NS Half-year/Interim Report

HALF-YEAR REPORT

JERSEY ELECTRICITY PLC

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Jersey Electricity PLC
17 May 2023

Jersey Electricity plc
Interim Report
for the six months ended 31 March 2023

The Board approved at a meeting on 17 May 2023 the Interim Management Report for the six months ended 31 March 2023 and declared an interim dividend of 8.00p compared to 7.60p for 2022. The dividend will be paid on 20 June 2023 to those shareholders registered in the records of the Company at the close of business on 2 June 2023.

The Interim Management Report is attached and will be available to the public on the Company's website www.jec.co.uk/investors.

The Interim Management Report for 2023 has not been audited, or reviewed, by our external auditors, nor have the results for the equivalent period in 2022. The results for the year ended 30 September 2022 were extracted from the statutory accounts. The auditor has reported on those accounts and their report was unmodified.

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Finance Director

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17 May 2023

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Directors' Statement

Financial Summary

	6 months 2023	6 months 2022
Electricity Sales in kWh	**355.7m**	359.4m
Revenue	**£69.4m**	£65.0m
Profit before tax	***£10.3m**	£7.0m
Earnings per share	**26.23p**	17.78p
Final dividend paid per ordinary share	**10.80p**	10.20p
Proposed interim dividend per ordinary share	**8.00p**	7.60p

* The underlying profit for 2023 was £8.1m when the rebate from RTE and ex-gratia award for pensions in service are excluded, as described in the narrative below.

Energy - turmoil in markets

In our 2022 Annual Report we highlighted that the turmoil that beset energy markets had intensified further due to the conflict between Russia and Ukraine, and that Jersey Electricity was not immune to those challenges. However, despite those challenges we have shown resilience, and largely protected our customers from the material rise in retail prices seen elsewhere, without the need for any Government intervention/subsidy. We continue to monitor developments on both volatility, and security of supply, in energy markets. Europe experienced relatively benign weather over the winter, relatively good production from the French nuclear fleet, and much lower gas usage in the EU industrial sector which, when combined, have resulted in healthier than expected gas storage levels. There are however sensitivities, such as the lack of snow and rain in the last 6 months impacting predictions for the availability of hydro power during the remainder of this year. This, combined with the uncertain timing of a resolution to the Ukraine conflict, mean volatility in European energy markets looks set to continue. We have strong relationships with our French partners, EDF (as supplier) and RTE (as network operator) that span nearly 40 years and the Company benefits from legal and contractual arrangements which cover imported electricity supplies to the end of 2027.

Hedging of electricity and foreign exchange, and customer tariffs

We continue to focus on delivering secure, low-carbon electricity supplies and our goal is to maintain relative stability in customer tariffs, despite volatility in both European wholesale electricity and foreign exchange markets. This is however extremely challenging in the current climate. Our electricity purchases are materially, but not fully, price capped for the calendar years 2023 and 2024. We also have around one third of our expected 2025-27 requirements hedged at largely fixed prices. As these are contractually denominated in the Euro, we also enter into forward foreign currency contracts, on a three-year rolling basis, to reduce the volatility of our cost base, and to aid tariff planning. In January 2023 we implemented a 5% rise in customer tariffs and do not anticipate further rises during the remainder of 2023. However, we are planning forward, and considering options for 2024 and beyond, as we come out of our current advantageous hedged position and are faced with higher market prices.

Even with the rises implemented to date, the tariffs payable by our customers continue to benchmark well against other jurisdictions. Domestic customers in Jersey currently pay around half what equivalent customers pay in the UK for their electricity. Other UK Islands are implementing material rises in customer tariffs with the Isle of Man having instigated a 25% increase on 1 April 2023, and a further 25% rise from 1 July 2023. Guernsey Electricity has also applied to raise tariffs by 14.25% from 1 July 2023, subject to regulatory approval.

