flow from the duties set out in the respective Electricity and Gas Orders as amended by the Energy Order. In summary NIAER has two main objectives:

A. **To protect the interests of electricity consumers with regard to price and quality of service by promoting competition in the Generation, Transmission and Supply of Electricity; and**
B. **To promote the development and maintenance of an economic, efficient and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service.**

Activities

The main duties of NIAER as set out in the Energy Order are:

- ensuring that all reasonable demands for electricity are satisfied;
- promoting competition in generation and supply while ensuring that the public electricity supplier is not competitively disadvantaged and that prices charged to customers do not distinguish between different areas within Northern Ireland.
- promoting the development and maintenance of an efficient and co-ordinated gas industry in Northern Ireland; and
- ensuring that electricity and gas licensees can finance their licensed activities.

Financial Review

NIAER's gross expenditure in pursuit of its objectives as detailed in the *Statement of Operating Costs by Departmental Aim and Objectives* was as follows:

- Objective A (Electricity) - £3,352,000 (£2,310,000 in 2005/06)

- Objective B (Gas) £704,000 (£756,000 in 2005/06)

The significant rise in costs for Objective A is due mainly to the development of and consultancy costs associated with the Single Electricity Market.

The *Operating Cost Statement* shows that salary costs rose in line with inflation from the previous year (£1,444k for 2006/07 against £1,005k for 2005/06). The rise in salary costs reflects the increase in staff numbers as well as inflation.

NIAER's net resource outturn was £2,590k against an estimate of £2,756k resulting in a saving against estimate of £166k. This arose as a result of delays in the timing of consultancy expenditure associated with the Single Electricity Market
The net resource outturn reflects the cost borne by Central Government in respect of work undertaken by NIAER which is not yet recoverable from a licensee or group of licensees. There was a significant increase in net resource outturn from £1,525,000 in 2005/06 to £2,590,000 in the 2006/07 year. This increase is mainly caused by the funding of the Single Electricity Market through central government expenditure.

The significant change in other current expenditure is the increase in consultancy costs from £1,500k in 2005/06 to £2,071k in 2006/07. This can be accounted for by costs associated with the development of the Single Electricity Market and the significant requirement for consultancy support to enable this programme to meet the "go-live" date agreed with Ministers.

There was also a significant reduction in publicity costs from £102k in 2005/06 to £67k in 2006/07 due in the main part to a reduction advertising costs associated with the recruitment of in house staff.

The percentage of staff costs to total costs has risen from 32% in 2005/06 to 36% in 2006/07 – this is mainly due to the recruitment of staff resources in the SEM team.

NIAER's expenditure was reclassified, in 2005/06, as DEL (Other Current).

There were no contingent liabilities in 2006/07.

Fixed Assets

Details of the movement of fixed assets are set out in Note 13 to the Accounts. There were £32,000 of additions to fixed assets during the financial year consisting of additional furniture and computer equipment.

Operating Review

NIAER continues to assess its performance against the targets identified and published in its Forward Work Programme. The detail of this assessment is contained in the 2006-07 Annual Report which should be read in conjunction with these resource accounts.

NIAER, during the year under review, held 10 executive meetings at its headquarters in Belfast.

The Audit Committee, currently chaired by James Oatridge, met on two occasions during the year. The Audit Committee has continued to improve risk management within NIAER and along with the Senior Management Team is committed to improving corporate governance including further development of the corporate risk register. NIAER also issued some fifty consultation /information papers all of which are available from the website.

Promoting competition in the generation and supply of electricity.

Significant progress has been made in the implementation of the Single Electricity Market with, following a review in July 2006, the “go-live” date set for 1 November 2007.

NIAER continued in its efforts to bring forward market opening in the least cost manner consistent with the EU Directive, with the non-domestic market opened in September 06 and the domestic market on schedule to open in November 2007. It continued to exercise regulatory oversight of all systems expenditure carried out by NIE regulated businesses in order to meet EU Directive requirements and to receive feedback from the industry via regular meetings with industry participants.

Interest in renewable energy has been growing in Northern Ireland. In addition to administering government support schemes such as the Renewables Obligation and Climate Change Levy exemption, NIAER has sought to encourage the growth of renewable energy and energy efficiency through a variety of measures such as the Energy Efficiency Levy and the NIE Smart programme.

The Energy Efficiency Levy raises around £5m to be spent on a variety of energy efficiency schemes, 80% of the levy money is aimed at vulnerable customers and seeks to alleviate fuel poverty by the provision of energy efficiency measures.

The Smart Programme aims to encourage NIE to seek renewable energy and energy efficiency alternatives conventional network reinforcement

Promoting the development and maintenance of an efficient economic and co-ordinated gas industry and protecting the interests of gas consumers with regard to price and quality of service

Agreement in principle was reached with Phoenix Natural Gas to reform the regulation of its transmission and distribution network, providing stability for the Belfast gas market. A new transmission operational regime was implemented to streamline operations and move from two balancing zones to one.

A gas supply licence was issued to Phoenix Supply Ltd, a new gas supply company independent of Phoenix's gas conveyance business thus completing the unbundling of Phoenix's combined Conveyance and Supply businesses as required under the 2003 EU Directive.

A more detailed analysis of NIAER's work during the year is contained in its Annual Report for 2006/2007, a printed copy of which can be purchased at a cost, by contacting us by phone on 028 90311575 or by writing to the Finance and Administration Branch, NIAUR, Queens House, 14 Queens Street, BELFAST, BT1 6ER. Alternatively it can be downloaded free from NIAER's website http://www.niaur.gov.uk .

