

**Date and Time:** Monday 9 September 2024 16:34:00 CEST

**Job Number:** 233026492

**Documents (48)**

1. [*European Commission ready to cut red tape for farmers' access to subsidies*](https://advance.lexis.com/api/document?id=urn:contentItem:6BD0-3V61-JCMC-W4M0-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

**Search Type:** Terms and Connectors

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

2. [*EU countries ask Commission for changes in subsidies scheme*](https://advance.lexis.com/api/document?id=urn:contentItem:6BDT-NG01-F03F-K2MB-00000-00&idtype=PID&context=1516831)

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3. [*Several government regulations on agriculture that follow the CAP plan*](https://advance.lexis.com/api/document?id=urn:contentItem:6B0M-N3W1-JDG9-Y0G3-00000-00&idtype=PID&context=1516831)

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4. [*Commission to kill CAP's green farming obligations*](https://advance.lexis.com/api/document?id=urn:contentItem:6BJ7-TS91-JB35-Y2H4-00000-00&idtype=PID&context=1516831)

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5. [*Ministers pave way to reopen CAP – and make it less green*](https://advance.lexis.com/api/document?id=urn:contentItem:6BF8-7341-DXJ7-N0GM-00000-00&idtype=PID&context=1516831)

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6. [*PRESS RELEASE - EUROPEAN COMMISSION*](https://advance.lexis.com/api/document?id=urn:contentItem:6BD3-Y1M1-JCH9-G0BJ-00000-00&idtype=PID&context=1516831)

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7. [*PRESS RELEASE - EUROPEAN COMMISSION*](https://advance.lexis.com/api/document?id=urn:contentItem:6BJT-4X01-F00C-64RK-00000-00&idtype=PID&context=1516831)

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8. [*Ireland 's Rainforests: Protecting our Hedgerows as Biodiversity Highways*](https://advance.lexis.com/api/document?id=urn:contentItem:69DS-THF1-F06V-6018-00000-00&idtype=PID&context=1516831)

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9. [*Agrifood Brief: A topsy-turvy Parliament*](https://advance.lexis.com/api/document?id=urn:contentItem:69F9-DM51-F03F-K1S4-00000-00&idtype=PID&context=1516831)

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10. [*PRESS RELEASE - EUROPEAN COMMISSION*](https://advance.lexis.com/api/document?id=urn:contentItem:6BDB-D4D1-JCH9-G305-00000-00&idtype=PID&context=1516831)

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11. [*Dynamic root microbiome sustains soybean productivity under unbalanced fertilization*](https://advance.lexis.com/api/document?id=urn:contentItem:6BD9-N1P1-JDK8-02T0-00000-00&idtype=PID&context=1516831)

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12. [*Wider Europe Briefing: All You Need To Know As All Eyes Turn To Spain*](https://advance.lexis.com/api/document?id=urn:contentItem:699N-86M1-F00C-623B-00000-00&idtype=PID&context=1516831)

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13. [*Molecular markers associated with resistance to squash leaf curl China virus and tomato leaf curl New Delhi virus in tropical pumpkin (Cucurbita moschata Duchesne ex Poir.) breeding line AVPU1426*](https://advance.lexis.com/api/document?id=urn:contentItem:6BM3-D2M1-JDK8-00K3-00000-00&idtype=PID&context=1516831)

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14. [*Within-party mobility and economic performance in authoritarian regimes: Evidence from China*](https://advance.lexis.com/api/document?id=urn:contentItem:69K8-D5P1-JBMY-H324-00000-00&idtype=PID&context=1516831)

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15. [*Summary of Russian press for Thursday 18 January 2024*](https://advance.lexis.com/api/document?id=urn:contentItem:6B4G-74G1-DYRV-300M-00000-00&idtype=PID&context=1516831)

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16. [*Trial of Endurance: Ukraine , the West and Putin*](https://advance.lexis.com/api/document?id=urn:contentItem:6BDB-PCN1-JDRT-214C-00000-00&idtype=PID&context=1516831)

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17. [*Australia news live: defence strategic review ‘a cannibalisation of army mobility’, Hastie says; Victorian jockey dies after race fall*](https://advance.lexis.com/api/document?id=urn:contentItem:682Y-MKD1-DY4H-K38V-00000-00&idtype=PID&context=1516831)

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18. [*Ukraine update: September 2023*](https://advance.lexis.com/api/document?id=urn:contentItem:697Y-NV71-JDG9-Y3MX-00000-00&idtype=PID&context=1516831)

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19. [*Farmers’ Perception of Soil Erosion and Degradation and Their Effects on Rural Livelihoods in KwaMaye Community, KwaZulu-Natal , South Africa*](https://advance.lexis.com/api/document?id=urn:contentItem:6BH2-VXY1-JBMY-H4PC-00000-00&idtype=PID&context=1516831)

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20. [*Arrighi’s pendulum: (Re)reading The Evolution of International Society in the twenty-first century*](https://advance.lexis.com/api/document?id=urn:contentItem:68YT-0DW1-F129-P0DC-00000-00&idtype=PID&context=1516831)

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21. [*Status-quo enhancing versus status-quo challenging change in global economic governance: the case of China in finance and trade*](https://advance.lexis.com/api/document?id=urn:contentItem:69N6-4YV1-JBMY-H2XR-00000-00&idtype=PID&context=1516831)

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22. [*From heatwaves to floods - the highs and lows of Suffolk's farming year*](https://advance.lexis.com/api/document?id=urn:contentItem:69YJ-9881-DY7X-T2VJ-00000-00&idtype=PID&context=1516831)

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23. [*Europe live: Brussels recommends delay to ‘set-aside’ rules which have fuelled farmers’ protests – as it happened*](https://advance.lexis.com/api/document?id=urn:contentItem:6B77-JT81-DY4H-K29D-00000-00&idtype=PID&context=1516831)

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24. [*In Conversation, The Submarine Institute of Australia Conference, Adelaide SA*](https://advance.lexis.com/api/document?id=urn:contentItem:697Y-NC91-JDG9-Y51V-00000-00&idtype=PID&context=1516831)

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25. [*Putin holds meeting with pro-Kremlin war correspondents in Moscow*](https://advance.lexis.com/api/document?id=urn:contentItem:68GD-HMS1-JC8S-C2N6-00000-00&idtype=PID&context=1516831)

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26. [*Tim Cook unveils Vision Pro headset in Apple 's most significant launch since iPhone*](https://advance.lexis.com/api/document?id=urn:contentItem:68D9-J3T1-JBNF-W0KJ-00000-00&idtype=PID&context=1516831)

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27. [*Atlantis Japan Growth Fund Ltd - Annual Results for the financial year ended 30 April 2023*](https://advance.lexis.com/api/document?id=urn:contentItem:690X-CHG1-DXP3-R2WT-00000-00&idtype=PID&context=1516831)

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28. [*Architecture and autoinhibitory mechanism of the plasma membrane Na+/H+ antiporter SOS1 in Arabidopsis*](https://advance.lexis.com/api/document?id=urn:contentItem:68YM-VTT1-JDK8-04FW-00000-00&idtype=PID&context=1516831)

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29. [*Blue-shift photoconversion of near-infrared fluorescent proteins for labeling and tracking in living cells and organisms*](https://advance.lexis.com/api/document?id=urn:contentItem:69X7-N3N1-F129-P0Y3-00000-00&idtype=PID&context=1516831)

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30. [*Zelensky arrives at White House for talks with Biden*](https://advance.lexis.com/api/document?id=urn:contentItem:6975-7981-DY4H-K0N2-00000-00&idtype=PID&context=1516831)

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31. [*Final Results for the year ended 30 June 2023*](https://advance.lexis.com/api/document?id=urn:contentItem:6B6T-1VV1-F0CC-S03X-00000-00&idtype=PID&context=1516831)

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32. [*Ukraine - Russia war – live: Putin’s troops make gains in Bakhmut but suffer ‘significant casualties’*](https://advance.lexis.com/api/document?id=urn:contentItem:6809-14C1-JBNF-W20V-00000-00&idtype=PID&context=1516831)

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33. [*Ukraine news – live: Putin and Wagner lose ‘substantial manpower in Bakhmut fight’*](https://advance.lexis.com/api/document?id=urn:contentItem:67WR-BXK1-JBNF-W0MB-00000-00&idtype=PID&context=1516831)

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34. [*Poland to have army three times size of Britain 's in two years, defence minister confirms*](https://advance.lexis.com/api/document?id=urn:contentItem:680J-MNF1-JBNF-W04D-00000-00&idtype=PID&context=1516831)

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35. [*Final Results*](https://advance.lexis.com/api/document?id=urn:contentItem:6B5R-5X71-JCXB-201P-00000-00&idtype=PID&context=1516831)

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36. [*Audited Results to 31 December 2022*](https://advance.lexis.com/api/document?id=urn:contentItem:6B5B-DDB1-JCXB-20MJ-00000-00&idtype=PID&context=1516831)

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37. [*Russia - Ukraine war – live: Kyiv launches multiple attacks across frontline*](https://advance.lexis.com/api/document?id=urn:contentItem:68D9-J3T1-JBNF-W053-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

38. [*Meeting with war correspondents*](https://advance.lexis.com/api/document?id=urn:contentItem:68GD-KF21-F0YC-N138-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

**Search Type:** Terms and Connectors

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

39. [*Everest Global Plc - Final Results*](https://advance.lexis.com/api/document?id=urn:contentItem:68T4-3TD1-DXP3-R3KX-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

**Search Type:** Terms and Connectors

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

40. [*Human Development Lights the Way to Hope , Secretary-General Tells Security Council in Day-Long Debate on Peace through Development*](https://advance.lexis.com/api/document?id=urn:contentItem:69P9-48K1-F0YC-N2VG-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

41. [*Variation Notice: Opes MRF 2013 Limited*](https://advance.lexis.com/api/document?id=urn:contentItem:69BX-GHB1-F0YC-N0DM-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

42. [*Annual Results*](https://advance.lexis.com/api/document?id=urn:contentItem:69T8-KXC1-F0CC-S41J-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

43. [*Secretary-General Urges ‘Statesmanship, Not Gamesmanship and Gridlock’ to Resolve Global Challenges, Geopolitical Tensions, Opening Annual General Assembly Debate*](https://advance.lexis.com/api/document?id=urn:contentItem:6973-47V1-JDG9-Y1X1-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

44. [*Australian Institute of Health and Welfare Annual Report 2022-23*](https://advance.lexis.com/api/document?id=urn:contentItem:69HW-HX31-JDG9-Y189-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

45. [*Final results for the year ended 30 June 2023*](https://advance.lexis.com/api/document?id=urn:contentItem:69HK-MCW1-JCXB-22XR-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

46. [*Federal Court of Australia Judgment: Automotive Invest Pty Limited v Commissioner of Taxation [2023] FCAFC 129*](https://advance.lexis.com/api/document?id=urn:contentItem:6984-XBH1-F0YC-N0CM-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

47. [*FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 2024; Congressional Record Vol. 169, No. 185 (House - November 8, 2023)*](https://advance.lexis.com/api/document?id=urn:contentItem:69M6-33X1-F0YC-N3T4-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |

48. [*Palestinian death toll passes 1,500 – as it happened*](https://advance.lexis.com/api/document?id=urn:contentItem:69CJ-35M1-DY4H-K0Y4-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and conditionality or strategic and cap or strategic and suggestions or strategic and rotation or conditionality and cap or conditionality and suggestions or conditionality and rotation or cap and suggestions or cap and rotation or suggestions and rotation

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| **Content Type** | **Narrowed by** |
| News | Timeline: 15 mrt 2023 tot 15 mrt 2024; Locatie: International; Plaats van publicatie: Europe; Taal: English |



# [***European Commission ready to cut red tape for farmers' access to subsidies***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BD0-3V61-JCMC-W4M0-00000-00&context=1516831)

EurActiv.com

February 22, 2024 Thursday

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**Section:** ***AGRICULTURE*** NEWS, European Union news & BELGIUM NEWS

**Length:** 697 words

**Byline:** Angelo Di Mambro

**Body**

**The EU executive proposed measures to loosen monitoring, controls and environmental requirements to alleviate the administrative burden of the Common *Agricultural* Policy (*CAP*) on growers and member states, according to a document seen by Euractiv.**

The eight-page document, sent to the Belgian presidency of the EU Council, will provide the basis for discussion with the EU's ***agriculture*** ministers on Monday (26 February) in Brussels.

The measures are a key demand of farmers, who have taken to the streets in protest across Europe in recent weeks. The demonstrations are set to continue on Monday, with 1,500 tractors anticipated to parade around the European quarter.

The list of actions "take into account the contributions by national administrations, major EU farming organisations and the European Parliament's ***agricultural*** committee", a Commission press release stated.

The bloc's executive arm "may consider proposing changes to that effect to the ***CAP*** basic Regulations", which were agreed on by the EU legislators in 2021.

According to the document, the changes to the ***CAP*** reform's basic legislative acts will concern "a limited set of targeted changes and should be adopted relatively soon".

This set of proposed measures includes structural changes in some of the good ***agricultural*** and environmental conditions (GAECs), the environmental requisites to receive the ***CAP*** subsidies, the exemption of small farms (less than 10 hectares) from controls of compliance with those requirements, and more flexibility to EU countries who want to change their national ***CAP*** ***Strategic*** Plans.

The European Commission intends also to carry out surveys on simplification "from the farmers' point of view", to be launched in March.

Among the short-term proposals, which could be tabled by mid-March, there are changing the rules on permanent grassland requirements (GAEC 1), as requested yesterday by the French government. As it is now, it "could lead to loss of income" for certain farmers, the Commission explained.

The executive also wants to introduce changes to the obligation to keep a minimum soil cover in sensitive periods (GAEC 6), simplifying some checks and explaining the use "of the concept of *force majeure* and exceptional circumstances", which are the conditions in which farmers who cannot comply with certain ***CAP*** requirements can avoid penalties.

Another proposal is to reduce inspections on farms.

[*Link to Image*](https://www.euractiv.com/wp-content/uploads/sites/2/2024/02/shutterstock_1810105747-800x600.jpg)

**France urges EU to review standards for permanent grassland**

France will ask the European Commission to ease up on constraints on permanent grassland, the country's Prime Minister Gabriel Attal announced, adding that he plans to bring a proposal on the subject to the next ministerial meeting on Monday (26 February).

**Member states' requests**

Some of the measures proposed by the Commission echoed a list of demands from member states collected by the Belgian Presidency on 20 February.

According to the document, seen by Euractiv, EU countries called for a derogation of at least one year for the requirement to ensure a minimum protection of wetland and peatland (GAEC 2), flexibility on the calendar for the obligation to keep a minimum soil cover in most sensitive periods (GAEC 6), to allow crop diversification instead of ***rotation*** in certain areas (GAEC 7), and a "structural solution" (after 2 years of derogation) for the 4% fallow land (GAEC 8).

Member states also asked for more flexibility for the unspent funds and looser payment conditions in the eco-schemes, the remuneration system for farmers going beyond the ***conditionality***.

Another demand - which is not present in the Commission document - was to postpone the implementation of the "social ***conditionality***" the mechanism linking the ***CAP*** subsidies to farmers' respect for the social and labour rights of farm workers, as it is already included in national legislation.

Among the ***suggestions*** from the member states is also a prorogation from 2024 to 2025 for the full entry into operation of the satellite control system on land, a call for subsidies for irrigation and a request for the limitation of the administrative burden in the elaboration of the [*new soil monitoring law*](https://environment.ec.europa.eu/topics/soil-and-land/soil-health_en).

*[Edited by Nathalie Weatherald]*

**Load-Date:** February 22, 2024

**End of Document**



[***EU countries ask Commission for changes in subsidies scheme***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BDT-NG01-F03F-K2MB-00000-00&context=1516831)

EurActiv.com

February 26, 2024 Monday

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**Section:** EUROPEAN UNION NEWS & BELGIUM NEWS

**Length:** 748 words

**Byline:** Angelo Di Mambro, Maria Simon Arboleas

**Body**

**EU *agriculture* ministers meeting in Brussels on Monday (26 February) urged the EU executive to 'reorientate' the Common *Agricultural* Policy (*CAP*) after the Commission's 'simplification' package was deemed insufficient and farmers took to the streets of Brussels once again.**

Belgian ***Agriculture*** Minister David Clarinval, who chaired the meeting, told journalists that the Commission's simplification package, [*presented*](https://www.euractiv.com/section/agriculture-food/news/european-commission-ready-to-cut-red-tape-for-farmers-access-to-subsidies/) on February 22, was "a first step" in the short term but "not enough" to tackle farmers' concerns.

Clarinval said EU countries had sent the Commission more than 500 proposals for more flexibility at the state level - including more flexible rules on the review of national ***strategic*** plans.

"Between the [adoption] of the ***CAP*** [in 2021] and today, there are two major factors that [must be] taken into account: the Green Deal (...) and the war in Ukraine," he said, adding that the EU should therefore be "responsible" and "reorientate" the framework.

Meanwhile, ***Agriculture*** Commissioner Janusz Wojciechowski proposed turning some ***conditionality*** rules - the good ***agricultural*** and environmental conditions (GAECs) - into voluntary measures, an idea that member states supported, according to Clarinval.

***Conditionality*** requirements link the farmers' access to EU subsidies to mandatory ***agricultural*** practices. Eco-schemes are instead voluntary for the farmers.

Wojciechowski hinted at the possibility of transforming GAEC 6 (minimum soil cover), GAEC 7 (crop ***rotation***), and GAEC 8 (leaving 4% of land fallow) into eco-schemes.

"Incentives are always better than forcing the farmers for more environmentally friendly practices," said Wojciechowski.

**Farmers clash with police**

While the ministers were meeting in the building of the EU Council, farmers took to the street in Brussels once again after the [*demonstration*](https://www.euractiv.com/section/agriculture-food/news/tractors-flood-brussels-asking-for-change-in-eu-policy/) of 1 February.

Farmers threw eggs at the riot police deployed around the European Quarter in Brussels and set tyres, straw, and street furniture on fire. Using their tractors, they managed to tear down one blockade and clashed with the police, who used tear gas to disperse the crowd.

The police also used water cannons to try to extinguish the flames. After the Council, the Belgian Presidency and the EU Commissioner Janusz Wojciechowski received a delegation of farmers.

"I condemn violence," Clarinval told a press conference. "Recourse to violence is something we do not accept and it is counterproductive".

"I am focusing on the reasons of the protests and not on their symptoms and we are proposing solutions", Wojciechowski added.

**The member states' layer of administration**

Asked whether the European Commission is to blame for farmers' discontent, Germany's ***Agriculture*** Minister Cem Özdemir acknowledged the EU countries' responsibility.

"National politics as well as European politics have made complicated things more complicated," he said.

The ***CAP*** reform approved in 2021 includes unprecedented powers of implementation for member states. And this new layer of administration caused stir in many parts of Europe.

José Manuel Roche, secretary for international relations at the Spanish ***agricultural*** organisation UPA, who took part in the protests in Brussels, told Euractiv that national governments could have done "much more" to reduce the administrative burden on farmers.

According to Roche, the latest ***CAP*** reform gives member states "a wide margin of flexibility" to take steps to cut red tape in areas such as the GAECs and eco-schemes.

Roche said the Spanish government had further complicated matters by making the "digital notebook" - a system for farmers to record their activities - mandatory, whereas the EU had made it voluntary until 2030.

The government suspended the measure after the farmers' protests.

In October 2023, [*media*](https://www.corriere.it/economia/consumi/23_ottobre_15/stop-un-anno-grano-mais-cosi-ue-cambia-grandi-pianure-d-italia-dcfae1a8-69d0-11ee-bbc5-4ad23a10b29e.shtml) in Italy reported that the ***CAP*** was going to "change the landscape" of national plains because of the ***conditionality*** on crop ***rotation***.

This was also due to a strict ministry interpretation on the obligation to harvest secondary crops, beneficial for the environment. At the beginning of 2024, this interpretation was scrapped.

Upon arrival at the Council, Czech ***Agriculture*** Minister Marek Výborný said he did not want to "hide the fact that a number of reporting regulations are defined at the national level".

When it comes to policy simplification, "all the governance levels must work hands in hands", the EU Council of Young Farmers (CEJA) stated in a press release.

*[Edited by Angelo Di Mambro/Zoran Radosavljevic]*

**Load-Date:** February 26, 2024

**End of Document**



[***Several government regulations on agriculture that follow the CAP plan***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6B0M-N3W1-JDG9-Y0G3-00000-00&context=1516831)

Nordic Daily

December 29, 2023 Friday

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**Length:** 457 words

**Body**

Helsinki, Finland: A collection of decrees specifying conditions for non-productive investments, animal welfare compensation, and ***conditionality*** owing to ***CAP*** plan modifications were passed by the State Council on December 28. Furthermore, the production-related income assistance levels for 2024 were authorized by the government.

A decree pertaining to the amendment of the animal welfare compensation decree as well as a decree committing to the payment of animal welfare compensation in 2024 have been published. The approved ***CAP*** plan is in line with the updated legislation.

The government confirmed the government decree on production-related income support to be paid for the year 2024. According to the regulation, like last year, a total of approximately EUR 101.7 million in EU production-related premiums can be paid for milk, beef, lamb and goat meat and certain field crops. The change compared to last year is the removal of the sunflower from the special plant premium and the acceptance of the chickpea as eligible for the premium.

The unit amounts in the table (link) are preliminary based on the Finnish ***CAP*** ***strategic*** plan approved by the Commission. The final unit amounts to be paid are based on the animal and hectare amounts granted after monitoring accumulated during the support year and may differ from those presented in the regulation.

Crop ***rotation*** exemption for pure oats and clarifications to the definitionsToday, the government confirmed the ***conditionality*** of the change to the decree on the statutory management requirements and the supervision of their compliance with the requirements of good ***agriculture*** and the environment. Another regulation confirmed today concerning ***conditionality*** is the amendment of the Government Regulation on requirements for good ***agriculture*** and the environment.

The amendments to the regulations specify the definition of green fallow and intermediate crops, as well as the plants acceptable as minimum ground cover, the establishment of a buffer zone, and an exception related to the cultivation of pure oats. In addition, changes in national legislation are taken into account, and technical updates are made.

Green cropping refers to areas with hay plants or other forage plants covering more than 50 percent of the area of the growing block. The diverse vegetation made possible by the previous definition would still be allowed, provided that hay plants or other forage plants are dominant in the growth block.

The definition of an intermediate crop is clarified so that an intermediate crop refers to a secondary plant that is sown in the same year, which is a different plant from the crop plant, and which forms a stand. An intermediary plant is a plant between the main plants.

**Load-Date:** December 31, 2023

**End of Document**



[***Commission to kill CAP's green farming obligations***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BJ7-TS91-JB35-Y2H4-00000-00&context=1516831)

EuroNews - English Version

March 13, 2024 Wednesday 4:02 PM GMT

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**Length:** 432 words

**Highlight:** The EU executive is set to change the current farming subsidies framework, demoting green requirements from mandatory to voluntary.

**Body**

The commission is fine-tuning tweaks in the green architecture of the Common ***Agricultural*** Policy (***CAP***) after member states' ***agriculture*** ministers gave the EU executive the green light to reopen the core act.

According to the draft text, the new rules are “limited and well-targeted adjustments of the ***CAP*** ***Strategic*** Plans Regulations to address certain difficulties in implementation”; in practice, they will reduce to the bare minimum those obligatory green farming practices required to receive funds.

The commission's objective is to convert mandatory elements of the ***CAP***'s green architecture – particularly measures on soil cover and reducing soil erosion – into voluntary criteria.

Requirements to grow different crops in a cycle or sequence (crop ***rotation***) will be made easier to fulfil when new crops are introduced, thus fulfilling crop diversification.

The commission will also propose to remove an obligation to devote a minimum share of arable land to non-productive areas, which was already partially derogated this year following French farmers’ protests.

“The first year of implementation of the ***CAP*** ***Strategic*** Plan has made clear that adjustments are necessary to ensure effective implementation of the plans and cut red tape,” reads the draft text.

Controversially, the commission admits in the draft text that “no impact assessment has been carried out” before the proposal due to the political urgency of tabling it in the aftermath of a "crisis situation" within EU ***agriculture***.

The consultation process ahead of the initiative only lasted one week, the text continued, resulting “in a wide range of ***suggestions*** and proposals”.

“We're confident that the measures we have proposed and will propose, allow for a greater degree of flexibility to support our farmers, while not reducing the overall environmental and climate ambition of the Common ***Agricultural*** Policy,” a commission spokesperson told reporters today (13 March).

He added that the current ***CAP*** remains “the greenest ever, the greenest of any constituency in the world, as I'm aware” and that additional flexibilities are being built only to support farmers for justifiable reasons.

EU leaders gathering in Brussels next week are also expected to highlight “the essential role" the Common ***Agricultural*** Policy plays in meeting the challenges the sector is facing, a draft text of the conclusions reads.

The conclusions are expected to green-light the tweaks by tasking the commission with executing “all possible short-term measures, including those to reduce the administrative burden and achieve simplification for farmers.”

**Load-Date:** March 13, 2024

**End of Document**



[***Ministers pave way to reopen CAP – and make it less green***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BF8-7341-DXJ7-N0GM-00000-00&context=1516831)

EuroNews - English Version

February 26, 2024 Monday 5:15 PM GMT

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**Length:** 290 words

**Highlight:** ***Agricultural*** ministers meeting in Brussels today (26 February) backed the idea of reopening the EU’s farming subsidies scheme starting by dismantling its green architecture.

**Body**

Ministers greeted a package proposed by the EU executive to address concerns from the farming community, including loosening green elements in the Common ***Agricultural*** Policy (***CAP***) and reduction of on-farm checks.

“These measures will be a first concrete step in the right direction. But the EU Council believes that this is not enough,” said Belgium’s ***agriculture*** minister David Clarinval, representing the ***rotating*** presidency of the council.

EU ministers have invited the commission to beef up its package of measures with new and more ambitious ideas involving an even greater flexible implementation of green ***conditionality*** and simpler coordination of controls.

***Agriculture*** Commissioner Janusz Wojciechowski said the EU executive will look into reducing obligatory measures required to receive aid in the contested green architecture of the ***CAP*** – which includes measures on set-aside, permanent grassland, and soil cover – and convert these to voluntary criteria.

“Incentives are always better than forcing farmers for more green environmentally friendly practices,” said Wojciechowski.

For the Polish Commissioner, this move would not undermine the EU climate-related goals. “I think many farmers will do it voluntarily if they receive certain financial incentives,” he said adding that some of these so-called eco-schemes have proved quite popular among farmers already.

This would likely lead to reopening the core act of the ***CAP***’s national ***strategic*** plans, agreed by lawmakers in 2021.

“I think the voice was really strong, and there is a majority in favour of that idea [of reopening the ***CAP***]," said Wojciechowski.

According to the commission, short-term proposals it has already tabled could receive parliamentary backing during this mandate.

**Load-Date:** February 28, 2024

**End of Document**



[***PRESS RELEASE - EUROPEAN COMMISSION***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BD3-Y1M1-JCH9-G0BJ-00000-00&context=1516831)

Cyprus News Agency

February 23, 2024 Friday

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**Length:** 1812 words

**Body**

The European Commission presents options for simplification to reduce the burden for EU farmers

Today, the European Commission sent a paper to the Belgian Presidency outlining first possible actions to help reduce the administrative burden weighing on farmers' shoulders. The document, which will be discussed with Member States in the ***agricultural*** Council of 26 February, lists a range of short- and mid-term actions that can be taken to achieve simplification. This will serve as the basis for discussions and joint action with EU countries.

The actions listed in the paper take into account the contributions by national administrations, major EU farming organisations and the European Parliament's ***agricultural*** committee. The simplification paper delivers on President von der Leyen's commitment made at the European Council on 1 February 2024.

The delivery model of the current Common ***Agricultural*** Policy (***CAP***), based on ***CAP*** ***Strategic*** Plans decided and implemented at national level, already represents a step forward in terms of simplification and subsidiarity compared with the previous period. Member States play a key role in keeping the administrative burden for farmers limited and proportionate to achieve the objectives of EU legislation. This is why any successful simplification exercise must be carried out in close cooperation with the national administrations and farmers themselves.

In light of this, the Commission will launch in March an online survey directly addressed to farmers. This targeted consultation will help to identify their main sources of concern, and understand the sources of administrative burden and complexity stemming from ***CAP*** rules as well as other EU rules for food and ***agriculture*** in the EU, and their application at national level. This survey will provide already by the summer a clearer picture of the main administrative obstacles perceived and faced by farmers. Its results will be included in a more detailed analysis to be published in Autumn 2024.

Beyond this necessary gathering of evidence, the Commission proposes short and mid-term measures that could bring some relief to both farmers but also to national administrations, which represent the first point of contact for farmers and are responsible for managing and paying EU funds.

First, the Commission proposes to simplify some of the ***conditionality*** requirements with which EU farmers need to comply. The set of basic standards- referred to as GAECs (good ***agricultural*** and environmental conditions)- that all farmers must comply with to receive their ***CAP*** support has proven challenging to implement in certain circumstances.

The Commission has already acted by granting for 2024 a partial exemption on rules on land lying fallow, the so-called GAEC 8. The Commission now proposes to change the rules on the first standard (GAEC 1), which imposes a requirement to keep areas of permanent grassland in the EU stable since reference year 2018. Under this requirement, former livestock farmers with large grassland forced to shift to arable crops production because of market disturbances in the meat and dairy sector could be asked to reconvert their arable land into permanent grassland. This obligation could lead to loss of income for the farmers concerned. The Commission proposes to amend these rules by mid-March to ensure that structural changes caused by market reorientation and reduction in livestock are taken into account, ensuring that farmers are not penalised in their work, and helping to reduce burden since fewer areas would have to be reconverted into permanent grassland.

The Commission will also review which ***agricultural*** practices may be possible during sensitive periods when fulfilling the obligation to cover soils under GAEC 6. The Commission is also encouraging all stakeholders to share their view on the administrative burden that may be linked to the Nitrates Directive. This can be done via the online public consultation open until 8 March 2024.

Second, the Commission proposes to simplify the methodology for certain checks, aiming to reduce the number of on-farm visits by national administrations by up to 50%. This measure directly responds to requests from Member States. The Commission proposes to streamline and clarify how to assess the quality of the Area Monitoring System. The latter is a system based on automated analysis of satellite imagery from Copernicus, meant to reduce inspections on farms, help farmers to avoid errors and incur penalties, as well as facilitate reporting. With fewer visits from the administration to manage, farmers will have more time to dedicate to their core work.

Third, the Commission proposes to clarify the use of the concept of force majeure and exceptional circumstances. This legal concept permits that farmers who cannot fulfil all their ***CAP*** requirements due to exceptional and unforeseeable events outside their control (such as in cases of severe droughts or floods) do not have penalties imposed on them. This clarification will support national administrations in the application of this provision and ensure its uniform application across the Union. This will also improve the certainty of getting ***CAP*** support for farmers impacted by such unfortunate events. More generally, the Commission will work with Member States to determine possible ways of rationalising controls.

In its paper, the Commission also mentions additional mid-term measures that may ease burdens for farmers, especially smaller farmers, and may consider proposing changes to that effect to the ***CAP*** basic Regulations agreed upon by the European Parliament and the Council in 2021.

One proposal put forward may be to exempt small farms of under 10 hectares from controls related to compliance with ***conditionality*** requirements (GAECs). This exemption would significantly simplify the daily work of small farmers who represent 65% of ***CAP*** beneficiaries, while maintaining the ***CAP***'s environmental ambitions since small farms cover only 9,6% of the areas receiving ***CAP*** support. Additionally, should the basic Regulations be changed in the mid-term, GAEC 8 on land lying fallow, GAEC 7 on crop ***rotation*** and GAEC 6 on soil cover could be reviewed to further reduce burden for farmers.

In parallel, the Commission will facilitate the exchange of best simplification practices by Member States across the different relevant bodies of cooperation (i.e., expert groups, committees and others).

When considering simplification proposals, the Commission took into account the effects of these proposals on the environmental objectives and ambition of the Common ***Agricultural*** Policy. They also ensure the continuation of a stable and predictable legislative framework for EU farmers, based on the current ***CAP*** that entered into force on 1 January 2023. To further respond to the current crisis situation in the ***agricultural*** sector, the Commission is also working on actions to improve the position of farmers in the food chain and protect them against unfair trading practices, which will be presented shortly. Given that farmers are often the most vulnerable link in the food value chain, these actions may cover issues such as market transparency, trading practices in the value chain, costs of production, or more homogeneous control of existing rules on imported ***agricultural*** products.

European Commission President Ursula von der Leyen said:

'The Commission remains fully committed to delivering solutions to ease the pressure currently felt by our hard-working farming women and men. We are easing the administrative burden on our farmers to help them guarantee food security for European citizens. Simplification of our ***agriculture*** policies is a constant priority, at both EU and national level. With this range of actions, we are delivering on the pledge we made to our farmers to accelerate this discussion. I look forward to hearing the views of our Member States.'

Example of short-term measures presented for discussions to Member States

Measure

Impact

Timeline

Changing rules of the calculation of permanent grassland to cater for cases of structural changes in farming

Farmers with reduced livestock will not have to reconvert arable areas to pasture

Delegated act to be adopted in March

Reviewing possible ***agricultural*** practices to cover soils

Farmers can have more flexibility in how they fulfil this ***conditionality***

Clarification to be presented and discussed with Member States in March

Revising the EU methodology to assess the quality of the Area Monitoring System

Farmers will receive up to 50% fewer on-farm visits; this will also free up resources in national administrations

Finalisation and presentation of the new methodology in March

Clarifying the concept of force majeure

Impacted farmers will have more certainty regarding the receipt of their ***CAP*** payments and national administrations will benefit from a clearer interpretation at EU level, preventing budgetary errors

Presentation of the clarification to Member States in March

Facilitating exchanges of best practices and amendments to ***CAP*** ***Strategic*** Plans

National administrations can identify with more ease areas of possible simplification and implement them faster to the benefit of farmers

Ongoing process

Identifying the main administrative burden weighing on farmers

Online public consultation on the evaluation of the Nitrates Directive

Open until 8 March 2024

EU online survey for farmers

From March to May with results expected at the beginning of Summer 2024

Detailed analysis of the complexity for farmers stemming from the EU regulatory framework and national rules

Results expected in Autumn 2024

For More Information

European farmers exempted from rules on land lying fallow

Quote(s)

The Commission remains fully committed to delivering solutions to ease the pressure currently felt by our hard-working farming women and men. We are easing the administrative burden on our farmers to help them guarantee food security for European citizens. Simplification of our ***agriculture*** policies is a constant priority, at both EU and national level. With this range of actions, we are delivering on the pledge we made to our farmers to accelerate this discussion. I look forward to hearing the views of our Member States.

Ursula von der Leyen, President of the European Commission

The message from farmers is clear: they want to be working in their fields, not stuck behind files. In response, the Commission has identified a range of EU-level actions that could help to ease the administrative burden on farmers over the coming months and years. I welcome this renewed acceleration towards simplification and I commit to working with Member States and stakeholders on these actions and every initiative that will enable farmers to spend their working hours on what matters - supporting their families and producing our essential goods.

Janusz Wojciechowski, Commissioner for ***Agriculture***

**Load-Date:** February 23, 2024

**End of Document**



[***PRESS RELEASE - EUROPEAN COMMISSION***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BJT-4X01-F00C-64RK-00000-00&context=1516831)

Cyprus News Agency

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**Body**

Commission proposes targeted review of Common ***Agricultural*** Policy to support EU farmers

Delivering on its commitment to ease administrative burden for EU farmers, the European Commission has today proposed to review certain provisions of the Common ***Agricultural*** Policy (***CAP***), aiming to deliver simplifications while maintaining a strong, sustainable and competitive policy for EU ***agriculture*** and food.

These proposals, related to ***conditionality*** and ***CAP*** ***Strategic*** Plans, aim to reduce the burden related to controls for EU farmers, and provide them with greater flexibility for complying with certain environmental conditionalities. National administrations will also benefit from greater flexibility to apply certain standards.

Today's legislative proposal is a direct response to the hundreds of requests received from farmers' representative organisations and Member States, and complements the Commission's short-term actions already under way to help reduce administrative burden for farmers.

The proposal strikes the right balance between the necessity to maintain the ***CAP***'s role in supporting the transition of European ***agriculture*** to more sustainable farming, the expectations of farmers and Member States, and the objective to reach a quick agreement between the European Parliament and the Council.

It is carefully calibrated and targeted to maintain a high level of environment and climate ambition in the current ***CAP***.

To respond to all concerns expressed in the past weeks, the Commission is also sending to the Council and the European Parliament a reflection paper outlining several measures to improve the position of farmers in the food supply chain. This list of possible actions will be discussed with ***agriculture*** ministers in the next Council meeting.

Today's package of support for EU farmers delivers on the last conclusions from the European Council that called on the Commission and Council to address the challenges facing the EU ***agricultural*** sector.

President of the European Commission, Ursula von der Leyen, said: 'The Commission is taking strong and swift action to support our farmers in a time when they are dealing with numerous challenges and concerns. Today's proposals - crafted in close cooperation with farmers, key stakeholders, our Member States and MEPs - offer targeted flexibilities to help farmers do their vital work with greater confidence and certainty. We are sending a clear message that ***agricultural*** policy adapts to changing realities while staying focused on the key priority of protecting the environment and adapting to climate change. The Commission will continue to stand steadfastly by our farmers, who maintain EU food security and serve at the frontline of our climate and environment action.'

Adapting conditionalities to new realities

In the first year of implementation of the current ***CAP*** (2023-2027), EU farmers faced challenges to fully comply with some of the standards beneficial to the environment and climate called 'good ***agricultural*** and environmental conditions' (GAECs). Because most of the ***CAP*** payments that farmers receive are linked to this set of nine standards, they are also referred to as conditionalities.

The Commission therefore proposes a targeted review of certain conditionalities in the Regulation on ***CAP*** ***Strategic*** Plans. The review relates to the following conditionalities:

GAEC 8 on non-productive features: EU farmers will have to maintain existing landscape features on their land but will no longer be obliged to dedicate a minimum part of their arable land to non-productive areas, such as fallow land. Instead, they may choose, on a voluntary basis, to keep a share of their arable land non-productive - or establish new landscape features (such as hedges or trees) - and thereby receive additional financial support via an eco-scheme that all Member States will have to offer in their ***CAP*** ***Strategic*** Plans. All EU farmers will be incentivised to maintain non-productive areas beneficial for biodiversity without fearing loss of income.

GAEC 7 on crop ***rotation***: EU farmers will be able to fulfil this requirement by choosing to either ***rotate*** or diversify their crops, depending on the conditions they are facing and if their country decides to include the option of crop diversification in their ***CAP*** ***Strategic*** Plan. Flexibility to carry out crop diversification instead of crop ***rotation*** only will enable farmers affected by regular drought or excessive rainfall to comply more easily with this requirement.

GAEC 6 on soil cover during sensitive periods: Member States will have much more flexibility in setting what they define as sensitive periods, and the practices allowed to fulfil this requirement, in light of their national and regional conditions, and in the context of increasing weather variability.

In addition to these specific changes, the Commission proposes that Member States may exempt certain crops, soil types or farming systems from complying with requirements on tillage, soil cover, and crop ***rotation***/diversification (respectively GAECS 5, 6, 7). Targeted exemptions to allow ploughing to restore permanent grassland in Natura 2000 sites in case it is damaged due to predators or invasive species could also be possible (GAEC 9). These exemptions may be set for the whole ***CAP*** period in the ***CAP*** ***Strategic*** Plans. They should be limited in terms of area and established only where they prove necessary to address specific problems. The European Commission will review the necessary amendments to validate the exemptions and maintain the consistency with the overall environmental objectives of the Plans.

In extreme cases of adverse weather conditions preventing farmers to properly work and comply with the GAEC requirements, Member States may also introduce temporary derogations. These derogations should be limited in time and only apply to the beneficiaries affected.

To ensure that EU countries can adapt more frequently their ***CAP*** ***Strategic*** Plans to changing conditions, the Commission proposes to double the number of amendments allowed each year. Any successful simplification exercise must be carried out in close cooperation with national administrations.

Last but not least, the Commission proposes to exempt small farms of under 10 hectares from controls and penalties related to compliance with ***conditionality*** requirements. This will significantly reduce the administrative burden related to controls for small farmers who represent 65% of ***CAP*** beneficiaries.

The ***CAP*** ***Strategic*** Plans allocate 32% of the total ***CAP*** budget (around pound 98 billion) to voluntary actions advancing the environmental, climate and animal welfare objectives. These proposed changes maintain this unprecedented budget and provide increased flexibility to reach the ***CAP***'s environmental objectives.

In addition, Member States will have to review their ***CAP*** ***Strategic*** Plans by 31 December 2025 if specific environmental and climate acts (for example on conservation of wild birds and natural habitats of wild fauna and flora, and protection of waters) are updated at EU level.

Improving farmers' remuneration and their position in the food supply chain

Reinforcing the position of farmers in the food supply chain is one of the key objectives of the ***CAP***. There are already several measures in place at EU level to ensure more fairness and protect farmers against unfair trading practices. While the degree of trust and cooperation between actors in the chain is increasing, the full implementation and enforcement of the available policy tools take time, and more needs to be done.

To contribute to the ongoing discussions with ***agriculture*** ministers and the European Parliament, the Commission presents several options for actions that could be taken forward in the short and medium term.

First, as part of an immediate deliverable, the Commission will launch an observatory of production costs, margins and trading practices in the agri-food supply chain. Composed of representatives from all sectors along the food supply chain and representatives of Member States and the Commission, this observatory will increase the transparency on costs and margins in the chain by making data public, and exchanging information, with a view to building trust between the stakeholders and establishing a common diagnosis of the situation. It is expected to hold its first meeting this Summer.

Second, the Commission proposes options for targeted improvements to the current legal framework set in the Regulation establishing a common market organisation of ***agricultural*** products (CMO). These options include reinforcing the rules applicable to contracts that farmers conclude with buyers in the food industry or retail, and strengthening producer organisations to allow farmers to cooperate and act collectively in a more effective way vis-à-vis other actors in the food supply chain. The aim is to help correct imbalances in the chain while preserving the fundamental principle of market orientation. In the same vein, the Commission proposes the possibility of new rules on cross-border enforcement against unfair trading practices. Currently, at least 20% of the ***agricultural*** and food products consumed in a Member State come from another Member State. There is a need to enhance the cooperation of national enforcement authorities, notably by improving the exchange of information and collection of penalties.

Third, the Commission will conduct a thorough evaluation of the Directive on unfair trading practices in the food supply chain, in force since 2021. A first report will be delivered in Spring 2024 presenting a consolidated state of play of the implementation of this Directive by Member States. This report will then feed into a more detailed evaluation that the Commission will present in 2025, which could be accompanied, if appropriate, by legislative proposals.

Discussions with Member States on these possible measures will take place in several formats, most notably the upcoming ***agriculture*** Council on 26 March.

Background

The Commission has worked hard to offer timely and concrete actions responding to farmers' concerns for reducing administrative burden. This work has been conducted in close cooperation with farmers' representatives and Member States, with the valuable help of the Belgian EU Presidency.?It is now of utmost importance that co-legislators find an agreement on today's legislative proposal in a timely manner to reassure farmers that these new measures can apply as soon as possible.

The ***conditionality*** system and budgetary ringfencing, alongside an array of other key tools of the ***CAP***'s green architecture, remain in place to ensure an overall higher level of ambition of the current ***CAP*** compared to the past. The changes proposed today will lead to a more predictable policy that does not require yearly derogations and disproportionate efforts from farmers.

Last year, the Commission already showed a flexible and pragmatic approach by providing derogations on the ***conditionality*** on crop ***rotation*** (GAEC 7) and land lying fallow (GAEC 8). This year, the partial derogation on land lying fallow for EU farmers for 2024 was confirmed on 13 February. In addition to this derogation, the Commission launched on 22 February a range of short-term actions that are currently ongoing or have already been implemented. For example, the change on the calculation of the area of permanent grassland was adopted on 12 March to take into account the situation of farmers converting from livestock to arable crops.

On 7 March, the Commission launched a survey on simplification directly targeted at EU farmers to identify the complexity stemming from ***CAP*** rules as well as other EU rules for food and ***agriculture***. In parallel, an online survey gathering the views of farmers and smaller suppliers on unfair trading practices has been running and closed today, 15 March.

Member States play a key role in keeping the administrative burden for farmers limited and proportionate to achieving the objectives of EU legislation. It is essential that no requirements that go beyond what is requested in the ***CAP*** legislation are imposed. This is why any successful simplification exercise must be carried out in close cooperation with the national administrations and farmers themselves. The Commission will keep facilitating exchanges of good practices.

For More Information

Legislative proposal

Questions and Answers

The European Commission presents options for simplification to reduce the burden for EU farmers

The European Commission invites farmers to participate in online survey on simplification

European farmers exempted from rules on land lying fallow

Fighting against unfair trading practices: European Commission gathers views from farmers and operators in the food supply chain

Quote(s)

The Commission is taking strong and swift action to support our farmers in a time when they are dealing with numerous challenges and concerns. Today's proposals - crafted in close cooperation with farmers, key stakeholders, our Member States and MEPs - offer targeted flexibilities to help farmers do their vital work with greater confidence and certainty. We are sending a clear message that ***agricultural*** policy adapts to changing realities while staying focused on the key priority of protecting the environment and adapting to climate change. The Commission will continue to stand steadfastly by our farmers, who maintain EU food security and serve at the frontline of our climate and environment action.

Ursula von der Leyen, President of the European Commission

Today's proposals mark another strong step in the Commission's response to reduce administrative burdens for farmers and reinforce fairness in the food supply chain. The proposals embrace a pragmatic and targeted approach to enable the good work of our farmers and provide increased flexibility for Member States to achieve ***CAP*** objectives. Our work over the coming weeks and months is crucial, to ensure that the full potential of these proposals benefit farmers on the ground.

Janusz Wojciechowski, Commissioner for ***Agriculture***

Related topics

***Agriculture*** and Rural Development

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Commission's additional measures to support EU farmers

English

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CALENDAR

Monday 18/03

President Ursula von der Leyen receives Ms Viola Amherd, President of Switzerland.

Mr Margaritis Schinas receives Ms Nadia Calvino, President of the European Investment Bank; delivers a keynote speech at the event celebrating the 100th anniversary of Telefonica ; receives Mr Stefano Dominioni, Executive Secretary of the Enlarged Partial Agreement on Cultural Routes of the Council of Europe.

Tuesday 19/03

Mr Margaritis Schinas delivers opening remarks at the 10th European Summit for Regions and Cities; receives Ms Mavsuma Muini, Deputy Chairwoman of the Parliament of Tajikistan with a delegation of the Parliament of Tajikistan; receives Mr Jasem Albudaiwi, Secretary General of the Gulf Cooperation Council ; receives Mr Rashid Meredov, Minister for Foreign Affairs of Turkmenistan; participates to Euronews' 'Global conversation' on air show.

Ms Stella Kyriakides receives Ms Marilena Raouna, Deputy Minister for European Affairs of the Republic of Cyprus.

Wednesday 20/03

President Ursula von der Leyen receives Mr António Guterres, Secretary-General of the United Nations; participates in the Tripartite Social Summit.

Mr Margaritis Schinas in Bruges, Belgium: meets with Ms Federica Mogherini, Rector of the College of Europe ; delivers a speech at the event organised by the Hellenic Society of the College of Europe; meets Mr Nikos Christodoulides, President of Cyprus.

Ms Stella Kyriakides participates in the high-level Ministerial dialogue on the EU-African Union Global Health Partnership organised by the Belgian Presidency of the Council of the EU; delivers pre-recorded remarks to the event marking the opening of the new Paediatric Oncology Center in Bucharest.

Thursday 21/03

Mr Margaritis Schinas meets jointly via videoconference with Mr Thomas Bach, President of the IOC and Mr Moussa Faki, Chairman of the African Union Commission.

Ms Stella Kyriakides in Italy (until 22/03): meets with Mr Orazio Schillaci, Minister of Health of Italy and visits the 'Bambino Gesu' Children's Research Hospital' in Rome; attends the WEmbrace Awards 2024 in Milan.

Friday 22/03

Mr Margaritis Schinas in Nicosia, Cyprus ; participates to a cross-ministerial meeting with Mr Konstantinos Ioannou, Minister of Interior, with Ms Athina Michaelidou, Minister of Education, Youth and Sports, with Mr Marios Hartsiotis, Minister of Justice and Public Order, with Ms Marilena Evangelou, Deputy Minister of Social Welfare, with Ms Vasiliki Kassianidou, Deputy Minister of culture ; delivers a keynote speech at the University of Nicosia; meets Ms Annita Demetriou, President of the House of Representatives of Cyprus ; meets the members of the management board of the Cyprus Cancer Research Institute.

Ms Stella Kyriakides in Milan, Italy: visits the Italian National Cancer Institute; visits the European Institute of Oncology; attends the Europa Donna 30th anniversary celebration; delivers a keynote speech at the European Breast Cancer Conference.

Commission approves pound 8.48 million Greek State aid measure to compensate Sky express in the context of the coronavirus pandemic

The European Commission has approved, under EU State aid rules, a pound 8.48 million Greek aid measure to compensate the airline Sky express in the context of the coronavirus pandemic.

Under the measure, the aid will take the form of a direct grant to compensate the airline for the damage suffered during the coronavirus pandemic, specifically the period between 23 March and 31 October 2020, when travel restrictions were imposed by Greece and other countries to limit the spread of the virus. As a result of these restrictions, Sky express experienced a steep decline in traffic and profitability over this period.

The Commission assessed the measure under Article 107(2)(b) of the Treaty of the Functioning of the European Union, which enables the Commission to approve State aid measures granted by Member States to compensate specific companies or sectors for damage directly caused by exceptional occurrences, such as the coronavirus outbreak. The Commission found that the Greek measure provides compensation for damage that is directly linked to the coronavirus pandemic. It also found that the measure is proportionate, as the compensation does not exceed what is necessary to make good the damage. On this basis, the Commission approved the measure under EU State aid rules.

The non-confidential version of the decision will be made available under the case number SA.62482 in the State aid register on the Commission's competition website once any confidentiality issues have been resolved.

(For more information: Daniel Ferrie - Tel: +32 2 298 65 00 ; Nina Ferreira - Tel.: +32 2 299 81 63)

The Commission allocates pound 500 million to ramp up ammunition production, out of a total of pound 2 billion to strengthen EU's defence industry

Today, the Commission allocated the pound 500 million foreseen under the Act in Support of Ammunition Production (ASAP). This will allow the European defence industry to ramp up its ammunition production capacity to 2 million shells per year by the end of 2025.

The Commission also launched the Work Programme for the instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) and the fourth annual Work Programme of the European Defence Fund (EDF).

Together, these programmes have a budget of almost pound 2 billion. Today's steps towards the reinforcement of the European defence technological and industrial base are taken in the wake of the adoption of the first ever European Defence Industrial Strategy (EDIS) and the associated proposal for a European Defence Industry Programme (EDIP).

pound 500 million to ramp-up ammunition production capacity to 2 million per year

With the support of ASAP, Europe is expected to reach an annual ammunition shell production capacity 2 million by the end of 2025.

The Commission completed the evaluation under the ASAP Regulation in record time and selected 31 projects to assist European industry in increasing its ammunition production and readiness.

The selected projects cover five areas: explosives, powder, shells, missiles, and testing and reconditioning certification. The projects will be funded with pound 513 million from the budgets of the EU and Norway. This funding will leverage additional investment from industry through co-financing, resulting in a total investment of around pound 1.4 billion in the supply chain.

ASAP focuses on powder and explosives, which are bottlenecks for ammunition shell production, and will allocate some three quarters of the programme to them. The programme will support projects increasing the annual production capacity by more than 10 000 tons of powder, and by more than 4 300 tons of explosives. For this purpose, The Union will invest pound 248 million in powder manufacturing capacity and pound 124 million in explosives manufacturing capacity.

Thanks to measures already taken, European annual production capacity for 155 mm shells had already reached 1 million per year in January 2024.

ASAP funding recipient companies and their supply chains are spread across the European Union. Support is provided to reinforcing existing production capacities, as well as to build up new ones. The completed projects will enhance the responsiveness and capability of the Union's defence industry, ensuring a faster supply of ammunition and missiles in Europe.

Grant agreements with the selected applicants are expected to be signed in May 2024.

pound 310 million to incentivise Member States to procure defence capabilities together

With the adoption of the instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) Work Programme, and the launch of the respective calls for proposals, the Commission incentivises for the first time Member States to jointly acquire defence products serving the most urgent and critical needs, especially those amplified by Russia's aggression against Ukraine. Aggregating demand will provide predictability and therefore incentivise our industry to ramp up manufacturing capacity, and will improve the interoperability of the national armed forces.

With a total budget of pound 310 million, the EDIRPA Work Programme will support common procurement in three areas: 1) Ammunition (e.g. small arms, artillery ammunition, mortars, rockets), 2) Air and missile defence, and 3) Platforms and replacement of legacy systems (e.g. tanks, armoured vehicles, support systems, soldier systems, drones). These funding priorities have been set together with the Member States to address urgent defence needs and replenish defence stockpiles.

The submission deadline for proposals is 25 July 2024.

pound 1.1 billion to boost EU defence R and D projects

To ensure Europe remains at the cutting edge of defence technology and innovation, the Commission has adopted the fourth annual Work Programme of the European Defence Fund (EDF) and launched the corresponding calls for proposals, allocating an additional pound 1.1 billion, including pound 225 million to support innovation and defence start-ups through dedicated measures under the EU Defence Innovation Scheme (EUDIS). The funding priorities are commonly agreed upon with the Member States and take into consideration defence technologies and capability needs as well as emerging threats amplified by the changed security environment.

The 2024 EDF work programme covering 32 call topics will fund projects in crucial defence domains, including countering hypersonic missiles, developing a range of unmanned vehicles in the air and on the ground, and ensuring secure space communication. It prepares the ground for next generation defence systems, such as helicopters and mid-size cargo aircraft.

Additionally, the Work Programme offers support measures to promote defence innovation and inclusiveness through the EU Defence Innovation Scheme (EUDIS), with funding for a EUDIS Business Accelerator and Matchmaking opportunities with investors.

The submission deadline for proposals is 5 November 2024.

Background

The Act in Support of Ammunition Production (ASAP) is a direct response to the Council's to urgently deliver ammunition, and if requested missiles, to Ukraine, and to help Member States refill their stocks by introducing targeted measures. The Act aims at ensuring that the EU can ramp up its ammunition production capacity. Financial support will be provided in the form of grants to various types of actions contributing to the efforts of the European defence industry to increase its production capacities and tackle bottlenecks. ASAP implements track 3 (industrial part) of the so-called three-track approach of the ammunition plan agreed by the Council in March 2023.

The instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) responds to Member States' request to address the most urgent and critical defence product needs resulting from Russia's aggression against Ukraine. The instrument incentivises Member States, in a spirit of solidarity, to commonly procure defence capabilities for their armed forces and facilitates access for all Member States to defence products being urgently needed.

The European Defence Fund is the Commission's instrument to support defence R and D and cooperation. Without substituting Member States' efforts, it promotes cooperation between companies of all sizes and research actors throughout the EU and Norway (as an associated country). The EDF supports competitive and collaborative defence projects throughout the entire cycle of research and development, focusing on projects leading to state-of-the-art and interoperable defence technologies and equipment. It also fosters innovation and incentivises the cross-border participation of SMEs. The Work Programme and the funding priorities are defined based on the defence capability priorities agreed by Member States within the framework of the Common Security and Defence Policy (CSDP), and particularly in the context of the Capability Development Plan (CDP). With the adoption of this annual work programme 2024, the Commission has committed to invest more than pound 4 billion in collaborative defence R and D since the entry into force of the EDF Regulation in May 2021.

These measures, complemented by the recently announced Commission proposal for a European Defence Industry Programme (EDIP), ensure a structural, longer-term approach to achieve defence industrial readiness. They provide continuity of the support to the European defence technological and industrial base, to enable its swift adaptation to the new security environment.

For More Information

Questions and answers on ASAP and EDIRPA

ASAP webpage

ASAP factsheet with projects selected for funding

EDIRPA webpage

EDIRPA Work Programme

EDIRPA Factsheet

EDF Work Programme 2024 factsheet

EDF Work Programme 2024

EUDIS factsheet

Quote(s)

Now pound 2 billion are invested in defence-related research and development, ammunition production, and common procurement. These are important steps to invest more, better, together and European. They show the potential of the recently proposed European Defence Industry Programme and contribute to our efforts to support Ukraine. And the EU delivers on its promise to strengthen the European defence technological and industrial base.

Margrethe Vestager, Executive Vice-President for a Europe Fit for the Digital Age

The Act in Support of Ammunition Production (ASAP) is in motion! We are investing pound 500m into 31 industrial defence projects to ramp up ammunition production. This is the first time we use the EU budget to support the defence industrial production capacities. Unprecedented. The signal we send is clear: Europe is ready to produce more, faster and together as Europeans.

Thierry Breton, Commissioner for Internal Market

Related topics

Europe Fit for Digital Age

Defence

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Commission welcomes political agreement on European Health Data Space

The Commission welcomes the political agreement reached today between the European Parliament and the Council of the EU on the European Health Data Space (EHDS) - one of the central building blocks of a strong European Health Union. The rules proposed by the Commission in May 2022 have two main aims:

To put citizens at the centre of healthcare, giving them full control over their data to obtain better healthcare across the EU;

To open up data for research and public health uses.

The agreement reached by the co-legislators establishes clear rules for the use of health data for better healthcare delivery, research, innovation, and policymaking. The new rules will harness the potential offered by the safe and secure exchange, use, and re-use of health data, while ensuring full compliance with the EU's high data protection standards.

Under the new rules, citizens will have immediate and easy access to their digital health data wherever they are in the EU. Health professionals will be able to access the medical records of a patient when required for treatment in a different Member State, allowing for evidence-based decision making, in full compliance with EU data protection rules. The EHDS also creates a strong legal framework for the re-use of health data for research, innovation, and public health purposes. The data will help develop life-saving treatments and personalised medicines, but also improve crisis preparedness, under strict data security and access conditions, and respecting fundamental rights.

Next steps

The European Parliament and the Council will now formally adopt the new Regulation. It will then become applicable in different stages according to use case and data type.

For More Information

Proposal for a Regulation to set up the European Health Data Space

Quote(s)

The European Health Data Space is a game changing moment for health in Europe and for the care our citizens receive. It will enable patients to share health data, such as their medical history, test results, or prescriptions with hospitals and medical practitioners within and across Member States, as they wish. At the same time, it will unleash the potential of health data for the development of innovative and lifesaving treatments and devices, as well as for better health policy-making, all with strong data protection and security safeguards. Our Health Union is built on cooperation, and the European Health Data Space will be one of the strongest and most emblematic examples of what we can achieve when we come together.

Stella Kyriakides, Commissioner for Health and Food Safety

Related topics

Public health

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Political agreement on European Health Data Space

English

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College members participate in the European Summit of Regions and Cities from 18-19 March in Mons, Belgium

From 18-19 March, Executive Vice-President Sefcovic, Vice-Presidents Vera Jourová, Dubravka Suica and Margaritis Schinas, and Commissioners Nicolas Schmit, Elisa Ferreira, Helena Dalli, Ylva Johansson, Janez Lenarcic, Olivér Várhelyi and Iliana Ivanova will participate in the 10th European Summit of Regions and Cities in Mons, Belgium.

The Summit will gather thousands of mayors, councillors, regional ministers and other European and global decision-makers, to discuss how regions and cities can contribute to the future of the EU, focusing on key topics such as democracy, sustainable development, green transition, gender equality, EU enlargement and social, economic and territorial cohesion.

On Monday, 18 March, Commissioners Ferreira and Schmit will deliver speeches as part of the session, 'Just transition and cohesion at the heart of future EU investment policies'. Commissioner Ferreira will also deliver a speech at the session, 'A renewed Cohesion Policy that leaves no one behind'. Commissioner Johansson will deliver a video message during the 'Building inclusive communities' session and Commissioner Dalli will deliver a video message during the 'Strategies and approaches to improve gender parity in politics' event.

On Tuesday, 19 March, Vice-President Schinas will kick-off discussions with a keynote speech as part of the 'EU Elections 2024' session. Commissioner Ivanova will address the 'Co-creating cities and regions with young people' session with a video message, followed by a video message by Executive Vice-President Sefcovic as part of the Green Deal session.

The plenary session on 'the vision of regions and cities for the Future of Europe' will see Vice-President Suica speak alongside Belgian Prime Minister Alexander De Croo and others. The plenary will adopt the Mons Declaration, a declaration that sets out the vision of regions and cities for the future of Europe. Commissioner Várhelyi will then deliver a video message at the session on Ukraine, while Commissioner Lenarcic will deliver a speech via video message at the 'Preparing region and cities against crises' session.

Vice-President Jourová will conclude the two-day event by speaking at the final session of this year's programme, which will focus on democracy and values.

The full programme is available here.

(For more information: Stefan De Keersmaecker - Tel.: +32 2 298 46 80; Laetitia Close - Tel.: +32 2 296 70 73)

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[***Ireland's Rainforests: Protecting our Hedgerows as Biodiversity Highways***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69DS-THF1-F06V-6018-00000-00&context=1516831)

Kerryman (Ireland)

October 17, 2023

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**Length:** 844 words

**Body**

It's legal hedgerow-cutting season now and around Kerry and nationwide, farmers, landowners, contractors and council workers are busy cutting hedges, especially roadside ones.

It's important to keep the roads safe and overgrown hedging can obstruct visibility. But, given that our hedgerows are 'the lungs of Ireland' and habitats for so many of our wildlife, to what extent should we be cutting them back and what is the situation with hedgerow removal?

According to the Tipperary-based Hedgerows Ireland group:

"We are still losing very significant amounts of hedgerow annually with official estimates of between two and three thousand kilometres of removal taking place. This is due to a combination of ***agricultural*** intensification, building projects and forestry. Less than one-third of the remaining hedgerows are in good condition."

"Mature hedgerows are vital corridors for wildlife, offering food, shelter, and a home to half of Ireland's bird species, many mammals such as hedgehogs and bats, and 600 of our 800 flowering plants. They are part of our natural heritage, with the oldest hedgerows dating back to medieval times."

Farmers sometimes feel pressure to cut them back, in part because of a recent trend for extreme neatness and also because historically they were docked farm payments for overgrown hedges. So how much is enough and how much is too little?

I spoke with Alan Moore from Hedgerows Ireland about hedge management issues and some of the factors which influence some current practices which include:

* Bigger Machines - Flail cutters and other machines are very powerful so it's now easy to cut 'down to the butt.'

1. The Hangover of fear of having payments reduced - Although with the new ***CAP*** ***strategic*** plan and '***Conditionality***' terms, farmers no longer have their basic payments reduced for big wide hedges, for some the fear of this remains.
2. Training is missing - Hedge-cutting certification courses aren't happening anymore meaning some contractors are untrained in this very skilled work.
3. Lack of Knowledge - Due to the lack of knowledge we're seeing incorrect practices such as topping mature hedges rather than the preferred method of side-cutting or 'breasting' these hedges which are such a vital reservoir for carbon and wildlife and which supply food and habitat for wildlife if left untopped.
4. Weather Pressures - It's understandable that because much cutting is carried out by contractors, there's a rush to get it done as soon as possible after the 1st of September in case the weather gets too bad. Sadly, this results in berries, fruits and nuts being lost to our bird population in early Autumn.

Teagasc &amp; Heritage Council Hedgerow Forums - "Bigger are Better"

Alan tells us that this summer the Heritage Council and Teagasc carried out 'hedgerow roadshows' and formed two online discussion forums as part of the Teagasc Signpost series to decide on best practice. The group included farmers, environmentalists and other stakeholders. The aim is to ultimately produce new guidelines in due course. Some findings to date include:

* New Research links bigger hedgerows to our carbon and biodiversity targets - Taller, wider hedges capture far more carbon and host a much greater number and range of plants, animals and useful insects.

1. One Size Does Not Fit All - land use, location, hedge type and other factors will influence a good decision for a suitable hedge-cutting regime on each farm which may include practices such as hedge laying and coppicing.
2. Preserve tall, old, bushy hedges - these are especially valuable for biodiversity, and side-cutting only of these for electric fences or roadside visibility is the optimum here. The biodiversity benefits include shelter, shade, carbon capture, and food and habitats for wildlife.

For other hedges, different management is encouraged, such as annual light cutting to an 'A' shape, wide at the base, increasing the height by a few centimetres each year and allowing hedge plants to grow into trees at intervals.

Alternatively, a ***rotation*** of cutting on the farm with hedges cut on alternate years, enabling flowering and fruiting that supports pollinators and birds and more carbon sequestration. As well as this, the recommendation is to leave a 1-2 metre uncultivated margin for wildflowers to flourish and to protect this strip from spray drift and fertiliser.

Roadside Hedges - Try to Avoid Unnecessary and Severe Cutting where no Safety Issue Arises

Remember when cutting roadside hedges that these are also habitats and wildlife corridors, so avoid severe cutting that exceeds safety requirements.

Farmers and contractors are also asked where possible to delay cutting until later in the winter so that birds can benefit for as long as possible from the berries - and insects too. From November to February is much better than cutting in September.

And finally, please avoid using herbicides on or near the hedgerows as this can cause the devastation of bee populations and wildlife generally.

Find out more at hedgerowsireland.org and from Crainn Chiarraí on Facebook and Instagram.

**Load-Date:** October 17, 2023

**End of Document**



[***Agrifood Brief: A topsy-turvy Parliament***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69F9-DM51-F03F-K1S4-00000-00&context=1516831)

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**Section:** FRANCE NEWS, London news & EUROPEAN UNION NEWS

**Length:** 2194 words

**Byline:** EURACTIV's Agrifood Hub, Gerardo Fortuna

**Body**

The lawmaking process on health, ***agriculture***, and food safety at the European Parliament could be turned upside down starting from the next legislative term, according to a leaked internal document obtained by Euractiv.

A [*major reform*](https://www.euractiv.com/section/politics/news/leak-meps-working-on-major-overhaul-of-lawmaking-committees/) of the Parliament's committee structure has been mulled over by the European lawmakers and, if approved before the end of this legislative mandate, will lead to major changes in the whole parliamentary legislative process once the new term starts after the EU elections in June.

Many of these committees - which are now 24 and do the essential preparatory works on legislative reports before their approval in the plenary - could be merged together to limit the internal bickering.

This week, EURACTIV's Eleonora Vasques got her hands on [*a 'reflection paper' prepared by the European Parliament secretariat*](https://www.euractiv.com/section/eu-reforms/news/leak-european-parliament-gets-ready-to-shake-up-internal-committee-structure/) envisaging a new organisation plan to halve the number of committees as a solution to solve the many conflicts of competencies.

And, of course, our minds went immediately to the epic fights between the stubborn AGRI and the gigantic ENVI committees, for instance, over which one is supposed to take over important files such as those [*on pesticides*](https://www.euractiv.com/section/agriculture-food/news/agrifood-brief-met-solomons-dilemma/) or [*on the greening of the Common* ***Agricultural*** *Policy (****CAP****)*](https://www.euractiv.com/section/agriculture-food/news/eu-lawmakers-bicker-over-cap-reform/).

One option listed in the document features a merger between the ***agriculture*** committee (AGRI) and the one on fisheries (PECH) creating a single committee that would basically replicate the AGRIFISH Council ministerial composition - which is the other EU lawmaker on ***agriculture*** and fisheries.

Besides this new 'Agrifish' committee, there will be some sort of health committee (SANT) upgraded to a permanent level - now [*SANT is a sub-committee of its 'parent' environment committee (ENVI)*](https://www.euractiv.com/section/health-consumers/news/european-parliament-to-set-up-a-standing-dedicated-health-forum/) - and provided with legislative powers.

But, most importantly, the new SANT will be boosted with the coveted food safety competence - which includes inter alia pesticides and GMOs approval as well as animal health), mirroring the powers of the Commission's health service (DG SANTE).

The creation of a fully-equipped health and food safety committee within the European Parliament will reduce the number of competencies of ENVI, which currently seems to cover more or less all human knowledge, from COVID-19 to all the COP climate conferences.

The parliamentary body that drafted the organisation plan proposal has ***suggested*** downsizing ENVI to a Climate Action committee dealing with the environment, oceans, and forests but not, as explained before, with health and food safety competencies.

The setting up of a new health and food safety committee wouldn't be enough to avoid conflicts with ENVI itself (for instance on the impact of air quality on human health) and with the proposed 'Agrifish' committee (in this case replicating most of the clashes between AGRI and ENVI that happened in the current legislative term).

That's why an alternative scenario has been also proposed in which food safety only is assigned to the 'Agrifish committee' creating some kind of 'All-about-food' committee pretty much in line with - [*shall we say deceased?*](https://www.euractiv.com/section/agriculture-food/news/leaked-commission-agenda-sounds-death-knell-for-missing-farm-to-fork-files/) - Farm to Fork strategy, the EU's flagship food policy.

This option reminded me of [*a recent interview*](https://www.euractiv.com/section/agriculture-food/news/spains-agri-minister-eus-green-transition-is-not-left-vs-right-issue/) we had with Spain's ***Agriculture*** Minister Luis Planas ahead of the country's presidency of the EU Council.

He said that Europe has a great respect for the rural world so the words '***agriculture***' or 'rural' cannot be missing, for instance, in the name of a committee or in the portfolio of a minister.

"But we're talking about food. I think any organisational chart on such a broad issue is complicated," he added.

Still, there are some risks in allowing all the legislative proposals on the food subject to pass through just one committee which, traditionally, has always been strongly linked with food producers, whether farmers or fishers.

The process has just started but after next June's elections, we should expect in the European Parliament not just new faces but also a new internal structure.

*By Gerardo Fortuna*

[*Subscribe to EURACTIV's Agrifood Brief*](https://www.euractiv.com/subscribe-to-the-agrifood-brief/)*, where you'll find the latest roundup of news covering* ***agriculture*** *and food from across Europe. The Agrifood Brief is brought to you by EURACTIV's Agrifood Team - Gerardo Fortuna (*[*@gerardofortuna*](https://twitter.com/gerardofortuna)*), Natasha Foote (*[*@NatashaFoote*](https://twitter.com/NatashaFoote)*), and Julia Dahm (*[*@dahm\_julia*](https://twitter.com/dahm_julia)*)*

**News of the week**

**Farm to... fail?**

The European Commission's work programme for 2024 [*lists none of the remaining EU sustainable food files*](https://www.euractiv.com/section/agriculture-food/news/leaked-commission-agenda-sounds-death-knell-for-missing-farm-to-fork-files/), seemingly confirming stakeholders' worst fears that these proposals will not see the light of day before next June's EU elections.

Despite maintaining that the EU executive will "continue to deliver" on the Green Deal, the remaining **agrifood proposals were nowhere to be seen** in the [*work plan*](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4965).

This includes the long-awaited sustainable food systems law, which aims to accelerate and facilitate the transition to sustainable food systems, and the overhaul of the EU's animal welfare legislation, which has been downgraded from four parts to only one on the protection of animals during transport.

The news comes on the back of a [*new Eurobarometer survey*](https://ec.europa.eu/commission/presscorner/detail/en/IP_23_4951), which found that a **large majority of Europeans (84%)** believe that the welfare of farmed animals should be better protected in their country than it is now.

This means that these missing proposals now face an **uncertain future** in the next Commission and Parliament.

**Pesticides**

The European Parliament's environment committee is set to **vote on its position** on the contentious sustainable use of pesticides regulation next Tuesday (24 October). Austrian Green MEP Sarah Wiener and leading lawmakers from other political groups already agreed on what in parliamentary jargon is defined as compromise amendments which will constitute the backbone of the Parliament's position

The main new feature in this position is [*the request for the Commission to "set a Union 2030 target for increasing the overall sales of low-risk plant protection products and biological control*](https://www.euractiv.com/section/agriculture-food/news/meps-push-for-a-new-target-on-sales-of-low-risk-biological-pesticides/)".

Meanwhile, a coalition of 11 EU countries has [*proposed to scrap national targets*](https://www.euractiv.com/section/agriculture-food/news/eu-countries-seek-to-scrap-national-pesticide-reduction-targets/) entirely in the EU's proposal to halve the use and risk of pesticides by 2030 according to a leaked contribution to the EU Council work seen by Euractiv but not accessible to the general public.

This position could now work its way into the Council's official position as part of inter-institutional talks.

The Commission's original proposal on sustainable use of pesticides regulation (SUR), presented in June of 2022, proposes the calculation of tailor-made, national reduction targets, which, together, add up to an overall EU target of 50% reduction by 2030.

For campaign group Pesticide Action Network Europe, such a move would prove catastrophic. "Experience teaches that, without a result-based approach and clear obligations and rules for member states, no progress in pesticide reduction will take place," the campaign group warned in a statement.

However, the EU's pesticide lobby, CropLife Europe, pointed out that member states have made "huge efforts" to achieve reductions already.

"We believe that the methodology for the calculation of any targets should continue to be use and risk-based," a representative for the association said.

**All systems go on NGTs**

The lead MEP charged with leading the Parliament's position on a proposal to loosen the rules on new genetic techniques (NGTs), centre-right Jessica Polfjärd, published her [*draft report*](https://www.europarl.europa.eu/doceo/document/ENVI-PR-754658_EN.pdf) this week.

Among the amendments proposed in the draft report, one would **permit the use of category 1 NGT plants in organic production**.

Meanwhile, another proposes that NGT authorisations should be valid for an **"unlimited period"**, while the Commission's ***suggestion*** to label plant reproductive material as part of efforts to ensure traceability and transparency has been **removed**.

To speed up work on the file, an **amended timeline** has been proposed in hopes of sealing a deal on the Parliament's position during the **January** plenary session.

This is **too fast** for the socialists, greens, and the Left, who warned the timing is too tight for practical matters, such as translation of the text and shadow meetings.

But for Renew's Jan Huitema, who pushed for the accelerated pace, the timeline is **ambitious but manageable**. "We're hoping to have the trilogues on the SUR and the NGT file at the same time, as the two are linked," he explained to Euractiv, adding that you need "both the carrot and the stick".

**Luxembourg meeting**

EU agri ministers will meet in Luxembourg on Monday and Tuesday for an Agrifish Council going heavy on the "fish" part.

Apart from negotiating 2024's fishing quotas for the Baltic Sea, ministers will also coordinate with the Commission on the upcoming meeting of the International Commission for the Conservation of Atlantic Tunas (ICCAT).

As is the norm nowadays, ministers will also discuss the **market situation** in light of the war in Ukraine, which will be prefaced by an intervention from the war-torn country's ***agriculture*** minister.

In a preparatory meeting ahead of the AGRIFISH, EU ministers again stressed the need to use money from the **crisis reserve** to help support the countries bordering Ukraine. Meanwhile, ministers also raised the current situation in the Middle East as a source of concern in terms of oil and energy prices.

**Plenary**

Two reports of interest were debated and voted on during this week's Plenary session in Strasbourg; an own-initiative report on **generational renewal** in ***agriculture*** and one proposing to **increase EU production of plant protein**, thus **reducing dependence** on imports.

On [*generational renewal*](https://www.europarl.europa.eu/news/en/press-room/20231018IPR07627/parliament-calls-for-less-barriers-for-young-people-in-farming), MEPs called on the Commission to look into ways to facilitate **access to land**, as well as the creation of an EU observatory on farmland to monitor trends and prices for land sale and rental. The report also placed an emphasis on **training** and **internet connectivity** in rural areas, as well as **targeted financial support** for young farmers.

EU Young Farmers' association CEJA welcomed the adoption of the generational renewal report, calling for it to "serve as a basis for the upcoming [***strategic*** *dialogue on the future of* ***agriculture***](https://www.euractiv.com/section/agriculture-food/news/finally-eu-agriculture-ministers-welcome-von-der-leyens-strategic-dialogue/), the discussions on the ***CAP*** post-2027 and more generally for the European elections next June".

However, the [*protein strategy*](https://www.europarl.europa.eu/news/en/press-room/20231018IPR07628/eu-protein-strategy-increase-protein-production-and-diversify-supply-chains) - which laid out plans for the EU to increase its protein production to [*improve farmers' self-sufficiency*](https://www.euractiv.com/section/agriculture-food/news/eu-lawmakers-agree-on-global-and-ambitious-protein-strategy/) - was met with **mixed reactions**.

While the EU farmers' association COPA-COGECA called it a "realistic vision" that avoided simplistic dichotomies between food and fuel, others said the report sends "mixed messages" over a clause stating that the EU's novel food regulatory process is "not fit for purpose".

"Without a coherent vision to support alternative proteins as part of a diversified and resilient protein supply, Europe risks falling behind as the rest of the world creates future-proof jobs in this sector," said Pauline Grimmer, policy officer at the nonprofit Good Food Institute Europe.

***CAP* corner**

**Derogation disputation**. Although ***Agriculture*** Commissioner Janusz Wojciechowski has [*already said the EU executive is not planning to allow farmers further exemptions on environmental measures*](https://www.euractiv.com/section/agriculture-food/news/commissioner-eu-plans-not-to-exempt-farmers-from-green-measures-for-2024/) within the ***CAP*** for another year, some member states have not given up on the issue. During Monday's meeting of the SCA committee, several countries called to extend derogations for the rules on crop ***rotation*** and fallow land (GAEC 7 and 8), according to a source. Another source said the group of countries was primarily Middle and Eastern European.