Overall trading performance in the 6 months to 31 March

Group revenue, at £69.4m, was 6.7% higher for the first half of 2023 compared with £65.0m for the same period last year mainly due to a rise in both Energy and Retail revenue. Profit before tax was £10.3m but included an unexpected receipt of £3.6m which has been classified as 'Rebate of past energy costs - non-recurring item' for disclosure purposes within gross profit in these financial statements. This was a rebate from the French network operator (RTE) in respect of payments made in 2022 which they were instructed to return to us in early 2023 as part of a regulatory decision due to volatility in the energy marketplace during 2022. In addition, a non-cash cost of £1.4m for an ex-gratia award for pensions in service was granted. If these two items were excluded the underlying profit before tax was £8.1m compared to £7.0m in 2022. Cost of sales, excluding the rebate of past energy costs, at £46.5m was £3.6m higher than last year with the rise in wholesale energy costs, and increased levels of importation from the local Energy from Waste plant, which was out of service for much of the comparative period last year, being the main factors. Operating expenses at £16.1m were £1.7m higher than last year due mainly to higher non-cash pension costs and general inflationary pressures. The taxation charge in the period of £2.2m was £0.7m higher than last year due mainly to the unexpected rebate from RTE. Earnings per share, at 26.23p, were above the 17.78p in 2022 due to higher profits. Net cash on the balance sheet, which comprises borrowings less cash and cash equivalents, at 31 March 2023, was £16.8m compared with £13.1m at this time last year (and £17.4m of net cash at our last year end on 30 September 2022).

Energy performance

Unit sales of electricity fell marginally by 1% from 359.4m to 355.7m kWh, compared with the same period last year. Revenue in our Energy business at £54.8m was £4.0m higher than in 2022 with the year-on-year increase being largely attributable to a 5% tariff rise in both July 2022 and January 2023. Operating profit, excluding the £3.6m RTE rebate, and the non-cash cost of £1.4m for an ex-gratia award for pensions in service, at £6.5m was £0.6m higher than the corresponding period last year due to the increased revenue offset by increased wholesale import prices, higher volumes of electricity received from the local Energy from Waste plant, recruitment of new employees, and other inflationary pressures. We imported 96% of our on-island requirement from France and 4% from the Energy from Waste plant, owned by the Government of Jersey. Only 0.4% (just over 1m units) of electricity was generated in Jersey using our traditional oil-fired plant (which is run during testing regimes) and our solar generation. These importation and generation levels were materially consistent with the same period last year, albeit the imports from the Energy from Waste plant were back to a more historical levels, as last year maintenance work was performed for an extended time in that period.

Non-Energy performance

Year-on-year revenue in our Powerhouse retail business, increased by 5% to £10.0m (2022: £9.5m) but profits were maintained at around the same level at £0.7m. Profit from our Property portfolio at £0.8m was £0.1m higher than in 2022 due to a combination of higher rental and slightly lower maintenance costs. JEBS, our building services unit, saw external revenue fall marginally to £1.7m, with profitability at a breakeven level. Our remaining business units produced profits of £0.2m compared to £0.3m in 2022.

Liquidity and cashflow

A net cash outflow of £0.6m was experienced in the period (2022: £0.0m) post the continued investment in infrastructure of £4.5m (2022: £6.0m). The net cash figure of £13.1m at 31 March 2022 moved to a net cash figure of £16.8m at 31 March 2023 (£17.4m at 30 September 2022). Net cash consists of cash and cash equivalents of £46.8m offset by £30.0m of long-term debt.

Pension scheme

The defined benefit pension scheme surplus (without deduction of deferred tax) on our balance sheet at 31 March 2023 stood at £30.1m, compared with a surplus of £26.4m at 30 September 2022 (and a surplus of £22.0m at 31 March 2022). Since the last financial year end, scheme liabilities have increased by approximately £5m to £91m. This rise was primarily due to a decrease of the discount rate assumptions from 5.2% at the last financial year end to 4.7% at 31 March 2023 associated with a fall in UK AA corporate bond yields in the interim. Assets in the Scheme rose by around £8m to £121m. Unlike most UK schemes, the Jersey Electricity pension scheme is not funded to pay mandatory annual rises on retirement. The Pension Scheme Trustees asked the Company to consider the granting of a 3% rise to pensions in service in light of the level of the surplus and the impact of current high levels of inflation on the pensioner community. This was agreed by the Board in March. The capital cost of this award was £1.4m and the cash will be paid by the Scheme, rather than the Company, but generated a £1.4m charge against our Income Statement. This is reflected in the half-year surplus figure of £30.1m. The defined benefit scheme has been closed to new members since 2013 and the next triennial valuation of the scheme, as at 31 December 2024, will be carried out in 2025.