The table below details key targets as set out in our Forward Work Programme for 2006/07and the outcomes against these targets:-

Project Summary	Outcome / Target	Timescale	Commentary
Regulate and enforce licences	Ongoing	31 March 2007	In place
Power Station decommissioning	Sites available to land bank	31 March 2007	Belfast West By Feb 08
Issue licence to SONI	New licence issued	31 March 2007	ongoing
Market opening	Open to all customers	31 March 2007*	Now Nov 07
Sale of spare inter-connector capacity	Maximise returns for customers	31 March 2007	Auctions held Jan 07
Set parameters for innovative supply price controls	Parameters to be set	31 March 2007	Extended to Nov 07
Set parameters for new PPB Price Controls	Parameters to be set	31 July 2007	On target
Set parameters for new SONI Price Controls	Parameters to be set	31 July 2007	On target
Put in place a new Transmission and Distribution Price Control	Parameters to be set	31 March 2007	In place Nov 06
Review of the Energy Efficiency Levy	Customer benefits	30 Sept 2006	Published
Risk Management Strategy	Updated	31 July 2006	Ongoing
Internal Control processes	Updated	31 July 2006	In Place
Publication of Resource Accounts	Revised completion date	30 June 2007	New date 31 July 07
Regulation & Enforcement of gas licences to meet our statutory duties.	Ongoing	31 March 2007	Ongoing
Finalise the Phoenix Transmission and Distribution price controls	Ongoing	31 March 2007	Revised date Aug 07
Ensure appropriate unbundling and business separation is in place for the Phoenix licenced entities.	Ongoing	31 March 2007	New supply licence issued
Finalise the modifications to the licences to implement the EU Gas Directive.	Ongoing	31 March 2007	Revised date July 07

Progress work with the Gas Market Opening Group to ensure the appropriate environment is created for effective competition to emerge.	Ongoing	31 March 2007	Work in progress
Review and if necessary amend the Standard Conditions of Gas licences in conjunction with DETI.	Ongoing	31 March 2007	Work in progress
Finalise the BGE(UK) and PTL reviews.	Ongoing	30 June 2007	On target
Progress licence and code modifications to ensure transmission regime continues to operate effectively.	Ongoing	31 March 2007	Complete
Finalise the BGE(UK) Transmission licence.	Ongoing	30 June 2007	On target
South North Gas pipeline	Construction started	31 October 2006	Completed
All-island Gas Capacity Statement	Ongoing	31 January 2007	Postponed
Review rationalisation of NI operational system.	Ongoing	31 March 2007	Complete
Progress towards the establishment of an all-island electricity market	Parameters agreed on all-island basis	31 March 2007	In place
Administer NI ROC Scheme in conjunction with OFGEM.	Operational scheme	1 April 2006 – 31 March 2007	In Place
Administer REGO scheme	Operational scheme	31 March 2007	Awaiting applications
Administer CCL exemption scheme	Maintain schemes integrity	31 March 2007	Operational scheme in place

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Corporate Governance Report

1. Code of Good Practice on Corporate Governance in Central Government Departments

1.1 NIAER complied with the provisions of HM Treasury's Code of Good Practice on Corporate Governance in Central Government Departments in 2006-07. The top level governance of NIAER continues to develop and change in line with recommendations made by the Better Regulation Taskforce. As it does, so we will work to ensure that we continue to comply

2. Ministerial arrangements

2.1 NIAER, a body corporate, established by the Energy (Northern Ireland) Order 2003 is a non-ministerial government department. NIAER's status as a non-ministerial government department ensures that regulation of the electricity and natural gas industries together with the promotion of the natural gas industry in Northern Ireland are fair and impartial and conducted within parameters established by Ministers. NIAER reports to the Department of Enterprise Trade and Investment (DETI) each year in accordance with Article 6 of the Energy Order and DETI is responsible for laying such report before the Northern Ireland Assembly. DETI is also responsible for appointing NIAER's non-executive directors, however it is intended that DFP will have that responsibility from 1 April 2007 NIAER is accountable to the courts for the discharge of its functions.

2.2 NIAER's duties and functions are described in various pieces of legislation:- the Electricity (Northern Ireland) Order 1992, the Gas (Northern Ireland) Order 1996 and The Energy (Northern Ireland) Order 2003. In summary NIAER has two main objectives:

- To protect the interests of electricity customers with regard to price and quality of service by promoting competition in the generation and supply of electricity
- To promote the development and maintenance of an economic and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service

3 The Northern Ireland Authority for Energy Regulation

3.1 The Northern Ireland Authority for Energy Regulation as per Schedule 1 of the Energy Order is required to have a minimum of 3 members including the chairman to enable it to discharge its duties. NIAER is responsible for the promotion and regulation of the electricity and natural gas industries in Northern Ireland as well as other financial functions e.g. the setting and collection of electricity and gas licence fees. NIAER exercises these functions on behalf of the crown as per Article 3(2) of the Energy (Northern Ireland) Order 2003.

3.2 NIAER is directly accountable to the Northern Ireland Assembly and Parliament and is required to comply with any directions given to it by HM Treasury or in other legislation. These are principally the Public Service Agreement (PSA), the management on behalf of HM Customs and Excise the Climate Change Levy scheme, the Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) scheme, the Renewables Order (Northern Ireland) 2005 scheme and the Competition Act 1998.

3.3 Under the enabling legislation all non-executive directors including the chairman have equal authority.

3.4 NIAER has appointed a Chief Executive to oversee the day to day running of the organisation and the Department of Finance and Personnel has additionally appointed the Chief Executive as NIAER's Accounting Officer.

3.5 A list of the NIAER officers is set out below

		Period if not full year
Peter Matthews	Chairman	
Joan Whiteside	Non-Executive Director	To 30 Sept 2006
Peter Lehmann	Non-Executive Director	To 30 Sept 2006
John Fitzgerald	Non-Executive Director	To 30 Sept 2006
John Gilliland	Non-Executive Director	To 31 March 2007
Etain Doyle	Non-Executive Director	From 1 October 06
Clive Elphick	Non-Executive Director	From 1 October 06
Christopher Le Fevre	Non-Executive Director	From 1 October 06
Philip Johnson	Non-Executive Director	From 1 October 06
James Oatridge	Non-Executive Director	From 1 October 06
Iain Osborne	Chief Executive	From 15 June 06

4. NIAER's Key Committees (as at 31 March 2007)

The Board

4.1 The Board in 2006-07 comprised the Non-Executive Chair, the Non-Executive Directors and the Chief Executive. A list of the members is shown at paragraph 3.5 above.

4.2 The Board provides the strategic management of NIAER. Its responsibilities include:

- Forming NIAER vision and setting high-level objectives.
- Setting strategic direction and deciding priorities for NIAER.
- Shaping tNIAER's underpinning behaviours, policies, processes and structures.
- Leading and promoting change to secure improved performance.
- Reviewing overall business planning and performance.