**Agrifood news from the CAPitals**

**ROMANIA**

**Romania signs solidarity lane agreement with Ukraine.** Romanian Prime Minister Marcel Ciolacu and his Ukrainian counterpart, Denys Shmyhal, signed an agreement in Kyiv on Wednesday to ensure the secure transit of Ukrainian products and the development of border crossings between Ukraine and Romania. [*Read more*](https://www.euractiv.com/section/politics/news/romania-signs-solidarity-lane-agreement-with-ukraine/?utm_source=Euractiv&utm_campaign=e93cc267c5-EMAIL_CAMPAIGN_2023_10_12_12_40_COPY_01&utm_medium=email&utm_term=0_-11565f1444-%5BLIST_EMAIL_ID%5D).

**BULGARIA**

**Bulgarian Constitutional Court to hear case against agrophotovoltaic use.** Building agrophotovoltaics on arable land could lead to the transformation of ***agricultural*** areas into energy production plants, President Rumen Radev said before the Constitutional Court on Monday. [*Find out more*](https://www.euractiv.com/section/politics/news/bulgarian-constitutional-court-to-hear-case-against-agrophotovoltaic-use/?utm_source=Euractiv&utm_campaign=ae24f781ce-EMAIL_CAMPAIGN_2023_10_12_12_40_COPY_01&utm_medium=email&utm_term=0_-11565f1444-%5BLIST_EMAIL_ID%5D).

**FRANCE**

**Eco schemes push French *CAP* budget beyond capacity.** France's approach of making the eco schemes as widely accessible as possible means the country's ***agricultural*** budget is being put under severe strain, pushing the government to reduce subsidies to organic farmers. [*EURACTIV France has more*](https://www.euractiv.fr/section/agriculture-alimentation/news/victimes-de-leur-succes-les-aides-environnementales-de-la-pac-mettent-le-budget-a-rude-epreuve/).

**SPAIN / FRANCE**

**French winegrowers block border with Spain to protest imports.** Around 500 French winegrowers blocked a border crossing with Spain on Thursday to demand an end to imports, which they accuse of causing the collapse of many farms in the south of France through lower-priced produce. [*Read the full story*](https://www.euractiv.com/section/politics/news/french-winegrowers-protest-cheap-imports-destroy-crates-at-the-spanish-border/?utm_source=Euractiv&utm_campaign=e5d3affd40-EMAIL_CAMPAIGN_2023_10_12_12_40_COPY_01&utm_medium=email&utm_term=0_-11565f1444-%5BLIST_EMAIL_ID%5D).

**GERMANY**

**A "healthier" debate culture.** Germany's ***agriculture*** minister Cem Özdemir has called to keep up an "open and constructive" public dialogue on diets and food. "Let's not kid ourselves: Food is also a political issue," he said during a speech given on Wednesday. Since taking efforts, the Green minister has launched several initiatives aimed at healthier diets, many of which led to highly polarised public debates. (Julia Dahm I EURACTIV.de)

*[Edited by Zoran Radosavljevic]*

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[***PRESS RELEASE - EUROPEAN COMMISSION***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BDB-D4D1-JCH9-G305-00000-00&context=1516831)

Cyprus News Agency

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**Body**

EU adopts 13th package of sanctions against Russia after two years of its war of aggression against Ukraine

The Commission welcomes the Council's adoption of a 13th package of sanctions against Russia. Two years since Russia brutally invaded Ukraine, EU's support for Ukraine and its people remains undiminished. Europe is united and determined to continue defending its values and its founding principles.

This package focuses on further limiting Russia's access to military technology, such as for drones, and on listing additional companies and individuals involved in Russia's war effort. With this new package the number of listings has reached over 2000, dealing a huge blow to Russia's military and defence.

Every single euro that Russia is not getting hold of, is a gain. Therefore, there is no room for complacency. The Commission will continue supporting Member States, to ensure effective enforcement of the measures, and to working closely with third countries to tackle possible circumvention attempts.

The 13th package has these key elements:

ADDITIONAL LISTINGS

This is an unprecedented package of 194 individual designations, including 106 individuals and 88 entities). With it, the EU exceeds the overall threshold of 2000 listings in support of Ukraine. In particular:

Targeting Russia's military and defence sector: the new listings are targeting more than 140 companies and individuals from the Russian military-industrial complex, which among other things manufacture missiles, drones, anti-aircraft missile system, military vehicles, high-tech components for weapons, and other military equipment. The package specifically includes entities that trade various key components for drones. The Commission used the previously discussed objective and gradual approach to identify those firms, combining hard evidence from various sources, supported by trade and customs data.

Sending a strong signal against Russia's war effort partners: the new listings target 10 (Russian) companies and individuals involved in the shipping of North Korean armaments to Russia, and the Defence Minister of the country, as well as several Belarusian companies and individuals providing support to the Russian armed forces.

Fighting circumvention: the new listings include a Russian logistics company and its director involved in parallel imports of prohibited goods to Russia, and a third Russian actor involved in another procurement scheme.

Strengthening EU action against Russia's occupation and illegal annexation of areas of Ukraine: the new listings include 6 judges and 10 officials in the occupied territories of Ukraine.

Sanctioning violations of children rights: The new listings also include 15 individuals and 2 entities involved in the deportation and the military indoctrination of Ukrainian children, including in Belarus.

TRADE MEASURES

This package confirms the EU's determination to stop Russia from acquiring Western sensitive technology for its military. Unmanned aerial vehicles, or drones, have been central to the war in Ukraine. This package lists companies procuring Russia with key drone components and introduces some sectoral sanctions to close loopholes and make drone warfare more complicated.

Based on hard evidence from various sources, supported by trade and customs data, the package adds 27 new Russian and third country companies to the list of entities associated to Russia's military-industrial complex (Annex IV). These companies are under tighter export restrictions regarding dual-use goods and technology, as well as goods and technology which might contribute to the technological enhancement of Russia's defence and security sector. In particular:

Addition of 17 Russian companies which are involved in the development, production and supply of electronic components for Russia's military and industrial complex.

Addition of 4 companies from China and one each from Kazakhstan, India, Serbia, Thailand, Sri Lanka, and Tuerkiye which support indirectly Russia's military and industrial complex in its war of aggression against Ukraine by trading in electronic components for Russia's military and industrial complex.

MEASURES TO ENHANCE AIR DEFENCE

On top of listing specific firms selling drone parts to Russia, this package introduces additional export bans on drone components. In particular:

The restrictions put now under the broader drone components ban electronic transformers, static converters and inductors found inter alia in drones.

The new measures also ban aluminium capacitors, which have military applications.

MEASURES TO FOSTER INTERNATIONAL COOPERATION

The new package extends the list of partner countries for the indirect iron and steel import ban to include the United Kingdom. These partner countries apply a set of restrictive measures on imports of iron and steel and a set of import control measures that are substantially equivalent to those in the EU Regulation (EU) No 833/2014.

Background

Two years after Russia's full-scale war of aggression against Ukraine, Europe is united and determined to continue defending its values and its founding principles. The EU stands firmly with Ukraine and its people, and will continue to strongly support Ukraine's economy, society, armed forces, and future reconstruction, for as long as it takes.

To drain the Russian war machine of its revenue sources, the EU has adopted 13 sanctions packages against Russia. Sanctions have impacted Russia's revenues and the value of the rouble. EU sanctions have also introduced constraints in Russia's supply chains and limited its access to western technologies in important industrial sectors. The Oil Price ***Cap***, agreed with the G7 partners, has led to reducing the Russian government oil revenues. Sanctions will show their effects over time.

As Russia tries to find ways around our sanctions, the Commission constantly looks at the measures in place, assessing how they are applied and detecting any potential loopholes. The focus now is on enforcement, in particular against circumvention of EU sanctions via third countries.

EU Sanctions Envoy David O'Sullivan continues his outreach to key third countries to combat circumvention. Tangible results are already visible. Systems are being put in place in some countries for monitoring, controlling, and blocking re-exports. Working with like-minded partners, we have also agreed a list of Common High Priority sanctioned goods to which businesses should apply particular due diligence and which third countries must not re-export to Russia. In addition, within the EU, we have also drawn up a list of sanctioned goods that are economically critical and on which businesses and third countries should be especially vigilant.

For More Information

Link to Official Journal (will be available soon)

Factsheet on the impact of sanctions

More information on sanctions

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English

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European Citizens' Panel to discuss Energy Efficiency

Today, 23 February, a new European Citizens' Panel kicks off in Brussels. 150 randomly selected citizens from all 27 Member States will discuss the benefits and challenges of increasing energy efficiency, and how households, businesses, and communities should act. Energy savings have played a key role in tackling the energy crisis and are an important component of the European Green Deal and our plan to reach climate neutrality by 2050. Over the course of three weekends, citizens will formulate recommendations that will influence future EU policies and feed into a Commission Recommendation on the 'Energy Efficiency First' Principle to be addressed to the Member States.

The panel will be complemented by a new Citizens' Engagement Platform, an easily accessible online platform that enables all EU citizens to join the debate and take a seat at the table. It will provide a forum for all EU citizens to share their ideas and exchange with others on topics of EU importance, in all 24 official EU languages. The plenary sessions of the European Citizens' Panel will be web-streamed on 23 and 25 February on the platform. Other Citizens' Panels will follow in 2024.

Background

The European Citizens' Panel and the new online Citizens' Engagement Platform deliver upon calls for stronger citizen involvement in EU policymaking that were made during the Conference on the Future of Europe. Following President Ursula von der Leyen's priority to build a European Democracy Fit for the Future, the European Citizens' Panels and online citizens' engagement tools have been embedded as regular feature of democratic life in the EU.

European Citizens' Panels allow participants to work together in groups of 12 and in plenaries. A facilitation team provides support, alongside a committee of experts who provide additional input. Participants in European Citizens' Panels are recruited through random selection with recruiters using tools to generate valid mobile and fixed line telephone numbers at random. To ensure that Panels reflect Europe's socio-demographic composition, the process ensures that recruitment is representative of EU diversity. A quota system ensures a gender-balanced panel and specifies that young people aged 16-25 must represent a third of the panel. Other socio-demographic characteristics relate to education level, geographic location, and occupation.

The Citizens' Engagement Platform is a key part of a new ecosystem of citizen engagement, which takes the online form of the revamped 'Have Your Say' portal, delivering upon a commitment of the follow-up communication to the Conference on the Future of Europe.

For more information

Citizens' Engagement Platform

European Citizens' Panels

European Citizens' Panel on Energy Efficiency

Webstreaming Links for European Citizens' Panel on Energy Efficiency

23.02.2024 (from 14h30 CET) [*https://webcast.ec.europa.eu/european-citizens-panel-on-energy-efficiency-plenary-2024-02-23*](https://webcast.ec.europa.eu/european-citizens-panel-on-energy-efficiency-plenary-2024-02-23)

25.02.2024 (from 09h30 CET) [*https://webcast.ec.europa.eu/european-citizens-panel-on-energy-efficiency-plenary-2024-02-25*](https://webcast.ec.europa.eu/european-citizens-panel-on-energy-efficiency-plenary-2024-02-25)

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Energy efficiency - the different aspects

Quote(s)

Citizens asked, and we delivered. By embedding European Citizens' Panels in the regular rhythm of European policymaking, and introducing the Citizens' Engagement Platform, the Commission is taking important steps to build a European democracy fit for the future and improve the quality of our policies. Democracy thrives on the ability of citizens to contribute and participate in their democracy at all levels of governance.

Dubravka Suica, Vice-President for Democracy and Demography

With the energy crisis, we have all learnt to be more mindful of our energy consumption. European citizens and companies have been of huge help to ensure security of supply and calm the markets by saving energy voluntarily. I look forward to the contributions and feedback of our citizens and wish them fruitful discussions on this crucial topic.

Kadri Simson, Commissioner for Energy

The European Commission presents options for simplification to reduce the burden for EU farmers

Today, the European Commission sent a paper to the Belgian Presidency outlining first possible actions to help reduce the administrative burden weighing on farmers' shoulders. The document, which will be discussed with Member States in the ***agricultural*** Council of 26 February, lists a range of short- and mid-term actions that can be taken to achieve simplification. This will serve as the basis for discussions and joint action with EU countries.

The actions listed in the paper take into account the contributions by national administrations, major EU farming organisations and the European Parliament's ***agricultural*** committee. The simplification paper delivers on President von der Leyen's commitment made at the European Council on 1 February 2024.

The delivery model of the current Common ***Agricultural*** Policy (***CAP***), based on ***CAP*** ***Strategic*** Plans decided and implemented at national level, already represents a step forward in terms of simplification and subsidiarity compared with the previous period. Member States play a key role in keeping the administrative burden for farmers limited and proportionate to achieve the objectives of EU legislation. This is why any successful simplification exercise must be carried out in close cooperation with the national administrations and farmers themselves.

In light of this, the Commission will launch in March an online survey directly addressed to farmers. This targeted consultation will help to identify their main sources of concern, and understand the sources of administrative burden and complexity stemming from ***CAP*** rules as well as other EU rules for food and ***agriculture*** in the EU, and their application at national level. This survey will provide already by the summer a clearer picture of the main administrative obstacles perceived and faced by farmers. Its results will be included in a more detailed analysis to be published in Autumn 2024.

Beyond this necessary gathering of evidence, the Commission proposes short and mid-term measures that could bring some relief to both farmers but also to national administrations, which represent the first point of contact for farmers and are responsible for managing and paying EU funds.

First, the Commission proposes to simplify some of the ***conditionality*** requirements with which EU farmers need to comply. The set of basic standards- referred to as GAECs (good ***agricultural*** and environmental conditions)- that all farmers must comply with to receive their ***CAP*** support has proven challenging to implement in certain circumstances.

The Commission has already acted by granting for 2024 a partial exemption on rules on land lying fallow, the so-called GAEC 8. The Commission now proposes to change the rules on the first standard (GAEC 1), which imposes a requirement to keep areas of permanent grassland in the EU stable since reference year 2018. Under this requirement, former livestock farmers with large grassland forced to shift to arable crops production because of market disturbances in the meat and dairy sector could be asked to reconvert their arable land into permanent grassland. This obligation could lead to loss of income for the farmers concerned. The Commission proposes to amend these rules by mid-March to ensure that structural changes caused by market reorientation and reduction in livestock are taken into account, ensuring that farmers are not penalised in their work, and helping to reduce burden since fewer areas would have to be reconverted into permanent grassland.

The Commission will also review which ***agricultural*** practices may be possible during sensitive periods when fulfilling the obligation to cover soils under GAEC 6. The Commission is also encouraging all stakeholders to share their view on the administrative burden that may be linked to the Nitrates Directive. This can be done via the online public consultation open until 8 March 2024.

Second, the Commission proposes to simplify the methodology for certain checks, aiming to reduce the number of on-farm visits by national administrations by up to 50%. This measure directly responds to requests from Member States. The Commission proposes to streamline and clarify how to assess the quality of the Area Monitoring System. The latter is a system based on automated analysis of satellite imagery from Copernicus, meant to reduce inspections on farms, help farmers to avoid errors and incur penalties, as well as facilitate reporting. With fewer visits from the administration to manage, farmers will have more time to dedicate to their core work.

Third, the Commission proposes to clarify the use of the concept of force majeure and exceptional circumstances. This legal concept permits that farmers who cannot fulfil all their ***CAP*** requirements due to exceptional and unforeseeable events outside their control (such as in cases of severe droughts or floods) do not have penalties imposed on them. This clarification will support national administrations in the application of this provision and ensure its uniform application across the Union. This will also improve the certainty of getting ***CAP*** support for farmers impacted by such unfortunate events. More generally, the Commission will work with Member States to determine possible ways of rationalising controls.

In its paper, the Commission also mentions additional mid-term measures that may ease burdens for farmers, especially smaller farmers, and may consider proposing changes to that effect to the ***CAP*** basic Regulations agreed upon by the European Parliament and the Council in 2021.

One proposal put forward may be to exempt small farms of under 10 hectares from controls related to compliance with ***conditionality*** requirements (GAECs). This exemption would significantly simplify the daily work of small farmers who represent 65% of ***CAP*** beneficiaries, while maintaining the ***CAP***'s environmental ambitions since small farms cover only 9,6% of the areas receiving ***CAP*** support. Additionally, should the basic Regulations be changed in the mid-term, GAEC 8 on land lying fallow, GAEC 7 on crop ***rotation*** and GAEC 6 on soil cover could be reviewed to further reduce burden for farmers.

In parallel, the Commission will facilitate the exchange of best simplification practices by Member States across the different relevant bodies of cooperation (i.e., expert groups, committees and others).

When considering simplification proposals, the Commission took into account the effects of these proposals on the environmental objectives and ambition of the Common ***Agricultural*** Policy. They also ensure the continuation of a stable and predictable legislative framework for EU farmers, based on the current ***CAP*** that entered into force on 1 January 2023. To further respond to the current crisis situation in the ***agricultural*** sector, the Commission is also working on actions to improve the position of farmers in the food chain and protect them against unfair trading practices, which will be presented shortly. Given that farmers are often the most vulnerable link in the food value chain, these actions may cover issues such as market transparency, trading practices in the value chain, costs of production, or more homogeneous control of existing rules on imported ***agricultural*** products.

European Commission President Ursula von der Leyen said:

'The Commission remains fully committed to delivering solutions to ease the pressure currently felt by our hard-working farming women and men. We are easing the administrative burden on our farmers to help them guarantee food security for European citizens. Simplification of our ***agriculture*** policies is a constant priority, at both EU and national level. With this range of actions, we are delivering on the pledge we made to our farmers to accelerate this discussion. I look forward to hearing the views of our Member States.'

Example of short-term measures presented for discussions to Member States

Identifying the main administrative burden weighing on farmers

European farmers exempted from rules on land lying fallow

Quote(s)

The Commission remains fully committed to delivering solutions to ease the pressure currently felt by our hard-working farming women and men. We are easing the administrative burden on our farmers to help them guarantee food security for European citizens. Simplification of our ***agriculture*** policies is a constant priority, at both EU and national level. With this range of actions, we are delivering on the pledge we made to our farmers to accelerate this discussion. I look forward to hearing the views of our Member States.

Ursula von der Leyen, President of the European Commission

The message from farmers is clear: they want to be working in their fields, not stuck behind files. In response, the Commission has identified a range of EU-level actions that could help to ease the administrative burden on farmers over the coming months and years. I welcome this renewed acceleration towards simplification and I commit to working with Member States and stakeholders on these actions and every initiative that will enable farmers to spend their working hours on what matters - supporting their families and producing our essential goods.

Janusz Wojciechowski, Commissioner for ***Agriculture***

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Commission welcomes the selection of Frankfurt as the seat for the Authority for Anti-Money Laundering and Countering the Financing of Terrorism

The Commission welcomes today's agreement between the European Parliament and the Council that the seat of the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) should be in Frankfurt. This is the first time that the co-legislators jointly agree on the location of a seat of a decentralised agency. The Parliament and the Council representatives have voted together with the same number of votes in an inter-institutional meeting at the Council premises.

Co-legislators had the choice between applications from nine Member States to host AMLA: Belgium (Brussels), Germany (Frankfurt), Ireland (Dublin), Spain (Madrid), France (Paris), Italy (Rome), Latvia (Riga), Lithuania (Vilnius) and Austria (Vienna). The Commission prepared a neutral and factual assessment of these applications and all nine applicants presented their application in joint hearings that took place in the European Parliament on 30 January 2024.

The agreement on the location of the seat was the last element needed to conclude the negotiations on the Commission's ambitious package of four legislative proposals to strengthen the EU's anti-money laundering and countering terrorism financing (AML/CFT) rules. On 18 January 2024, the Parliament and the Council reached a political agreement on the proposals for the first AML/CFT regulation and the sixth AML/CFT directive. Previously, in December 2023, the co-legislators had agreed on the AMLA Regulation. In June 2022, they agreed on a revised Regulation on traceability of funds and crypto-asset transfers. These texts set a single anti-money laundering rulebook and serve as foundation for coordinating the work between the new AMLA and national competent authorities.

Next steps

The location of the seat resulting from the process will be included in the AMLA Regulation and formally adopted by co-legislators as part of the text.

The Commission will also be responsible for ensuring the procedural steps relating to the establishment and initial operations of the Authority until the date on which the Authority becomes operational.

Background

On 20 July 2021, the Commission adopted a legislative package in the area of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). This package includes a proposal for a Regulation establishing an Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA Regulation). The provision regarding AMLA's seat in Article 4 was left blank at that time.

The seats of decentralised agencies have in the past been determined in most cases by Member States, with varying procedures having been followed over time. The judgments of the European Court of Justice (ECJ) of 14 July 2022 clarified that the competence to determine the location of the seat of an EU agency does not lie with the Member States pursuant to Article 341 TFEU, but should be decided by the EU legislature. In this case, this means that the European Parliament and the Council should decide in accordance with the ordinary legislative procedure.

AMLA is the first case where this case law is applied. Following an agreement by the co-legislators on the criteria for the seat selection of AMLA and the practicalities surrounding the call for applications, a join call for applications was launched on 28 September 2023.

Member States had until 10 November 2023 to apply. The applications received were made available on a website hosted by the Commission. The Commission has carried out a neutral and factual assessment of the applications. The assessment was transmitted to the co-legislators on 10 January 2024 and published on the Commission website.

Joint public hearings of all applicants for hosting AMLA took place on 30 January 2024 in the European Parliament. In order to find agreement on the location of AMLA's seat, co-legislators voted together in an informal inter-institutional meeting on 22 February 2024 with the same number of votes attributed to each co-legislator. As a result of this joint vote Frankfurt was selected. The location of the seat will be reflected in the legislative text and formally adopted as part of this text in accordance with the ordinary legislative procedure.

For More Information

Selection of the seat of the Anti-Money Laundering/Countering the Financing of Terrorism Authority (AMLA) - European Commission (europa.eu)

Political agreement on the first Anti-Money Laundering Regulation and new Anti-Money Laundering Directive

Political agreement on the Regulation to establish the new Anti-Money Laundering Authority (AMLA)

Political agreement reached on transparency of crypto asset transfers

Quote(s)

Today's political agreement on where the new EU Anti-money laundering Authority (AMLA) will be based concludes the negotiations on the ambitious Anti-Money Laundering legislative package proposed by the Commission in July 2021. For the first time, all Member States will be bound by the same AML rules and AMLA will play a key role in ensuring that those rules are consistently applied. The new authority will monitor risks and threats within and outside the EU, coordinate national supervisors and financial intelligence units, and directly supervise specific financial institutions depending on their risk level. I very much welcome the agreement reached by the co-legislators on an important aspect of the financial services sector. The Commission will now accelerate the preparatory work for the establishment of the Authority, with a view to ensuring it is operational to a significant extent already in 2025.

Mairead McGuinness, Commissioner for Financial Services, Financial Stability and Capital Markets Union

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[***Dynamic root microbiome sustains soybean productivity under unbalanced fertilization***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BD9-N1P1-JDK8-02T0-00000-00&context=1516831)

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**Body**

Introduction

Root-associated microbiomes have been recognized as the “second genome” of plants that contributes in various ways to plant growth, development and health. The root-associated compartments, including the rhizosphere and endosphere, provide unique habitats for microbial colonization, resulting in substantial taxonomic and functional differences compared with surrounding bulk soils. Root-associated microbiomes are highly dynamic, and strongly affected by plant development–, which exerts its effect mostly through the impact of root exudates on microbial growth, indicating the ability of plants to actively modify their microbiomes throughout entire lifecycle. This character may have important implications for plant nutrient acquisition, as evidenced by the temporal complementarity of nitrogen use efficiency between roots and microbes (e.g., AMF) in wheat. Currently, relative microbiome profiling (RMP) has been widely used to detect variation in the relative abundance of taxa in complex microbial communities, but RMP fails to provide information on the absolute abundance of microbes and is not useful for comparing microbial loads among samples–. Increasing evidence indicates that the specific load of microbial groups, as estimated by quantitative microbiome profiling (QMP), responds sensitively to environmental disturbance, even when the relative abundance of microbes remains the same,. However, due to the technical challenges posed by QMP, there remains a lack of detailed high resolution information on the quantitative dynamics of root-associated microbiomes.

Thus, data from QMP is urgently needed to advance our understanding of the relationship between root-associated microbiome assembly with plant development.

Apart from host genotype and developmental stage, the assembly of root-associated microbiome is also affected by environmental factors. For instance, drought reduced the diversity and disrupted the temporal dynamics of the root microbiomes of different plant species,. In ***agriculture***, the utilization of chemical fertilizers, including nitrogen (N), phosphorous (P) and potassium (K), has contributed greatly to yield increases in recent decades, making it possible to feed the expanding human population. However, intensified ***agriculture*** not only causes severe environmental pollution, but also inactivates positive plant-microbial interactions, leading to a cascade effect of damage on ecosystem integrity and health,. N amendment is associated with reduced soil microbial biomass,, and fertilization was found to significantly decrease the microbial temporal succession rate in soil. However, quantitative studies assessing how soil nutrient conditions affect the temporal dynamics of the root-associated microbiome, particularly by the QMP method, are lacking. Understanding how root microbial dynamics respond to different fertilization regimes and affect crop productivity is essential for the development of sustainable ***agriculture***.

Plants are thought to subtly manipulate their root-associated microbiome under nutrient shortage, since most of terrestrial ecosystems facing N and P limitation. A recent study revealed that maize plants recruit Oxalobacteraceae to improve their performance under low N, providing strong evidence for microbiome effects on plant growth. In contrast to cereals, legumes, such as soybean, pea and common bean, can form a mutualistic relationship with N-fixing bacteria which accumulate inside nodules and provide a large amount of N for host growth. However, the benefits of nodulation are substantially reduced under N fertilization,, indicating a tradeoff between minimizing plant carbon usage and maximizing the acquisition of fixed N. Having access to their own N supply, legume crop production may instead be limited by P and K inputs, which have been shown to contribute to symbiotic N fixation. Access to these nutrients in plants can be bolstered by its rhizosphere microbiome, which was shown to specifically enrich mineral nutrient metabolism in comparison to bulk soil by microbial priming effects mediated with root exudates,, but whether and how specific microbes can compensate for soil nutrient deficiency for plant growth remains elusive. Uncovering and validating the functions of key microbes in the alleviation of plant nutrient stress is of vital importance for sustainable agroecosystem management.

In this study, a field trail was conducted to illustrate the effect of nutrient deficiency (i.e., exclusion of N, P, or K fertilizers) on soybean performance and the development of the root-associated bacterial microbiome, and to unveil the mechanisms of the root-associated microbiome in conditioning plant phenotype, after 40 years of soybean-maize-wheat ***rotation***. Through QMP, we monitored the dynamics of rhizosphere and endosphere bacterial communities across the lifespan of soybean, and deciphered effects on specific bacterial taxa in response to different fertilization treatments. We then combined metagenomic sequencing to explore the functional adaptation of root-associated bacteria in response to nutrient deficiency. Finally, we validated the plant-growth-promoting functions of synthetic communities (SynCom) in the low-nitrogen-enriched microbial ecological cluster using a cultivation-dependent method. We hypothesize that (1) the QMP would reveal a distinctive dynamic pattern in root-associated microbiome assembly; (2) the dynamics of root-associated bacteria would be largely affected by the lack of N, P, or K fertilizers; (3) functional adaptation of the rhizosphere bacteria under nutrient deficiency would benefit soybean growth.

Results

Effects of fertilization on soil chemical properties and soybean performance

To unveil the quantitative assembly of root-associated microbiomes in soybean, we investigated microbiome dynamics across plant developmental stages (1, 4, 7, 14, 28, 42, 60, and 72 days after germination) and their response to fertilization. To do this, we studied soybean plants grown in the field using four unbalanced fertilization treatments, which have been part of an ongoing crop ***rotation*** with maize and wheat since 1979, including (1) full-dose fertilization (NPK fertilizer, Control), (2) lack of nitrogen fertilizer (-N), (3) lack of phosphorous fertilizer (-P), and (4) lack of potassium fertilizer (-K) (Fig. ). Bulk soil was collected from each plot to monitor soil chemical properties before seed sowing in 2020. Compared with Control, the content of soil alkaline hydrolyzable nitrogen (AHN), available phosphorous and available potassium was reduced by 35%, 95% and 61%, to 112 mg kg−1, 7 mg kg−1 and 146 mg kg−1, in -N, -P and -K treatments, respectively (P < 0.01, Fig. ), indicating that P was the most severely reduced of the managed nutrients. Soil pH was higher by 1.1 units and soil dissolved organic carbon (DOC) was lower by 5.6 mg kg−1 in the -N treatment compared with the Control (P < 0.001), whereas soil organic matter (SOM) showed no significant difference among treatments (Supplementary Fig. ), ***suggesting*** a high resilience of SOM across different fertilization regimes.

The experimental design and the responses of soil mineral nutrients and soybean yield to unbalanced fertilization.

A the field experiment was arranged in a completely randomized block design. Four treatments, including complete fertilization (NPK fertilizer, Control) and a lack of N, P, or K fertilizer (i.e., -N, -P, and -K treatments), have been applied as part of a soybean-maize-wheat ***rotation*** (one crop/year) since 1979. The root-associated compartments of soybean, including the rhizosphere soil, root endosphere, and nodules, were subjected to 16S rRNA gene, rpoB gene, and metagenomic sequencing across plant developmental stages. B chemical properties of the bulk soils in different fertilization treatments before soybean planting in 2020 (n = 3 plots). C effect of unbalanced fertilization on soybean yield in 2020 and 2017 (n = 3 plots). The asterisks represent the level of significance (\*P < 0.05, \*\*P < 0.01, \*\*\*P < 0.001) between Control and unbalanced fertilization treatments based on one-way ANOVA test with Dunnett’s post hoc analysis (for data fit normal distributions and homogeneous variance) or Kruskal-Wallis test with Dunn’s post hoc analysis (for data does not fit normal distributions or homogeneous variance). Exact P-values are listed in the file. The data are presented as mean values ± standard deviation (SD). Source data are provided as a file.

Interestingly, we found that the soybean yield in the field exhibited no significant difference between Control and -N treatment, and even showed slight increment by 9% across two soybean planting seasons (i.e., 2020 and 2017, Fig. ). By contrast, soybean yield was consistently reduced by 25-29% in the -P treatment compared with Control (P < 0.05). Meanwhile, the -N treatment significantly increased the number and diameter of root nodules compared to the Control (P < 0.05), whereas the -P treatment showed the opposite trend (P < 0.01, Supplementary Fig. ).

Changes in root-associated microbial diversity across plant developmental stages

Quantitative microbial profiling (QMP) was applied to investigate the dynamics of root-associated bacterial diversity, load, and composition across plant developmental stages and their response to fertilization. The root compartment, plant developmental stage, and fertilization treatment exhibited significant effects on bacterial α-diversity (P < 0.001), with consistently higher α-diversity in the rhizosphere than the endosphere (Fig. , Supplementary Table ). In the rhizosphere, the bacterial α-diversity decreased with plant development, especially from days 42 to 72 (Fig. ). Compared with Control, the -N treatment exhibited a higher α-diversity at early developmental stages (i.e., days 4, 7, and 14), whereas -P treatment increased α-diversity at later developmental stages (i.e., days 42, 60, and 72) in the rhizosphere (P < 0.05), resulting a stable α-diversity with plant development (Fig. ). By contrast, the α-diversity in the endosphere was less sensitive to fertilization, reaching its minimum at day 14 and remaining relatively stable in subsequent stages (P < 0.05, Fig. ), which corresponds to the observed onset of root nodulation in the field at 14 days after germination, indicating the symbiosis might drastically reduce endosphere microbial diversity.

Temporal dynamics of root-associated bacterial diversity in different treatments by quantitative microbiome profiling (QMP).

A bacterial α-diversity (Shannon index) in the bulk soils of each treatment (n = 9 soil samples). The box plots indicate the median (center line), the 25th and 75th percentiles (box), and the range of non-outlier values (whiskers). The “n.s.” represents the non-significance of the Shannon index between Control and unbalanced fertilization treatments by Kruskal-Wallis test with Dunn’s post hoc analysis. Dynamics of bacterial α-diversity in different treatments across plant developmental stages in the rhizosphere (B) and root endosphere (C). Error bands show the standard deviation (SD). D bacterial β-diversity in the bulk soils analyzed using principle coordinate analysis (PCoA). The symbol colors in (D) are consistent with legend in (A–C). E PCoA of bacterial β-diversity in the rhizosphere. F PCoA of bacterial β-diversity in the endosphere. G linear regressions between temporal distance (change of sampling day between each two samples, Δd) and Bray-Curtis distance among samples in each treatment in the rhizosphere (left) and endosphere (right). H linear regressions between sampling stage (days post germination, d) and Bray-Curtis distance of each unbalanced fertilization treatment to the Control in the rhizosphere (left) and endosphere (right). Source data are provided as a file.

Principle coordinate analysis (PCoA) based on Bray-Curtis distance of QMP datasets revealed that the bacterial β-diversity was clearly separated among bulk soil, rhizosphere soil and root endosphere (Supplementary Fig. ). Correspondingly, PERMANOVA results ***suggested*** that the root compartment (rhizosphere vs. endosphere) was the main driver of bacterial β-diversity (R2 = 0.241, P < 0.001), followed by the plant developmental stage (R2 = 0.114, P < 0.001) and fertilization treatment (R2 = 0.040, P < 0.001, Supplementary Table ). For both the rhizosphere and endosphere, the bacterial β-diversity was clearly associated with the plant developmental stage in PCo1 axis (Fig. ). However, the -N treatment grouped separately from other treatments in the rhizosphere and bulk soils, but not in the endosphere (Fig. ). Similarly, fertilization had much higher effect on bacterial β-diversity in the rhizosphere than the endosphere, irrespective of the plant developmental stage (Fig. , Supplementary Fig. ), ***suggesting*** the rhizosphere microbiome is relatively responsive to fertilization. The temporal-decay pattern of the rhizosphere microbiome revealed that the -P treatment had a significantly lower regression slope with plant development at 0.0014 d−1 compared with 0.0043 d−1 in the Control, but remained similar in other treatments, while the root endosphere had a relatively low microbial turnover rate ranging from 0.0024 to 0.0031 d−1 (Fig. , Supplementary Table ). The Bray-Curtis distance between the Control and -N treatment in the rhizosphere was relative stable across plant development (Slope = 0.0005 d−1), whereas the -P and -K treatments showed a sharp increase of dissimilarity with time compared with Control (Fig. , Supplementary Table ), indicating the microbial communities in the -P and -K treatments gradually diverged to the Control with plant development. Although similar trends were observed in the microbial α-diversity based on the relative microbial profiling (RMP), the compartment effect of microbial β-diversity was specifically reduced (R2 = 0.136, P < 0.001) in comparison to QMP, and the fertilization effect was comparable between the rhizosphere and endosphere across plant developmental stages, with relatively lower succession rates in all treatments in the rhizosphere (Supplementary Fig. , Supplementary Table ). Specifically, we observed that 38.1–48.3% of ASVs in the rhizosphere exhibited a distinctive pattern across plant development between QMP and RMP datasets (Supplementary Fig. ), ***suggesting*** a substantial bias when interpreting microbial data with relative abundance.

Assembly of root-associated microbiome during plant development

The bacterial loads in both the rhizosphere and endosphere exhibited increasing trends with plant development, and bacterial abundances were comparable across days 1–14 (5.8 × 109 copies g−1 in the rhizosphere and 1.5 × 108 copies g−1 in the endosphere), but gradually increased and reached their highest abundance at day 72 (2.3 × 1010 copies g−1 in the rhizosphere and 4.7 × 109 copies g−1 in the endosphere) (Fig. , Supplementary Fig. ). Fertilization treatments had a significant effect on bacterial loads (Supplementary Table ), and the microbial load was found to be consistently reduced in the rhizosphere of the -P treatment compared to the Control, especially at later developmental stages, showing bacterial load reductions of 54%, 61% and 75% at days 42, 60, and 72, respectively (P < 0.05, Fig. ). By contrast, the change of bacterial loads between Control and -P treatment in the endosphere was hardly observed and not consistent during plant developmental stages (Fig. ).

Bacterial loads and composition in the bulk soil, rhizosphere and endosphere based on 16S rRNA sequencing data.

A absolute abundance and bacterial community composition at the phylum level in the bulk soil (n = 9 soil samples). Temporal dynamics of bacterial abundance and community composition in the rhizosphere (B) and root endosphere (C). The color in the upper panel represents different treatments, and the color in the lower panel represents bacterial phyla, as indicated in the accompanying legends. Different letters indicate significant difference of the average bacterial load among developmental stages at P < 0.05 by Kruskal-Wallis test with Dunn’s post hoc analysis for multiple comparisons. Sample size, replicates and exact P-values are listed in the file. The box plots indicate the median (center line), the 25th and 75th percentiles (box), and the range of non-outlier values (whiskers). Source data are provided as a file.

The root-associated bacteria mainly belonged to the Proteobacteria, Actinobacteria, and Bacteroidetes, with Actinobacteria being more dominant at early stages and Proteobacteria being more dominant at later stages, particularly in the endosphere (Fig. , Supplementary Fig. ). Although the relative abundance of Actinobacteria exhibited a progressively decreasing trend with plant development (reducing from 33.4% and 68.3% at day 1 to 18.0% and 32.6% at day 72 in the rhizosphere and endosphere, respectively), their absolute abundances increased by 2.1 and 18.8 fold in the rhizosphere and endosphere, respectively (Figs. , ), indicating that the plants support an increasing load of Actinobacteria despite their reduced relative abundance. Meanwhile, the number of Proteobacteria increased by 5.4 and 119.2 times during plant developmental stages in the rhizosphere and endosphere, respectively (Fig. ). Intriguingly, the Bacteroidetes were hardly detected at early stages (2.3% and 0.5% of relative abundance at day 1 in the rhizosphere and endosphere), but transitioned to rapid growth at day 60 and multiplied by 48.8 and 460.7 fold at day 72 relative to day 1 in the rhizosphere and endosphere, respectively, with 23.2% and 5.7% of relative abundance (Figs. , ).

Fitted curves in temporal dynamics of bacterial phyla by QMP and RMP.

Dynamics of bacterial abundance of the six most abundant phyla in the rhizosphere (A) and root endosphere (B) across plant developmental stages based on QMP (red) and RMP (green) datasets. The Y-axis in the left is the relative abundance (%) of bacterial phyla based on RMP (relative, in green), whereas Y-axis in the right is the absolute abundance (log10copies g-1) of bacterial phyla based on QMP (absolute, in red). Error bands represent the 95% confidence interval. Source data are provided as a file.

Root-associated microbiome in response to fertilization

Fertilization treatments had a significant effect on the composition and dynamics of the root-associated microbiome (Figs. , ). At the phylum level, the abundance of Acidobacteria was consistently reduced in the -N treatment compared to the Control in both bulk soils and the rhizosphere (P < 0.01), whereas it remained relatively stable in the endosphere (Supplementary Fig. ). For the -P treatment, most of the phyla in the rhizosphere were specifically reduced relative to the Control (P < 0.05), especially the Bacteroidetes, but this was not the case in bulk soils and the endosphere. The bacterial phyla were not strongly impacted by a reduction in K fertilization (-K), with only Saccharibacteria showing a significantly lower rhizosphere abundance than in Control (P < 0.01). Meanwhile, the -N treatment significantly increased, and the -P treatment reduced, rhizobial abundance in the rhizosphere in comparison to the Control based on the rpoB gene (P < 0.05, Supplementary Fig. ), consistent with the observed increase in the number and diameter of root nodules in the -N treatment relative to the Control (Supplementary Fig. ). Specifically, Bradyrhizobium japonicum, which was the only rhizobial species found in nodules, also dominated the rhizosphere, reflecting the exclusive nature of its symbiotic interaction with soybean in the soil (Supplementary Fig. ).

Considering that the bacterial community in the rhizosphere was more sensitive to fertilization than it was in the endosphere (Fig. , Supplementary Fig. ), we then mainly focused on the taxonomic and functional responses of rhizosphere bacteria to fertilization, and identified core ASVs in the rhizosphere to reduce the complexity of the bacterial community (Fig. ). We identified 573 ASVs as core taxa, which comprised 2.4% and 74.6% of total bacterial richness and abundance, respectively, that broadly represent the overall bacterial community in each treatment (Fig. ). Hierarchical clustering analysis illustrated a distinctive pattern of core ASVs between the Control and -N treatment (Fig. ). Among the core ASVs, 172 showed a significant difference between the Control and -N treatment, with 69 showing an increase (Fig. , Supplementary Fig. ). The increased ASVs in the -N treatment were mainly comprised of Rhizobiales (12 ASVs), Sphingomonadales (8), Actinomycetales (8), Rubrobacterales (7) and Gaiellales (6) (Supplementary Fig. ). For the -P treatment, 67 ASVs displayed significant differences between Control and -P treatment, but most of them showed reduced abundance in the -P treatment, especially the Actinomycetales (24 ASVs), Burkholderiales (7) and Rhizobiales (6). For the -K treatment, however, only 6 ASVs significantly differed from the Control (Supplementary Fig. ), ***suggesting*** a relatively small impact of K fertilization on microbiome composition.

Core ASVs in the rhizosphere.

A richness and accumulative abundance of core ASVs in the rhizosphere. B regression coefficient between absolute abundance (log10copies g-1) of all ASVs and core ASVs in each treatment. C clustering heatmap of core ASVs in different treatments and developmental stages. The bar is the accumulative absolute abundance of core ASVs in each sample. The right panel indicates the differentiated ASVs between Control and unbalanced fertilization treatments across plant developmental stages, and the ecological clusters (network modules, in Fig. ). Source data are provided as a file.

Functional adaptation of the rhizosphere microbiome

Metagenomic analysis was then used to investigate functional adaptive changes in the rhizosphere microbiome across fertilization treatments (Fig. ). Detected genes were annotated using KEGG, COG and CAZy databases, and analysis showed a significant reduction of their functional α-diversity in the -N treatment relative to the Control (P < 0.05), while the -P and -K treatments were not affected (Fig. ). Constrained principal coordinate analysis (CPCoA) of functional β-diversity showed clear differences among treatments (P < 0.05), except for a high overlap between the Control and -K treatment (Fig. ). We further investigated genes involved in N, P, and K cycling (Fig. ). In the -N treatment, genes involved in the N mineralization process, including urea hydrolysis genes (ureC and URE) and glutamin-(asparagin-)ase genes (aspQ), were enriched, whereas those involved in N reduction (e.g., narB, narG and narH), denitrification (e.g., nirK), inorganic P solubilization (gcd and ppa), and K transportation (e.g., KdpA, KtrB, and KefB) processes were specifically depleted, compared with the Control.

Functional profiles of rhizosphere microbiome in different treatments.

Functional α-diversity (left) and β-diversity (right) of rhizosphere microbiome in each treatment based on the KEGG (A), COG (B), and CAZy (C) databases (n = 9 soil samples). The asterisks represent the level of significance (\*P < 0.05, \*\*\*P < 0.001) of functional α-diversity between Control and unbalanced fertilization treatments based on Kruskal-Wallis test with Dunn’s post hoc analysis. The significance level of functional β-diversity among treatments was assessed by the ANOVA-like permutation test. Exact P-values are listed in the file. The box plots indicate the median (center line), the 25th and 75th percentiles (box), and the range of non-outlier values (whiskers). D differences of functional genes associated with N, P, and K cycling. The asterisks represent the level of significance (\*P < 0.05, \*\*P < 0.01) between Control and unbalanced fertilization treatments based on the paired Wilcoxon test (two-sided). Source data are provided as a file.

For the -P treatment, genes associated with P supply (inorganic P solubilization) and P response (P starvation) were highly enriched (Fig. ), and metagenomic assembled genomes (MAGs) further confirmed the presence of genes involved in inorganic P solubilization and P starvation in most MAGs (Supplementary Fig. ), strongly reflecting conditions of P scarcity. By contrast, genes involved in N mineralization, N reduction, and K transport processes were depleted but nitrification and denitrification processes were enriched in the -P treatment relative to the Control (Fig. ). The -K vs. Control comparison revealed a specific enrichment of genes associated with K transport (e.g., Kup) in the -K treatment, but only few differences were observed in functional genes involved in nutrient cycling (Fig. ).

Network inference of the core rhizosphere microbiome

Given the significant effect we observed for fertilization regimes on the temporal dynamics of the rhizosphere microbiome, we built co-occurrence networks of core ASVs for different treatments to decipher their co-occurrence patterns across plant development (Supplementary Fig. , Supplementary Table ). Generally, the network complexity (average degree) and robustness gradually increased with plant developmental stages, and the network complexity sharply strengthened at the later stage, implying that the bacterial potential interaction patterns were dynamic and intensive in response to plant development. Next, we compared overall microbial aggregation patterns and identified the keystone hubs in different treatments (Supplementary Fig. ). We showed that the rhizosphere network complexity was much higher in the -N and -K treatments, with values of 22.48 and 25.12 in the -N and -K treatments, respectively, compared to 7.48 in the Control (Supplementary Fig. ). Similarly, the network robustness was significantly higher in all three treatments than in the Control (P < 0.001, Supplementary Fig. ). For the keystone hubs, we found that there was no module hub identified in each network, except for the presence of a module hub in the network of -P treatment (Supplementary Fig. ), ***suggesting*** the microbial group rather than a single taxon governed the function of microbial communities in the rhizosphere.

A low-nitrogen-enriched cluster promotes plant growth

We then constructed a network to compare fertilization-induced changes in ecological clusters (i.e., network modules), and investigated their functions in plant growth promotion using a synthetic community (SynCom) (Fig. ). Overall, three major modules were identified in the network (Fig. ). Module#1 and module#3 were dominated by Proteobacteria, while the taxa in module#2 were mainly composed of Actinobacteria (60%), with Acidobacteria being diminished (Fig. ). The bacterial loads of module#2 and module#3 showed opposite responses in the -N treatment relative to the Control, with a significantly higher abundance in module#2 but lower in module#3 (P < 0.01, Fig. ). Intriguingly, the bacterial taxa in module#2 and module#3 exhibited a significant overlap with the increased and decreased ASVs in the -N treatment, respectively (Fig. ). For the -K treatment, the abundances of the three modules were comparable with the Control, while for the -P treatment they were consistently reduced (Fig. ).

Variance of ecological clusters (network modules) in the rhizosphere and their functions in plant growth promotion.

A visualized network associations and modularity. B ASV richness and taxonomy of each module. C Cumulative absolute abundance of each module in different treatments (n = 8 averaged absolute abundance data for each stage). The asterisks in (C) represent the level of significance (\*P < 0.05, \*\*P < 0.01) between Control and unbalanced fertilization treatments based on Kruskal-Wallis test with Dunn’s post hoc analysis. Exact P-values are listed in the file. Four data points with absolute abundance exceeding 4 × 109 copies g-1 are not shown because of the limitation of Y-axis. D Matching modular ASVs with isolated bacterial strains to obtain SynComs. E, F Growth phenotypes of soybeans inoculated with different SynComs at 2 weeks post inoculation under N-amended (+N, upper panel) or N-free (-N, lower panel) conditions (n = 10 for -N Water treatment, n = 11 for -N SynCom5 treatment, n = 12 for other treatments). Different letters indicate significant difference of plant growth phenotypes in different treatments at P < 0.05 by one-way ANOVA test with LSD’s post hoc analysis (for data fit normal distributions and homogeneous variance) or Kruskal-Wallis test with Dunn’s post hoc analysis (for data does not fit normal distributions and homogeneous variance). Exact P-values are listed in the file. The data are presented as mean values ± standard deviation (SD). Source data are provided as a file.

To test the causal relationship between microbial ecological clusters and plant performance, we first isolated 1011 bacterial strains from the soybean rhizosphere by culturing. The isolated bacteria were mainly composed of Proteobacteria (45.0%), Actinobacteria (21.2%), Firmicutes (27.4%) and Bacteroidetes (4.6%), among which 78.9% of strains can be assigned at genus level, with totally 56 genera identified (Supplementary Fig. ). After comparing the isolated bacterial strains with core ASVs, we recovered 58% and 49% of the abundances of core ASVs in datasets with accumulative ASV abundances to 60% and 80% of the total sequences, respectively (Supplementary Fig. ), indicating a good coverage by isolated strains to rhizosphere core ASVs. In module#2 (i.e., Low-nitrogen-enriched cluster, LNE cluster), seven core ASVs (affiliated with Rhodococcus, Lysobacter, Terrabacter, Arthrobacter, Phyllobacterium, Bosea and Aeromicrobium) were matched with bacterial strains and designated as SynCom7 (Fig. ). Considering the bacterial load in module#1 showed non-significant difference between Control and -N treatment, the bacterial strains from module#1 were chosen as a control SynCom (SynCtrl). Overall, 5 ASVs (affiliated with Brevundimonas, Sediminibacterium, Mycobacterium, Herbaspirillum and Sphingomonas) that matched in module#1 were assembled for use as a SynCtrl (Fig. ). To exclude potential Bradyrhizobiaceae-induced nodulation and coordinate the microbial diversity with SynCtrl, five strains derived from LNE cluster were chosen in the experiment (SynCom5) (excluding Bosea sp. and Aeromicrobium sp. from SynCom7).

Soybeans grown in pots were inoculated with either SynCom5, SynCom7, or SynCtrl in sterilized vermiculite for 2 and 3 weeks. Afterward, the plant phenotypes, including shoot height, total biomass, and nitrate nitrogen concentrations, were measured. The results showed that both SynComs derived from the LNE cluster (SynCom7 and SynCom5) were ***capable*** of stimulating plant growth, irrespective of external N addition (Fig. , Supplementary Fig. ). Specifically, the shoot height of soybean inoculated with SynCom5 increased by 15% and 6%, and dry weight increased by 38% and 18% at 2 weeks post inoculation, compared with the plant inoculated with SynCtrl with or without N amendment, respectively (Fig. ). Similar results were also observed after 3 weeks of inoculation, and the plant nitrate nitrogen contents of SynCom treatments (SynCom7 and SynCom5) increased by 39.5-81.5% and 36.6-51.4% to the SynCtrl treatment in the N-amended and N-free conditions, respectively (Supplementary Fig. ). Finally, we evaluated the plant growth-promoting (PGP) traits of each SynCom and strain (Supplementary Fig. ). Compared with SynCtrl, both SynCom7 and SynCom5 exhibited higher concentration of indole-3-acetic acid (IAA) and activity of 1-aminocyclopropane-1-carboxylic acid (ACC) deaminase. Two strains in SynCom7 and SynCom5 showed the ability of inorganic phosphorus solubilization. However, the N fixation activity was not detected in all strains, implying the rhizobia might positively interact with SynComs through facilitating plant N nutrition.

Discussion

Plants are thought to recruit microbial taxa throughout their lifespan, in which time specific root exudates generally drive the microbial colonization pattern in the underground compartments, resulting a highly dynamic nature of root-associated microbiomes,. Due to the fact that microbial load changes with environment–, RMP fails to detect much of the variance that occurs among samples and does not provide a full picture of the changes that occur over time. Here, for the first time, we reveal the full landscape of changes occurring in soybean root-associated bacteria through application of QMP and ***suggest*** that the dynamic root microbiome is able to promote soybean growth. We found evidence that bacterial loads in both the rhizosphere and endosphere exhibited increasing trends with plant development, with most of the major taxa increase steadily over time, despite their inconsistent relative abundance trends (Figs. , ). We observed a stronger succession of the rhizosphere bacterial community across plant development based on QMP (0.43–0.54% d−1) compared with RMP (0.28–0.34% d−1), except for the -P treatment (Fig. , Supplementary Fig. , Supplementary Table ), ***suggesting*** that rhizosphere microbiomes are more dynamic than previous realized. These results, together with an ever-decreasing trend of bacterial α-diversity in the rhizosphere as plant development progresses, ***suggest*** that the plants increase microbial carrying capacity but enhance selective pressure as plants develop, which could be largely shaped with long-time plant-microbial co-evolution.

Based on QMP profiling, we found that Proteobacteria, Actinobacteria, and Bacteroidetes were commonly enriched across plant developmental stages (Figs. , ). Bacteroidetes were particularly enriched, followed by Proteobacteria, indicating that they were the most responsive to plant growth (Figs. , ). The Bacteroidetes are commonly recognized as copiotrophic bacteria with r-strategy to flourish in environments with abundant resources, with implications for N and P cycling,,. The load of Actinobacteria also significantly increased with time, despite their having a reduced relative abundance (Figs. , ), ***suggesting*** that plants do not repel Actinobacteria during plant development, but the Actinobacteria are out-grown by Bacteroidetes and Proteobacteria. A pioneer study revealed that Actinobacteria are selectively recruited by active plant cells over inert woody cells. Members of Actinobacteria are known for their ability to produce a range of antimicrobial compounds that promote host fitness,. Given the fact that plants are more susceptible to disease at early growth stages, the temporal complementary of microbial-conferred resistance and plant innate immunity might benefit plant health and development. Together, these results ***suggest*** that plant development drives the expansion of the root-associated microbiome, which intimately interacts with plants to enhance host fitness and adaptability.

We found strong evidences that rhizosphere bacteria were more sensitive to fertilization than endosphere (Fig. , Supplementary Fig. ). This could be attributed to the fact that the rhizosphere serves as the interface of plant-soil interactions and is a hotspot for microbial communities compared to the bulk soils, whereas endosphere maintains homeostasis for host health. Particularly, we showed that -P treatment substantially reduced the microbial temporal turnover rate in the rhizosphere, diminished the change of microbial α-diversity, and consistently reduced bacterial load compared to the Control across plant development (Figs. , ), indicating P deprivation delays the development of rhizosphere microbiome. Drought has been reported to similarly delay the maturity of the root microbiome in sorghum and rice,,, ***suggesting*** that the host nutrient supply may be curtailed during periods of severe abiotic stress. Meanwhile, it has been reported that P nutrition has a positive effect on N fixation in soybean. Consistent with this, we observed that soybean root nodules were reduced in number and diameter, and rhizobial abundance in the rhizosphere was decreased under P deprivation (Supplementary Figs. , ). Even so, we observed only a one-fourth of yield reduction in the -P treatment than Control (Fig. ). For one reason, microbial functional genes encoding inorganic P solubilization and P starvation were specifically enriched in the rhizosphere of -P treatment, and these genes were prevalent in metagenomic assembled genomes (Fig. , Supplementary Fig. ). For another reason, the symbiotic relationship between plants and arbuscular mycorrhizal fungi might be strengthened under low soil P availability,. We also observed that N transformation processes, including nitrification and denitrification, were significantly enriched in the -P treatment (Fig. ). These may result from the presence of surplus N in the soil resulting from reduced N uptake by the plants under limiting P, leading to an increase the N transformation processes in the rhizosphere, which corroborates several soil-based studies,.

In contrast, different trajectories were observed between P and N fertilization regimes, with the β-distance of the rhizosphere microbiome diverging at early stage between the Control and -N treatment, resulting in the parallel development of distinctive rhizosphere microbiome in the two treatments (Fig. ). This could be attributed to the substantial effect of N on soil chemical and biological processes across various ecosystems,, as well as the legacy effect of N on bacterial communities in the bulk soil over four decades (Fig. ). The lack of N fertilizer in the -N treatment generally improved soybean root nodulation and increased the abundance of rhizobia (Supplementary Figs. , ), which is consistent with many previous studies showing that a lack of inorganic N inputs and a higher pH benefit symbiotic N fixation. Besides to symbiotic N fixation, N availability can also be improved by organic N mineralization. The increased functional genes involved in N availability but reduced genes related to N reduction in the rhizosphere of -N treatment ***suggested*** an effective soybean N supply in absence of N fertilizer (Fig. ), corresponding with the stabilized soybean productivity in the -N treatment (Fig. ). Similarly, a large-scale study conducted in the United States and Argentina revealed only an 11% higher soybean yield in the full-N treatment compared to the zero-N treatment, and the positive effect of N fertilizer increased with the increasing yield potential, ***suggesting*** that the soybean N nutrition can be satisfied across large areas without the need for external N supply.

Root-associated microbiomes have been reported to interact with each other to maintain essential functions in host nutrient acquisition resulting in enhanced plant fitness–. We found evidence that the co-occurrence patterns of the core bacterial microbiome in the rhizosphere altered in response to fertilization, showing an increased network complexity and stability in the -N and -K treatments relative to the Control (Supplementary Fig. ), despite there being few taxonomic and functional differences between the Control and -K treatment. It has been reported that a highly connected network can occur under environmental perturbations, such as nutrient scarcity and pathogen invasion,. An in vitro study examining microbial interactions also ***suggested*** that microbes established a high degree of metabolic cooperation under low nutrient availability. The complexity and stability of networks is an important trait for ecosystem function, their increase in both -N and -K treatments potentially indicates an increased capacity to alleviate nutrient stress by intensive metabolic interactions such as cross-feeding and facilitation.

The root-associated microbiome is the result of feedback from complex associations between host plants and the soil environment, and extends plant phenotypes,. However, our understanding of the dynamic changes that occur during these interactions and their effect on plant performance remains elusive. We observed that several ecological clusters (network modules) of core microbial taxa varied in abundance and composition across different treatments (Figs. , ). These taxa may have attributes that confer specialized metabolic functions and affect specific ecosystem processes,–. After designing synthetic communities (SynComs) from different ecological clusters, we showed that SynComs from the LNE cluster (SynCom5 and SynCom7) were able to improve soybean growth, irrespective of N addition, but SynComs from module#1 (SynCtrl) had no consistent effect (Fig. , Supplementary Fig. ). We did not observe the formation of root nodules in SynCom treatments, ***suggesting*** that the effect was not dependent on the presence of rhizobia. Besides the direct improvement of N availability by rhizosphere microbes, microbes are also known for their PGP effects, such as IAA and ACC deaminase production. The higher production rate of IAA and ACC deaminase in the LNE cluster indicates that plants can benefit from the presence of specific microbial groups through multiple ways (Supplementary Fig. ). Moreover, it has been reported that the rhizosphere microbiome also plays an important role in facilitating soybean nodulation,, and that nodulation modulates commensal rhizosphere microbiomes. This ***suggests*** that positive interactions exist between the rhizosphere microbiome and root nodules. Although our study focuses on the root-associated bacterial community, it is important to note that other organisms, such as filamentous fungi and protists, may also play a role in shaping network association and ecological functions through “top-down” effects,,, and how their interactions for benefiting plants through tripartite mutualisms (e.g., rhizobia, mycorrhizal fungi, and plants) requires further investigation,. Taken together, our study provides experimental evidence for the promotion of specific microbial ecological clusters to increase plant fitness and establishes a framework for identifying, designing and testing ***agriculturally*** important microbial SynComs to sustaining crop productivity.

Methods

Experimental design, sampling, and measurement of soil chemical properties

The long-term field experiment launched in 1979 was located at Daowai District, Harbin, China (126°51′ E, 45°50′ N). The climate is typical mid-temperate continental monsoon, and the soil type is classified as Mollisol. Given that the crop can only be cultivated once a year, a 3-year soybean-maize-wheat ***rotation*** system was adopted. Four treatments were set, including (1) full-dose fertilization (NPK fertilizer, Control); (2) lack of nitrogen fertilizer (-N); (3) lack of phosphorous fertilizer (-P); and (4) lack of potassium fertilizer (-K) (Fig. ). Each treatment consisted of three plots with a completely randomized block design, and each plot comprised 36 m2 (Fig. ), and different plots were separated by concrete walls (0.15 m in width and 1.1 m in depth). The nitrogen fertilizer used in the experiment was urea, the phosphorous fertilizer was a combination of Ca(H2PO4)2·CaHPO4 and (NH4)2HPO4, and the potassium fertilizer used was K2SO4. For soybean cropping, the application rates were 75 kg ha−1, 150 kg ha−1, and 75 kg ha−1 for N, P2O5, and K2O, respectively, and conventional tillage was applied for soybean planting. Specifically, the ridge was established by a ridging plow, with ridge spacing of 0.65 m. In each ridge, the soybean seeds were sowed in the two rows, with the plant spacing of 0.1 m. Totally, there were around 1000 plants for each plot. The field management, included irrigation and weeding, was adopted according to local farmer practices and was identical for the different treatments. After harvest, the field was fallow until the planting season of next year.

The rhizosphere soil and root samples were collected from the soybean plots in the 2020 planting season. Before sowing, the bulk soils of each treatment were sampled as the background. The soybean variety “Heinong 84” was sown in early May and it germinated after 10 days. We collected the rhizosphere soil and corresponding root samples at 1, 4, 7, 14, 28, 42, 60, and 72 days after germination. The corresponding plant development stages with regard to flowering and pod set are illustrated in Fig. . For each plot, three plants with similar growth state were randomly chosen for collection, and the sampling location was apart from previous sampling stages to prevent the potential marginal effect and disturbance with adjacent plants, with nine biological samples for each treatment at each stage. Briefly, a soybean plant was dug out, and the soil loosely attached to the root was removed by shaking and 5–15 cm of the root was placed in a 50 mL sterilized tube. After sampling, the rhizosphere and root samples were taken to the laboratory in an ice box, and then stored at −80 °C until DNA extraction. At maturity, the yield was measured for each of the soybean plots using standard methods.

The chemical properties of bulk soils were measured to monitor the soil nutrient status. Briefly, soil AHN was measured using alkaline diffusion method. Soil available phosphorus was determined by the molybdenum-blue method after extracting with sodium bicarbonate, and available potassium (AK) was determined by a flame photometer after extracting with ammonium acetate. SOM was determined by chemical oxidation method after digesting with K2Cr2O7-H2SO4. DOC was measured after extraction with 0.5 M K2SO4 solution. Soil pH was measured with a soil water ratio at 1:5.

Sample pretreatment and total DNA extraction

The soil remaining tightly adhered to the roots was used as the rhizosphere soil sample. The pretreatment of rhizosphere soil and root samples was performed as previously described in refs. ,, with minor modifications. First, 25 mL of PBS solution (containing 137 mM NaCl, 2.7 mM KCl, 10 mM Na2HPO4·12H2O, 2 mM KH2PO4) was added to a 50 mL centrifuge tube containing root samples. The mixture was sonicated at 40 Hz for 1 min and shaken to separate rhizosphere soil from the roots. The rhizosphere soil was then transferred to another sterilized 50 mL tube and centrifuged at 9000 rpm for 5 min, after which the precipitated rhizosphere soil was subjected to rotary evaporation (Concentrator Plus, Eppendorf, Germany). Next, the dry rhizosphere soil was homogenized by grinding (Tissuelyser-48, Jingxin, China). After collecting the rhizosphere soil, the remaining roots were sonicated and washed twice in the PBS solution. The nodules were separated from the root using tweezers, and then the roots or nodules were surface sterilized by 5% (w/v) NaClO solution for 1 min, respectively. The surface sterilized roots or nodules were further sonicated and shaken by adding 25 mL of PBS solution and this was repeated three times. Around 200 mg of surface sterilized root or nodules were then subjected to rotary evaporation, and then further homogenized through grinding in liquid nitrogen for extraction of the endophytic microbiome. The bulk soil was also desiccated in the rotary evaporator and then homogenized. The processed samples were then stored at −80 °C.

The total DNA of soil and root/nodule samples was isolated using the FastDNATM SPIN Kit for Soil (MP Biomedical, Solon, OH, USA) following the manufacturer’s protocol. The DNA quality was verified by electrophoresis on a 1% agarose gel. The concentration and purity of the extracted DNA was then confirmed using a NanoDrop 2000 Spectrophotometer (Thermo Fisher Scientific, Inc., USA).

High-throughput sequencing and bioinformatic analysis

QMP was applied in the high-throughput sequencing of 16S rRNA and rpoB genes. This method is used to measure the absolute abundances of total and specific microbial taxa in a sample, through spike-in targeted DNA fragments during PCR amplification. The synthetic spikes (SynSpike) were designed as previously described in refs. ,. Overall, 12 sequences of spikes were designed from the V5-V7 region of the 16S rRNA gene, and one sequence was derived from the rhizobial rpoB gene. The pUC57 plasmids containing each spike sequence were transferred into Escherichia coli TOP10 and then extracted using a TIANpure Midi Plasmid Kit (Tiangen Biotec, China) (Supplementary Fig. ). Different concentrations of spikes were combined to form the SynSpike for sequencing of soil, root and nodule samples. Finally, 30 μL of the extracted DNA was mixed with 10 μL of the SynSpike for PCR amplification. The V5-V7 region of bacterial 16S rRNA gene, and rpoB gene of symbiotic rhizobia were amplified through primer pairs 799F (5′-AAC MGG ATT AGA TAC CCK G-3′) and 1193 R (5′-ACG TCA TCC CCA CCT TCC-3′), and rpoB1479F (5′-GAT CGA RAC GCC GGA AGG-3′) and rpoB1831R (5′-TGC ATG TTC GAR CCC AT-3′), respectively. The resultant 16S rRNA and rpoB derived PCR products were sequenced on the MGISEQ-2000 platform of BGISEQ using the single-end 400 bp (SE400) module in BGI Shenzhen (BGI, Shenzhen, China).

The microbial bioinformatic analysis was performed with QIIME 2 2021.11. The raw sequencing data was demultiplexed and filtered using the q2-demux plugin followed by denoising with DADA2. The amplicon sequence variants (ASVs) of 16S rRNA and rpoB genes were annotated against the Greengenes and the rhizobial rpoB reference sequence databases, using classify-sklearn naive bayes taxonomy classifier and classify-consensus-blast taxonomy classifier, respectively. For 16S rRNA sequencing data, the non-bacterial ASVs in all samples and Bradyrhizobiaceae-affiliated ASVs in the root endosphere were filtered out, as the abundant Bradyrhizobiaceae from the root nodule symbiosis might adversely affect the estimation of bacterial diversity in the endosphere. For the rpoB sequencing data, only ASVs annotated at the species level were retained. The filtered ASVs were aligned with MAFFT to construct a phylogenetic tree using FastTree2. Bacterial α-diversity metrics, β-diversity metrics, and principal coordinate analyses (PCoA) were estimated using q2-diversity plugin after rarefication (1030 sequences per sample) for RMP, and using the R package "vegan" without rarefication for QMP. The rarefaction curve showed that sequencing depth was suitable to calculate Shannon index of bacterial communities (Supplementary Fig. ).

Metagenomic sequencing, assembly, and binning

The rhizosphere samples from days 1, 42, and 72 after germination were subjected to metagenomic sequencing on the DNBSEQ-T7 platform of BGISEQ using the paired-end 100 bp (PE100) module in BGI Shenzhen (BGI, Shenzhen, China). The raw sequencing data was assembled using the Easy Metagenome analysis procedure. Briefly, raw reads were filtered to remove low-quality and host (Glycine max) genomic sequences using KneadData (v0.10.0). Metagenome assembly of individual samples was processed by MEGAHIT (v1.2.9) using the default parameters. Bowtie 2 (v2.4.4) was used to map the raw reads to assembled contigs to calculate the read coverage of each contig, after evaluating the quality of contigs by QUAST (v5.0.2),. The contigs were subjected open reading frame (ORF) prediction using Prodigal (v2.6.3). Afterward, a non-redundant gene catalog was constructed using CD-HIT (v4.8.1). The raw reads and normalized TPM (Transcripts Per kilobase Million) data was quantified after BLAST against the non-redundant gene catalog by Salmon (v1.6.0). The non-redundant genes were annotated using KEGG and COG databases by eggNOG-mapper (v2.1.6), and using CAZy database by DIAMOND,.

For metagenomic binning, contigs longer than 2000 bp were grouped into 6153 bins using MaxBin2 and MetaBAT2 with the default parameters. CheckM (v.1.0.12) was used to assess the assembly quality of all bins. Totally, 655 bins with completeness ≥ 70% and contamination ≤ 10% were obtained. All filtered bins were aggregated and dereplicated using dRep (v.3.2.2) with the default overlap threshold (-nc 0.1), and were clustered into strain level and species-level genome bins at 99% and 95% of the average nucleotide identity, respectively. Finally, we obtained a non-redundant set of 171 bins (MAGs) at the strain level and 140 MAGs at the species level.

Co-occurrence network analysis

The core bacterial ASVs (with relative abundance > 0.1% for at least one sample) in the rhizosphere were selected for network construction. For each treatment, we constructed three networks to infer the dynamic co-occurrence patterns of core ASVs with plant development by separating samples into three stages (D1-D14, D28-D42, and D60-D72), and built an aggregation of microbial association network to compare fertilization-induced change on microbial co-occurrence patterns and identify the keystone hubs. We also combined all rhizosphere samples to find microbial network modules of core bacterial ASVs. A pairwise Spearman correlation matrix was calculated based on the absolute abundance of the core ASVs with the “corr. test” function in the package “psych” in R (v4.1.0). The P values were adjusted with the false discovery rate (FDR) method. A cutoff for the Spearman’s rank correlation coefficient (ρ) of higher than 0.8 or lower than −0.8 with P < 0.05 was used for network construction. Network properties were characterized via the “igraph” package in R, and network robustness was calculated as previously described in ref. . The modules in a network, defined as sub-communities of highly interconnected nodes, are recognized as microbial ecological clusters performing different functions. The identification of ecological clusters in the network was performed in Gephi (v0.9.5) platform, using default parameters. Putative keystone hubs in the network were identified according to its within-module connectivity (Zi) and among-module connectivity (Pi). Nodes with Zi > 2.5 were identified as modules hubs, whereas nodes with Pi > 0.62 were identified as connectors,. All networks were visualized in Gephi (v0.9.5).

Rhizosphere microbial isolation and experimental validation

The rhizosphere bacterial strains were isolated using LB and R2B mediums. Briefly, 3 g of rhizosphere soil from each treatment was placed in a sterile centrifuge tube containing 30 mL of PBS buffer, and then 10× serial diluted using PBS buffer. 50 μL of each of the 10-4, 10−5, and 10−6 dilutions were placed on the surface of the medium. For the isolation of spore-forming bacteria, 3 g of rhizosphere soil was stored in a desiccant for 2 weeks and heated at 80 °C for 30 min after mixing with 30 mL PBS buffer, followed by dilution and plating as described above. All culture dishes were incubated at 30 °C for 48 h, and the bacterial colonies on the plate were picked for further purification. The universal primer pair 27 F/1541 R was used for bacterial identification. The purified bacterial strains were then stored in 30% glycerol solution at −80 °C.

The nodes (ASVs) in the co-occurrence network of each module from Fig.  were BLASTed against the isolated bacterial strains, and strains with > 95% identity for the 16S rRNA gene were considered to belong to the same ASVs. For the ASVs affiliating to more strains, we chose the strain with the highest similarity to improve the representativeness. Afterwards, we selected one strain for each genus to reduce the complexity of synthetic communities. Considering only -N treatment in the module#2 showed significantly higher bacterial loads than that in Control, we chose bacterial strains in module#2 as synthetic communities in the validation experiment, and took bacterial strains in module#1 as the control SynCom (no significant change of bacterial loads between two treatments). Overall, 7 strains (i.e., Rhodococcus sp., Lysobacter sp., Terrabacter sp., Arthrobacter sp., Phyllobacterium sp., Bosea sp. and Aeromicrobium sp.) in the Module#2 were designated as SynCom, and five strains in the module#1 were designated as SynCtrl (i.e., Brevundimonas sp., Sediminibacterium sp., Mycobacterium sp., Herbaspirillum sp. and Sphingomonas sp.). To exclude potential Bradyrhizobiaceae-induced nodulation and coordinate the microbial diversity with SynCtrl, 5 strains from SynCom7 were further selected (excluding Bosea sp. and Aeromicrobium sp. from SynCom7), which was designated as SynCom5.

We then tested the effect of these SynComs on soybean plant growth. To do this we used the following treatments: Control (sterilized water), SynCtrl (5 strains from Module#1), SynCom7 (7 strains from Module#2), and SynCom5 (5 strains from Module#2). Sterilized vermiculite was used as substrate and MFP mediums with or without nitrogen (i.e., NH4NO3) were applied as nutrient solutions. The soybean seeds were surface sterilized with 5% (w/v) NaClO for 5 min and then planted in sterilized vermiculite. Each treatment had 12 seedlings. The SynComs were prepared by centrifuging the bacteria solution at 9000 rpm for 2 min and re-suspended in sterilized distilled water adjusted to a final optical density (OD) of 0.1 for each strain. After seed germination (4 days after planting), 1 mL of the SynComs or sterilized water was inoculated into the roots, and this was repeated after 1 week. The shoot height and total biomass of the soybean plants were measured 2 and 3 weeks after first inoculation, and the nitrate nitrogen concentrations of whole soybean plants were measured using samples taken from 3 weeks after first inoculation. The concentration of plant nitrate nitrogen was measured by the colorimetric method after digestion with salicylic acid-H2SO4 and NaOH solution.

Characterization of plant growth-promoting (PGP) traits in synthetic communities

The PGP functions of each bacterial strain and synthetic community, including IAA production, ACC deaminase activity, inorganic phosphorus solubilization and nitrogen fixation, were investigated in vitro. IAA concentrations were determined as described in ref. , with some modifications. Briefly, the Landy medium was used to culture strains for 3 days and 200 rpm at 28 °C. Afterwards, 1 mL of the supernatant (obtained by centrifugation at 9000 rpm for 5 min) was mixed with 2 mL of Salkowski’s reagent (150 mL of concentrated H2SO4, 250 mL of distilled H2O, 7.5 mL of 0.5 M FeCl3·6H2O) and incubated in darkness for 20 min. The IAA concentration was determined by colorimetric method at 530 nm, and a standard curve was prepared by a series of pure IAA concentrations. To test the ACC deaminase activity of synthetic communities, bacterial strains were inoculated in DF salts medium supplemented with ACC as the sole nitrogen source for 3 days and 200 rpm at 28 °C. ACC deaminase activity was quantified using the method as previously described in ref. . The amount of α-ketobutyrate produced by each SynCom was determined by a standard curve of pure α-ketobutyrate at 540 nm. Inorganic phosphate solubilizing capacity of the bacterial strains was tested on the Pikovskaya’s agar medium as described in ref. . Halo zones surrounding the colonies were measured after 7 days of culture at 28 °C. Nitrogenase activity of the bacterial strains was measured by acetylene reduction assay as described in ref. . Briefly, bacterial strains were cultured in the modified Döbereiner medium for 3 days and 200 rpm at 28 °C. Then, the bacterial culture was transferred to the serum vial and 10% of headspace gas was replaced with acetylene. The ethylene concentration was determined with a gas chromatograph (HP7890B, Agilent, USA) after inoculation for 24 h at 28 °C.

Statistical analysis

All statistical analyses were performed in R (v4.1.0, [*http://www.r-project.org*](http://www.r-project.org)). The data for soil chemical properties and soybean phenotypes were tested for normality using the Shapiro-Wilk test and homogeneity of variance using Bartlett’s test. For data with normal distributions and homogeneous variance, one-way ANOVA test with Dunnett’s or LSD’s post hoc analyses was used for multiple comparisons. Kruskal-Wallis tests with Dunn’s post hoc analysis for multiple comparisons were applied to data with non-Gaussian distributions or heteroscedasticity.

The linear mixed model analysis was performed to identify the major drivers of microbial α-diversity and abundance using the R package “lme4”. Nonparametric statistical tests (Kruskal-Wallis tests with Dunn’s post hoc analysis) were performed to evaluate the difference of α-diversity between different development stages and different fertilization treatments. The relative contribution of different factors on bacterial Bray-Curtis dissimilarity was tested with PERMANOVA using the Adonis2 function in R package “vegan”. Linear regression analysis was used to examine the relationship between temporal distance and Bray-Curtis distance between two samples in each treatment and between sampling stage and Bray-Curtis distance of each unbalanced fertilization treatment to the Control. Paired Wilcoxon test was applied to test the significance of bacterial phyla, core ASVs, and functional genes between Control and each unbalanced fertilization treatment, after averaging the abundance of bacterial taxa in each stage. The significantly changed ASVs to unbalanced fertilization were defined as the P < 0.05 by paired Wilcoxon test and fold change > 1.5. All statistical test P-values were corrected using the FDR method, except for those obtained with the paired Wilcoxon test. For all statistical tests, P < 0.05 were considered significant, and individual P-values are specified in figure legends. Data visualizations were primarily generated using the “ggplot2” R package. Heatmaps were generated using the “ComplexHeatmap” R package. The phylogenetic tree was primarily constructed by 16S rRNA gene, except that the phylogenetic tree of MAGs was constructed based on the complete genomes. The visualization of phylogenetic tree and data annotation were conducted with iTOL v6.

Reporting summary

Further information on research design is available in the  linked to this article.

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**Notes**

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[***Wider Europe Briefing: All You Need To Know As All Eyes Turn To Spain***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:699N-86M1-F00C-623B-00000-00&context=1516831)

Hungarian News Digest

October 2, 2023 Monday

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**Body**

Welcome to Wider Europe, RFE/RL's newsletter focusing on the key issues concerning the European Union, NATO, and other institutions and their relationships with the Western Balkans and Europe's Eastern neighborhoods.

I'm RFE/RL Europe Editor Rikard Jozwiak, and this week I'm drilling down on two big meetings taking place in Granada this week: the European Political Community (EPC) Summit, which brings together most of the continent's leaders, and an EU leaders' meeting at which migration and 'absorption capacity' will dominate debate.

Brief #1: The Lowdown On The European Political Community Summit

What You Need To Know: Eyes turn to southern Spain this week and the city of Granada as it hosts two big meetings in the space of two days. The first day, October 5, is dedicated to the European Political Community (EPC) -- a gathering of European leaders that first met in Prague in the fall of 2022 after French President Emmanuel Macron pushed for a looser political forum to discuss the continent's future after Russia's full-scale invasion of Ukraine.