Dividends

Your Board proposes to pay an interim net dividend for 2023 of 8.0p (2022: 7.60p). As stated in previous years, we aim to deliver sustained real growth each year over the medium-term. The final dividend for 2022 of 10.80p, paid in late March in respect of the last financial year, was an increase of 5% on the previous year.

Risk and outlook

The principal risks and uncertainties identified in our last Annual Report, issued in December 2022, have not materially altered in the interim period. As highlighted earlier in this report, there is continued volatility in energy markets. This continues to be closely monitored by the Board as it adds unpredictability into the price we will pay for any unhedged elements of our future electricity costs. Your Board is satisfied that Jersey Electricity plc has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of approval of this report. Accordingly, we continue to adopt the going concern basis in preparing the condensed financial statements.

Responsibility statement

We confirm to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the Interim Directors Statement includes a fair review of the information required by the Disclosure and Transparency Rule DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Interim Directors Statement includes a fair review of the information required by the Disclosure and Transparency Rule DTR 4.2.8R (disclosure of related party transactions and changes therein); and

(d) this half yearly interim report looks at certain forward-looking statements with respect to the operations, performance, and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this half yearly financial report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this half yearly financial report should be construed as a profit forecast.

Investor timetable for 2023

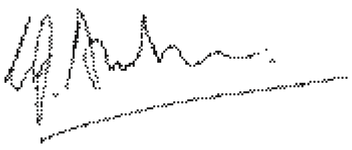
2 June Record date for interim ordinary dividend

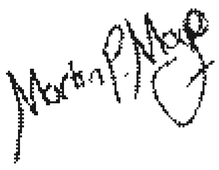
20 June Interim ordinary dividend for year ending 30 September 2023

3 July Payment date for preference share dividends

20 December Announcement of full year results

C.J. AMBLER - Chief Executive M.P. MAGEE - Finance Director





17 May 2023

Condensed Consolidated Income Statement (Unaudited)

	Note	**Six months ended 31 March 2023 £000**	Six months ended 31 March 2022 £000	Year ended 30 September 2022 £000
Revenue	2	69,378	64,995	117,421
Cost of sales		(46,459)	(42,859)	(77,242)
Rebate of past energy costs - non-recurring item		3,593	-	-
Gross profit		26,512	22,136	40,179
Revaluation of investment properties		-	-	1,020
Operating expenses		(16,146)	(14,412)	(29,293)
Group operating profit	2	10,366	7,724	11,906
Finance income		706	10	218
Finance costs		(767)	(764)	(1,523)
Profit from operations before taxation		10,305	6,970	10,601
Taxation	3	(2,208)	(1,464)	(2,135)
Profit from operations after taxation		8,097	5,506	8,466
Attributable to:				
Owners of the Company		8,037	5,448	8,326
Non-controlling interests		60	58	140
Profit for the period/year attributable to the equity holders of the parent Company		8,097	5,506	8,466
Earnings per share				
- basic and diluted		26.23p	17.78p	27.17p

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

Six months ended	Six months ended	Year ended

	31 March 2023 £000	31 March 2022 £000	30 September 2022 £000
Profit for the period/year	8,097	5,506	8,466
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit scheme	4,307	3,805	8,976
Income tax relating to items not reclassified	(861)	(761)	(1,795)
	3,446	3,044	7,181
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on cash flow hedges	(2,013)	(118)	4,815
Income tax relating to items that may be reclassified	403	24	(963)
	(1,610)	(94)	3,852
Total comprehensive income for the period/year	9,933	8,456	19,499
Attributable to:			
Owners of the Company	9,873	8,398	19,359
Non-controlling interests	60	58	140
	9,933	8,456	19,499