- Ownership and management of key strategic risks.

- Leading NIAER horizon scanning and scenario planning.

Its primary purpose is to discuss and review key operational and strategic matters — including the development of the future strategy for the organisation

4.3 Additional objectives of the Board include to:

- Contribute at an early stage to the development of strategic and operational proposals.

- Provide advice on the achievement of performance objectives.

- Assess and advise on the management of risk, supported by the Audit Committee.

- Encourage enterprise and innovation.

- Oversee NIAER's governance arrangements.

4.4 The Board met eleven times during 2006-07 and its minutes are published on the NIAER Internet site.

4.5 The Chairman leads an annual evaluation of the performance of the Board. Every two years, the Board considers its remit, constitution and operating procedures.

4.6 It is supported by:

- Board Advisory Groups encompassing gas and electricity

4.7 The Board currently has one sub-committee that reports to it on a regular basis:

- Audit Committee

4.8 On appointment non-executive Board members undertake a structured induction process organised within NIAER.

Audit Committee

4.9 The Audit Committee provides the Chief Executive, as Accounting Officer, and the Board with independent advice on the effectiveness of NIAER's governance, risk and control arrangements.

4.10 In fulfilling this role, the Audit Committee reviews significant issues identified by Internal Audit (IA) and the Northern Ireland Audit Office (NIAO), and invites executive managers to attend and provide an account of action being taken to address these issues.

4.11 Specific areas that come within the remit of the Audit Committee include:

- Strategic processes for governance, risk management and control.
- Departmental Accounts and the Annual Report.
- Statements on Internal Control (SICs).
- Planned activity and results of IA and NIAO.

4.12 Membership of the Audit Committee is drawn exclusively from non-executive Board members

In the period to 30 Sept 2006 the members were:

- John Gilliland (Chairman)
- Joan Whiteside

In the period from 1 October 2006 to 31 March 2007 the members were:

- James Oatridge (Chairman)
- John Gilliland
- Clive Elphick

4.13 A number of standing invitees also attend Audit Committee meetings. These include the Chief Executive, the Head of Internal Audit and representatives from NIAO.

4.14 The Audit Committee Chairman evaluates the performance of the committee in regular meetings with Audit Committee members and reports on performance to the Board.

4.15 The Audit Committee met three times during 2006-07 and the Chair provided a verbal report to the Board after each meeting. Its terms of reference and minutes of meetings are available on request.

The Remuneration Committee

4.16 The Board has agreed to introduce this new committee in 2007-08. Through this it aims to take a consistent approach to pay awards particularly annual uplifts and bonuses. The new structure will be embedded during the year and will be reported on in detail in the 2007-08 Corporate Governance Report.

5. Structure of NIAER

5.1 The organisational structure of NIAER is based on four work groups, electricity, gas, single electricity market and corporate affairs

6. Relationships with Arms Length Bodies

6.1 NIAER has no arms length bodies.
6.2 NiAER maintains a register of non-executive directors interests which is available for inspection on request.

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Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

The remuneration of all senior civil servants is entirely performance based. Permanent Secretaries pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

The Non Executive Chairman and Non Executive Directors of NIAER were appointed by DETI (Schedule 1 paragraph 1(1) of the Energy Order) and NIAER appointed its own Chief Executive. The salary level and terms for the Non Executive posts were set by DETI while the salary level and bonus terms for the Chief Executive post were determined by NIAER and approved by the Department of Finance and Personnel (Schedule 1 paragraph 5 of the Energy Order) as being the minimum necessary to attract and retain a person of the necessary calibre to fill the position.

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Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

NIAER, a body corporate as described in the Energy Order 2003, may, in accordance with Schedule 1 of the Order, appoint its own staff after consultation and approval from DFP. NIAER continues to make appointment under those powers with a view to having a 60/40 balance between direct appointees and seconded NICS staff.. The direct appointments are permanent, non pensionable appointments and in the period covered by this report 6 such appointments were made.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org .

Senior Management Remuneration and Pensions of Senior Management

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The following sections provide details of the remuneration and pension interests of the senior officials of NIAER.

2006 - 2007

	Salary including performance pay **£000**	Benefits in kind (rounded to the nearest **£100**)	Real increase in Pension and related lump sum at 31/3/06 – 31/3/07 **£k**	Total accrued pension at age 60 at 31/3/06 and related lump sum **£k**	CETV At 31/3/06 (nearest **£k)**	CETV At 31/3/07 (nearest **£k)**	Real increase in CETV After adjustment For inflation and changes in market Investment factors (nearest **£000**)
Ministers							
None							
Officials							
Mr John Fitzgerald** (Non Executive Director) contract completed 30 Sept 06	5-10	833 *	Non-pensionable	N/A	N/A	N/A	N/A
Mr John Gilliland** (Non Executive Director) contract completed 31 Mar 07	10-15	3,166 *	Non-pensionable	N/A	N/A	N/A	N/A
Mr Peter Lehmann** (Non Executive Director) contract completed 30 Sept 06	10-15	4,556 *	Non-pensionable	N/A	N/A	N/A	N/A
Ms Joan Whiteside** (Non Executive Director) contract completed 30 Sept 06	5-10	353 *	Non-pensionable	N/A	N/A	N/A	N/A
Mr Peter Matthews** (Non Executive Chairman) appointed 1 April 06	35-40	6,550*	Non-pensionable	N/A	N/A	N/A	N/A
Ms Etain Doyle** (Non Executive Director) appointed 1 October 06	10-15	1,679*	Non-pensionable	N/A	N/A	N/A	N/A
Mr Clive Elphick** (Non Executive Director) appointed 1 October 06	10-15	2,733*	Non-pensionable	N/A	N/A	N/A	N/A
Mr Philip Johnson** (Non Executive Director) appointed 1 October 06	10-15	2,728*	Non-pensionable	N/A	N/A	N/A	N/A
Mr Christopher Le Fevre** (Non Executive Director) appointed 1 October 06	10-15	1,966*	Non-pensionable	N/A	N/A	N/A	N/A
Mr Jim Oatridge** (Non Executive Director) appointed 1 October 06	10-15	2,825*	Non-pensionable	N/A	N/A	N/A	N/A
Mr Dermot MacCann (Acting Grade 5)	85-90	0	5-7.5 lump sum 20-22.5	35-40 lump sum 110-115	507	852	150
Mr Iain Osborne*** Chief Executive Joined 15 June 2006	115-120 (135 -140 full year equivalent)	9,775****	Non-pensionable	N/A	N/A	N/A	N/A

Figures subject to audit by the Comptroller and Auditor General – See certificate on page 27

* Taxable value of home to office costs + overnight accommodation and expenses provided at public expense
** part time non-pensionable appointments
*** full-time non-pensionable appointment
**** Relocation expenses

"Salary" includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance (including benefits in kind) to the extent that it is subject to UK taxation.