While critics might dismiss the EPC as a talking shop of little value, diplomats I've spoken to are surprisingly complimentary. They say that leaders appreciate the less-rigid format with more informality (for example, in the order of speakers). The whole idea is rather to spend as much time as possible in smaller groups or bilateral discussions with fewer people peering over their shoulders.

So the EPC seems very much here to stay following two apparently successful summits, in the Czech Republic last October and then in Moldova in June. The idea is very much to have two gatherings each year, with hosting duties ***rotating*** between EU member states and nonmember states.

The United Kingdom looks set to take the baton from Spain with an EPC summit in the first half of 2024. So far, participation is impressive. In Granada, heads of state or government are expected from all 27 EU member states and 20 European nonmembers, including almost all of Europe's microstates. In fact, the only noticeable absentees on any level are Belarus, Russia, and the Vatican.

Deep Background: The choreography for this meeting is the same as before: a 30-minute plenary followed by roundtables at which leaders are divided into four groups -- each on a different topic -- lasting about two hours. The topics for this year are 'digital,' 'skills,' 'energy and environment,' and 'multilateralism.' Don't expect anything too concrete here.

It will be interesting to see whether one idea in particular concerning the future of European integration as four distinct tiers is aired in one way or another.

As thoroughly spelled out in a discussion paper by 12 Franco-German think tankers last month, those four tiers comprise an 'inner circle' of EU member states that are part of the eurozone and the Schengen area; the rest of the EU; a third tier of 'associate members' among Western European states like Norway, Switzerland, and the United Kingdom, which have comprehensive free-trade deals with the EU but no desire to join the bloc; and then a final tier, dubbed simply 'the EPC.'

The Franco-German paper notes that 'the recently established EPC's institutional underpinning could be upgraded to provide more structured cooperation. The EPC would have to evolve from its current loose form into an arrangement with stronger institutional ties that could enable the [European] Commission to play a greater coordinating role and the EU budget to mobilize some funding.'

The paper later makes clear that this type of political division of the continent is entirely different from the EU accession process that most EU hopefuls in the Western Balkans plus Georgia, Moldova, and Ukraine are in. ut don't rule out Macron once again feeling the need to underscore to concerned EU candidate countries that the EPC is no substitute for membership and that it was French and German experts -- not government officials -- who authored the paper.

Drilling Down

Before the leaders head to the impressive Alhambra palace and fortress complex for a family photo and an official dinner with spouses, they will spend a large chunk of the afternoon in bilateral meetings -- the part of the EPC summit that normally creates some news.

Ukrainian President Volodymyr Zelenskiy won't be there, with Prime Minister Denys Shmyhal in his place, reducing some of the expected limelight on Granada.

There are also question marks over Turkish President Recep Tayyip Erdogan's attendance. There had been talk of some sort of 'positive agenda' between him and his Greek and Cypriot counterparts getting launched after months trading barbs, but with nothing materializing at the UN General Assembly in New York in September, few are expecting anything from Granada in that respect.

The EPC has previously also been an unofficial venue for Swedish Prime Minister Ulf Kristersson to inquire about when Turkey's and Hungary's respective parliaments will ratify Sweden's NATO accession treaty. Erdogan recently remarked that Ankara can give a green light in October if the United States gives the go-ahead for F-16 jet sales to Turkey.

Matters appear murkier with Hungary at the moment, as Prime Minister Viktor Orban has said Budapest is in 'no rush' to sign off on Swedish NATO entry and other Hungarian officials have ***suggested*** it might not be placed on the Hungarian parliamentary agenda at all this fall. Hungary's foreign minister, Peter Szijjarto, also recently criticized Stockholm for spreading 'false information' about his country after a clip resurfaced that first aired four years ago on Swedish state TV and described developments in Hungary as having taken an undemocratic turn.

The one big meeting that was set to happen is a get-together between European Council President Charles Michel, Macron, German Chancellor Olaf Scholz, Armenian Prime Minister Nikol Pashinian, and Azerbaijani President Ilham Aliyev. Their respective national-security advisers met in Brussels last week to prepare the meeting, which comes just two weeks after Azerbaijan's military carried out an offensive that overwhelmed breakaway ethnic Armenian forces in Nagorno-Karabakh, asserting control of territory that has been under ethnic Armenian control for decades. Tens of thousands of ethnic Armenians fled the region for Armenia.

EU officials hope the meeting achieves progress on humanitarian issues, border delimitation, and potentially even a broader peace treaty. Another big question is what Yerevan will do regarding its future relations with the European Union. Applying for EU membership would be premature, according to people in Brussels I've spoken to on condition of anonymity, as Yerevan likely would first need to leave the Russia-dominated Collective Security Treaty Organization (CSTO), a military grouping.

But some EU diplomats think Armenia's leadership might, as a first step, ask to upgrade the political relationship with the EU via an association agreement. Armenia was set to sign such a deal back in 2013 but backed down following pressure from Moscow and instead signed a watered-down arrangement called Comprehensive and Enhanced Partnership Agreement (CEPA) four years later.

Former Soviet republics like Georgia, Moldova, and Ukraine -- who now have perspectives for one day joining the EU -- all enjoy association agreements with Brussels that, apart from a free-trade deal, also include closer political cooperation with the bloc in multiple policy fields and paved the way for visa-free travel to the EU.

Brief #2: An EU Leaders' Meeting To Be Dominated By Migration And 'Absorption Capacity'

What You Need To Know: The second day in Granada, October 6, will be devoted solely to the European Union with the bloc's 27 heads of state and government gathering to discuss several issues.

Since it's an informal meeting as opposed to one of the regular summits that take place in Brussels, expect more ***strategic*** talk on the bloc's future and on the urgent issue of the day rather than any specific decisions.

Migration looks like the most pressing of those issues, especially after a spike this year in the number of people reaching Italy, mainly from Tunisia, and a growing spat between Germany and some of its eastern neighbors, most notably Poland.

Deep Background: You can be certain that Italy's right-wing Prime Minister Giorgia Meloni will make migration one of the hottest topics in Granada. She was elected last year on a pledge to prevent as many new arrivals as possible from across the Mediterranean. But the number of migrants to have so far landed in her country has topped 127,000 -- more than double that of the same period last year.

EU member states reached a tentative agreement in June on revamping the bloc's migration policy, but in order to enter final negotiations with the other EU co-legislator, the European Parliament, all aspects of the new migration pact must be agreed among the 27 members.

The missing piece of the puzzle is 'crisis regulation' -- which details measures that would alleviate pressure on EU border countries, notably in the southern parts of the bloc, when they face sudden increases in asylum seekers - along with when those measures could be triggered.

What is especially bothering northern EU countries is a crisis exemption that would allow southern members like Italy to pause strict migrant border checks during such 'crisis times,' effectively allowing countries behind the front lines to handle asylum claims.

But that's not the only migration issue. Germany last week announced temporary checks on its borders with Czechia and Poland in a bid to prevent an influx of asylum seekers that already looks much larger this year than in 2022.

The Polish government has reacted angrily to ***suggestions*** from Berlin that the rise is connected to recent accusations that workers at Polish consulates, notably in Africa and Asia, have handed out EU visas in exchange from money.

Expect tense exchanges in Granada between Scholz and his Polish counterpart, Mateusz Morawiecki. There are just days left before crucial German state elections in Bavaria and Hesse on October 8 in which the opposition could fare well and Polish parliamentary elections seven days later that opinion polls ***suggest*** are on a knife-edge.

Drilling Down

Away from the migration spats, the discussion will focus on 'absorption capacity,' a slightly abstract term that essentially translates into how the EU needs to change in order to accept new members in the future. And while Council President Charles Michel has expressed rather confident hopes that both the European Union and candidate countries might be ready for enlargement by 2030, the tone is slightly more sober among EU member states that view preparations and eventual internal changes necessary to enlarge the club as huge.

Spain, which currently holds the ***rotating*** EU Council Presidency and is hosting the summit, has prepared concept notes, seen by RFE/RL, on the topic. While spelling out that enlargement has numerous advantages for the bloc, they acknowledge that there are issues that still need to be resolved: 'Beyond the benefits that enlargement will bring to the EU, notably in terms of reinforcing the EU's political weight and influence, as well as the significant importance of enlargement for prosperity, security and stability on the continent, enlargement will also entail important challenges for the EU.'

Aside from the potential for increased geopolitical influence, they point out that enlargement also exposes the bloc 'directly to new foreign and security issues' and spells out that 'the EU's new post-enlargement neighborhood is likely to require considerable attention and political capital, all the more if the existing frozen conflicts remain unsolved by the time of enlargement.' This is a blunt message not only to Ukraine, but also to Georgia and Moldova.

Or consider the EU's environment and climate framework, one of the bloc's signature policies: One of the documents spells out that enlargement will 'increase the total number of greenhouse gas emissions within the EU, requiring more efforts to reduce emissions across the EU,' something that will need 'substantial investments.'

So expect most of the qualms to be about money. And here, the future EU budget is an obvious area of concern. In the current EU budget, just nine of the 27 EU countries are net contributors, and all of them belong to the 'older' and 'Western' camp of member states. With potential EU enlargement in the Balkans and further eastward, more of the current net recipients in Central and Eastern Europe might have to chip in considerably -- and be prepared to pay in more than they receive.

Two of the big budget chapters are currently Common ***Agricultural*** Policy (***CAP***) and cohesion policy, the latter of which is constructed to reduce economic disparities between richer and poorer regions in the bloc. On the ***CAP***, it is enough to look at recent tensions between Ukraine and some of its western EU neighbors like Hungary, Slovakia, and Poland when it comes to the influx of Ukrainian grain. The EU trio, wary of a political backlash from its farmers, is still not allowing several Ukrainian agriproducts into its markets.

Imagine, then, what would happen if Ukraine were actually part of the EU's internal market and its farmers got considerable financial support from Brussels. The Spanish concept papers simply note, rather matter-of-factly: 'the size of the ***agricultural*** sector of some candidate countries, notably Ukraine, will bring the EU ***agricultural*** market to a new dimension.'

With cohesion policy, it's a similar story. The document notes that the per capita gross national income (GNI) measured in the per capita purchasing power (PPS) of the current EU candidate countries is around 50-70 percent of that of the poorest EU member states today. That would mean that most EU money would flow to the newest members.

But the quandaries don't stop there. The EU population would go from today's 450 million to well over 500 million, which one of the concept notes describes as 'increasing market opportunities for economic operators, bringing in new consumers and reducing barriers to labour mobility and investments.' But the notes also caution that this 'free movement of persons is likely to raise challenges that will need to be addressed in advance.' Considering how twitchy many EU countries are about any type of migration, including internal EU labor migration, this could be a huge societal hot-button issue that shapes many future elections inside the club.

Looking Ahead

Today (October 2) will see EU's foreign ministers going to Kyiv together in a show of solidarity with that war-torn country. Expect the ministers to talk about the prospects of opening accession talks with Ukraine later this year, the potential for a new sanctions package against Russia later this fall, the need to agree on more military assistance coming from the bloc, and perhaps also more specific security guarantees that the EU or individual member states can offer in the near future.

The European Parliament will descend on Strasbourg this week for a four-day plenary session. Perhaps the most interesting day will be October 3, as the chamber will discuss the situations in Nagorno-Karabakh and Moldova. On the former, one can expect quite a show of solidarity with Armenia and perhaps even calls for Yerevan to apply for EU membership. On Moldova, the parliament will also pass a nonbinding resolution in which it will call on a swift opening of EU accession talks with Chisinau.

That's all for this week. Feel free to reach out to me on any of these issues on Twitter @RikardJozwiak, or on e-mail at [*jozwiakr@rferl.org*](mailto:jozwiakr@rferl.org)

Until next time,

Rikard Jozwiak

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[***Molecular markers associated with resistance to squash leaf curl China virus and tomato leaf curl New Delhi virus in tropical pumpkin (Cucurbita moschata Duchesne ex Poir.) breeding line AVPU1426***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BM3-D2M1-JDK8-00K3-00000-00&context=1516831)

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**Body**

Introduction

Pumpkin (Cucurbita spp.) comprises a variety of different species including Cucurbita moschata, C. pepo, C. maxima, C. mixta, C. facifola and Telfairia occidentalis. Cucurbita moschata (tropical pumpkin) is the third most economically important Cucurbita species after C. pepo and C. maxima. Pumpkin is a vegetable crop with high nutritional value, containing a wide range of essential macro- and micro-nutrients required in human diets, including vitamins, antioxidants and bioactive compounds. Besides the flesh, also the peel, seeds or shoots of some pumpkin varieties are consumed. The flesh is a good source of β-carotene, and pumpkin seeds are rich in protein with a balanced amino acid content and low antinutrient levels such as phytic acids and trypsin inhibitor activity, containing high amounts of B-complex vitamins and minerals such as Mg, Fe, Zn, P, K, Se, Mn and Cu.

Close to 28 million tonnes of pumpkins, squashes and gourds were harvested in 2020 from about 2 million ha worldwide. Tropical pumpkin varieties (C. moschata) have a relatively short crop duration of 100–135 days and a yield potential between 15 and 30 t per ha. One of the benefits of pumpkin is that the mature fruit can be stored for extended periods, making the crop highly suitable for markets in low-income countries where cold storage facilities are lacking. The high yield potential and good storability, together with its high adaptability and nutritional quality, makes pumpkin a ***strategic*** crop for biofortification programs to ensure food and nutrition security,.

Virus diseases mainly caused by Begomovirus and Potyvirus species, several fungal diseases such as powdery and downy mildew, and insects pests, are the major biotic stress factors limiting pumpkin production and productivity–. Among the viruses, zucchini yellow mosaic virus (ZYMV), papaya ring spot virus (PRSV), watermelon mosaic virus (WMV), cucumber mosaic virus (CMV), squash leaf curl virus (SLCV), tomato leaf curl New Delhi virus (ToLCNDV) and cucurbit aphid borne yellow virus (CABYV) are the major constraints to pumpkin cultivation,–. Resistance genes against Potyvirus species, CMV (genus Cucumovirus, and Begomovirus) have been described, but resistance genes against CABYV (Polerovirus) have not yet been reported.

Diseases caused by Begomovirus species have become increasingly devastating for vegetable production. The Begomovirus species ToLCNDV is present in Asia and in the Mediterranean on a wide range of host species. It is transmitted by whiteflies, but can also be mechanically transmitted on melon, and is seed borne in zucchini and chayote. Leaf curl disease affected pumpkin leaves sampled in India that tested positive for ToLCNDV. Infection symptoms included leaf curling, vein thickening, darker leaf margins, leaf area reduction, short internodes, and stunted plants. Fruit cracking appears upon ToLCNDV infection in melon. The bipartite genome of the virus consists of DNA-A and DNA-B components, which often interact with beta satellites that enhance the virulence of the virus,. Squash leaf curl disease caused by the begomovirus SLCV is among the most destructive diseases of cucurbit crops in tropical, subtropical and semiarid regions. This virus is prevalent in the Americas infecting cucurbits and some legumes, and it was also reported on cucurbits in the Philippines. Disease symptoms include severe stunting and leaf curling, resulting in major yield losses. Squash leaf curl China virus (SLCCNV), a bipartite begomovirus, has been isolated from different cucurbit crops in Asia,, and SLC Philippine virus Taiwan strain (SLCPV-TW), also a bipartite begomovirus, was first isolated from pumpkin in Taiwan.

Conventional begomovirus control applies whitefly management through pesticides, biocontrol, and physical barriers. Early sowing, weed management, crop ***rotation***, and roughing of infected plants can reduce disease incidence, but the most effective protection against yield losses from begomovirus infection is the development of virus and/or whitefly resistant varieties. A recessive gene conditioning ToLCNDV resistance was mapped in two C. moschata landraces PI 604,506 and PI 381,814 to chromosome 8, while a dominant gene governing resistance to ToLCNDV in C. moschata accession BSUAL-252 originating from Japan was identified at a different genomic location. A field screening effort of 800 C. moschata accessions identified ToLCNDV and SLCCNV resistant plants with desirable fruit traits. After hand self-pollination of resistant plants and subsequent pedigree selection, breeding line AVPU1426 with field resistance to SLCCNV and ToLCNDV was developed from the heterozygous and heterogeneous WorldVeg genebank accession VI056782 originally collected from Bangladesh, as a fourth resistance source to reduce begomovirus diseases on pumpkin. Resistance of AVPU1426 by was confirmed by testing the response to local isolates of SLCCNV and ToLCNDV in Thailand. Resistance assessment in the F1 and in segregating F2 and backcross populations derived from a cross between AVPU1426 (resistant) and Waltham Butternut (susceptible), ***suggested*** that resistance to ToLCNDV and SLCCNV is governed by a single recessive gene. However, it was not clear whether the same gene controls resistance to both viruses, or different recessive genes are implicated with resistance to each of the viruses. Furthermore, it was unclear whether the gene(s) controlling resistance against both viruses is/are different from the one previously mapped to chromosome 8 by.

Marker-assisted selection has become a standard method in plant breeding. Markers associated with virus resistance make introgression of resistance genes into elite lines more effective. In particular, introgression of recessive resistance genes from non-adapted materials into elite lines through backcrossing is strongly facilitated by molecular markers, enabling foreground selection for individuals that are heterozygous for the resistance gene, and for background selection to restore the recurrent genotype in the population in as few generations as possible. For foreground selection, markers tightly linked with the gene of interest are required.

The present study describes the mapping of ToLCNDV and SLCCNV resistance genes in segregating pumpkin populations, and the validation of the obtained markers that are proposed for marker-assisted selection of the resistance genes provided by breeding line AVPU1426.

Materials and methods

Plant materials and virus resistance screening

From a cross between Waltham Butternut (susceptible) as the maternal line and AVPU1426 (resistant) as the paternal line, F2 and two backcross populations, one backcrossed to the susceptible and one to the resistant parent were produced. Whitefly rearing, production of viruliferous whiteflies, experimental design, plant growth and the two experiments exposing the parental lines, the F1, the F2 and backcross populations to one of the two viruses ToLCNDV and SLCCNV were described by. Seed of the experimental plants to assess the response to SLCCNV were sown on 20 September 2019. DNA was extracted from young leaves 11 days after sowing (DAS) using DNeasy Plant Mini Kit (Qiagen) according to the instructions of the supplier. Virus inoculation through exposure to viruliferous whiteflies was initiated 12 DAS. After 48 h the whiteflies were eliminated with insecticide and the plants were transplanted 17 DAS to 45 cm pots and kept in the greenhouse with virus symptoms scored 46 DAS, using a visual symptom rating scale as described in: 0 = no visible symptom; 1 = mild symptom with very slight yellowing of leaves; 2 = moderate symptom with yellowing and mottling; 3 = severe symptom with wide range of leaf yellowing, curling and mottling; 4 = severe symptom with stunting of the plant, leaf yellowing, curling, and reduction of leaf lamina. Plant ratings 0–1 were considered resistant, whereas ratings 2–4 were considered susceptible. For ToLCNDV resistance screening, seedlings were sown on 21 February 2020, DNA was extracted 11 DAS, virus inoculation through viruliferous whiteflies started 12 DAS, whitefly elimination and transplanting were performed as described for SLCCNV, and virus symptoms scoring and rating were carried out 42 DAS.

All plants used in the study, including the collection of the plant material, complied with relevant institutional, national and international guidelines and legislation. The virus resistant breeding line AVPU1426 is available from the World Vegetable Center upon request ([*https://avrdc.org/seed/seeds/*](https://avrdc.org/seed/seeds/)).

Genotyping-by-sequencing

DNA samples of 6 individuals of each parental line and of 82 F2 plants of the plants exposed to SLCCNV, and 4 plants of each parental line and 82 F2 plants of the plants exposed to ToLCNDV, were prepared for genotyping by sequencing. DNA concentration was standardized to 5ng/µL using Qubit. Sequencing libraries (ApeKI) were prepared according to the GBS protocol as per, except for using centrifugal evaporation to enrich the PCR products of the library, which were subsequently separated on a 6% acrylamide gel. Gel pieces containing DNA fragments of a size between 300 and 400 bp were cut out, the DNA was recovered from the gel following and purified using the MinElute PCR fragment purification kit. The recovered DNA was again quantified (Qubit) and the samples derived from the SLCCNV infected plants were sent to the High Throughput Genomics Core Facility, Biodiversity Research Center, Academia Sinica, Taipei, Taiwan, for quality control on an Agilent DNF-474 HS NGS fragment analyzer and for sequencing (151 bp single reads) on a single flow cell of an Illumina HiSeq 2500 device. The samples from ToLCNDV were sent to Novogene for paired end (2 × 150 bp) sequencing on an Illumina HiSeq\_X device. FastQ files were obtained from the sequencing providers. SNP calling in the SLCCNV experiment was performed in Tassel 5.0 with the Cucurbita moschata (Rifu) whole genome sequence as a reference ([*http://cucurbitgenomics.org*](http://cucurbitgenomics.org)) using the Burrow-Wheeler Aligner bwa.07.17 for short-read alignment. SNPs of the progenies were filtered for minimal sequencing depth (2) and maximum missing data (50%), except for chromosome 5, where a maximum missing data rate of 40% was allowed. Missing genotypes were imputed after removal of unmapped reads using FSFHap in Tassel using a window size of 50 and a window overlap of 25. The resultant SNPs were filtered for 20% minimum allele frequency and a maximum of 70% heterozygosity. Minor SNP states and sites with indels were removed.

For ToLCNDV, SNP calling in the parents and progenies was performed in Stacks v2.60 also using the Cucurbita moschata (Rifu) whole genome sequence as a reference ([*http://cucurbitgenomics.org*](http://cucurbitgenomics.org)). SNPs were filtered for minimum sequencing depth of 4, maximum missing data of 50%, and minimum allele frequency of 10%. As above, minor SNP states and indels were removed. Subsequently, minimum and maximum heterozygosity were set at 40% and 60%. Markers showing significant segregation distortion (χ2 > 12.5, P < 0.005, d.f. = 2) were removed. Marker correction and SNP imputing (sliding window = 11) was performed in Tassel and linked markers (distance 150 bp) were binned to obtain 1 SNP marker per locus. The markers were named according to the physical position of the SNP in the reference sequence, e.g. S7\_4089911 for marker in chromosome 7 in position 4,089,911.

QTL analysis

QTL analysis was performed based on symptom scoring data from virus-challenged plants, first by single marker regression, and then by composite interval mapping on genetic maps using an interval of 0.5 cM for mapping SLCCNV and 2 cM for ToLCNDV in QGene. The genetic maps were constructed in JoinMap 4.0 using Kosambi's mapping function with a LOD threshold of 1.00, a rec threshold of 0.4000, a jump threshold of 5.000 and a ripple value of 1. Significance of the marker-trait associations was analyzed by permutation analysis in QGene. The C. moschata reference sequence was analyzed for genes in the QTL intervals by manually revising the genes annotated in the QTL region using the genome browser provided by [*http://cucurbitgenomics.org/JBrowse/*](http://cucurbitgenomics.org/JBrowse/).

Validation

***CAPS*** markers were developed for SNP markers flanking and in the QTL regions of SLCCNV and ToLCNDV using SNP2CASP ([*http://pgrc.ipk-gatersleben.de/snp2caps/*](http://pgrc.ipk-gatersleben.de/snp2caps/)) (Table ). The markers were applied on a selection of F1, F2, and BC generation backcrossed to the resistant and the susceptible parent, respectively, using standard PCR and visualization after size separation on 10% polyacrylamide gels and staining with ethidium bromide.

Markers flanking or located in the QTL intervals associated with SLCCNV or ToLCNDV resistance.

|  | **Marker name** | **Physical position (bp)** | **Genetic position (cM)** | **Forward primer** | **Reverse primer** | **Restriction enzyme** | **Fragment size(s) of the resistant allele (bp)** | **Fragment size(s) of the susceptible allele (bp)** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| SLCCNV | S7-3,687,047 | Chr. 7 3,687,047 | Chr. 07 46.8 | TCATTGCAGCAAACCGTAAG | TGCAGTCGACTATCCTGTCG | EcoRI | 207 and 81 | 288 |
| S7\_3,901,603-1 | Chr. 7 3,901,603 | Chr. 07 51.84 | AAATTTGGCTGTCTGGTTGC | TTGGGCTTAGGGCTTAGACA | DraI, MseI | 201 and 40 | 241 |  |
| S7\_4,017,657 | Chr. 7 4,017,657 | Chr. 07 52.4 | GTGCCACTGAGCTACAAACC | TGAAACGATGGTGGTGAACA | AciI | 132 and 19 | 151 |  |
| S7\_4,089,911 | Chr. 7 4,089,911 | Chr. 07 53.5 | ACATCCAACCACCTTTCAGC | TCATTAAATCCGTGCCTGCT | BsmAI,Hpy188III | 107 and 83 | 190 |  |
| ToLCNDV | T8\_930,344 | Chr. 8 930,344 | Chr. 088.8 | TTGACA TCC CAA GCA AGA TTC CCA T | GAA GGA TGT TGG TGG ACG AG | BccI | 126 and 30 | 156 |
| T8\_937,202 | Chr. 8 937,202 | Chr. 088.9 | GCGAACGGAACGTTAGAGAA | TCCTAAAACTTTGGCCGAGA | HphI | 204 | 183 and 21 |  |
| T8\_115,7451 | Chr. 8 1,157,451 | Chr. 0810.7 | AAACCGATTGGATCAGGAAA | AACATCTCGGCCAAGTCAAC | Hpy188I | 134 | 91 and 43 |  |
| T8\_1,203,346 | Chr. 8 1,203,346 | Chr. 0811.3 | CAGATCAGCCAACTCTAACATGTAAGAATC | ACGTCACAAGGGAGTTGTTCAG | TaqI | 172 | 143 and 29 |  |
| T8\_1,235,474 | Chr. 8 1,235,474 | Chr. 0812.4 | ACGACGAGGTGAGACCTGTT | GCGTTCACTATGGTCCGAAT | HpyCH4III | 213 and 62 | 275 |  |

Results

Resistance of pumpkin line AVPU1426 to squash leaf curl China virus infection

The screening results for SLCCNV resistance in an F2 population derived from the cross Waltham Butternut × AVPU1426 were described in. All virus-inoculated plants of the susceptible parent were stunted, with curled and yellowing leaves and reduced leaf lamina (symptom score = 4), while plants of the resistant parent showed only very mild or no virus infection symptoms (symptom score = 0 or 1). All F1 plants were susceptible (symptom score = 4), and the segregation between resistant and susceptible plants in the F2 generation was 1:3 (χ2 0.053, p = 0.817), indicating that resistance was conferred by a single recessive gene. A selection of 82 F2 plants including 22 resistant plants (score 0 or 1) and 60 susceptible plants (9, 20 and 31 plants with disease scores of 2, 3 and 4, respectively), together with the susceptible and resistant parents were submitted to genotyping by sequencing. In total 116,114,451 sequencing reads of a length of 151 bp each were obtained, and SNP calling, after imputation, control for segregation distortion and subsequent binning of linked markers, resulted in 1,464 SNPs distributed over all 20 chromosomes. The average distance between two marker bins was 182 kbp, with a large gap of 6 Mbp remaining on chromosome 10.

Single marker regression resulted in three markers located on chromosome 7 between position 39.0 and 41.2 Mbps associated with resistance, with a maximal LOD of 22.9. Composite interval mapping on a genetic map of chromosome 7 showed high association (LOD 19.0 to 23.0) of resistance to a 1.5 cM interval between positions 51.9 and 53.4 cM, corresponding to 188 kb, near marker S7\_4,089,911 located on chromosome 7 in position 4,089,911 bp, indicating a single locus contributing to resistance (Fig. ).

CIM of resistance to SLCCNV in AVPU1426. The resistance is associated with a locus spanning 1.5 cM on chromosome 7.

Markers S7\_3,687,047, S7\_3,901,603-1, S7\_4,017,657 and S7\_4,089,911 were chosen for validation in 50 BC lines using the susceptible line as recurrent parent (segregation 1:0 susceptible:resistant), 50 BC lines with the resistant line as recurrent parent (segregation in the BC 1:1, 8 F1 plants (all susceptible) and 16 F2 plants, three of them resistant. This showed that markers S7\_4,017,657 and S7\_4,089,911 had best prediction accuracy for resistance in these materials compared to the other markers: In 124 tested individuals, these two markers correctly predicted resistance and susceptibility in 122 plants. From one plant no PCR product was obtained, and in one case the marker showed heterozygote genotype predicting susceptibility, while the plant had SLCCNV resistant phenotype (score = 1, Table ).

Validation of selected markers located in the QTL interval of SLCCNV resistance in 124 plants. S7-3,687,047 produced 4 wrong predictions, S7\_3,901,603-1 produced 2, and use of S7\_4,089,911 resulted in 1 false prediction. Resist.: resistant, Suscept.: susceptible.

| **Marker** | **S7-3,687,047** | | **S7\_3,901,603-1** | | **S7\_4,017,657** | | **S7\_4,089,911** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Prediction** | **Resist. (0?1)** | **Susceptible (2?4)** | **Resist. (0?1)** | **Susceptible(2?4)** | **Resist. (0?1)** | **Susceptible (2?4)** | **Resist. (0?1)** | **Susceptible.(2?4)** |
| RR | 19 | 2 | 20 | 1 | 20 | 0 | 20 | 0 |
| RS | 2 | 71 | 1 | 72 | 1 | 68 | 1 | 75 |
| SS | 0 | 30 | 0 | 27 | 0 | 34 | 0 | 27 |
| Correct prediction | 96.80% | 98.30% | 99.20% | 99.20% |  |  |  |  |
| Missing data | 0 | 3 | 1 | 1 |  |  |  |  |

The gene content of the QTL region was explored using the Cucurbita moschata (Rifu) reference genome sequence and four markers were located in genic regions. Marker S7-3,687,047 was located in an intron region of gene CmoCh07G008020.1 annotated as cellulose synthase (2.4.1.12), and S7\_3,901,603-1 was in an intergenic region between CmoCh07G008340.1 (SWIM zinc finger family protein) and CmoCh07G008350.1 (cysteine-rich receptor-like protein kinase). Both markers S7\_4,08,9911 and S7\_4,017,657 are likely to cause non-synonymous mutations. Marker S7\_4,017,657was located in a Syntaxin 121 leading to a conservative change of a valine residue in the susceptible allele to a glycine in the resistant allele. Marker S7\_4,089,911 which was nearest to the peak of the QTL collocated with pentatricopeptide repeat proteins (CmoCh07G008660.1), causing an amino acid change from cysteine in the susceptible allele to a phenylalanine in the resistant allele, while the reference sequence of Rifu has a serine residue at this position. Other genes located in the QTL interval included genes such as a E3 ubiquitin-protein ligase RGLG2-like protein gene, and several S-adenosyl-L-methionine-dependent methyltransferases superfamily protein genes.

Resistance of pumpkin line AVPU1426 to tomato leaf curl New Delhi virus infection

The phenotypic analysis of ToLCNDV-challenged pumpkin plants was described by. Segregation in the F1, F2 and BC generations ***suggested*** that resistance relied on a single recessive gene. Paired read sequencing of a genotyping by sequencing library produced from the parental lines and of 84 F2 plants segregating for resistance, resulted in 483,388,144 reads, each 2 × 150 bp long. In total, 167,783 raw SNPs were called and after filtering, imputation and binning 2,275 SNPs remained. A genetic map representing all 20 chromosomes was constructed and used for QTL analysis of ToLCNDV resistance. The average distance of markers was 1.16 cM and the map had in total 5 gaps above 10 cM on chromosomes 7, 9, 15 (two gaps) and 18. Single marker regression showed high (LOD > 10) association between 10–10.7 cM and 12.4 and 13.1 cM on chromosome 8. Composite interval mapping ***suggested*** a single locus associated with resistance (LOD = 12.2) at position 10.7 cM on chromosome 8 near marker T8\_1,053,577 (Fig. ).

CIM of resistance to ToLCNDV in AVPU1426. The resistance is associated with a locus spanning 1.5 cM on chromosome 8.

Five markers around the QTL peak spanning 4 cM (or 378.3 kbp) were chosen for validation (Table ) in 17 F2, 39 BC backcrossed to the susceptible parent (all susceptible) and 50 BC backcrossed to the resistant parent (segregation 23:27 resistant:susceptible). Marker T8\_1,157,451 had the highest prediction accuracy with 100 out of 106 cases—with 3 false positive predictions, where the resistant allele was detected in plants classified as susceptible, with 2 plants having a disease score of 2 (very light symptoms) and one with severe symptoms (score = 4). Furthermore, this marker ***suggested*** 3 false negative predictions, where the heterozygote allele was found in plants classified as resistant (disease score = 0) (Table ).

Validation of selected markers located in the QTL interval of ToLCNDV resistance in 106 plants. All tested markers produced at least 3 false results predicting resistance. In two or the 3 cases the plants predicted to be resistant had a relatively low symptom score of 2. Resist.: resistant, Suscept.: susceptible.

| **Marker** | **T8-930,344** | | **T8\_937,202** | | **T8\_1,157,451** | | **T8\_1,203,346** | | **T8\_1,235,474** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Prediction** | **Resist.(0?1)** | **Suscept. (2?4)** | **Resist. (0?1)** | **Suscept. (2?4)** | **Resist. (0?1)** | **Suscept. (2?4)** | **Resist. (0?1)** | **Suscept. (2?4)** | **Resist. (0?1)** | **Suscept. (2?4)** |
| RR | 24 | 3 | 24 | 3 | 25 | 3 | 25 | 4 | 25 | 4 |
| RS | 4 | 51 | 4 | 51 | 3 | 50 | 3 | 49 | 3 | 49 |
| SS | 0 | 24 | 0 | 24 | 0 | 25 | 0 | 25 | 0 | 25 |
| Correct prediction | 93.40% | 93.40% | 94.34% | 93.40% | 93.40% |  |  |  |  |  |

For two out of the 5 markers used for validation, the R allele was different from the reference sequence: T8\_snp930,344 and T8\_1157451. Marker T8930,344 was located in a protein coding region of gene CmoCh08G001610.1 annotated as Chloroplast RNA-binding protein 33. An isoleucine residue in the reference sequence and the susceptible allele was changed to a valine in the resistant allele. T8\_1,157,451 was located in gene CmoCh08G001970.1 annotated as an RNA-binding protein, and the DNA sequence polymorphism at the marker position did not predict an amino acid change in the protein.

Discussion

Chemical control of intracellular pathogens such as plant viruses is not possible—only their vectors can be controlled by pesticides. Intensive pesticide application is hazardous for farmers, consumers and the environment, and insect vectors can develop resistance against pesticides, often making chemical control of virus vectors not practicable. Therefore, use of host resistance to plant viruses is likely to be the most efficient way to control virus diseases, but recombination of begomovirus genomes in their host plants and vectors leads to rapid evolution and the emergence of new begomovirus strains that may overcome the resistance genes used in current varieties. Breeding for virus resistance is an ‘arms race’, where rapid virus evolution requires continuous efforts to identify new host resistance genes for breeding. Integrated approaches combining adding resistance to virus vectors to host resistance to viruses, may generate a second line of defense against virus diseases, thereby making resistance more durable.

Genetic engineering and gene editing approaches to induce virus resistance in plants were successful, but up to now, only a few virus resistant transgenic crops were adopted by farmers, with PRSV resistant papaya being the first released transgenic virus resistant crop that is widely grown, e.g. in Hawaii. But still, the most common pathway to obtaining virus resistant varieties is the use of resistance sources, mostly landraces or crop wild relatives, to breed resistant cultivars. Therefore, the collection and conservation of cucurbit landraces and wild relatives, and access to these biodiverse materials for breeding, are key for sourcing new genes conferring resistances for emerging diseases including viruses.

Virus resistance in cucurbits has predominantly been obtained from landraces for melon and cucumber, and more so from wild species for Citrullus and Cucurbita. Wild relatives of Cucurbita including C. ecuadorensis, C. foetidissima, C. lundelliana, C. ockeechobeensis and C. martinezii, were found to be resistant to a range of viruses including begomovirus–. Specifically for pumpkin, the African C. moschata landrace ‘Nigerian local’ became an important resistance source for breeding. Resistances to ZYMV and PRSV were obtained from this accession, to breed resistant C. moschata and C. pepo cultivars. Resistance genes to begomovirus were also found in landraces. Resistance to ToLCNDV in two landraces PI 604,506 and PI 381,814 was identified and mapped, and a dominant resistance gene to this virus species was found in C. moschata cultivar BSUAL-252. Resistance to multiple begomovirus species in breeding line AVPU1426 was reported by.

The present study mapped two begomovirus resistance genes in AVPU1426, and indentified markers for selecting resistant individuals in breeding. Results also addressed the question of whether the resistance to two different begomovirus species in AVPU1426 relies on a single or two different loci, and whether the resistance gene against ToLCNDV found in AVPU1426 is a new gene, or is likely related to the resistance reported by. It showed that SLCCNV resistance in line AVPU1426 is associated with a locus on chromosome 7, while resistance against ToLCNDV was mapped to chromosome 8, showing that resistance to these two viruses in AVPU1426 relies on two independent loci. While SLCCNV has not been previously mapped in pumpkin, the ToLCNDV resistance locus on chromosome 8 was collocated with a resistance QTL against this virus reported previously. Monogenic recessive inheritance of ToLCNDV resistance was described in the American improved cultivar ‘Large Cheese’ (PI 604,506) and an Indian landrace (PI 381,814), located on top of chromosome 8, at positions 8 and 14 cM, in an interval between physical positions 561,788 and 1,366,729 bp.

The QTL conferring resistance to ToLCNDV in AVPU1426 is located in this interval, ***suggesting*** that the resistance locus detected in AVPU1426 is the same as in PI604506 and PI381814, though this has not yet been confirmed by a complementation test that the resistance genes in AVPU1426 and the two resistance sources PI604506 and PI381814 are allelic.

Several markers per locus, including the markers flanking the QTL peak as well as markers located in the peak region, were chosen for validation in F1, F2 and BC populations. This showed that the best markers predicted the phenotype with high accuracy, albeit not at 100%. The erroneous prediction of SLCCNV susceptibility in one individual that was phenotyped as resistant (score = 1) may have been due to delayed symptom onset or due to a scoring error between symptom scores 1 and 2. The same may have happened with the false predictions of susceptibility for ToLCNDV. During validation of the ToLCNDV markers, the best marker (T8\_ 1,157,451) wrongly predicted resistance in plants classified as susceptible in three cases. However, in two of these, the plants had a low symptom score of 2, which classified them as susceptible. These plants may have been resistant, but showed slightly stronger symptoms than the other resistant plants. However, cross over between the marker and resistance gene also could have caused false prediction, e.g. in the case of a ToLCNDV susceptible individual with a symptom score of 4 showing the resistance allele at homozygote state for marker T8\_1,157,451. Still, the accuracy of the prediction of resistant plants between 93 and 99% is high enough to recommend markers S7\_4,017,657 and S7\_4,089,911 for marker-assisted selection of SLCCNV, and T8\_1,203,346 for selecting ToLCNDV-resistant C. moschata plants.

Parental plants fell into distinct classes and were found to be either resistant (score 0) or susceptible (score 4), while the F2 progenies showed a distribution of scores from 0 to 4. This ***suggests*** that in addition to the major recessive resistance genes detected in this study, one or more minor genes associated with resistance or susceptibility segregated in the progenies. For example, in C. melo, in addition to a major resistance gene to ToLCNDV, two minor resistance genes were found. If such minor resistance genes were present in AVPU1426, they were not detected by QTL mapping. However, high validation rate of the markers for the major resistance genes indicate that that the contribution of the missed minor locus or loci does not strongly affect the resistance phenotype.

Begomoviruses, after infection, reprogram various plant processes to facilitate virus replication and movement, while plants use a combination of transcriptional and post-transcriptional gene silencing as defenses against infection. In addition to transcriptional and post-transcriptional gene silencing, host resistance against begomovirus may include the expression of defense responsive genes and other cellular regulatory genes, while begomovirus pathogenicity is related to the ability of the virus to suppress the host-mediated defense mechanisms. Recessive resistance points towards a process where a viral factor is interacting with a plant function and only a homozygote change in the plant factor, blocks this interaction and leads to resistance. Based on synteny analysis of ToLCNDV loci in C. moschata and C. pepo, identified 17 genes conserved in the QTL regions of these two species, including a MAD-box transcription factor CmoCh08G001760 and the transmembrane protein CmoCh08G001780, that showed polymorphisms between ToLCNDV resistant and susceptible plants. A more recent gene expression study found that CmoCh08G001780 is probably silenced through mutations in resistant lines, and further two genes (CmoCh08G001760, CmoCh08G001720) showed moderate changes. The markers identified in the present study are near, but not located in these resistance genes. In C. melo, the most likely candidate gene conferring ToLCNDV resistance is MELO3C022319.2 encoding a DNA primase large subunit, which belong to a protein family associated with geminivirus replication,. The C. moschata gene CmoCh08G001720.1 is located in a region that is syntenic to the C. melo resistance locus, has an amino acid sequence highly similar to MELO3C022319 and is also annotated as a primase gene ([*http://cucurbitgenomics.org/*](http://cucurbitgenomics.org/)). This gene likely acts as a regulatory subunit of primase that generates an RNA primer at the onset of DNA replication of geminiviruses. Deeper molecular studies are required to decipher the roles of the proposed candidate genes in ToLCNDV resistance.

The region where these candidate genes including CmCh08G001720.1 are located, is part of the ToLCNDV resistance QTL of AVPU1426, but the QTL peak of the ToLCNDV resistance QTL in AVPU1426 is located less distal on chromosome 8, at physical position 1,053,577 Mbp around the gene CmCh08G001780.1. Like for the SLCCNV resistance QTL, the gene content of the ToLCNDV resistance QTL was analyzed, and even polymorphisms in genes located in the resistance QTLs were identified. However, without additional research, ***suggesting*** candidate genes for resistance remains highly speculative.

Conclusion

The present study has mapped resistance to SLCCNV and ToLCNDV in the C. moschata breeding line AVPU 1426 to chromosome 7 and 8, respectively. The resistance QTL to ToLCNDV is likely the same QTL as reported previously by, while the resistance QTL effective against SLCCNV is newly reported. Validation of the identified markers associated with the QTLs showed a prediction accuracy of 93 to 99% in F2 and BC populations derived from AVPU1426, and these are ***suggested*** for use in marker assisted breeding to select for virus resistant plants derived from crosses with AVPU1426.

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[***Within-party mobility and economic performance in authoritarian regimes: Evidence from China***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69K8-D5P1-JBMY-H324-00000-00&context=1516831)

Party Politics

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**Body**

**ABSTRACT**

This study analyses a mechanism to explain how internal mobility in the dominant party enhances economic performance. We argue that authoritarian leaders incentivize their political agents to advance economic development by using age-based promotion and retirement rules. We empirically examine our theoretical claim using China’s cadre rejuvenation policy, which rewards younger leaders with more opportunities for career advancement. Drawing on panel data for prefectural party secretaries who were in office at some point between 2000 and 2012, we show that the principle of youthful rejuvenation leads the Communist Party of China to grant more promotions to party leaders who enter office at a younger age than to their older counterparts. Under such an incentive scheme, the regions served by younger entrants into the officialdom have better economic performance than those served by older entrants, holding ability and other regional characteristics constant.

**FULL TEXT**

It has been a growing consensus in authoritarian politics that single-party regimes outperform other types of nondemocracies in various aspects of economic development, including economic growth, private investment (Gehlbach and Keefer, 2012), and taxation (Jensen and Malesky, 2018). A central explanation for the economic advantage of single-party regimes focuses on the incentive structure of the party system. Scholars highlight the role of the hierarchical system in the dominant party that allocates benefits and duties to party members with different ranks (Manion 1993; Svolik, 2012). They argue that dominant party leaders incentivize subordinates to devote sufficient effort by carefully maintaining upward mobility through the party hierarchy.

The Communist Party of China (CPC) serves as an exemplar of such a dominant party that successfully manages its party members for economic development. Over the past four decades, China has achieved an economic miracle that has transformed a country with the largest population in poverty to the second largest economy in the world. While a sizable body of literature shows that the career incentives of officials drive economic growth (e.g. Xu, 2011; Li and Zhou, 2005), this study moves a step forward by examining the institutional features of the CPC that shape such career incentives. Specifically, we take the cadre rejuvenation policy in China as a case to examine how within-party upward mobility facilitates economic development in China. In 1982, the CPC adopted a fundamental principle for personnel management: cadre rejuvenation in its Party Constitution (Article 35). This principle calls for the constant introduction of younger cadres into leadership positions. Each year, millions of young officials are recruited, ***rotated***, and promoted by the Organization Department at various levels and branches, replacing senior officials retiring from office.

We examine the effect of cadre rejuvenation by focusing on the way in which age-based promotion and retirement rules shape the time horizons of officials’ careers, thereby affecting the economic performance of municipalities in China. Our empirical analysis draws on a dataset of Chinese prefectural party secretaries who served in office between 2000 and 2012. We first conduct a premise check on the validity of cadre rejuvenation policy by showing an age advantage for promotion: Party secretaries entering office with a younger age are more likely to be promoted after serving the post. We then assess how the entry age of party leaders affects their economic performance using a fixed-effects model (individual, prefecture, and year FEs) that partials out unobserved individual confounders, such as leadership ability and charisma, prefectural-level unobservables such as economic endowment, and year-specific shocks. We show that party secretaries who are younger when they assume office perform better than those who are older when they assume office. The estimation shows that a 1-year decrease in age at office entry is associated with a 0.6 percentage point higher GDP growth rate. The age-at-entry effect is salient in the growth of the manufacturing sector, which is the main driving force of growth that accounts for over 45% of the gross GDP. In addition to our main result, we also rule out two alternative explanations. We show that the disparity in economic growth between younger and older party secretaries is not driven by economic data falsification or patronage connections.

This study speaks to the comparative understanding of the time horizon for political leaders’ careers. Research on electoral democracies shows that elected politicians reduce their efforts, voting less frequently and less congruently with constituents, during their final term because they are no longer eligible for re-election (Vanbeek 1991; Alt et al., 2011). Our study sheds light on how this time horizon affects the allocation of officials’ effort regarding economic policymaking in single-party regimes. Like term limits in democratic regimes, the age limits for promotion and the fixed retirement age result in lame-duck cadres in China who exert less effort toward advancing economic development than do their younger peers.

**Within-party mobility and economic performance**

After Mao’s death, the CPC adopted several policies to enhance internal upward mobility in the party hierarchy. In 1980, Deng Xiaoping first proposed the four principles of cadre management in his widely known speech, *Reform of the Party and State Leadership System*. These four principles—revolutionary spirit, youthful rejuvenation, knowledge, and specialization—were included in the Constitution of the CPC in 1982 (Article 35). Since the early 1980s, youthful rejuvenation has played a crucial role in shaping institutions related to political selections in China. To maintain a young group of cadres, the CPC introduced two age-based rules that determine officials’ retirement and promotion. After the end of the Cultural Revolution, the Party adopted a mandatory retirement age for officials of various administrative ranks, ending the life-long tenure of senior leaders (Manion 1993; Wu 2015). Although the legal retirement age for cadres is 60 for males and 55 for females, the enforcement of these retirement age restrictions varies across ranks.1 Top-level political leaders are not constrained by these rules. For example, the average age of Politburo members at the time of appointment ranged from 60 to 63 from the 15th to 19th Party Congress (Miller 2018). While no formal rule specifies the exact age of retirement, an informal rule called “seven up, eight down” has prevailed in media coverage.2 This norm ***suggests*** that standing Politburo committee members can stay in office when aged 67 but have to retire at age 68. In contrast to top leaders, intermediate- and lower-level cadres follow the mandatory retirement age rules. Officials who work at the bureau level or below have to retire or are transferred to secondary positions if aged above 60. Our data on the prefectural leaders in our sample verify the enforcement of this rule, as we find that no prefectural party secretaries stay in office past this retirement age.

Another aspect of cadre rejuvenation is the establishment of age restrictions for promotions. According to Kou and Tsai (2014), the age requirement for political selection provides a precise index for upper-level political leaders to monitor the progress of youthful rejuvenation. Despite regional variation, the age threshold for promotions has been set at various levels for the different administrative ranks, as shown in Table 1. For example, prefectural party secretaries, who hold a bureau-level rank, are no longer eligible for promotion once they reach age 55.3 Officials always attempt to sprint up the career ladder to meet the age requirement for promotions. In some extreme cases, local leaders falsely report their age on their resumes to meet the age requirement for promotions. A study of local cadre politics vividly depicts biographical forgeries (Feng, 2010). In one case, a local cadre appeared to have obtained his first job as a middle school teacher when he was nine, the age of a third-grade child. Age scandals have also been reported by the media. Xinhua News, the official news agency of the central government, reported an astonishing case of fraud: Xue Xinmin, the head of a prefectural-level Housing Construction Bureau, had falsified his age 11 times during his 20-year career.Table 1.Age of ineligibility for promotion by position rank.

| **Position Rank** | **Age of Ineligibility for promotion** |
| --- | --- |
| Deputy State Leader(fu guo) | 67 |
| Minister (Zheng bu) | 63 |
| Deputy Minister (fu bu) | 58 |
| Bureau Director (Zheng ju) | 55 |
| Deputy Bureau Director (fu ju) | 52 |
| Division Head (Zheng chu) | 50 |
| Deputy Division Head (fu chu) | 45 |
| Section Head (Zheng ke) | 40 |
| Deputy Section Head (fu ke) | 40 |

Source: Kou and Tsai (2014).

Broadly, the age-based promotion and retirement rules ensure a positive rate of official replacement at each level of the government, guaranteeing internal upward mobility along the rank ladder (Svolik, 2012). These rules serve as a strong incentive for party officials by shaping the time horizons of their careers. With a fixed retirement age, the time horizon of officials is determined by their entry age, which has considerable variations for officials with the same rank. According to Kou and Tsai (2014), officials obtain an age advantage in the career ladder, thereby assuming a certain post with various ages through three channels. One is the Communist Youth League (CYL) mechanism. Because the age threshold for promotion in the CYL system is lower than that in the regular cadre system, officials who transfer from the CYL system can obtain a career advantage. The second channel is the temporary transfer duty that officials are appointed to remote areas to gain political advantage. The third and most prevailing mechanism in the reform era is nonregulation promotion, in which officials are promoted beyond formal selection criteria such as fixed terms, allowing young cadres to advance further in the party system. These three mechanisms create variation in the entry age, thereby affecting the time horizon of officials. Facing a certain age limit for promotion, officials who enter office at a younger age have a longer time over which to advance their careers. In contrast, those who enter office at an older age are less motivated to exert effort because they are less likely to be promoted before retirement. We argue that this difference in effort among officials with various ages at entry is manifested in the economic performance of their jurisdictions, which was the major criterion for cadre evaluation in the years before Xi Jinping’s administration (Zuo 2015). In other words, party leaders tend to exert significant efforts to promote growth at the early stage of their tenure to signal their competence. Therefore, we formulate our main hypothesis as follows:

H1: The jurisdictions of party secretaries who assume office at a younger age have better economic performance than do those of party secretaries who take office at an older age.

**Data**

To analyze how the time horizon for officials’ careers affects economic performance, we use a panel dataset of China’s prefectural party secretaries who served in office between 2000 and 2012. The dataset was developed by Junyan Jiang and was constructed from multiple sources. The biographical and career information on the prefectural party secretaries is drawn from the China Political Elite Database (CPED) (Jiang 2018). Various prefectural-level socioeconomic indicators are collected from the Statistical Yearbooks for Regional Economies. In addition to the leader and municipal socioeconomic data, we also obtain the political turnover of prefectural leaders from Peking University’s China Center for Economic Research (CCER) Official Dataset (Yao et al., 2020).

To ensure meaningful comparisons, our sample excludes two types of cities. We first exclude vice-provincial-level cities because the party secretaries for these cities have a higher administrative rank than their peers in normal prefectures. We also exclude prefectures in Xinjiang and Tibet, as the literature ***suggests*** that the CPC is more concerned about regime stability than economic development in these two provinces (Lü and Landry 2014). After excluding these two types of cities, 297 prefectural cities remain in our sample.4

**Stylized fact**

Before showing the regression results, we present three stylized facts about the retirement ages, age-at-entry windows, and career advancement opportunities of prefectural party secretaries. We first demonstrate that the mandatory retirement age is strictly enforced for this group of prefectural party secretaries. The left panel of Figure 1 shows the age distribution of prefectural party secretaries who held office between 2000 and 2012. The age of incumbent party secretaries varies from 37 to 60, with a median of 52. The result verifies one important premise about the mandatory retirement rule that prefectural party secretaries (bureau-level) cannot stay in office if aged 60.Figure 1.The age and age at entry of prefectural party secretaries, 2000 to 2012.

The right panel of Figure 2 shows a wide age-at-entry window, ranging from 37 to 58years old. In other words, the youngest entrant expects to have a time horizon of 23years to maximize the likelihood of career advancement, while the oldest entrant has at most merely 2years in office. The median age-at-entry is 50, which ***suggests*** that half of the officials have at least 5years until their ceiling age for promotion and 10years until their retirement.Figure 2.Age at entry and promotion rate. Source: CCER Official Database. The point denotes the ex post probability of promotion by entry age. The gray line and zones denote the nonparametric fitted line. As officials with an entry age under 40 are few, we code all as 40 and below.

We also examine the relationship between the party secretaries’ age at entry and their career advancement opportunities. If cadre rejuvenation policy does provide an age advantage for promotion, we expect that party secretaries who enter office earlier are more likely to be promoted at the end of their current post. To verify this crucial premise, we compute the post-level correlation between entry age and career advancement as follows. We first calculate the party secretaries’ ages when assuming office in a specific city. We then obtain the promotion rate for different entry ages by computing the ratio of party secretaries who are promoted to a higher-level position after serving in a specific post to the total number of posts served by these party secretaries within each age-at-entry group. Figure 2 shows the bivariate plot. The dots denote the promotion rate across different entry ages. Approximately 60% of party secretaries who enter office before age 45 can obtain a promotion at the end of their term. The promotion rate declines to less than 20% if party secretaries enter office when they are older than 55. We fit a nonparametric line that shows that party secretaries who are older when they enter office (“older entrants”) are less likely to be promoted to an upper-level position than their younger peers (“younger entrants”).5

The three stylized facts — a wide age-at-entry window, a fixed retirement age, and the age bias in promotions — ***suggest*** that younger entrants are likely to exert more effort on promotion-related policies. In contrast, the old entrant faces a career ***cap***. These party secretaries, who are less likely to move up the career ladder before they retire, may be less motivated to exert such effort. The next section provides detailed empirical evidence supporting this hypothesis.

**Research design and main results**

To evaluate the effect of party secretaries’ ages at entry on their performance, we estimate a statistical model with the following specification:Ypit=βEntryAgepit+xit′γ+zptδ+τi+λp+νt+εpit

where *i*, *p*, and *t* index the prefecture, party secretary, and year, respectively. Ypit is our outcome variable, which is the economic growth rate in prefecture *i* and year *t* with party secretary *p*. Our treatment variable is *Entry Age*, which denotes party secretary *p*’s age when serving in city *i* and year *t*. We use Wu Xianguo as an example to illustrate our entry age measure. Wu served as the party secretary of Shijiazhuang from 2006 to 2007. When Wu assumed office in 2006, he was 50years old. Therefore, we code the variable *Entry Age* for Wu in Shijiazhuang as a fixed value of 50 for his entire post in Shijiangzhuang from 2006 to 2007. Our key estimator, *β*, estimates the effect of career opportunities on economic performance. Our theory predicts a negative sign on *β*. In other words, we expect that younger entrants have a longer career horizon and are better at promoting economic growth than older entrants.

We include two sets of time-variant covariates in our specification. First, we consider two prefectural-level economic variables (xit) : population size and the level of fiscal dependence on the central government (Yao and Zhang 2015). We also control for a binary measure of patronage connections with provincial leaders (zpt). Following Jiang (2018), we define a prefectural party leader as having a patronage connection with the incumbent provincial party secretary if she was first promoted to a prefectural leadership position from places in the province by this party secretary.6 Table A.3 shows the summary statistics of all variables used in the empirical analysis.

We include the prefecture (τi) , individual (λp) and year (νt) fixed effects to absorb the time-invariant prefecture specific confounders such economic endowment or geographic location, unobserved individual-specific and time-invariant confounding factors such as ability and charisma, and year specific shocks, respectively.7 We cluster the standard errors at the prefecture level to account for the possible within-prefecture serial correlation among the error terms.

Table 2 presents the results. Column 1 presents the effect of age at entry on overall GDP growth, and Columns 2 to 4 present that on the growth rate of the ***agriculture***, manufacturing, and service industries. The results show that entry age has a negative effect on the overall GDP growth rate. When age at entry increases by 1year, the overall growth rate decreases by approximately 0.6 percentage points. The magnitude is sizable if we transform it into a standardized estimation: if a party secretary assumes office earlier by 3.9years (one standard deviation of year), her GDP growth performance will increase by 2.3 percentage points, which accounts for 61% of a standard deviation of GDP growth. In addition to the sizable magnitude on overall GDP, we also find a salient effect on the growth in the manufacturing sector, which accounts for over 45% of the gross GDP during the period studied in this paper.Table 2.The effect of party secretaries’ age at entry on performance.

| **Variables** | **(1) Over all** | **(2) *Agriculture*** | **(3) Manufacturing** | **(4) Service** |
| --- | --- | --- | --- | --- |
| Entry age | −0.598\*\*(0.278) | −0.105(0.426) | −1.254\*(0.642) | −0.113(0.439) |
| Population (logged) | −0.803(1.244) | 0.779(1.408) | −0.174(1.537) | −0.022(0.890) |
| Fiscal dependence | 0.005(0.118) | −0.007(0.005) | 0.011(0.012) | 0.001(0.005) |
| Patronage connection | 0.118(0.135) | 0.440\*(0.236) | −0.122(0.265) | 0.016(0.166) |
| Observation | 3,580 | 3,574 | 3,574 | 3,574 |
| Party secretary FE | Y | Y | Y | Y |
| Prefecture FE | Y | Y | Y | Y |
| Year FE | Y | Y | Y | Y |
| Controls | Y | Y | Y | Y |

The dependent variable are the overall, ***agricultural*** sector, manufacturing sector and service sector, GDP growth rates. Controls are population size, fiscal dependence, and patronage connections. Standard errors are clustered at the prefecture level and reported in parenthesis. \*p < 0; \*\*p < 0.05; and \*\*\*p < 0.01.

Beyond the main result, we conduct additional analyses. To address the concern that GDP growth is captured by fixed investment, we first estimate the effect of the entry age on the growth rate of fixed asset investment (Table A.4). Consistent with the baseline finding, younger entrants also invest more in physical assets such as machinery, land, or infrastructures than do older entrants. We also consider using three alternative measures of economic development, including railway freight, power consumption, and nighttime brightness. These three alternatives proxies capture different aspects of economic development. Railway freight measures dynamic economic activities such as trade. In contrast, power consumption and luminance mainly capture the economic output from static objects (factory production, urban infrastructures, etc.). Table A.5 shows that entry age is negatively correlated with power consumption and nighttime brightness but has a weak positive correlation with railway freight. The results provide ***suggestive*** evidence on the development strategy shift between young and old entrants that party secretaries who enter office with a younger age devote more effort to physical asset investment, which is in line with our findings in Table A.4. Finally, we analyze whether the age advantage exists in the Xi Jinping administration. Given the data availability, we examine the effect of entry age on economic growth using data between 2013 and 2015. Table A.6 shows a much smaller magnitude of the entry age on the GDP growth rate, ***suggesting*** that the incentive effect of age-based promotions is weakened in the early years of the Xi era.8

**Alternative explanations**

We conduct additional analyses to rule out two alternative explanations. One explanation is data falsification. Although China has experienced remarkable economic growth during the reform era, researchers have been concerned about the quality of China’s GDP data (Nakamura et al., 2016; Wallace 2016; Clark et al., 2017). Given the possibility of data manipulation, it is likely that young entrants perform better on economic growth metrics because they exert more effort falsifying GDP data.

To address this concern, we develop proxies for the level of data manipulation by computing the difference between reported GDP growth rates and three alternative indicators of economic performance used in the previous section. As Wallace (2016) notes, these indicators are less affected by the manipulation of Chinese political leaders. Moreover, we use a simple average of these three measures as the fourth measure for GDP manipulation. We then estimate the effect of age at entry on these four gaps.

Figure 3 shows that entry age has a null effect on three out of four measures of data falsification. The result for the railway freight measure is significant but in the opposite sign, which may be attributed to the policy shift of the development strategy, as discussed in the previous section. Moreover, we verify that our results hold when we do not standardize the three measures of data manipulation (Table A.7).Figure 3.Effect of age at entry on data falsification.

In addition to the data falsification mechanism, we are concerned that young entrants are political stars who were strategically promoted by provincial party bosses to positions with better growth potential (Shih et al., 2012; Jiang 2018; Shih and Lee 2020). If ***strategic*** appointments exist, the performance premium received by younger entrants is expected to be more salient for those who have connections than for those without such connections. Following the extant literature, we test the empirical implications of this speculation by using an interaction analysis (Lü and Landry 2014; Jia et al., 2015; Chen and Hong 2021). Specifically, we estimate the effect of an interaction term between age at entry and patronage connections on the GDP growth rate. Figure 4 presents the estimates for the interaction term. We do not find evidence supporting the endogenous appointment mechanism. All interaction estimates are statistically insignificant, ***suggesting*** that the ***strategic*** appointment hypothesis does not explain our baseline results. Beyond interaction analyses, the endogenous selection hypothesis also ***suggests*** younger entrants may be more likely to be appointed to economically developed areas in the first place. To test this conjecture, we analyze the effect of lagged economic performance on the political connection status (Table A.8). The negative correlation ***suggests*** that endogenous selection problem is not the case in this research, reassuring the validity our main findings.Figure 4.Marginal effect of patronage connections.

**Conclusion**

By documenting how the cadre rejuvenation policy affects economic development in China, our study offers a career incentive explanation to account for the remarkable economic development in China. While career incentives theory is by no means completely novel, early studies demonstrate the incentive effect primarily using a retrospective approach that examines the correlation between economic performance and ex post promotion rate (e.g. Li and Zhou, 2005; Jia et al., 2015 Lü and Landry 2014). To advance the understanding of career incentives, we follow a new stream of studies that focuses on the intuitional features of political selection in China (e.g. Guo, 2009; Li and Yu, 2022). We specifically highlight the importance of cadre rejuvenation policy and its implication for the age criterion in political selection. We show that the cadre rejuvenation policy effectively incentivizes younger officials to devote more effort to economic issues, leading to a significant boost in GDP growth. However, we acknowledge that formal institutions are not immune to the arbitrary changes made by top leaders in authoritarian countries. In recent years, we witnessed a policy shift against mobility in the CPC, as shown by the weakened role of age rules in CPC political selections. The latest CPC political selection guidelines state that the Party plans to utilize “cadres in different age ranges.”9 These policy shifts may serve as an exogenous shock that future studies can utilize to examine the rise and decline in internal party mobility and its impact on economic growth.

**Supplemental Material**

**Supplemental Material - Within-party mobility and economic performance in authoritarian regimes: Evidence from China**

Supplemental Material for Within-party mobility and economic performance in authoritarian regimes: Evidence from China in Party Politics

**Notes**

Declaration of conflicting interestsThe author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.; FundingThe author(s) received no financial support for the research, authorship, and/or publication of this article.; ORCID iDZeren Li [*https://orcid.org/0000-0003-2821-2390*](https://orcid.org/0000-0003-2821-2390); Supplemental MaterialSupplemental material for this article is available online.; 1. The rules are in Interim Measures of the State Council on the Placement of Elderly, Weak, Sick and Disabled Cadres, 1978. [*http://www.npc.gov.cn/wxzl/wxzl/2000-12/07/content\_9548.htm*](http://www.npc.gov.cn/wxzl/wxzl/2000-12/07/content_9548.htm); 2. What is seven up, eight down? [*https://www.chinatimes.com/newspapers/20171019000723-260301?chdtv*](https://www.chinatimes.com/newspapers/20171019000723-260301?chdtv).; 3. For example, Chen and Zhang (2021) verify the role of age restriction for promotion on economic and tax policy by showing a significant effect 55 age cutoff point.; 4. We also verify that our results are robust to dropping all ethnic autonomous prefectures (Tables A.1 and A.2).; 5. Similar patterns can be found in other countries. Bertrand et al. (2020) finds that civil servants enter the job at later ages are less likely to reach senior pay scales in India.; 6. According to Jiang (2018), provincial party secretary oversees the personnel issues in the province, including the promotion of prefectural party secretaries, although such promotion decision is approved collectively by the provincial party standing committee as a formality.; 7. We do not control for age in our specification because of the strong collinearity between the age of the party secretaries and the other controls.; 8. We do not control the three-way fixed effects due to the insufficient sample size.; 9. For details, see [*http://www.gov.cn/zhengce/2019-03/17/content\_5374532.htm*](http://www.gov.cn/zhengce/2019-03/17/content_5374532.htm)

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**Length:** 5586 words

**Body**

By BBC Monitoring

Bashkortostan protests

Kommersant: Venera Khisamova, Ivan Tyazhlov article "One sentence to turn into several" reports the opening of a criminal case in the Russian republic of Bashkortostan (Bashkiria) following riots near the courthouse against the sentencing of local rights activist Fail Alsynov (Alchinov). The article notes that "fighters of the Bashkir battalions in the special military operation zone called on the residents of Bashkiria to 'condemn Alchinov and express contempt for him'".

Moskovsky Komsomolets: Yekaterina Sazhneva article "Eco-friendly protest" looks at the 17 January mass protest in Baymak; quotes Bashkir human rights activist Almira Zhukova as explaining that Alsynov's speech he gave in the Bashkir language at a public gathering in April 2023, deemed insulting towards people from the Caucasus, Central Asia, and Armenia, has nothing to do with politics, but ecology.

Davos forum

Kommersant: Sergei Strokan article "Separation by interests" ***suggests*** that the World Economic Forum in Davos is unfolding in a world marked by competition among global powers for the authority to shape a new world order, leaving little space for collective decisions.

Moskovsky Komsomolets: Mikhail Rostovsky front-page article "'Ukraine winning': jammed Ursula" ridicules European Commission President Ursula von der Leyen's speech at the World Economic Forum in Davos, saying that her statements were a "pure propaganda" and the same as last year, and that they have very little to do with reality.

Komsomolskaya Pravda: Alexander Grishin article "Zelensky snobbishly insults China in Davos: This will cost Ukraine dearly" says Ukrainian President Volodymyr Zelensky, "an unbelievable moron", was allegedly offended by the Chinese prime minister's refusal to hold talks on the sidelines of the Davos forum and stated that he would now refuse to meet even Chinese leader Xi Jinping. (online only)

Russia vs West

Izvestia: Yevgenia Pertseva, Prokhor Dorenko front-page article "Reeling in lines" reveals that Russia plans to prohibit the UK from fishing in the Barents Sea. The Russian ministries of ***agriculture*** and foreign affairs have proposed a bill to this effect, marking the first time an international food agreement has been denounced.

Ukraine war: Western aid

Izvestia: Ekaterina Khamova article "Can't pull through" discusses how Western nations are exploring strategies to "prolong" Kyiv's resistance against Moscow. While the EU and the US have yet to agree on additional financial aid for Ukraine, individual European countries like the UK, Germany, and France have announced their own aid packages.

Izvestia: Anastasia Kostina article "Abandoning principles" discusses the potential stripping of Hungary's voting rights in the EU Council due to its obstruction of a 50 billion euro aid package for Ukraine. According to experts, this move could set a precedent for disregarding the positions of smaller countries, a shift that has been met with opposition from Slovakia's Prime Minister Robert Fico.

Nezavisimaya Gazeta: Olga Solovyova article "Non-military assistance to Kyiv proves more difficult than military one" discusses challenges faced by Ukraine's donors in regularly financing its non-military expenses, such as pensions and salaries.

Rossiyskaya Gazeta: Vyacheslav Prokofyev article "Macron just won't let go" criticises French President Emmanuel Macron for promising more military aid to Ukraine and a bilateral agreement on security during his recent news conference.

Ukraine war: Other international stories

Izvestia: Ivan Petrov article "Handing over trident" reveals a group in Azerbaijan that has been producing counterfeit Ukrainian passports, primarily for citizens of the CIS. The demand for these fraudulent documents stems from their use in facilitating easier access to certain benefits such as visa-free travel and employment opportunities in various countries, particularly in the EU. Such fake documents are also offered in Russia.

Nezavisimaya Gazeta: Natalya Prikhodko article "Threat of renewed protests in EU countries against Ukrainian ***agricultural*** exports looms" discusses temporary cessation of border blockades with Ukraine by Polish and Romanian carriers, suspending protests against Ukrainian ***agricultural*** exports until 1 March. It highlights the farmers' anticipation of Brussels' compromise solutions and the possibility of resumed protests if their interests are not considered in the EU's duty-free import regime of Ukrainian products.

Nezavisimaya Gazeta: Valery Masterov op-ed "Why Tusk visits Kyiv" describes Polish Prime Minister Donald Tusk's upcoming visit to Kyiv as ill-timed and inconsequential, highlighting internal political and constitutional crises in Poland, as well as economic and historical tensions between Poland and Ukraine.

Ukraine war: Narratives

Moskovsky Komsomolets: Daria Fedotova article "Kharkiv 'vampire' gets what it deserves" reports that the Russian military carried out strikes on Ukrainian battalions disguised as civilian facilities in Kharkiv yesterday, killing, according to preliminary data, more than 100 soldiers.

Rossiyskaya Gazeta: Anna Skripka article "Shrapnel in heart" says a Belgorod hospital has processed around 100 victims of the 30 December "Armed Forces of Ukraine attack", stressing that the medics had to handle a number of unique wounds.

Rossiyskaya Gazeta: Alexander Stepanov article "Abrams tanks like ghosts: Everybody has heard of them but never seen them" quotes military expert Alexei Leonkov as alleging that the US promised Ukraine deliveries of Abrams tanks in order to prod Germany into delivering its Leopards but never actually meant to bring its own assets to the war with Russia.

Komsomolskaya Pravda: Viktoriya Kuznetsova article "They poured Molotov cocktails into bottles in Maidan, now they driving husbands to front: Kyiv female about thrashed life of Ukrainian women" quotes an unnamed purported female resident of Kyiv, now residing in Russia, as saying that Ukrainian women, both those staying in the country and those who have emigrated to the West, are suffering because of the war. (online only)

Ukraine war: Military

Rossiyskaya Gazeta: Ivan Petrov article "Robot bringing mines to front line" praises the Russian troops fighting in Ukraine for using, "for the first time in the world", a Cherepakha (turtle) robot to bring ammunition and food to the line of contact, with up to 500 kg of payload carried in one go.

Ukraine war: Occupied territories

Kommersant: Alexei Zhabin et al article "Traffic to come from Luhansk People's Republic" reports that two mobile operators, +7Telecom and Miranda-Media, have launched mobile internet services in the so-called Luhansk People's Republic after a 10-month ban due to security concerns. Sources ***suggest*** that the network in Luhansk might be utilising old equipment from Nokia and Ericsson that originally belonged to Ukrainian mobile operators.

War and sanctions aftermath

Kommersant: Vadim Visloguzov article "Thinner National Welfare Fund bids farewell to euro" reports that, based on Finance Ministry data, closing the federal budget deficit in December led to a 25% reduction in the Russian National Welfare Fund's liquid assets. The article notes a further decrease in diversification, with the fund's currency section now primarily consisting of yuan and gold.

Kommersant: Unsigned article under the section "Today's number" reports that the Russian population's net purchases of foreign currency reached a record 179bn roubles in December 2023, with the majority being in dollars and euros.

Kommersant: Diana Galiyeva article "Loan gives industry hard time" summarises the key findings of a Russian economic study, noting that while Russian enterprises had largely adapted to Western sanctions by the end of 2023, their economic repercussions are more keenly felt in terms of reduced availability of financial and labour resources for businesses.

Vedomosti: Anna Kiseleva, Anastasia Mayer article "Special operation, sanctions lesser challenge for NGOs compared to pandemic" discusses the results of a nationwide survey of NGOs in Russia, which found that the war on Ukraine and sanctions pressure had less impact on the work of the Russian non-profit sector than the Covid-19 pandemic.

Vedomosti: Darya Savenkova article "Pellet shipments from Russia continued to decline in 2023" discusses the decrease in production and export of pellets from Russia in 2023 due to EU sanctions. According to data from industry agencies WhatWood and Lesprom Network, pellet exports decreased by 47% year-on-year to 950,000 tonnes.

Vedomosti: Anna Ustinova, Marina Tyunyaeva (Bochkareva) article "Russians find replacement for American Amazon and eBay" reveals a significant shift in Russian online shopping habits. Amid sanctions, Russians are increasingly turning to alternatives to Amazon and eBay, such as CDEK.Shopping, Usmall, and LiteMF, that allow for ordering goods from Europe and the US.

Moskovsky Komsomolets: Nikolai Makeyev interview with expert Igor Yushkov "Oil and gas ***rotation***" discusses how Russia has altered its oil and gas exports amid Western sanctions, mainly reorienting them towards the East. Despite its own restrictions, the West continues to use "toxic" fuel from Russia, the expert notes.

Moskovsky Komsomolets: Lyudmila Alexandrova article "Turkish transit bumped into fear" quotes experts as commenting on increased scrutiny by Turkish banks of transactions linked to Russia to avoid falling foul of US sanctions, with one saying that Ankara is unlikely to sever trade relations with Russia despite showing loyalty to the West.

Moskovsky Komsomolets: Zhanna Golubitskaya article "Schengen thaw" says that getting a Schengen visa has of late become easier for Russians, according to online chats; quotes an anonymous source at the Russian representative office in Brussels as noting a thaw in relations "at the level of ordinary citizens" in both Europe and Russia.

Rossiyskaya Gazeta: Sergei Tikhonov article "Change of signposts" dismisses the French company TotalEnergies' default on its obligations under the Arctic LPG 2 project to supply Russian liquefied natural gas as a minor event that is not going to affect Russia's gas exports because there is still Asia to export to.

Presidential election

Kommersant: Anastasia Kornya article "Whatever you want for your money" notes that electoral authorities are considering implementing a restriction that denies free broadcast airtime for election campaigning to political parties and presidential candidates who received less than 2% of the votes in the previous elections. This may affect three out of 11 nominated candidates if they successfully gather enough signatures for registration.

Vedomosti: Yulia Maleva article "Non-parliamentary parties fail to earn free airtime" discusses the Central Election Commission's decision to not provide free airtime and print space to candidates from parties that received less than 2% of the votes in the last presidential election.

Vedomosti: Yelena Mukhametshina article "Putin visits his headquarters for first time in 2024 and speaks with its co-chairs" reports on Putin's inaugural visit to his election headquarters in 2024. During this visit, Putin engaged in discussions with the co-chairs of his headquarters, addressing various election-related issues.

Izvestia: Ivan Kapustin article "Headquarter situation" reports that the pre-election campaign in Russia noticeably intensified on 17 January. On this day, Vladimir Putin visited his election headquarters, Vladislav Davankov's (New People) headquarters officially opened in Moscow, and Leonid Slutsky (LDPR) launched an election website. For self-nominees and representatives of non-parliamentary parties, the intrigue with the collection of the required number of signatures remains.

Rossiyskaya Gazeta: Aysel Gereykhanova article "In circle of support" says Putin has paid the first-ever visit to the headquarters of his presidential campaign, during which he talked to the HQ leaders and volunteers and signed a volunteer's sweatshirt.

Rossiyskaya Gazeta: Dmitry Goncharuk article "Web attack" quotes Federation Council member Andrei Klimov as saying that the West is attempting to discredit the Russian electoral system ahead of the March presidential election, including by recruiting Russian nationals who have recently fled the country.

Nezavisimaya Gazeta: Darya Garmoneko front-page article "Nadezhdin started collecting signatures abroad" reports on the increasing momentum of Boris Nadezhdin's presidential campaign in Russia, highlighting his unique strategy of garnering support from Russian citizens abroad.

Nezvisimaya Gazeta: Editorial "Does government want to marginalise Communists and why" ***suggests*** that the Russian authorities might be favouring the Liberal Democratic Party of Russia (LDPR) and its presidential candidate Leonid Slutsky over the Communist Party (CPRF) to ensure a controlled and manageable opposition, given the LDPR's leader-centric structure and flexible ideology.

Nezavisimaya Gazeta: Ivan Rodin article "Pamfilova reprimanded Putin's headquarters" discusses the upcoming registration of Vladimir Putin as a presidential candidate, noting that his federal headquarters plans to submit the required 300,000 citizens' signatures to the Central Election Commission soon, and highlights a reprimand from Ella Pamfilova, the head of the Central Election Commission, to Putin's campaign staff regarding irregularities in signature collection.

Other domestic political stories

Kommersant: Grigory Leyba article "Candidates to be recruited by advertisement" reports that the A Just Russia - For Truth party has initiated the recruitment of potential candidates for the upcoming Moscow City Duma elections scheduled for September 2024.

Kommersant: Ksenia Veretennikova article "Crime and non-exile" reports that the State Duma rejected a bill by Mikhail Matveyev (CPRF) aimed at expanding the list of crimes leading to the revocation of acquired Russian citizenship. However, a similar bill was introduced earlier this week by a group of MPs, including two members of the United Russia party.

Moskovsky Komsomolets: Eva Merkacheva front-page article "Human rights activists propose - president orders" looks into Putin's recent "instructions" to the government concerning, among other things, the mitigation of punishment for economic and any other non-violent offences, which he issued following a meeting with members of his Human Rights Council.