Condensed Consolidated Balance Sheet (Unaudited)

	Note	As at 31 March 2023 £000	As at 31 March 2022 £000	As at 30 September 2022 £000
Non-current assets				
Intangible assets		654	790	967
Property, plant and equipment		215,329	216,138	216,235
Right of use assets		3,259	3,301	3,280
Investment properties		28,830	27,810	28,830
Trade and other receivables		300	303	300
Retirement benefit surplus		30,130	21,991	26,434
Derivative financial instruments	6	916	79	2,640
Other investments		5	5	5
Total non-current assets		279,423	270,417	278,691
Current assets				
Inventories		9,454	6,907	7,173
Trade and other receivables		28,035	23,375	19,934
Derivative financial instruments		148	-	483
Cash and cash equivalents		46,795	43,110	47,397
Total current assets		84,432	73,392	74,987
Total assets		363,855	343,809	353,678
Current liabilities				
Trade and other payables		22,799	19,558	21,043
Lease liabilities		81	73	69
Derivative financial instruments	6	110	677	330
Current tax liabilities		3,328	2,613	2,088
Total current liabilities		26,318	22,921	23,530
Net current assets		58,114	50,471	51,457
Non-current liabilities				
Trade and other payables		25,390	24,762	25,162
Lease liabilities		3,212	3,247	3,251
Retirement benefit deficit		-	575	-
Derivative financial instruments	6	174	1,542	-
Financial liabilities - preference shares		235	235	235
Borrowings		30,000	30,000	30,000
Deferred tax liabilities		32,508	30,353	32,126
Total non-current liabilities		91,519	90,139	90,744
Total liabilities		117,837	113,060	114,304
Net assets		246,018	230,749	239,374
Equity				
Share capital		1,532	1,532	1,532
Revaluation reserve		5,270	5,270	5,270
ESOP reserve		(18)	(58)	(38)
Other reserves		624	(1,712)	2,234
Retained earnings		238,406	225,545	230,232
Equity attributable to the owners of the Company		245,814	230,577	239,230
Minority interest		204	172	144
Total equity		246,018	230,749	239,374

Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Share Capital £000	Revaluation reserve £000	ESOP reserve £000	Other reserves £000	Retained Earnings £000	Total reserves £000
At 1 October 2022	1,532	5,270	(38)	2,234	230,232	239,230
Total recognised income and expense for the period	-	-	-	-	8,037	8,037
Amortisation of employee share scheme	-	-	20	-	-	20
Movement on hedges (net of tax)	-	-	-	(1,610)	-	(1,610)

Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	3,446	3,446
Equity dividends	-	-	-	-	(3,309)	(3,309)
As at 31 March 2023	1,532	5,270	(18)	624	238,406	245,814
At 1 October 2021	1,532	5,270	(79)	(1,618)	220,178	225,283
Total recognised income and expense for the period	-	-	-	-	5,448	5,448
Funding of employee share option scheme	-	-	21	-	-	21
Movement on hedges (net of tax)	-	-	-	(94)	-	(94)
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	3,044	3,044
Equity dividends	-	-	-	-	(3,125)	(3,125)
As at 31 March 2022	1,532	5,270	(58)	(1,712)	225,545	230,577
At 1 October 2021	1,532	5,270	(79)	(1,618)	220,178	225,283
Total recognised income and expense for the period	-	-	-	-	8,326	8,326
Amortisation of employee share scheme	-	-	41	-	-	41
Movement on hedges (net of tax)	-	-	-	3,852	-	3,852
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	7,181	7,181
Equity dividends	-	-	-	-	(5,453)	(5,453)
At 30 September 2022	1,532	5,270	(38)	2,234	230,232	239,230

*'Other reserves' represents the foreign currency hedging reserve.