For civil servants pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase'

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk .

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, NIAER is required to prepare resource accounts for each financial year, in conformity with a DFP direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by NIAER during the year.

The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NIAER, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

DFP has appointed the Chief Executive of NIAER as Accounting Officer of NIAER, with responsibility for preparing NIAER's accounts and transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to comply with the Financial Reporting Manual (FREM) prepared by DFP, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FREM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding NIAER's assets are set out in the Accounting Officers' Memorandum issued by DFP and published in "Government Accounting Northern Ireland".

STATEMENT OF INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of NIAER's policies, aims and objectives, whilst safeguarding the public funds and NIAER assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of NIAER's policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized, and to manage them efficiently, effectively and economically. The system of internal control has been in place in NIAER for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with DFP guidance.

3. Capacity to handle risk

NIAER has established the following processes to ensure that leadership is given to the risk management process and that staff are trained to manage risk in an appropriate manner: -

- Members of NIAER's board meet at least ten times a year to consider NIAER's plans and overall strategic direction;
- The posts of CEO and Chairman have been separated as two distinct posts;
- NIAER's senior staff meet weekly to review key issues and risks as they arise;
- The board's Audit Committee meets quarterly (except when the change-over in board membership made this not feasible) and with risk as a standing agenda item;
- Elaboration of the Forward Work Programme based on an analysis of risks to the stakeholders to whom we owe statutory duties. This approach was particularly explicit in the consultation in December 2006;
- The development of the Annual Report to focus on performance against targets set out in Forward Work Programme
- The employment of in-house Legal Counsel;
- NIAER has outsourced its procurement and tendering function to the Central Procurement Directorate (DFP) which was set up to standardise procedures for the selection, management and performance assessment of such consultants
- NIAER has implemented an upgraded accounting system with significantly enhanced reporting modules in order to improve the provision of management information;

- NIAER has outsourced its IT function to DETI ISU to improve levels of service and to ensure compliance with NICS IT procedures and regulations;

4. The Risk and Control Framework

NIAER identifies, evaluates and controls risks in the following ways:

- a detailed annual budget with key performance indicators and outputs identified in the Forward Work Programme and then monitored through the year in routine management information systems that inform NIAER, Management Committee and Audit Committee;
- a formal risk management strategy that identifies key risks and their consequences. These are recorded in a risk register and current risk status is reviewed regularly by the senior management team and the Audit Committee, and annually by NIAER's board. The risk strategy and register have been the subject of a formal review this year by the Senior Management Team in conjunction with advice and guidance from our Internal Auditors
- a properly constituted Audit Committee comprising members of NIAER which reports directly to NIAER Board.
- independent Internal Audit (provided under contract by Helm Corporation) reports to the Audit Committee to standards defined in the Government Internal Audit Manual and agrees a rolling programme of audit for each forthcoming year according to the Committee's priorities
- the Audit Committee conducts a yearly review of the audit programme, including an assessment of general risk, and an opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement.
- NIAER consults fully with its stakeholders before finalising its decisions and this process of consultation acts as a very effective risk management tool

As part of NIAER's maintenance and development of risk management, a key change which came into effect during the reporting year was significant ongoing liaison on the continuing improvement of risk management within NIAER and also the inclusion of risk management as an item of Management and Audit Committee meetings. Further key changes which will come into effect in the next financial year are;

- An audit committee meeting exclusively dealing with the development of risk management within NIAER;
- A senior management away day – devoted to the development of Risk Management within NIAER;
- Introduction and implementation of significantly revised risk register concentrating on risks to strategic objectives;
- Review of risk register and risk management strategy by Internal Audit;
- Risk Register reviewed by Audit Committee on a quarterly basis;
- Formal training for Audit Committee members;
- Establishment of project managers for each workstream within the All Island Programme;

- Regular formal reviews in terms of quality of service and budgets analysis of all consultants employed by NIAER;
- Development of process to elevate consultancy review findings to Audit Committee and ultimately NIAER Board;
- The further development of improved management information reporting in the areas of budgeting, costing and accounting.

5 Review of effectiveness

As Accounting officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the executive managers within NIAER who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The internal audit service is contracted out to Helm Corporation, an organisation which operates to standards defined in the Government Internal Audit Manual, who as part of their duties carry out independent checks on the control process on my behalf.

The Internal Audit review for 2006/07 gave overall limited assurance in relation to the systems of internal control. The review gave full assurance in one area, substantial assurance in nine areas and limited assurance in the remaining six areas reviewed, being: appointment of consultants, bank and cash, budgetary reporting, human resource management, risk management and corporate governance. The Internal Auditors commented that “substantial assurance can be readily achieved in 2007/08 given the commitment by management to the implementation of the recommendations.”

The Audit Committee has reviewed the Internal Audit review and reported on it to NIAER’s board. This report agreed with Helm’s overall assessment for the audit but also stated that the outcome has to be viewed in the wider context: “despite the enormity of change during the year, with a new Chairman and Chief Executive appointments, together with the creation of a totally new Board of Non Executive Directors and planning for a new organisational structure driven by legislative changes, all the key strategic issues facing the organisation, such as the development of the SEM, the renegotiation of the Phoenix licence and key preparatory issues around ‘water’ were all delivered in a timely and fully professional manner. And in addition, for all areas of assurance which turned out lower than the Committee would have liked, a clear plan, with timelines and identified responsibilities for remedying deficiencies, has been agreed and is being implemented.”