Moskovsky Komsomolets: Yelena Yegorova article "Lightning-fast execution of instructions" gives an account of President Putin's meeting yesterday with the government to discuss housing construction, social and economic issues, as well as his recent visit to the Far East. The government has shown "miracles of efficiency" as it had already solved the main issues raised by the residents of the Far Eastern Federal District before the president during his visit last week, the article notes.

Moskovsky Komsomolets: Dmitry Popov article "Putin takes on lifestyle quest" scrutinises Putin's statements made at a meeting with the heads of municipalities in Moscow Region on 16 January singling out two "fundamental" messages: veterans of the "special military operation" in Ukraine should join the government and work there, and Russia's foreign policy is transforming and will no longer involve compromises that might be interpreted as its weakness.

Rossiyskaya Gazeta: Marina Trubilina front-page article "Homework" quotes MP Svetlana Razvorotneva as saying that under a new bill, which has yet to be considered by parliament this spring, the company minding a residential building will have the right to enter a flat without the tenant's express agreement.

Domestic economic

Kommersant: Yevgenia Kryuchkova, Artyom Chugunov front-page article "Half per cent increase" discusses the official economic assessment and forecast discussed during yesterday's meeting between Putin and the government, with experts questioning the projected 4% GDP growth in 2023.

Kommersant: Natalya Skorlygina front-page article "Chinese goods have hard time stacking up" reports on Russian road carriers requesting benefits for warehouse construction at the China border amid a shortage of available space. The proposal ***suggests*** granting priority development area status to territories adjacent to border crossings.

Kommersant: Anna Zanina, Olga Sherunkova front-page article "Fees reach highest authority" reports that the Russian Supreme Court is currently reviewing two disputes related to banks charging high commissions for fund transfers from legal entities to individuals.

Kommersant: Aygul Abdullina article "Flyby of iron curtain" notes that in 2023, Aeroflot Group regained 45% of the Russian air transportation market, thanks to increased international flights. The airline is gradually restoring its market share, and future expansion depends on whether authorities continue to prioritise increasing air traffic within Russia.

Kommersant: Olga Sherunkova article "Sberbank goes into expenses" reports that Russia's largest lender, Sberbank, experienced a substantial increase in operating expenses in 2023. Sberbank attributed the rise to employee incentives and the initiation of "various projects of a new ***strategic*** cycle", including the advancement of artificial intelligence.

Kommersant: Yulia Poslavskaya article "Auditors fail to pass examination" reports that the Federal Treasury has excluded a major audit company from the register of firms conducting audits for socially significant organisations, marking the first such instance.

Kommersant: Tatyana Isakova article "Plus industrialisation of entire Internet" highlights the growth of the Industrial Internet of Things (IIoT) market in Russia, driven by increased demand from enterprises for production automation due to a labour shortage. However, the lack of alternatives to foreign solutions could potentially hinder the growth trend.

Kommersant: Alina Savitskaya article "Retailers doing push-ups and running" reports that the family of former official and businessman Ruslan Rostovtsev is planning to open a chain of stores specialising in sports and outdoor products.

Kommersant: Olga Mordyushenko article "Investing in forest for old times' sake" highlights the declining investment activity of Russian timber companies in 2023. Market participants express scepticism about a significant improvement in the near future, citing low export prices and expensive loans as contributing factors.

Kommersant: Alexandra Mertsalova et al article "Investors building next to Balchug" reports that businessman Vitaly Yusufov has become the direct owner of the company overseeing the project for the construction of an elite residential complex near the Kremlin.

Vedomosti: Denis Ilyushenkov front-page article "Due to stock of cars in warehouses, dealers have to offer discounts" reports on the current surplus of new cars in Russian dealerships, leading to increased discounts for customers. The surplus primarily consists of vehicles from China, with dealerships experiencing record stock levels since early 2022.

Izvestia: Pavel Vikhrov front-page article "No export situation" reveals that freight carriers are pushing for a reinstatement of the fuel export ban in Russia. However, fuel market representatives oppose this move, expressing concerns about potential negative impacts on oil refining and industry investments.

Izvestia: Alena Nefyodova article "Kamchatka not the limit" reveals that residents of seven Far Eastern regions in Russia will be eligible for an additional 1m rouble payment towards their mortgage upon the birth of a third or subsequent child. This initiative, announced during a meeting between Vladimir Putin and government members, also extends to large families in the Far East, who can now purchase a car using preferential car loans.

Vedomosti: Ekaterina Volkova article "Ministry of Finance records record implementation of national projects last year" discusses the Russian Finance Ministry's report that federal budget expenditures on the implementation of national projects in 2023 reached 3,000bn roubles, or 99.2% of the plan, marking a record level of implementation since the inception of the national projects.

Vedomosti: Sofia Yermakova front-page article "Experts consider Central Bank's policy insufficient for economy transformation" explores the viewpoint of economists who believe that the current monetary policy tools are inadequate for adapting the Russian economy to new conditions without creating risks for the macroeconomic stability.

Izvestia: Anna Kaledina article "Pyrrhic benefit" discusses potential adjustments to the tax system for loans received by bank employees and other organisations from their employers. The Ministry of Finance is considering these changes in response to the current situation where employees, due to increased key rates, are obligated to pay taxes comparable to their loan payments.

Izvestia: Maria Kolobova, Milana Gadzhieva front-page article "Joining ranks" predicts a gradual rise in unemployment rates, according to a survey by the Russian Central Bank. Despite this, the labour shortage hindering economic growth is anticipated to decrease due to factors like digitalisation, the integration of AI, and a decrease in foreign investment in the real sector.

Moskovsky Komsomolets: Igor Bokov front-page article "Achilles heel of mortgage" together with experts discusses an initiative by a group of MPs to enable the Bank of Russia to restrict other banks from issuing mortgage loans which are secured by collateral in the form of land plots, residential or non-residential premises. The bill is aimed at limiting a possibility of granting risky mortgage loans.

Nezavisimaya Gazeta: Anatoly Komrakov front-page article "Population's daily expenses 20% higher than last year" analyses the recent increase in Russians' weekly expenses, ***suggesting*** that while this rise is partly due to the post-holiday period and inflation, it's too early to conclude a change in consumer behaviour or inflation trends.

Nezavisimaya Gazeta: Anastasia Bashkatova front-page article "Celebration is over for workers in Russia's labour market" describes the complex situation in the Russian labour market, indicating that despite a candidate-driven market and skill shortages, both employers and job seekers are facing challenges in meeting their respective expectations and needs.

Rossiyskaya Gazeta: Roman Markelov front-page article "Limit sorted" says the Central Bank may be cleared to restrict banks' loans to over-indebted mortgagers in a bid to reduce the share of risky lending. If passed, the relevant bill may come into force on 1 July.

Rossiyskaya Gazeta: Irina Zhandarova front-page article "Cadre change" reports that the first 10,000 labourers from Kenya will come to Russia in the near future and that more workforce might arrive from Vietnam and North Korea as the country is seeking to populate its labour market while migrants from Central Asia are increasingly choosing other destinations.

Rossiyskaya Gazeta: Vladimir Kuzmin article "Equipment without danger" says Viktor Basargin, the head of the Russian transport watchdog Rostransnadzor, has informed Prime Minister Mikhail Mishustin that the number of incidents involving various means of transportation has decreased significantly, including by 36% on air transport.

Society

Kommersant: Vlad Nikiforov article "Transbaikal authorities to check rural cultural centre for propaganda of non-traditional values" covers an investigation into a rural cultural centre following complaints that during a New Year performance, the role of the Snow Maiden was played by a boy.

Corruption

Kommersant: Nikolai Sergeyev article "Bribe did not bring down general" reports that Dmitry Belyatsky, the former commander of the 4th Air Defence Division named after Lt Gen Boris Kirpikov, has been fined 2.5m roubles on corruption charges. Despite the fine, he retains both his freedom and rank, with the paper not ruling out his potential return to the armed forces.

Kommersant: Yuri Senatorov article "Love until kickback" outlines the charges against a former head of military construction department No. 415. She is accused of receiving bribes, allegedly securing a position for her lover as deputy general director of a company in exchange for lucrative military contracts.

Other criminal cases

Kommersant: Andrei Kucherov article "They make diagnosis for Trepova" reports that Daria Trepova, accused of committing a terrorist attack resulting in the death of pro-war military correspondent Vladlen Tatarsky (Maxim Fomin), expressed disagreement in court with the conclusions of a psychological and psychiatric examination, which determined that she was fully aware of the consequences of her actions.

Moskovsky Komsomolets: Vladimir Mikhailov, Olga Bozhyeva front-line article "Belgorod at mercy of 'boys'" (appearing online in two parts: Part I and Part 2) reports on the arrest in Belgorod of a group of teenagers, who were allegedly keeping the city and surrounding areas in fear for a long time. The head of the gang is named as a 17-year-old of Azerbaijani origin, who is said to have came to Belgorod from Kharkiv.

Military

Izvestia: Alexei Mikhaylov et al front-page article "'Orlan's' view" discusses the planned enhancement of the Russian Navy's large landing ships' firepower through the integration of Orlan and ZALA drones. This upgrade is part of a modernization programme adopted by the Russian Defence Ministry, which aims to improve artillery fire accuracy and provide better cover for landings using UAVs.

Komsomolskaya Pravda: Military commentator Viktor Baranets article "Actual power of Russian, US armies compared: This is where we are totally ahead of Americans" alleges that the recent ranking of the world's armies by the Global Firepower resource, which puts the US army ahead of the Russian army, is all wrong and that in reality, the Russian armed forces are way ahead in terms of the nuclear warheads, submarines, tanks and hypersonic missiles available. (online only)

Tech

Izvestia: Denis Gritsenko article "Set calculations" reports that Russian scientists have launched and tested the first domestic 12-qubit quantum processor on superconductors. For now, the development will be used exclusively for research purposes, bringing closer the creation of a quantum computer ***capable*** of solving tasks inaccessible to modern computing machines.

Law and order

Nezavisimaya Gazeta: Yekaterina Trifonova front-page article "Personal data becomes state matter" scrutinises changes to Russian civil procedural law regarding personal data, ***suggesting*** these changes might compromise privacy and hinder legal processes due to increased complexities in case filings and notifications.

Cyber-security

Vedomosti: Maria Aryalina article "DDoS attacks lasting almost two years found in RuNet" highlights a shift in cyber-criminal strategy, noting that approximately 5% of DDoS attacks in 2023 had a prolonged background nature, never observed before Russia's full-scale invasion of Ukraine.

Sport

Izvestia: Alexei Fomin interview with American ice hockey player Brennan Menell who plays for the Russian club Dinamo Moskva "'I have never regretted that I received Russian citizenship'", who talks about his decision to obtain Russian citizenship and his efforts to learn the Russian language, among other things.

Armenia-Azerbaijan

Nezavisimaya Gazeta: Artur Avakov article "Short path to peace agreement between Baku and Yerevan" explores the evolving negotiation process between Armenia and Azerbaijan, ***suggesting*** a shift from the anticipation of a peace treaty in 2023 to the possibility of conflict escalation in early 2024, while highlighting the continued reliance on international support by both Yerevan and Baku.

China

Kommersant: Yelena Chernenko front-page article "Third in world" highlights key findings from a report by the Federation of American Scientists, indicating an accelerated growth in China's nuclear arsenal, notes uncertainties in the accuracy of the US military's forecasts regarding China's nuclear forces.

Kommersant: Tatyana Yedovina article "China no longer in hurry" reports that the Chinese economy achieved a 5.2% growth at the end of 2023, cites economists anticipating that in the medium term China won't return to its previous high growth rates.

Vedomosti: Vladimir Kulagin article "China sees second consecutive year of population decline" discusses the decline in China's population for the second year in a row, with a decrease of 2.08 million people in 2023, bringing the total population to 1.409 billion. The article attributes this trend to a record low birth rate, an ageing population and impact of the Covid-19, among other factors.

India-China

Nezavisimaya Gazeta: Vladimir Skosyrev article "Reports of series of clashes on India-China border emerge" reports on recent clashes along the India-China border, highlighting the tension and militarisation in the region and implying that external forces, particularly the United States, may be influencing the escalation.

Iran-Pakistan

Vedomosti: Nurlan Gasymov, Ilya Lakstygal article "Iran shells Pakistan: what's next?" explores the escalating conflict between Iran and Pakistan following Iran's missile strike on a Pakistani border area. In retaliation, Pakistan has withdrawn its ambassador from Iran, leading to increased regional tension and international concern.

Moskovsky Komsomolets: Andrei Yashlavsky article "Getting hotter in East" quotes The Guardian as reporting on Iran's air strikes on Pakistani territory, apparently targeting a Sunni militant group.

Kyrgyzstan

Kommersant: Alexei Zabrodin article "Coup potion" highlights the tense political atmosphere in Kyrgyzstan, as President Sadyr Japarov unexpectedly claims to have thwarted a coup attempt. Experts note that introducing this topic into the public discourse may only fuel further rumours.

Moldova

Nezavisimaya Gazeta: Svetlana Gamova front-page article "Moldova takes money from Gagauzia without return" alleges that Moldova's decision to make Gaugazia responsible for its own VAT payments to local businesses is causing severe financial distress in the region. The article ***suggests*** this policy is a punitive measure against Gaugazia for its pro-Russian stance and claims similar pressure is being applied to Moldova's breakaway Transnistria (Dniester Region).

Nato

Izvestia: Semyon Boykov article "Playing for agreement" reports that the Hungarian Parliament has included the ratification of the protocol on Sweden's accession to Nato in the plan for the spring session. Experts speculate that Budapest might seek concessions from European partners, particularly urging the release of remaining EU funds in exchange for approving Stockholm's application.

Saudi Arabia-Brics

Vedomosti: Roman Romanov, Ilya Lakstygal article "Saudi Arabia's status in Brics turns out to be undefined" reveals the uncertainty surrounding Saudi Arabia's membership of the Brics group. Despite previous formal announcements, the country's trade minister clarified at the World Economic Forum that Saudi Arabia had not officially joined the group.

Turkey

Nezavisimaya Gazeta: Igor Subbotin article "Opposition defeats Erdogan in Istanbul" discusses the upcoming Istanbul mayoral race, focusing on the popularity of the incumbent mayor Ekrem Imamoglu from the opposition party over Murat Kurum, the candidate from President Erdogan's Justice and Development Party.

UK

Nezavisimaya Gazeta: Danila Moiseyev article "British Prime Minister's party split over migration issue" discusses the internal conflict within the UK Conservative Party.

US

Vedomosti: Roman Romanov article "They want to cross Biden out of primaries in Illinois" reports on complaints filed by local voter groups in Illinois to the local election commission against US President Joe Biden, demanding his candidacy be removed from the Democratic primaries and, consequently, the presidential elections to be held in the state this year.

Nezavisimaya Gazeta: Gennady Petrov "Biden beats out funds for America's allies" discusses challenges faced by US President Joe Biden in securing additional funding for Ukraine and Israel, highlighting internal political struggles and opposition from Republican lawmakers.

International political

Kommersant: Vitaly Gaydaev article "Geopolitics rules cash" notes a significant increase in concerns among international investors at the start of the year due to the evolving geopolitical situation amid escalating hostilities in the Middle East, includes insights and predictions from Russian economists.

Rossiyskaya Gazeta: Fyodor Lukyanov article "Freedom of augmented regime" alleges the Middle East, and the world in general, are turning a page and entering a new political reality, with external players seemingly losing their clout and local actors getting greater agency.

Komsomolskaya Pravda: Ivan Pankin, Igor Yakunin article "Why only politicians and not military talking about third world war" interviews pro-Kremlin blogger Kirill Fyodorov, who says he does not see any preconditions for a third world war, even with the current escalation in the Middle East, unless a major conflict involving Belarus flares up in Europe. (online only)

Sources: As listed. Inclusion of items in this list of significant reports from some of the day's main Russian newspapers does not mean that BBC Monitoring will file further on them

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**Byline:** Tony Connelly

**Body**

**This week RTÉ News is carrying a series of reports across digital, radio and television looking at the situation in Ukraine two years after the Russian invasion.**

16 February 2024 may come to be regarded as a key date in Russia's war on Ukraine, and a chilling inflection point for European security.

Exactly one week before the second anniversary of the invasion, Alexei Navalny was pronounced dead at the prison in Yamalo-Nenets in Western Siberia where he was serving a 19-year sentence.

Even though Russian President Vladimir Putin had ensured that Mr Navalny, who had mobilised mass and enthusiastic opposition to him a decade ago, was physically out of sight, his fleeting appearances at court hearings kept the flame of dissent flickering.

"For Russian society, confused, depressed, and constantly besieged by an ever more repressive regime, Navalny was a lone unifying figure," writes Andrew Soldatov and Irina Borogan, authors of 'The Compatriots: The Russian Exiles who Fought Against the Kremlin', in Foreign Affairs.

"Although Russian authorities isolated him in increasingly restrictive layers of confinement since his arrest on his return to Russia in 2021, he continued to have that stature right up to the moment of his death."

That death was announced just 24 hours before Avdiivka in eastern Ukraine fell to Russian forces, a ***strategic*** setback for Ukrainian troops who had been defending it amid a horrific shortage of artillery ammunition since October.

Both events have coalesced with prevailing concerns about the US commitment to Ukraine, and to European security.

House Republicans continue to block a $60 billion military aid package and Donald Trump has warned he would not, as president, defend Europe if attacked by Russia (and NATO members had not increased their defence spending).

The mood at last weekend’s Munich Security Conference was therefore beyond sober.

Ukraine fatigue seemed now to be producing real world results - in Mr Putin’s favour - on the battlefield.

Ukraine’s President Volodymyr Zelensky told delegates: "Do not ask Ukraine when the war will end; ask yourself why Putin can continue it."

Mr Putin is not just continuing the war, but the fall of Avdiivka has given him momentum in time for the second anniversary.

In its initial thrust, the Russian military operation in February 2022 failed to capture Kyiv and decapitate Ukraine's civilian leadership.

Instead, Mr Putin settled for seizing the Donbas and deepening Russia's defences for a long-term war of attrition that would wear down both Ukrainian military and Western resolve.

Simultaneously, Russia pummelled energy infrastructure in wintertime and launched mass drone and missile attacks against population centres, to break civilian resolve.

Ukraine's swift recapture of large swathes of Kharkiv and Kherson in the late summer of 2022 boosted expectations that a counteroffensive last summer could see Ukraine troops punch a hole south through Zaporizhzhia to break Russia's land bridge to Crimea.

"The 2023 summer offensive, which dragged into autumn, was unsuccessful," wrote military analysts Michael Kofman and Franz-Stefan Gady in the 'Survival, Global Politics and Strategy Journal'.

"Planning for the offensive appears to have been overly optimistic and poorly connected to how the Ukrainian armed forces actually fight, despite numerous analyses warning that the operation would prove costly and difficult, and that manoeuvre warfare was unlikely to attain a quick breakthrough against a well-prepared defence."

As artillery supplies declined on the Ukrainian side, the conversion of Russia to a war economy was delivering a distinct numerical advantage both in terms of men and weapons.

At the start of 2023, Russia had 360,000 troops in Ukraine, rising to 410,000 when the counteroffensive started.

By the start of this year, that had risen to 470,000.

Having greater numbers means Russia can suffer atrocious casualties and still ***rotate*** units to keep the front line intact, while inflicting heavy losses on Ukrainians who do not have the same numbers.

According to the Royal United Services Institute (RUSI), Russia has a huge advantage in terms of combat equipment, holding nearly 5,000 barrel artillery pieces, 2,000 tanks and 7,000 armoured fighting vehicles, as well as large numbers of attack helicopters and fighter jets.

Russia is expanding production lines at existing facilities and bringing previously mothballed plants back online, producing more tanks and other vehicles, as well as Iskander ballistic and cruise missiles at a greater rate than before the war.

On one level, it looks like Mr Putin's game plan is succeeding: the West is divided and unable to arm Ukraine's military quickly enough; politicians on the far-left and right are inserting Kremlin talking points into the European debate, adding to the sense of division and fatigue; Russian troops are better organised and equipped on the battlefield.

"Russia still maintains the ***strategic*** objective of bringing about the subjugation of Ukraine. It now believes that it is winning," wrote Dr Jack Watling and Nick Reynolds in the RUSI report.

"Surrender terms currently being proposed by Russian intermediaries include Ukraine ceding the territory already under Russian control along with Kharkiv, and in some versions Odesa; agreeing not to join NATO; and maintaining a head of state approved by Russia.

"Once military aid has been significantly limited such that Ukrainian munition stocks become depleted, Russia intends to initiate further offensive operations to make significant - if slow - gains on the battlefield. These gains are then intended to be used as leverage against Kyiv to force capitulation on Russian terms."

According to this analysis, Mr Putin could expect victory by 2026, meaning either a dismembered, or a subjugated Ukraine, which could arguably become a failed state on Europe's borders, with millions more refugees.

However, the Kremlin is also facing problems.

Ramped up military production is still hampered by a strong reliance on old stocks of tanks and armoured fighting vehicles which are being upgraded rather than being manufactured new.

RUSI estimates that Russia will have worn down these stocks by 2026.

Russia faces a similar problem in artillery shells. The Russian Ministry of Defence (MoD) estimates it needs to produce four million 152mm and 1.6 million 122mm shells in 2024 in order to make significant territorial gains next year.

However, according to RUSI, industry is expected to produce only 1.3 million 152mm shells and 800,000 of the 122mm shells required.

As such, it is estimated that Russia will need to resort to stored shells, much of which may not be in good condition.

The MoD does not believe it can significantly raise production unless there are new factories with greater investment in raw materials, and a lead time of more than five years.

"To further compensate for shortages, Russia has signed supply and production contracts with Belarus, Iran, North Korea and Syria, with the latter only able to provide forged shell casings rather than complete shells," according to RUSI.

"Although the injection of around two million 122mm rounds from North Korea will help Russia in 2024, it will not compensate for a significant shortfall in available 152mm munitions in 2025."

Europe, of course, has its own problems. EU industry commissioner Thierry Breton pledged one million shells for Ukraine by the end of March this year.

So far, Kyiv has only received half that amount, although Mr Breton says the capacity is now there to hit the target.

Russia’s other problem is its dependence on Western-sourced components for complex weapons like missiles, and this is the primary focus of EU and G7 sanctions (the EU has just adopted its 13th round of sanctions).

"The objective of sanctions is firstly, to deny Russia access to the technology to make sophisticated military kit," the EU sanctions envoy David O’Sullivan, a former senior Irish official in the European Commission, told RTÉ News at the Munich Security Conference.

"Secondly, it's to try to reduce the revenue available to the Russian government to fund this war. And thirdly, to impose a fairly high economic cost on the Russian economy.

"Across all three of those objectives, we have been successful. The problem is that the impact takes time to be felt, so we just have to keep on with these sanctions, enforcing them and implementing them as best we can and, where we see the need to do so, reinforcing them."

Mr O'Sullivan’s team has focused on a "battlefield" list of up to 300 high priority products.

These are identified by the Ukrainian military by collecting the remnants of drones, missiles and artillery shells on city streets or in combat zones.

Inside are often found Western-made components - chips, circuits, flash memory cards, optical readers - that make the weapons smarter and more lethal.

The effort appears to be having some effect.

RUSI estimates that the cost to the Russian defence sector of getting such components has risen by 30%.

Supplies have been stabilised, rather than expanded, thanks to Russia’s ability to get around sanctions.

That is the West's biggest concern: sanctions circumvention, and it is what sends Mr O'Sullivan and G7 colleagues around the globe to convince governments not to facilitate the Russian war effort.

The EU's sanctions are not a full trade embargo since Russia can still sell oil - subject to a price ***cap*** - as well as ***agricultural*** and fertiliser products, but this is the biggest set of restrictions Europe has ever imposed on another country, covering 60% of Russian imports and 55% of European exports to Russia.

Compared to sanctions against Iran, these measures deeply affect swathes of the domestic EU economy and impose a significant enforcement burden on member state authorities, from customs, to police, to ports, to civil servants.

As such, circumvention could be down to carelessness in EU member states, as well as a deliberate enterprise by middlemen and third countries not bothered by Russia's invasion.

"Where there are sanctions there will be circumvention," says one senior official.

"Where there is money to be made by European companies, by American companies, money to be made by middlemen, and a Russia that is willing to pay a premium to get goods through irregular routes which they previously got through normal trade flows, there will be circumvention.

"Anti-circumvention starts at home. The primary responsibility lies with member states, and in the daily grind of looking at the trade flows, looking at which companies are involved in Russia who are now exporting to other countries. Are they really doing the due diligence needed to make sure that these goods are not being diverted?"

The starting point is identifying a sudden spike in trade from an EU member state to a country neighbouring Russia, and a subsequent spike in that country's exports to Russia.

Ireland exported €627 million in goods to Russia in 2021, and imported €600 million. In 2023, exports were worth €472 million and imports €73 million, a decline of 14% and 73% respectively.

However, last autumn the Irish and Sunday Independent both reported a surge in exports from Ireland to countries in Russia's orbit - including Kyrgyzstan, Armenia, Georgia, Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan - compared to 2021, based on CSO figures.

Exports to Kyrgyzstan in 2023 were, for example, worth over €4.5m - almost 5,000% ahead of trade in 2021, before the war, while in 2022 trade grew from €89,000 to €3 million.

Trade to Armenia rose by over 1,000%.

The Department of Enterprise and Trade said the countries were "not subject to EU restrictive measures".

The European Commission regularly circulates trade data to member states, including Ireland, and there are contacts with the Departments of Foreign Affairs, Enterprise and Trade, and with the Revenue Commissioners.

Whatever the produce going from Ireland to Kyrgyzstan, what the authorities are really on the lookout for are goods that will go straight into the Russian war effort.

However, dissuading Russia's neighbours from acting as middlemen is not easy diplomacy, and in most cases the leverage is limited to warnings about reputational damage.

Often this approach works, but the circumvention will then drift eastwards in a game of whack-a-mole. The latest sanctions package targets four companies registered in China and one each registered in Kazakhstan, India, Serbia, Thailand, Sri Lanka and Turkey.

The EU's 13th sanctions package is expected to target four Chinese companies allegedly providing hi-tech components to Russia.

Officials say they are all the time getting a better picture of the middlemen, companies and countries involved, and have better statistical analyses.

The results, however, are incremental rather than spectacular.

"You discover one entity," says one official. "They dissolve it and create another. But it's always harder, slower, more expensive. Every time you shut off one route they have to invent another. They're very ingenious, but it takes longer and gets a bit more complicated.

"And it becomes more expensive, because there are more middlemen involved. The harder it gets, the more the middleman wants a percentage, because he knows that he can get more money out of the Russians for doing the job. I used to get a 10% commission: now I can ask for 20% to 30%."

The EU anti-circumvention operation relies on officials in the European Commission's trade, financial services and customs divisions.

That amounts to around 75 people, compared to the 700 staff working on Russian sanctions in the Biden administration.

**Are they working?**

"If, like Putin, you send 200,000 troops across the border of Ukraine to start a war," says one official, "You're not going to be dissuaded by a few sanctions, not even the seizure of your central bank assets. But the impact of these sanctions over time is highly damaging to the Russian economy."

Russia's economy did not suffer as badly as had been expected, shrinking by only 2.1% in 2022.

The Russian central bank intervened repeatedly to raise interest rates to stabilise the ruble.

The G7 oil price ***cap***, implemented thanks to Western dominance in shipping and maritime insurance, has dented revenues, but Russia's creation of a shadow fleet of end-of-life tankers which are flagged outside the EU, and which have questionable insurance, have helped the Kremlin blunt the effectiveness of the ***cap***.

The Kyiv School of Economics (KSE) believes that towards the end of 2023, Russia's crude oil exports increased due to weaker compliance with the price ***cap***.

If Russia can ship more oil, then it earns more foreign currency which in turn stabilises the ruble.

"On the fiscal side, revenues from oil and gas rebounded strongly due to higher export prices, robust volumes, and the weaker ruble," says the KSE report. "At the same time, non-oil and gas receipts are up as Russia's economy has proven to be resilient and bounced back from the initial shock from the war and sanctions."

EU officials, however, ***suggest*** that Russia's economy is running on parallel tracks, with huge military spending that is not sustainable in the long run.

"There is a kind of steroid, artificially high level of growth which is largely driven by massive investment in the war machine," said one senior source.

"But if you look at what's happening underneath, all the indices are negative. The government surplus is now in deficit. They still get revenue from oil and gas, but it's down. The economy has been cannibalised. 30% of public expenditure now goes to the military, somewhere between 6-8% of GDP is now on military expenditure."

Add to that the flood of labour overseas and, through huge mobilisations, to the Ukrainian front, the productive sectors of education, investment and research are all being starved of human talent.

"Russia can sustain this situation for probably another year, maybe a year and a half. But sooner or later, there's a financial reckoning coming," says the source.

There will be many reckonings over the next two years.

Mr Putin is operating on a calculus of intensified military production, sanctions circumvention and political fatigue in the West - naturally, he does not have to worry about war fatigue at home - that will provide a ***strategic*** advantage on the battlefield and, eventually, at the negotiating table.

Ukraine is banking on the continued military, economic and political support from Western governments who are sometimes divided, distracted by energy prices and elections, and who do not have Mr Putin's luxury of disregarding public opinion.

"The Russian theory of victory is plausible if Ukraine's international partners fail to properly resource its armed forces," warn Dr Jack Watling and Nick Reynolds in the RUSI report.

"However, if Ukraine's partners continue to provide sufficient ammunition and training support to the Armed Forces of Ukraine (AFU) to enable the blunting of Russian attacks in 2024, then Russia is unlikely to achieve significant gains in 2025."

By this estimation, from 2026 onwards, the attrition of Russia’s war machine will start to count in Ukraine's favour - but only if Western resolve holds.

That particularly applies to sanctions.

"These sanctions will be here for a long time," says one senior figure familiar with the issue.

"We should not be under any illusion that they're going to disappear if there was a cessation of hostilities anytime soon. There are going to be so many issues to be resolved with Russia: war crimes, accountability, the cost of rebuilding Ukraine. Sanctions relief will certainly be a part of any such negotiation. But it will come slowly - very slowly - and that is something we're going to have to get used to."

One factor in Ukraine's favour could be the sudden coming to that Mr Putin's invasion and Mr Trump’s threatened abandonment of Europe has prompted in EU capitals when it comes to defence.

"You're seeing a sea-change," says Fiona Hill, a Russia specialist with the Bush, Obama and Trump administrations and currently Senior Fellow at the Brookings Institution.

"The death of Navalny has really sunk in, and also the statements coming out of the United States that Europe is really going to have to step up. It’s not just a question of Ukraine - that is the vital issue of the moment - but there's a longer-term problem here: Europe just can't be asleep anymore."

A senior EU official puts it another way.

"History will judge how we deal with the situation. The challenge which Mr Putin's full scale invasion has put to everything that we believe in, and that we have created on this continent, is so deep, that we really have to be willing to push back, and to show that we're in this for the long haul, and that we too, are willing to endure, and to persist in the way that Mr Putin keeps telling us he's willing to endure and to persist."

**Load-Date:** February 24, 2024

**End of Document**



[***Australia news live: defence strategic review ‘a cannibalisation of army mobility’, Hastie says; Victorian jockey dies after race fall***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:682Y-MKD1-DY4H-K38V-00000-00&context=1516831)

The Guardian (London)

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**Section:** AUSTRALIA NEWS; Version:20

**Length:** 15507 words

**Byline:** Emily Wind (now) and Natasha May (earlier)

**Highlight:** Review calls for ADF to develop ability to precisely strike targets at longer range and to develop stronger network. Follow the day’s news liveDefence ***strategic*** review: Australia will build longer range military power amid ‘radically different’ security environmentFive things you need to know about how the defence ***strategic*** review changes Australia’s military prioritiesGet our morning and afternoon news emails, free app or daily news podcast

**Body**

block-time published-time 8.22am BST

Notable submissions made to parliamentary inquiry into voice referendum

A stack more submissions to the parliamentary inquiry into the Indigenous voice referendum have just landed, including notable contributions from the former PM Tony Abbott, former attorney general Philip Ruddock, the Law Council of Australia, and former high court judge Robert French.

It won’t surprise you to know that the former Liberal MPs Abbott and Ruddock are against the proposal; but the Law Council, representing tens of thousands of lawyers, wrote in its submission that there was a “compelling case for a constitutionally enshrined Voice”.

Its submission said:

The Law Council supports the Constitution Alteration being passed in its present form, as an appropriate means to provide for the Constitutional enshrinement of the Voice. It considers that the constitutional amendment, as proposed, is just and legally sound.

It follows the federal solicitor general giving a similar tick of legal endorsement to the voice last week. The Law Council said constitutional recognition of Indigenous Australians would be “important and long-awaited”, adding that “a successful referendum will have significant value as a symbol of recognition and unity between Aboriginal and Torres Strait Islander peoples and non-Indigenous Australians”.

The Law Council also notes the proposed constitutional alteration “is not framed as a duty to consult the Voice”.

Abbott’s four-page submission claims the voice would be “something akin to a house of lords”, describing it as “a power distinction based on ancestry”. Abbott also claims that the 11 Indigenous MPs in parliament is a sign that a separate voice isn’t needed. He said the referendum would “leave our country embittered and divided”. He recommended the government “restart the whole process of Indigenous constitutional recognition”.

block-time updated-timeUpdated at 8.25am BST

block-time published-time 8.18am BST

Catch up on today’s biggest headlines so far with this wrap from my colleague Antoun Issa :

Related: [*Afternoon Update: Australia to manufacture missiles as part of military revamp; footballer dies after on-field collision; and lessons from a threesome*](https://www.theguardian.com/australia-news/2023/apr/24/afternoon-update-footballer-dies-after-on-field-collision-australia-to-manufacture-missiles-and-lessons-from-a-threesome)

block-time published-time 8.12am BST

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block-time published-time 8.01am BST

Using defence resources should be last resort: Liberal MP

The shadow emergency management minister, Perin Davey, said that states, local governments and the commonwealth should have resources and capabilities in place to respond to emergencies before “sidelining” the defence force.

As part of the defence ***strategic*** review released today, it was recommended that states must be prepared to fight all but the most extreme natural disasters without calling in the ADF.

In a statement, Davey said she agreed with the recommendation of the review that defence should be the force of last resort but said there are capability gaps that to date only defence can fulfil:

There is no doubt that in recent disasters, defence has been crucial in both emergency response and aiding clean up.

Defence have the equipment and they are self-sufficient, so they don’t drain local government or other emergency management resources.

In restructuring our emergency response, we need to make sure we don’t exacerbate the problem.

block-time updated-timeUpdated at 8.05am BST

block-time published-time 7.51am BST

LIberals say 1.5% to 2% of GDP ‘appropriate’ for defence

Speaking on the financial side of the defence ***strategic*** review on ABC’s Afternoon Briefing, the Liberal MP Russell Broadbent said 1.5% to 2% of GDP for defence was “appropriate”:

[The government is] going for 1.5% of GDP to 2% which is historically, when Australia has been under any sort of threat at all, we have gone to 2% spending on defence, and that is appropriate for the nation to look after its sovereignty and its people first.

The Labor MP Kate Thwaites was asked whether the government was prepared to take spending beyond this, and said:

I think we have been clear that beyond the forward estimates we know that spending of defence will have to increase, and that is what this review is partly about.

It is giving us a ***strategic*** framework for that spend so that we know that the money that we are putting in is going to the things that our country does need in our defence …

block-time updated-timeUpdated at 7.53am BST

block-time published-time 7.43am BST

Jockey dies after fall in western Victoria

The jockey Dean Holland has died, aged 34, after a fall during a race in western Victoria.

Holland was in the final sprint to the finish line during a race at Donald around 1.30pm on Monday when his horse crashed into the side rail.

He was treated by paramedics but died at the scene, Victoria police said.

A police statement said:

Police will prepare a report for the coroner following the death of a jockey in Donald.

The male was riding in a race at a track on Racecourse Road when he fell around 1.30pm. He was worked on by paramedics but sadly died at the scene.

Work Safe have been notified and will investigate. The death is not being treated as suspicious.

block-time updated-timeUpdated at 7.54am BST

block-time published-time 7.35am BST

Explain or pay fine: Victorians who failed to vote in November to be queried

Almost 300,000 Victorians who failed to vote in November’s state election will have the opportunity to explain why they didn’t before they cop a $92 fine.

The acting Victorian electoral commissioner, Dana Fleming, says the enrolled voters should expect to receive an “apparent failure to vote” notice by post in the coming days. They will have 28 days to respond with a detailed explanation of why they didn’t vote or risk a $92 fine.

Fleming said in a statement:

An ‘apparent failure to vote notice’ is not a fine – it’s a chance to explain why you appear not to have voted. If you respond to the notice, you are much more likely to be excused.

Fleming said the VEC worked to make voting in the 2022 State election as convenient and accessible as possible by increasing the number of early voting centres, extending opening hours and offering telephone assisted voting for some Victorians.

The option to vote by post was also available to all electors, and a drive-through voting centre was offered to Covid- positive voters who were unable to vote in the last three days of the election and hadn’t voted early or applied for a postal vote before applications closed.

Despite this, there was a drop in voter turnout from 90% in 2018 to 88% in 2022.

At a parliamentary inquiry hearing last month, the outgoing commissioner, Warwick Gately, said election fatigue was a possible cause of lower turnout, as well as the impact of Covid, with some voters reluctant to enter crowded spaces.

He also noted the large number of campaign workers outside polling stations, with some engaging in aggressive behaviour.

block-time updated-timeUpdated at 7.47am BST

block-time published-time 7.26am BST

More to come from opposition on defence review

By Hastie’s comments, we can expect more response from the opposition to the defence ***strategic*** review in coming days:

I have only just been briefed 30 minutes before the prime minister stood up today. It is a large document. We will work through it over the next couple of days, but the headline for me is there is no new money and there is a deferral of strategy, and there is also a cannibalisation of army mobility.

block-time updated-timeUpdated at 7.50am BST

block-time published-time 7.24am BST

Coalition concerned about ‘cut to the infantry fighting vehicle program from 450 vehicles to 129’

Shadow defence minister Andrew Hastie is also speaking on Afternoon Briefing about the defence ***strategic*** review.

He says the opposition agrees with the government on some things, such as the development of long-range precision strike missiles, but points out one main area of difference:

… there are things we agree about but what we are concerned about, and this is the biggest cut of all, is the cut to the infantry fighting vehicle program from 450 vehicles to 129.

Right now we have three mechanised battle groups in the Australian Army. We have three in Townsville, we have six in Brisbane and we have seven in Adelaide. We are going to lose two mechanised battle groups and drop down to one.

That means we have got no redundancy and God forbid our troops ever have to go into close combat. One mechanised battle group is just not enough …

block-time updated-timeUpdated at 7.26am BST

block-time published-time 7.18am BST

Conroy asked if precision longer-range missiles will be built entirely in Australia

Conroy:

We’re looking at establishing our missile manufacturing capability in Australia – not for every single missile we have, but for critical ones where we either see a competitive advantage or where there are supply chains overseas that are a bit fragile.

The DSR is all about investing in a long-range strike to deter any future adversary and having missiles made in Australia is a critical part of that.

I am talking to missile manufacturers regularly … I’m confident we will have a very advanced missile manufacturing industry here as soon as we can.

block-time updated-timeUpdated at 7.24am BST

block-time published-time 7.15am BST

Conroy says government is committed to naval shipbuilding in Adelaide and Henderson in WA

He says nothing that has been said today interferes with that.

He also says the government has to “solve” the industrial structure in Henderson:

… the last government stuffed up the contracting arrangement so we have one shipbuilder there who has a contract to build ships but does not have a lot of direct staff, and we’ve got another contractor who has a very highly skilled workforce, but no contract. We have got to solve that issue.

Conroy says he has been speaking to the WA government and shipbuilders themselves about consolidating Henderson:

There’s a logical solution – we have a highly skilled workforce at Henderson, we have got great infrastructure; that’ll be the centre of excellence for building minor war vessels. We just need to make sure we have the industrial and commercial structure supporting.

Earlier, shadow defence minister Andrew Hastie called on the government to honour the previous government’s $4.3 bn commitment for the Henderson dry dock to be built.

block-time updated-timeUpdated at 7.23am BST

block-time published-time 7.08am BST

Defence industry minister asked about ‘highly legalistic’ tender processes

Pat Conroy is speaking on the ABC’s Afternoon Briefing following the government’s defence overhaul announcement today.

He is asked about “highly legalistic” tender processes which, whilst fair, have gummed up projects in the past, and what a new pathway for a really big project would look like:

Some of the opportunities are around smarter contracting structures.

Sometimes we have a competition that is pretty artificial, where everyone knows who is likely to win and everyone spends money competing and, in the end, the winner wins.

So in some circumstances we will be doing more sole-source where the project is complex or beneath the equipment faster, and you can do that while maintaining value for money for the commonwealth.

block-time updated-timeUpdated at 7.14am BST

block-time published-time 7.02am BST

Western Australia to spend $77m to protect Indigenous cultural heritage

The Western Australian government will spend $77 million in a bid to better protect and manage the state’s Indigenous cultural heritage following the destruction of Juukan Gorge rock shelters.

The funding, which will be included in the 2023-24 state budget in May, includes support for Aboriginal organisations to make decisions about their Country and cultural heritage.

It will be rolled out over the next four years and supports so-called Local Aboriginal Cultural Heritage Services under the Aboriginal Cultural Heritage Act 2021, that comes into effect on July 1.

Aboriginal Affairs Minister Tony Buti said:

For the first time in more than 50 years, (WA) will have a modern legislative framework for the protection and management of Aboriginal cultural heritage.

Indigenous heritage groups will be eligible for up to $300,000 per year to help them provide advice on Aboriginal cultural heritage and negotiate and facilitate agreement-making on land-use.

The funding will also support government services, including management of protected areas, maintaining a database of culturally important places and supporting the repatriation of ancestral remains.

Mining giant Rio Tinto blew up 46,000-year-old Juukan Gorge caves in May 2020, devastating the Puutu Kunti Kurrama and Pinikura people in the Pilbara.

- from AAP

block-time updated-timeUpdated at 7.05am BST

block-time published-time 6.38am BST

Hazy Anzac Day likely in Victoria, fire authority warns

Planned and ***agricultural*** burns across regional Victoria will likely make for a hazy Anzac Day across the state, AAP reports.

The Country Fire Authority said Victorians could expect smoke haze in Melbourne and the regions from fuel-reduction burns, ***agricultural*** burns and thousands of domestic wood heaters across the state.

CFA chief officer Jason Heffernan said the CFA and Forest Fire Management Victoria were working with the Environment Protection Authority and Bureau of Meteorology to minimise smoke impact:

Along with the important planned burns that are conducted in our forests, parks and reserves led by FFMV and the many kilometres of road, rail and grassland burns that are led by the CFA, this time of year also sees a large amount of smoke coming from the necessary burn-offs that our farmers and rural property holders complete.

These are part of traditional farming practices where burning off of crop stubble is often needed to kill off weeds and return nutrients and carbon back into the soil.

Landowners are urged to register their burn-offs [*online*](https://www.firepermits.vic.gov.au/) or call 1800 668 511.

block-time published-time 6.24am BST

More on Queensland sex work reforms

Circling back to Queensland’s plan to transition to a fully decriminalised sex work industry.

As reported by the AAP, sex-work businesses will be treated the same as other lawful businesses – with the same general laws applying to all – under law reform commission recommendations.

The plan has broad support from the state government, with changes including:

Making it lawful to operate a sex-work business, to work as a sex worker and to obtain the services offeredMaking it lawful for sex workers to operate alone or in a groupThe same general laws, standards and codes that regulate all advertising apply to sex-work businessesSex workers will be protected by anti-discrimination laws, and accommodation providers will not have specific exemptionsPlanning rules will allow sex work services to operate in commercial and mixed-use zones, not just in industrial zonesLocal governments must not use local laws to single out sex-work businessesNewly defined criminal offences for those who coerce individuals or involve children in commercial sexual servicesThe Prostitution Licensing Authority will be abolished and there will be no sex-work-specific industry regulatorThe same work laws that apply to other workers and businesses apply to the sex-work industry, including work health and safety lawsThe same public nuisance laws and police move-on powers will apply to everyone, including sex workersThe Queensland government will go through public consultation on any future legislation to implement a decriminalised framework.

block-time updated-timeUpdated at 6.28am BST

block-time published-time 6.10am BST

Unit prices rise nationally for first time in 11 months, led by Sydney; rents also jump

Sydney unit prices started rising in February and the uptick has spread nationally, according to industry data group, CoreLogic.

Six of the eight capitals are now recording a rise in units, bringing the average monthly rise over March to 0.6%. Sydney’s units rose 1% for the month, with those in Melbourne up 0.4%.

enltrUnit prices have turned higher nationally for the first time in 11 months, [*@corelogicau*](https://twitter.com/corelogicau?ref_src=twsrc%5Etfw) says. [*pic.twitter.com/EK80fDXbZC*](https://t.co/EK80fDXbZC)

— @[*phannam@mastodon.green*](mailto:phannam@mastodon.green) (@p\_hannam) [*April 24, 2023*](https://twitter.com/p_hannam/status/1650357632732114944?ref_src=twsrc%5Etfw)

Kaytlin Ezzy, an economist at CoreLogic, said:

With a median value of more than $775,000, units across Sydney are more expensive than the median house values of Brisbane ($772,020), Adelaide ($694,818), Hobart ($691,859), Perth ($593,385) and Darwin ($582,415).

National unit rents, meanwhile, continue to rise at roughly twice the pace of house rents, up 1.6% and 0.8% over the month and 3.9% and 2.0%, respectively, over the first quarter.

A spurt in overseas students and migrants meant the combined capitals recorded the strongest quarterly increase in unit rents on record, rising 4.4% over the three months to March. Average rents jumped $23 a week to $550 a week.

Ezzy said:

The mismatch between rental supply and demand has seen capital city rental growth re-accelerate, which will be unwelcome news to many tenants already struggling to find affordable rental accommodation.

enltrUnit rents have been trending higher too, with increases running at about twice the pace of house rents. (Source: [*@corelogicau*](https://twitter.com/corelogicau?ref_src=twsrc%5Etfw) ) [*pic.twitter.com/uIjbVHaVfI*](https://t.co/uIjbVHaVfI)

— @[*phannam@mastodon.green*](mailto:phannam@mastodon.green) (@p\_hannam) [*April 24, 2023*](https://twitter.com/p_hannam/status/1650358166033666048?ref_src=twsrc%5Etfw)

Not surprisingly, the national unit vacancy rate dropped to a fresh record low of 0.8% in March. Landlords though may be cheery.

When preparing this week’s Full Story podcast on the Reserve Bank Review, we wondered whether those lambasting Reserve Bank governor Philip Lowe over comments in 2021 that interest rates probably wouldn’t rise until 2024 might be worse off if they stayed renters. Listen to it here:

Related: [*Why does the RBA need to change? – podcast*](https://www.theguardian.com/australia-news/audio/2023/apr/24/why-does-the-rba-need-to-change-full-story-podcast)

block-time updated-timeUpdated at 6.13am BST

block-time published-time 5.59am BST

Chinese officials briefed at lunchtime today on defence ***strategic*** review

Guardian Australia understands more than 30 countries were offered briefings on [*Australia’s defence* ***strategic*** *review*](https://www.theguardian.com/australia-news/2023/apr/24/australia-defence-strategic-review-missile-production-corvette-warships-adf-australian-military-news) by the Australian government. Officials from China and a number of other countries were briefed in Canberra today, sources said.

The public version of the final report did not label China a direct military threat to Australia, but said China’s assertion of sovereignty over the contested South China Sea “threatens the global rules-based order in the Indo-Pacific in a way that adversely impacts Australia’s national interests”. It labelled the competition between China and the United States “the defining feature of our region and our time”.

A spokesperson for the deputy prime minister and defence minister, Richard Marles, said:

The deputy prime minister, minister for international development and the Pacific [ Pat Conroy ] and government officials have engaged comprehensively with our regional neighbours and key partners about of the release of the defence ***strategic*** review.

The Chinese embassy in Canberra has been contacted for comment.

block-time updated-timeUpdated at 6.02am BST

block-time published-time 5.54am BST

Queensland government to decriminalise sex work

The Queensland government is set to decriminalise sex work in response to a Queensland Law Reform Commission review.

enltrThe Queensland government says it will decriminalise sex work. Currently, private sex workers in Queensland cannot work together, hire a receptionist or text each other for safety after a booking, under the state’s laws. More to come [*@GuardianAus*](https://twitter.com/GuardianAus?ref_src=twsrc%5Etfw)

— Eden Gillespie (@edengillespie) [*April 24, 2023*](https://twitter.com/edengillespie/status/1650349884736942080?ref_src=twsrc%5Etfw)

In a report released on Monday, the Queensland Law Reform Commission ***suggested*** eliminating sex work offences against consenting adults, with general work health and safety rules to apply, AAP reported.

The law reform review says advertising would not be prohibited on TV or radio, with the same codes and standards as all other businesses to apply.

An exemption that allows accommodation providers to discriminate against sex workers would also be scrapped.

The report makes a distinction between sex work and sexual exploitation, which should be subject to newly defined criminal offences for coercing individuals or involving children in commercial services.

block-time updated-timeUpdated at 6.27am BST

block-time published-time 5.50am BST

Some more stunning images are being shared of this morning’s Aurora Australis, which was visible as far north as Dubbo!

enltrSome amazing photos being posted to various Aurora groups on Facebook. Visible in NSW, images taken from [*#Kiama*](https://twitter.com/hashtag/Kiama?src=hash&ref_src=twsrc%5Etfw) and [*#Dubbo*](https://twitter.com/hashtag/Dubbo?src=hash&ref_src=twsrc%5Etfw) at 5am. Severe G4 KP8 Geomagnetic Storm event. [*#aurora*](https://twitter.com/hashtag/aurora?src=hash&ref_src=twsrc%5Etfw) [*#southernlights*](https://twitter.com/hashtag/southernlights?src=hash&ref_src=twsrc%5Etfw) [*#AuroraAustralis*](https://twitter.com/hashtag/AuroraAustralis?src=hash&ref_src=twsrc%5Etfw) [*#spaceweather*](https://twitter.com/hashtag/spaceweather?src=hash&ref_src=twsrc%5Etfw) [*#kp8*](https://twitter.com/hashtag/kp8?src=hash&ref_src=twsrc%5Etfw) [*#geomagnetic*](https://twitter.com/hashtag/geomagnetic?src=hash&ref_src=twsrc%5Etfw) [*pic.twitter.com/fwaHjwzC8P*](https://t.co/fwaHjwzC8P)

— scanSydney (@scanSydney) [*April 23, 2023*](https://twitter.com/scanSydney/status/1650249494943113216?ref_src=twsrc%5Etfw)

block-time published-time 5.41am BST

Queensland’s double jeopardy provisions will be enacted for the second time as police seek to have a man re-tried for a 2009 murder, AAP reports.

Detectives reopened the investigation after receiving fresh and compelling evidence in December 2022.

The man, who cannot be named for legal reasons, on Monday was charged a second time over the death.

It is only the second time in Queensland the double jeopardy legislation will be exercised.

Application has been made to the Queensland Court of Appeal to apply for a previously acquitted person to be retried for the offence of murder.

Police Detective Inspector Chris Knight said this arrest showed the persistence of investigators to achieve justice for victims of crime.

block-time published-time 5.33am BST

Hastie ‘disappointed’ by ‘cost-shifting and cuts’ in defence review

Wrapping up Hastie’s press conference, when asked how soon Australia could expect war in the Indo-Pacific, he says “the last thing we want is war, we want peace”:

It’s no use talking about war but one thing we must do is always be prepared to defend Australia, our interests and that of our neighbours as well, which is why Aukus is such an important uplift in Australia’s capability …

That is why we are so disappointed today with the government’s response to the defence ***strategic*** review because what we are seeing is no new money being invested in defence, we’re seeing cost-shifting and cuts and a degradation to army’s capability.

When asked where this money should come from, Hastie said that is “a decision for the government”.

block-time updated-timeUpdated at 5.36am BST

block-time published-time 5.28am BST

Andrew Hastie asked if WA should be building and hosting long-range missiles

Hastie:

WA has done incredibly well out of the Aukus announcement and we are yet to hear much from Mark McGowan in terms of advocating for WA and encouraging investment here as we uplift HMAS Stirling from a conventional base to a nuclear base over the next four years.

It is huge opportunity for education, for businesses, for the development of the supply chain in WA and he is playing silent on these issues. We want to see advocacy from the state government and that is certainly something I will be doing as I play the role of the dual opposition in the state.

When asked where long-range missiles would go, Hastie says:

That is a decision for government, but I support having the best possible defence force and that includes long-range strike capabilities.

block-time updated-timeUpdated at 5.30am BST

block-time published-time 5.25am BST

Hastie on Mark McGowan’s ‘cold-war pills’ comment: ‘Loose lips sink ships’

Hastie is asked about criticism he’s received from WA premier Mark McGowan about his rhetoric on China.

Last week McGowan was caught on camera in China saying that Hastie “swallowed some kind of, you know, cold war pills back when he was born and he couldn’t get his mindset out of that”.

Responding to comments today, Hastie said:

I don’t want to get into another squabble with Mark McGowan.

He should know after last week that loose lips sink ships and I’m not going to get into another dispute with [him].

Suffice to say, he is well outside the consensus across government and across the opposition that we have to respond to the challenges in our region and that includes a rising China that is both expansionist and revisionist in its aims, and he is the one left without a chair now that the music has stopped.

block-time updated-timeUpdated at 5.27am BST

block-time published-time 5.21am BST

Hastie says commitment to second dry dock ‘absolutely critical’

Hastie says the previous government committed $4.3 billion for the Henderson dry dock to be built, and the opposition wants to see the government honour this.

The second dry dock is absolutely critical. We only have one on the east coast and it’s really important, particularly with the special place that WA will be taking in our defence strategy going forward.

We have Aukus, we have the forward ***rotation*** west being established here, we’re going to see more allied ships coming alongside in Perth and it is really important that we have a dry dock that can support our own navy and also the navies of our allies in the future years.

block-time updated-timeUpdated at 5.32am BST

block-time published-time 5.17am BST

Andrew Hastie says defence review timing ‘tricky politics’

Hastie argues that today’s announcement didn’t provide any sense of urgency, and its timing on the eve of Anzac Day is “tricky politics”.

I want to make a point about this process. Today’s announcement on the eve of Anzac Day is tricky politics. The Albanese government is using Anzac Day as a smokescreen hoping the Australian people would not notice some of these trade-offs and cuts to capability.

But we are calling them this magician’s trick and we will hold them to account over coming days and months. We will be having more to say about this as we digest this large document which is only briefed to the opposition half an hour before the minister for defence went live with the announcement.

block-time updated-timeUpdated at 5.33am BST

block-time published-time 5.14am BST

Shadow defence minister Andrew Hastie says Labor has ‘failed’ with defence overhaul

Hastie says that the Albanese government has “failed” to deliver “the sort of action that our ***strategic*** circumstances require”:

If you are hoping for unprecedented coordination and ambition [from] the Albanese government today, you have every right to feel let down.

Hastie said we will not see a national strategy document until 2024 and because of this, “we have lost another year of defence preparedness without a guiding ***strategic*** document”.

block-time updated-timeUpdated at 5.19am BST

block-time published-time 5.09am BST

Review into navy’s surface fleet needs to report back later this year

The retired US Navy vice-admiral William Hilarides – who has long been a source of advice to successive Australian governments on naval matters – will help conduct a new review.

The Albanese government today opened the door to potential changes to the number of Hunter class frigates and offshore patrol vessels to be purchased by Australia. It agreed to a recommendation of the defence ***strategic*** review to order an independent review of the navy’s surface fleet needs, with a report due back later this year.

The three people conducting the review will be Hilarides, former Department of Finance secretary Rosemary Huxtable, and retired Royal Australian Navy vice-admiral Stuart Mayer.

The idea is to look at whether any changes are needed to the navy’s surface fleet plans in light of the decision to acquire nuclear-powered submarines.

block-time updated-timeUpdated at 5.16am BST

block-time published-time 5.04am BST

Albanese asked about future risk of US isolationism

Returning to one point from the defence ***strategic*** review press conference for a moment. The government has repeatedly argued that the plans will make Australia more “self-reliant”.

The prime minister, Anthony Albanese, also said challenges to Australia’s national security were “always evolving” and warned “we cannot fall back on old assumptions”.

In light of these comments, Albanese was asked to share his assessment of the reliability of the United States as an ally in the decades ahead, and whether there was a risk of US isolationism growing in the future.

Albanese gave a very short response, without weighing in on future risks:

The US remains an important ally. It’s a relationship between nations, it’s a relationship between peoples and it’s based upon our common values.

block-time updated-timeUpdated at 5.07am BST

block-time published-time 4.59am BST

Julian Leeser makes three recommendations to raise support for voice

Meanwhile, former Liberal frontbencher Julian Leeser – who quit the shadow cabinet in order to support the voice – said the voice proposal would help shift the dial on Indigenous health, education, housing, safety and economic opportunity, AAP reports.

He said in his submission:

As a Liberal, I support the idea of a voice because I believe in the dignity of the individual.

I believe better policy is made when people affected by it are consulted on that policy.

Leeser made three recommendations he said would secure more support from Australians when they went to the ballot box.

These included removing the clause which would allow the voice to make representations to the executive government as well as parliament, and a preamble statement recognising Aboriginal and Torres Strait Islander people as the First Peoples of Australia.

Leeser said:

The voice can be just as effective without ‘constitutionalising’ the function of making representations to the executive government.

Fewer Australians will vote for a proposal which creates ‘room for argument’ that there are constitutional problems which must be fixed by legislation.

He also urged the government to commit to and fund the rollout of local and regional voices in the upcoming budget, which he feared had become lost in the national debate.

block-time updated-timeUpdated at 5.05am BST

block-time published-time 4.54am BST

Tony Abbott urges PM to restart Indigenous voice process

Former prime minister Tony Abbott is urging the federal government to reconsider its commitment to enshrine an Indigenous voice in the constitution, AAP is reporting.

A referendum on the Indigenous voice will be held between October and December and a parliamentary committee is examining the proposed wording to alter the constitution.

In a submission to the committee, Abbott said the voice would introduce a “power distinction based on ancestry”.

He said:

The parliament itself is the national voice and it’s where the voices of Australian citizens in all their diversity should be heard.

Win or lose, [the referendum is] likely to leave our country embittered and divided. Yet constitutional change should be unifying and bipartisan.

Abbott said the process of constitutional recognition had “run off the rails” some years ago and urged the government to restart its efforts.

He rejected the principle of the voice which would advise the government on matters that affect Indigenous people.

Sometimes a right to be consulted amounts to a right to veto.

block-time updated-timeUpdated at 4.58am BST

block-time published-time 4.47am BST

Greens senator David Shoebridge responds to government’s defence overhaul

Shoebridge says the defence ***strategic*** review has Australia “spending countless billions on projecting lethal force into the South China Sea apparently to keep us safe”:

It fails to explain how our key national interests are served by us going to war in the South China Sea. War does not make us safer.

enltrThe “threat” from China’s increased military capabilities is said to be “China’s assertion of sovereignty over the South China Sea.” This is doubtless a serious issue but how is it an existential threat to Aust Sovereignty? Why are we gambling our future on a US-led war there?

— David Shoebridge (@DavidShoebridge) [*April 24, 2023*](https://twitter.com/DavidShoebridge/status/1650338047014367234?ref_src=twsrc%5Etfw)

enltrThe decision to spend so much on far-distant nuclear submarines is the real reason so many other current Defence programmes are being cut. Assuming the logic of an imminent threat of war (which we don’t) someone, somewhere needs to explain how this works for the govt's agenda.

— David Shoebridge (@DavidShoebridge) [*April 24, 2023*](https://twitter.com/DavidShoebridge/status/1650338049140862976?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 4.49am BST

block-time published-time 4.36am BST

Some people with long Covid so sick ‘they can barely get out of bed’ for many months

As reported earlier, [*the government has pledged a $50m funding boost*](https://www.theguardian.com/world/2023/apr/24/albanese-government-pledges-50m-for-long-covid-research-as-inquiry-calls-for-action) for research into long Covid as a parliamentary inquiry called for the establishment of a single Covid-19 database and a nationally coordinated research program into the condition.

In a statement, the inquiry’s deputy chair Melissa McIntosh said that she nominated long Covid for inquiry due to her own experience with persistent symptoms after contracting Covid in April last year.

She said she wasn’t able to find adequate information about what she was experiencing, and wasn’t alone in this:

I have also come to realise the relatively short-lived symptoms I had of breathlessness and fatigue were very mild compared to how much some people are suffering from long Covid around the country, so sick they can barely get out of bed many months after the onset of their symptoms. Long Covid is having a major impact on lives and livelihoods.

One of the recommendations made by the committee is that the government provides funding for coordinated and thorough research into long Covid:

As deputy chair of the committee, I would highly encourage this includes research into the serious diseases that are developing in people that have contracted Covid. It’s a public health imperative.

She also wants to see mental health support for those with long Covid prioritised and provided in an affordable and timely manner:

We are experiencing a mental health crisis in this country, and the seriousness of this should not be underestimated or ignored.

block-time updated-timeUpdated at 4.45am BST

block-time published-time 4.29am BST

This morning’s Aurora Australis

Stunning photos are being shared across social media, snapped from Tasmania as well as Victoria.

enltrNope, not Hobart. This is south-west Victoria. Supposedly this is what happens when you get a G3 storm near Port Fairy. Pretty amazing snap by [*@portfairygolf*](https://twitter.com/portfairygolf?ref_src=twsrc%5Etfw) [*pic.twitter.com/JuWm8BMPW4*](https://t.co/JuWm8BMPW4)

— Daniel Miles (@danielmiles) [*April 23, 2023*](https://twitter.com/danielmiles/status/1650253483130621952?ref_src=twsrc%5Etfw)

enltrAURORA AUSTRALIS! This mornings BIG display right before dawn. Worth the all night wait although it did kick off a few times during the night… what started out as horrible conditions became clear and calm just when it mattered! Love this dancing lady! ?????? [*pic.twitter.com/THrEPfhld4*](https://t.co/THrEPfhld4)

— LARRYN | SR?? Edition Part 2 Coming soon ???? (@shadowanshadenz) [*April 23, 2023*](https://twitter.com/shadowanshadenz/status/1650247339347709952?ref_src=twsrc%5Etfw)

enltrWOW! The Aurora has lit up the skies this morning! Bellerive, Tasmania ?? What did you see? ?? Robbie Moles [*#photo*](https://twitter.com/hashtag/photo?src=hash&ref_src=twsrc%5Etfw) [*#photography*](https://twitter.com/hashtag/photography?src=hash&ref_src=twsrc%5Etfw) [*#photooftheday*](https://twitter.com/hashtag/photooftheday?src=hash&ref_src=twsrc%5Etfw) [*#stormhour*](https://twitter.com/hashtag/stormhour?src=hash&ref_src=twsrc%5Etfw) [*#Aurora*](https://twitter.com/hashtag/aurora?src=hash&ref_src=twsrc%5Etfw) [*#AuroraAustralis*](https://twitter.com/hashtag/AuroraAustralis?src=hash&ref_src=twsrc%5Etfw) [*#Tasmania*](https://twitter.com/hashtag/Tasmania?src=hash&ref_src=twsrc%5Etfw) Via Aurora Australis Tasmania Facebook group [*pic.twitter.com/ElmyaS7f2y*](https://t.co/ElmyaS7f2y)

— Victorian Storm Chasers (@VicStormChasers) [*April 23, 2023*](https://twitter.com/VicStormChasers/status/1650264341374173184?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 4.35am BST

block-time published-time 4.21am BST

RACP calls on Victorian government to raise age of criminal responsibility to 14

The Royal Australasian College of Physicians (RACP) has written to Victoria’s attorney general, Jaclyn Symes, to urge her to raise the age of criminal responsibility in the state to 14, rather than 12.

Guardian Australia understands cabinet is meeting on Monday afternoon to discuss a proposal to raise the age of criminal responsibility from 10 to 12.

Such a move would defy advice from the United Nations and human rights, medical and Indigenous organisations that have pushed for it to be raised to 14, with no exceptions. RACP president and paediatrician, Dr Jacqueline Small, says she wrote to Symes on Friday to reiterate this.

In a statement on Monday, Small said:

Children under 14 years may not have the level of maturity and cognitive function to be considered criminally responsible. Raising the age of criminal responsibility to 14 years is critical to protecting the health and wellbeing of children and young people at risk of incarceration, especially Aboriginal and Torres Strait Islander children and children with developmental disabilities. There needs to be a nationally consistent minimum age of criminal responsibility of 14 years with no exceptions or carve-outs.

It comes as 126 Aboriginal and Torres Strait Islander health, legal, community and human rights organisations today reiterated calls to attorneys general to raise the age to 14. All state and territory attorneys general are set to discuss the matter when they meet on Friday.

block-time updated-timeUpdated at 4.25am BST

block-time published-time 4.16am BST

More on defence ***strategic*** review

Following this morning’s announcements on the defence overhaul, my colleagues Dan Hurst and Paul Karp have put together these fantastic pieces on everything you need to know:

Related: [*Defence* ***strategic*** *review: Australia will build longer range military power amid ‘radically different’ security environment*](https://www.theguardian.com/australia-news/2023/apr/24/australia-defence-strategic-review-missile-production-corvette-warships-adf-australian-military-news)

Related: [*Five things you need to know about how the defence* ***strategic*** *review changes Australia’s military priorities*](https://www.theguardian.com/australia-news/2023/apr/24/five-things-you-need-to-know-about-how-the-defence-strategic-review-changes-australias-military-priorities)

block-time updated-timeUpdated at 4.19am BST

block-time published-time 4.10am BST

No tsunami threat to New Zealand following Kermadec Islands earthquake

There is no tsunami threat to New Zealand following the Kermadec Islands earthquake, the National Emergency Management Agency has confirmed.

enltrThere is no tsunami threat to New Zealand following the M7.1 Kermadec Islands earthquake. Based on current information, the initial assessment is that the earthquake is unlikely to have caused a tsunami that will pose a threat to New Zealand.

— National Emergency Management Agency (@NZcivildefence) [*April 24, 2023*](https://twitter.com/NZcivildefence/status/1650317414733860865?ref_src=twsrc%5Etfw)

This morning a large undersea earthquake of magnitude 7.2 occurred at 10.41am AEST near the Kermadec Islands region in the Pacific, north of New Zealand.

The earthquake poses “no tsunami threat” to the Australian mainland, islands or territories, Australia’s Bureau of Meteorology confirmed earlier.

block-time updated-timeUpdated at 4.11am BST

block-time published-time 4.08am BST

Thanks Natasha for leading us through a busy morning! I’ll be with you for the remainder of the day – let’s get into it.

block-time published-time 4.06am BST

That’s a wrap from the press conference launching the defence ***strategic*** review, and also where I say goodbye for now and pass the baton to Emily Wind !

block-time updated-timeUpdated at 4.08am BST

block-time published-time 4.02am BST

Is a federal civilian natural disaster agency still on the table?

My colleague Paul Karp tries to get Albanese to expand on what’s happening with natural disaster preparedness:

Is a federal civilian natural disaster agency still on the table to ensure that the ADF is a true last resort? Or is it better cooperation with the states that’s the preference?

But Albanese is staying tight-lipped:

We’ve got a pretty big announcement for today. I think that this will do for today, frankly. We’re dealing with it pretty comprehensively and this is what we’re dealing with today.

Albanese says there will be other media opportunities later in the week.

block-time updated-timeUpdated at 4.06am BST

block-time published-time 4.00am BST

Albanese: ‘Commonsense’ says ‘we need to strengthen our northern bases’

The prime minister, Anthony Albanese, says he wouldn’t characterise Australia’s northern bases as vulnerable, despite them being a big focus in the review:

I think it’s fair to say that one of the themes of the review is … we need to strengthen our northern bases. And commonsense tells you that that is the case. So that’s the theme. It’s something that the government is very conscious of and, in our response to the review, that will be something that is undoubtedly a focus.

block-time updated-timeUpdated at 4.03am BST

block-time published-time 3.58am BST

Conroy on shift to ‘minimum viable capability’

Conroy goes on in answer to that same question about this notion of whether Australia’s defence can be aiming towards perfection:

You’re looking at a shift in paradigm towards what’s called minimum viable capability. So instead of trying for the perfect, instead of refusing to accept into service the capability of 100% of what is contracted, we are engaging in an iterative process where the contract could be 80% of what is contracted and the 80% is better than what we are currently using.

And we’ll accept it into service and improve it steadily through grades as you’d expect. So the ADF gets their equipment quicker. They can use it where they need to and we involve the upgrade process to deliver on what’s been promised.

That’s a very different approach, but it reflects the change in our ***strategic*** circumstances and lessons, where a lot of projects have gone into trouble trying for that final 10% of capability.

block-time updated-timeUpdated at 4.01am BST

block-time published-time 3.54am BST

Marles: ‘We simply have to speed up our capability process’

Marles expands on something Conroy said, which is that Australia needs to accept more risk in its defence procurement process. He says it needs to speed up to meet the “urgency” of the moment:

It’s also important that we change our relationship with risk in order to get capabilities online quicker, where we do need to be taking or accepting more risk in engaging procurement.

Now we’re really aware of the legacy, in a sense from those who have been operating in this space in the years past, and defence ministers have stood up here and talked about the fact that we need a more nimble and quicker procurement process, and in a sense we’re doing the same today.

The one point I’d simply make is this - that in order to meet the moment, in order to meet the circumstances and the sense of urgency, which is described in the DSR and by the government’s statement today, we simply have to speed up our capability process.

block-time updated-timeUpdated at 3.59am BST

block-time published-time 3.52am BST

Australia will have to move away from relying on Defence Force to deal with natural disasters

The review was quite critical of the increasing use of the ADF for domestic disaster response, including natural disasters and Covid. Asked if the report’s ***suggestion*** is realistic that state and local governments and the commonwealth have to put in the plans, resources and capabilities to do this separately from defence, Albanese says:

It’s a serious ***suggestion*** arising out of the review. And we know that one of the national security issues we’re dealing with is climate change. Because climate change results in, as the science predicted, more frequent and more intense natural disasters.

And the role of the Australian Defence Force is primarily not to deal with our natural disasters and those domestic issues, and that’s something that’s reflected in the review.

As a result of this review and the transparency in which we’ve conducted it, obviously, there will need to be further consideration of how we deal with these natural disasters, which I think Australia, in my time as prime minister … I don’t think that there’s been two months when I haven’t been visiting Tasmania and northern NSW, the Riverina, the Riverland in South Australia, up in the Kimberley, northern Queensland. There have been multiple events now.

We need to, as a government and as a nation, work out an appropriate response and the review is really indicating very clearly that the context can’t just be saying ‘Oh, well, we’ll rely upon the Defence Force’.

The Defence Force is always very willing to participate, it must be said. And they have done an extraordinary job. And we’ll continue to do so. But the review indicates that there’s a need to consider the broader issues in that context.

block-time updated-timeUpdated at 3.56am BST

block-time published-time 3.45am BST

Albanese says review does not change Australia’s position on tensions in Taiwan Strait

ABC’s defence correspondent Andrew Green asks the PM:

The declassified version of this report does not discuss the possible invasion of Taiwan. In a scenario like that in our Indo-Pacific region, what of the recommendations here changes any possible Australian response to that eventuality, if it were to occur?

Albanese:

Our position is clear, which is that we support the status quo. And that’s not changed by this. We call for peaceful resolution through dialogue. That’s not changed by this.

Anthony Albanese and Chief of the Australian Defence Force (ADF) Angus Campbell, 24 April, 2023. Photograph: Lukas Coch/AAP

block-time updated-timeUpdated at 3.50am BST

block-time published-time 3.42am BST

Albanese: ‘no apologies’ for cuts being part of review

Taking questions, Albanese says the government is making no apologies for the defence ***strategic*** review having to make cuts and “not being all pluses”.

Reporter:

There’s clear warnings in here that more money for defence will be needed, but it sounds like the government is going for a cost-neutral position over the forwards. Are you just kicking the can down the road here? And what sort of level of defence spending as a proportion of GDP do you think that we’re going to need?

Albanese:

What we’ve done here through the defence ***strategic*** review is look at - what assets do we need and where do we need them?

So we make no apologies for that just not being all pluses.

In some cases, what it means when you have a reassessment of what’s required, it would be a pretty, frankly flawed review, that just added things on.

And that’s been the problem with the former government’s approach. They haven’t had that comprehensive plan going forward.

… We as a government have made very clear that over a period of time, we see that there will be a need for defence expenditure to increase above that which had previously been budgeted for. We make no apologies for that.

But what we don’t do, what you shouldn’t do with any project, with any expenditure, is just have a target and then try to spend to meet your target. What we’re about is - what are the defence assets we need? And we will do whatever is necessary to make sure that that is provided for our country.

block-time updated-timeUpdated at 3.46am BST

block-time published-time 3.36am BST

Army’s range for firing projectile munitions to increase from 40km to 300km

Conroy repeats some of the details he already mentioned this morning about new acquisitions which will include more long-range firing weapons (Himars) and land-based maritime strike capabilities, with the army’s range for firing projectile munitions to increase from 40km to 300km.

He ends:

This is about giving the Australian Army the firepower and mobility it needs into the future to face whatever it needs to face.

block-time updated-timeUpdated at 3.37am BST

block-time published-time 3.33am BST

Conroy says government ‘embracing wholeheartedly’ need to strengthen innovation

Conroy says the government has accepted the review’s recommendation to strengthen defence innovation:

The review goes to innovation and the need to strengthen and sharpen defence innovation.

That is something that this government is embracing wholeheartedly.

Towards the end of this year, we’ll be releasing a defence industrial development strategy that articulates how we’ll grow that sovereign industrial base to support the ADF, not just today but into the future.

block-time updated-timeUpdated at 3.35am BST

block-time published-time 3.31am BST

Defence industry minister Pat Conroy on procurement recommendations

Pat Conroy is up next and says the release of the defence ***strategic*** review and the government’s response is a “vote of confidence in the Australian defence industry”.

Importantly, this review also recommends, and the government has accepted, significant reforms to defence procurement.

To increase the speed of our acquisitions, with the disappearance of the 10-year warning horizon for a major regional conflict, defence acquisition must speed up.

We must also embrace more risk in that process with good policies to surround that risk, but we need to give the ADF the equipment that they need as soon as possible.

block-time updated-timeUpdated at 3.34am BST

block-time published-time 3.27am BST

First national defence strategy to occur next year, Marles says

Marles ends his speech announcing that the government will be introducing a biannual national defence strategy, as per the defence ***strategic*** review’s recommendation:

The DSR provides for recommendations around the future articulation of national defence and ***strategic*** policy. It does so by recommending to dispense with intermittent white papers. We agreed with this recommendation.

And they recommend a biannual national defence strategy. So today, we are announcing that the first national defence strategy will occur next year, and that will be a document which will contain a more granular articulation of a range of the programs that we will be pursuing going forward.

All of this is a watershed moment for defence policy in our country’s history. And what it will provide for is an Australian Defence Force befitting of a much more confident and self-reliant nation.

block-time updated-timeUpdated at 3.28am BST

block-time published-time 3.23am BST

Implementing defence ***strategic*** review will cost $19bn, Marles says

Marles gets into the numbers behind what this review will cost the nation’s bottom line:

The cost of the DSR over the forward estimates will be around $19bn.

Much of that is already provided for in the budget. But as a consequence of the DSR and the government’s response to it, we’re reprioritising $7.8bn worth of programs to enable us to put a focus on the six priorities that I have described. And we can do that over the course of the forward estimates within the current resources which are provided for defence.

Beyond that, however, defence spending will need to grow. A recommendation of the DSR is that we do need to see a growing defence budget, and it is absolutely our expectation that defence spending over the medium term, over the decade, will grow above the existing trajectory of growth that we inherited from the former government.

block-time updated-timeUpdated at 3.25am BST

block-time published-time 3.20am BST

Marles says he wants to address the ‘speculation over the last few days in relation to army’

This review and the government’s response to it does provide for a reshaping of the Australian Army. But in a way which gives it a much greater strike capability and a much longer-range strike capability. But also a much greater ability to operate in a literal environment.

Ultimately, what the DSR recommends and what the government is going to put in place will give rise to an army with a much more focused mission, with much more enhanced capability.

There are a lot of decisions that we have taken to reprioritise programs to put a focus on the six priorities that I have just described. And there are difficult decisions associated with these and Minister Conroy will speak to some of them.

But I do to highlight that the review makes a recommendation, which the government accepts, of establishing a short, sharp review into Australia’s surface fleet. And that is a review that we will undertake, and it will report in the third quarter of this year.

block-time updated-timeUpdated at 3.26am BST

block-time published-time 3.17am BST

Marles says government to have six priorities in response to review

Now, the Defence ***Strategic*** Review contains many recommendations which give expression to that change of posture. But in exchange, today, the government will be focusing on six priorities.

The first of those is Australia developing a nuclear-powered submarine capability and we made significant announcements about that last month. [\*\*\*that’s Aukus\*\*\*]

The second is to provide for a much longer-range strike capability for our Defence Force, including through the manufacturing of munitions in the Australian Defence Force to operate.

The third is to better enable the Australian Defence Force to operate out of our northern bases.

The fourth is to provide for a much quicker transition of new innovative technologies into the service, and that is particularly with respect to pillar two of the Aukus arrangement.