Condensed Consolidated Cash Flow Statement (Unaudited)

	Six months ended 31 March 2023 £000	Six months ended 31 March 2022 £000	Year ended 30 September 2022 £000
Cash flows from operating activities			
Operating profit	10,366	7,724	11,906
Adjustments to add back/(deduct) non-cash items and items disclosed elsewhere on the CFS:			
Depreciation and amortisation charges	5,741	5,525	11,904
Share-based reward charges	20	21	41
Gain on revaluation of investment property	-	-	(1,020)
Pension operating charge less contributions paid	612	462	1,303
Deemed interest on hire purchase arrangements	-	-	50
(Profit)/loss on sale of property, plant and equipment	(1)	(1)	(7)
Operating cash flows before movement in working capital	16,738	13,731	23,367
Working capital adjustments:			
(Increase)/decrease in inventories	(2,281)	2	(257)
Increase in receivables	(8,101)	(5,370)	(1,926)
Increase in payables	2,136	3,127	444
Net movement in working capital	(8,246)	(2,241)	2,261
Interest paid	(763)	(760)	(1,514)
Preference dividends paid	(4)	(4)	(9)
Income taxes paid	(1,045)	(1,510)	(3,020)
Net cash flows from operating activities	6,680	9,216	21,085
Cash flows from investing activities			
Purchase of property, plant and equipment	(4,541)	(6,041)	(11,001)
Investment in intangible assets	(68)	-	(319)
Deposit interest received	706	10	168
Net proceeds from disposal of fixed assets	1	1	7
Net cash flows used in investing activities	(3,902)	(6,030)	(11,145)
Cash flows from financing activities			
Equity dividends paid	(3,309)	(3,125)	(5,453)
Dividends paid to non-controlling interest	-	(45)	(154)
Repayment of lease liabilities	(72)	(35)	(72)
Net cash flows used in financing activities	(3,381)	(3,205)	(5,679)
Net (decrease)/increase in cash and cash equivalents	(603)	(19)	4,261
Cash and cash equivalents at the beginning of the year	47,397	43,136	43,136

Effect of foreign exchange rate changes	1	(7)	-
Cash and cash equivalents at the end of the period	46,795	43,110	47,397

Of the £46.8m cash and cash equivalents at 31 March 2023, £37.0m (30 September 2022: £35.0m) is on fixed term deposits with an average of 74 days remaining (30 September 2022: 45 days)

A presentational amendment has been made to "interest paid" in operating activities and "Repayment of lease liabilities" in financing activities. For the year ended 30 September 2022, this has increased interest paid by £134,000 and made the same decrease to repayment of lease activities. For the six months ended 31 March 2022, this has increased interest paid by £68,000 and made the same decrease to repayment of lease activities.

1 Accounting policies

Basis of preparation

The interim accounts for the six months ended 31 March 2023 have been prepared on the basis of the accounting policies set out in the 30 September 2022 annual report and accounts using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with IAS 34 'Interim Financial Reporting'. There have been no changes to accounting standards during the current financial period that has impacted the disclosures in these financial statements and the full year financial statements that will be prepared for 30 September 2023.

Jersey Electricity plc has considerable financial resources and, consequently, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2 Revenue and profit

The contributions of the various activities of the Group to turnover and profit are listed below:

	Six months ended 31 March 2023			Six months ended 31 March 2022			Year ended 30 September 2022		
	External £000	**Internal £000**	**Total £000**	External £000	Internal £000	Total £000	External £000	Internal £000	Total £000
Revenue									
Energy	54,833	46	54,879	50,782	49	50,831	89,683	100	89,783
Retail	9,955	35	9,990	9,504	21	9,525	3,365	780	4,145
Building Services	1,684	343	2,027	1,795	252	2,047	18,695	41	18,736
Property	1,226	320	1,546	1,159	320	1,479	2,345	639	2,984
Other*	1,680	264	1,944	1,755	387	2,142	3,333	625	3,958
	69,378	1,008	70,386	64,995	1,029	66,024	117,421	2,185	119,606
Inter-segment elimination			(1,008)			(1,029)			(2,185)
Operating profit			69,378			64,995			117,421
Energy profit before rebate			5,061			5,943			7,502
Rebate to cost of sales			3,593			-			-
Energy profit including rebate			8,654			5,943			7,502
Retail			672			661			1,174
Building Services			27			103			266
Property			788			717			1,436
Other*			225			300			508
Operating profit before property revaluation/sale			10,366			7,724			10,866
Gain on revaluation of investment properties			-			-			1,020
Operating profit			10,366			7,724			11,906

*Other segment includes Jersey Energy, Jendev (both divisions) and Jersey Deep Freeze Limited, the Group's sole subsidiary.