I have accepted the Internal Audit recommendations and am addressing the areas for improvement**.** I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit Committee ensures that appropriate action is taken to address internal and external findings raised throughout the year. There were no instances of significant internal control weaknesses during 2006/07.

Accounting Officer:
Iain Osborne

3rd September 2007

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of Northern Ireland Authority for Energy Regulation for the year ended 31 March 2007 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Annual Report, the Directors Report, the Management Commentary and the Renummeration Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Department of Finance and Personnel directions issued under the Government resources and Accounts Act (Northern Ireland) 2001; and

- information given within the Annual Report, which comprises the Annual Report, the Directors Report, the Management Commentary and the Renummeration Report, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements

JM Dowdall CB

Comptroller and Auditor General

6th September 2007

Northern Ireland Audit Office

106 University Street

Belfast BT7 1EU

Statement of Parliamentary Supply

Summary of Resource Outturn 2006–07

	2006-07 £000								2005-06 £000
				Estimate			Outturn		Outturn
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total outturn compared with Estimate: saving/ (excess)	Net Total
Request for Resources A	2	5,322	2,566	2,756	4,056	1,466	2,590	166	1,525
Total Resources	3	5,322	2,566	2,756	4,056	1,466	2,590	166	1,525
Non-operating cost Accruing Resources				-			-	-	-

Net cash requirement 2006-07

		2006-07 £000			2005-06 £000
	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/(excess)	Outturn
Net cash requirement	4	2,797	1,936	861	950

Summary of income payable to the Consolidated Fund.

		Forecast 2006-07 £000		Outturn 2006-07 £000	
	Note	Income	Receipts	Income	Receipts
Total	5	-	-	-	-

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

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The notes on Pages 36-55 form part of these accounts

Operating Cost Statement
for the year ended 31 March 2007

		2006-07			2005-06 As restated – Admin to Programme
	Note	Staff Costs	Other Costs	Income	£000
Programme Costs					
Staff Costs	9	1,444			1,005
Other non-staff costs	10		2,612		2,061
Operating income	11			(1,466)	(1,545)
Totals		**1,444**	**2,612**	**(1,466)**	**1,521**
Net Operating Cost	3, 12			**2,590**	**1,521**

All income and expenditure is derived from continuing operations

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The notes on Pages 36-55 form part of these account

Statement of Recognised Gains and Losses

for the year ended 31 March 2007

	2006-07	2005-06
	£000	£000
Net Gain / (Loss) on revaluation of tangible fixed assets	-	-
Net Gain / (Loss) on revaluation of tangible fixed assets	-	-
Recognised gains and (losses) for the financial year	**-**	**-**

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The notes on Pages 36-55 form part of these accounts

Balance Sheet
as at 31 March 2007

		31 March 2007		31 March 2006	
	Note	£000	£000	£000	£000
Fixed assets:					
Tangible assets	13		73		67
Intangible assets	14		2		3
Current assets:					
Debtors	15	113		333	
Cash at bank and in hand	16	865		878	
		978		1,211	
Creditors (amounts falling due within one year)	17	(3,081)		(2,652)	
			(2,103)		(1,441)
			(2,028)		**(1,371)**
Taxpayers' Equity:					
General fund	18		(2,028)		(1,371)
Revaluation reserve	19		-		-
			(2,028)		**(1,371)**

Accounting Officer:
Iain Osborne

3rd September 2007

The notes on Pages 36-55 form part of these accounts

Cash Flow Statement

For year ended 31 March 2007

	Note	2006-07 £000	2005-06 £000
Net cash outflow from operating activities	20a	**(1,904)**	**(879)**
Capital expenditure and financial investment	20b,20c	**(32)**	**(67)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		**-**	**-**
Payments of amounts due to the Consolidated Fund		**-**	**-**
Financing	20d	**1,923**	**1,436**
Increase/(decrease) in cash in the period	20e	**(13)**	**490**

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The notes on Pages 36-55 form part of these accounts

Statement of Operating Costs by Departmental Aim and Objectives
for the year ended 31 March 2007

	2006-07			2005-06		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Aim:						
Objective A: To promote competition in the generation and supply of Electricity and to protect the interests of electricity consumers with regard to price and quality of service	3,352	(763)	2,589	2,310	(992)	1,318
Objective B: To promote the development and maintenance of an efficient, economic and co-ordinated gas industry and to protect the interests of gas consumers with regard to price and quality of service	704	(703)	1	756	(553)	203
Net Operating Costs	**4,056**	**(1,466)**	**2,590**	**3,066**	**(1,545)**	**1,521**

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The notes on Pages 36-55 form part of these accounts

Notes to NIAER Resource Accounts for the year ended 31 March 2007

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2006–07 *Government Financial Reporting Manual* (*FReM*) issued by Department of Finance and Personnel. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, at their value to the business by reference to their current costs.

1.2 Tangible Fixed Assets

The minimum level for capitalisation of a tangible fixed asset is £500 for PCs and £1000 for all other assets. Where material assets may be pooled/grouped so as to reflect more accurately asset holdings.

The following asset categories existed at the start of the year, namely IT equipment, office equipment, fixtures and fittings and leasehold improvements. Asset additions have been valued at purchase price. Existing assets are revalued annually by reference to revaluation indices obtained from the Office for National Statistics and the construction industry.

1.3 Intangible Fixed Assets

Intangible fixed assets comprise computer software licences with a capitalisation threshold of £1000. They are revalued annually by reference to the RPI.

1.4 Cost Apportionment

NIAER total costs in 2006-07 were apportioned on the basis of each divisions directly identifiable costs plus a percentage allocation of common costs based on the relationship of divisional staff numbers to total NIAER staff numbers.

1.5 Depreciation and Amortisation

Depreciation is provided at rates calculated to write off the valuation of tangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

Leasehold improvements	10 years or lifetime of lease
IT equipment	3 years
Fixtures and Fittings	5 to 10 years
Office Equipment	5 years
Intangible Assets	5 years

1.6 Revenue Recognition

The costs of NIAER are offset primarily by annual licence fees paid on the issue of electricity and gas licences as defined under statute. Electricity licence fees are calculated on the basis of a determination made by NIAER. It was decided in 1992 that one third of the cost of electricity regulation should be charged to the holders of generation licences, one third to the holders of transmission licences and one third to the holders of public electricity supply licences, second tier licence holders pay a minimum fee of £250 plus an additional amount based on Mws supplied in the previous year which reduces the fee payable by the public electricity supply licence holder. Licence fees are ultimately recovered from electricity customers through an operating cost allowance in the Price Controls of NIE’s regulated businesses.