The fifth is investing in the recruitment and the retention of our Defence Force personnel.

And the sixth is to improve our defence cooperation with our neighbours in the region, particularly in the Pacific.

Australian Deputy Prime Minister Richard Marles duing a press conference after the release of the Defence ***Strategic*** Review at Parliament House in Canberra, Monday, 24 April, 2023. Photograph: Lukas Coch/AAP

block-time updated-timeUpdated at 3.23am BST

block-time published-time 3.15am BST

Marles outlines five elements to ‘re-casting’ Defence Force mission

Today, for the first time in 35 years, we are re-casting the mission of the Australian Defence Force, which will have five elements to it.

Firstly, to defend our nation and our immediate region.

Secondly, to deter through denial any adversary that seeks to project power against Australia or our interests through our northern approaches.

Thirdly, to protect Australia’s economic connection to the region and the world.

Fourthly, with our partners to provide for the collective security of the Indo-Pacific.

And fifthly, for providing the maintenance of the global rules-based order.

Now, most of those objectives as part of the new mission of the Australian Defence Force are well beyond our shores. And so we need to have a Defence Force which has the capacity to engage in impactful projection through the full spectrum of proportionate response.

block-time updated-timeUpdated at 3.20am BST

block-time published-time 3.12am BST

Marles: current defence posture ‘no longer fit for purpose’

Deputy prime minister and defence minister, Richard Marles, steps up following Albanese:

Today’s defence statement observes that we are facing the most challenging set of ***strategic*** circumstances that we have for decades, and we do so at a time where Australia’s economic connection with the world has never been greater.

We are enormously proud of the Australian Defence Force, which is a fantastic Defence Force. And the defence posture that we have had for the last few decades has served our nation well.

But in the circumstances that we now face, that defence posture is no longer fit for purpose.

block-time updated-timeUpdated at 3.19am BST

block-time published-time 3.09am BST

Albanese: aim is to make Australia ‘more self-reliant, more prepared and more secure’

Albanese goes on to say the core of the defence ***strategic*** review is to make Australia more self-reliant, prepared and secure in an evolving national security environment:

It demonstrates a world where challenges to our national security are always evolving, we cannot fall back on old assumptions.

We must build the strength in our security by seeking to shape the future rather than waiting for the future to shape us.

That’s just as true for defence capability as it is for energy security, cybersecurity and, indeed, our economic security.

And that’s why the work we’re undertaking as a result of this review fits together with everything that our government is doing to repair our supply chains, upgrade our energy grid, boost our cybersecurity systems and rebuild faith in our public institutions.

The recommendations of this review will underpin our work, bolstering relationships with our international partners and promoting peace, stability and prosperity in our region and our world.

At its core, all of this is making Australia more self-reliant, more prepared and more secure in the years ahead.

Australian Prime Minister Anthony Albanese, Australian Deputy Prime Minister Richard Marles, Australian Defence Industry Minister Pat Conroy and Chief of the Australian Defence Force (ADF) Angus Campbell at Parliament House in Canberra, Monday, 24 April, 2023. Photograph: Lukas Coch/AAP

block-time updated-timeUpdated at 3.15am BST

block-time published-time 3.07am BST

Albanese says defence ***strategic*** review ‘most significant’ defence report since second world war

The prime minister, Anthony Albanese, has stepped up to speak in Canberra launching the defence ***strategic*** review. He’s joined by the deputy prime minister/minister for defence, the minister for defence industry and minister for international develop in the Pacific, the chief of the defence force and the secretary of the Department of Defence.

He begins:

National security is the most solemn responsibility of any Australian government.

We confront the most challenging ***strategic*** circumstances since the second world war both in our region and around the world.

That’s why we’re investing in our capabilities and investing to our relationships to build a more secure Australia and a more stable and prosperous region.

The scale and significance of the Defence ***Strategic*** Review and my government’s response shows the strength of our determination to keep Australians safe.

… This represents a document for today and tomorrow. It is the most significant work that’s been done since the second world war, looking in a comprehensive way at what is needed.

Albanese thanks Sir Angus Houston and Steven Smith for their “extraordinary work”.

block-time updated-timeUpdated at 3.12am BST

block-time published-time 3.02am BST

Australia’s defence lies in ‘collective security of the Indo-Pacific’

The government has outlined a five-point mission for the ADF to suit the current times.

In addition to defending Australia and the immediate region, the ADF will be required to “deter through denial any adversary’s attempt to project power against Australia through our northern approaches”.

The more expansive tasks for the ADF are: to protect Australia’s economic connections to the wold, contribute with partners to the collective security of the Indo-Pacific, and contribute with partners to maintain the global rules-based order.

In a new “national defence statement”, the government said these aims were grounded in the view that the defence of Australia “lies in the collective security of the Indo-Pacific”.

block-time updated-timeUpdated at 3.05am BST

block-time published-time 3.01am BST

Defence ***strategic*** review revealed

Australia will seek to project military power further from its shores after a review warned the Australian defence force was structured for “a bygone era” and the security environment was “radically different”.

The defence ***strategic*** review, released today, called for the ADF to develop the ability to precisely strike targets at longer range and develop a stronger network of bases, ports and barracks across northern Australia.

The Albanese government has also opened the door to potential changes to the number of Hunter class frigates and offshore patrol vessels to be purchased by Australia, with a snap review of the navy’s surface fleet needs to report back later this year.

The government also said it would consider options to increase stocks of guided weapons and explosive ordnance, including the rapid establishment of domestic manufacturing.

The defence ***strategic*** review, billed by the Albanese government as the [*most significant update of defence planning in nearly 40 years*](https://www.theguardian.com/australia-news/2023/feb/26/australias-defence-force-faces-once-in-a-generation-shake-up-but-to-what-purpose) , was carried out by the former defence chief Angus Houston and the former Labor defence minister Stephen Smith.

The public version of the final report did not label China direct military threat to Australia, but said China’s assertion of sovereignty over the contested South China Sea “threatens the global rules-based order in the Indo-Pacific in a way that adversely impacts Australia’s national interests”.

The review called for a renewed focus on “how we manage and seek to avoid the highest level of ***strategic*** risk we now face as a nation: the prospect of major conflict in the region that directly threatens our national interest”.

Announcing its response to the review, the government declared that the ADF must be equipped to “hold an adversary at risk further from our shores”.

block-time published-time 2.52am BST

Prime minister to announce defence ***strategic*** review

Just a reminder we are expecting the prime minister, Anthony Albanese, to release the landmark defence ***strategic*** review in less than 10 minutes – at noon AEST.

My colleagues in Canberra Dan Hurst and Paul Karp are still in the review lock up but once they’re out, they’ll be bringing you everything you need to know about the defence overhaul.

What we know before the full details are released is here:

Related: [*Australia’s defence force is expected to get its biggest overhaul in decades. Here’s what we know so far*](https://www.theguardian.com/australia-news/2023/apr/24/australias-defence-force-is-expected-to-get-its-biggest-overhaul-in-decades-heres-what-we-know-so-far)

block-time updated-timeUpdated at 2.59am BST

block-time published-time 2.31am BST

Evacuation orders issued for parts of New Zealand coast after earthquake

A large undersea earthquake of magnitude 7.2 has occurred at 10.41am AEST near the Kermadec Islands region in the Pacific, north of New Zealand.

The earthquake poses “no tsunami threat” to the Australian mainland, islands or territories, according to Australia’s Bureau of Meteorology.

However, New Zealand’s emergency management agency is warning people near the coast where the earthquake was felt “long or strong” to evacuate.

The National Emergency Management Agency and GNS Science are still assessing whether the earthquake has created a tsunami that could affect New Zealand, but in the meantime they have issued the warning “long or strong, get gone.”

People should be self-evacuating immediately from all places near the coast where the earthquake was felt either for longer than a minute or was strong enough that it was hard to stand.

In these areas a tsunami may have been generated and may arrive quickly, so evacuate immediately to the nearest high ground or as far inland as possible.

This evacuation advice overrides the current Covid-19 self isolation requirements. Do not stay at home if you are near the coast and felt the earthquake long or strong. Evacuate immediately to the nearest high ground, out of all tsunami evacuation zones or as far inland as possible.

block-time updated-timeUpdated at 2.35am BST

block-time published-time 2.24am BST

Australian rules footballer dies after on-field collision in Adelaide – reports

The Adelaide Advertiser is reporting that a 20-year-old Australian rules footballer has died after an on-field collision during a season opening game on the weekend.

Antonio Loiacono was treated at the scene Saturday night before speciality paramedics were called and he was flown to Royal Adelaide hospital just before 8pm, the paper reports.

The Advertiser says a family member of Loiacono confirmed he died on Sunday night.

The Great Southern Football League has released a statement offering its sincere condolences to the family and friends of Birdwood Football Club player Antonio Loiacono:

Community Football is what we live for and this is a truly sad time when a player is cut down by an unfortunate on field incident, no matter what level of the game.

Our collective thoughts are with his family and the Birdwood Football Club at this time of unbelievable sadness.

block-time updated-timeUpdated at 2.30am BST

block-time published-time 2.12am BST

Tax office to target employers for unpaid super

The government will use the budget to announce new targets for the tax office to chase down unpaid super from employers.

The assistant treasurer, Stephen Jones, says the problem should be treated the same as wage theft. Jones told ABC News:

We think that the tax office can lift its game in recovering unpaid super. So we’ll be setting them some targets in the context of the budget to ensure that we get more of that unpaid super finding its way back into members’ accounts.

block-time updated-timeUpdated at 2.22am BST

block-time published-time 1.52am BST

Access road to Victorian snow resort reopens after landslide

The arterial road to Victoria’s Falls Creek alpine resort has reopened more than half a year after heavy rains caused a landslide that isolated communities and businesses, AAP reports.

Single-lane access was restored to the Bogong High Plains Road between Falls Creek and Mount Beauty on Sunday afternoon after months of soil and debris removal by state authorities and a local construction partner.

The Falls Creek chief operating officer, Stuart Smythe, commended local businesses on their resilience and patience after more than three years of disruptions. Smythe said in a statement:

Bushfire, pandemics and then a landslip isolating the village and severely impacting their operations.

The light at the end of the tunnel is now in sight and they are rebounding to make sure our guests and community get to experience all that Falls Creek is famous for.

Last week Smythe said that winter bookings had been strong and recommended visitors plan a little extra time for their commute to the mountain, as the road will have traffic management in place.

block-time updated-timeUpdated at 1.54am BST

block-time published-time 1.37am BST

Minor flood warning for Johnstone and Tully rivers in Queensland

The Bureau of Meteorology is warning that minor flooding is occurring in Far North Queensland.

enltr?? Minor [*#Flood*](https://twitter.com/hashtag/Flood?src=hash&ref_src=twsrc%5Etfw) Warning for the Johnstone & Tully Rivers [*#FNQ*](https://twitter.com/hashtag/FNQ?src=hash&ref_src=twsrc%5Etfw) , General Flood Warning for the Russell River. Minor flooding is occurring at Mourilyan Mill & is likely at Euramo today (Monday). Details & updates: [*https://t.co/0w5F59LsFg*](https://t.co/0w5F59LsFg) Follow [*@QldFES*](https://twitter.com/QldFES?ref_src=twsrc%5Etfw) advice [*#ifitsfloodedforgetit*](https://twitter.com/hashtag/ifitsfloodedforgetit?src=hash&ref_src=twsrc%5Etfw) [*pic.twitter.com/G1qUSgmiTU*](https://t.co/G1qUSgmiTU)

— Bureau of Meteorology, Queensland (@BOM\_Qld) [*April 23, 2023*](https://twitter.com/BOM_Qld/status/1650242127228534787?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 1.41am BST

block-time published-time 1.21am BST

Australian and New Zealand ***agriculture*** ministers met over weekend

Australia and New Zealand have both learned from each other’s recent natural disasters in the talks held over the weekend.

As well as the prime minister, Anthony Albanese, meeting his New Zealand counterpart, Chris Hipkins, over the weekend, the minister for emergency management and ***agriculture***, Murray Watt, also participated in the talks.

Watt says while it has been a fraught period for both nations when it comes to natural disasters, both countries are seeking greater resilience of the future.

enltrAustralia & NZ have both had our share of natural disasters recently. Was great to join Gov officials to share experiences & lessons with NZ PM Chris Hipkins, Ag Minister Damien O’Connor & their delegation. Keen to learn how to make our country more resilient for the future. [*pic.twitter.com/IyIfSVMY14*](https://t.co/IyIfSVMY14)

— Senator Murray Watt (@MurrayWatt) [*April 23, 2023*](https://twitter.com/MurrayWatt/status/1650287714997268480?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 1.36am BST

block-time published-time 1.02am BST

No leads over newborn abandoned outside Sydney home

Investigators are no closer to discovering the identity of the woman who gave birth to a newborn girl found abandoned outside a home in Sydney, AAP reports.

The infant, believed to be days old, was found at a property at Blacktown, in the city’s west, on Friday afternoon and taken by police to Blacktown hospital.

The family who discovered the baby had moved to the area a week earlier and said they had heard a noise outside before making the discovery.

Investigating police have reiterated they were most concerned for the welfare of the child’s mother. Detective Chief Inspector Jason Pietruszka told Sydney radio station 2GB this morning:

We are concerned for her, both mentally and physically. We just want to make sure she’s OK.

He hoped forensic material and CCTV would provide some leads but urged anyone with information to come forward.

The baby is believed to have been left at the home between 12.30pm and 2.40pm on Friday. Pietruszka said

This person has obviously gone through something quite traumatic and to put your own child in this situation, obviously you do need some help.

The woman has been urged to attend a hospital, call an ambulance or attend a police station as soon as possible. The baby will enter state care upon discharge from hospital.

Anyone with information is urged to contact Crime Stoppers on 1800 333 000.

block-time updated-timeUpdated at 1.09am BST

block-time published-time 12.52am BST

Call for national centre for disease control

Mike Freelander, the chair of the long Covid inquiry committee, continued:

There is a distinct difficulty in obtaining verifiable data about many of these issues and it is the committee’s view that the development of a national centre for disease control within the Department of Health and Aged Care would be the most appropriate mechanism for data collection and linkage with the states and territories.

Likewise, there is much that we do not understand about the virus, such as the fact that it is likely changing from being an acute pandemic virus to now an endemic form. Research will be very important in helping us understand the best ways and means of managing its ongoing effects, particularly including long Covid.

Research should include individuals from Aboriginal and Torres Strait Islander communities, culturally and linguistically diverse communities and other high-risk groups including those who are immunosuppressed. A research program should be established to nationally coordinate and fund research into long Covid and Covid-19 generally. This could be led by the Department of Health and Aged Care – ideally the CDC – and should be the for the longer term.

block-time updated-timeUpdated at 1.07am BST

block-time published-time 12.50am BST

‘It is clear that long Covid is a significant problem’

Chair of the long Covid inquiry committee Mike Freelander said:

The primary focus of this inquiry was our national management of long Covid, with further attention being placed on additional effects of this condition including the economic and mental health impacts, potential treatment and management options, and repeated Covid infections.

It is important to note that, during the inquiry, we were hampered by a lack of specific data and the lack of a concise definition of what constitutes long Covid.

At the present time, we accept the World Health Organization definition as the most useful for clinical practice; however, this may need to be modified as further information becomes available. It is clear that long Covid is a significant problem and estimates vary, indicating that between 2% to 20% of those infected with Covid-19 may develop long Covid.

Even if it is the lower figure of 2%, this is still many people requiring help and support. At this stage it does seem that specific treatments require more evidence of benefit before being specifically recommended, but this will become clearer over time. Certainly, most of the care needs to be provided by the primary care system, such as by GPs, nurses and allied health professionals.

block-time updated-timeUpdated at 1.06am BST

block-time published-time 12.49am BST

Long Covid inquiry report tabled

The House of Representatives standing committee on health, aged care and sport’s long Covid inquiry [*report*](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000006/toc_pdf/SickandtiredCastingalongshadow.pdf) has been tabled.

The committee made recommendations including that the Australian government:

Establishes and funds a single Covid-19 database to be administered by the soon-to-be developed Centre for Disease ControlWorks with the states and territories to review the definition of long Covid as more research and information becomes availablePharmaceutical benefits advisory committee regularly review the benefits of antiviral treatments for Covid-19 in accordance with emerging research with a view to expanding the list of groups eligible to access these treatments through the pharmaceutical benefits schemeEstablish and fund a multidisciplinary advisory body including ventilation experts, architects, aerosol scientists, industry, building code regulators and public health experts to improve air qualityConsider a comprehensive summit into the Covid-19 pandemic and Australia’s past and current response

block-time updated-timeUpdated at 1.13am BST

block-time published-time 12.42am BST

Criminalising sex work drives it underground, Albanese says

Anthony Albanese has commented on Queensland’s proposed decriminalisation of sex work on KIIS FM.

Asked about decriminalisation of sex work and drugs, the prime minister said:

The states look after all of that. But clearly criminalising prostitution doesn’t really work – it just drives it underground and leads to worse behaviour and worse treatment of people involved in what can be a dangerous industry.

Albanese spoke about the defence ***strategic*** review, conducted by Angus Houston and Stephen Smith and preparations for Anzac Day on Tuesday.

He also spoke about attending shock jock Kyle Sandilands’ wedding, the coronation of King Charles and the existence of aliens:

I liked The X Files as much as anyone else. We all liked watching Gillian Anderson all those years ago. But I know as much as you do, mate. I can assure you of this: there are not secret briefings given to the prime minister of Australia about aliens being in our midst.

block-time updated-timeUpdated at 1.03am BST

block-time published-time 12.29am BST

Queensland sex work overhaul to focus on safety

A sex work sector that protects more workers from exploitation and violence is expected to be at the centre of a Queensland government response to a major review of the industry, AAP reports.

The Queensland attorney general, Shannon Fentiman, wants sex work brought “out of the dark” through a properly regulated industry that prioritises the safety of workers. Fentiman told Seven News Brisbane last night:

Current laws stigmatise sex workers, it increases their vulnerability to exploitation and violence.

There are two legal forms of regulated sex work in Queensland: services provided in a licensed brothel, not including outcalls from the premises; and those provided by sole operators in-house or as outcalls.

Any other form of sex work is illegal, including services provided by escort agencies, unlicensed brothels, massage parlours and two or more sex workers operating from a single premises.

The state has 20 licensed brothels and most sex work occurs outside the regulated or licensed sector.

The attorney general asked the Queensland Law Reform Commission to review and investigate the regulation of a new framework for the industry in August 2021. The commission said in a review updated in November:

Decriminalising sex work will mean sex work is no longer a crime. But it does not mean no regulations or safeguards. People in the sex work industry will have protections and obligations under standard workplace, health, planning and other existing general laws.

The review received 160 submissions, with input from individual sex workers, brothel managers, clients and advocacy organisations. More information on the state government plan will be released today.

block-time updated-timeUpdated at 2.50am BST

block-time published-time 12.03am BST

‘I think it’s a bit sad,’ Zoe Daniel says of Anzac ceremony altercation

Continuing on from that altercation at the Anzac Day ceremony at the Beaumaris RSL from the last post, Ryan Batchelor, the Labor MP for Southern Metropolitan region, has tweeted:

I was standing next to them. It was unedifying behaviour, and disrespectful of him to pull a stunt like that at Anzac Day service.

Zoe Daniel told ABC Radio she doesn’t think it’s appropriate to politicise such an event, “I think it’s a bit sad”:

It’s not about me, and it’s not about Tim Wilson, quite frankly. It’s about veterans.

Daniel also released this statement thanking her volunteer and explaining she was attending an event with her teenaged son who is a volunteer surf lifesaver:

enltrToday there was an incident at an important ANZAC related event at Beaumaris. My response is below. Thankyou to the RSL for all that you do. [*pic.twitter.com/EwsEvyQwCJ*](https://t.co/EwsEvyQwCJ)

— Zoe Daniel (@zdaniel) [*April 23, 2023*](https://twitter.com/zdaniel/status/1650083880358281216?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 1.01am BST

block-time published-time 11.58pm BST

Anzac ceremony clash in Goldstein

Zoe Daniel says she is sad a clash has occurred at an Anzac Day ceremony between her volunteer and Tim Wilson, the former Liberal MP she ousted from the seat of Goldstein as part of the independent teal sweep at the last election.

Daniel was unable to attend the event at Beaumaris RSL yesterday but it was organised with the RSL that one of her volunteers would lay the wreath on her behalf.

Speaking to ABC Radio this morning, Daniel said although she was not at the event and didn’t see what happened, she understands:

When my name was called, and he was called up to lay the wreath. I’m told that the former federal member for Goldstein took the wreath and would not return it to my volunteer. So there was a little bit of a remonstration and then they laid the wreath jointly.

Wilson has replied to Twitter comments saying that the incident only occurred because he was handed the wreath by an event volunteer:

It was only done because I was handed the wreath. It was not sought. Turning it down would have been disrespectful as well. All would have been avoided had the MP been present. I have not commented on their absence. Anzac Day should not be politicised.

Another reply from Wilson says:

I was there to show respect and lay a book. I was asked to lay the wreath by those handing them out in the MP’s absence. I did. A man then claiming he was the rep stood by me. We did it together. And I laid my book. Disappointing to see politicisation.

Journalist Lucie Morris-Marr filmed part of the altercation between the pair.

enltr [*#breaking*](https://twitter.com/hashtag/breaking?src=hash&ref_src=twsrc%5Etfw) An official rep for [*@zdaniel*](https://twitter.com/zdaniel?ref_src=twsrc%5Etfw) has clashed angrily with [*@TimWilsonMP*](https://twitter.com/TimWilsonMP?ref_src=twsrc%5Etfw) after an ANZAC March and service in Beaumaris, Melbourne, after Wilson came forward & laid a wreath which the MC had just announced would be laid by the representative for Daniels as she was absent. [*pic.twitter.com/VBOEwFX07w*](https://t.co/VBOEwFX07w)

— Lucie Morris-Marr (@luciemorrismarr) [*April 23, 2023*](https://twitter.com/luciemorrismarr/status/1650033250939842560?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 1.01am BST

block-time published-time 11.49pm BST

Dan Tehan calls for ‘full transparency’ on solicitor general’s opinion on voice

Dan Tehan is also asked about the [*solicitor general’s opinion on the Indigenous voice to parliament which was released Friday*](https://www.theguardian.com/australia-news/2023/apr/21/pm-says-solicitor-generals-advice-on-indigenous-voice-refutes-absolute-nonsense-from-dutton-and-joyce) and found it would not fetter or impede the power of the parliament or the executive. In his legal view, he found it would enhance Australia’s system of government.

Asked about if he accepts this, Tehan begins outlining his belief in the “fundamental principle that when it comes to the law, everyone should be treated equally”. He then goes on to repeat the Coalition line demanding the full advice be released given the significance of the decision.

ABC News Breakfast’s Michael Rowland questions Tehan:

Do you really think the full advice will be different to the key points of the advice that I just read?

Tehan:

Well, there are some elements and it goes to how you ask questions which will always deliver the responses you get.

For instance, if we said to the solicitor general, “Do you think there is a better way to do this?” then the advice he might give could be very different to what he’s given to the attorney general.

And that’s why we just want some full transparency around this. Just make sure that if other questions were asked of the solicitor general, what were the responses to that advice?

And given that we’re adding a chapter to our constitution, that’s what’s being proposed, we don’t see a problem with that full advice and the iterations of that advice being made public by the solicitor general and we think that would help the discussion and the debate.

block-time updated-timeUpdated at 12.11am BST

block-time published-time 11.39pm BST

‘We might see New Zealand citizens come in here to access our welfare system’

Dan Tehan is worried more New Zealanders could affect Australia’s welfare system and worsen the housing crisis:

We have to look at the cost over time because one of the reasons that the current arrangements were put in place is because we have a much more generous welfare system here in Australia than they do in New Zealand.

So over time, we might see New Zealand citizens come in here to access our welfare system, that has a cost.

Obviously we’re seeing soaring rents, there’s a housing crisis at the moment. So additional New Zealanders come in here because of these changes, what impact will it have on our housing shortages at the moment? These are all critical questions that need to be asked.

Clare O’Neil will be at the Press Club on Thursday and hopefully she’ll be able to outline these costs and also demonstrate that Labor’s bigger Australia, which they seem to be doing by stealth, that there is some sort of plan to it.

block-time updated-timeUpdated at 11.43pm BST

block-time published-time 11.35pm BST

Tehan questions cost of NZ citizenship changes

Anthony Albanese met with his New Zealand counterpart at the weekend and ended a decades’ long sore spot, agreeing to [*ease citizenship rules for New Zealanders living in Australia*](https://www.theguardian.com/world/2023/apr/21/new-zealanders-to-gain-faster-pathway-to-australian-citizenship-under-major-changes-to-immigration-rules).

Dan Tehan, the shadow immigration minister, says he agrees in principle with the citizenship reforms but says he has questions about the costs and whether they are part of the permanent migration ***cap***:

We agree in principle that those New Zealanders who are here in Australia who are working and who have made a contribution, absolutely, we need to make sure that we can welcome them here as Australian citizens …

But what we also want to ask the government is a few questions about this because they’re changing what has been rules that have been put in place for a long time and we want to know what the costs will be, whether this change – which will be 350,000 New Zealand residents becoming Australian citizens – whether that’s part of the permanent migration ***cap***, how that will fit in with the net overseas migration that’s going to hit 650,000 people in the next couple of years. All of this has a cost.

The Reserve Bank is worried about the impact of immigration on inflation and what that might mean for interest rates and the government doesn’t want to set out any of these costs or show that it has a plan when it comes to its immigration strategy at the moment.

Related: [*Chris Hipkins hails ‘biggest in a generation’ citizenship reforms for New Zealanders in Australia*](https://www.theguardian.com/australia-news/2023/apr/23/new-zealand-pm-hails-biggest-in-a-generation-australian-citizenship-reforms-for-kiwi-residents)

block-time updated-timeUpdated at 11.37pm BST

block-time published-time 11.22pm BST

Plibersek v Joyce on Newspoll

In their regular spot on Sunrise, environment minister Tanya Plibersek and Coalition frontbencher Barnaby Joyce weighed in on those Newspoll results.

Environment minister Tanya Plibersek. Photograph: Mike Bowers/The Guardian

Plibersek said despite the slight drop in support for the prime minister, his popularity remained high:

They’re very strong support numbers, and I tell you the reason is not based on polling but what people tell me when I’m out around the country.

People tell me that they’re pleased to see a government that is just getting on with the job, doing what we promised and they’re impressed that the prime minister is just sticking with what he said he’d do.

Joyce said he was unconcerned by the continued low numbers for the opposition:

We don’t have an election tomorrow and that’s a good thing.

A lot of people are starting to focus now on issues such as the voice and saying, “I don’t feel comfortable with this.”

– with AAP

block-time updated-timeUpdated at 11.42pm BST

block-time published-time 11.15pm BST

Labor increases lead in latest Newspoll

Labor has increased its lead over the opposition while both party leaders have suffered a drop in support, new polling shows.

The latest Newspoll has the government leading the Coalition 56 to 44, two-party preferred, with Labor’s lead increasing one point since the last survey.

Despite the shift in support, the primary vote for both major parties remain unchanged, with Labor on 38% and the Coalition on 33%.

Opposition leader Peter Dutton has seen his support fall to its lowest level since he took on the role, as his net satisfaction rating dropped six points to minus 19.

Prime minister Anthony Albanese ’s satisfaction rating also took a dive, going from 21 to 16. Albanese still leads as preferred prime minister 54% to 28%.

The latest Newspoll was conducted between Wednesday and Saturday as debate continued on the Indigenous voice referendum and as the government prepared for the federal budget.

– AAP

block-time updated-timeUpdated at 12.03am BST

block-time published-time 11.03pm BST

Army to be reshaped

On what’s being trimmed in the defence ***strategic*** review, Pat Conroy says:

The Albanese government is committed to making the hard decisions and that means making necessary changes to scope out and the example that’s out there already is us accepting the recommendation of the ***strategic*** review to reshape the Australian army.

That means reducing the number of infantry fighting vehicles from 450 to 129. That’s a direct recommendation. And using the money freed up from that to invest in long range strike for the Australian army – more Himars rocket systems, and land-based maritime strike, and investing in greater mobility, including purchasing landing crafts for the Australian army.

So this is about getting an Australian army that’s shaped for our current ***strategic*** circumstances and going from a service whose greatest range for its artillery is 45km to one that can project power in excess of 500km. So this is about reshaping the army to modernise it, to be quite frank.

block-time updated-timeUpdated at 11.41pm BST

block-time published-time 10.57pm BST

‘Long-range strike is critical’

There’s reportedly an extra $1.5bn in spending over the next four years for a new domestic guided weapons industry, but in the short-term missiles will likely come from the US. On how quickly they will arrive Pat Conroy says:

We’re working very quickly to resolve issues around stocks of guided weapons missiles.

We’re dealing with the fact that the last government made lots of announcements but didn’t actually follow through. They cut $12bn from the defence budget. They transferred $2.7bn to other agencies, and they added $42bn of commitments through integrated investment programs – so the list of defence buys – without adding any more funding.

Top of this was the guided weapons enterprise or the plan for missiles. We are rapidly accelerating the funding to support that endeavour.

The Albanese government already made important decisions including accelerating the purchase of high mobility artillery rocket systems … and we’ve also accelerated the contracts in each of the naval strike missiles to go on to our frigates and destroyers. So we’ve already advanced this because long-range strike is critical to deterrence and supporting peace and stability in the region.

block-time updated-timeUpdated at 11.20pm BST

block-time published-time 10.52pm BST

‘A real focus on deterrence’

Pat Conroy says the recommendations of the review will see a focus on keeping potential adversaries at a distance from Australia:

You can see a greater emphasis on deterrence and a greater effort to contribute to collective security in the region and maintaining the regional balance of power.

Fundamentally, our ***strategic*** circumstances have changed. The last government released the 2020 defence ***strategic*** update, which said the 10-year warning horizon for a major regional conflict has evaporated – but unfortunately they did nothing to respond to the loss of that warning cycle.

So where you can see the DSR is reshaping the fed policy, a reshaping of our capabilities, so the equipment to support the ADF and a real focus on deterrence and keeping any potential adversaries at a distance from Australia.

block-time updated-timeUpdated at 10.56pm BST

block-time published-time 10.49pm BST

‘We face the greatest ***strategic*** uncertainty since world war two,’ Pat Conroy says

Pat Conroy, the minister for defence industry, international development and the Pacific, says the defence ***strategic*** review is about modernising Australia’s military.

The release of the review comes off the back of the Aukus deal. While that plan relied on partnerships with the US and UK, ABC Radio asks Conroy if the review is about Australia ultimately being able to stand on its own. He says:

Our alliance with the United States is the cornerstone of our security and if anything, we are strengthening that.

But the defence ***strategic*** review is also a recognition that we face the greatest ***strategic*** uncertainty since world war two and we need to significantly reshape the Australian defence force and how we do defence policy more generally, to face that uncertainty.

block-time updated-timeUpdated at 12.11am BST

block-time published-time 10.46pm BST

Man charged over alleged role in drive-by shooting

A 26-year-old man has been charged over his alleged role in the murder of Taha Sabbagh outside a gym in south-west Sydney, AAP reports.

Detectives arrested the Fairfield East man at Sydney international airport about 3.30pm yesterday before he could fly overseas. Police said the man was “attempting to flee the country”.

He was taken to Surry Hills police station where he was charged with murder and refused bail. The man will appear in Downing Centre local court today.

Police at the scene of the Sefton shooting. Photograph: Paul Braven/AAP

Sabbagh was shot last month while sitting in a car with his son in what police described as a callous, gangland-style killing.

The 40-year-old father was outside the Elite Fight Force mixed martial arts gym in Sefton just after 6.30am on 2 March when he was shot multiple times in the chest, police said.

Despite the efforts of NSW ambulance paramedics, Sabbagh died at the scene.

His 12-year-old son, who was in the passenger seat of the vehicle at the time, was physically unharmed.

Police later found a burnt-out Mazda 3 about a kilometre away in neighbouring Birrong.

Police will allege in court that the Fairfield East man was involved in the planning and coordination of the murder of Sabbagh.

Investigations under Strike Force Pemak are continuing.

block-time updated-timeUpdated at 12.03am BST

block-time published-time 10.38pm BST

Defence budget will grow, Marles says

The defence minister, Richard Marles, says it’s clear that the defence budget would grow, as the government prepared to release the ***strategic*** review of Australia’s military.

Yesterday he told Sky News:

And that, in many ways, is a function of the ***strategic*** landscape in which we exist.

In a rational world, defence spending is a function of ***strategic*** threat, ***strategic*** complexity – we have both of those, and we’re rational people.

– with AAP

block-time updated-timeUpdated at 10.43pm BST

block-time published-time 10.36pm BST

Barry Humphries’ family in talks over state funeral

The family of Melbourne-born comedy legend Barry Humphries is in discussions with the Victorian government about the possibility of a state funeral, AAP reports.

Humphries died on Saturday at St Vincent’s hospital in Sydney after complications from hip surgery stemming from a fall this year. He was 89.

Creative industries minister Steve Dimopoulos says talks are under way with the entertainer’s loved ones about the best ways to honour his legacy.

A range of options are on the table including a state funeral. Dimopoulos said yesterday:

The primary mover of these things is the family because it’s their gift effectively to decide in conversation with government.

So, yes, it could be that [a state funeral]. It could be many other things.

Premier Daniel Andrews said Humphries would live on through his iconic writing and larger-than-life characters, particularly Dame Edna Everage, who put the Melbourne suburb of Moonee Ponds on the map. He posted on Twitter:

But at the end of the day, he was a boy from Kew with big dreams. And he achieved them.

NSW counterpart Chris Minns says Humphries popularised Australian larrikinism on the world stage but he doesn’t want to “front run” any potential Sydney-based gesture or ceremony.

[He was] an Australian legend and someone we’d love to honour.

block-time updated-timeUpdated at 10.39pm BST

block-time published-time 10.24pm BST

Good morning!

On the eve of Anzac Day, the government will release the first ***strategic*** review of Australia’s military structure in 10 years.

A declassified version of the review and the Albanese government’s response will detail which programs will be trimmed and which will be expanded.

It’s expected to call for more long-range missiles and airpower – Amy Remeikis has the full details on what we know so far here:

Related: [*Australia’s defence force is expected to get its biggest overhaul in decades. Here’s what we know so far*](https://www.theguardian.com/australia-news/2023/apr/24/australias-defence-force-is-expected-to-get-its-biggest-overhaul-in-decades-heres-what-we-know-so-far)

In Victoria, the family of Barry Humphries is in discussions with the Victorian government about the possibility of a state funeral.

Humphries [*died on Saturday*](https://www.theguardian.com/culture/2023/apr/23/treasured-australian-icon-barry-humphries-remembered-as-a-comic-genius-and-legend) following complications from hip surgery after a fall earlier this year.

In Canberra the government will use the budget to announce new targets for the tax office to chase down unpaid super from employers. The assistant treasurer, Stephen Jones, says the problem should be treated the same as wage theft.

There’s plenty more coming, let’s get into it.

**Load-Date:** April 24, 2023

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[***Ukraine update: September 2023***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:697Y-NV71-JDG9-Y3MX-00000-00&context=1516831)

Impact News Service

September 15, 2023 Friday

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**Length:** 6337 words

**Body**

London: UK Parliament has issued the following news release:

Russia ’ s full-scale invasion of Ukraine has now lasted for more than 560 days. The promised Ukrainian counteroffensive is underway and, despite recent gains, has made slower progress than Ukraine and its Western allies may have hoped. Some commentators have ***suggested*** that the operation may be crucial to the direction of the war and its eventual outcome. This briefing examines a range of issues including the status of the counteroffensive and Russia ’ s ***strategic*** moves as it seeks to combat the impact of Western sanctions.

On 21September 2023, the House of Lords will debate the following:

Baroness Goldie (Conservative) to move that this House takes note of the situation in Ukraine.

Baroness Goldie has served as a minister of state at the Ministry of Defence since July 2019.

The last House of Lords Library update on Ukraine was published in February 2023. This note updates that briefing and examines key developments over recent months.

1. Current state of the conflict: Progress of the Ukrainian counteroffensive

The latest stage of the ongoing war in Ukraine has been largely defined by the progress of the much-anticipated Ukrainian counteroffensive against occupying Russian forces, launched in June 2023.

Since June, Ukraine has committed significant resources, in terms of both personnel and sophisticated weapon systems provided by allied countries such as the UK, to attacking Russian forces in the south and east of the country. However, Ukrainian officials acknowledged from the outset that this would be a very different operation than the rapid counterattack in late 2022 which saw Ukrainian forces quickly retake territory around the towns of Kherson and Kupiansk. Since then, while the conflict has continued particularly around the contested city of Bakhmut, Russian forces have had months in which to fortify and barricade their positions, digging anti-tank trenches and laying large numbers of mines.

The areas of Russian control in the south of Ukraine are illustrated in the map from BBCNews below. Of particular ***strategic*** importance is the so-called ‘land bridge ’ between Crimea in the south and occupied cities such as Mariupol and Donetsk in the east. The connection is a key supply line for Russian forces and logistics.

Figure 1: Map of Ukraine showing areas of Russian military control

(Figure 1: Ukraine map showing areas of Russian military control. Source: Institute for the Study of War and BBC News, ‘Ukraine War: Counteroffensive troops punch through Russia line, generals claim ’ , 3 September 2023. An interactive map from the Institute for the Study of War which is regularly updated is available here: ‘Interactive map: Russia ’ s invasion of Ukraine ’ .)

The success or otherwise of the offensive to date has been the subject of considerable debate. Since June, Ukrainian territorial gains have been relatively minor. In August, unnamed American security officials were quoted in prominent news outlets such as the New York Times criticising the pace of the Ukrainian advance, arguing that resources had been misallocated and tactically misused. They also argued that time was running out for Ukraine to make significant military gains before rainy conditions force a pause in the counteroffensive. This prompted an angry response from Kyiv, particularly from Ukraine ’ s foreign minister, Dmytro Kuleba.

However, in early September 2023 there have been reports of significant progress, particularly in the Zaporizhzhia area. Ukrainian Brigadier General Oleksandr Tarnavski claimed that Ukrainian forces had “decisively breached” Russia ’ s first defensive line near Zaporizhzhia after weeks of painstaking mine clearance. He contended that there was also an expectation of faster gains as Ukrainian forces press a weaker second line. In a sign that such moves were putting pressure on Russian forces, Moscow reportedly moved some of its elite troops to reinforce existing forces. This could be particularly significant given a reported lack of Russian operational and ***strategic*** reserves. According to Ukrainian officials, a key longer-term objective remains driving towards the Sea of Azov, therefore potentially severing the land bridge supply route between Russian forces.

At the time of writing, the veracity of such claims of progress remains unclear, as does the significance of such moves and whether any territorial gains can be consolidated or will lead to further breakthroughs.

As explored in section5 below on the future of the conflict, the success or otherwise of the current counteroffensive is likely to be highly significant in how the war progresses and/or any potential ceasefire terms.

2. International diplomatic and military assistance to Ukraine

2.1 Support from the UK for Ukraine

The UK has been a prominent supporter of Ukraine since the start of the invasion. This support was reiterated earlier this year when Ukrainian President Volodymyr Zelenskyy visited the UK in February 2023 to meet with Prime Minister Rishi Sunak, address Parliament, meet the King and visit Ukrainian troops. President Zelenskyy also met with Rishi Sunak at Chequers in May 2023 ahead of the Ukrainian counteroffensive, where the UK confirmed that it had provided long-range Storm Shadow precision cruise missiles to Ukraine. At the same meeting, the prime minister confirmed the further UK provision of hundreds of air defence missiles and unmanned aerial systems including hundreds of new long-range attack drones with a range of over 200km.

Speaking at that meeting, Rishi Sunak said:

This is a crucial moment in Ukraine ’ s resistance to a terrible war of aggression they did not choose or provoke. They need the sustained support of the international community to defend against the barrage of unrelenting and indiscriminate attacks that have been their daily reality for over a year.

We must not let them down. The frontlines of Putin ’ s war of aggression may be in Ukraine but the fault lines stretch all over the world. It is in all our interest to ensure Ukraine succeeds and Putin ’ s barbarism is not rewarded.

That is why the UK is sustaining our support to Ukraine—from tanks to training, ammunition to armoured vehicles. And this message of solidarity will ring loud in all my meetings with fellow world leaders in the days ahead.

The UK is the second-largest donor of military support to Ukraine, after the US. It has provided £4.6bn in military assistance to Ukraine so far—£2.3bn in 2022 and a commitment to match that funding in 2023. Through Operation Interflex, the UK is also hosting a training programme which is supported by several allies, with the aim of training 30,000 new and existing Ukrainian personnel by the end of 2023. The UK has committed to training Ukrainian fast jet pilots and marines, but has said that combat fighter aircraft will not be provided, at least in the short term. The UK has also supplied 14Challenger2 tanks to Ukraine alongside spare parts.

Between 21and 22June 2023, the Ukraine Recovery Conference (URC) took place in London, co-hosted by the UK and Ukraine. The conference was a continuation of a cycle of annual events, with URC 2022 conducted jointly between Ukraine and Switzerland in Lugano.

URC 2022, held for the first time during the ongoing Russian aggression against Ukraine, launched the Lugano Principles, which laid the foundation for the reconstruction process in Ukraine. Ukraine has already undertaken initiatives to move forward with reconstruction in line with these principles and commitments, despite the circumstances of war.

Since the Lugano conference, the international community has pledged significant emergency assistance. However, the organisers of the London conference argued that a broader mobilisation of public and private sectors is needed to meet the scale of Ukraine ’ s stabilisation and recovery needs following Russian attacks.

At the London conference, the prime minister set out a “major package of financial support for Ukraine”. This included $3bn of World Bank loan guarantees to bolster Ukraine ’ s economic stability as it continues to push back Russian forces and a further £240mn of bilateral assistance. He said that this funding would support vital public services, including the cost of running schools and hospitals.

The UK government said this was the first bilateral package of multi-year fiscal assistance to be set out by a G7 country, “underlining the UK ’ s unwavering commitment to the country, both now and in the future”. Ministers said this brought the UK ’ s non-military assistance to Ukraine to more than £4.7bn, including £4.1bn of fiscal support and £640mn of bilateral assistance.

Foreign Secretary James Cleverly also announced further measures at the London URC which included funding for urgent repairs and early recovery, support for Ukraine ’ s energy sector, and programmes to bolster wider rebuilding efforts. As part of the conference, the UK also called on the private sector to boost Ukraine ’ s recovery and support both urgent recovery needs and long-term reconstruction.

The specifics of the announcement included:

* A £45mn envelope of funding, part of the UK ’ s wider £62mn programme, to support Ukraine ’ s energy recovery over the next two years. Of this, £25mn is going to the International Finance Corporation ’ s Ukraine economic resilience action platform, to bolster Ukraine ’ s energy security. £3mn will support a new technical assistance facility to speed up Ukraine ’ s energy sector reform and decarbonisation.

1. A £26.3mn equivalent loan backed by UK Export Finance, allowing the Ukrainian government to start rebuilding six vital bridges damaged as a direct result of the illegal Russian invasion, reopening supply routes near the capital, Kyiv.
2. £12mn to the Partnership fund for a resilient Ukraine to enable the government of Ukraine and its communities to remain resilient in the face of Russia ’ s aggression, including support to identify and respond to immediate recovery priorities in newly liberated territories in the east, south and in Ukraine ’ s border areas.
3. $25mn from the UK ’ s development finance institution, British International Investment (BII), to support the International Finance Corporation ’ s (IFC) global trade finance program to help keep cross-border trade lines open. This follows the prime minister ’ s announcement […] that the UK is committing £250mn of new capital to BII.
4. A further £15mn for a new anti-corruption e-governance project, being delivered with UK support, to build transparency and accountability into key public services in Ukraine.
5. £2mn to the government of Ukraine ’ s digital system for reconstruction management, the Digital Restoration Ecosystem for Accountable Management (DREAM) platform which will increase the transparency of reconstruction projects.

The announcement also included the signing of memorandums of understanding on helping to secure Ukraine ’ s green energy future and to provide support to Ukraine on building its tax service.

The UK is also maintaining its sanctions regime against Russia interests. According to recent data:

* 1,627individuals and 238entities are subject to UK sanctions under the Russia regime.

1. The UK has targeted over 130oligarchs with a net worth of over £145bn.

In tandem with international trade and financial restrictions, Russia is now the most sanctioned country in the world.

2.2 US

The US is the largest provider of military assistance to Ukraine, having committed $43.7bn since the start of the Biden administration. $43bn of that assistance has been provided since February 2022. The support provided to date includes powerful HIMARS satellite guided weapons systems and, more controversially, cluster munitions. (Many observers including Human Rights Watch have also noted extensive use of cluster bombs by Russian forces since the beginning of the war.) Most recently, on 7September 2023 the US announced that it would supply Ukrainian forces with depleted uranium shells for their US-made M1Abrams tanks, matching the commitment by the UK to supply similar weapons in March 2023. (A full list of the military equipment that the US has supplied to Ukraine is available in a Congressional Research Service briefing on the subject.)

In a statement released on 24August 2023 to mark the anniversary of Ukraine ’ s independence, PresidentJoe Biden said that America ’ s commitment to Ukraine was unwavering:

The United States will continue our work, together with partners all around the world, to support Ukraine ’ s ability to defend itself against Russia ’ s aggression, to uphold the foundational principles of the UN Charter, and to help the Ukrainian people build the secure, prosperous, and independent future they deserve.

Our commitment to Ukraine ’ s independence is unwavering and enduring. That ’ s why the UnitedStates and other G7nations issued a joint declaration in Lithuania last month pledging to help Ukraine maintain armed forces ***capable*** of deterring Russian aggression in years to come, a declaration which over 25nations have now joined. Together with our partners in Europe, we are supporting Ukraine in their fight for freedom now and we will help them over the long term.

We are also working with nations everywhere to hold Russian forces accountable for the war crimes and other atrocities they have committed in Ukraine. That includes the forcible removal of thousands of Ukrainian children to Russia. These children have been stolen from their parents and kept apart from their families. It ’ s unconscionable. And today, we are announcing new sanctions to hold those responsible for these forced transfers and deportations to account, and to demand that Ukrainian children be returned to their families.

The US Congressional Research Service notes that the US Congress has approved over $113bn in funding over the past two financial years:

In total, Congress has appropriated $113.4bn for supplemental funding for Ukraine in FY2022 and FY2023. Such funding has supported foreign assistance for Ukraine and other countries affected by the war, US-European Command operations and related support for the US military, and administration and operations of other US government agencies that have responded to Russia ’ s 2022 invasion of Ukraine, including funding for legal enforcement, sanctions implementation, and Ukrainian refugee and entrant assistance.

2.3 EU

The European Union is also providing non-lethal and lethal arms through its European Peace Facility(EPF). This is the first time in its history that the EU has approved the supply of lethal weapons to a third country. To date, the EU has committed just over €5.6bn, including €1bn of funds to reimburse EPF countries who have provided urgently needed munitions. €1bn of EPF funds has also been set aside for the joint EU procurement of artillery ammunition. In October 2022, the EU also approved a new training mission for the Ukrainian armed forces. In addition, almost 1,800individuals and entities are subject to EU sanctions against Russia.

Ukraine applied for EU membership in February 2022 and was granted EU candidate status in June 2022. On 22 June 2023, Olivér Várhelyi, the commissioner for enlargement, said Ukraine has completed two of the seven steps outlined by the bloc for Ukraine to be granted the status of a candidate for EU membership. These related to the composition of two high-level judicial bodies in Ukraine and the regulation of the media sector, where legislation was amended to align with EU standards. Mr Várhelyi also said that Ukraine had made “good progress” on a third requirement—the selection of judges for the Constitutional Court—and “some progress” on the remaining four: the fight against corruption, the prevention of money laundering, the mitigation of the excessive influence exerted by oligarchs, and the protection of national minorities.

2.4 NATO

While Ukraine is not a member of the NATO alliance (and is therefore not covered by the mutual defence provisions under article 5 of the North Atlantic Treaty), NATO has been active in its political support of Ukraine and its support for the provision of bilateral military assistance by individual allies. NATO is helping to coordinate requests for assistance from the Ukrainian government and is supporting the delivery of humanitarian and non-lethal aid. At the NATO summit in Vilnius in July 2023, NATO reaffirmed its “unwavering solidarity with the government and people of Ukraine”.

With regard to Ukraine ’ s potential membership of NATO, the 2023 Vilnius summit communiqué said that “Ukraine ’ s future was in NATO”. It added that an invitation would be extended when allied members agreed, and membership conditions had been met:

We fully support Ukraine ’ s right to choose its own security arrangements. Ukraine ’ s future is in NATO. We reaffirm the commitment we made at the 2008 summit in Bucharest that Ukraine will become a member of NATO, and today we recognise that Ukraine ’ s path to full Euro-Atlantic integration has moved beyond the need for the membership action plan. Ukraine has become increasingly interoperable and politically integrated with the alliance, and has made substantial progress on its reform path. In line with the 1997 Charter on a Distinctive Partnership between NATO and Ukraine and the 2009 complement, [NATO] allies will continue to support and review Ukraine ’ s progress on interoperability as well as additional democratic and security sector reforms that are required. NATO foreign ministers will regularly assess progress through the adapted Annual national programme. The alliance will support Ukraine in making these reforms on its path towards future membership. We will be in a position to extend an invitation to Ukraine to join the alliance when allies agree and conditions are met.

On 4 July 2023, Finland became the 31stmember of NATO. In addition, Sweden looks set to follow soon now that Turkey has dropped its objections to Sweden ’ s membership.

2.5 G7

In May 2023, the leaders of the G7 nations, the UK, Italy, Canada, France, the US, Japan and Germany, met in Hiroshima in Japan, alongside the presidents of the European Commission and the European Council. In the communiqué released following the summit, the G7 also reiterated its support for Ukraine:

We once again condemn in the strongest possible terms the war of aggression by Russia against Ukraine, which constitutes a serious violation of international law, including the UNCharter. Russia ’ s brutal war of aggression represents a threat to the whole world in breach of fundamental norms, rules and principles of the international community. We reaffirm our unwavering support for Ukraine for as long as it takes to bring a comprehensive, just and lasting peace. We issued the G7 leaders ’ statement on Ukraine, and with the clear intention and concrete actions set forth in it, we commit to intensifying our diplomatic, financial, humanitarian and military support for Ukraine, to increasing the costs to Russia and those supporting its war efforts, and to continuing to counter the negative impacts of the war on the rest of the world, particularly on the most vulnerable people.

3. Russia-China cooperation and other ***strategic*** moves by Russia

3.1 Current state of Russian-Chinese relations

Russia has increasingly sought to develop its political and military relationships with various ***strategic*** partners across the world, and this has only accelerated in response to Western support for Ukraine and the sanctions regime imposed upon its interests. For example, Russia is reportedly importing munitions from North Korea and drone technology from Iran.

However, arguably the most important of these relationships is Russia ’ s ties with China. In early February 2022 Russia and China announced a “no limits” partnership and following Russia ’ s invasion of Ukraine there has been a marked increase in the trade between the two countries. Writing for the Carnegie Endowment for International Peace, Mikhail Korostikov notes that the value of bilateral trade reached a record $190bn last year and increased by another 39percent in the first quarter of this year compared with the same period in 2022. He notes that Russian raw material exports to China and imports of Chinese goods have sharply increased. Korostikov argues that this is indicative of increased Chinese-Russian cooperation in “all directions” and argues that Russia has been open about seeing Beijing as an alternative centre of power with similar interests and values, which it can rely upon in its confrontation with the West.

In March 2023, China ’ s President Xi Jinping made a state visit to Russia. Commentators ’ perspectives on the visit differ, with some arguing that the visit was a sweeping signal of alignment across a host of issues. Others, however, ***suggest*** that it was designed to show cooperation but also the ‘red lines ’ which exist in the Chinese-Russian relationship as China continues to court Western economies in the wake of its domestic economic woes. Indeed, President Xi spoke to Ukrainian President Zelenskyy on the telephone in April 2023, the first direct contact between the two leaders since the war began. The Chinese special envoy for Eurasian affairs, Li Hu, also visited Ukraine in May 2023. During that meeting, he said that China was willing to work with other countries to create conditions for a political settlement to the conflict. At the same time, the Ukrainian foreign ministry said that it had been clear to Mr Li that Kyiv would not accept any proposals to end the war that involved losing territory or freezing the conflict.

Russia and China signed further economic trade agreements in May 2023, following a visit to Beijing by Russian Prime Minister Mikhail Mishustin. As part of the visit, Mr Mishustin claimed that trade between the two nations could reach $200bn this year.

A UK civil servant specialising in Russia – China relations writing under a pseudonym for the Royal United Service Institute(RUSI) has argued that the ***strategic*** alliance has benefitted both sides. Russia has a wealthy and willing trading partner at a time of increasing international isolation, while China has made technological gains from its relations with Russia and buys heavily discounted energy. The author argues that each side also legitimises the other internationally and that there is “little chance of differing interests prising the two countries apart”. Instead, they argue that Western nations should plan on the basis of increasing Chinese-Russian ties, and though a formal alliance seems unlikely, both sides have demonstrated a flexibility driven by adversity that may make such moves closer than anticipated.

3.2 ***Strategic*** moves by Russia in Africa and elsewhere

Russia has also sought to build its influence elsewhere in the world, particularly in Africa. For example, writing for the Center for ***Strategic*** and International Studies Mathieu Droin and Tina Dolbaia note that Russia has sought to build significant political and economic relationships with African nations:

In addition to strengthening diplomatic ties with African states, the Kremlin has also expanded its economic footprint on the continent. For instance, trade revenue between Russia and African countries almost doubled from $9.9bn in 2013 to $17.7bn by 2021. Grain exports are of particular importance, as nearly 30percent of Africa ’ s grain supplies come from Russia. Moscow ’ s leading trade partners in the region are countries in North Africa—particularly Egypt, Algeria, and Morocco—which together account for approximately 67percent of Russia ’ s total trade with the continent. Moscow mainly exports wheat, coal, refined petroleum, and electronics to these states, while importing fruits, sugar, and vegetables.

In addition, the authors argue that Russia ’ s recent withdrawal from the Black Sea grain deal (covered in more detail in section4 below) may benefit Moscow ’ s own grain exports by cutting Kyiv out of the global market and increasing the dependence of a number of African states on Russian grain.

Droin and Dolbaia also note that Russia is the chief arms supplier to Africa, accounting for 40percent of African imports of major weapons systems between 2018 and 2022. Russian private military companies (PMCs) including the Wagner group are also known to be active in many African countries. Indeed, the Wagner group is accused of significant human rights abuses in Mali and seeking to take advantage of instability in Niger following the recent coup in the country. There have also been allegations that the Wagner group was directly or indirectly involved in the Niger coup itself, and indeed protesters taking to the streets have been seen waving Russian flags. The US is also reportedly worried about similar Russian PMC involvement in other countries in the Sahel region.

The recent actions of the Wagner group in Russia and the death of its leader, Yevgeny Prigozhin, are explored in section4 below.

In other significant recent international moves, in March 2023 Russia agreed a deal with neighbouring Belarus to station tactical nuclear weapons on its territory. In addition, Russia has declared its noncompliance with the New START Treaty, designed to reduce the number of nuclear weapons held by the US and the Russian Federation, and indeed Russia has claimed that the treaty is now suspended. The US has called these actions “irresponsible and unlawful”.

Most recently, on 12September 2023 North Korean President Kim Jong Un reportedly travelled to Russia to discuss the further provision of weapons to Russian forces fighting in Ukraine.

4. Other recent key developments

4.1 Death of Yevgeny Prigozhin, Head of the Wagner group

On 27 August 2023, after some days of uncertainty, it was confirmed that the head of the Wagner group, Yevgeny Prigozhin, had been killed in a plane crash 185miles north of Moscow. Also on the flight was Valery Chekalov, Prigozhin ’ s deputy who was reportedly responsible for Wagner group logistics.

Their deaths followed the short-lived and abortive rebellion launched by the Wagner group in June 2023, when armed mercenary forces launched a mutiny against Russian authorities, including seizing the headquarters of Russia ’ s Southern Military District in the southern city of Rostov-on-Don and marching toward Moscow. Prigozhin claimed his mutiny was not against President Putin but rather against the military leadership and other advisers who were misleading the president. However, following reports that the aircraft in which he was travelling was hit by a missile, many commentators have argued that the incident was President Putin ’ s revenge for the mutiny (though have some have claimed it may have also been for financial reasons). The Russian authorities have claimed to have had no involvement in the crash and in an interview on 24August 2023 President Putin expressed his condolences to the families of the victims. However, he also said that Prigozhin was a “talented businessman” with a “complicated fate” who had made “serious mistakes in his life”.

The Wagner group has played a significant role in Russia ’ s invasion of Ukraine. The Congressional Research Service notes that the group ’ s role became more prominent around mid-2022, after the Russian military ’ s initial failure to achieve key objectives. ” The Congressional Research Service also notes that Wagner has been linked to numerous instances of potential war crimes and human rights violations in Ukraine, even against its own personnel.

Joana de deus Pereira, a senior research fellow at RUSI, has said that the Wagner group will “probably cease to exist” in its current form because of Prigozhin ’ s death. However, she said that the organisation itself “will continue to operate and morph and probably will appear with another branding, with a facelift”. She added that the “operations, the core operations in Africa, they will continue”.

4.2 Latest on the Black Sea grain deal

As noted above, Russia has withdrawn from the Black Sea grain initiative, a deal brokered by Turkey and the UN in July 2022 to enable Ukraine to export grain by sea despite the war. It was accompanied by an agreement to facilitate Russia ’ s own exports of food and fertiliser, which Moscow claims has not been fulfilled. As a result, the initiative was not renewed after its third term, which expired on 17July 2023.

Despite recent attempts by the UN to revive the deal, including at the recent G20 summit in India, Russia has resisted calls to re-join the agreement. Since the expiration of the deal, Russia has also launched a series of air attacks on Ukraine ’ s ports, destroying thousands of tonnes of grain. Since the end of the deal, BBCNews reports that Ukrainian wheat exports have remained reasonably high, but exports of maize have fallen significantly. The UK ’ s ***Agriculture*** and Horticulture Development Board says 65% of Ukraine ’ s grain exports are now going from the ports of Izmail and Reni, on the Danube. The grain is then transported by river and canals into the Black Sea, via the Romanian ports of Sulina and Constanta. In January 2023, only 20% of Ukraine ’ s grain was being exported this way. BBC News also reports that Russia has repeatedly attacked Izmail and Reni with drones to try and disrupt operations.

4.3 Drone attacks on Russian territory

Drone warfare has been a critical component of the war in Ukraine since the invasion began in February 2022. Both sides have made extensive use of drone technology. However, in recent months Ukraine has shown an increasing willingness and capability to strike targets deep inside Russia. According to BBC Verify there have more than 190suspected drone strikes in 2023 in Russia and in Russian-annexed Crimea, including in Moscow and the Russian city of Pskov, more than 434miles from the Ukrainian border (and which Ukrainian officials have said was targeted from inside Russia). At the same time, Russian drone and missile strikes on Ukrainian towns and cities have continued. From 24February 2022 to 13August 2023, the Office of the UN High Commissioner for Human Rights has recorded 26,384civilian casualties in the country.

4.4 Recent changes to senior Ukrainian and Russian military/diplomatic postholders

Recent months have also seen significant changes in personnel on both sides of the conflict. Senior Russian military commanders involved in the Ukrainian invasion have been changed or ***rotated*** several times since the beginning of the war. Most recently, Russian General Sergei Surovikin, who at one time was commander of Russia ’ s war effort in Ukraine, has reportedly been dismissed as head of the country ’ s aerospace forces. General Surovikin was implicated in the Wagner group mutiny of June 2023 and has not been seen in public since the aborted coup.

On the Ukrainian side of the conflict, President Zelenskyy dismissed Ukraine ’ s ambassador to London Vadym Prystaiko on 21July 2023. Mr Prystaiko ’ s dismissal was announced in a presidential order, with no official reason being given. However, the Guardian noted that it followed diplomatic tensions between the UK and Ukraine over remarks that Ukraine should be “more grateful for the military help the West was providing”.

On 3 September 2023, Ukraine also announced that the defence minister, Oleksiy Reznikov, would be replaced, the highest-level official to depart since the beginning of the war. The new defence minister, Rustem Umerov, a former head of the State Property Fund, was appointed on 6September 2023. Though he reportedly enjoyed good relationships with Ukraine ’ s international partners, Mr Reznikov was reportedly removed as a result of several scandals which have occurred during his tenure. These included the news that the Ukrainian defence ministry had been procuring goods for its soldiers at above market prices.

5. Future of the conflict in Ukraine

Opinions differ on how the war in Ukraine will progress, and ultimately end, though many experts agree that it will be determined to an extent by the success of the present counteroffensive.

James Nixey, director of the Russia and Eurasia programme at Chatham House, ***suggests*** there are “worrying signs” that some of Ukraine ’ s Western supporters want to prepare the ground for a negotiated settlement between Russia and Ukraine. In the US in particular, Nixey argues that such talk is no longer confined to former president Donald Trump and his allies but is now being discussed by some in the Biden administration. For Nixey, pushing Ukraine to negotiate now would be “disastrous”. He argues that, while the urge to find an end to the conflict is “understandable, ostensibly reasonable and often well-intentioned”, no part of Russia ’ s argument contains reasonable grounds for compromise. Instead, he argues that to help the “slower-than-desired offensive”, the West should accede to Ukraine ’ s wish list—not least for longer-range weaponry that can reach behind front lines, including into Russian territory. Further, Nixey argues that raising negotiations at this stage “can only ***suggest*** a lack of belief in a Ukrainian victory on the part of Ukraine ’ s supporters” and an unwillingness to stay the course. It would also confirm to Russia the limits of the West ’ s resolve.

A similar argument is put forward by Judy Demsey, senior fellow at Carnegie Europe. She argues that Europe needs to rapidly increase its military support for Ukraine, contending that negotiations can only begin if Ukraine “is in a strong enough position to set the terms”. For Demsey, those terms are not just about restoring Ukraine ’ s territorial integrity. They are about ensuring that Russia does not attack or threaten Kyiv again. An end to the war is about ending Russia ’ s imperial ambitions in this part of Europe. She argues that the NATO summit in July was a missed opportunity:

During the Vilnius summit in July, NATO threw away the opportunity to act courageously and with conviction. Ukraine should have been offered membership there and then. The security guarantees that were offered instead have not been ironed out.

The United States and Germany led the opposition to Ukraine joining NATO on the grounds that it would lead to more escalation by Russia, or even to a world war. As it is, Russia ’ s invasion of Ukraine already has global implications, for energy, for food supplies, and for global alliances, including China ’ s support for Russia. In short, the war in Ukraine is not confined to Ukraine.

Some news outlets such as Politico Europe have reported that some US officials are preparing for a “frozen conflict that lasts many years—perhaps decades”. Politico alleges that provisional discussions within the Biden administration have included a potential long-term “freeze”, including where to set potential lines that Ukraine and Russia would agree not to cross but which would not constitute official borders. Politico argues that this scenario has become more likely as the Ukrainian counteroffensive appears incapable of delivering a “mortal blow” to Russian forces.

A similar argument is put forward by the International Crisis Group (ICG), which notes the practical challenges to delivering Ukraine ’ s stated intention of reclaiming all of its territory, including those areas held by Russia since 2014. Writing in July 2023, the ICG argued that, even if the Ukrainian counteroffensive succeeded in breaking through to the Sea of Azov, severing the land supply route between Russian forces, significant obstacles would remain:

One is the question of how [Ukraine] would retake Crimea, which Moscow has held since 2014 and which hosts Russia ’ s Black Sea fleet. A blockade of the peninsula, possible only if Ukraine regains substantial land in the south, might be one way. It would limit escalation risks by avoiding a frontal Ukrainian assault on territory that—while unquestionably Kyiv ’ s under international law—is both highly prized and claimed by the Kremlin. (Ukraine already engages in shelling and missile strikes and these would presumably continue). This tactic could additionally offer negotiating leverage with Moscow. But a blockade would be tremendously difficult, militarily and logistically. It would also risk grave humanitarian impact, while leaving the peninsula in Russia ’ s hands.

Another problem is Russia. Despite the mutiny by the head of the Wagner private military company Yevgeny Prigozhin on 23 – 24June, the Russian military still appears cohesive—and has just been promised a pay raise. There is no guarantee that Ukrainian military successes in themselves would be enough to achieve Russia ’ s defeat on the terms Kyiv seeks. However far Kyiv gets, it runs the risk that Russia responds not with negotiation or capitulation, but with obstinacy, regrouping and looking to fight again, including with attacks across the border and airstrikes throughout Ukraine.

Consequently, the ICG argues that there is a second version of how Ukraine sees victory. This narrative is about the transformation of Russia, up to and including the country ’ s collapse and a change in its government. The ICG is clear that this is not official policy in Kyiv or Western capitals. However, the ICG argues that Ukrainian officials and several Western experts with ties to their governments “say peace is impossible absent fundamental change in Moscow”. Some harbour hopes of the Russian government ’ s downfall, though this “does not include the Biden administration, which has taken pains to make clear that such an outcome is neither its aim nor its desire”. The ICG also notes that on the one hand the failed Wagner mutiny indicates the Kremlin can withstand shocks. On the other, “it makes clear that internal turmoil is more plausible than Moscow seems to have anticipated”. Ultimately the ICG concludes that such a scenario is beyond the power of Western governments to ultimately determine and therefore is not a useful planning parameter for the future of the conflict.

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[***Farmers’ Perception of Soil Erosion and Degradation and Their Effects on Rural Livelihoods in KwaMaye Community, KwaZulu-Natal, South Africa***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BH2-VXY1-JBMY-H4PC-00000-00&context=1516831)

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**ABSTRACT**

KwaMaye community in KwaZulu-Natal, South Africa, has, for decades, suffered from severe environmental degradation partly due to soil erosion. Yet, no study has analysed farmers’ perception of environmental challenges confronting them and their effects on local livelihoods. Focus group discussions were conducted with KwaMaye farmers selected through purposive and snowball sampling techniques. KwaMaye farmers argued that soil erosion is triggered by climate fluctuations, overgrazing, termites and moles infestation. Also, the farmers ***suggested*** that environmental degradation has worsened in recent years due to increasing livestock population and shrinking grazing fields, among others. Also, farmers revealed that while provincial authorities during apartheid installed large-scale terracing to combat soil erosion, KwaMaye residents have not received any assistance from the provincial government. The aggressive nature of environmental degradation in KwaMaye has caused some farmers to quit food production despite a series of Indigenous interventions employed to combat soil erosion-related land degradation.

**FULL TEXT**

**Introduction**

Globally, climate-induced disasters have been on the rise and are often associated with unprecedented and extreme weather events such as hurricanes, wild fires, droughts and floods (Cutter et al., 2012; Thomas and López, 2015). These events, usually associated with fatalities and adverse environmental consequences, trigger an immediate response at local and sometimes at national levels to address such issues (Adelekan, 2016; Ebhuoma and Simatele, 2017; Neill and Nicholson-Cole, 2009; Schmidt et al., 2020). Conversely, issues like biodiversity loss, desertification and land degradation occur at a slower pace (Kairis et al., 2015; Nyamekye et al., 2018; Ovuka, 2000). Even in circumstances where such events have negatively impacted livelihoods, government officials respond at a slow pace (Matias, 2017; Schmidt et al., 2020). Indeed, land degradation remains one of the most compelling ***agricultural*** and environmental challenges globally (Dubovyk, 2017; Stavi and Lal, 2015).

Land degradation, which includes various aspects of soil erosion; physical, chemical or biological deterioration; or loss of natural vegetation, affects approximately 30% of total landmass globally (Nkonya et al., 2016). In Africa, 27% of the total landmass is degraded. Of this, 65% is ***agricultural*** land (Nyamekye et al., 2018). Soil erosion is a naturally occurring and multifaceted process that involves soil disintegration, soil detachment, soil particle translocation by water, wind, ice or gravity, and soil sedimentation (Lal, 2003). But as Wynants et al. (2019) and Dlamini et al. (2011) highlight, water is the most widespread cause of soil erosion in Sub-Saharan Africa (SSA), accounting for 46% of all degraded land (FAO, 2015). Soil erosion is exacerbated by climate change through rainfall and temperature fluctuations (Nyamekye et al., 2018), as well as burrowing rodents which, in some cases, facilitate the loss of vegetation cover and topsoil (Haussmann, 2017). In addition, overgrazing is an anthropogenic activity that worsens soil erosion (Fetzel et al., 2018; Fischer-Kowalski et al., 2011).

Overgrazing is a well-known driver of land degradation through the loss of vegetation cover (Kairis et al., 2015; Nyamekye et al., 2018; Ovuka, 2000). Poor vegetation cover reduces soil water infiltration capacity and indirectly speeds up the process of land degradation (Carmona et al., 2013; Kairis et al., 2015). Studies in Ethiopia (Mekuria et al., 2007), Kenya (Ovuka, 2000), South Africa (Vetter, 2007) and the Sahel region (Doso, 2014), for example, have traced increased land degradation – which worsened existing soil erosion – to overgrazing. Because of loss of vegetation cover that resulted in decreased quantity and quality of pastures, some subsistence livestock farmers in SSA have been constrained to stall-feed their livestock (Nkonya et al., 2011; Ovuka, 2000), which has enormous financial implications for poor farmers.

Due to loss in soil fertility and desertification associated with eroded soils in most semi-arid regions in SSA, food production has become an exhausting venture with farm abandonment becoming increasingly prevalent (Ovuka, 2000; Pimentel and Burgess, 2013). Soil erosion and land degradation are thus a serious threat to food security, livestock production and income, particularly for local farmers in semi-arid African countries primarily dependent on ***agriculture*** for their livelihoods (Ighodaro et al., 2016; Nyamekye et al., 2018; Pimentel and Burgess, 2013; van Tol et al., 2016). The adverse effects of soil erosion and land degradation have not gone unnoticed by farmers. Assefa and Hans-Rudolf (2016), for example, document that most farmers in the Gamo Gofa zone in Ethiopia were aware of the severe impact of soil erosion and soil fertility decline on their farmlands. Similar observations were made in South Africa (van Tol et al., 2016) and India (Peddi and Kumar, 2019), respectively. Notwithstanding, farmers are not passive victims of soil erosion and the resulting land degradation challenges.

Farmers in SSA have adopted several soil conservation techniques to improve soil fertility and enhance land rehabilitation (Doso, 2014; Guteta and Abegaz, 2016; Mekuria et al., 2007; Seitz et al., 2019; Zougmoré et al., 2000; Zougmoré et al., 2014). For example, farmers in Chencha and Arbaminch, Gamo Gofa zone, Ethiopia, use a combination of various traditional management practices such as terracing, manuring, fallowing and crop ***rotation*** to control soil erosion and improve soil fertility (Assefa and Hans-Rudolf, 2016). In the Lower Sinxaku and Ntzebe villages in the Eastern Cape, South Africa, big stones are used to control soil erosion and prevent it from extending closer to houses. The residents highlighted the relevance of good irrigation systems to control soil surface runoff and erosion (van Tol et al., 2016). In Burkina Faso, some farmers construct zai pits and half-moon ditches to contain overland flow and soil erosion, rehabilitate degraded land and improve soil infiltration (Nyamekye et al., 2018; Zougmoré et al., 2014).

Despite the use of these traditional soil conservation techniques to mitigate the adverse effects of land degradation, the effectiveness of such techniques is bound to improve tremendously when government department and non-governmental organizations (NGOs) provide robust technical assistance. Such assistance includes, but is not limited to, installing gabion structures, stone bunds and intensified agroforestry, and large-scale terracing (Liu et al., 2011; Nyamekye et al., 2018). Nyamekye et al. (2018), for example, demonstrate how government and NGOs provided technical assistance with the implementation of robust soil and water conservation measures to combat land degradation threats in Burkina Faso in the early 1980s and between 2004 and 2005. Similarly, between 1975 and 1989, the Ethiopian government and international organisations collaborated in large-scale terracing in the Tigray region, covering an area of about 1,188,000 ha and vegetated 310,000 ha of land. The governmental and international collaboration resulted in a significant increase in vegetated areas (Tesfaye et al., 2014) and also improved soil nutrients in the region (Mekuria and Aynekulu, 2013). Unfortunately, lack of maintenance and political instability resulted in the destruction of the terraces (FAO, 1990; National Conservation Strategy (NCS), 1990).

In South Africa, land rehabilitation programmes and initiatives have been set up to identify degraded lands and assist affected communities and farmers to address issues associated with soil erosion and land degradation. For instance, South Africa’s national science council contracted the ***Agricultural*** Research Council (ARC) Institute for Soil, Climate and Water to map the state of soil erosion in South Africa using remote sensing technique (Le Roux, 2011). Also, the Department of Environment, Forestry and Fisheries (DEFF), responsible for ensuring that the environment and natural resources are adequately managed, protected and conserved rolled out the Working for Land (WfL) project. This resulted in intensified land rehabilitation and afforestation, availing more land for ***agricultural*** and grazing purposes in some parts of the country (DEFF, 2019). Furthermore, Nquthu land rehabilitation project in KwaZulu-Natal received over R15 million (US$807,320.00) from DEFF. The programme was aimed at rehabilitating land through the sloping of dongas, construction of gabions and cultivating about 1000 Indigenous trees (Brand South Africa, 2016). Similarly, the Landcare community-based initiative was utilised to address land degradation through soil erosion rehabilitation, veld management and increased productivity in a communal farm within Mogalakwena Municipality of the Waterberg District in Limpopo province. Part of the R620,000.00 (US$33,369.00) allocated to the project was used to construct 18 gabion structures covering 240 ha, and train 30 people in gabion construction (DEFF, 2020). Similarly, in the Lower Kroza LandCare Project in O.R. Tambo District, Eastern Cape, R583,000.00 (US$37,420.00) was allocated to restore the lost fertility of the soil, to control soil erosion by introducing Conservation ***Agriculture*** technology production practices (rotational grazing and use of herbicides in no-till practices) and gabion construction (DEFF, 2020).

Despite existing programmes and initiatives aimed at tackling soil erosion and land degradation in South Africa, there are limited studies on how these interventions have facilitated subsistence farmers’ ability to sustain their livelihoods. This is especially crucial for those residing in the former homelands of KZN such as KwaMaye community where soil erosion and land degradation has remained part of the community’s fabric, with anecdotal evidence stretching back to the 1940s. Against this background, this article pursues two objectives. First, it seeks to highlight the factors, causes and perceived impacts of soil erosion and land degradation on the rural livelihoods of small-scale farmers in KwaMaye community. Second, it analyses the effectiveness of government interventions aimed at minimising the adverse effects of land degradation on farmers’ livelihoods in KwaMaye. This is against the backdrop of no documented evidence of any intervention put in place to assist farmers in tackling any form of land degradation in KwaMaye. The fact that interventions aimed at alleviating environmental threats to rural farmers’ livelihoods may not be published on a government’s website does not imply that they have not provided assistance in addressing such issues (Nkonya et al., 2016).

**Materials and methods**

**Study area description**

The study area, KwaMaye, is a rural community in Okhahlamba Local Municipality, KwaZulu-Natal, South Africa. Under apartheid, when the freedom and rights of blacks were strictly within the designated homelands, KwaMaye was under the Zulu province, which was changed to KwaZulu-Natal after its official dissolution in 1994. KwaMaye is located between latitudes 28°45′47″S and 28°47′51″S, and 29°13′26″E and 29°16′22″E. The area is bounded by Woodstock Dam in the west, Tugela River and Driel Dam in the north, and in the East and South by Hoffenthal community (Figure 1). Woodstock Dam, which has a storage capacity of 373.3 million m3 and is 49 m high, was commissioned in 1983. During peak electricity demands, it is used to generate hydro-electric power. Driel Dam, which is also used to generate hydro-electric power, has a storage capacity of 10.3 million m3 and became operational in 1986. Scattered ***agricultural*** land (primarily maize farming) in close proximity to Woodstock Dam and Tugela River is a notable characteristic of the study area.

**Figure 1.**

Map of KwaMaye, KwaZulu-Natal, South Africa.

*Source*: Author (2019).

The vegetation of KwaMaye is classified as semi-arid grassland and characterised by Southern tall grassveld, highland sour-veld and dohne sourveld (Acocks, 1988). It receives approximately 80% of its annual rainfall from November to April. The annual rainfall ranges from 1000 mm to 1500 mm. In addition to erratic rainfall and temperatures being experienced over the years across Okhahklamba Local municipality, multiple climate-disturbances such as droughts and floods have been reported (Vilakazi et al., 2019). In winter, temperature ranges from −5 to 12.7°C in KwaMaye (Rienecker et al., 2011). The terrain elevation varies from 1147 m in the north to 1285 m in the south (Farr et al., 2007). KwaMaye is a rural settlement with a population of 1938 people, comprising 99.9% black Africans and 0.10% other racial groups (UThukela District Municipality, 2015).

KwaMaye’s landmass is approximately 1372 ha. Over 60% of the land in KwaMaye is degraded. Farming is predominantly on a small scale in KwaMaye. Households have large numbers of livestock, which compete for limited nutritious pastures in the non-degraded area. Each household has between 6 and 30 livestock. Livestock reared include cattle, sheep, goat and donkey. The open spaces without vegetation are related to human infrastructures (roads and homesteads), erosion features (rills, sheets and gullies), topographic ridges of varying geometry and clastic sediment depositions. The main soil types in the study area are Chromic Acrisols and Leptic Regosol, both highly dispersive and erodible (Dijkshoorn et al., 2008). With regard to food production, households produce maize, spinach and cabbage.