Materially, all the Groups operations are conducted within the Channel Islands. All transfers between divisions are on an arm's length basis.

Revenues disclosed by the business segments above are recognised both on a point in time and over time basis. The treatment of revenue recognition in accordance with IFRS 15 is detailed in the 30 September 2022 annual report.

3 Taxation

	Six months ended 31 March 2023 £000	Six months ended 31 March 2022 £000	Year ended 30 September 2022 £000
Current income tax	2,132	1,431	2,088
Deferred income tax	76	33	47
Total income tax	2,208	1,464	2,135

For the period ended 31 March 2023 and subsequent periods, the Company is taxable at the rate applicable to utility companies in Jersey of 20%. (2022: 20%).

4 Dividends paid and proposed

	Six months ended 31 March 2023	Six months ended 31 March 2022	Year ended 30 September 2022
Dividends per share			
Paid	10.80p	10.20p	17.80p
Proposed	8.00p	7.60p	10.80p
	Six months	Six months	Year

	ended 31 March 2023 £000	ended 31 March 2022 £000	ended 30 September 2022 £000
Distribution to equity holders and by subsidiaries in the period	3,309	3,125	5,454

The distribution to equity holders in respect of the final dividend for 2022 of £3,309,120 (10.20p net of tax per share) was paid on 23 March 2023.

The Directors have declared an interim dividend of 8.00p per share, net of tax (2022: 7.60p) for the six months ended 31 March 2023 to shareholders on the register at the close of business on 2 June 2023. This dividend was approved by the Board on 17 May 2023 and has not been included as a liability at 31 March 2023.

5 Pensions

In consultation with the independent actuaries to the scheme, the valuation of the pension scheme assets and liabilities has been updated to reflect current market discount rates, current market values of investments and actual investment returns applicable under IAS 19 'Employee Benefits', and also consideration has been given as to whether there have been any other events that would significantly affect the pension liabilities.

The Pension Scheme Trustees asked the Company to consider the granting of a 3% rise to pensions in service in light of the level of the surplus and the impact of current high levels of inflation on the pensioner community. This was approved by the Board in March 2023 and the capital cost of this award was £1.4m. The cash will be paid by the Scheme, rather than the Company, but generated a £1.4m charge against our Income Statement.

6 Financial Instruments

The Group held the following derivative contracts, classified as level 2 financial instruments at 31 March 2023.

	Six months ended 31 March 2023	Six months ended 31 March 2022	Year ended 30 September 2022
Fair value of currency hedges	**£000**	£000	£000
Derivative assets			
Less than one year	148	-	483
Greater than one year	916	79	2,640
Derivative liabilities			
Less than one year	(110)	(677)	(330)
Greater than one year	(174)	(1,542)	-
Total net assets/liabilities	780	(2,140)	2,793

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy. This hierarchy is based on the underlying assumptions used to determine the fair value measurement as a whole and is categorised as follows:

Level 1 financial instruments are those with values that are immediately comparable to quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 financial instruments are those with values that are determined using valuation techniques for which the basic assumptions used to calculate fair value are directly or indirectly observable (such as readily available market prices).

Level 3 financial instruments are shown at values that are determined by assumptions that are not based on observable market data (unobservable inputs).

The derivative contracts for foreign currency shown above are classified as level 2 financial instruments and are valued based on using a discounted cash flow valuation technique. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

7 Related Party Transactions

The Government of Jersey (the "Government") treats the Company as a strategic investment. Whilst it holds the majority voting rights in the Company, the Government does not view the Company as being under its control and as such, it is not consolidated within the Government accounts. The Government is understood by the Directors to have significant influence but not control of the Company.

The Company has elected to take advantage of the disclosure exemptions available in IAS 24, paragraphs 25 and 26. All transactions are undertaken on an arms-length basis in the ordinary course of business.

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