The commencement date for the collection of Gas fees was 5 September 1996. Prior to that date, costs were borne by central government. Gas licence fees are based on the annual identifiable costs of gas regulation excluding gas promotion costs which are borne by central government.

Gas licence fees are calculated on the basis of a determination made by NIAER. Following a consultation process on how gas licence fees should be apportioned it was decided that as from the 2002-03 financial year 80% (formerly 95%) of the cost of gas regulation should be borne by the holders of gas conveyance licences and 20% (formerly 5%) by the holders of gas supply licences. The holders of conveyance licences who engage in distribution activities will pay a £50,000 basic fee plus a further amount based on volumes conveyed in the previous year. Gas supply licence holders pay a minimum fee of £1,000 plus an additional amount based on volumes supplied in the previous year. Gas licence fees are recovered from gas customers through an operating cost allowance in the Price Control of Phoenix Natural Gas's conveyance business.

In the year following payment of licence fees, NIAER adjusts the new licence fees by the amount of over/under recovery of actual costs arising in the previous licence year. Since licence fees are based on estimated costs, any over-recovery is treated as Deferred Income within Creditors and any under-recovery as Accrued Income within Debtors.

In addition, following the introduction of The Energy (Northern Ireland) Order 2003 the cost of the General Consumer Council for Northern Ireland in dealing with electricity consumer issues is recovered from the public electricity supply licence holder and with gas consumer issues from (apportioned equally) the holders of gas conveyance licences who engage in distribution activities. For 2006 – 07 NIAER collected and passed on to the GCCNI an amount of £291,426 of which £166,529 was in respect of its' electricity functions and £124,897 in respect of its' gas functions. These licence fees are accounted for in the accounts of the GCCNI.

1.7 Administration and Programme Expenditure

A reclassification exercise was carried out via the Budget & Monitoring Rounds during 2005/06 to ensure that the classification of expenditure was consistent with the Licence Fee income. As licence fee income is classified as DEL Other Resource, NIAER gained DFP approval (both Supply Branch and CED) to reclassify all its expenditure as DEL Other Resource. This reclassification continues to be reflected in the Estimates.

1.8 Capital Charge

A capital charge, reflecting the cost of capital utilised by NIAER, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5% per cent in real terms on all assets less liabilities.
The negative value of total net assets arises because the funds owed to Electricity and Gas licensees are correctly shown as a liability. However under Government Accounting rules NIAER is required to surrender surpluses to the Consolidated Fund, these are the subject of an in year bid in the following financial year. This is required because the respective Electricity and Gas licences make provision for a reduction in the licence fee collected to reflect any underspend in the previous year.

1.9 Taxation

VAT is accounted for in accordance with SSAP5.

The amount due from HM Customs and Excise in respect of VAT is included within Debtors in the Balance Sheet.

1.10 Foreign Exchange

Revenue and expenditure incurred in foreign currencies are translated at the rate of exchange ruling on the date of the transaction.

1.11 Notional Costs

Since Resource Accounts are required to show the full cost of delivery of public services, the operating cost statement therefore includes certain notional items of expenditure.

1.12 Operating Leases

Rentals due under operating leases are charged to the operating cost statement over the term of the lease on a straight-line basis or on the basis of actual rental payments where this fairly reflects usage.

1.13 Pensions

Past and present employees, with the exception of the directly recruited Authority employees, are covered by the provisions of the PCSPS (NI) which is a defined benefit scheme and is unfunded and non-contributory. NIAER recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account). Further details of these pension arrangements are given in the Remuneration Report above.

1.14 Early Departure Costs

All Authority staff (excluding the directly recruited Authority staff and Non Executive Directors) are on loan from their respective parent departments, those departments are required to meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of their employees who retire early. This additional cost runs from the date of their retirement until they reach normal pensionable age.

1.15 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, NIAER discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Government Accounting Northern Ireland*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

2. Analysis of net resource outturn by section

	2006-07								2005-06
						Outturn		Estimate	Outturn
	Admin	Other Current	Grants	Gross resource Expenditure	Accruing Resources	Net Total	Net Total	Net Total outturn compared with Estimate	Prior-year outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Request for resources A:									
Departmental Expenditure in DEL:									
1. Administration	-	4,001	-	4,001	(1,466)	2,535	2,691	156	1,472
Non Budget									
2. Notional Costs		55	-	55	-	55	65	10	53
Resource Outturn	**-**	**4,056**	**-**	**4,056**	**(1,466)**	**2,590**	**2,756**	**166**	**1,525**

Analysis of outturn against estimate

This resulted from an under spend on the Single Electricity Market project

Key to Request for Resources

Request for resources A – To protect the interests of electricity & gas consumers with regard to price & quality of service.

3. Reconciliation of outturn to net operating cost and against Administration Budget

3(a) Reconciliation of net resource outturn to net operating cost

		2006-07			2005-06
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
	Note	£000	£000	£000	£000
Resource Outturn	2	2,590	2,756	166	1,525
Non-supply income (CFERs)	5	-	-	-	(4)
Net operating cost		**2,590**	**2,756**	**166**	**1,521**

3(b) Outturn against final Administration Budget

***See Note 1.6**	2006-07*		2005-06
	Budget	Outturn	Outturn
	£000	£000	£000
Gross Administration Budget	-	-	-
Income allowable against the Administration Budget	-	-	-
Net outturn against final Administration Budget			**-**

4. Reconciliation of resources to cash requirement

	2006-07			
		Estimate	Outturn	Net total outturn compared with estimate: saving/ (excess)
	Note	£000	£000	£000
Resource Outturn	2	2,756	2,590	166
Capital :				
• Acquisition of fixed assets	13 & 14	119	32	87
Non operating Accruing Resources :				
• Proceeds of fixed asset disposals	13 & 14	-	-	-
Accruals adjustments:				
• Non-cash items	10	(78)	(24)	(54)
• Changes in working capital other than cash	20	-	(662)	662
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
Net cash requirement		**2,797**	**1,936**	**861**