**Methodology**

A total of six focus group discussions (FGDs) were conducted in different locations within the study area from 16 to 19 July 2019. One FGD constituted male elders (70 years old and above), three FGDs were men-only groups age between 32 and 70 years and two women-only groups between 20 and 67 years. The homogeneous focus groups allowed participants to feel comfortable to speak and share their experiences regardless of their gender due to male dominance linked with the Zulu culture, as observed in most African cultures (Ebhuoma and Simatele, 2017; Hadebe, 2010; John, 2006; Langa, 2012). Eligible participants were selected through purposive and snowballing sampling techniques. This was facilitated by the village head who was contacted and the purpose of the study was explained to him and thereafter, other participants notified their peers. The questions posed during the FGDs were pre-tested in a non-sample community before the commencement of the study to ascertain its logic and comprehensibility. In total, 69 local farmers participated in the study. While the sample size may be deemed small by quantitative researchers, from a qualitative research standpoint, this sample size is adequate for exploratory studies (Miles and Huberman, 2014).

The data collection was preceded by two initial visits to KwaMaye community on 12 February 2019 and 3 July 2019 by the researchers. Meetings held with the Headmen and other residents of the community during the initial visits not only aided the researchers and research assistants to plan the data collection adequately, but to concretise the validity of the obtained primary data. The FGDs were conducted in IsiZulu (the common language understood and spoken in KwaMaye) by one of the researchers and two research assistants, recorded on digital audio devices and later transcribed by the research assistants. Visual data (photographs) were also collected during the visit by the researchers. Implementing appropriate research ethics and practice, all participants signed informed consent or voluntary participation forms written in IsiZulu.

The questions posed during the fieldwork were inspired by the initial visits, conversations with community members and literature review (Assefa and Hans-Rudolf, 2016; DEFF, 2016; Van Tol et al., 2016; Vilakazi et al., 2019). The questions focused on the local farmers’ perception of soil erosion and land degradation, strategies to tackle environmental degradation1 and its effects on rural livelihoods. The survey instrument aimed to cover the broader context of land degradation, including its social and economic aspects. Some of the guiding questions during the FGD include ‘what are the major environmental challenges affecting ***agriculture*** in your community?’ ‘what are the causes of the land degradation in your community?’ ‘what strategies have use used to tackle land degradation in your community?’ and ‘what sort of assistance has the community received from the government to address the soil erosion and land degradation?’ The data were analysed using thematic analysis technique. Thematic analysis identifies, analyses and interprets patterns of meaning or themes in qualitative data. ‘Themes are actively constructed patterns (or meanings) derived from a data set that answer a research question, as opposed to mere summaries or categorizations of codes’ (Kiger and Varpio, 2020: 1). Participants’ responses have been quoted verbatim to avoid erroneously misinterpreting their responses.

**Results**

**Local farmers’ perception of environmental degradation**

The major environmental challenges besieging KwaMaye are soil erosion and low soil fertility. Participants’ perspectives towards the characteristics of soil erosion were more or less the same. Most of them emphasised that eroded soils *have deep and, in some cases, wide trenches* (*gullies*) *without grasses or little grasses and shallow hollowed lines on the ground* (*rills*). For some, the soil’s appearance – lack of vegetation – was used to identify eroded soils. While the entire community is affected by erosion, it is worse on the mountain slopes due to the steeper relief. Soil erosion is not a new phenomenon in KwaMaye. What is new, however, is the severity (Figures 2a and b). In a FGD, for example, an elderly male participant (above 50 years old) revealed, We are all aware of them, [soil erosion and low soil fertility] and they are affecting our livelihood. We grew up meeting the soil erosion in the community, and it has been there since we started farming as young boys, but they are getting worse by the day.

**Figure 2a.**

The state of soil erosion in KwaMaye.

*Source*: Fieldwork (2019).

**Figure 2b.**

Satellite image showing the extent of erosion in KwaMaye.

*Source*: Google earth (2021).

Also, soil erosion keeps edging closer to the residential houses of farmers (Figure 3), causing uncontrollable anxiety among local farmers and households. For instance, a lady in her late 30s commented, I am really worried about the way the erosion is spreading close to my house. The relevant department needs to assist me and other people that the erosion is expanding close to their homes. We don’t want to wake up one day and notice our homes are destroyed . . . or have collapsed.

**Figure 3.**

Proximity of soil erosion to houses in KwaMaye.

*Source*: Fieldwork (2019).

For the low fertile soils, some participants asserted that the main forms of identification are the soil colour and texture (light and loose or sandy), the presence of erosion, as well as the presence of termites and moles. Besides undermining soil fertility, some lamented that termites have ravenously infested some houses in KwaMaye. An elderly male participant lamented that The termites are now infesting our houses. The termites are now eating the wood frames of our doors and windows. This challenge is new to us; we have never experienced them before.

For a few, the only way they can confirm a soil’s quality is by the harvest on a particular field. In this light, a middle-aged female stated that ‘if the maize produce is very small and the leaves of the spinach also very small, then we know that the soil is not fertile’. It was asserted that the soil’s quality is not as good as it was 20–30 years ago.

In terms of the causal factors of soil erosion and low soil fertility, participants’ views overlapped in some instances. For soil erosion, participants attributed its cause to heavy rainfall events, which washes away the topsoil. Also, heavy rainfall events as well as moles and termites’ infestation were deemed to aggravate existing soil erosion. The construction of Woodstock and Driel Dams led to moles invasion in KwaMaye.

Virtually, all participants highlighted overgrazing – due to burgeoning livestock population – as a significant contributory factor to soil erosion and low soil fertility. In addition, some participants emphasised that low soil fertility is as a result of soil erosion. For low soil fertility, increased drought conditions, moles and termite infestations were identified as significant contributory factors. As some participants’ argued, ‘the moles dig holes in the ground, affecting the soil’s quality’.

**Perceived impacts of environmental degradation on rural livelihood**

Food and livestock productions constitute most of local farmers’ and households’ means of livelihood in KwaMaye. Soil erosion and low soil fertility have adversely compromised the quality and quantity of crops produced. As FGD participants’ stated, ‘we are struggling to get quality crops to sell and expand our small farms’. The presence of termites and moles exacerbated these environmental issues. The participants indicated that the termites and moles are everywhere in the community, destroying farms and eating the roots of crops. Also, increased livestock population aggressively undermines food production through intense contestations for nutritious pastures on limited communal rangeland, which results in animals eating some farmers’ cultivated produce. The farmlands spared from roaming livestock are the fenced ones. In emphasising the importance of fencing to enable adequate food production, an elderly participant stated, I have a farm close to my house and it is just for my family consumption. I manage to farm because I have little fence to protect my crops from the cow, goats and sheep that are owned by other community members, which are allowed to roam the community.

The current challenges associated with rearing livestock has dissuaded some youths’ interest in rearing livestock as a source of livelihood as they struggle to access nutritious pastures. Proximity to dam, however, played a crucial role in ensuring livestock have access to nutritious pastures. As an elderly participant highlighted, It was very difficult for many people in the community to get forages, especially those that live far away from the dam, and those that cannot hire herd boys. For us that live close to the dam, our cattle managed to get some grass close to the dam. But they were not enough so had to buy from the merchants in Bergville Town.

The difficulty associated with food production in unfenced farmland has cascaded into a reduction of monetary income accrued from food production in a community where unemployment is a major issue, even for those with tertiary education. Consequently, most farmers have either reduced or stopped crop farming activities because they are not getting adequate support from the government to address their predicaments. Farmers are forced to rely heavily on old age and child grants from the government, which is grossly inadequate to make ends meet. Also, the few participants’ still engaging in food production stated that they would like to produce food in large quantities. However, lack of fertile farmland coupled with soil erosion has affected a good significant portion of farmland, manure or fertilisers, absence of irrigation systems, inability to hire tractors and fences to protect their crops from roaming livestock – who consume the freshly grown produce – were factors undermining such efforts.

**Strategies to tackle environmental degradation and local government assistance**

Local farmers in KwaMaye are not docile victims of land degradation in the community. They actively and consistently strive to engineer ways to address their pressing problems in the best possible way they can with the little resources at their disposal. Local farmers in KwaMaye rely on their Indigenous knowledge systems to boost soil nutrients and address soil erosion in the best way possible (Table 1).

**Table 1.**

Soil fertility and erosion management strategies in KwaMaye.

| **Management strategies** | **Description** |
| --- | --- |
| Low soil fertility |  |
| Crop ***rotation*** | Farmers applied ***agricultural*** practices like crop ***rotation*** to improve soil structure and soil fertility to promote vegetation growth and control soil erosion. But it is extremely challenging to practice these strategies due to the large number of livestock owned by households and limited grazing lands |
| Tree planting | A few highlighted that they plant trees to stabilise the soil and enrich the soil’s quality |
| Cow dung | Local farmers use cow dung (indigenously referred to as Umquaba) as manure. This is a method commonly practised to enrich the soil because cows are virtually everywhere, making dung easy obtainable |
| Intercropping | This entails planting different crops simultaneously on a piece of farmland. This approach replenishes soil nutrients, facilitates crop growth and prevents soil erosion |
| Farmland fallowing | This is a widely practised technique. Framers deliberately do not cultivate during some planting seasons. They leave the farm to fallow to allow the grasses grow to enrich the soil. During that period, some farmers leave the maize shaft and other parts of the plant they do not need to rot away on their farmlands. However, the drawback with this technique is that due to the large number of livestock in the community, limited grazing lands and some farmers’ inability to fence their farmplots, freshly grown grasses are grazed upon by roaming livestock |
| Soil erosion |  |
| Use of stones | Local farmers use stones found around the community to control soil erosion close to their houses by piling them around the gully heads |
| Gabion structures | Few farmers use tractors to carry large amounts of stones quite enormous in size to build gabion structures to combat erosion. The construction of gabions provides employment opportunities for some local male youths |
| Tree planting | This strategy is used to tackle minor erosion. Areas severely affected by soil erosion have been abandoned because they lack the resources and expertise to address the problem |

*Source*: Fieldwork (2019).

While the local farmers have carved out strategies to tackle the environmental challenges they are confronted with, they have not significantly addressed the issue. Erosion continues to edge closer to people’s farmlands and houses. More traumatising for farmers is the lack of support from the local government. Views like ‘they promised to assist us during their election campaigns, but after they were voted, they have abandoned us’ were commonplace during fieldwork. In a mind-boggling revelation, participants echoed vociferously that it was much easier to cope with erosion under apartheid than post-1994, when South Africa gained democracy. In narrating the assistance received under apartheid, an elderly male participant revealed, There was one project that was initiated by the Department of ***Agriculture*** before 1994. The project involved gabions and stones project through previous administration known as Zulu Government. This project brought employment to the local labourers who built the gabion structures to control the soil erosion. However, the new administration (post-1994), has not initiated and executed any of such projects in our community.

For soil fertility, despite the use of cow dungs, participants argued that manure and inorganic fertilisers would be more effective. This is something they desperately need the government’s assistance to address as poverty hampers most local farmers’ inability to purchase these products. A participant, however, highlighted that the Department of ***Agriculture*** provides farmers with manure and other resources like tractors to scale-up food production. Nonetheless, the distribution process is fraught with irregularities, thereby hampering local farmers’ easy accessibility to the resources.

Overpopulation of livestock was underlined as a factor that dampens efforts to improve soil fertility due to animals roaming communal rangeland in search of nutritious pastures. This triggers soil erosion through the loss of vegetation cover. Overpopulation of livestock is a serious problem in KwaMaye, with some participants’ ***suggesting*** that the number of livestock must be curbed as part of the solution to address the soil degradation menace. In this light, a middle-aged male local farmer recommended that We need to limit the number of livestock in our community because that affect grazing land recovery as there will be constantly feeding and competing for the limited grazing lands in our community. To make matters worse, we are not getting support from the government.

In terms of the ways to address the termites and moles invasion, local farmers and households are clueless and are frustrated by not getting support from the government to address these pest challenges.

**Discussion**

Soil erosion and the resulting land degradation is one of Africa’s environmental challenges that have severely impacted rural livelihoods (Doso, 2014; Nkonya et al., 2016; Nyamekye et al., 2018; Vetter, 2007). The situation is no different for local farmers in KwaMaye. Participants unequivocally underlined overgrazing – due to burgeoning livestock population – as a major driver of soil erosion and the resulting land degradation, a view consistent with the literature (Carmona et al., 2013; Kairis et al., 2015; Mekuria et al., 2007). While some participants recommended that livestock reduction will significantly improve rangeland conditions, this may prove challenging as some fear such action will worsen their economic conditions (see also Vetter, 2009). The perceived adverse effect of overgrazing on land degradation aligns with what Wynants et al. (2019) referred to as the ‘tragedy of the open access’ as most local farmers in KwaMaye are unable to fence their plots due to their current financial circumstances.

Also, participants’ identification of heavy rainfall events and reoccurring droughts as factors that amplify preexisting soil erosion is corroborated by various scholars (Kakembo and Rowntree, 2003; Nyamekye et al., 2018; Opere, 2004). However, the view that termites and moles cause and worsen soil erosion by eating the roots of their crops and vegetation, as well as facilitate loss of fertile soil contradicts previous findings. Studies have underscored the importance African farmers’ attribute to termites soil fertility prowess through its ability to excavate materials rich in minerals from beneath the earth’s surface (10–15 m; up to 70 m; de Brossard et al., 2007; Bruyn and Conacher, 1990; Fairhead and Scoones, 2005). Thus, research is needed to analyse the mineral content of soil underneath the earth’s surface in KwaMaye to ascertain if this state of affairs is due to the absence of rich minerals or termite species. According to van Huis (2017), there are over 1000 termite species in Africa. In relation to moles, Atkinson (2016) argues that activities, such as burrowing and ripping its way through the turf in search of food, improve the health of the soil by mixing its nutrients. Unfortunately, such activities also facilitate sub-surface erosion and eventual borrow collapse revealing the erosion underneath the surface during heavy rainfall, the scenario at play in KwaMaye.

Despite the environmental challenges confronting local farmers, they were not docile victims. They employed a range of techniques such as the use of stones, construction of gabions and planting of trees to protect their farmland and houses from erosion (Table 1). These techniques are nothing new. In the Eastern Cape of South Africa, for example, as a way of preventing erosion from coming closer to houses, individuals use ‘izikrekela’, a process whereby big stones are placed in ***strategic*** locations to prevent the furthering of erosion (Van Tol et al., 2016). Similarly, gabion structures and tree planting have been used in other African countries (Frankl et al., 2016; Ojedele et al., 2019). Nonetheless, participants’ lamented that the strategies they employ to address soil erosion and land degradation are inadequate to significantly slow down the process without government intervention (Nyamekye et al., 2018). Put simply, participants’ assert that it is the government responsibility to rehabilitate degraded land, a view in line with Vetter’s (2007) findings.

A crucial finding, however, is the local farmers’ perception towards apartheid government support in assisting KwaMaye community to combat environmental degradation. Local farmers argued that coping with soil erosion and land degradation was much easier under apartheid due to the numerous supports provided. The provision made by the apartheid’s government to assist KwaMaye community to tackle environmental degradation may not be sufficient to conclude that they were not disenfranchised, as such measures were inferior to that put in place for white rural commercial farmers (Cooper, 1997; Delius and Schirmer, 2000). It is contested that the forms of state intervention to address environmental degradation provoked bitter resistance in many homelands, as they were not in tandem with measures put in place in white-owned land (Khan, 1997). The participants, however, did not share this viewpoint partly because the provision of gabions and fencing made it easier for local farmers to engage in food and livestock production, which has not been the case after 1994. Also, by addressing soil erosion, abled-bodied men were able to earn additional income by working as labourers to fix gabion structures in KwaMaye during the apartheid regime. Due to democratic government lack of support to address erosion, this form of livelihood has been eroded. Thus, it was not surprising that participants’ recommended government swift intervention to rehabilitate degraded land, as it will serve a dualistic purpose of addressing land degradation and job creation. Studies conducted in China (Xu et al., 2006), Brazil (Sathler et al., 2005), South Africa (Fullen et al., 2007) and the Gambia (Schroeder, 1999) have shown that addressing soil erosion leads to job creation for the local people.

Although the ANC-led government have put measures in place such as Working for Land (WfL) project and land rehabilitation programmes through the sloping of dongas and construction of gabions in parts of KZN (Brand South Africa, 2016; South African National Parks, 2020), such actions are yet to kickstart in KwaMaye. While the ANC-led government cannot be heavily criticised for its slow reaction towards addressing soil erosion and land degradation due to the complexity enshrined in trying to achieve equity for all its citizens against the backdrop of apartheid dissolution in 1994, the current state of affairs has sparked grave concerns, especially among the elderly. They are particularly worried that KwaMaye may become completely desolate in the nearest future. This is reinforced by the declining human population (rural–urban migration), especially as the youths continue to leave in droves in search of greener pastures. Similar observations have been made in Western India (Chopra and Gulati, 1997) and Cambodia (Hong, 2001), re-emphasising the need for environmental degradation to be given swift attention to enable local farmers obtain an effective livelihood, necessary to curb rural–urban migration. Also, this article highlights the need for policy injection that specifically addresses soil erosion and land degradation in South Africa to be implemented (see also Gashu and Muchie, 2018).

**Conclusion**

A majority of the local farmers in KwaMaye have a wealth of experience in identifying the severity, dynamics and causes of soil erosion and soil fertility decline. The locals ***suggested*** that soil erosion is triggered by climate fluctuations, overgrazing, and termites and moles infestation which compounds soil erosion. They unequivocally underlined overgrazing – due to burgeoning livestock population – as a major driver of soil erosion and the resulting land degradation. Local farmers’ perception of the issues of land degradation helped them to develop and apply some land management practices using resources available in the community. Despite adopting various soil conservation techniques employed by local farmers to address land degradation, their perceived impacts have remained largely inadequate to significantly slow down the process without government intervention. The apartheid government provided some assistance, which has not been replicated or scale-up by the democratic government. Therefore, any sustainable land use management plan should not only consider ecological and mechanical rehabilitations of the degraded land, but also create viable platforms for the local people to inject their recommendations based on their lived experiences.

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**Body**

Introduction

Adam Watson’s The Evolution of International Society () has become a principal example of the English School’s (ES) historical and sociological sensibilities. Sweeping across 10,000 years of history, Watson’s expansive account of the evolution of diverse international societies has provided a constant source of insight for generations of English School scholars attempting to sift through the sands of history for new discoveries. While Watson’s tome may be read (and often is) as merely a window into the past, it also wrestles with the as yet unknown future of ‘modern’ international society. There are, of course, things we know now that Watson could not have foreseen in 1992, when EIS was first published. But I would argue that Watson’s equivocations are largely due to his reluctance to engage with the international political economy of both early modern international society and the post-cold war era itself.

ES scholars are not known for their engagement with political economy, as Barry Buzan periodically laments (Buzan , ). Yet Watson was acutely aware that during the post-WWII era the most striking innovations in international society came from the economic sphere. Despite the fact that the post-cold war era was overdetermined by US primacy, international society was increasingly organised by an ‘institutionalized directorate’ among the great powers, particularly with regard to the G7, the IMF and other IFIs (Watson : 304). Watson observed just how intensely the Global South was chasing export markets, and, more generally, he gestured towards the deepening of ‘interests and pressures’ emanating from the growing intensity of economic interdependence (ibid: 321). Most suggestively, Watson posited a trend towards world government, one reinforced by an expanding roster of values and challenges, including ‘human rights, egalitarian economic justice and protection of the environment’, principles which, in Watson’s view, were becoming just as important as peace and security (ibid: 320).

In order to make sense of these trends, and the current conjuncture of international society, the article critically engages with Watson’s theory of hegemony, and the ways in which his ‘pendulum’ of world history takes on an historically specific pattern with the emergence of Euro-Atlantic international society from the sixteenth century onwards. Firstly, I offer a close examination of Watson’s notion of hegemony, the ways in which it is deployed in his depiction of Euro-Atlantic international society and the conceptual contradictions that arise from it. The antinomies of Watson’s ‘succession of hegemonies’ centres on the constant mismatch between principle and practice, or, the principle of independence and the practice of geopolitical hierarchy.

As a possible solution to this conceptual tension, I then introduce Giovanni Arrighi’s Gramscian approach to hegemony, as a form of power whose legitimacy is derived from the material conditions of possibility that allow a specific state to project its interest as the interest of all. In grounding the concept of hegemony within a more historicised account of material conditions of production and the international practices and institutions adequate to them, Arrighi offers a quite different set of hegemonic actors across Euro-Atlantic international society, actors which are equally present, though more muted, in Watson’s account.

One of the virtues of Arrighi’s approach is the identification of specific mechanisms giving rise to hegemonic transition, namely, the emergence of systemic crisis. Remarkably, Watson mentions the word ‘crisis’ only once, in relation to the first Gulf War. But as Aliber and Kindleberger () note, financial crises have been a ‘hardy perennial’ in the history of the modern world. Thus, Arrighi’s theory of ‘systemic cycles of accumulation’ reveals a whole series of cyclical yet evolutionary patterns of crisis formation across the succession of hegemonies that take on a remarkably pendular form. While Watson was adamant that his pendular metaphor does not take on any regularity across the evolution of international societies, the pattern of modern international society constitutes a strange exception, marked by: (1) the growth in size and scope of each new hegemonic state; (2) the consecutive internalisation of specific ‘costs’; (3) a decreasing periodicity between each hegemonic cycle or pendular swing; and (4) an increased amplitude (A) of each swing of the pendulum. As I show through a critical re-reading of Watson, the current impasse of international society stems from a bottleneck in the hegemonic transition between the US and China, marked principally by the inability of one or several states to internalise ‘reproduction costs’, or, in Watson’s words, the values of egalitarian economic justice and protection of the environment.

The final section picks up where Watson left off, with a critical analysis of the (re)ascent of China as a great power. In line with Arrighi’s account of reproduction costs (as the internationalisation of reproducing the preconditions of capital accumulation—labour and nature), the principal challenges facing the Chinese state lie in the raising of purchasing power and domestic consumption for its own people, as well as the transition towards a more sustainable mode of economic development. While China has made some remarkable strides in this direction, the specific strategies of accumulation underwriting China’s spectacular growth have ultimately failed to internalise reproduction costs, let alone present a hegemonic project for the rest of international society to follow. However, as I further argue, this relative failure to internalise reproduction costs is not indicative of a failure of hegemonic leadership, but symptomatic of an historically unprecedented conjecture in the long history of modern international society. As Watson himself understood, the intensity of economic interdependence, the crisis-ridden and increasingly delegitimised nature of globalisation and the tendency (however vaguely defined by Watson) towards a type of collective hegemony, all points towards the end of a singular hegemonic power leading the system of states in a specific direction. Put differently, the global crisis of labour and ecology requires not just a global solution, but an end to capitalist international society itself.

The antinomies of hegemony in The Evolution of International Society

Despite the fact that the EIS was shaped by a granular historical sociology that did not seek regularities, patterns, or models, there was, in fact, a virtual constant that ran through its entire scope:

‘The gravitational pull towards hegemony, and the ubiquity of some hegemonial authority in societies of independent or quasi-independent states, stands out so clearly from the evidence that the question arises why studies of states systems and political theory underestimate or even ignore it’ (1992: 314).

As it turns out, the concept of hegemony has hardly been ignored among the IR discipline and, since the first publication of EIS, has enjoyed a new lease of life (see Antoniades ). Nevertheless, in Watson’s view, the concept and indeed the practice of hegemony were so central to the evolution of international societies as to constitute a conceptual elephant in the room of world history. For Watson, hegemony is marked by the ability of the hegemonic power to ‘lay down the law’ (1992: 15) and to essentially govern the external relations between units in the system. Yet Watson never quite drills down into what it takes to lay down the law or, at the very least, which mechanisms, resources and institutions amount to a hegemonic power. Suggestively, Watson poses two questions early in the book: ‘To what extent do such [hegemonic] policies depend for their success on a wide measure of acceptance?… Is legitimate authority as necessary for the successful exercise of hegemony or dominion?’ (ibid: 17).

Yet it is between the principles of legitimacy and the practice of hegemony that Watson runs into murky waters when tracing the contours of early modern European international society. He ***suggests*** that the ‘premises’ of the Westphalian settlement were ‘anti-hegemonial’—in that states accepted the legitimacy of independence and self-determination—yet the practice of this system was grounded in Bourbon-Habsburg hegemony as ‘an integral and constituent feature’ of the Westphalian order (ibid: 196). This mismatch led to a de facto hegemony—one whose outline was perceptible but too weak to be durable on a regular and accepted basis (ibid: 253). Watson then marks out Louis XIV as the hegemonic power of the seventeenth century. But this was not a pax Gallica, due to the incompatibility between Europe’s adherence to the Westphalian principle of sovereign independence and Louis’ desire to become the figure ‘before whom every other ruler in Europe should bow’ (ibid: 190). Indeed, the reign of Louis XIV was overshadowed by the Dutch and English, as ‘centres of scientific, technical, banking, industrial and maritime skills so innovative and so mutually reinforcing as to represent something quite new in the world’, and thus ‘acted as the leaven for much of Europe’ (ibid: 192, 229).

Napoleon’s unsuccessful bid for dominion transformed into the nineteenth-century ‘collective hegemony’ of the Concert of Europe, between the five great powers of the continent, which ‘combined the advantages of hegemony and the balance of power’ (ibid: 250). Yet this was a system that derived its stability from the principle of dynastic rule over the popular classes (and other states), thus putting the practice of the Concert of Europe ‘somewhat nearer the imperial end of our spectrum than hegemony as we have defined it’ (ibid: 240). Nevertheless, it was Britain who ‘emerged from the war [in 1815] industrially and financially strengthened; and its increased power and wealth could be enlisted to oppose the domination of Europe by any single power’ (ibid: 238).

Finally, the founding of the League of Nations was based on ‘anti-hegemonial legitimacy’, yet this principle could only ‘function effectively’ if it was grounded in the practice of ‘collective hegemonial authority’ among the victors. However, with respect to the twin goals of ‘producing a workable settlement for Europe and a blueprint for rules and institutions for…world society’, the League was ‘so defective, and so much less courageous with the realities of the situation, that it failed to achieve either aim’ (ibid: 282). Thus, the principle of anti-hegemonic independence is as ubiquitous as hegemony itself. Paradoxically, Watson’s succession of hegemonies appears to be anti-hegemonic in principle and hegemonic in practice.

This antinomy mirrors the very problem identified by Ian Clark in his reading of the English School’s succession of hegemonies. As Clark put it, within the ES approach to hegemony, as first outlined by Martin Wight, it seems that ‘we can have either international society or hegemony, but not both’ (Clark : 15). While Watson seemingly carries over the vagaries of Wight’s approach, his equivocations should not lead us to reject his project entirely, given the inherent complexity and relative indeterminacy of historically specific international societies. But his agnosticism towards the concept of hegemony leads us into a series of seemingly unresolvable problems. Indeed, this tension between principle and practice was one that haunted Watson for much of his career. A few years after the publication of EIS, Watson () brought this tension front and centre, noting how ES theory—premised on the concepts of orderly norms, rules and institutions—tended to be constantly ‘outrun’ by disorderly historical practice. And yet, it is within this tension that a possible solution may be found to Watson’s agnosticism: ‘In all international societies practice feels obliged to innovate, to deal with new circumstances, but the more the practice appears to conform to the accepted legitimacies, the less unease and resentment there will be’ (Watson : 145). In the next section, I ***suggest*** that Watson’s somewhat confusing picture of hegemony can be brought into tighter focus through his ***suggestive*** yet underdeveloped notion of how ideas and material conditions (principle and practice) fuse and fissure through socially and historically determinate processes.

Arrighi’s pendulum: re-reading Watson’s ‘succession of hegemonies’

One way of disentangling Watson’s principle/practice dualism is through his famous ‘pendulum’ metaphor. Undergirding the EIS is the idea that across the history of international societies there remains a transhistorical pendular mechanism, ranging (in ‘ideal–typical’ terms) from ‘empire’ to ‘[a] system of absolutely independent states’ (see Fig. ). The closer the system comes to each limit point (x1, x-1), ‘the greater… the gravitational pull towards the centre’ (Watson : 122). This ‘gravitational pull’ (G) is conceptualised as ‘constraints exercised by the impersonal net of interests and pressures’; however, there is ‘no regularity in time or rhythm of the swing’ (ibid). For Watson, ‘interests and pressures’ are conceived as (respectively) the polity’s desire to maintain its independence and the forces of interconnection binding the whole of humanity together.

Watson’s pendulum thus helps to clarify his principle/practice duality in two ways. Firstly, the inter-play between interests (independence) and pressures (interdependence) points towards the dialectical relation between, on the one hand, the conscious self-reflection of historically situated actors that adhere, in the first instance, to the discrete community (e.g. tribe, city, nation, etc.), and, on the other, the material contexts that facilitate interaction not just within communities, but between them (cf.Buzan and Little ; Deudney ; van der Pijl ; Rosenberg ). Secondly, the contradiction of this dynamic, between fragmentation and unity, furnishes the generative grammar of order and disorder, or rather, the strange combination of anti-hegemonic legitimacy and hegemonic practice. Nevertheless, we are still left with a rather indeterminate metaphor that is as revealing as it is limited. If, however, we re-read Watson’s pendulum through the lens of Giovanni Arrighi’s world systems framework, the inter-play between interests and pressures across Europe’s longue durée becomes more intelligible.

In a similar vein to Watson’s notion of stable hegemony underpinned by legitimacy, Arrighi begins from the Gramscian notion of hegemony as the combination of coercion plus consensus, grounded in the last instance in the hegemon’s ability to project its interest as the universal interest. However, Arrighi radically departs from Watson (and indeed, ES theory as a whole) in his incorporation of Marxian political economy into an explanation of the succession of hegemonies. Arrighi proposes two distinct ‘modes of rule’ (‘capitalism’/ ‘territorialism’) in understanding how capital and the state inter-relate (Arrighi ): 33). The respective formulas for each ‘mode’ of power, ‘Money’ and ‘Territory’ (M-T-M’/T-M-T’), display an overlapping character ([M-{T-M]-T}) of those necessary elements (social and spatial) involved in both economic and geopolitical competition (ibid: 33). The principal social norm that emerged within early modern Europe, and perfected through the system of Italian city states during the sixteenth century, was that of high finance, which acted (as opposed to territorial control) as the principle goal of statecraft. While the combination of money and territory was certainly not new to human communities, the emergence of the capitalist-state system was driven by an altogether different dynamic, ‘the recurrent contradiction between an “endless” accumulation of capital and a comparatively stable organization of political space’ (ibid: 34).

Drawing on Marx’s theory of capital accumulation, the endless accumulation of capital and its movement through the circuit M-C-M’ (Money-Commodities-Money+profit) eventually leads to a crisis of overaccumulation within the hegemonic state (as the systemic centre of the capitalist world economy), in which an excess of capital is reached ‘over and above the level of investment that would prevent the rate of profit from falling’ (ibid: 233). At this point, inter-capitalist competition moves from a positive-sum to a zero-sum game, in which ‘the losses of one organization are the condition of the profits of another’ (ibid). Yet the crisis of overaccumulation in production and trade metamorphosises into a financial expansion, from M-C-M’ to M-M’. At this point, the leading capitalist state switches its accumulation strategy towards the one activity in which it remains competitive—the absorption, intermediation and dissemination of the world’s mobile capital through its own financial networks. Nevertheless, the endless accumulation of finance capital eventually undergoes its own crisis, as the expansion of material accumulation (as opposed to financial accumulation) moves into new territorial centres of power that eventually challenges the previous hegemon.

This, briefly put, constitutes the mechanics to Arrighi’s theory of ‘systemic cycles of accumulation’, understood as the political, economic and territorial determinations underpinning the succession of Euro-Atlantic hegemonies. While each cycle is characterised by an A-phase of productive/trade expansion ending in a ‘signal crisis’, and a B-phase of financial expansion ending in a ‘terminal crisis’, each hegemonic transition is marked by the growth in size and scope of each new hegemonic state; the consecutive internalisation of specific ‘costs’ (Fig. ); an increased amplitude (A) of each swing of the pendulum (Fig. ); and a decreasing periodicity between each hegemonic cycle or pendular swing (Fig. ).

Evolutionary Patterns of World Capitalism Source: Arrighi and Silver : 265

Arrighi’s World-Systemic Pendulum Source: Author’s elaboration

Long Centuries and Systemic Cycles of Accumulation Source: Arrighi : 220

However, like Watson, Arrighi contains his own antinomies with respect to exactly how hegemony should be read across the evolution of European international society, and whether each succession can be truly dubbed ‘hegemonic’. If we take Arrighi’s Gramscian definition seriously, as one based upon not just coercive power, but the ability to project ‘intellectual and moral leadership’ as well as a ‘unison of economic and political aims… posing all the questions around which the struggle rages not on a corporate but on a “universal” plane’ (Gramsci : 57–8, 181–2), then it is difficult to square the ‘Genoese-Iberian complex’ (the first systemic cycle) with the ‘leadership’ component. The Hapsburg project was hardly on a ‘“universal” plane’, fighting for mastery in a wildly anarchic system (Kennedy : 39–45; Teschke : 228–9) And while Holland’s capitalist development (the second cycle) provided the select advantage in financing its survival, ‘[g]eopolitically, the system of states established at Westphalia under Dutch leadership was truly anarchic—characterised, that is, by the absence of central rule’ (Arrighi : 241).

In this sense, I concur with Callinicos (2009: 142) that it is less accurate to say that Genoa and Holland were truly hegemonic in the strict sense, while Britain and the US (the third and fourth systemic cycles) were a much closer fit to this definition. While this may give the impression of an inherently flawed framework, Arrighi’s succession of hegemonies is best understood not as a strict interpretation of an invariant hegemony across markedly different social formations, but rather through the ‘cyclical element of the theory [of systemic cycles]… partly compensated for by the attention to historical specificity’ (Callinicos : 143). In this sense, Arrighi finds close proximity to Watson’s evolutionary tale, with the use of an implicit pendular model yet one that exhibits a curiously cyclical pattern. This pattern is thus more akin to the cumulative effects of international society.

A key component in this evolutionary tale, and one that is central to deciphering the current impasse of contemporary international society, is the consecutive internalisation of ‘costs’ across the succession of hegemonies (Fig. ). With the rise of Dutch power in the seventeenth century, the Stadtholders of the United Provinces were able to achieve what the Genoese banking network never could—the internalisation of ‘protection costs’, as seen with the formidable fusion of commercial and military power in the VOC (Blachford ). The ascent of Britain in the eighteenth century, meanwhile, was able to more fully internalise ‘production costs’ compared to the Dutch. While the relative industrialisation and development of capitalist ***agriculture*** in the United Provinces should not be overlooked (Barbour : 60; Callinicos 2009: 128–31; Brandon ), there remains a qualitative difference between the forms and institutional contexts of capitalist production between the Dutch and English. The emergence of US power at the turn of the twentieth century, finally, saw the internalisation of ‘transaction costs’, insofar as the rise of the vertically integrated corporation was able to offset the costly business of organising production and trade across institutionally separated entities (Arrighi : 181, 247).

Thus, the synthesis of Arrighi’s systemic cycles with Watson’s pendulum furnishes a visual heuristic to the succession of Euro-Atlantic hegemonies that were more than simply passing the baton of world leadership. The world-systemic pendulum maps the evolutionary nature of capitalist international society, mediated by the historically and geographically specific configurations of material power, institutional construction and social conflict (Fig. ). From this schema, the dynamics of redistribution and concentration act in a cyclical (and reciprocal) manner across international society’s pendular mechanics. The redistribution of material benefits and normative justice forms the bedrock of a new hegemonic order, all of which is conditioned by the sufficient concentration of power within a single political territory ***capable*** of providing system-level benefits to states and peoples (Karataşlı ). Yet redistribution also takes place through the dissemination of material/technological capabilities across the system’s units, which feeds into the inevitable tendencies towards capitalist crisis (in the form of falling profit rates), and the propensity towards geopolitical conflict. Thus, as the pendular swing comes closer and closer to the empire end of the spectrum—towards the asymptote of ‘world state’—the greater the restoring force (G) of capitalist competition and geopolitical conflict, and the more destructive and intense the restoration back to the other side.

Not only does the scale and scope of hegemony increase with each cycle, the cumulative effect of this increasing intensity leads to a curious ‘speeding up of world history’ (Silver and Payne ) (Fig. ). As a consequence of the sequential internalisation of costs, each hegemonic iteration (rather than hegemon per se), grows comparatively in territorial size. And as with a ***rotating*** body whose mass steadily increases, so too does its rate of ***rotation***. In this way, while the size and complexity of the leading state bestows an ever-closer fit to the ideal–typical concept of capitalist hegemon, it is precisely this expansion in capitalist-state power that generates a contraction in the iterative hegemonic cycle (Arrighi : 217; cf. Doran : 16; Meadwell : 166). Concomitantly, the growing power, size, and capability of the leading capitalist state produce a tendency to ‘world polity’ (Arrighi : ch. 9), while the spread of the forces of production and forces of destruction exerts a continual centrifugal force on the state-system’s units (tendency to ‘systemic chaos’) (Ashman ; Callinicos 2009: 218–26; Davidson : 29ff.).

From this re-reading of the Euro-Atlantic ‘succession of hegemonies’, I hope to have brought some clarity as to why the gravitational pull towards hegemony is so prevalent across the evolution of modern international society. Using Arrighi as an interlocutor, Watson’s ‘impersonal net of interests and pressures’ takes on a more grounded, material dimension with respect to the specificity of hegemonic succession. This reading gives far more scope to Watson’s admission that the Italian invention of the sovereign stato ushered in not merely the modern dynamic of balance of power and secular statecraft (ragione di stato), but the notion of ‘humanism’ as the epistemic centre of international society (Watson : ch. 14). While mediaeval Europe was steeped in a more organic worldview that was equally shared among lords and peasants, ‘The Renaissance created a new educated class with different values from the rest of the people. But it produced within this elite class a new unity of culture, of purposes and of techniques’ (ibid: 154; cf. Arrighi : 97ff.). These techniques were eventually perfected by the Dutch and English, acting as the ‘leaven’ for the rest of Europe, and later adopted by the US (ibid: 192). Thus, reading between the lines of Watson’s succession of hegemonies lies Arrighi’s model of systemic cycles of accumulation.

Without discounting the roles played by the Spanish or French in the evolution of modern international society, I ***suggest*** that the relatively constant mismatch between legitimacy and practice was in large part due to the contradictions between the mediaeval practice of hierarchy and fealty, and the modern(ising) principles of humanism and secular statecraft (Rosenberg ). From this angle, it becomes clear how and why the emergence of bourgeois Europe took on such an evolutionary form, given the long, drawn-out process of developing new institutions, new practices and new modes of power to which the principle of independence (at both an individual and state level) could be grafted (cf. Burch ), or to put it in Watson’s words, for practice to conform to accepted legitimacies. As Gramsci noted, ‘Hegemony within the realm of civil society is grasped when the citizenry come to believe that authority over their lives emanates from the self’ (cited in Bieler and Morton : 69; cf. O’Flynn ). This does not mean that the freedom experienced by individuals in society (or states in international society) is mere illusion, nor that they have no agency or independence of thought and action; indeed, it is precisely because they do that hegemony is always grounded on a precarious and contested foundation. Yet the interests of individuals and states within modern (international) society are nevertheless overdetermined by an ‘impersonal’ structure of commodity relations, an ontological foundation that is ever-more subsumed under the aegis of each successively ‘hegemonic’ state. Put simply, the ‘successful exercise’ (Watson : 17) of capitalist hegemony is determined by the degree to which actors’ independence is a function of the leading state’s primacy.

It was precisely this condition that crystallised under US hegemony in the post-war period. In seeking to ‘law down the law’ for the system, ‘Americans considered the rules of the new world order which they favoured and which favoured them—democracy, rule of law, decolonization and an open door for American business—to be just and universally valid’ (ibid: 291). Of course, as with all hegemonic iterations, US power was also marked by forms of coercion, with Cold War conflagrations in Southeast Asia as perhaps the most striking example (McMahon ). Yet even with the struggles for decolonisation leading to a ‘swing of the pendulum towards the multiple independencies end of the spectrum’, post-colonial states soon came to realise that ‘economic and administrative, as opposed to political, independence was impracticable. They therefore quickly came to consider what international arrangements would mitigate the poverty and loneliness of too absolute an independence’ (ibid: 297; cf. Prashad ).

Thus, the US ‘empire of capital’, mediated by global governance institutions, maintained the political independence of states while ordering their economic development through vertically integrated transnational firms (Wood : 132ff.; see also Panitch and Gindin ). As a result of this global socio-economic compact, ‘[t]he much looser ***strategic*** hegemony of the United States permitted other states greater freedom of action’ (Watson : 293). Indeed, this strategy worked so well that the US-sponsored recovery of West German and Japanese capitalism led to intense competition, leading ultimately to the ‘signal crisis’ of Pax Americana, and the beginning of the end of the system’s ‘considerable stability’ (Watson : 297; cf. Arrighi : 307). In order to overcome falling rates of profit, transnational firms increasingly looked abroad as a means of solving the crisis of labour (low-wage work) back home. As we will see in the final sections, the principal solution to the US signal crisis was  found in its financial power as a means of expanding credit creation yet without incurring inflationary effects, primarily through high interest rates that drew in the world’s mobile capital into its own financial networks (Konings : 90–3). Yet this new strategy of financialisation was only made possible by the decisive geographical shift in production and trade. Only by tapping the seemingly endless supply of cheap labour in the Global South (particularly China) could states and firms maintain Western consumption on the cheap.

After US hegemony? China and international society in the twenty-first century

For two decades or so, IR scholars have spilled gallons of ink on the implications of China’s (re)emergence, and whether this spells an oncoming power transition. The English School has been no stranger to this conversation. Yet much of this discussion oscillates between whether China will be a revisionist or status quo power (e.g. Buzan , ; Zhang ; Goh ). While the question of whether China will accommodate itself to the Liberal International Order or radically re-construct it remains important, the real question remains: what can China actually achieve within the constraints left behind by US hegemony and its crisis? This alternative question derives from Arrighi’s evolutionary model of capitalist international society, in which the organisational innovations of the emergent hegemon are in many ways a function of what the previous hegemon was unable to achieve. Indeed, the unanswered questions left behind by a declining US hegemon were precisely those that Watson attempted to grasp at the end of EIS, namely, the increasingly salient norms of ‘human rights, egalitarian economic justice and protection of the environment’ (Watson : 320). As with the re-reading of Watson’s succession of hegemonies above, Arrighi offers a series of insights that may help to fill in the gaps left behind by Watson on the potential pathways for international society in the twenty-first century.

With the publication of The Long Twentieth Century in 1994, Arrighi noted a shift in the world’s geo-economic centre of gravity away from the West and towards the East (Arrighi : 343ff.). In identifying the economic expansion of East Asia, Arrighi and Silver ***suggested*** that the next hegemon ‘must be willing and able to rise up to the task of providing system-level solutions to the system-level problems left behind by US hegemony’ (2001: 279). One such problem was ‘the underlying contradiction of a world capitalist system that promotes the formation of a world proletariat but cannot accommodate a generalized living wage (that is, the most basic reproduction costs)’ (ibid: 276–7). Later, in Adam Smith in Beijing (2007), Arrighi gestured towards the ecological contradictions left behind by US hegemony—that not even ‘a small minority of the Chinese population’ can achieve US living standards without fundamentally unravelling the earth’s ecological balance (Arrighi : 387). Having achieved the fastest sustained growth rate of any state in history, the systemic challenge facing the Chinese Communist Party (CCP) centres on internalising ‘reproduction costs’ (Arrighi and Silver ), thereby overcoming capitalism’s tendency to ‘undermin[e] the original sources of all wealth—the soil and the worker’ (Marx : 638). The remainder of the article aims to bring more clarity to Watson’s speculation concerning the limits and prospects for achieving a new set of norms for international society in the twenty-first century. In order to trace the contours of China’s capacity to internalise ‘reproduction costs’, this section will track the specific policies and practices associated with labour markets and environmental protection, respectively.

Twenty-first century international society and the centrality of ‘reproduction costs’

As the International Labor Organization recently noted, the bulk of the world’s workers are increasingly found in East Asia, with an anticipated shift towards South Asia and sub-Saharan Africa in the near future (ILO ). This shift in labour share has accompanied the parallel transformation in world GDP, with the Global North registering just 17% of global growth in the 2000s, while Asia’s share rose to 62% (China alone counts for 38%) (Dunn : 108). Thus, within this general swing in the distribution of global growth, China stands out as the epicentre of this epochal change. In absolute terms, China has led the way in wage growth since 1990 (ILO ). However, these data need to be contextualised in a more relative measure, insofar as China’s wage growth began from an historically low level. By 2007, China’s impressive growth in wage levels had only just caught up to those seen in the Philippines and Thailand, still lagging behind Malaysia, and registering only a fraction of the wage levels seen in Japan, Korea, Singapore, Hong Kong and Taiwan (Yang et al. ). Indeed, it is precisely through the suppression of wages and consumption that China has been able to affect such spectacular growth in GDP. Already by 1993, the state actively sought to undermine the Township Village Enterprises that had offered a modicum of stability for China’s transition in the 1980s, in a conscious strategy to expand labour supplies to coastal manufacturing firms (Ho-Fung : 59ff.). Yet the lot of Chinese workers hardly improved—labour share of income declined relative to GDP, while household and government consumption remained stagnant (Li ). Thus, the secret of China’s huge domestic savings, levels of domestic investment and near-double-digit GDP growth lie in the super-exploitation of its seemingly unlimited supply of labour.

Since 1980, some 270 million people have moved from the countryside to the cities in search of work (Selwyn : 16). Labour migration in China has been traditionally regulated by the Hukou system, forming a wedge between urban citizens who enjoy a series of rights and benefits, and rural migrants excluded from the conditions of social reproduction. In the absence of social supports, migrant workers barely make enough to cover their own reproduction, forcing them to leave behind their families on the farm (as a de facto safety net). This disciplinary migration regime, in which Chinese workers in domestic private firms are routinely paid 30% below the living wage, is mediated by extreme corporeal and disciplinary control by management layers (Li : 28). The contradictions arising from China’s capitalist transformation have thus led to an exponential growth in labour disputes (Chen ; Lee ; Smith and Pun ). While the Hu-Wen regime (2002–2013) emphasised a ‘harmonious’ society based on increased social protections for workers, Xi Jinping took a sharp u-turn by cracking down on labour unrest in the hope of overcoming the economic slowdown of 2012 (Chan ; Chen and Gallagher ).

To what extent, then, can China’s development model, particularly its approach to labour, act as a leaven for international society? Unlike the US ‘Fordist’ hegemonic project, which largely relied on promoting the practice and ideology of industrialisation (Rupert ; Ekbladh ), the basis for China’s rapid economic growth offers neither normative appeal, nor even a practical possibility, to the Global South. Not only does China’s ‘state-endorsed exploitation’ model form a precarious basis of global legitimacy (Siu ), the virtually unlimited flow of workers into export zones is essentially non-transferable (Breslin : 827). Of course, this does not mean that China remains entirely illegitimate in the eyes of the Global South. On the contrary, Ian Clark notes the more distinctive elements of China’s foreign policy, particularly ‘hyper-sovereignty values’ and statist forms of development diplomacy (Clark : 26). These values derive from China’s ‘harmonious world’ framework, which emphasises ‘people-based’ governance and inclusive development (Lynch ; Yaquing ; Mulvad : 457). Yet behind the touted ‘Beijing Consensus’ lies a series of socio-economic crises afflicting China’s domestic development. Having recorded a high rate of profit oscillating around 25% from 1990 to 2010, China eventually entered into a falling rate of profit by 2007 and hitting 16.2% by 2014 (Li : 168). With an overaccumulation of capital at home, China is increasingly looking aboard for better investment opportunities. Africa remains one of the principle destinations for Chinese FDI, constituting a ‘spatial fix’ for over-investment in cement, steel and other capital-intensive sectors (Ho-Fung : 155; Carmody et al. ).

Nevertheless, Chinese FDI has failed to offer pathways for any type of labour-centred development for recipient countries. Chinese FDI not only exports capital investment to African states, but also its own distinct development practices embedded in super-exploitative, low-wage labour regimes. There is, therefore, a relative split between Xi Jinping’s hegemonic discourse of the ‘China dream’—based on the expansion of public goods, education, employment, higher incomes and environmental quality—and the realities of China’s capitalist development based on the suppression of working class consumption, domestic over-investment and FDI as a safety valve for economic imbalances (cf. Xiaoming : 227; Li ).

Coupled with the relative inability to sufficiently reproduce labour, China’s accumulation regime is also placing enormous strains on the ecological base. While Xi Jinping has frequently cited the necessity to ensure ‘balanced growth’ as a means of satisfying the popular aspirations of its people, the CCP has also sought to carve out a new hegemonic vision of ‘ecological civilisation’. During the Paris Agreement in 2016, Xi used this civilisational narrative to frame China as ‘a responsible developing country and an active player in global climate governance…[seeking] innovative, coordinated, green, open and shared growth’ (cited in Geall and Ely : 1179). Xi’s words strongly resonate with broader discussions within the English School on the intersections between ‘great power responsibility’ and ‘environmental stewardship’ (Kopra ; Falkner and Buzan ). While previously China had placed much more emphasis on the UNFCCC’s norm of ‘Common but Differentiated Responsibilities’, in which developed states with the largest cumulative share in carbon emissions shoulder the greatest responsibilities (Rocha et al. ), the CCP’s approach to environmental stewardship took an about-turn since the landmark 2009 Copenhagen UN Climate Conference. Despite its resistance to any substantially binding agreement at Copenhagen, China has subsequently internalised the norm of great power responsibility in its approach to climate change governance (Zhang : 184). As Sanna Kopra observes, given China’s runaway consumption of raw materials and rapidly growing emissions, ‘the Chinese government has had no choice but to integrate environmental protection, emissions reduction and energy conservation into the country’s overall development targets’ (Kopra : 159).

Since its official inception in 2007, the CCP’s hegemonic project of ‘ecological civilisation’ has attempted to reconcile the priority of economic development with the necessity of internalising both labour and ecological reproduction costs. In the 12th Five-Year Plan (2011–2015), the CCP identified the twin goals of ensuring more balance growth with greater social inclusion and equity, as well as resource conservation and environmental sustainability (Marinelli : 370). The intellectual development of the concept of ecological civilisation has tended to counterpose the anthropocentrism of Western development models with older Chinese philosophical traditions emphasising ‘ecocentric’ conceptions of harmony and balance between humans and nature. Thus, one could say that China is establishing its own standard of (ecological) civilisation, as ‘an expression of the assumptions, tacit and explicit, used to distinguish those that belong to a particular society from those that do not’ (Gong : 3). In one sense, China may feel justified in demarcating itself from the West with respect to its global leadership in green technology investment. In 2017, China accounted for 45% of global investment in renewables, followed by Europe (15%) and the US (14%). In the same year, China generated 118 TWh of electricity from photovoltaic (PV) sources, with the US at a distant second with a total generation of 51 GWh. China also accounted for two-thirds of all jobs within the PV sector globally (2.2 million), while across all renewable sectors, China generates 44% of all green jobs across the world (REN21, 2018).

However, the boundaries between China’s normative construction of ecological civilisation and traditional Western conceptions of development are more blurred than they first appear. Notwithstanding the relative greenwashing of China’s pre-industrial past which, contrary to official doctrine, was beset by a series of socio-environmental crises, there is perhaps more anthropocentrism found within Chinese philosophical traditions (particularly Confucianism) than traditionally assumed. More substantially, China’s ecological civilisation forms a ‘sociotechnical imaginary’ that attempts to wed environmental sustainability with values of economic growth and market society (Hansen et al. ). In many ways, China’s approach to ecological civilisation approximates the Western intellectual tradition of ‘ecological modernisation’, which sees material ‘progress’ pegged to continued economic growth through green technologies (Xue ). Despite being the hegemonic discourse and policy framework of today’s ‘environmental stewardship’, ecological modernisation has failed the test of durable theory, showing no significant net improvement in environmental protection over the past 30 years (Foster ; cf. Faulkner : 520).

In seeking to navigate the tempest of the post-financial crisis world economy, China is now seeking to break its dependence on export-led growth, but not from growth per se. The 13th Five-year Development Plan (2016–2020) emphasised the transition towards domestic consumption as driver of economic growth (Xue : 204). In one sense, the switch to domestic consumption would provide a modest step towards internalising the reproduction costs of Chinese labour. Yet the raising of domestic consumption does not fit easily into the wider goal of internalising ecological reproduction costs. If China is expected to meet its climate stabilisation targets, its growth will have to fall below 2%, and after 2035 it will have to contract in absolute terms—a structural impossibility for any capitalist economy to bear indefinitely (Li : 168). Given the logical impossibility of an endless accumulation of capital within social/ecological limits, it would appear as if contemporary international society is hurtling towards planetary exhaustion, rather than renewal.

Towards the exhaustion of capitalism’s succession of hegemonies

As Watson wrote in the final pages of EIS, it is ‘difficult to see what the next phase of the system will be like’ (Watson : 306). What Watson did see clearly, however, was that ‘something new is taking place, comparable to the innovations that we saw at the Westphalian settlement’, changes that were fundamentally anchored within global economic dynamics (Watson : 306–8). Watson’s prognostications strongly converge with Waltz’s differentiation between ‘changes in the system’ and ‘changes of the system’, with the latter ‘turn[ing] international politics into something distinctly different’ (Waltz : 6). Both Watson and Arrighi share several points of convergence with respect to the distinctly different aspects of contemporary international society: the resurgence of East Asia; the increasing salience of global economic forces driving international (dis)order; and the relative passing of US hegemony into a frontier of governance as yet unknown. Like Watson, Arrighi’s peek into the future was somewhat hazy, positing China’s ascendance constituting a potential rupture in the cycle of European capitalism and inter-state conflict. While the limits and contradictions of Arrighi’s view of China’s development have been adequately covered elsewhere, I find more fruitful Arrighi’s notion of reproduction costs as the cipher for the possibilities and prospects for international society in the twenty-first century.

Quite apart from the various challenges faced by China with respect to becoming the next world hegemon, contemporary international society contains a number of concentrated crises and material contradictions that, in many ways, precludes the emergence of any single capitalist hegemon. Unlike previous iterations in the succession of hegemonies, capital’s ‘spatial fix’ has not undergone a decisive break. While new hegemonic states have tended to constitute themselves as world centres of accumulation around which the rest of the world largely revolves, the case of China presents something qualitatively new. Not only does China lack some of the key ingredients for assuming the mantle of world hegemony—particularly its lack of financial leadership and global currency (Germain and Schwartz )—its pre-conditions for accumulation lie within other territories entirely outside of its political control. Chinese firms’ exports to the US act as a recycling mechanism through which their dollar holdings into US treasury bonds simultaneously keep (until recently) US interest rates low, and thereby perpetuate the Fed’s credit-fuelled mode of national consumption (Ivanova ; Sheng ). In this sense, while moments of signal/terminal crises usually imply that ‘the losses of one organization are the condition of the profits of another’ (Arrighi : 233), the preconditions for successful accumulation within the US and China are found within each other. Thus, to a significant degree, the losses of one state tend to produce a comparable loss to the other (the so-called Chimerica phenomenon). The only way out of this structural co-dependency would be through the raising of China’s domestic consumption, thereby internalising the reproduction costs of labour. In fact, China has undergone significant rise in real wages over the past decade or so, in line with the CCP’s hegemonic project (ILO ). Yet the transition towards domestic consumption, premised as it is on the endless accumulation of capital, simply undermines the reproduction costs of nature (cf. Liu et al. ).

And as a final twist in the tale, China’s acquisition of power and status has become ensnared by the same tension between principle and practice that bedevilled early modern European states. As Rosemary Foot has argued, the dissonance between China’s vision of regional order based on shared development and enhanced cooperation on the one hand, and its assertive geopolitical strategies on the other, tends towards ‘dominance rather than hegemony’ (Foot : 62). As well as reflecting the organic emergence of China’s rising status, a more assertive ‘going-out’ strategy ultimately reflects the twin challenges of energy constraints and the internal and external limits of food security (Romano and Di Meglio ; Zhan and Huang 2023; McMichael , ).

As a result of these historic anomalies, the highly integrated nature of world society (of which Watson was acutely aware), implies that the internalisation of reproduction costs is not something that can be simply achieved by any one state; the socio-ecological logic of this ‘cost’ is such that it must be system-wide. In other words, the inability of China to internalise its reproduction costs is not a ‘failure’ of Chinese leadership, but the result of series of structural contours that stretch far beyond China’s shores, including China’s far lower per capita emissions compared to the West, and the specific consumption patterns of American life that underwrites China’s production (and emissions) (Kopra : 160).

From this angle, Ian Clark discounts the continuation of singular hegemonic powers, ***suggesting*** instead that ‘it is much more likely to be collective in form than to represent a succession of hegemonies’ (Clark : 28). However, Clark does not go far enough in excavating the roots of this bottleneck in the process of hegemonic succession. Each successive hegemon must solve the problems left behind by their predecessor. In previous iterations, those problems were internalised by a single state, whose accommodation of a new cost laid the groundwork for the capitalist world economy’s continued evolution. Today, it would seem this pattern is coming to an end. Not only is the fate of the world’s states (and peoples) more tightly bound together than ever before, international society is arguably more fractured than at any time since the inter-war period, with all the chauvinistic authoritarianism that goes with it (Buscema ). Even if states have attempted to re-articulate new forms of hegemony in the post-2008 world of austerity via new forms of (limited) legitimacy—particularly through racialised anti-immigrant rhetoric and policy, authoritarian ‘law and order’ moralism, and/or broader returns to national ‘greatness’—the wave of ‘global Trumpism’ can only ever be a temporary bump in the systemic decline of an international society hurtling towards unsustainable levels of inequality and ecological collapse (Yin et al. ; Silver 2019).

It therefore appears that Watson’s pendulum has reached a structural ‘asymptote’ (cf. Wallerstein ), which will lead either to the extremes of ‘systemic chaos’ (one increasingly characterised not just by social, but ecological, destruction) or a type of global compact that may resemble a world state of some kind. Even Watson felt that the specificity of an increasingly globalised international society was evoking new social logics away from the traditional mechanism of market competition: ‘As the impersonal pressures increase, so does the need for conscious regulation’ (Watson : 321). If this latter scenario wins out, as something genuinely new that succeeds the Western-dominated international society in which the world has lived for the past four centuries, one thing remains clear: the safeguarding of socio-ecological reproduction must be led by the social forces who currently bear its greatest costs.

Conclusion

While the present article is concerned with (re)reading Watson’s magnum opus as a means of generating insights into the future of international society, my hope is that it may also help redress the rather conspicuous absence of political economic analysis across the English School community. Indeed, given that the majority of ES research is centred on the history of international society from the seventeenth century onwards (and rarely interested in international societies before this historical ‘moment’) (cf. Blachford ), it would seem apposite for ES scholars to more fully engage with the political economy of capitalism, as arguably the distinctive feature of modern international society. This does not mean turning the entire ES cannon into merely another branch of international political economy. Instead, I ***suggest*** that a more sober analysis of the material, socio-relational and institutional contours of international society—or, a shift ‘from constitutional to social history’ (Keen 2008: 386, emphasis added)—offers a way out of the paradox of practice that continues to plague much ES scholarship. As one particular inroad into solving this paradox, I aimed to bring greater clarity to Adam Watson’s take on the succession of hegemonies during the modern era, not only as a corrective historical sociological lens, but as a means of clarifying the terms of analysis necessary for comprehending the current impasse, and future trajectory, of international society.

It is notable that, in a review of EIS, the British historian Peter Calvocoressi (: 286) observed that Watson, ‘like all good Europeans, is captivated and even perhaps a little overexcited’ by Roman antiquity. One could say the same of his treatment of the ‘great powers’ of European international society, from the Hapsburgs and Bourbons of the long sixteenth century, to the great Concerts and Leagues of the long 19th. Yet this over-excitement leads us into an unresolvable paradox in which the central principle of modern international society (independence and self-determination) is continually rebuffed by the largely failed hegemonic practice of these great powers. Thus, somewhat in keeping with the predilections of his mentor, Herbert Butterfield (Watson : 5), Watson tends to assume the directionality of history, or at the very least, assumes which great powers bore the mantle of hegemony (cf. Keene ). Rather than engaging in a more grounded historicism, one that gives equal weight to both norms and values as well as the material practices and institutions that most fully articulated these values, Watson’s use of Martin Wight’s idea of ‘succession’ turned into more of a vice than a virtue. I ***suggest*** that rather than merely a ‘succession of hegemonies’, it may be more accurate to describe this long historical arch as the evolution of capitalist hegemony across Euro-Atlantic international society.

In order to identify the contingent and historically specific evolutionary adaptations to new norms, ideas and values across modern international society—particularly those around humanism, independence and secular statecraft—I introduced the work of Giovanni Arrighi as a critical interlocutor with Watson. While Arrighi’s model of hegemonic succession contains its own limits, it is most useful when treated as a dynamic, evolutionary process of a modernising international society. More remarkably still, Watson himself identifies Arrighi’s hegemonic actors as the hidden architects of a new order, the likes of which the world had never seen. The mechanics of this international society, whose interests and pressures were overdetermined by a world society of commodity relations (cf. Andrieu and Lubbock ), tended towards the uneven development of capital accumulation, with concentrations of power and production in one territory, only to encounter socio-economic crisis and geographical shifts of accumulation to another. Along this chain of crisis and re-ordering, international society underwent an increasingly intense form of interconnection, superintended by successive iterations of hegemonic states that gained in size, complexity and capability. While each hegemonic state became successively more equipped to carry out the roles necessary for administering capitalist international society, it also had to deal with the unresolved problems left by its predecessor. As my brief case study of contemporary international society has shown, the apparent hegemonic transition between US and China is in fact nothing of the sort; rather, the 500 year pattern of capitalist international society seems to have reached a structural asymptote, beyond which lies either the future flourishing or impending demise of international society.

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**Notes**

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[***Status-quo enhancing versus status-quo challenging change in global economic governance: the case of China in finance and trade***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69N6-4YV1-JBMY-H2XR-00000-00&context=1516831)

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**Body**

**ABSTRACT**

When a state is dissatisfied with an international institution it has different strategies available to it to secure change. These strategies are increasingly well understood due to research in the areas of regime complexity and institutional selection. But while there is an understanding of how the structure of a regime can influence the chances of success of different change proposals, there is less clarity on how the content of proposed changes impacts their success. In this article we decompose proposed institutional changes into two sub-types: Status-quo challenging and status-quo enhancing. Status-quo enhancing changes promote reforms that advance the objectives of the existing regime and so serve to drive change that would otherwise be limited by the inertia of existing institutions. Conversely, status-quo challenging changes undermine the stated goals of the existing regime. We develop these sub-types by comparing China’s attempts to secure changes in the global finance and trade regimes and find that for China status-quo enhancing changes have met with more success than status-quo challenging approaches because they have created more opportunities for productive coalition building.

**FULL TEXT**

**Institutional change under complexity**

When a significant mismatch develops between the position of a member state within an international institution and the power of that member, it is likely to seek changes that reflect its new status. Whether these attempts at change succeed can be crucial in determining the evolution of an institution and the future prospects for cooperation in that issue area. With their increased economic power, states such as China and India have become increasingly dissatisfied with aspects of the institutional arrangements around global economic governance.1 While there is widespread consensus that changes are needed, there is disagreement on the precise content of those reforms.2 Which of these reform proposals are more likely to succeed?

Existing research sheds light on the ways in which multiple overlapping institutions within a regime create opportunities for dissatisfied states to pursue their goals by utilizing the ambiguity that arises from multiple institutions producing overlapping sets of rules.3 The existence of such complexes creates opportunities for ***strategic*** action.4 Depending on the characteristics of a regime complex, available change strategies for dissatisfied states can include regime shifting (the use of existing alternative institutions), competitive regime creation (creating new institutions to challenge existing ones), or attempting to secure internal change without exercising such outside options.5 In complexes that are characterized by higher degrees of functional differentiation between institutions, that is, complexes populated with institutions within the same issue area that differ in their roles, a strategy of regime shifting is more difficult, while a strategy of regime creation is more likely. An example of such institutional differentiation within the same regime is the WTO and the Food and ***Agricultural*** Organization with respect to ***agriculture*** rules.6 In a highly differentiated institutional environment use of alternative institutions is thus limited by the existence of fewer alternative functionally equivalent institutions that serve the same niche.7

Similarly, in areas with clearly defined jurisdictional boundaries, dissatisfied states are likely to be constrained in needing to deal with the institution that is considered the appropriate setting for a particular issue.8 The degree of dominance of a focal institution therefore also determines the range of feasible options available to dissatisfied states. Finally, the organizational density, and resource availability in an issue area can also mean that the development of new institutions is often constrained where density is high and resource availability is low.9 In some cases the strategy of competitive regime creation might sometimes be precluded altogether simply because it too costly.10

Related to the structural constraints of the regime, the response of existing institutions to challengers can also constrain the prospects for success of change proposals. Existing institutions can either respond favorably and adapt to challenges in order to remain relevant, granting concessions to dissatisfied powers in return for their support.11 At other times they can successfully resist change, and the degree to which they can do so often depends on the ability of the dissatisfied states to exercise meaningful outside options.12

The above-mentioned structural features are important in determining the chances of success for challenger states’ change proposals. However, focusing solely on the structural features of a regime can result in neglect of other important factors driving outcomes. For example, the structural character of a regime cannot explain why different change proposals from the same state yield different degrees of success within the same regime. In order to better understand the full range of outcomes, attention should go beyond structural constraints and toward the content of the institutional change proposals themselves. In this article we draw a distinction between status-quo enhancing and status-quo challenging institutional change proposals.13 We define status-quo enhancing changes as reforms that advance the stated goals and objectives of the existing regime and so serve to drive change that would otherwise not take place due to inertia. Status-quo challenging changes conversely undermine or substantially change the objectives of the existing regime. We utilize China as a case by which to develop these theoretical sub-types because in the areas of both trade and finance it has proposed both status-quo enhancing and status-quo challenging proposals.

In finance China’s measures for reforming the US dollar dominated international monetary system generated mixed results: the ones that enhanced the IMF’s authority and legitimacy succeed whereas those challenged the status-quo IMF governance structure and rules failed. Meanwhile, China, together with other Asian economies, successfully built a regional financial governance framework that endorse Chinese interests and Asian preferences, because the framework complies with the IMF’s functions in core issue areas. In trade, China has been successful in establishing a new model of trade agreement that differs quite substantially from that adopted by other major economic powers. This has been successful because the differences in the agreements are in line with existing WTO rules on special and differential treatment of developing states. At the same time China has failed to secure sufficient support to successfully alter the dominant understanding of market economy status which would go against the established understanding of that term at the WTO. We draw on these findings to conclude that status quo-enhancing changes are, all else equal, more likely to succeed than status-quo challenging strategies because the former create opportunities for productive coalition building with already powerful members of an established institution. Status-quo challenging changes meanwhile require a much larger and unwieldy coalition of less powerful dissatisfied states in order to secure change.

**The relationship between change content and strategy success**

While existing accounts of institutional change emphasize the ways in which the structure of a regime complex can determine the success of change strategies, they tend to treat change as an undifferentiated variable. This is justified in terms of theoretical parsimony since, by definition, all attempts at change aim at altering the institutional status-quo. Yet this approach sacrifices nuance regarding the impact of variation in the content of the proposed change has on determining the strategies available to a dissatisfied state. There is a recognized need for more elaboration of the complexity of behavior that can be pursued by individual agents.14 This article contributes by building on insights regarding the structural constraints of regime complexes and institutional responses to demands for change, to explore the interaction between these factors and the content of proposed reforms.

To determine whether a change is status-quo enhancing or challenging we use the stated goals, rules, and definitions of a focal institution as a baseline. In the case of finance, the objectives outlined in the articles of agreement of the focal institution, the International Monetary Fund (IMF), are used. Consequently, any reform proposals that are in line with the objectives of promoting monetary cooperation, facilitating growth of international trade and exchange stability, eliminating foreign exchange restrictions, and providing support for countries with balance of payments problems are considered to be status-quo enhancing while reform proposals that undermine these aims are considered status-quo challenging.15 In the case of trade, the stated objectives of the WTO are used as the baseline: to increase transparency, promote fair competition, and to support developing countries.16

The next section explores briefly the structure of the finance and trade regime complexes within which China has been pushing for reforms. The following section outlines the ways in which China is dissatisfied with elements of both regimes. We then evaluate whether the proposed changes are status-quo enhancing or challenging and the effectiveness of China’s change strategies in both areas. We show how China’s status-quo enhancing change proposals have been successful in both finance and trade while its status-quo challenging proposals have failed in both regimes. We conclude that, because both the identity of the dissatisfied state and the regimes remain constant across the cases, the content of the proposed changes to existing regimes limits the range of reform strategies available and consequently the success of the proposals.

**The finance and trade regime complexes**

Finance and trade are both issue areas that incorporate overlapping institutions in a common issue area, albeit with obvious focal institutions in both, the IMF and WTO respectively.17 The finance and trade regimes have long been characterized by complexity18 and regional institutions increasingly overlap and intersect with the dominant focal institutions.19 In finance there are a range of institutions increasing the complexity of the regime. The IMF is the central institution that oversees financial regulation at the global level. In addition, regional financial institutions have been advanced in the past two decades to facilitate liquidity support and crisis management. For example, the European Stability Mechanism20 and Chiang Mai Initiative Multilateralization (CMIM)21 facilitate financial support for the countries experiencing or threatened by severe financing problems in the euro area and ASEAN+3 framework respectively. The regional financial institutions maintain a complex dynamic with the IMF. On one hand, they are in liaison with the IMF for assessing the borrowing countries’ debt sustainability and financial needs. Especially in the CMIM, borrowing countries are required to be subject to the IMF ***conditionality*** in order to secure the full requested amount. On the other hand, both institutions seek to consolidate consistent regional financial regulatory frameworks that are independent from the IMF.22 In addition to regional financial institutions, inter-regional liquidity support frameworks (such as the BRICS countries’ Contingent Reserve Arrangement), bilateral or inter-regional currency swap and sovereign lending mechanisms also increase the complexity of the finance regime.

In trade while there is consensus on the existence of regime complexity, there remains a debate over the degree of hierarchy present.23 In particular, the overlap between the WTO and preferential trade agreements (PTAs) is sometimes used as evidence of the centrality of the WTO in the regime.24 This is because PTAs often build upon GATT/WTO rules, adding a new layer of rules which gives states dissatisfied with slow progress at the multilateral level another option.25 Elsewhere it is argued that states use PTAs and other regional trade arrangements to defect from WTO rules and undercut the GATT framework.26 In practice, both undermining and supportive dynamics are at play in trade, but this depends on the content of the PTAs themselves. In short, the finance and trade regimes are both characterized by overlapping institutions and some degree of hierarchy.27 It is in this context that China has sought reforms that more closely reflect its growing power status.

**China in finance and trade governance**

In recent decades China has become increasingly integrated into both the finance and trade regimes and global economic governance more generally. Since joining the WTO in 2001 China’s GDP has grown from around $1.3 trillion to $14.7 trillion in 2020.28 Today it is by far the largest exporter in the world and even during the COVID-19 pandemic, China’s share of global exports has continued to increase.29 As one of the world’s largest sovereign creditors, China is now ranked third in terms of voting power in the IMF and the World Bank. China has also been instrumental in creating new institutions such as the New Development Bank and the AIIB.30 Because of its domestic needs, development experiences, and ***strategic*** concerns China has adopted a multifaceted and complex approach in both finance and trade to further its interests.31 Whether Beijing opts to contribute constructively in multilateral efforts, chooses to not participate, or exercises its outside bilateral options depends on its assessment of which strategy will further its interests in the most effective fashion.32

**China’s frustrations with the global finance regime**

In finance, the Chinese delegation maintained a low profile and learned from the IMF various skills and techniques of financial governance in the first 20 years since Beijing assumed China’s membership position at the Fund in 1980. China accepted Fund advice for its exchange rate policies and institutional reforms throughout the 1990s.33 However, the China-IMF relationship intensified in the new millennium as China’s domestic economic and political interests evolved and its objectives to pursue greater influence in the global finance regime amplified. China repeatedly complained about its severe underrepresentation in the Fund and requested quota and voting share increases to match its weight in the world economy. China’s voting power has eventually increased in the IMF, after a long delay caused by the U.S. Congress’ refusal to ratify the 2010 voting share reform that would result in a transition of voting shares from the Fund’s developed to developing and emerging economy members. Yet the Fund remains a culturally and institutionally western-dominated organization.

Indeed, the Chinese representatives have felt that their unsuccessful push for changes within the Fund, and that they are sometimes forced to accept undesirable Fund decisions, are due to China’s weak influence in the Fund’s informal forums and groups such as the G7, G20, the group of EU representatives and the Asia Pacific Group.34 China’s informal governance power in the Fund is particularly weaker than the US and some other G7 countries. As a (partial) result, the U.S. treasury successfully persuaded the IMF to revise its bilateral surveillance guidelines to discipline China’s ‘manipulative’ exchange rate regime in 2007, which led to a deterioration of China-IMF relationship in the following 2 years.35 Further, China has been frustrated with the heavily US dollar-dominated international monetary system, especially since the global financial crisis burst in the US in 2008. It called on the IMF to lead the reform of international monetary system by strengthening its surveillance on the major reserve currency issuer countries, especially the US, and disconnecting the system from the domestic US economic and political interests. Nevertheless, this call did not receive warm responses from the IMF.36

Meanwhile, several other Asian countries were largely unsatisfied with the IMF’s inadequate assistance and ineffective policy advice during the Asian financial crisis. Such dissatisfaction partially resulted in the establishment of two Asian regional institutions of liquidity support and crisis management, the CMIM and its surveillance unit the ASEAN+3 Macroeconomic Research Office (AMRO). China, together with Japan, are the largest shareholders of these two institutions. Its active pursuit for leadership in the CMIM and AMRO could be considered as an attempt to boost Beijing’s influence in the international finance regime outside the IMF, where its formal and informal governance power has for long been undermined.

**China’s frustrations with the global trade regime**

Despite the growing influence of China at the WTO in almost two decades of membership, the need for reform in key areas persists from the Chinese perspective.37 As a developing country itself,38 China has often publicly advocated for developing state interests at the WTO, though in the early stages of its membership it took a more low-profile leadership role when compared to countries such as India or Brazil, particularly during the Doha round negotiations where its private role was much more active than its public.39 In recent years Beijing has been more assertive in arguing for reforms that ‘address the difficulties developing members encounter in their integration into economic globalization, by providing developing members with flexibility and policy space needed for their economic development’.40 At the same time the U.S. has consistently proposed opposing reforms and argued for reform of special and differential treatment of developing countries at the WTO. In 2019 the U.S. submitted reform proposals based on a critique of ‘self-declaration’ of developing country status, arguing that the current definition does not distinguish between different stages of economic development.41 As a result of this difference of opinions between key members, movement on the issue of developing countries at the global level remains slow.

A second set of dissatisfactions stems from the conditions set out in China’s accession protocol, specifically, its status as a non-market economy.42 China paid a substantial price for WTO entry, agreeing to reduce tariffs on industrial goods to a significantly lower level compared to other major developing countries such as India and Brazil.43 It also agreed to make subsidies to its state-owned enterprises subject to countervailing duties, and in doing so agreed not to apply the Subsidies and Countervailing Measures (SCM) Agreement that allows more leeway in subsidizing domestic industries.44 At the same time, China agreed to be classified as a non-market economy (NME) for 15 years. This meant that from 2001 it was easier for other WTO members to successfully impose and uphold countervailing measures on Chinese exports compared to developed economies.45 China’s accession protocol required China to ‘allow prices for traded goods and services in every sector to be determined by market forces except for those specified in Annex 4 of the Protocol’.46 Consequently, the method for WTO members to determine dumping margins (and therefore anti-dumping duties) on products from China are calculated using the non-market economy methodology, where Chinese exporters’ prices are compared to a value using surrogate values from an ‘economically comparable country’.47 These comparable country values are used instead of Chinese exporters’ own values because prices in China are not viewed as being based upon market principles.48 Crucially, if China were considered a market economy (ME), dumping margins would be based on Chinese prices rather than those of a third country.49 In short, China’s status as a non-market economy has made it particularly vulnerable to anti-dumping and countervailing measures from other WTO members and less able to defend itself against these measures through the dispute settlement system.

Whilst China continues to support the WTO and the multilateral trading system in general,50 regional trade agreements represent an ‘outside option’ or hedge against unfavorable developments at the global level51 and can offer a potential alternative mechanism to resolve these difficulties. Below we take the ASEAN-China Free Trade Area (ACFTA) as an archetypal example of this approach of utilizing outside options, both because it is one of the earliest and most significant regional agreements concluded by China, and because it offers a useful comparison with the CMIM/AMRO case in finance, given the significant overlap between participants across both cases.

**China’s institutional reform strategies**

China represents an obvious case study to explore the success of various reform proposals due to the variety of its dissatisfactions with economic global governance and its rapid economic development. Today China is the second largest economy in the world, the world’s largest exporter, and is increasing its role in international investment through its Belt and Road initiative. Yet, when it comes to global economic governance China is operating within a regime that was largely created when it was a middle economic power at best, and into which it had little input. For this reason, an examination of China’s approach offers the opportunity to explore how dissatisfied states utilize regime complexity to achieve desired changes in regimes.