5. Analysis of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

		Forecast 2006-07		Outturn 2006-07	
		Income	Receipts	Income	Receipts
	Note	£000	£000	£000	£000
Operating income and receipts – excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		-	-	-	-
	18	**-**	**-**	**-**	**-**
Non-operating income and receipts excess Accruing Resources	7	-	-	-	-
Other non-operating income and receipts not classified as Accruing Resources	8	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		**-**	**-**	**-**	**-**

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

		2006-07	2005-06
	Note	£000	£000
Operating income	11	1,466	1,545
Income authorised to be treated as Accruing Resources		(1,466)	(1,541)
Operating income payable to the Consolidated Fund	5	-	4

7. Non-operating income – Excess Accruing Resources

	2006-07	2005-06
	£000	£000
Non-operating income – excess Accruing Resources	-	-

8. Non-operating income not classified as Accruing Resources

	2006-07	
	Income	Receipts
	£000	£000
	-	-

	2006-07	2005-06
	£000	£000
Receivable in the year	-	-
Recognised in the year	-	-
Carried forward	-	-

9. Staff numbers and related costs

Staff Costs

9A. Staff costs comprise of:

	2006-07					2005-06
					£000	£000
	Total	Permanently employed staff	Others	Ministers	Special advisers	Total
Wages and salaries	1,193	1,193	-	-	-	801
Social security costs	98	98	-	-	-	64
Other pension costs	149	149	-	-	-	137
Sub Total	1,440	1,440	-	-	-	1,002
Agency Staff and Inward Secondments	4	-	4	-	-	3
TOTAL	**1,444**	**1,440**	**4**	**-**	**-**	**1,005**
Less recoveries in respect of outward secondments	-	-	-	-	-	-
TOTAL NET STAFF COSTS	**1,444**	**1,440**	**4**	**-**	-	**1,005**

The Principal Civil Service Pension Scheme in NI (PCSPS(NI)), of which most of NIAER's staff are members, is an unfunded defined benefit scheme which produces its own resource accounts, but NIAER is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2006-07, employers' contributions £149,364 were payable to the PCSPS(NI) (2005-06 £100,200) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands (the rates in 2006-07 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

At the balance sheet date there were no contributions due to any partnership pension provider. There were no early retirements on ill-health grounds.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account

	2006-07					2005-06
	Number					Number
	Total	Permanent staff	Others	Ministers	Special advisers	Total
Total	**36**	**36**				**27**

10. Other non-staff costs

	2006-07		2005-06 As restarted	
	£000	£000	£000	£000
Rentals under operating leases				
Property rentals	79		137	
Hire of office equipment	14		13	
		93		150
Non-cash items				
Depreciation and amortisation of fixed assets				
. Tangible fixed assets	24		25	
. Intangible fixed assets	1		3	
Impairment of fixed assets	2		1	
(Profit) / Loss on disposal of fixed assets	-		19	
Cost of capital charge (credit)	(58)		(37)	
Provision for Bad Debts charge	-		-	
Auditors' remuneration and expenses	15		20	
Other notional costs	40		33	
		24		64
Other Expenditure				
Consultancy	2,071		1,500	
Publicity	67		102	
Hospitality	8		10	
Travel & Subsistence	66		46	
Rates	50		33	
Training	36		30	
Utilities	21		25	
Exchange (Gains)/Losses	2		-	
Miscellaneous	174		101	
		2,495		1,847
		2,612		2,061

11. Income

	Note	2006-07 RfR A £000	2005-06 Total £000
Electricity Licence Fees		763	992
Gas Licence Fees		703	553
	6	**1,466**	**1,545**

12. Analysis of net operating cost by spending body

	2006-07		2005-06
	Estimate	Outturn	Outturn
	£000	£000	£000
Spending body:			
NIAER	2,756	2,590	1,521
Net Operating Cost	**2,756**	**2,590**	**1,521**

13. Tangible fixed assets

	Leasehold Improvements	Information Technology Equipment	Office Equipment	Fixtures & Fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2006	-	27	29	31	87
Additions	-	20	3	9	32
Disposals	-	(1)	-	-	(1)
Impairments	-	(3)	-	-	(3)
Revaluations	-	-	(1)	1	-
At 31 March 2007	**-**	**43**	**31**	**41**	**115**
Depreciation					
At 1 April 2007	-	9	9	2	20
Charged in year	-	12	5	7	24
Disposals	-	(1)	-	-	(1)
Impairments	-	(1)	-	-	(1)
Revaluations	-	-	-	-	-
At 31 March 2007	**-**	**19**	**14**	**9**	**42**
Net book value at 31 March 2007	**-**	**24**	**17**	**32**	**73**
Net book value at 31 March 2006	**-**	**18**	**20**	**29**	**67**
Asset financing:					
Owned-Supply financed	-	24	17	32	73
Net Book value at 31 March 2007	**-**	**24**	**17**	**32**	**73**

14. Intangible fixed assets

Intangible fixed assets comprise software licences

	2006-07
	£000
Cost or valuation	
At 1 April 2006	14
Additions	-
Disposals	1
Revaluation	-
At 31 March 2007	15
Amortisation	
At 1 April 2006	11
Charged in year	1
Disposals	-
Revaluation	1
At 31 March 2007	13
Net book value at 31 March 2007	**2**
Net book value at 31 March 2006	**3**

15. Debtors

15(a) Analysis by type

	2006-07	2005-06
	£000	£000
Amounts falling due within one year:		
Trade debtors	6	210
Prepayments and accrued income	12	12
VAT	95	111
	113	**333**

15(b) Intra-Government Balances

	Amounts falling due after more than one year	
	2006-07	2005-06
	£000	£000
Balances with other central government bodies	95	111
Balances with local authorities	-	-
Balances with NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
***Subtotal:* intra-government balances**	**95**	**111**
Balances with bodies external to government	18	222
Total debtors at 31 March	**113**	**333**

16. Cash at bank and in hand

	2006-07	2005-06
	£000	£000
Balance at 1 April 2006	878	388
Net change in cash balances	(13)	490
Balance at 31 March 2007	**865**	**878**

The above balances consist of balances in Department bank accounts within the centralised NICS pool of accounts, currently held at the Northern Bank, or cash in hand.

17. Creditors

17(a) Analysis by type

	2006-07		2005-06	
	£000	£000	£000	£000
Amounts falling due within one year				
Trade creditors		528		352
Accruals and deferred income		1,688		1,422
Amounts issued from the Consolidated Fund for supply but not spent at year end		861		874
Consolidated fund extra receipts due to be paid to the Consolidated Fund				
Received (see Note 20)	4		4	
Receivable (See Note 19)	-		-	
		4		4
		3,081		2,652

17(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2006-07	2005-06		
	£000	£000		
Balances with other central government bodies	1,041	984		
Balances with local authorities	-	-		
Balances with NHS Trusts	-	-		
Balances with public corporations and trading funds	-	-		
***Subtotal:* intra-government balances**	1,041	984		
Balances with bodies external to government	2,040	1,668		
Total creditors at 31 March	**3,081**	**2,652**		

18. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	Note	2006-07 £000	2005-06 £000
Balance at 1 April 2006		**(1,371)**	**(818)**
Net Operating (Cost)/Surplus for the year (Statement 2)	12	(2,590)	(1,521)
Operating income not treated as Accruing Resources payable to Consolidated Fund	5	-	(4)
Non-operating income not treated as Accruing Resources payable to Consolidated Fund	5	-	-
Net parliamentary funding			
Drawn from Consolidated Fund		1,923	1,436
Deemed issued from Consolidated Fund		874	388
Drawn from Contingencies Fund		-	800
Repaid to Contingencies Fund		-	(800)
Consolidated Fund credit for cash unspent		(861)	(874)
Non-cash charges:			
- Debit against cost of capital credit		(58)	(37)
- Credit for other notional costs	10	55	53
Transfer of realised element of revaluation reserve (See note 19)		-	6
Balance at 31 March 2007		**(2,028)**	**(1,371)**

19. Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2006-07 £000	2005-06 £000
Balance at 1 April 2006	**-**	**6**
Transfer to general fund of realised element of revaluation reserve (see note18)	-	(6)
Revaluation of tangible fixed assets	-	-
Revaluation of intangible fixed assets	-	-
Balance at 31 March 2007	-	-

20 Notes to the Consolidated Cash Flow Statement

20(a) Reconciliation of operating cost to operating cash flows

	Note	2006-07 £000	2005-06 £000
Net operating cost	12	(2,590)	(1,521)
Adjustments for non-cash transactions			
- Other non-staff costs	10	24	64
(Increase)/Decrease in Debtors	15	220	(112)
Increase/(Decrease) in Creditors	17	429	1,180
less movements in debtors relating to CFER items			
- CFER amounts due to Consolidated Fund	17	-	(4)
less movements in creditors relating to items not passing through the OCS			
- Supply amounts due to the Consolidated Fund	17	13	(486)
Net cash outflow from operating activities		**(1,904)**	**(879)**

20(b) Analysis of capital expenditure and financial investment

	Note	2006-07 £000	2005-06 £000
Tangible fixed asset additions	13	(32)	(67)
Intangible fixed asset additions	14	-	-
Proceeds of disposal of fixed assets		-	-
Net cash outflow from investing activities		**(32)**	**(67)**

20(c) Analysis of capital expenditure and financial investment by Request for Resources

	Note	Capital Expenditure £000	Loans, etc. £000	Accruing Resources £000	Net Total £000
Request for resources A	**13**	32	-	-	32
Total 2006-07		**32**	**-**	**-**	**32**
Total 2005-06		**67**	**-**	**-**	**67**

20(d) Analysis of financing

	Note	2006-07 £000	2005-06 £000
From the Consolidated Fund (Supply) – current year	18	1,923	1,436
From the Consolidated Fund (Supply) – prior year	18	-	-
Advances from the Contingencies Fund	18	-	800
Payments to the Contingency Fund	18	-	(800)
Net Financing		**1,923**	**1,436**

20(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2006-07 £000	2005-06 £000
Net cash requirement		**(1,936)**	**(950)**
From the Consolidated Fund (Supply) – current year	20(d)	1,923	1,436
From the Consolidated Fund Supply – prior year	20(d)	-	-
Advances from the Contingencies Fund	20(d)	-	800
Payments to the Contingency Fund	20(d)	-	(800)
Amounts due to the Consolidated Fund – received in a prior year and paid over		-	-
Amounts due to the Consolidated Fund received and not paid over	17(a)	-	4
Increase/(decrease) in cash		**(13)**	**490**

21. Capital commitments

There were no contracted capital commitments at 31 March 2007. (Nil, at 31 March 2006).

22. Commitments under leases

At 31 March 2007 NIAER was committed to making the following payments in respect of operating leases expiring:

	2006-07			2005-06
	Buildings	Other	TOTAL	TOTAL
	£000	£000	£000	£000
Expiry within one year	203	13	216	180
Expiry after 1 year but not more than five years	825	23	848	710
Expiry thereafter	709	-	709	775
	1,738	**35**	**1,773**	**1,665**

The above amounts reflect the total amounts due over the life of the operating leases.

23. Other Commitments

NIAER has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2007. (Nil, at 31 March 2006).

24. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of NIAER's activities and the way Government departments are financed, it is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. NIAER has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing NIAER in undertaking its activities.

As allowed by FRS 13, NIAER has elected to exclude from disclosure all debtors and creditors which mature or become payable within 12 months from the balance sheet date.

a) Liquidity Risk

NIAER's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks.

b) Foreign Currency Risk

NIAER's exposure to foreign currency risk is not significant. Foreign currency income is negligible and foreign currency expenditure is not significant.

c) Fair Values

NIAER had no financial assets nor liabilities at 31 March 2007. (Nil, at 31 March 2006).

25. Contingent Liabilities

There were no contingent liabilities existing as at 31 March 2007.

26. Related-party transactions

NIAER has had a number of transactions with other Government departments and Central Government bodies. These include DETI, DRD and DFP.
None of NIAER members, key managerial staff or other related parties have undertaken any material transactions with NIAER during the year.

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