In finance, we show that China adopts both status-quo enhancing and challenging strategies to push for reforms in the international monetary system under the IMF framework, yet generating opposite results. Meanwhile, it adopts a status-quo enhancing strategy to change Beijing’s long-existing underrepresentation in the international financial governance by seeking and consolidating a shared leadership in the CMIM and AMRO. In trade, we argue that China has pursued a mixed strategy by attempting to use trade agreements such as the ACFTA to drive changes in the global trade regime. In some issue areas, such as treatment of developing countries, it has adopted a status-quo enhancing strategy. In others areas, such as attempting to re-define its market economy status, it has pursued a status-quo challenging approach.

In both the finance and trade cases there are similarities in terms of the regional and global linkages but also in terms of the membership of the overlapping regional institutions, given the focus on ASEAN. In focusing on these regional and global multilateral institutions we recognize that whilst unilateral tools are available to China, we assume that decisive changes to global economic governance are unlikely to be driven by one state acting in isolation. In evaluating China’s strategies in these areas then, it is the degree to which the proposed regime shift is status-quo enhancing or challenging which determines its ultimate effectiveness in shifting the regime.

**Attempts to reform the finance regime**

China adopts mixed strategies to push for reforms in the international monetary system under the IMF framework. It called on the IMF to tighten its surveillance on the US and to divert the international monetary system away from its US–dollar domination. By doing so, China challenged the status-quo of the finance regime in which the IMF plays a central governance role. On the other hand, China pushed for adding the Chinese currency, Renminbi (RMB), to the IMF’s Special Drawing Rights (SDR) basket in order to diversify the international monetary system while enhancing China’s influence in the IMF. By strengthening the SDR, China’s strategy enhanced the IMF’s authority as well as the status quo. At the same time, China pursued a shared leadership in the CMIM and AMRO in order to increase its influence in the international financial governance. As the two regional organizations align with the IMF’s core functions in surveillance and crisis management, China’s pursuit of regional leadership enhances the status quo of the global finance regime.

**Reforming the international monetary system: status-quo challenging versus status-quo enhancing**

China has been concerned with the international monetary system that heavily centers around the US dollar. In such a system, the Chinese trade and investment policies are inevitably subject to the domestic US economic and political interests. China’s concern peaked when the market expectation of the collapse of the US dollar escalated after the 2008 global financial crisis burst. This was primarily because China was holding enormous amounts of US dollar assets. When Beijing realized that the US government was not making efforts to protect the value of China’s US dollar assets whereas the Chinese US-dollar assets holders were not able to sell out without suffering large financial losses, it started to call for reducing the US influence in the international monetary system.52

China’s then president Hu Jingtao called for diversifying the international monetary system to include more currencies as the main international currencies at the 2008 G20 Washington Summit.53 China’s most remarkable open challenge to the US dollar domination came from the then head of Chinese central bank, Zhou Xiaochuan, who proposed to eliminate the influence of (US) sovereign interests in international liquidity management, to enlarge the use of the IMF’s SDR as a super-sovereign reserve currency and to add more currencies to the SDR basket.54 China’s challenge faced multiple hurdles, as the US influence was deeply embedded in the international monetary system. Even after the global financial crisis burst in the US, several emerging economies continued to accumulate US government securities. As the world’s largest exporter, China was also motivated to accumulate US dollar reserves while keeping the RMB exchange rate low, which made it a major part of the ‘Bretton Woods II story’.55 Facing the mighty ‘structural power’ of the US dollar, a description used by Helleiner in this 2014 book *The Status Quo Crisis*, China alone was not able to shake the system.56 Hence, Beijing sought for multilateral solutions, that is pushing the IMF to strengthen its surveillance on the major reserve currency issuer countries, especially the US, and to promote diversifying the international monetary system and disconnecting it from the US domestic interests.57 However, since the IMF gained authority in the global finance regime by maintaining the stability of the international monetary system, and that the Fund had been institutionally western-, and particularly US-, dominated, China’s attempt to reform the international monetary system under the IMF framework largely challenged the status quo.

China’s primarily status-quo challenging strategies did not meet with much success. Despite some short-lasting acknowledgments from other BRIC leaders, the Argentinean and French authorities and a few high-profile US economists (such as Joseph Stiglitz and Fred Bergsten), China’s advocacy for international monetary reform was not widely supported by the IMF’s main shareholders.58 Although China’s proposal for increasing the use of SDR resulted in one-time SDR allocations in 2009, it was approved by the US as a temporary and ‘cheaper’ way, compared to IMF quota reforms, to boost IMF resources and buffer countries from balance of payment shocks.59 The G7 countries, and especially the US, effectively impeded China and other BRIC countries’ pursuit of further SDR expansion and more fundamental measures of international monetary reforms. Several IMF executive directors of the G7 countries raised their concerns with that regular SDR allocations would reduce reserve accumulation and cause moral hazard.60 Although the Chinese officials continued to lobby for international monetary reforms at IMF and World Bank meetings in the following years, the popularity of the topic quickly declined.61 Neither has China persuaded the IMF to strengthen its surveillance on the US dollar. And undoubtedly the international monetary system remains heavily shaped by the domestic US interests.

However, one of Zhou Xiaochuan’s 2009 proposals, that is adding more currencies to the SDR basket, was realized. The IMF announced in 2015 to add RMB into the SDR basket as the fifth currency next to the US dollar, euro, Japanese yen, and British pound. It allowed Beijing to enhance the RMB’s international role without directly challenging the US dollar. What’s more interesting was that the IMF lowered its criteria on ‘free usability’ to accept the RMB’s entry into the SDR basket.62 Even after China’s policy measures for fulfilling the IMF’s SDR requirement triggered a major domestic financial fluctuation in 2015, proving the RMB’s unreadiness for the SDR basket, the IMF nevertheless decided to add the Chinese currency to the basket.

China’s success in strengthening the RMB’s international role by pushing it into the IMF’s SDR basket was due to the status-quo enhancing nature of the strategy. Since China was the only strong supporter of the IMF currency among all the major economies, satisfying China’s demand would also boost the Fund’s own influence in the international monetary system. Further, adding the RMB into the SDR basket would not undermine the US dollar’s dominance in the international monetary system nor change the key operating rules of the existing system in the short run.63

**Leadership in the CMIM and AMRO: status-quo enhancing**

The ASEAN+3 countries established the CMIM and AMRO to oversee regional financial stability after the IMF failed to control the damage of the Asian financial crisis. As the largest economy among all ASEAN+3 countries, China actively pursued the chief leadership in the CMIM and AMRO, as it expected the latter to facilitate China’s leverage over its neighbors and to shape the regional economy more effectively than the IMF and G20.64 It eventually obtained an equally-shared leadership in both institutions with Japan, Asia’s other leading financial power, after multiple rounds of negotiations. More importantly, China also holds remarkable informal governance power in the two institutions. Since the directorship of the AMRO ***rotates*** between Chinese and Japanese citizens, the Chinese are guaranteed a long-term influence in the Office’s policy direction. For instance, during the term of the second Chinese director (2016–2019) in the AMRO, the researchers were encouraged to show the positive impacts of economic collaboration and connectivity in Asia instead of merely reporting the risks and problems of the regional economies.65 This preference coordinated with China’s aspiration for boosting the regional economy through transnational cooperation programs such as the Belt and Road Initiative. Besides the shared directorship, there are several Chinese nationals in the AMRO’s senior management team and advisory panel.

The Chinese voice is more influential in the CMIM and AMRO than in the IMF. Although the two regional institutions have weaker influence in the global finance regime than the IMF, and especially considering that the CMIM has not yet made a case of lending, the regional efforts in designing and operating both institutions demonstrate the Asian countries’ determination and capacity in competitive regime creation under China and Japan’s leadership. This demonstrates China’s rise in the global finance regime, specifically by building an alternative financial governance framework that acknowledges the domestic Chinese interests and Asian preferences. Meanwhile, the IMF collaborates frequently with the two Asian institutions. The IMF’s support for the CMIM and AMRO differs largely from its unfavorable reaction to the Asian countries’ earlier attempt to build an ‘Asian Monetary Fund’ in 1997. The proposed Asian Monetary Fund was seen by some US and IMF officials as an attempt to weaken the US financial influence in Asia as well as a challenge to the IMF’s authority in the global finance regime.66 On the contrary, the CMIM and AMRO do not fundamentally challenge the IMF’s role in Asian and global financial governance. More than that, the two regional institutions often complement the IMF’s operation in Asia through close collaboration.

The most remarkable example of such collaboration is the CMIM’s ‘IMF link’. Currently the CMIM maintains a 40% IMF-link. It means if a member country makes a request for drawing, it gets 40% of the requested amount directly from the CMIM, and the rest 60% only if it also joins the IMF lending program and is subject to the IMF ***conditionality***. Most of the potential recipient countries, which are the Southeast Asian countries that did not receive effective crisis assistance from the IMF during the Asian financial crisis, prefer to be more independent from the Fund.67 Yet the potential donor countries, including China, have doubts about the AMRO’s current capacity in conducting effective surveillance and ex ante enforcement during crisis-time.68 They would therefore like to keep the IMF-link strong. Further, since the Chinese shareholder of the CMIM, the People’s Bank of China, has a close relationship with the IMF, it has indicated strong support for the IMF-link. Finally, the CMIM’s own lending ***conditionality*** is very similar to that of the IMF. This means even if the CMIM’s IMF-link were to be eliminated one day, it would probably lend with similar conditions as the IMF.69

As a supporter of the IMF-link in the CMIM, China does not seek to use the CMIM and AMRO to undermine the IMF’s role in the global finance regime. That being said, both China and Japan do support the AMRO to become an independent and accountable international organization with enhanced surveillance capacity.70 They acknowledge the AMRO’s potential in providing a valuable ‘second opinion’ through a particular Asian lens. An AMRO staff member confirmed that the Chinese authorities had often approached them and asked for opinions.71 China and Japan also regard the CMIM and AMRO as a desirable platform for smoothening their neighbor relations. Further, the AMRO collaborates closely with the IMF in surveillance and policy advice. They run annual joint seminars on various regional economic issues. The IMF helps the CMIM prepare for real crisis-time operation through annual joint test runs. Consequently, the staff of two institutions tend to focus on similar macroeconomic factors, financial risks, and policy discussions from similar angles,72 apart from the disagreements on few issues such as capital flow measures.73

Overall, the CMIM and AMRO help China (and Japan) achieve the objective of increasing influence in the international finance regime whilst focusing on increasing resources devoted to Asia. Crucially, these institutions support the existing regime and offer additional resources to the common goal of resolving balance of payments problems to help states stabilize their currencies and so represents a status-quo enhancing approach to regime shifting.

**Attempts to reform the trade regime**

One way that China has sought to address its dissatisfactions with the trade regime despite a lack of progress at the global level, is through PTAs. This is particularly true of the largest agreements to which it is party, the ASEAN-China Free Trade Agreement (ACFTA) and later The Regional Comprehensive Economic Partnership (RCEP). ACFTA entered into force in 2003, leading to the creation the largest free trade area by population in the world at the time.74 A number of aspects of ACFTA are notable for diverging from the approach adopted in many other trade agreements.75 ACFTA incorporates a more flexible approach to developing economies’ liberalization schedules, contains a separate, more limited dispute resolution procedure, and includes recognition of China as a market economy. Each of these represent a potential divergence from the status quo that is more line with Chinse preferences, though in different directions, with the treatment of developing countries building on existing WTO rules and the recognition of China as a market economic representing a challenge to them.

**Developing country treatment: status-quo enhancing**

There were a number of factors motivating China’s pursuit of a trade agreement with ASEAN, one aspect was the desire to improve its regional leadership position, balance the economic influence of Japan, reduce the regional perception of the ‘China threat’, and secure access to new markets in the event that global trade negotiations continue to fail.76 China’s regional agreements have long been noted for their relatively narrow issue coverage and the initially low levels of liberalization that often result.77 ACFTA is typical of this approach and was negotiated sequentially, initially with goods liberalization first, followed by services and then investment liberalization. China’s agreements are also often accompanied by up-front concessions on the part of China78 and as part of ACFTA, China reduced tariffs more quickly on a wider range of products, and placed fewer products on the ‘sensitive products’ list – which entails less stringent liberalization commitments – than did the ASEAN countries.79 At the same time China provided most favored nation (MFN) status to Myanmar, Vietnam, Cambodia, and Laos to take account of their status as the newest and least developed members of ASEAN.80 The agreement also incorporates an Early Harvest Program (EHP) designed to protect the ***agricultural*** sectors in these least developed ASEAN countries by ensuring that tariffs on a range of ***agricultural*** products were eliminated by China whilst reciprocal liberalization was not required on the part of ASEAN’s less developed members.81 This approach contrasts with the more comprehensive agreement concluded between Japan and ASEAN in 2008 which does not contain any significant concessions for the least developed ASEAN countries.82

Though ACFTA resulted in initially limited levels of liberalization, the aspects of the agreement of allowing more gradual and limited liberalization on the part of least developed countries does not represent a serious challenge to the global trade regime. Rather these provisions are complementary to the special and differential treatment provisions outlined in WTO agreements. In relation to the EHP too, article 15 of the WTO agreement on ***agriculture*** explicitly allows such adjustments for developing states who ‘. . .shall have the flexibility to implement reduction commitments over a period of up to 10 years. Least-developed country Members shall not be required to undertake reduction commitments’.83 In this respect, whilst ACFTA offers an alternative model to major regional trade agreements concluded elsewhere, it does not significantly challenge the norms or rules of the global trade regime. Such an approach is also in line with more recent developments such as the WTO Trade Facilitation Agreement (TFA) that entered into force in 2017 and contains the principle that implementation by least developed countries depends on their capacity.84 In its 2018 position paper on WTO reform Beijing continued to argue that reforms ‘should address the difficulties developing members encounter in their integration into economic globalization, by providing developing members with flexibility and policy space needed for their economic development’.85 Whilst pushing these ideas at the WTO regional agreements have offered the opportunity to build a different approach at an increasingly broader regional level. In terms of impact on the broader regime China’s participation in the Regional Comprehensive Economic Partnership (RCEP) is likely to be significant on this front. As with ACFTA, RCEP agreement is narrower in important respects and in particular incorporates relatively limited rules of origin standards, with only 40% of a given product’s value needing to be added within RCEP countries. This is potentially important given the significant production networks across multiple countries in the region. Indeed, it has been ***suggested*** that this may make it easier for China to avoid anti-dumping measures that have been contentious at the WTO.86

**Market economy status: status-quo challenging**

In order to address the dissatisfactions related to its market economy status, China has pursued a substantial number of trade agreements that have linked the issue of ME status to trade liberalization87 with Beijing making it ‘known that nations wishing to sign a bilateral agreement with China must accord China market economy status’.88 Beijing has similarly, signed a number of memorandums of understanding to this effect with its trade partners.89 In the framework goods agreement with ASEAN, article 14 explicitly incorporates recognition of China’s market economy status into the agreement itself.90 However China’s attempts to be recognized at the WTO as a market economy continues to face opposition from other major trading powers (particularly the U.S., EU, Japan).91 Unless China can secure ME status recognition from these members, its outside options for securing its objective in this respect are limited. Such a scenario is unlikely because the objective that China is pursuing is viewed as undermining the core aims, specifically fair competition, of the global trade regime by these WTO members.92

In particular the U.S. and EU argue that granting of direct and indirect subsidies to Chinese State owned enterprises (SOEs), mean that domestic prices are distorted and not determined by market principles.93 Today there are over 150,000 state owned enterprises (SOEs) in China and of these, 75 of the top 102 SOEs in the Fortune Global 500 largest companies in the world by revenue are Chinese.94 As a result, SOE’s are thought to constitute around 30% of China’s GDP.95 Japan, the U.S. and the EU have joined together to argue that this threatens the core objective of ensuring fair trade competition and prevent export subsidies and the dumping of products at below cost in competitor markets in order to gain market share.96 Consequently they have worked together to call for stricter WTO rules on state subsidies, that would impact on China’s trade.97 In 2017, they issued a statement expressing concern about distortions caused by government subsidies, state-owned enterprises, and forced technology transfers. In 2018, they each agreed to strengthen rules on subsidies, notification requirements, and information sharing.98 In late, 2018, along with Argentina and Costa Rica, the EU, U.S., and Japan presented a reform proposal that if a member does not notify the WTO about preferential measures or subsidies for domestic industries they could be expelled.99 Finally, in 2020 the three parties proposed that ‘the subsidizing Member must demonstrate that there are no serious negative trade or capacity effects and that there is effective transparency about the subsidy in question’.100 Given the perception by these members that recognition of China’s market economy status would undermine the core objectives of the existing global trade regime it appears unlikely that there will be a successful shift away from the status quo on China’s market economy status soon.101

**Concluding remarks: China in global governance**

We have argued that China has pursued two sub-types of regime-shifting changes in both finance and trade governance, with varying degrees of success. In finance, China’s proposals for instigating international monetary reforms within the IMF have met with different degrees of success. China’s advocacy for disciplining the US within the IMF largely challenged the status quo. It was therefore resisted by the G7 countries, which formed a major governance coalition within the IMF. Thus, it failed to reduce the US influence in the international monetary system. On the other hand, China successfully reached its goal of diversifying the international monetary system by convincing the IMF to admit the Chinese RMB into its SDR basket, because the strategy enhanced the IMF’s authority and legitimacy and therefore the status-quo. Meanwhile, by seeking and consolidating a shared leadership in the CMIM and AMRO, China successfully (co–) built a regional financial governance framework that endorses Chinese interests and Asian preferences. This strategy has received support from the IMF and other Asian states, as it complies with the IMF’s functions in core issue areas such as surveillance and crisis management while leveraging regional resources for resolving balance of payments problems in Asia. It is therefore evidently status-quo enhancing. Looking ahead, China’s change proposals in finance will undoubtedly continue to add complexity to the regime. Besides advocating for internal changes in the IMF, China will maintain constructive collaboration with the Fund, whilst supporting the CMIM and AMRO’s regional financial initiatives.

In trade, China’s approach to developing country interests in ACFTA is relatively distinct compared to other major regional agreements, but ultimately can be seen as a complementary extension of existing WTO rules on special and differential treatment of developing states. Conversely, we have shown how the position of Beijing on its market economy status is viewed by other major economies as a challenge to the status quo and has resulted in no meaningful progress. Looking ahead, China’s change initiatives in trade will continue to add greater complexity to the existing institutional arrangements but we would expect that China’s attempts to re-define the conventional understanding of market economy status will continue to be unsuccessful without the buy-in of the U.S., Japan, and EU.

The finding that China has been more successful when it has adopted status quo enhancing strategies compared to when it adopts status quo challenging strategies has important implications for international politics more broadly. It demonstrates that the status quo in trade and finance remains generally stable. This implies that China’s ability to fundamentally challenge the current equilibrium remains limited given the current distribution of power and the continued support of a large number of countries for existing arrangements. At the same time, the relative flexibility and responsiveness of the regimes to status quo enhancing changes also ***suggests*** that China can achieve most of its objectives by continuing to work within the existing system. The framework developed here also sheds some light on China’s behavior in issues areas beyond those discussed, for example, development finance. China’s successful breakthrough in gaining larger influence in the international development regime, through creating the Beijing-based AIIB, does not fundamentally challenge the central goals and objectives of the existing regime. The AIIB’s mandate and governance structure are not radically different from those of the existing creditor-dominated MDBs, including the World Bank and Asian Development Bank. This framework is therefore useful for studying the Chinese measures in various multilateral development finance institutions and the prospects for their success in reforming the international development regime. Further research is needed to establish how far this framework applies to yet other states and issue areas. We would expect our conclusion that status-quo enhancing strategies will, all else equal, be more successful than status-quo challenging strategies, to apply more broadly beyond the case of China. This is because the requirement for productive coalition building is likely to be more important, rather than less, for dissatisfied states that do not possess the resources, power, and outside options of China. Similarly in issue areas with more severe distributional concerns, such as security, we would expect that status-quo challenging changes to the regime would be even more difficult to implement given the greater difficulty of coalition building where vital security interests are at stake. Conversely we would expect that status-quo challenging change proposals may be more successful in issue areas where distributional concerns are less severe, such as in the area of global health. Overall, given the tendency in discussions on regime complexity to treat change proposals as undifferentiated, the distinction between status-quo challenging and enhancing changes can add valuable nuance to understandings of change and contestation in global governance.

**Notes**

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[***From heatwaves to floods - the highs and lows of Suffolk's farming year***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69YJ-9881-DY7X-T2VJ-00000-00&context=1516831)

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**Body**

After last year's scorching heat, this year farmers were confronted with rain, rain and yet more rain.

We look at some of the highs and lows of yet another year of extremes for Suffolk and north Essex farmers, starting in January 2023:

JANUARY

Suffolk farmers were becoming frustrated at the lack of progress on future farm policy and were seeking clarity on payments as farm minister Mark Spencer addressed the Oxford Farming Conference.

A 10-year study by the RSPB concluded that up to 31% of farmland in arable East Anglia should be placed in top tier conservation schemes to halt catastrophic declines in farmland birds.

Farmland experts expected prices to continue to rise above inflation over the next five years as demand from environmental investors pushed up prices for poor quality land.

Environment secretary Th\xC3r\xC3se Coffey put some flesh on the bones of schemes designed to place the old Common ***Agricultural*** Policy (***CAP***) from when Britain was in the European Union.

New Suffolk Show director John Taylor was relishing the challenge of putting on his first show in May.

Weird and Wonderful Wood - a rural festival held annually at Haughley Park, near Stowmarket - was crowned East Anglian Festival of the Year after winning a public poll run by the East Anglian Festival Network - a regional trade body.

Stowmarket farmer and gamekeeper Graham Denny said there were pockets of Suffolk - including on his own farm at Little Stonham - where farmland birds were thriving thanks to the efforts of farmers.

Suffolk and north Essex mourned the death of Akenfield author Ronald Blythe who died at his home at Bottengoms Farm, Wormingford, near Colchester, on January 14 at the age of 100. He captured the last days of a fast-disappearing world in rural Suffolk and lived in Great Glemham in the 1960s and 70s.

Pig and arable farmer Wendy Houston of Swilland, near Ipswich, became chairman of Framlingham-based farm co-operative Fram Farmers.

Top farming and environmental thinkers descended on Firstsite in Colchester for EA Sustain, which brought together influential environmentalists, farmers, artists and policymakers.

FEBRUARY

England was to have its driest February in 30 years - but that trend would be reversed later in the year.

Suffolk's potato farmers were feeling the squeeze as prices failed to keep pace with fast-rising costs.

The last hammer fell at a rural auction room as property company Durrants closed its Beccles auction house with the loss of six jobs. Other auctioneers such as Clarke and Simpson and Cheffins said there was still a thriving auction market - but adapting to new technologies was key.

Free range egg farmer Alaistaire Brice of Havensfield Happy Hens at Hoxne, near Eye, was concerned after experts confirmed bird flu had been found in wild otters and foxes.

Water experts gathered at The Hold in Ipswich for a conference which looked at how water in the East of England was getting scarcer - and schemes such as the Felixstowe Hydrocycle to try and solve the problem.

Farm apprentice Callum Hayes, 19, of Halesworth - working for Mike Porter of Porters Farms, Walpole - was named Suffolk's top farm apprentice at a ceremony hosted by Suffolk New College in Ipswich.

Peter and Andrew Fairs of Fairking at Great Tey, near Colchester - a major borage grower and processor for the UK - welcomed 68 farmers as they unveiled a new 1m-plus plant. They - along with the farmers they work with - grow about 90% of the UK crop.

A new vertical farm by OneFarm - ***capable*** of producing 415 tonnes of food a year - took shape inside a disused warehouse in Newmarket.

The Farm Safety Foundation (Yellow Wellies) launched its annual Mind Your Head campaign against a backdrop of 36 suicides registered in the ***agricultural*** industry in England and Wales in 2021.

Suffolk Show director John Taylor and deputy Nick Watts launched the 100-day countdown to the Suffolk Show at Trinity Park.

Historic Deben Farm Club - thought to be one of the oldest of its kind in the country - prepared to celebrate its 70th year with a big bash.

Alistair and Sian Kerr launched Farmstead Lodges, a new 1.5m luxury holiday homes venture at Low Farm, Easton, near Woodbridge, as they continued to diversify the former dairy farm site.

Suffolk's top Anglican clergyman, the Bishop of St Edmundsbury and Ipswich Martin Seeley, was voted in by Suffolk ***Agricultural*** Association as president of the 2024 Suffolk Show.

MARCH

Hundreds attended as historic Deben Farm Club held its 70th anniversary dinner in Ipswich.

Sales of Aspall cider soared after its takeover from Molson Coors to reach nearly 50% more than pre-pandemic levels - and two thirds of all super premium cider sales in pubs, bars and restaurants.

Suffolk Rural college campus at Otley unveiled a new "climbing frame" for goats as part of an upgrade of its livestock facilities.

Michael Crowther, a maltster and farmer, died at the age of 86. He returned to his roots and bought Tuffon Hall, at Sible Hedingham, near Halstead, following a highly successful malting career in Scotland.

Supermarkets started to drop customer limits on some fresh fruits and vegetables as supply issues which led to widespread shortages eased.

East Anglia's hard-hit poultry farmers were hoping global efforts might produce a usable bird flu vaccine soon - possibly within a year or two. The region's poultry was still in lockdown following the most devastating outbreak of the H5N1 strain of avian influenza in history.

Thirty-three-year-old Cathal Maginn, assistant farm manager at HH Craske and Son in Hadleigh, was chosen as Hadleigh Show director.

Rising input costs of 59.2% were putting pressure on UK farmers, an international study - the 2023 State of the Global Farmer Survey - found.

Suffolk grass seed company Barenbrug UK of Bury St Edmunds bought a "like-minded" Scottish company called Watson Seeds to create a 21m business with a 75-strong workforce.

The National Farmers' Union (NFU) announced it was selling its eastern region headquarters in Willie Snaith Road, Newmarket - which had been a focal point for farmers since around 1992 - as part of a major cost-cutting and restructure exercise.

Metfield pig farmer Peter Mortimer was thrilled as he was chosen as president of the South Suffolk Show.

Suffolk and Essex's top farmers warned that food price rises could soar even further as growers grappled with massive cost increases.

Major duck producer Gressingham Foods of Debach, near Woodbridge, adopted new packaging which it said would cut waste by more than 24 tonnes a year.

Former Eye abattoir owner Kevin Burrows came out of retirement to become licensee of the Legends Sports Bar at Stonham Barns Park, near Debenham.

Twenty-seven-year-old Suffolk dairy farmer Joe Adams was determined to keep the business going having joined dad Richard Adams in the business. They keep a herd of 120 Holstein cows at Gulpher Farm and Deben Lodge Farm at Felixstowe.

Suffolk sheep farmers hit back at a ***suggestion*** in an article by financier and environmentalist Ben Goldsmith that sheep are the "principal obstacle" to nature recovery - and have a "brutal impact" on landscapes

APRIL

Notcutts in Woodbridge was celebrating a stellar year after it was crowned the Suffolk-based national chain's best-performing garden centre.

A 20k windfall from Suffolk Building Society was set to help a new nature reserve - Martlesham Wilds on the River Deben - a Suffolk Wildlife Trust site.

Workers at an animal feed mill - AB Agri at Bury St Edmunds - called off strike action after accepting a revised two-year pay deal worth around 13%.

Jenna Ackerley of Events Under Canvas , which is based on a former county farmyard at Capel St Mary, near Ipswich, celebrated the tipi hire company's growing success with 420 events catered for in 2022.

Farmer Tim Crick of Benacre, near Southwold, was counting the cost of sheep worrying as his lambing season got into full swing. He estimated there were about half a dozen incidents every year - with one in 2022 involving a year-old sheep being killed by a dog.

Works machinery hire business TRU7 Group at Kesgrave - run by Guy Nicholls and son Jake - took delivery of eight John Deere tractors from farm machinery dealers Tuckwells, run by James Tuckwell and operating 10 sites across the region.

Stunning film footage of Suffolk's wildlife featured in BBC's hit nature show Wild Isles, narrated by David Attenborough. Red deer trails at Minsmere and boxing hares at Lackford Lakes were among the wonders film-makers Silverback Films captured.

Fourth generation farmers James Scarff and sister Catherine - along with parents Stuart and Jull - launched Burnt House Vineyard at Combs, near Stowmarket, after planting their 22-acre vineyard in 2017 to 2019.

The Barker family - who farm at Westhorpe, near Stowmarket - featured in a follow-up BBC iplayer series to BBC's Wild Isles called Saving Our Wild Isles. They showed that biodiversity is possible - even within intensive ***agriculture***.

Suffolk Rural college campus at Otley - part of Suffolk New College - was offering new vet nursing courses at it prepared to become a zoo, having applied for a zoo licence in 2022.

East Anglian farmers' leaders welcomed the lifting of a bird flu housing order from April 18 - but warned poultry keeps to keep alert.

Seed drills maker Claydon celebrated a major expansion of its factory, which is based on the family farmyard at Wickhambrook, near Newmarket.

Suffolk farmers' dried up farm reservoirs - drained by drought in 2022 - were now full again after spring rains came to the rescue.

Aspall cider brother Henry Chevallier Guild said he was "thrilled" after his non-alcoholic drink - Nonsuch Shrubs - scooped two awards at the World Alcohol-free Awards.

A major farm - 1,400 acre Cedar Farm at Alderton near Bawdsey - hit the market with a guide price tag of 21m.

Pasture for Life farmer Nicola Chapman - who keeps a Belted Galloway herd near Beccles - was celebrating Great British Beef Week.

Tim Pratt, manager of large-scale vegetable grower Wantisden Hall Farms, near Woodbridge - owned by the Kemball family - showed how he used his Dorset Horn and Poll Dorset sheep to fit in with his crop ***rotations***.

Suffolk Wildlife Trust's Carlton Marshes reserve near Lowestoft was already drawing 100k visitors since expanding and adding a new visitor centre opened by the Princess Royal in 2021.

Former professional sailor Hannah Tuckwell, who lives on a 1,000-acre family farm at Kettleburgh, Framlingham, was preparing to launch a care farm to support teenagers and young adults struggling with their mental health.

MAY

Financial pressures and political upheaval drove farmers' confidence down to its lowest level since the start of the Covid pandemic, a survey by the National Farmers' Union found.

The 134th South Suffolk Show took place at Ampton point-to-point racecourse in Ingham, near Bury St Edmunds.

Stonham Barns staged a revamped Steam and Vintage Show with small scale engines among the highlights.

The government was urged to reverse the "neglect" of the rural economy as a new report from MPs and peers showed country dwellers were hardest-hit on prices by the cost of living crisis - spending around 10 to 20% more on essentials such as fuel - and with 7.5% lower wages.

Award-winning wood festival Weird and Wonderful Wood returned to Haughley Park, near Stowmarket.

Fears were raised for the future of some of the UK's rarest native pig breeds in the wake of a wider crisis in the pork industry, as the Rare Breeds Survival Trust published its annual watchlist.

Local businessman Steven Rose of Rose Builders was chosen as president of the Tendring Show and chose creativity as his focus for the event.

Suffolk Show organisers spent the month putting the last-minute touches to the big two-day event at Trinity Park on May 31 and June 1.

Baker Jon Clarke - who was made redundant from two top Suffolk bakeries after they shut their shops - launched his own bakery shop - Clarke's Bakery - on Place Farm, Stuston - a farmyard near Diss owned by farmer David Laurie.

A140 pub landlady Jan Wise, who runs the Walnut Tree pub at Thwaite, near Eye, launched a new shop on the site selling giftware and frozen vegetarian ready meals made in-house.

The Suffolk Show was a stunning success - to the delight of new show director John Taylor.

JUNE

Suffolk Show organisers were delighted to see cattle and other livestock returning in large numbers this year after re-booting the event post-pandemic in 2022.

Light horse steward Mike Harris handed over the reins at the Suffolk Show to James Nunn after 10 shows in charge of the hugely busy equine rings.

Cattle and other livestock entries rose at the Suffolk Show - after smaller numbers returned in 2022 as the country came out of lockdown.

Farmers were urged to brush up on farm safety ahead of harvest as the National Farmers' Union held a series of health and safety workshops across the region to combat the industry's poor safety record.

Ancient engines were given an outing as the Woolpit Steam Rally - organised by brothers David and Gerald Seeley - returned to Warren Farm, Wetherden. One of the highlights was a rare 1923 Wallis and Stevens oil bath traction engine.

The pig sector credited an "astounding" 75% reduction in its use of antibiotics to a successful eight-year collaboration between vets and farmers.

East Anglia's arable farmers were facing a 50% drop in profits for harvest 2023 due to falling grain prices, dwindling subsidies and inflationary cost pressures.

East Anglian vegetable producer Frederick Hiam invested 2.5m in automated machinery to replace 20 seasonal workers in a bid to solve its recruitment problems.

Suffolk duck meat business Gressingham Group snapped up a cold storage business - Hemswell Coldstore in Lincolnshire - as it continued to expand its operations.

Suffolk charcuterie pioneers and pig farmers the Whitehead family were taking their Lane Farm business - at Brundish, near Framlingham, to new heights with help of the next generation.

Farmers - including Harry and Chris Suckling of Holbrook - opened their gates to the public as they celebrated Open Farm Sunday.

Ice cream maker Katherine Manning was taking Suffolk Meadow - which began as a sideline on her family's farm at Rendham, near Framlingham - to new heights after the sale of the dairy herd.

Tilly Abbott, 22, a young sheep farmer and The Suffolk Shepherdess blog creator, of Ipswich, scooped a top accolade from British Wool.

A stunning floral display was created in the centre of Bury St Edmunds as member of Flowers from the Farm held a one-day Flower Flash event organised by Worlingworth flower farmer and florist Victoria Uff.

Farmers were facing a financial squeeze as they gathered at James Forrest's farm, Mowness Hall at The Stonhams, near Stowmarket, for a wheat crop trial event organised by Fram Farmers.

JULY

Farmers were getting ready for harvest after the hottest June on record and were feeling upbeat.

Andrew Williams - the boss of one of Suffolk's leading farms at 4,800-acre Home Farm Nacton, near Ipswich - decided to step down from his role after 26 years.

The Tendring Show returned to Lawford House Park, near Manningtree, drawing thousands of visitors - and putting on a dazzling display of livestock for them.

Framlingham Horse Show took place at the town's Castle Meadow.

Combining season got off to a stuttering start as rain hampered harvest - leaving farmers frustrated.

An "insatiable" demand for second-hand farm machinery fuelled a huge uplift in sales at auctioneers Cheffins with 62m-worth of machines sold over a 12 month period.

The region's last stand-alone provide of further and higher level land-based education - Chelmsford-based Writtle University College - announced it was joining forces with Anglia Ruskin University to secure "a long-term, sustainable future".

Malt business Anglia Maltings - the parent of EDME of Lawford, Manningtree, and Crisp Malt of Great Ryburgh - was snapped up by Canadian food processor Richardson International for an undisclosed sum.

Farmer and vineyard owner Angus Crowther of Tuffon Hall, Sible Hedingham, near Halstead, was delighted after his 2022 Beatrice pinot ros\xC3 was awarded a gold at the WineGB awards and was praised by celebrity wine critic Oz Clarke.

A huge effort was under way to restore Suffolk's traditional orchards in the Sandlings area and elsewhere along the Suffolk Coast Area of Outstanding Natural Beauty - thanks to a Farming in Protected Landscapes grant.

Bella Hall was preparing to open Southwold Maize Maze next to the town's Hen Reedbeds nature reserve - and next to a large caf\xC3 opened at the farm in 2019 shortly before the pandemic.

Buyers were eyeing prime farmland in East Anglia as prices across the region reached a nine-year high.

Wet weather continued to dog harvest with many farmers who would usually be finished waiting for the rains to pass.

Farmers saw their crop yields increase by 2.4% despite cutting back on the use of fertiliser and other inputs because of alarming rises in prices last year, analysis by the Nature Friendly Farming Network showed.

AUGUST

The cold and wet spring was hitting the fruit harvest in East Anglia. Andrew Youngman and son Edward - who grow blackcurrants exclusively for drinks brand Ribena at their farm at Charsfield, near Woodbridge - said yields were down because the bad weather early on hit pollination.

The terrible harvest weather was taking its toll on the mental wellbeing of farmers, according to Suffolk farm chaplain Graham Miles.

Angry pig farmer Jonathan Green was left to pick up the tab after thieves made off with 50 of his animals from a unit at Troston, near Bury St Edmunds.

Suffolk pig farmer Alastair Butler of Blythburgh Free Range Pork completed an oarsome charity rowing feat after completing 2.5 million metres on his rowing machine over 250 days.

Business and farming leaders gathered at the Jockey Club in Newmarket for a King's Awards lunch where they heard that farmers would soon not have enough water to irrigate their crops unless action was taken.

Farmers Sarah and Will Edwards were celebrating the opening of their new countryside fitness and wellbeing centre at Be Well Barn, Wash Farm, Redlingfield, near Eye.

The Port of Ipswich retained its crown for the 18th year running as the top UK port for farming exports.

Struggling pig farms finally returned to profit after more than two years of crippling financial losses, according to industry figures.

Bury St Edmunds farmer Edward Vipond, farm manager at Troston Farms, near Bury St Edmunds, was celebrating the success of one of his more unusual crops - sunflowers - and was hoping for a bumper crop.

MPs called on supermarkets to support East Anglia's farmers and food producers by making it easier for online shoppers to buy British.

A farm on the Essex coast - Frinton Farms - claiming to be the only homegrown pumpkin seed oil producer in the UK - was growing Styrian pumpkins for the third year. Some are sold as snacks and others made into oil, explained farm manager and Frinton Farms founder Sam Hart.

SEPTEMBER

Regional utilities firm Anglian Water was pouring 7m into a scheme to restore rivers such as the Lark, Little Ouse and Thet to their natural shape by 're-wiggling' them.

Twelve farms in Mid Suffolk - including some of the county's top farmers - joined forces with pet food company Nestle Purina to support the county's wildlife and wider environment on a landscape scale in the 4,000ha High Suffolk Farm Cluster.

Early results from crop trials in Suffolk by Rothamsted researchers ***suggested*** there was no quick, easy answers to restoring the ecosystem and soils drained of nutrients.

Young Suffolk farmer Tom McVeigh of Kenton Hall, near Debenham, urged others to follow his lead and join the National Farmers' Union's Student and Young Farmer Ambassador Programme.

Britain's hardy and adaptable native breed farm animals were making a small but notable comeback in the UK, a Suffolk gathering of Rare Breeds Survival Trust supporters heard.

Water voles were returning in numbers to the Suffolk and Norfolk Broads after a successful campaign to eradicate mink numbers.

A National Farmers' Union poll showed farmers ranked second at 47% after nurses (65%) in popularity as it marked British Farming Day.

Farmer Richard Ling of Rookery Farm Wortham, near Eye, found there was no significant difference after trying out low-carbon cocoa shells as an alternative to conventional fertiliser.

Millions of pounds worth of Suffolk farmland was set to hit the market as Clarke and Simpson brought eight different farms onto the market at once.

Angry farmer Andrew Blenkiron spent three hours clearing about 50 or 60 burst black bin bags filled with dirty nappies and household waste after it was fly-tipped on the Euston Estate near Thetford.

Rougham Estate near Bury St Edmunds doubled the size of its annual pumpkin patch in response to huge demand last year.

The young generation were now running the Kenton Estate near Debenham after parents David and Sharon McVeigh passed the baton to their children Emily, Lucy and Tom.

Aldeburgh Food and Drink Festival co-founder Lady Caroline Cranbrook was over the moon as this year's Snape broke records.

British Sugar set a minimum offer of 37.50/t for next year's crop - leaving Suffolk and north Essex farmers to mull their options.

Nature-friendly Farming Network said the latest State of Nature report made for grim reading - but said it did offer hope that the situation could be turned around.

Some of Suffolk's most spectacular beauty spots were being linked up by a mosaic of nature reserves as a by-product of a new generation of nuclear reactors as "re-wilding" efforts around the planned Sizewell C plant gathered pace.

OCTOBER

The 2023 Autumn Farming Conference at Wherstead Park, Ipswich, focused on sustainability, water management and the environment.

Akenham Hall Farm in Henley Road, Ipswich, decided to expand its pumpkin patch after growing the crop for the second year running.

Five Rod Farm founder Cameron Wheeler celebrated a successful move to Kenton Hall, Debenham, where he was growing vegetables and other crops for his own veg box scheme.

Large-scale Suffolk coast commercial vegetable grower James Foskett branched out with his own pick-your-own pumpkin patch in Woodbridge.

Research on a Suffolk cereal farm run by cousins Brian and Patrick Barker at Westhorpe, near Stowmarket, was due to come to an end six years after it became a pioneering AHDB ***Strategic*** Farm.

The equestrian centre at Suffolk Rural in Otley - the land-based arm of Suffolk New College - was celebrating achieving top marks in four out of eight categories set by the British Horse Society.

Suffolk farmers bemoaned the lack of clarity about the government's post-Brexit ***agricultural*** strategy as they gathered for the Larking Gowen Autumn Farming Conference at Wherstead, Ipswich.

Rougham Estate owner George Agnew's dream of opening up the site for country recreation and community took a big leap forward with the opening of the new purpose-built Roots Caf\xC3.

Suffolk's most progressive and innovative farming champions were celebrated at an annual dinner hosted by Suffolk ***Agricultural*** Association at Trinity Park in Ipswich.

A move by Suffolk County Council to support the region's ***agricultural*** industry by sourcing homegrown food was welcomed by farmers' leaders.

East Anglia was at the forefront of one of England's fastest growing crop sectors - grapes - as vineyards produced 36% of the country's soft fruit crop. Strawberries and blackcurrants were second at 21% each, according to new figures from DEFRA.

East Anglia's livestock farmers were warned to guard against bluetongue as a new strain of the devastating animal disease spread rapidly in the Netherlands.

Storm Babet struck - leaving farmers to count the cost as heavy rainfall washed newly-planted seedlings away.

As Storm Babet wreaked havoc across Suffolk, heroic farmers rode to the rescue across many flood-hit areas - including across Framlingham, Debenham, Eye and villages in between - to deliver stranded schoolchildren to their parents and rescue drivers stuck in their cars.

Farm business Blacks of Bacton bought Newmarket plant operator training company Aurelia Ltd.

NOVEMBER

Needham Market-based Alder Carr Farm - maker of Alder Tree Ice Cream - was celebrating a national contract with frozen ready meals maker Cook which has doubled the size of the business.

Ancient farmers' organisation Bures ***Agricultural*** Club near Sudbury folded after 80 years as its members became too old to keep it going.

Suffolk and north Essex farmers were facing what could turn out to be their worst autumn sowing season yet - as they continued to count the cost of Storms Babet and Ciaran.

Andrew Blenkiron - director of the Euston Estate - announced he was moving in spring to another post heading up operations at the neighbouring - and larger - Elveden Estate.

The National Farmers' Union (NFU) Suffolk branch held its annual general meeting. Deputy chairman Glenn Buckingham was voted in to return to his previous role as chairman with effect from February 2024.

Suffolk Show charity the Suffolk ***Agricultural*** Association was thrilled after it was chosen for a King's Award for Voluntary Service. Chairman Bill Baker expressed his delight at the accolade.

Turkey farmers were pinning their hopes on a cracking Christmas revival - after a dismal year last year when birds were locked down due to the bird flu crisis. In 2022, cases swept the country with Suffolk, Norfolk and parts of Essex at the epicentre of the outbreak in poultry.

Woodbridge farming family the Simpers decided to sell a sizeable chunk of its farmland at Ramsholt, near Woodbridge, off the River Deben so that they could invest in their fishing fleet.

Suffolk and north Essex's sugar beet growers were facing uncertainty about their cropping arrangements as a row over next year's price deal erupted.

The first Regenerative Farming Conference took place at Ipswich's Museum of the Environment.

DECEMBER

Vegetable growers across Suffolk were bracing themselves for a busy festive harvest - with crops like carrots and cauliflowers to be harvested and onions and potatoes to be brought out of storage.

The National Farmers' Union said it was "astounded" after British Sugar decided to go back to beet growers with another price offer while talks were ongoing.

Sheep farmer Robert Spink of Hepworth near Bury St Edmunds was elected National Sheep Association Eastern Region Chairman.

Farmer Geoff Freeman of Bredfield, near Woodbridge, was delighted as he scooped the top cattle prize at Stanfords' annual Christmas Livestock Show, Chris Reeks - who farms on the Euston Estate - was equally thrilled after his sheep swept the board, and won the supreme champion award.

**Load-Date:** December 26, 2023

**End of Document**



[***Europe live: Brussels recommends delay to ‘set-aside’ rules which have fuelled farmers’ protests – as it happened***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6B77-JT81-DY4H-K29D-00000-00&context=1516831)

The Guardian (London)

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**Section:** WORLD NEWS; Version:14

**Length:** 4466 words

**Byline:** Lili Bayer in Brussels

**Highlight:** Proposals that new rule requiring farmers to set aside up to 7% of land to boost biodiversity should not come into force until 2025

**Body**

block-time published-time 3.11pm GMT

Summary of the day Farmers continued protesting in France and Belgium.The European Commission, responding to pressure, proposed to allow EU farmers exemptions this year from Common ***Agricultural*** Policy rules obliging them to keep certain areas non-productive.The European farming lobby said “this decision comes late in the ***agricultural*** calendar and remains limited,” calling on EU leaders to do more. The Commission also proposed renewing the suspension of import duties and quotas on Ukrainian exports to the EU, but said that it would reinforce protections “for sensitive EU ***agricultural*** products”.An NGO criticised the move, arguing that it harms biodiversity and calling the proposal “another day of shame”.Ahead of a key EU leaders’ summit tomorrow, pressure grew on Hungary to agree to a financial aid package for Ukraine. The European parliament’s biggest political groups called on the heads of state and government to quickly approve financial assistance to Kyiv.The German chancellor, Olaf Scholz, called on citizens to reject the far right and made the case for a stronger European Union.Israel’s ambassador to Sweden, Ziv Nevo Kulman, said his embassy had been “subject to an attempted attack” and thanked the Swedish authorities for their swift response.

Stay tuned for our live blog tomorrow for updates from the EU leaders’ summit in Brussels.

block-time published-time 3.02pm GMT

Farming lobby says EU commission proposal 'late' and 'limited'

Responding to the European Commission’s proposal today to provide an exemption to rules of fallow lands, European farming lobby Copa and Cogeca said the move remains limited, calling on EU leaders to do more.

During the past few months, farmers across the EU have been severely impacted by extreme weather events and trade disruptions linked to the Russian invasion of Ukraine all of which have had severe impact on farming activities and the food supply chain.

Consequently, this has created difficulties for farmers in the Common ***Agricultural*** Policy (***CAP***) implementation, with repercussions for the 2024 ***agricultural*** year. Copa and Cogeca have repeatedly asked the European Commission to consider derogations from ***CAP*** ***conditionality*** (e.g. GAEC 6, 7 and 8), eco-schemes and agri-environment-climate commitments which build on these, for 2024. We called for a common action to address these severe difficulties.

Today, under pressure from the demonstrations, the President of the European Commission has announced a “one-year derogation from ***CAP*** rules on fallow lands”. Revised conditions for GAEC 8 were part of the greater flexibility expected by farmers.

Copa and Cogeca take note of this advance, but this decision comes late in the ***agricultural*** calendar and remains limited.

We hope that Member States will further strengthen this proposal to have a more global approach especially in Members States that have been particular impacted by extreme climate events, during the European Council meeting tomorrow.

block-time published-time 2.57pm GMT

‘Day of shame': NGO blasts European Commission proposal on fallow lands

Ariel Brunner, director at BirdLife Europe, said today that it is “another day of shame” as the European Commission president, Ursula von der Leyen, “caves in.”

He argued the Commission proposal exempting farmers from rules on fallow lands “allows destroying flowerstrips and fallows again -it won’t increase production but if it did it would just depress prices further.”

The proposal, he said, “further locks farmers into dependency on chemical industry” and “harms biodiversity, increases floods etc.”

enltrAnother day of shame as [*@vonderleyen*](https://twitter.com/vonderleyen?ref_src=twsrc%5Etfw) caves in, allows destroying flowerstrips and fallows again -it won't increase production but if it did it would just depress prices further -further locks farmers into dependency on chemical industry -harms biodiversity, increases floods etc [*https://t.co/nN3dDyfqeZ*](https://t.co/nN3dDyfqeZ)

— Ariel Brunner???? (@ArielBrunner) [*January 31, 2024*](https://twitter.com/ArielBrunner/status/1752653074970083346?ref_src=twsrc%5Etfw)

block-time published-time 2.32pm GMT

'We will not be intimidated by terror', Israeli ambassador to Sweden says

Israel’s ambassador to Sweden, Ziv Nevo Kulman, said his embassy had been “subject to an attempted attack” and thanked the Swedish authorities for their swift response.

A suspicious object was found outside the embassy. Police said they believed it to be an explosive device and that it would be destroyed.

“We will not be intimidated by terror,” Kulman said.

enltrToday we were subject to an attempted attack against the Embassy of Israel in Stockholm and its employees. We thank the Swedish authorities for their swift response. We will not be intimidated by terror.

— Ziv Nevo Kulman ??????? (@zivnk) [*January 31, 2024*](https://twitter.com/zivnk/status/1752695535511748700?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 2.35pm GMT

block-time published-time 2.28pm GMT

Christiane Lambert, the president of the farming lobby Copa Cogeca, also welcomed the European Commission’s proposal.

“Finally!” she wrote on social media. “Faced with climatic and geopolitical disruptions, the lack of grain availability is recognised.”

frltrEnfin ! La décision tant attendue de dérogation pr cultiver 4% de terres en jachères est annoncée par [*@vonderleyen*](https://twitter.com/vonderleyen?ref_src=twsrc%5Etfw). Face aux perturbations climatiques &géopolitiques le manque de disponibilité céréales est reconnu ! Go pour semis de printemps ! [*@COPACOGECA*](https://twitter.com/COPACOGECA?ref_src=twsrc%5Etfw) [*@FNSEA*](https://twitter.com/FNSEA?ref_src=twsrc%5Etfw) [*@JeunesAgri*](https://twitter.com/JeunesAgri?ref_src=twsrc%5Etfw) [*https://t.co/Imxt5PedUD*](https://t.co/Imxt5PedUD)

— Christiane Lambert (@ChLambert\_FNSEA) [*January 31, 2024*](https://twitter.com/ChLambert_FNSEA/status/1752653100094038085?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 2.33pm GMT

block-time published-time 2.24pm GMT

Lennart Nilsson, a member of the national board of the Federation of Swedish Farmers, thanked the European Commission president, Ursula von der Leyen, for Wednesday’s proposal for a one-year exemption from rules on fallow land.

enltrThank you [*@vonderleyen*](https://twitter.com/vonderleyen?ref_src=twsrc%5Etfw) for listening to us farmers, this was one of three issues we lifted in our letter earlier today [*https://t.co/P5fiKuIvDN*](https://t.co/P5fiKuIvDN) Looking forward to further dialogue! [*https://t.co/w1av1YPm5L*](https://t.co/w1av1YPm5L)

— Lennart Nilsson (@LennartN\_LRF) [*January 31, 2024*](https://twitter.com/LennartN_LRF/status/1752657224512463283?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 2.32pm GMT

block-time published-time 2.09pm GMT

Reacting to the European Commission’s announcements on ***agricultural*** policy, the Belgian prime minister, Alexander De Croo, said it was a “first important stage for our farmers.”

He said:

I am for another postponement. Fewer administrative burdens, often imposed by Europe. And a fair price for the hard work of farmers.

Belgium currently holds the ***rotating*** presidency of the Council of the EU.

frltrPremière étape importante pour nos agriculteurs. Je suis pour un nouveau report. Moins de charges administratives, souvent imposées par l'Europe. Et un prix juste pour le dur labeur des agriculteurs et agricultrices. [*https://t.co/yjf6eJIbLi*](https://t.co/yjf6eJIbLi)

— Alexander De Croo ???????? (@alexanderdecroo) [*January 31, 2024*](https://twitter.com/alexanderdecroo/status/1752658815193923716?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 2.14pm GMT

block-time published-time 2.05pm GMT

What about imports from Ukraine?

As farmers’ protests continue in various European countries, there is a growing discussion about imports from Ukraine.

The European Commission proposed renewing the suspension of import duties and quotas on Ukrainian exports to the EU on Wednesday, but also said that it would reinforce protections “for sensitive EU ***agricultural*** products”.

So-called Autonomous Trade Measures (ATMs) for Ukraine has been in place since June 2022.

The commission said in a statement:

While the main objective of the ATMs is to support Ukraine, the measures are also mindful of EU farmers’ and other stakeholders’ sensitivities.

To this end, and considering a significant increase in imports of some ***agricultural*** products from Ukraine to the EU in 2022 and 2023, the renewed ATMs contain a reinforced safeguard mechanism. This makes sure that quick remedial action can be taken in case of significant disruptions to the EU market, or to the markets of one or more Member States.

For the most sensitive products – poultry, eggs and sugar – an emergency brake is foreseen which would stabilise imports at the average import volumes in 2022 and 2023.

This means that if imports of these products were exceeding those volumes, tariffs would be reimposed to ensure that import volumes do not significantly exceed those of previous years.

block-time updated-timeUpdated at 2.12pm GMT

block-time published-time 2.00pm GMT

The Latvian prime minister, Evika Silina, has said ahead of tomorrow’s summit that it is time for the bloc to meet its commitments to Ukraine.

As Ukraine defends its homeland, they’re also making strides in reforms. It’s time for the EU to fulfil our commitments of financial support.

enltrCoordinating with ???? Deputy Prime Minister for European and Euro-Atlantic Integration Olha Stefanishyna ahead of a crucial [*#EUCO*](https://twitter.com/hashtag/EUCO?src=hash&ref_src=twsrc%5Etfw) meeting. As ???? defends its homeland, they're also making strides in reforms. It's time for the [*#EU*](https://twitter.com/hashtag/EU?src=hash&ref_src=twsrc%5Etfw) to fulfill our commitments of ???? financial support. [*pic.twitter.com/EwcDheOcsz*](https://t.co/EwcDheOcsz)

— Evika Silina ???????? (@EvikaSilina) [*January 31, 2024*](https://twitter.com/EvikaSilina/status/1752668875626295740?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 2.10pm GMT

block-time published-time 1.56pm GMT

Scholz makes case against far-right and for stronger EU

The German chancellor, Olaf Scholz, has called on citizens to reject the far right and made the case for a stronger European Union.

“The word ‘remigration’ is reminiscent of the darkest times in German history,” Scholz said, according to Reuters.

He also argued that leaving the EU would lead to “the greatest destruction of prosperity that could happen to Germany and Europe”.

If the world becomes even more difficult, for example if you look at what is possible in the US election, then the European Union must become all the stronger.

Olaf Scholz speaks in the Bundestag. Photograph: Sean Gallup/Getty Images

block-time updated-timeUpdated at 2.01pm GMT

block-time published-time 1.35pm GMT

What's on the menu for tomorrow's summit?

Leaders from the EU’s 27 member states are gathering for a summit on Thursday.

A key issue will be financial aid to Ukraine, as leaders seek to convince Hungary’s Viktor Orbán to agree to a long-term assistance package.

In a letter to the leaders, the European Council president, Charles Michel, stressed the need to come to an agreement on amending the bloc’s long-term budget, which is known as the Multi-annual Financial Framework (MFF) and runs until 2027.

Securing agreement is vital for our credibility, and not least for our commitment to provide steadfast support to Ukraine. The onus lies squarely on us to find a solution and to deliver.

He also underscored the importance of military assistance to Kyiv.

Given the circumstances, we will also take this opportunity to further urgently address all aspects of our military assistance to Ukraine. This includes the delivery of ammunition, in line with our March 2023 European Council conclusions, and adjusting relevant EU instruments to deliver aid faster, while complementing bilateral efforts.

To achieve this, we have to continue our donations, adapt orders and place new ones – which will also boost our European defence industry.

He also the leaders would discuss the situation in the Middle East.

The dramatic events in the Middle East demand our utmost focus. All hostages detained by Hamas have to be released without any pre-conditions. Our discussion should be framed around a number of key issues. In light of worrying regional developments, we need to address security issues, continue encouraging restraint and discuss measures to prevent further regional escalation, especially in the Red Sea.

In addition, we must urgently contribute to remedying the devastating humanitarian situation in Gaza.

Lastly, we should discuss how to revive the political process for a two-state solution – the only viable option that can bring sustainable peace for both Israelis and Palestinians and enhanced regional security. Overall, our efforts should aim at ensuring that international law and international humanitarian law are upheld by all.

block-time updated-timeUpdated at 1.57pm GMT

block-time published-time 12.53pm GMT

European parliament groups call on leaders to approve aid for Ukraine

Ahead of tomorrow’s summit of EU leaders in Brussels, the European parliament’s biggest political groups have called on the heads of state and government to quickly approve financial assistance to Kyiv.

Russia shows no signs of stopping its war of aggression against Ukraine. Therefore, the EU must show no signs of stopping its support to Ukraine. Those who doubt our resolve and undermine our unity must be proven wrong.

We urge the European Council and the member states to live up to their promises, ensure effective and sustainable long-term military support to Ukraine and to step up the efforts to deliver the ammunition and military support that the Ukrainian defence forces so urgently need.

We expect the European Council to agree on the economic and financial support proposed under the Ukraine facility that will help Ukraine maintain essential services to its citizens, such as schools, hospitals and social security, and will support the country’s economic and social recovery and reconstruction.

Further delays or annual vetoes are not an option.

The [*statement*](https://app.box.com/s/2zc83kcuttk0skt1r086pls6t5zxnaaz) was signed by Manfred Weber, the chair centre-right European People’s party group; Iratxe Garcia Pérez, the chair of the Socialists and Democrats group; Valérie Hayer, chair of the Renew Europe group; Terry Reintke and Philippe Lamberts, the co-chairs of the Greens; and Ryszard Antoni Legutko and Nicola Procaccini, the co-chairs of the European Conservatives and Reformists group.

block-time updated-timeUpdated at 12.58pm GMT

block-time published-time 11.46am GMT

In summary, here’s what has just happened in Brussels:

Farmers have won their [*first concessions*](https://ec.europa.eu/commission/presscorner/detail/en/IP_24_582) from the EU after weeks of protests across France, Germany, Belgium and Italy.

EU leaders will be asked to sign off on a European Commission proposal to delay a rule requiring farmers to set aside between 4% and 7% of their land as fallow as part of an effort to restore soil health and increase biodiversity.

That rule will not now come into effect until 2025.

Trucks and tractors block the E40 motorway during a farmer’s protest in Aalter, Belgium. Photograph: Kurt Desplenter/Belga/AFP/Getty Images

block-time updated-timeUpdated at 12.11pm GMT

block-time published-time 11.24am GMT

Asked if the derogation of the set-aside rule would be enough to placate farmers who are protesting, also against what they see as a burden of new EU regulation coming down the tracks, Maroš Šefcovic, the European Commission executive vice-president, was blunt.

“We have to make sure that Europe will become a continent which will be habitable also in the future,” he said.

He said the new nature restoration laws along with moves to prevent floods, fires and other weather-related disasters, were designed to ensure “farmers can have healthy crops and they have solid incomes”.

With an eye perhaps on the link being made between the radical rightwing political parties and the nature restoration laws, he admitted that the dialogue with farmers “had to intensify”.

“We have to avoid the polarisation which is making any good conversation and discussion more difficult. Therefore, I would say we see our relationship with the farmers as one of clear political priorities for the commission,” he said.

The press conference is now over.

block-time updated-timeUpdated at 12.08pm GMT

block-time published-time 11.23am GMT

A row of tractors is parked, flanked by police cars, close to the European parliament in Brussels.

Farmers are protesting in the Belgian capital on Wednesday and Thursday.

Tractors parked near the EU institutions in Brussels on Wednesday morning. Photograph: Lili Bayer/The Guardian Police and farmers’ tractors near the EU institutions in Brussels. Photograph: Lili Bayer/The Guardian

block-time updated-timeUpdated at 12.06pm GMT

block-time published-time 11.17am GMT

Šefcovic is being asked again why the EU has taken the decision now. Was it really because of farmer protests?

He tells reporters it is because of the “combination of factors” he has described , and that the “economics of ***agriculture***” has also been hit by high energy prices.

“We feel we are obliged to act under this pressure, which [the] farming community [is feeling],” he said, adding that the idea behind the set-aside rule was to promote the regeneration of healthy soil.

Under the rules farmers can leave land fallow or grow nitrogen-fixing crops such as lentils.

block-time updated-timeUpdated at 12.04pm GMT

block-time published-time 11.09am GMT

Maroš Šefcovic, the European Commission’s executive vice-president responsible for the European green deal, is making a passionate defence of farmers at a briefing with reporters.

He said the decision to delay the set-aside rule was taken because farmers had had an exceptionally tough year as a result of floods, wildfires and exceptional heatwave and droughts linked to climate change last summer.

“We have had a number of extreme meteorological events, droughts flooding in various parts of the Europe and there was a clear negative effect on the output on the revenue, and of course, decreased income for the farmers and it created heavy pressures on farmers,” he said.

“I met with the president of Andalusia, he was telling me that the water reservoirs are at 20% level or in some parts of Andalusia 4%. What kind of dramatic changes does that require to sustain the ***agriculture*** and economic model? What kind of percentages are lost in the GDP? Let’s look at Greece. The whole ***agriculture*** sector because of the fires and floods was, if I’m not mistaken, more than 20% of the annual revenue.”

Šefcovic told reporters the value of cereal production had dropped by 30%.

block-time updated-timeUpdated at 12.02pm GMT

block-time published-time 11.00am GMT

Farmers' lobby says family farming 'in danger'

“The survival of European family farming as it is known today is in danger,” Europe’s biggest farming lobby said on Wednesday.

In an open letter to the European Commission president, Ursula von der Leyen, lobby group Copa Cogeca blamed the protests on farmers not being heard.

Economic burdens and bureaucracy are strangling farmers across the EU. Across the EU, the effects of climatic and geopolitical crises are impacting our farms considerably. And all this with the feeling that more constraints and more European regulations are going to be imposed on farms, with severe and irreversible consequences on production, income and increase of imports with less environmental and social standards.

Efforts to curb pollution or make farmers pay more for fuel such as diesel have sparked protests in several European countries in recent weeks. The EU spends about a third of its budget on its common ***agricultural*** policy, mostly in the form of direct payment to farmers, and the sector does not have to pay the costs of its planet-heating pollution.

Scientists, meanwhile, have warned of worsening crop failures and yield losses as Europe heats up and its wildlife dies out.

The latest round of protests comes just a week after Von der Leyen launched a “***strategic*** dialogue on the future of EU ***agriculture***”.

Copa Cogeca said it welcomed the long-term discussion but called for short-term answers on environmental rules and trade. The group singled out the Mercosur free-trade agreement between several South American countries as unacceptable for most EU farmers.

At this moment, a continuous push for getting the deal across the line will be perceived as a further provocation by the farming community, and will increase the rejection for decisions taken by the European Commission.

block-time updated-timeUpdated at 11.59am GMT

block-time published-time 10.57am GMT

Commission says proposed delay for set-aside rule a 'helping hand' for farmers

Maroš Šefcovic, the European Commission vice-president responsible for environmental policymaking, said the delay until 2025 of a new set-aside rule for farmers was “a helping hand’ for the sector at a difficult time.

He said:

In recent months and years, European farmers have found themselves under increasing pressure from many sides, climate change and the loss of biodiversity combined with geopolitical turmoil and soaring energy prices.

He also said they were facing higher production costs and a squeezing of revenues.

“For instance, the value of cereal production in the European Union dropped by nearly 30% in 2023,” he said.

The Commission believes that by taking the stabilising action, we can help alleviate the pressure that we know our farmers are feeling in order to ensure that they can stay economically viable during these times of high uncertainty.

The proposal has to be approved by member states.

“The ball is now in the courts of the member states who must decide whether to turn our proposal into reality. If so, the derogation would apply retroactively, as of January 2024,” said Šefcovic.

block-time updated-timeUpdated at 11.55am GMT

block-time published-time 10.53am GMT

We spoke to a young Belgian farmer, Sylvain Dardenne.

He was sitting in his tractor in a street lined with parked tractors and flanked by police cars a few blocks away from the European parliament, when we approached him with questions.

He explained that he was concerned about free-trade agreements and products coming into the European market that, in his view, did not have to meet the same standards.

enltrI spoke with a young Belgian farmer who was sitting in his tractor a few blocks from the European Parliament today. Here he explains his concerns to the [*@guardian*](https://twitter.com/guardian?ref_src=twsrc%5Etfw). [*pic.twitter.com/FwPWt2pqzi*](https://t.co/FwPWt2pqzi)

— Lili Bayer (@liliebayer) [*January 31, 2024*](https://twitter.com/liliebayer/status/1752645860591075609?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 11.41am GMT

block-time published-time 10.47am GMT

European Commission recommends delay in fallow land rules

The European Commission is recommending that EU leaders delay the introduction of rules that require farmers to keep a certain amount of land fallow or non-productive.

Opposition to the set-aside rules has partly fuelled the farmer protests across Europe in France, Belgium, Netherlands, Germany, Spain and Italy.

Under the proposal the rule would not apply until next year.

“The commission’s proposal, sent today to member states who will vote on it in a committee meeting, provides a first concrete policy response to address farmers’ income concerns. It also follows requests outlined by several member states in ***agriculture*** council meetings,” the commission said in a statement.

block-time updated-timeUpdated at 11.43am GMT

block-time published-time 9.36am GMT

Farmers protest in Belgium

Farmers in Belgium are also continuing to protest. The authorities have advised people not to come to Brussels by car on Wednesday and Thursday.

Farmers gather in the centre of Brussels. Photograph: Sylvain Plazy/AP Farmers protest in Ghislenghien. Photograph: Rex/Shutterstock

block-time updated-timeUpdated at 10.20am GMT

block-time published-time 9.01am GMT

‘The populists lied to the British,’ leading MEP says

Valérie Hayer, a French politician and president of the Renew Europe group in the European parliament, has spoken out about the impact of Brexit.

“Four years ago, the United Kingdom left us,” she wrote, adding:

Purchasing power, social security, global influence, border protection: nothing, absolutely nothing, has been a success. The populists lied to the British.

frltrIl y a quatre ans, le Royaume-Uni nous quittait. Tous les sondages depuis montrent le drame créé par le Brexit. Pouvoir d’achat, sécurité sociale, influence mondiale, protection des frontières : rien, absolument rien, n’a été un succès. Les populistes ont menti aux Britanniques.

— Valérie Hayer (@ValerieHayer) [*January 31, 2024*](https://twitter.com/ValerieHayer/status/1752602841900863635?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 9.34am GMT

block-time published-time 8.52am GMT

Marine Le Pen tops French barometer

The French far-right politician Marine Le Pen has come out in first place in Le Figaro Magazine’s [*barometer*](https://www.lefigaro.fr/politique/sondage-marine-le-pen-pour-la-premiere-fois-seule-en-tete-des-personnalites-politiques-20240131) of top 10 political personalities in France.

For the study, people were asked to rate political figures, based on whether they would like to see them play an important role over the months and years to come.

Le Pen came in at 40%, followed closely by Édouard Philippe, a former prime minister. Jordan Bardella, Le Pen’s 28-year old political ally, came in third.

The study also found that only 24% have confidence in the French president, Emmanuel Macron.

The poll, which was conducted by Verian-EPOKA for Le Figaro Magazine, also found that 33% have confidence in Gabriel Attal, the new prime minister.

Polling was conducted between 28-30 January.

Top 10 political personalities in France Photograph: Verian-EPOKA for Le Figaro Magazine

block-time updated-timeUpdated at 9.22am GMT

block-time published-time 8.25am GMT

Here are the latest images from France this morning, as farmers block highways.

A farmer waves to another farmer from behind a window of a tractor as they block a highway south of Paris, on Wednesday. Photograph: Thibault Camus/AP Farmers warm themselves around a bonfire as they block a highway with their tractors south of Paris, on Wednesday. Photograph: Thibault Camus/AP

block-time published-time 8.21am GMT

2 dead and 57 rescued near Lesbos

Greece rescued 57 migrants close to the island of Lesbos and recovered the bodies of two people, the coastguard said, Reuters reported. Another person is believed to be missing.

block-time updated-timeUpdated at 8.21am GMT

block-time published-time 8.17am GMT

Approximately 10,000 people protesting this morning, French minister says

Speaking this morning, the French interior minister, Gérald Darmanin, said that there are more than 100 blocking points and about 10,000 demonstrators today.

frltr????? "Les agriculteurs ne sont pas des délinquants [...] et il n'est pas question de les évacuer" Gérald Darmanin rappelle ses "lignes rouges" : ne pas rentrer dans Paris, Rungis ou les aéroports parisiens. [*#Les4V*](https://twitter.com/hashtag/Les4V?src=hash&ref_src=twsrc%5Etfw) [*@GDarmanin*](https://twitter.com/GDarmanin?ref_src=twsrc%5Etfw) [*#BlocusDeParis*](https://twitter.com/hashtag/BlocusDeParis?src=hash&ref_src=twsrc%5Etfw) [*pic.twitter.com/G3jXLsJ0dc*](https://t.co/G3jXLsJ0dc)

— Telematin (@telematin) [*January 31, 2024*](https://twitter.com/telematin/status/1752586091889099157?ref_src=twsrc%5Etfw)

block-time published-time 8.17am GMT

French farmers continue protesting as government turns to Brussels

It’s another day of protests in France, as farmers continue blocking roads.

Marc Fesneau, the ***agriculture*** minister, is set to hold talks in Brussels later today.

The French president, Emmanuel Macron, is expected to discuss concerns related to the ***agriculture*** sector with the European Commission’s president, Ursula von der Leyen, in Brussels tomorrow.

Farmers of the CR47 union (Coordination rurale 47) resume their Paris-bound tractor convoy after an overnight stop-over in Pierrefitte-sur-Sauldre, near Orleans, on January 31. Photograph: Alain Jocard/AFP/Getty Images

block-time published-time 8.17am GMT

Welcome to the blog

Good morning and welcome back to the Europe blog.

Send comments and tips to [*lili.bayer@theguardian.com*](mailto:lili.bayer@theguardian.com)

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[***In Conversation, The Submarine Institute of Australia Conference, Adelaide SA***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:697Y-NC91-JDG9-Y51V-00000-00&context=1516831)

Impact News Service

September 20, 2023 Wednesday

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**Length:** 4895 words

**Body**

Canberra: Australian Department of Defense has issued the following news release:

MICHAEL FITZGERALD, HOST:Thank you. Well there ’ s been much change since we last spoke in Canberra. But before I start, we just really want to thank you. You ’ ve been attending these conferences since 2016, I haven't got the SIA bots on the job to review accuracy, but I think you've probably addressed the conference more than anyone else. Always stimulated informed debate, which is our mission. And when I think back to your time, both in opposition and government, they ’ ve always been most valuable contributions to this conference. So if we don ’ t get time at the end I wanted to thank you at the start.

RICHARD MARLES, DEPUTY PRIME MINISTER:Well thank you, Michael. And can I thank SIA and all of you, for the contribution really, that SIA makes and this discussion makes to thinking around what is a hugely – well actually the most important platform, most impactful platform that we operate. And I think in thanking you just say that, you know for me, addressing you over the years has been a huge part of my learning experience. Obviously before I became the Shadow Minister for Defence back in 2016, I knew very little about submarines. I'm not professing that I'm an expert now, but I am much better informed today because of my interactions with you. And so let me thank you for that.

FITZGERALD:Thank you. So at last year ’ s conference, you actually introduced impactful projection, and we were most grateful for that, helps with the publicity for this conference. And we are now privy to much more of the how. The public versions of the Defence ***Strategic*** Review, and the nuclear-powered submarine taskforce report, and your government ’ s response are now both on the record. And no doubt the recently released Intergenerational Report, your government's priorities around tackling climate change, managing our economy, creating jobs in a challenging environment, reform of the public service, the list probably goes on, are all going to be supported by impact, be shaped as we move down this pathway. We've convened this conference with a focus on science, technology and engineering. We definitely are trying to focus on the opportunities that that actually unlocks in a program like this, both for the program and for the nation, as well as addressing the risks. So I'd like to start with your Deputy Prime Minister's hat on and look at the broader picture. And wondering if you might want to explore some of those relationships, the broader government priorities. I mean, quite obviously, the jobs and skills in a challenging environment is an obvious one, and how this program will contribute and how your initiatives in that area going to contribute to the program?

MARLES:Yeah. And it's a really good question. And the Intergenerational Report, I guess the drumbeat of that is every five years, so it's a report that's been done by governments of both persuasions, but it is an opportunity for us as a relatively new government to be thinking more long-term over the next five years. But obviously, it invites us to look more long-term and that – intergenerational. And I think the challenges for – well firstly there are a number of challenges which the Intergenerational Report identifies in terms of pressures that the country will be facing – pressures, changes; an aging population, the (inaudible) growth in the care economy that will come from that, the transformation in technology, particularly digital technology will transform the country in which we live, and all of that happening against the backdrop of climate change, but in the in the national security defence space, a more challenging and complex geostrategic landscape. I think in the broader sense, you know, we talked a lot about this in the lead up to the election, and our challenge, our economic challenge, as a country is to climb the technological ladder. It's really to infuse our economy with science and tech. We have over the last few decades become an economy which has primary industries at its center – that's fine, primary industries that are really important for our country, mining, ***agriculture*** are really critical. But we definitely need to have a more complex economy where we are focusing on the kind of human capital side and that does mean having more – doing more science and tech, having more training within our economy, building our human capital. And so you'll see a range of policies that we've got in place in respect of that, increased number of university places, specifically in respect of AUKUS, and us acquiring a submarine capability. The fee-free TAFE. All of this is about trying to build the country ’ s skill base, so that we then walk down a pathway of a more complex economy, the National Reconstruction Fund, is part of this as well, a more high tech economy.

Now, if that's the broad kind of direction that the nation is going, really thinking on the basis that where goes modernity, so goes prosperity, and we should seek to be as modern as we can be, that means kind of a technological ladder. Well, then you get to this program, which will be a flagship. I mean, building a nuclear-powered submarine will involve the most complex industrial production line which exists in the world today. And what we will see here in this city in Osborne, which is that production line, it will rank alongside Electric Boat, what Huntington ’ s do in the US, what BAE does in Barrow in the UK, this will be the most high-tech production line we will see. It will see massive skills uplift, it will see a massive technological dividend to the broader economy. So this is going to be one of the great Australian industrial ventures we have ever seen. But all that rolls off the tongue pretty easily, what that then means is there's a whole lot of challenges which go with that. And first and foremost is to get those skills, you know, the human dimension of the part of acquiring the nuclear-powered submarine capability, I actually think is the biggest challenge, both in terms of Submariners who operate it, but the industrial base to build it. And, you know, we've talked about having the Skills Academy here at Osborne, we haven ’ t really focused on this, but I don't want to understate how enormous this challenge is and that occupies a huge focus of our attention.

FITZGERALD:Something that ’ s come out of the discussion both in this room and in previous days, (inaudible) our American colleagues that we can look at the capacity issue and we ’ ll probably still underestimate it. It ’ s such a hungry beast this type of program.

MARLES:Correct.

FITZGERALD:Perhaps going a little bit closer to your own portfolio in Defence, date check so we can have talk about it next year, the independent analysis of the Navy surface combatant fleet is due with you by the end of this month?

MARLES:Well, so I said earlier this year that we will get this review before Geelong won the Grand Final. Some have now said that, okay, so we've got four or five years before we get that. The spirit of that comment was that we would get this done by the Grand Final, which is Saturday week, and that's on track. So we expect to receive the independent assessment by the end of next week. And obviously, we've been talking with the surface fleet review team, so that's not going to be a surprise to us, we have a sense of what's coming. And in that sense, when we announced it coming out of the DSR, we said it would be a, you know, relatively short, sharp review and it has been that. And we're very thankful to the review team and the work they ’ ve done. What now? Obviously, it's the government's response to that. Our intention is to provide our response to that, meaning the decisions which come from that, in really the first part of the first couple of months of next year. We ’ ll try and get this out the door as quickly as we can, but that's essentially the timeframe that we're working on. And in the process of providing that government response, we ’ ll obviously – I mean, a lot of the review exists in the classified domain which people will understand, but we will provide as much of the review as we can at that time.

FITZGERALD:So we ’ ll put that one down before GWS win the Grand Final?

MARLES:They ’ re a show. They are a big show. But you know, I understand it's quite a sore point in this town so.

FITZGERALD:I think a lot of you spoke at the industrial base, and so I think the other side of the DSR that people in this room are most interested in the progress of is the Defence Industry Development Strategy, and whether we ’ re going to see that by the end of this year (inaudible)?

MARLES:Yeah, well, that remains the plan. And that's being led by Pat Conroy. In the, I guess, coming to government and really trying to do what ultimately has been a pretty comprehensive assessment – reassessment, if you like – of where Defence is at and the direction that we seek to take Defence going forward. This was a really important companion piece to the DSR and to the announcements that we made in relation to AUKUS and the pathway for acquiring a nuclear-powered submarine earlier in the year. So the plan is that that will be released by the end of this year. I mean at the heart of that, it ends up being a longer conversation and it will form part of what is ultimately said, but coming out of the DSR really is a call which is exactly right, and I think people in this room will feel it, that we need to have a procurement system and with that a relationship between procurement and industry, which gives rise to a much quicker and more nimble procurement process.

Now, I'm really mindful that people that have sat in this chair over a long period of time have been uttering those words. And I think industry would say that it is not a quick process, and so those words coming from me now may also be seen in the context of that long history of defence ministers saying this, so I don ’ t ask you to judge me on me saying it, judge us on whether we put this in place over the course of the next few years. But the only point I make is that we are not going to meet the moment, I mean by that the ***strategic*** moment, unless we crack this nut. I mean, we have got to get our procurement processes happening in a faster, more nimble way, and at the heart of that, this will be in the defence industry report as well, is a greater acceptance of this. And I think, I was having a conversation on exactly this earlier today, but you know, at the highest level I think there is a sincere acceptance of those principles across Defence. The much harder point which is what must be managed if things are to change, is what that looks like in practice. What does that mean, when we say that there needs to be a greater acceptance of risk? What does that actually look like? What decisions and steps does that mean people will take in a way that will be different to what has happened in the past? I think there is some culture here which needs to be changed, there are some processes which needs to be changed, but there must be change. I'm really mindful of that, and we're really mindful that all the words in the world said on a stage such as today is fine, but you've heard it all before. What makes a difference is if we create a difference, and that's what we intend to do.

FITZGERALD:And industry policy has been a bit of a journey over many decades. But the one thing I will say is you've asked the right questions (inaudible) the quality of the answer is something I think most in this room will be looking at very closely, because they ’ re the right questions, but not necessarily easy questions.

MARLES:Well if they were easy questions it all would have happened – well put it this way, if the answers were easy, it all would have happened. I mean, I think we are asking the right questions, but I also think others have asked these questions in the past as well. So you know, I suppose what I'm trying to convey is we come to this with some humility. I mean, this isn't easy. But, you know, I think the difference now, relative to those who have sat in my seat in the past, is the, I guess, the urgency, but the seriousness of the ***strategic*** landscape that we face today. You know, I've probably said this when we last met, but all of us in government, but I think particularly those of us in the national security space, really feel the consequential moment in time in which we've come into power. You know, there's a heavy weight to that, really. And because a lot of these things that we're currently thinking about, it'd be better if we could do X or Y, now we really must do X or Y. It ’ s a difference, the weight of the moment is what we actually must respond to, but the weight of the moment is actually what I hope does drive change.

FITZGERALD:And I think that's a great segue to talk about submarines and impactful protection, the big question mark moving forward. But also, just this morning you ’ ve talked about the immense challenge and complexity of a nuclear-powered submarine program, and the immense sense of urgency. And no doubt you'll be aware of an article today inThe Australian, claims that nothing much is happening about AUKUS in the political universe. But likewise, earlier in this conference, we ’ ve heard the quickest way to build a workforce is slowly. And so there's going to be this ongoing constant tension between balancing the need to hasten slowly, you know to do things right, and to get it right. So (inaudible) we're going to be setting up systems, processes and tools, and you have arrangements and fora, which are absolutely necessary moving forward. How would you see – what would you say to the delegates in this room whether they be from academia or industry, about how to continue to prepare for the next phase of the journey, as we move out of this preparation phase?

MARLES:Yeah. Firstly, criticism is important it forms part of our kind of system of open government and that ’ s fine. And we will embrace it. But from our point of view, as a Government, all we can do is be as clear as we can be in terms of laying out the pathway, in terms of the subs, being clear in terms of the pathway that we are laying out, which we've done, or the timelines about that, which we've done so people can see. And therefore, people will also be able to see whether those timeframes and timelines are met, or whether they slip. And in a sense we have met that, well, I hope, very plainly and clearly. But we ’ ve very consciously done it in a way which does set up a framework by which we can be held to account. I mean, we have talked about making sure that we have an increased tempo of visits of nuclear-powered submarines to this country. As of now, that is actually happening. As every one of those we've had – in December we had USSMississippi, in March we had the USSAsheville, a month ago we had the USSNorth Carolina – two Virginia class, one LA class submarine, but all nuclear-powered. Each one of those has involved bigger kind of parcels of work that Australian personnel have engaged on them, which is the pathway to building familiarity with the machine, with the capability. That was the most immediate step, it's happening, we're doing it. We're talking about having the submarine ***rotation*** in place in the latter part of this decade, people will see whether or not that happens. We're talking about having an Australian flagged Virginia in the first part of the next decade, again, people will be able to see whether that happens. So, you know, it's there for all to see, we've done this consciously, we haven't set a trap for ourselves. We're trying to set up a construct where we as a government and governments in the future can be held against that timeframe. And so I guess from an industry point of view, you can look at that and make your own judgments.

I suppose having done that, and then being the initial government to try and meet that timeframe, what I would say to you is that, again sitting in my chair, that I feel that the time pressure acutely. This does not feel like we've got forever and a day to do this, it feels like we need to be getting our skates on right now. Questions around infrastructure in WA which will allow this to move forward at a pace, questions around the consolidation of Henderson and the strip which was one of the recommendations coming out of the DSR must happen, must happen quickly. Or you know, how do we organise WA in terms of evolving that operational capability won't happen on time. Here in South Australia, making sure that we've got the physical infrastructure in place to get the land and the site at Osborne in a position where we can start to build. All of these, you know, there are negotiations going on in respect of everything that I've just said, and decisions being made constantly in respect of all I ’ ve said so that we keep to the timeline, because one of the things that's really clear to me is if we start losing that timeline early on, the whole thing blows out. Now, in fact, right now, we have – well first thing to say is we ’ re right at the start. But the things we said we would do is that we have done, and they are there. So we've laid out a map, we've given the first step, we've taken the first step, and we ’ ll take the second step. And people will engage in the criticism as we go along, as they should, and that's fine. But from the Government's point of view, we will maintain our pace and our adherence to the timeline and the pathway.

FITZGERALD:So I'd like to open the floor to questions. While they think of one, we just don't want to forget Collins. Because as we ’ ve heard as recently as this morning, the optimal pathway is through Collins, it is not replacing Collins and, you don't actually hear a lot about LOTE anymore. I'm sure the work's all going on behind the scenes, but there's all sorts of things being talked about. Are you happy with the progress of LOTE, is it happening as you'd like?

MARLES:Yes, it is. I mean, I don't want to be kind of flippant about that either, because you're right, extending the life of Collins is a critical part of the pathway to acquiring a nuclear-powered submarine in a manner in which our submarine capability evolves, as in, increases from this day until we have the full fleet of Australian-built, nuclear-powered submarines. And so, the life of type extension of Collins is a fundamental element of this. And it's complex.

FITZGERALD:You talk about the second and third step (inaudible)

MARLES:Totally right.

FITZGERALD:And once it ’ s in the water

MARLES:And so an evolved and fully ***capable*** and better (inaudible). So the answer to your question is life of type extension is absolutely happening. It is on track, there is a lot of work going on to make sure that it happens at the pace that it needs to happen, and that it does deliver that evolved capability as we go forward. You know, that that will require as much attention as anything else that we are doing in terms of the journey of evolving capability. And I want people in this room to understand that we see this as, as a deeply serious element, right now.

FITZGERALD:I think there's some feedback that I took all the time last time, so I ’ ll opened to the delegates now. And we ’ ll just use the microphones today. So if there are any questions, just wait till the microphone comes to you.

QUESTION:Good morning, Deputy Prime Minister (inaudible). BAE systems have described a nuclear-powered submarine as a vessel more complex than the US space shuttle. Clearly that requires some global talent to start the Australian program, from the AUKUS partners. Is the government looking at producing or developing a visa that might attract the talent from the UK and America? And also looking at the security implications and clearances for those personnel to work in the program?

MARLES:That's a really good question. So I ’ ll come (inaudible) specifically not answer the question about visas. Let me more generally say that it's a really good question. We don't get this capability without a very close interaction with BAE but with the US as well. And that is happening right now in both directions. And you and I guess, I suppose the, in raising the question about visa, you're implying people movement, that's totally right. There's going to need to be people moving, again, in both directions so right now we've got Australian submariners, for example, during the nuclear propulsion course, naval reactors in the US, they ’ re doing really well. So that ’ s submariners, but we will be looking at exploring ways in which this will happen. And we ’ ve been talking with our American and British counterparts, how people throughout the kind of skill spectrum, you know, from training through PhDs, can have the opportunity to work in the US and the UK on their programs to gain those skills. But equally, you know, you're right, we are going to need to be getting the talent from both countries, from the US and the UK, applied to the production lines that we've put in, that we'll build here. And then I think there ’ ll be a dimension of that inevitably in relation to sustainment as well. So I suppose the sort of high-level answer of your question is, we definitely understand that we need to be looking at talent from overseas as well as developing our talent from here. There is a people movement piece which is implied in that and we are thinking very carefully about how we put that in place. And there are discussions that we're taking, we ’ re having with both the US and the UK.

QUESTION:I ’ d like to pose a question to you that (inaudible) at least two weeks ago, namely that there appears to be quite a bit of concern here in Australia, as to what happens when you begin to retire your Virginia-class boats, 30-35 years down the road. The current agreement appears to be that the nuclear waste will have to be disposed of here in Australia. And the US had already has the infrastructure to do that sort of thing whereas Australia would have to start from scratch. And it would seem more efficient, if that waste could be disposed of in the US. Is there any chance that negotiation be reopened?

MARLES:I don't think so. I mean, (inaudible) I certainly understand the point that you're making. To be frank, they were all conversations that were had, during the course of making the announcement that we did in March, but we've had those conversations, we've reached agreements, we made the announcement March, and we're proceeding on that basis. And that does involve Australia being responsible for the disposal of the reactors of the Australian-flagged Virginias that we operate. So we are moving forward on the basis of developing that facility and that will, it's not just the reactors in relation to the Virginias but ultimately the reactors that come out of the submarines that we build here in South Australia as well. So we're going to need to have a waste facility which can deal with reactors (inaudible), we have some time to put this in place. Again, that time elapses much quicker than people imagine. We are very focused on thinking through the process by which we will ultimately determine a location. I think the hardest part of this and (inaudible) building the facility that goes with that. Australia has some natural advantages here in terms of being both politically and geologically stable. And so I think that one can think through how to do it (inaudible) Clearly this will happen on Defence land, be it part of the current defence estate or the future defence estate. We are absolutely walking forward on the basis of being responsible for this at the end of the day, and a point that was made which I think is a point that we accept, the responsibility of being a nuclear steward is profound. That's what we are going to be in terms of operating this capability. We take this very seriously. And part of the responsibility that goes with being a nuclear steward is to be responsible for, to be responsible for the ultimate disposal of that high-level nuclear waste. We've set that responsibility as well.

QUESTION:Minister, thank you, Sarah (inaudible) and also I sit on the National Board of the Australian Industry Defence Network. I think you've got a great challenge ahead of you both scaling up to the very long term nation-building initiative and plugging the more urgent gaps that are called out in the ***strategic*** review. Given that Australian sovereign industry is an instrument of national power, and small to medium businesses can provide that connective tissue to help scale up both in the short and the long term, how is government thinking about addressing the issues that those small and medium businesses are facing today, many of whom are losing confidence in the defence sector, particularly in the dual-use case, and moving into to other industries?

MARLES:Good question again. I ’ d certainly accept that a lot of the premise of your question which is that I completely accept the idea that our defence industry represents one of the sovereign assets that we have, and the medium and small businesses in this sector form a really important part of it. And I would say an important part of the kind of contribution of Australian ingenuity to our defence industry landscape. I guess by that, I mean, you know, we have a number of international primes who are here (inaudible) playing a very important part in building the capacity of our (inaudible). I think a lot of the ingenuity of Australian business we see in the defence industry space does come from small and medium enterprises, and companies which employ under 1,000 people (inaudible). And they can be quite small and still do amazing work in terms of their inventiveness. And all of that is really important. It's important because, as I've kind of articulated over a long period of time now, it seems to me that why defence industry matters, and why we should be a part of it, why Australia should be a part of it, goes to the opportunity of exporting Australian know-how, and therefore working very closely with the defence industries of other countries and the ***strategic*** opportunity that that provides. And I think our small and medium enterprises are a really critical part of that. So I accept all of that and we will talk more about this in the defence industry economic strategy, but and again, these are things I've said in the past, Defence is a very big animal. Sometimes it doesn't play well with smaller animals. And we've got to kind of, you know, and it's kind of understandable. It is a massive animal. And it's, you know, it is easier, kind of conceptually easier for Defence to be operating with other big companies to do whatever is going to be done. But we simply have to come up with ways in which we, through our procurement and the way in which Defence engages, we are able to foster the sector that you've described, because I think it is a really critical part of the Australian landscape. Now, there are some really spectacular examples of Australian companies, which I would say that employ less than 1,000 people who've done amazing things and have had a great journey in terms of their relationship with Defence. So I wouldn't ***suggest*** that it never works. That's not right (inaudible) but it's just to say that we do definitely need to harness that part of our defence industrial base if our defence industrial base is going to be the sovereign asset that we want it to be. So, again, there ’ s sort of a lot of detail that will come out in relation to that. But the need to do that is very clear.

FITZGERALD:I think we have time for one last question if there are any.

QUESTION:Minister, is that the Australian Submarine Agency has been set up in a very timely and effective manner. We now await the nuclear-powered submarine safety regulator. Would you please confirm that it will report directly to the Minister for Defence and will be quite independent from the Department of Defence in other respects and of course from the Australian Defence Force?

MARLES:I want to give myself some wriggle room in terms of the absolute way in which you ask that question. So I'm trying to formulate the phrase which will give me the wriggle room. In essence, what you've just said is right, it will be independent, and it will be independent of Defence. And it will report to the minister. We are working through the precise kind of governance arrangements associated with it. Perhaps this is the way to put it. We are working through the precise governance of it so that it meets the spirit of what you asserted in the question. And what you asserted in the question is exactly right, that is how it needs to operate and what it needs to be. I hope I kind of answered that in a way which (inaudible) there ’ s a bank of TV cameras down there which have recorded every word I've just said.

FITZGERALD:Chris does ask questions (inaudible).

MARLES:It was a very good question. And the spirit of it is 100 per cent right.

FITZGERALD:So I think I think our time unfortunately has come to an end. But just very briefly, thank you for being here (inaudible) we really appreciate you supporting us. I enjoy hosting you and we hope you're back to another one of our events very shortly.

MARLES:Most definitely.

**Load-Date:** September 25, 2023

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[***Putin holds meeting with pro-Kremlin war correspondents in Moscow***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:68GD-HMS1-JC8S-C2N6-00000-00&context=1516831)

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**Length:** 17184 words

**Body**

Text of report in English by Russian presidential website on 15 June

The President met with war correspondents at the Kremlin.

Yevgeny Poddubny: Good afternoon, Mr President.

Thank you very much for finding the time to meet with us.

President of Russia Vladimir Putin: I am very happy to see you all.

Yevgeny Poddubny: Our previous meetings have all taken place in an atmosphere of trust. Our conversations have always been sharp and frank, and we are very grateful to you for this.

Vladimir Putin: I feel you won't be able to do that if the cameras are on; everyone wants to fire up the audience when the TV cameras are on.

Yevgeny Poddubny: No, we will keep things in hand.

We are hoping this talk will also be honest and open, and we are all counting on this.

Vladimir Putin: It will be on my part, I promise.

Yevgeny Poddubny: On our part - as well.

Vladimir Putin: Excellent, this is what it will be.

Yevgeny Poddubny: You have said more than once that all the goals that you set personally for the special military operation will be achieved. The special military operation has lasted a fairly long time. The situation is changing, the position is changing, and probably the goals and tasks of the special military operation are changing as well. Can you tell us how they have changed if at all?

Vladimir Putin: No, they are changing in accordance with the current situation but of course overall we are not changing anything. Our goals are fundamental for us.

All of you here are very seasoned professionals, especially people like you who have been under fire for more than a year. Your mentality changes. I know this from my own experience even though I haven't crawled under flying bullets like you have, I have known this since the time I flew in a helicopter with tracer fire around us. You know, all this changes your mentality. So, what is the point of our actions? We will have to take two steps from the centre of the field. After all, we wanted and still want to have the best possible relations with all our neighbours after the collapse of the Soviet Union. This is what we are doing. We have accepted that what happened, happened, and now we must live with it.

And you know, I've already said that, no secret here, we did offer every option to our Western partners, as I used to call them, we thought we were one of them, we wanted to be in the family of so-called civilised nations. I reached out to Nato ***suggesting*** that we look into that possibility, but we were quickly shown the door; they didn't even bother to consider it. I also ***suggested*** creating a shared missile defence system.

We are aware that the events of the 1990s - early 2000s stem from a bitter historical legacy in the Caucasus, for instance. Who were we fighting there? Mostly, Al-Qaeda. And what did our "partners" do? They supported them by providing financial, information, political and even military support. They did not give a damn about the fact that they were helping Al-Qaeda as long as they were able to rock our boat. Everything they did fit the paradigm of rocking Russia. We left no stone unturned in our efforts and finally agreed that Nato would not be expanded. We came up with every option we could. Still no. Why? It is just because the country is too big: no one needs a country that big and with such great potential in Europe. Everyone tries their hand at gradually breaking Russia into pieces.

Ukraine is part of the effort to destabilise Russia. By and large, this should have been kept in mind when decisions were made on breaking the Soviet Union up. But then, apparently, it was expected that our profound relations would be decisive. But due to a number of historical, economic and political circumstances the situation took a different path. We tried everything on this path as well. In fact, we have, for decades, if not fed, but sustained their economy - you are aware of this, since I have written and talked about it - with cheap energy, other things, loans and so on. To no avail. How did it end eventually? They started killing our supporters in the streets and eventually staged a coup d'etat.

Look, this is not the first coup. How did Yushchenko come to power in Ukraine? Was it as a result of a legitimate procedure? Do you want me to show you how he came to power? We are aware of it. They came up with a third round of elections. What was that about? This was not enshrined in the Constitution. It was a coup, but at least a relatively peaceful one. And we did communicate with them. I went there and they came to us, no problem. But eventually, they pushed it to a bloody coup. That is, it became obvious that we were not given any chance to build normal relations with our neighbours and the fraternal Ukrainian people. Not a single chance.

Then they pulled themselves together, and events immediately started unfolding in the southeast, in Donbas - after the coup d'etat, they realised that we would not be able to just leave Crimea - we simply could not leave it, this was impossible, it would have been a betrayal on our part. But we didn't touch Donbas. Yes, our volunteers were there, but the Russian state had nothing to do with it at all - I assure you of this - none at all. I'm perfectly open and honest - we had nothing to do with it, our involvement was zero. Yes, there were people from Russia there. They tried to support the local population and so on.

Eventually, we were compelled to act in defence of these people. We were simply compelled to do this. Nine years! We genuinely tried to agree - difficult as it was - on somehow keeping Ukraine's southeast as part of the country, we were sincerely working for this. Now we know that our so called partners simply cheated us - they swindled us, as people say. They never planned to fulfil any of the agreements, as it turned out, and so it all came to the current situation.

Moreover, they put bastards like Bandera on a pedestal. They don't want communism. Fine, who wants that today? They are throwing the founder of Ukraine - Lenin - off his pedestal. Okay, this is up to them, but they are putting Bandera up there instead, and he is a fascist. I am totally surprised at how a person with Jewish blood, the head of the state of Ukraine, can support neo-Nazis. It simply beats me. After they basically annihilated the civilian Jewish population, Bandera and his supporters have been elevated to the rank of national heroes. Now they are marching with those posters. So, we will never accept historically what is happening there.

We continuously raised this issue during our negotiations, including in Istanbul. And in response, we were asked, "We don't have anything to do with neo-Nazis, what do you want from us?" We at least want certain restrictions to be introduced into the law. Incidentally, on the whole, we also agreed on this during that round of talks - before our troops moved away from Kyiv because afterwards they threw all our agreements away.

Demilitarisation. We are dealing with this gradually, methodically. What are the Armed Forces of Ukraine fighting with? Do they produce Leopards or Bradleys or the F-16s they haven't received yet? They don't produce a thing. The Ukrainian defence industry will soon cease to exist altogether. What do they produce? Ammunition is delivered, equipment is delivered and weapons are delivered - everything is delivered. You won't live long like that, you won't last. So, the issue of demilitarisation is raised in very practical terms.

The same applies to protecting people in Donbas. Yes, unfortunately, the shelling continues, and everything else too. But overall we will be working towards this methodically and we will resolve this. I am sure we will resolve it.

So, by and large, our principles and thus, our goals have not changed since the beginning of the operation. There has been no change.

Dmitry Kulko: Good afternoon, Mr President.

Dmitry Kulko, Channel One.

Ukraine's counteroffensive is underway. You provided your comment on the situation five days into the counteroffensive. Some time has passed since then. You receive operational updates every day and, as we can see, not only from the special military operation command, but you make direct phone calls to the front line as well.

Vladimir Putin: Yes.

Dmitry Kulko: Is there anything you can add to your previous assessments?

Vladimir Putin: Yes. This is a large-scale counteroffensive, which uses, as I recently said publicly, reserves that had been stockpiled to this end. It started on June 4. It continues to this day and right now as we speak.

I listened to the most recent report about the latest developments. There was an attack in the Shakhtersky direction this morning. Up to 100 troops, four tanks and two armoured vehicles [from the Ukrainian side]. In the Vremevsky direction, there are several tanks and armoured vehicles as well. The attack is proceeding in several directions. Several tanks and armoured vehicles have been destroyed, and Ukraine suffered military personnel losses. They failed to reach the front line.

Overall, though, this is a large-scale offensive: they started out on the Vremevsky ledge, in the Shakhtersky and Zaporizhzhya directions. It began precisely with the use of ***strategic*** reserves and continues as we speak: right now, with us gathered here and discussing it, there is a battle going on in several combat areas.

What can I say? The enemy was not successful in any sector. They suffered big losses. Good thing for us. I will not give the number of personnel losses. I will let the Defence Ministry do it after it runs the numbers, but the structure of losses is unfavourable for them as well. What I mean to say is that of all personnel losses - and they are approaching a number that can be called catastrophic - the structure of these losses is unfavourable for them. Because as we know, losses can be sanitary or irretrievable. Usually, I am afraid I may be off a little, but irretrievable losses are around 25 percent, maximum 30 percent while their losses are almost 50/50. This is my first point.

Second, if we look at irretrievable losses, clearly, the defending side suffers fewer losses, but this ratio of 1 to 10 is in our favour. Our losses are one-tenth of the losses of the Ukrainian forces.

The situation is even more serious with armour. During this period, they lost over 160 tanks and more than 360 armoured vehicles of different types. This is only what we are seeing. There are also losses that we don't see. They are inflicted by long-range precision weapons at masses of personnel and equipment. So, in reality Ukraine has sustained heavier losses. By my calculations, these losses are about 25 or maybe 30 percent of the equipment supplied from abroad. It seems to me they would agree with this if they count objectively. But, as far as I know from open Western sources, it seems that this is what they say.

So, the offensive is on, and I have described the latest results.

As for our losses - let the Defence Ministry talk about other indicators and personnel - I said they lost over 160 tanks and we lost 54 tanks, some of which can be restored and repaired.

Dmitry Kulko: Thank you.

Yekaterina Agranovich: Good afternoon,

Agranovich Yekaterina, blogger.

I have a question about the Kakhovka Hydroelectric Power Plant. A tragedy has occurred and we still have to evaluate the environmental and social consequences. But here's my question: who is to blame for this in your opinion? Will they be punished? And a third question: what assistance can people from the affected territories expect?

Vladimir Putin: It is clear who is to blame - Ukraine was working at this.

You know, I am not going to say things that I am not one hundred percent sure of, but by and large, we did not record any big explosion just before the destruction. At any rate, this is what was reported to me. But they had targeted the Kakhovka HPP with HIMARS many times. That's the whole point. Maybe, they placed munitions there - I don't know right now, or maybe they undermined the structure with something minor and it triggered the break.

But as far as we are concerned, we are not interested in this now because there are arduous consequences for the territories that we control and that belong to Russia. This is the first point.

Now the second point. Unfortunately, I will say a strange thing now but nevertheless, this unfortunately ruined their counteroffensive in this direction. Why unfortunately? Because it would have been better for us if they had launched their offensive there - better for us because it would have been a bad offensive position for them. But that didn't happen because of the flooding.

The Emergencies Ministry is working very actively there; the military is working actively, and the local authorities are working. I recently talked with Acting Head of the Kherson Region [Vladimir] Saldo, and he says, "I will tell you honestly, we are surprised. We have never seen such well-coordinated work." Let this be true, although there are certainly problems.

There are people who refuse to leave, to be evacuated. To be honest, this happens here too. I remember a flood on the Lena when people were sitting on their roofs and refused to leave because they were afraid to leave the house, they were afraid that it would be plundered, etc. This is how things go. There may be other considerations of a different nature. In any case, everything that can be done is being done: the Emergencies Ministry is working very actively, and again, the local authorities, the Healthcare Ministry and the Federal Medical-Biological Agency have also joined the effort.

Now we must approach the issue of environmental safety and sanitary safety very seriously, because cattle burial sites and cemeteries are underwater. This is a serious problem, but it is solvable. We will need to use the chemical protection troops: the Minister has already reported to me, he gave the command. Together, by joining forces, I think we will be able to solve all the problems, including with water supply.

Today I spoke with Marat Khusnullin. He says we will have to deal with water availability there, build new wells, etc. But the work is already underway. As the water levels decline, and it is already gradually dropping, everything will be resolved as the problems appear. Of course, much livestock and wild animals died, unfortunately. We will need to organise all this, to clean up the area.

As for the people, everyone will receive assistance in accordance with Russian law and standards. All these conditions are known, they are envisaged in our laws. Everything will be done in the same way as for any other citizen of the Russian Federation, for every household. I have already told Minister [of Emergencies] Alexander Kurenkov to take an active role in assessing property damage, both movable and immovable. So, we are doing everything we can.

Yekaterina Agranovich: Thank you.

Alexander Kots: Mr President, my name is Alexander Kots, Komsomolskaya Pravda.

The question may be unpleasant, but people often ask us about it.

Vladimir Putin: There are no unpleasant questions here.

Alexander Kots: Our readers and viewers often ask us the same question - about the enemy's activity in our rear.

Hardly a week passes without news of drones either trying to hit or hitting infrastructure facilities. Surely, there is an acute issue regarding our border area, especially the Belgorod Region.

My question literally goes like this: how does it happen that enemy drones reach the Kremlin? And, having started to liberate Donbas, why are we now forced to evacuate our population from the border areas, which are already being entered by Polish mercenaries, and the Polish language is heard on our territory?

Vladimir Putin: Polish mercenaries are indeed fighting there - you are absolutely right, I agree with you - and they are suffering more loss. In fact, they are trying to hide them, but their losses are serious. It is a pity that they hide this from their population too. Mercenaries are being recruited - right in Poland, and in other countries, by the way. They are sustaining losses. That's first.

Second, concerning drones. You probably know, and your colleagues also know, at one time we had a situation at Khmeimim when drones flew in and, unfortunately, dropped several grenades, and we lost personnel there. But we rather quickly learned to deal with this, in various ways, with various means. It is sometimes difficult, but it is a solvable task.

Apparently, the same is true here: our relevant agencies need to make the necessary decisions, because the traditional air defence system, as you surely know, is calibrated for missiles, for large aircraft. As a rule, the drones you are talking about, and you are also aware of this, they are made of modern lightweight materials, made of wood, and it is quite difficult to detect them. But they are being detected. Although, it is necessary to carry out corresponding work, detect them in time, and so on. And this, of course, is being done, and will be done for sure, as far as Moscow and other major centres are concerned, I have no doubts about it whatsoever.

And yes, we must properly organise this work. And of course, it would be better if this had been done in a timely manner and at the proper level. Nevertheless, this work is being carried out, and, I repeat once again, I am sure that these tasks will be solved.

As for border areas, there is a problem, and it is connected - and I think you understand this too - mainly with a desire to divert our forces and resources to this side, to withdraw part of the units from those areas that are considered the most important and critical from the point of view of possible offensive by the armed forces of Ukraine. We do not need to do this, but of course we must protect our citizens.

What can be said here? Of course, we need to strengthen the border, and if any of you work there, you surely can see that this process is moving quite quickly, and this task of strengthening the borders will also be solved. But the possibility of shelling our territory from the territory of Ukraine certainly remains. And there are several solutions here.

First, increasing effectiveness and counter-battery combat; but this does not mean that there will be no missiles flying at our territory. And if this continues, then we will apparently have to consider the issue - and I say this very carefully - in order to create some kind of buffer zone on the territory of Ukraine at such a distance from which it would be impossible to reach our territory. But this is a separate issue, I am not saying that we will start this work tomorrow. We have to see how the situation develops.

But in general, nothing like that is happening in the Belgorod Region or anywhere else; both border guards and the Armed Forces are now working there. Of course, there is nothing good in this: in fact, it was possible to assume that the enemy would behave this way and, probably, to prepare better. I agree. But the problem will be solved, either this way or the way I mentioned.

Yevgeny Poddubny: Mr President, I am Yevgeny Poddubny, VGTRK (All-Russian State Television and Radio Broadcasting Company). In continuation of Alexander's topic.

Vladimir Putin: Yes, Yevgeny, please.

Yevgeny Poddubny: The enemy's special services agents are openly working on our territory, openly in the sense of not even denying that they are hunting leaders of public opinion in Russia: the murder of Daria Dugina, the murder of Vladlen Tatarsky, the assassination attempt on Zakhar Prilepin. As a matter of fact, it is clear that the Ukrainian special services are conducting terrorist, sabotage activities in Russia.

How will the Russian state fight the enemy's agents and the enemy's special services operating on the territory of Russia?

Vladimir Putin: Your question is very similar to what Alexander has asked, because these activities are essentially equivalent. We must fight, and we are fighting, we are, and some results of this work are becoming public, and the public is familiar with it: the detention of agents and special services officers of a neighbouring state. The work is ongoing.

But I want to point out that we, unlike Ukraine's current authorities, cannot employ terrorist methods: we still have a state, a country, while it is a regime there. They operate, in fact, as a regime based on terror: they have a very tough counterintelligence regime, martial law. I don't think we need to do that now. We just need to improve and expand the work of law enforcement agencies and special services. And in general, it seems to me that the tasks in this regard are also solvable.

You have analysed the tragedies you have mentioned and you see what has happened. Someone brought something in, the car was not looked at, there was no inspection.

Dasha, a good person, was killed, and it is an enormous tragedy. Was she a militant or something like that, did she fight with a weapon in hand? She was just an intellectual who expressed her point of view, her position. But, unfortunately, no one thought about security, and they just planted an explosive device under the bottom of the car, and that was it. By the way, this once again reaffirms the terrorist nature of the current regime in Kyiv. We need to think about that. With regard to those people who might be the targets of these terrorists, of course, both law enforcement agencies and these people themselves must think about this and ensure security.

But in general, introducing some kind of special regime or martial law across the country does not make any sense; there is no such need today. We need to work more carefully on some issues. On this, I agree with you.

Maxim Dolgov: Mr President, I am Maxim Dolgov, Readovka.

During the shelling, people can lose all their belongings: houses, property and so on. It is very important that our border regions, such as Kursk, Bryansk and Belgorod, help our people promptly and quickly. But the question is, will the regions have enough of this assistance?

Vladimir Putin: And we keep count: we are in almost constant contact with the leaders of these regions, and I talk to them. They formulate their needs, put them on paper and send them back to us.

Just this morning I spoke with Mr Mishustin; we discussed a number of issues for quite some time, including, by the way, this issue, and with Marat Khusnullin, too. We are sending the Belgorod Region - I may be a little off - but basically, I believe, 3.8 billion rubles have been sent to assist people. And some of these funds, I believe, 1.3 billion or so, or 1.8 billion, have already been sent to the Belgorod Region. So this is a fact.

Thank you for bringing this to our attention. Of course, people need help, and we will provide targeted assistance: for each family, for each household; we will definitely do this. This also applies to new housing, rebuilding lost buildings, and of course we have enough funds for this. The funding will come; it is already coming from the Government Reserve Fund. It has been set aside.

Mikhail Dolgov: Thank you.

Andrei Rudenko: Mr President, Andrei Rudenko, Rossiya TV channel.

Today, the medical sector of Donbas is under a lot of pressure. Hospitals are accepting not only civilians, but also military personnel. But at the same time, there is a huge shortage of both personnel and medical equipment; there are not enough MRI or CT machines. Today, appointments for these diagnostic procedures can only be made four months in advance, that is, if a person needs this scan today, they have to wait four months. Can this be solved in these territories?

Vladimir Putin: Of course, it is possible and necessary.

After all, these CT scanners and MRI machines are missing not because of our operation, but because they were never available there in the first place. Do you understand? It had just never happened. In the Donetsk Republic, as far as I remember, when we discussed this with the Healthcare Ministry, with Tatyana Golikova, there were two MRI machines in total.

Andrei Rudenko: Two MRI machines, 1.5 Tesla.

Vladimir Putin: You see, I remember this. And one scanner is being assembled. In the Kherson Region, there are no scanners at all. If they need to scan a patient, they have to go to Crimea. Well, in Crimea there were none for a long time too. Now everything is better, more equipment is appearing there. There is still too little and not enough, but, nonetheless.

We have adopted a programme, I believe until 2030, with considerable funds set aside under it. This is on record; we will not cut anything. Some Russian regions, that have taken the new territories under their patronage, are helping in many ways. And this help is sizeable, I think the regions are donating over 17 billion. There are also other funds from federal sources. So, we will be doing everything we can.

This includes a programme for restoring preschool facilities. I think, 1,300 buildings must be restored. About 1,400 schools are to be restored or built. Medical facilities too. All that has been included in the respective development programmes for these regions. We will certainly bring them up to the average level in Russia. This also includes wages; we have already introduced higher pay for some job categories, and this will be carried on.

Of course, I know that you are definitely right when you point this out. One of the most pressing issues is lack of capacity at [medical] facilities. This is exacerbated because they are admitting those who have been wounded in the course of combat action - both civilians and service personnel. At some point certain healthcare facilities were absolutely overcrowded.

Let me reiterate: we will be stepping up efforts within this programme until 2030, including healthcare. Again, this includes wages. In this area we will need - no, we will definitely do it - raise them to the Russian average and to the country's standards. For example, some employees, including in healthcare, must be paid the average wage like the rest of Russia. We will be moving towards this step by step.

Andrei Rudenko: Mr President, hospitals have become targets for Ukraine's armed forces, the strikes don't stop. Doctors constantly risk their lives. It would be good to grant them the status of SMO participants as well as other categories of people who are working towards this, I mean towards victory.

Vladimir Putin: We have to carefully look into this. Those who have been fighting since 2014... We need balanced social justice; it is one thing when a person is on the frontline, and it is a different matter when they runs these risks but are not on the frontline.

But you are certainly right that this aspect of risk must be taken into account in terms of salary. We will think about this by all means.

Andrei Rudenko: Thank you very much.

Vladimir Putin: Thank you for the question - it's a very sensitive matter. I understand.

Yekaterina Agranovich: I have one more question.

Vladimir Putin: Please go ahead.

Yekaterina Agranovich: The West constantly accuses us of destroying and stealing everything, from monuments to children, in Ukraine.

Vladimir Putin: Monuments? What monuments? They are the ones who tear down monuments. We could build a park of the monuments that were destroyed in Ukraine.

Do many people subscribe to your blog?

Yekaterina Agranovich: Relatively speaking, yes, but fewer than to Rudenko's blog.

Vladimir Putin: All right, it does not really matter. ***Suggest*** sending all the monuments to Russia. In Odessa, they demolished a monument to Catherine the Great, the founder of the city. We would gladly take it.

Yekaterina Agranovich: My question is about something a bit different. The bottom line is that they themselves engage in kidnapping and annihilation all over the world. However, the export-oriented Western picture of what life is like there and how things work there, is idealised. People in Russia and Ukraine fall for this propaganda. This issue is particularly acute in the new territories, because for eight years, since 2014, people there have been constantly surrounded by Ukrainian flags and things looked nice and good, and they constantly exerted influence on them. So, when we liberate these territories, many people disagree, and everyone has the opportunity to express their disagreement. If you go online you will see them freely uploading videos from, for example, cities in the Zaporizhzhya Region showing how they are longing for Ukraine now that they have to live under occupation.

Here is my question. How do we plan to influence the minds of children, teenagers and adults? Clearly, Russia is a free country where we all freely express our opinions. But in combat conditions, this becomes, first and foremost, a matter of security.

Vladimir Putin: You are right. Of course, with hostilities ongoing, we should put limits on certain things. However, we must not forget that what you just said is, of course, to a large extent, the work of the opposite side, the opposing side. The information space is a battlefield, a crucial battlefield.

So, if someone uploads or writes something and provides an address, this is one thing. However, if there is no address and it is not clear who is writing or speaking, this is a completely different story. You and I are well aware that you can post things online using well-known technical means, and you can make it look like millions of people have seen these videos and commented on them when in fact there is just one person behind it who simply uses modern technology to replicate it endlessly. But, of course, there certainly are people who have a certain frame of mind, and they can express their point of view.

What can we do to oppose this? I think this audience will know what I mean. This can and should be countered not so much by restrictions or administrative or law enforcement constraints, but by effective work in the information environment on our part. And I am really counting on your help.

Alexander Sladkov: Mr President, Alexander Sladkov, VGTRK TV company.

I have four questions for you. The first one is about ***rotation***.

Vladimir Putin: Who is the moderator?

Alexander Sladkov: Mr President, I am the moderator.

Vladimir Putin: You are too close - on the line of contact.

Alexander Sladkov: I am close to the decision-making centre.

Vladimir Putin: No, you are close to the line of contact, and it looks like what was coming from Ukrainian territory got into your system.

Alexander Sladkov: We got drunk on it.

Vladimir Putin: Oh, yes. That spirit of the lack of freedom. And you are abusing your position as moderator.

Alexander Sladkov: I confess, I am.

Vladimir Putin: Go ahead.

Alexander Sladkov: First, the painful question about ***rotation***.

We have sent our mobilised troops to the front. We trained them and sent them there. They are fighting now with dignity and giving all they have to this fighting. Their wives, mothers and families are wondering how long they will be away. Until victory? When is victory? A difficult path lies ahead of us. Do you not think the time will come when they will have to be ***rotated*** and replaced? And by the way, many are sure these people will mostly return to the SMO zone, because they are committed to fighting to the end. But when there is no limit in sight, it is very hard to maintain psychological stability. I am talking about families now.

My second question is about contract soldiers that we are recruiting now. General Yevgeny Burdinsky is doing an excellent job. He is a true professional, deputy chief of the General Staff. But we are living in the 21st century. Is it not time for us to change the system or make it an integrated one? We are waiting for the people to respond to the offer. We invite them but is it not time for us to go to the people who can help us and make a plan based on military specialties where we know the number of machine gunners, grenade launcher operators, drivers, signallers or intelligence officers, so that we stop taking people in en masse under a contract but take only the ones we need.

My third question is about conscripts. In connection with the events where conscripts acted as dignified members of the Armed Forces in the Belgorod Region and repelled enemy attacks, their families are wondering what their status is. I am aware that a certain federal law is planned to be adopted, but will conscripts continue to participate in hostilities?

And the fourth question is about mobilisation. Will there be another round of mobilisation?

That concludes my questions.

Vladimir Putin: These are indeed very serious questions, therefore we must talk about them, of course. First of all, the mobilised soldiers, the ***rotation***, when they should be replaced, when it will end.

You know, I will just turn to the law: the law does not specify the duration. We have to proceed from the availability of personnel, from the situation on the frontline, from the progress of the special military operation itself.

You know that in fact, and also at my ***suggestion***, we took a decision on regular leaves.

Alexander Sladkov: Yes, twice a year. You announced that in your Address to the Federal Assembly.

Vladimir Putin: The service members took the leave. Amusingly, some people doubted whether they would return: practically everyone returns with very few exceptions, due to illness or unexpected family circumstances. But overall, over 90 percent, 99 percent go back.

Alexander Sladkov: Yes, that's true.

Vladimir Putin: This is the first part of the answer to this question.

The second one - and I started with it: of course, we will have to gradually bring people back home, and the Defence Ministry is certainly discussing this relevant issue. It will depend on how the fourth question you asked will be decided, whether new waves of mobilisation are needed and so on. I am getting to it.

Contract soldiers. I talked to Mr Burdinsky recently, the work is generally moving forward, it is really going very well. He is in charge of recruiting contract soldiers. One of the deputy defence ministers is in charge of training.

Alexander Sladkov: Yevkurov.

Vladimir Putin: Yes. He is in charge of training, which is all set. I don't know if you have been there. If not, you can go.

Alexander Sladkov: Of course, we have.

Vladimir Putin: Things are getting better and better there now. There are probably still some problems, but the equipment is coming to them, they are working. There is no limit to perfection. Naturally, there are always problems wherever one looks, but overall, the situation is changing for the better. Do technologies need replacing? Perhaps, this must be considered. What is the point? The point is that - you are right, you are absolutely right - we must have targeted recruitment.

Now, regarding conscripts. As before, we will not send them to the special military operation zone that passes through Novorossiya and Donbas. The same is true now. Although, of course, these territories belong to the Russian Federation, the special military operation is ongoing there, and, as the Defence Ministry reports to me, there is no need to send them there. That said, they are traditionally deployed in the Belgorod and Kursk regions. They are ensuring security there, they are present in these locations, and in case of a threat, they must fulfil their sacred duty to the homeland and defend the Fatherland.

I must say that I talked to a battalion commander that fought in the Belgorod area. I asked him how many of his soldiers were mobilised and how many were conscripted. He said they were all conscripts and he had no mobilised soldiers at all. He is a battalion commander. I asked him how they acted. He said they were brilliant - nobody flinched, not even one. That said, there was a brief moment when Lieutenant-General Lapin was fighting with his service weapon together with his soldiers.

Alexander Sladkov: We watched this scene with alarm.

Vladimir Putin: Yes, yes but these guys were doing the best they could.

So, I think I answered your question. Of course, they will stay there as well as on other territories of the Russian Federation. The Defence Ministry is not planning to send them into the zone of hostilities, and there is no need for that now.

Indicatively, this battalion commander - I was very pleased to talk with him, I think his name is Nikitin - spoke so confidently and warmly about his soldiers. He spoke very well about them. He said: "Nobody flinched at all. They were very focused and did a good job."

Now about the need for additional mobilisation. I am not following this closely but some of our public figures claim that there is an urgent need to mobilise a million or even 2 million. This depends on what we want. But at the end of the Great patriotic War, how many...

Alexander Sladkov: Ten.

Vladimir Putin: No, maybe there were ten million during the war overall but I think at the end of the war we had 5 million in our Armed Forces. I may be wrong - I don't remember how many exactly.

I remember some things precisely - sorry to get side-tracked - but the RSFSR accounted for about 70 percent, or 69 percent of all losses during the Great Patriotic War - this is close enough, but I digress. The number does not matter but they were many. It depends on the goal.

Look, our troops were outside Kyiv. First, we reached an agreement, which turned out to be a good agreement about how to resolve the current situation peacefully. Even though they tossed it, nevertheless, we used this time to get where we are now which is practically all of Novorossiya and a significant portion of the Donetsk People's Republic with access to the Sea of Azov and Mariupol. And almost all of the Luhansk People's Republic, with a few exceptions.

Do we need to go back there or not? Why am I asking this rhetorical question? Clearly, you do not have an answer to it, only I can answer that. But depending on our goals, we must decide on mobilisation, but there is no need for that today. This is my first point.

Second, the thing that I will say at the end as part of my answer to your question, I am not sure I mentioned it before. Since January, when we began concluding contracts with contract soldiers, we have recruited over 150,000 of them and, together with volunteers, this number adds up to 156,000. The mobilisation gave us 300,000 recruits as we know. Now, people are coming voluntarily of their own free will. In fact, work began in February with 156,000 people and continues to this day with 9,500 contracts signed over the past week alone.

Alexander Sladkov: Half a corps.

Vladimir Putin: 9,500 people. Given this, the Defence Ministry says there is no need for mobilisation.

Things that are happening took even me by surprise: after all, 156,000 people volunteered. You know, as we say, Russians saddle slow, but ride fast. People are volunteering to defend the Fatherland.

Alexander Sladkov: Thank you.

Anatoly Borodkin: Mr President, Anatoly Borodkin, Zvezda TV channel.

You said earlier that Western countries are flooding the Kyiv regime with the most advanced weapons systems.

Vladimir Putin: They are.

Anatoly Borodkin: In this regard, I have a question: what are we going to do to expand our defence industry in order to prevent, first, a lag in terms of quantity and, above all, to overtake the enemy substantially and to provide our Armed Forces with sufficient numbers of modern weapons systems. We are aware that a Coordinating Council has been created. By the way, what do you think about its performance?

Frankly, so far, it appears that we have problems. The supply chain that goes from the defence order, manufacturing application and mass industrial production to shipping products to the frontline is sagging. What needs to be done to make it work as quickly as possible?

Vladimir Putin: You know, this is a fundamental question, absolutely fundamental. When we say - I said it, and you repeated it - that the West is flooding Ukraine with weapons, this is a fact, nobody is hiding this; on the contrary, they are proud of it. By the way, there are some problems here because, to a degree, they are violating certain aspects of international law by supplying weapons to an area of conflict. Yes, yes, yes, they prefer not to pay attention to this, but they are doing it. Never mind, they will keep doing it anyway, and it makes absolutely no sense to reproach them because they have their own geopolitical goals concerning Russia, which they will never attain, never. They must realise that, after all. But I think the awareness of this will come to them little by little.

Regarding weapons and MIC development. You see, we would have had no capability if we hadn't unveiled and started implementing the MIC upgrade programme about eight years ago - you might recall when it happened. You remember, yes, many of those here must have taken note of it. It was probably about eight years ago, maybe even earlier; we launched a programme to upgrade the military industrial complex. We allocated very large funds at the time, and piece by piece began to upgrade our enterprises, build new ones, deploy modern equipment and so on. Thereby, a very significant back-log was created.

Of course, during the special military operation it has become clear, that we do not have enough of many things. This includes high-precision munitions, communications systems...

Anatoly Borodkin: UAVs.

Vladimir Putin: Yes, and aerial vehicles, drones and so on. We do have them but unfortunately, the numbers are not sufficient. Even now, as I speak with the men on the frontline, they say that they need ZALA drones, counterbattery assets, and more of them, smaller and more effective. Although our big drones are fairly effective, there are not enough of them and they are harder to operate.

I said now that in the areas where the Ukrainian army is trying to attack, several tanks have already been destroyed, I think with kamikaze drones. They are used very effectively, probably more effectively than the enemy's drones, but we do not have enough of them. We do not have enough Orlan drones, and their quality must be improved, although they perform their function. That is, we need a lot of things. We need modern anti-tank weapons as well as modern tanks.

The T-90 Breakthrough is the best tank in the world by 100 percent. It is now possible to say the T-90 Breakthrough is the best tank in the world - as soon as it takes its position, there is nothing anyone else can do. It strikes longer and more precisely, and it is better protected. One commander told me - unfortunately the tank man died - but the T-90 Breakthrough was blown up by a land mine. Apparently, it was thrown up, and this man was wounded in it - not by a shell; he was simply thrown around inside, and that was it. The tank remained in working order. That is, there is enough of everything... No, on the contrary, not enough of everything but a lot of the groundwork has been done. Now the task is to build it up.

I mentioned the groundwork, and I should talk about what is happening now. During the year, we increased the production of our main weapons by 2.7 times. As for the manufacture of the most in-demand weapons, we increased this by ten times. Ten times! Some industrial companies work in two shifts and some in three. They practically work day and night and do a very good job.

As we say in such cases, I would like to use this opportunity to thank our labourers and engineers that are working day and night. Many of them go to the frontline to adjust equipment right in the zone of hostilities and do a very good job.

So, when we are talking about one of our main goals - demilitarisation - this is exactly how it is being achieved. They have less and less of their own equipment - almost nothing is left of it. They have some old Soviet plants where they try to repair hardware but the number is constantly decreasing because when we get information on what is taking place and where, we try to deal with it. Meanwhile, our production is growing and the quality is improving. The specifications - the range and precision - are being improved. If we did not have this special military operation we probably would not have understood how to upgrade our defence industry to make our army the best in the world. But we will do this.

Anatoly Borodkin: Thank you.

Irina Kuksenkova: Good afternoon, Mr President,

Irina Kuksenkova, Channel One.

I have a question on an issue that is worrying me - rehabilitation - because this is what I am involved with. This is no less important than combat or supplying the troops. Honestly, I know this for sure.

Thank you very much for creating the Defenders of the Fatherland Fund. Now it is hard to even imagine how to resolve this host of issues without it. The men that gave up their health for the interests of our country should not feel any offence or injustice.

The problem is that our regions are different not only in their budgets but even in their capacity for organisation, whereas assistance must be equally effective in all regions. But they vary and so this assistance also varies. What do you think about this?

Vladimir Putin: It's a sensitive issue, I understand. And that's good. Someone said there would be different questions including very sensitive ones, and what you said about that was right. But they are all important issues. This one is also very important, I understand.

I had the the idea of establishing the Defenders of the Fatherland foundation after meeting mothers and wives of the lads who are fighting and some of whom, regrettably, have already given their lives for their homeland. I met with them in Novo-Ogaryovo several months ago. Some women, a mother of a wounded soldier, said: It is hard on me, honest, because it is a deep wound, and it is hard on me. Then they said: We need some sort of a state support system. That's how this idea emerged - to set up a foundation for the support of the defenders, the SMO participants. I hope the foundation is being launched and is working more and more actively. It is very good that it employs people who are, in one way or another, connected with the special military operation - either family members or former participants, there are such people as well.

I would like to say in this connection that first, the state guarantees are the same for everyone. And everyone earns the same amount - 196,000 at the beginning and later all the things related to monetary allowance. Social guarantees with various payments from government sources are the same for everyone, too.

But you have a point - when it comes to payments by the regions, they are voluntary social payments made by the regions, nobody makes them do it, they are doing it extra. This circumstance has an effect here, which you mentioned: regions have different approaches - they are trying, some of them arrange extra payments, some help families. For example, free school meals for children, priority admittance to colleges, which is a general rule in Russia; they do much for families in the pre-school institutions.

Yes, there is a problem here as every region has its own approach. It is pretty hard to make it uniform because it is the regions' prerogative. Yet we have to consider this, I understand.

Irina Kuksenkova: The issue is not financing, not wealth but the fact that some approach this in an organised way and put their heart into it. As an example, we handle rehabilitation, introduce amputees to Paralympic sport in the Tula Region. I know for sure that it is well organised there, I see it. We finished a ***rotation*** just a few days ago, and it brought everything into focus. Meanwhile, I see that in some other regions there are issues. How can we build this organisation so that people take it seriously, with feeling?

Vladimir Putin: You know what I was just thinking? I was thinking we need to take the best practices and recommend them to other regions. We can't force them, and there is no need for that. I just firmly believe that heads of the regions, governors, do things differently than their neighbours not because they are opposed but because they are simply unaware, they don't have the information. And it should be disseminated.

Give us this information - I am serious - and we will try, no, we will do it via the Presidential Executive Office and plenipotentiary envoys, we will introduce this across the country.

Irina Kuksenkova: Thank you.

Vladimir Putin: Thank you very much. It is very important.

Semyon Pegov: Mr. President, Semyon Pegov, WarGonzo project.

Though I am not a moderator, but I am red-headed and bold, I will ask you two questions.

Vladimir Putin: But not all redheads are bold. (Laughter).

Semyon Pegov: Well, this is not about me.

Mr President, first question. As we know, at all times personnel is key to everything, especially in the army, especially during the war.

Vladimir Putin: Stalin said so, didn't he?

Semyon Pegov: I think so.

Unfortunately, the existing bureaucratic system is set up in such a way that those who are good at serving on the parquet floor and are able to play up to their superiors in time are the ones who rise up the career ladder. But now there are new Rokossovskys being forged at the front, new talented guys. By the way, a big hello to you from the Donbas commanders, from Somali, from OBTF [separate battalion tactical formation] Kaskad, from Sparta, but this is not only about them.

There are a lot of talented people now, good daring guys, but the system prevents them from rising the top. How can we resolve this issue so that we get new gems in our military affairs and in the art of war? And there are some, believe me.

The second issue, also a sensitive one, concerns payments to the wounded, as well as, unfortunately, for the deaths of servicemen. Some questions are being resolved by Turchak's working group on a person to person basis, but there is, for example, the question of payments for the equipment that has been destroyed. I personally do not know anyone - the guys will not let me tell a lie - I do not know a single soldier who has received a payment for a tank that has been destroyed, or for a destroyed fortification. Although it has all been announced, everyone knows it and the guys are even kidding around with each other: why was it promised, but it has not happened. And again: the guys will not let me lie - this really is true.

Thank you.

Vladimir Putin: It is more a call to action that a question.

As for staffing, this is the first part of the story. It is a very important question. Before the special military operation, of course, as in any government agency, there were a lot of carpet knights. You know, before the pandemic, there was only one situation in healthcare, but as soon as the pandemic started, there were people who could be equated with military personnel, although they were civilians. We know when people fearlessly entered these dangerous zones not knowing how this would end for them. The same is in the army environment: the special military operation was initiated and they quickly began to realise that carpet knights, and there are more than enough of them in any army in the world under peacetime conditions everywhere, are ineffective, to put it mildly.

On the other hand, and you are absolutely right here, Mr Pegov, there started appearing people who seemed to be in the shadows - they were not visible and not heard, but it turned out that they were very effective and in great demand. Unfortunately, such people are the first to go, because they do not spare themselves - that is the trouble.

Nevertheless, we must certainly... I hope that this does happen and will continue to happen. We have to watch it. I will tell you why: because we are of the same mind on this issue. I fully share this position, completely and utterly. Such people should be sought out - sought out and helped to rise to the top, trained, promoted and trusted more.

The latest example is the best one. As you know, I visited a hospital yesterday, and I presented orders to people, including an officer who commanded quite well on the battlefield during hostilities. I awarded him a Hero of Russia Star. We had a very candid conversation when I spoke with him on the telephone. They brought the young fellow from the battlefield to the hospital, and they had not yet had time to operate on him. They simply anaesthetised his legs because he had sustained two wounds, including in the tibia. He spoke with me in a rather robust manner, and I asked him how the battle proceeded.

I recalled this yesterday, I believe that this is important, and I will mention this once again. I asked him: "Yuri, they told me that you had been killed." He replied: "Comrade Supreme Commander in Chief, I am not dead, I am alive." I said: "Now I can see that you are alive. They told me that soldiers had carried you from the battlefield." He replied: "No, it was I who carried them." I said: "How did you manage to do that with your wound?" He said: "Yes, I sustained two wounds in the leg." Yesterday, he told me that the first one was a bullet wound, and a shell splinter hit him later on, when their unit was redeploying. By the way, I said: "How long have you been serving?" He said: "Eight years." I said: "How old are you?" "I am 24 years old." I said: "Wait a bit, when did you join the army?" He said: "I enlisted at 18." I said: "Then it is six years." He said: "Sorry, I got it wrong because I am feeling jittery." (Laughter) I said: "I see, you are a Junior Lieutenant." "Yes, I am." "Are you a company commander?" "Yes." You know, I recalled this yesterday, and I asked him to tell me how the battle proceeded. "First, there was an artillery barrage, and no one flinched. All soldiers manned their positions, and tanks moved in some time later. I said: "How did your soldiers act?" "Everyone stayed put, all of them engaged the enemy, and armoured vehicles and infantry units supported us."

So, how does this differ from the Great Patriotic War? It does not. The situation is exactly the same. People get killed and wounded, they struggle and fight; everything is the same.

I asked him: "So, you are a Junior Lieutenant, and you command a company. As far as I understand, you were a Sergeant not so long ago." "Yes," he said. Incidentally, sergeants are now fighting quite well. This category of junior commander has improved in the past 12-plus months, and they are putting up quite a fight. I said: "Are you a Junior Lieutenant today?" "Yes." I told him: "I am promoting you to First Lieutenant." Yesterday, I told him that he should enrol at an academy, of course, we need to look for these young men everywhere.

They are smart, well-educated, well-balanced and brave, and they want to serve the fatherland in the most direct and noble sense of the word. His guys are absolutely the same. You know, I asked him: "Did you take casualties?" He said: "Unfortunately, yes." "How many did you lose?" "Ten killed and ten wounded." The guys from his unit were standing next to him yesterday.

Of course, we need to look for people like that. There are many of them, you are absolutely right. The Defence Minister and the Chief of General Staff completely share my position, I have mentioned this issue many times, and they say: "Of course, we must do this." You are right in saying that, just like in any ministry, they have a multi-layered bureaucracy. Certainly, we need to create social mobility mechanisms, including those that locate such people and elevate them to the required level in the army and society.

I will think about this, and I ***suggest*** that you think about it as well: there is nothing special about this. We are not discussing any specialised issues linked with military science; this amounts to purely administrative decisions. If you have any ideas, feel free to ***suggest*** them. All right? This is quite correct.

About the payments. Yes, indeed, there, I do not remember exactly, but, in my opinion, 300 thousand for an aircraft, 100 thousand for a tank should be paid additionally. The fact that they do not pay - this is surprising to me.

Semyon Pegov: Unfortunately, this is an absolute fact - the guys will tell you the truth.

Vladimir Putin: I am not disputing what you said, I think the fact is as it is. I will definitely be returning to this right away, today, in talks with the Defence Ministry - absolutely, 100 percent.

By the way, the guys are working very courageously, very effectively. I was just saying when we started the conversation that the attack is coming from two directions. Several tanks were hit by the aviation, the helicopters are working very well. By the way, huge thanks to the pilots. Heroes, real heroes! Fighting effectively, really great. And several armoured vehicles and a tank were hit by infantry using modern anti-tank weapons, which are also in shortage. Cornets work perfectly, but we need more of them. We'll make more.

So I will certainly check it.

Semyon Pegov: Thank you, Mr President.

Vladimir Putin: Thank you for pointing it out.

Anything else, please?

Ilya Lyadvin: Good afternoon, Mr President.

Ilya Lyadvin, NTV.

The subject of payments to contract employees was already touched upon literally a question ago. But nevertheless, we would like to expand the regional case a bit, for example Chuvashia pays 50 [thousand rubles], Chelyabinsk pays 50, but there are small extra payments for children, but Transbaikal pays 150-200, Buryatia 200. There is a point: don't you think there is a gap, so to say, in the regions' level of capabilities, so that someone can pay 200?

Vladimir Putin: As I said, Ms Kuksenkova asked me earlier, and I have already answered her question. As for the federal payments, they are the same for everyone, no matter where a person joined the Armed Forces from.

Ilya Lyadvin: Yes, they are equal.

Vladimir Putin: As for the regional payments, they are regionally voluntary - the region does this additionally, and we can't give direct instructions here. We can recommend that they choose some common standard.

You are absolutely right, of course: there is a man who is fighting, maybe standing next to another in a trench, covering the wounded, or carrying them off the battlefield, but one gets a slightly higher bonus from the region and the other a lower one - this certainly looks unseemly.

I repeat: this does not apply to federal agencies - these are purely regional payments, not obligatory at all. Regions could pay nothing at all, but they do it voluntarily. But, of course, it is better to have some kind of common approach here.

I agree, you are right. We will work with the governors.

Ilya Lyadvin: Just maybe some kind of general programme so that it really is at the legislative level, perhaps.

Vladimir Putin: Mr Lyadvin, we are a country governed by the rule of law, unlike Ukraine. This is not a joke, this is not irony. What am I saying? Regions have certain rights, regions have certain responsibilities, the Federation has certain rights. The Federation, paradoxically as it may sound, cannot in this case give direct instructions in accordance with the distribution of powers. But we can recommend, and I am sure that the governors will respond, but I would like to see an increase, not a decrease. We will work on it.

You are right, I fully support you - fully, believe me. I know this problem - I have mentioned it many times before at various levels, but it is not easy to achieve an equalisation. We will try to do it.

Ilya Lyadvin: Thank you.

Yuri Podolyaka: Mr President, I am Yuri Podolyaka, blogger.

I would like to return to an issue that has already been raised: on the repletion of the army with advanced weapons systems.

Unfortunately, it so happened that before the special operation we did not know that a lot of special equipment and weapons would be needed, and today much of this equipment is being homemade. I am raising funds with the Popular Front, and we are now raising funds for electronic warfare, and I will tell you right away: almost - no, not almost - all the equipment that will be purchased with this money will be, in fact, cobbled together.

What is the problem? They prove effective at the front, the soldiers say "yes, this is what we need," but our bureaucratic system does not allow them to be quickly introduced and used serially. That is, the opportunities that we have are scanty, we can perhaps buy thousands or tens of thousands, but we need hundreds of thousands, unfortunately.

Perhaps we can do this via the Ministry of Industry and Trade or the Defence Ministry, or fast-track these procedures for the special military operation. This would immediately dramatically improve the efficiency and security of our soldiers. Just for example: an individual drone analyser will save thousands of soldiers' lives. It is not difficult to introduce it, it is not complicated, and we will buy thousands of them, but tens of thousands are needed. And our Defence Ministry cannot do this because there are bureaucratic structures that take months to sort out, and this all affects the lives of our soldiers.

It would be great to solve this problem if possible. Thank you.

The second point later, if I may. If I may ask a second question.

Vladimir Putin: Please wait a second. The problem is well-known, I think Anatoly Borodkin spoke about the work of the military-industrial sector. You have just given me a ***suggestion*** that I can add in answer to his question.

As you know, in addition to the fact that we have made a good start in the upgrade of the military-industrial complex, and besides the fact that now the production of the most demanded products is growing quite quickly - they have already increased tenfold - there is another very big advantage, frankly unexpected even for me. We have dozens, hundreds of private enterprises that have never had anything to do with the military-industrial complex that have joined in this work: small and medium-sized enterprises. I will not list them now, because I am afraid that we will attract unnecessary attention to these enterprises.

You know, they made, for example, pipes - and it turns out that you can do something else besides pipes. And so, it is surprisingly simple in many areas. And on the whole, this means a good level of development of real production in general. Yes, yes, we have many problems in microelectronics, but, as it turned out, they were able to pick up speed very quickly and began to develop.

Nevertheless, we have not solved all the problems, and here Mr Podolyaka is absolutely right. Believe me, I have already said what you have just said a hundred times. I will come back to this again and I will try to fix it again.

You see, if there are any ideas how to bypass these unnecessary bureaucratic procedures in order to raise everything to the top, then when I start pushing something, the answer is that, you know, we have to check how effective it is, is it really so? Well, what do you say against it, do you see?

Yuri Podolyaka: Soldiers at the front say it is effective. And you know, a very good reason that the soldiers give, which will be simply deadly for such officials, is: well, if it is ineffective, give us an effective one.

So, while our Ministry, for example, cannot give them effective equipment, let them have these ones, which for some reason they consider ineffective. If the soldiers think so.

Vladimir Putin: Mr Podolyaka, the simplest thing is: give me what you have in mind, and I will try...

Yuri Podolyaka: Yes, all right, thank you. I will submit separately.

Vladimir Putin: That would be the best thing.

Yuri Podolyaka: Excellent, then I will do that.

Vladimir Putin: Then you and I will work out a plan on how to overcome these bureaucratic...

Yuri Podolyaka: Good. Thank you.

Ilya Ushenin: Mr President, I am Ilya Ushenin from NTV.

I have a question about the notorious red lines. Clearly, in the SMO zone, we are at war not just with the Kyiv regime, but with the so-called collective West as well. Nato countries are constantly moving and crossing our red lines. We express our concern and keep saying that this is unacceptable, but never come up with actual answers.

Are we going to keep moving our red lines?

Vladimir Putin: Listen, is the special military operation itself not a response to them crossing these lines? This is the first and the most important point. We said many times "Do not do this, let's do that, we are ready for talks." In the end, they prompted us to try to use force to end the war that they started in 2014. They keep telling us, "You started the war, Putin is the aggressor." No, they are the aggressors, they started this war, and we are trying to stop it, but we are compelled to do so with the use of the Armed Forces. Is this not the answer to their crossing the red lines? This is my first point.

Second, not everything may be covered by the media, although there is nothing to be ashamed of. Are strikes on Ukraine's energy system not an answer to them crossing the red lines? And the destruction of the headquarters of the main intelligence directorate of the armed forces of Ukraine outside Kyiv, almost within Kyiv's city limits, is it not the answer? It is.

We will continue to work selectively. We will not do what these halfwits are doing when they target civilian sites and residential areas. Of course, we will not do this. We will continue to provide selective responses.

Sergei Zenin: Mr Putin, since we have people in our midst who are responsible for your life and health, and since this is not a live broadcast, I will first do some manipulations and then say a couple of words.

Vladimir Putin: Okay.

Sergei Zenin: I have a present for you.

Vladimir Putin: A shaman.

Sergei Zenin: It is pure and unadulterated alcohol. The best antiseptic there is. You have to bring something along when people invite you over, so here is the present. Here is what it is about. The person who gave it to me lives far from our border and far from the front line thanks to our troops. This is the so-called, not the so-called, but the actually liberated territory, the village of Timonovo not far from Svatove. He came across some coins in his backyard.

Vladimir Putin: Coins?

Sergei Zenin: Right, coins, a jar of coins. There are coins from the time of emperors Alexander and Nicholas, and empress Catherine the Great. This is a coin dating back to the times of Emperor Nicholas. The person who gave it to me said, "Look, what kind of Ukraine are they talking about?" He found this coin in his backyard.

I told you this story because there is an important twist to it. He has a son Nikolai, who, of his own accord, hearing distant explosions dug trenches around the village, small but deep enough for a grown man. He did it all alone with a shovel. He placed anti-tank hedgehogs there, some kind of make-believe machine guns and walks around with a machine gun fashioned from a plank, the ones we made when we were children. I myself used to make such machine guns. He made one himself out of a piece of wood and knocked in a nail to make it look like a sight. He pretends he is guarding the village. He dreams of joining the Russian Guard cadet school. Let's help him, please.

Vladimir Putin: Let us. How old is he?

Sergei Zenin: He can join this year. He is nearly 12.

Vladimir Putin: I will discuss this with Mr Zolotov today, I promise. Give me his details.

Sergei Zenin: Thank you very much. Excellent, this is great news.

Vladimir Putin: Thank you for your efforts to promote the personnel that the Fatherland needs. God bless.

Sergei Zenin: I will give his details to you later.

Vladimir Putin: Good.

Sergei Zenin: Now that we have lightened up the atmosphere, I would like to move on to two rather acute and important issues.

Vladimir Putin: With regard to "what Ukraine are they talking about," Ukraine, such as it may be, does exist and we must treat it with respect. However, this does not mean that this is a reason for us being treated without respect. That is what it is about.

If some of the people residing in these territories believe that they want to live in a separate and independent state, their preference must be treated with respect. The only question is why they should live at our expense and in our historical territories? If they want to live in our historical territories, then they should influence their political leadership so that it establishes proper relations with Russia and no one poses a threat to us from these territories. This is the issue. This is what the issue is all about.

I had multiple arguments with Belarus, Lukashenko. Clearly, the president of a country, in this case Belarus, defends his interests as he sees fit, in a consistent and tough manner. We had disputes. But did it ever occur to anyone to start a conflict with Belarus? No one would ever have thought about starting a conflict with Ukraine if we had normal relations as persons. There is not even a need for a Union State. But what they did there was they created an anti-Russia. They created it as a basis underlying their own existence. They created the anti-Russia and began to strengthen it. This is the problem.

There is a Nato issue as well. After all, when Ukraine gained independence, the Declaration of Independence explicitly stated that Ukraine was a neutral state. Who was it that, in 2008, when things were just fine with no Crimean events in sight, suddenly said they wanted to join Nato, and Nato opened its doors to them, declaring at the summit in Bucharest that Nato's doors were open to Ukraine?

Not only did they cheat everyone when they said Nato would not expand to the east, but they planned to have our historical territories with a Russian-speaking population join Nato. This is totally out of line, is it not? It is. They are aware that they are creating a threat to us, but they are still working to this end despite our attempts to establish proper relations. This is the problem.

As for those who want to feel Ukrainian and live in an independent state, for God's sake, do what you want. It is necessary to treat this with respect, but then don't create a threat for us.

Anatoly Sobchak was right in what he said in his time. People from various political circles have different attitudes towards him, but he was a clever man. I am one hundred percent sure about this because I worked with him for a long time. He said with good reason, "If you want to leave, leave, but take only what you brought here." Meanwhile, in 1645 or 1654, Ukraine did not exist at all. There are letters kept in the archives. People wrote to Warsaw: "We, the Russian Orthodox people, demand that our rights be observed." The same people also wrote to Moscow: "We, the Russian Orthodox people, ask you to accept us into Russian Tsardom." Do you understand this?

Yes, gradually they began to build up lands whereas we were giving it away. For some reason, Vladimir Lenin decided to give up the entire Black Sea Region. Why on earth did he do this? In strictly historical terms, these are Russian lands. Of course, there was nothing linked with Ukraine there, nothing at all. Ukraine really only appeared in 1922, and this fact was sealed in the Constitution. Huge Russian territories were given away there - just for nothing. And, as I mentioned, I have read papers and letters from the archives. They made a decision at first, I think at the congress or a Politbureau meeting about one republic. What was the name? I think, the Kryvyi Rih Republic, right?

Remark: The Donetsk Republic.

Vladimir Putin: The Donetsk-Kryvyi Rih Republic. Yes, it was supposed to be part of the RSFSR. Then the Bolsheviks came from these lands and said, "Why are you leaving us with these villagers?" That is, with the peasants that were considered petty bourgeois. Then again, they resumed the discussion on where to transfer Donbas, this Donetsk-Kryvyi Rih Republic. The people who came from Donbas said: "Why? It has already been decided that we are part of Russia?" They wrote "Mother Russia." Lenin told them, "It is necessary to reconsider this decision." So they reconsidered it on their own terms.

Did they go crazy altogether? Who asked the people about this? Was there some referendum or a plebiscite? What was it all about? Okay, they first transferred some territory there and then they separated it. I'm not sure, but I don't think this ever happened in history before. Okay, now we have to live in this paradigm. But on top of that, they started creating an "anti-Russia" there, creating threats to us. But people do not want to live like that, to live there. They are reaching out towards us. So, what are we supposed to do? Dump these people or what? So, this is the result we have.

As for Ukraine, what Ukraine are you talking about? There was nothing at all there, there was no Ukraine. Ukraine appeared in 1922, as I said. Now the grateful descendants are smashing monuments to Lenin, the founder of Ukraine.

Sergei Zenin: These people were waiting for us, and they consider it Russia.

Vladimir Putin: Yes, of course.

Sergei Zenin: Mr President, please allow me to ask you two questions. They are fairly pressing because many people at the front are waiting for answers to them. Both concern the so-called private military companies that are supposedly banned in our country de jure but still exist de facto on the frontline. They fight with varying success but sometimes with very good results.

What should be done to get rid of this judicial or legal vacuum and return them to the legal field? You know, we are talking not only with commanders but also with soldiers, and there is some kind of resentment.

Vladimir Putin: Yes, I understand. You are absolutely right in this respect. I asked both State Duma deputies and the Defence Ministry to bring everything in line with common sense, the established practice and the law.

Of course, we should not put people in a false position. First, no matter who they are and in what capacity they happen to be on the frontline, all of them are defenders of the Fatherland, and the homeland must respond in full to their readiness to risk or give their lives for the Fatherland. All of them must be in an equal position. But to achieve this, it is necessary to introduce relevant amendments to the law. Work on this is now underway.

To my knowledge, the Defence Ministry is now signing contracts with all those willing to continue their service in the special military operation zone. This is the only way of providing them with social guarantees because if there is no contract with the state, no contract with the Defence Ministry, there are no legal grounds for receiving social guarantees from the state. This must be done as soon as possible.

There are some nuances. I won't go into details now, but it is possible to make adjustments to the law as well. By and large, only private security structures are close to these volunteer formations in the legal sense. But that said, there are many things that must be regulated additionally.

To sum up, the first order of business is to sign contracts with all volunteer formations - otherwise, there will be no social guarantees on behalf of the state. And, second, certain amendments must be made to the law. Both measures will be carried out.

Sergei Zenin: One more question about PMCs. It is a very strange situation. On the one hand, these people are often true heroes. On the other, when they return to civilian life, they behave differently. There are situations where people - it is no secret that there are people who got there from prison - go back to their old ways, commit offences, sometimes serious crimes. These guys cast aspersions on the others who are still fighting and shedding blood. They themselves shed blood, too, but go back to their old lives.

How do we separate the good from the bad in this particular situation? They are the same PMC fighters.

Vladimir Putin: Remember, Sholokhov's Makar Nagulnov [in the novel Virgin Soil Upturned] used to say: he was a good Communist, and everything was fine, but then, pardon me my language, he went rogue and became an enemy of the revolution. Here, unfortunately, things work the same way.

A man is fighting - honour and praise to him, and the state must fulfil its obligations to these people, which we are doing. With regard to social guarantees, it is important to sign contracts with the state, this is an obvious necessity, otherwise there are no obligations on the part of the state and there will be injustice with regard to the people on the frontline. They receive it immediately. I do sign pardon orders after all.

Indeed, repeated crimes are a fact of life. But then a person must be held accountable to the full extent of the law, no matter what. It was like that during the Great Patriotic War: if a person fought on the front, they were honoured and praised, but if they broke the law, they were brought to justice just like anyone else.

Here is what to pay attention to. Look, overall, leaving the special military operation aside, the repeat crime rate among those who have served their sentences and returned to normal life is up to 40 percent in some cases. Among SMO participants, this percentage is only 0.4 percent.

Sergei Zenin: The percentage is very small.

Vladimir Putin: Yes, indeed.

Sergei Zenin: But it's still a fly in the ointment.

Vladimir Putin: Well, this is life. It is a complex and diverse thing. There is nothing you can do about it. It dictates its stern laws to us.

To reiterate, recidivism is ten times lower than in general. This is inevitable, but the negative consequences are minimal.

Dmitry Kulko: Mr President, a follow-up on the counter-offensive.

Vladimir Putin: Go ahead.

Dmitry Kulko: Sooner or later, the Ukrainian counter-offensive will get bogged down, or rather, our troops will force it to bog down with their heroic efforts. Clearly, no matter what losses Ukraine suffers, the Western countries will continue to supply weapons to it.

Vladimir Putin: This is debatable.

Dmitry Kulko: In any case, the question is what will happen next? Will we gear up to repel another offensive or are we going to advance? If so, how far are we willing to go this time? Is it to Russia's new borders, or as far as we will be able to go?

Vladimir Putin: Mr Kulko, I can only say this face to face. (Laughter) Well, everything will depend on the potential that is left at the end of this so-called counter-offensive. This is the key question.

I think that, being aware - I say this with good reason - of the catastrophic losses, the leadership, whatever it may be it has a head on its shoulders, should think about what to do next. We will wait and see what the situation is like and take further steps based on this understanding. Our plans may vary depending on the situation when we deem it necessary to move.

Dmitry Kulko: Mr President, our troops are burning Nato equipment, but still with regard to future weapon supplies...

Vladimir Putin: That includes Nato equipment. Like I said earlier, losses include over 160 tanks and 360 infantry fighting vehicles. This is not all Nato equipment. It also includes Soviet-made armoured vehicles. As we anticipated, Bradleys and Leopards burn just fine. You may have seen the ammunition inside the tanks blow up and everything fly in all directions. Like I said: 25-30 percent of the supplied equipment has been destroyed.

Dmitry Kulko: Mr President, now, two countries are about to supply shells with depleted uranium. The US media reported today that, following the UK, the United States will supply them as well. We saw in Serbia how they contaminate soil and cripple people. It turns out that Ukraine will contaminate the territory of the Russian Federation with this ammunition.

Given this, are we not being forced to act proactively? How are we going to respond to these challenges?

Vladimir Putin: There is no need to act preemptively. We have a lot of ammo with depleted uranium. If they use it, we reserve the right to use it as well. We have it in stock. We just do not use it.

Alexander Sladkov: This is interesting.

Vladimir Putin: No, to be honest, there is nothing interesting or good here. If we need to, we can do this; I can say that we are ***capable*** of doing this. But there is no need for us to do this today.

Do you know what else is going on there? I have talked about this; it's no longer a secret. The Ukrainian army fires 5,000 to 6,000 large-calibre (155-mm) shells a day, and this number has probably increased by now. The United States manufactures just 15,000 shells per month, while the Ukrainian army spends 5,000 to 6,000 shells a day.

The United States is planning to manufacture more shells. All this information is from open sources, and there is nothing secret about it. First, they talked about 75,000 shells, and now there are plans to manufacture even more. I don't know, but they are planning to manufacture about 75,000 next year, in late 2024. However, if they spend 5,000 to 6,000 shells a day... I believe they are now using even more because this is typical of offensive operations, using more ammunition.

They simply have no shells, but they have depleted-uranium shells in warehouses. It appears that they have now decided to use these shells for the time being. They have swept the warehouses clean, and only South Korea and Israel have these shells left. But these shells are US property, not Israel's or South Korea's. They can ship those shells from there to Ukraine. However, this will also run out soon. Apparently, they still have depleted-uranium shells at warehouses, and this is the simplest option, because to expand production costs a lot of money and effort.

They are forcing the Europeans to expand production in the Czech Republic and elsewhere. In any case, these countries have parliaments. They can build a new plant, but what happens next? What can they do with it? Europe has its own problems in healthcare, transport, education, there are many problems there, and they are forcing the Europeans to build a munitions plant.

This is why nothing is simple, considering the fact that the economic problems are snowballing. According to the IMF, the Federal Republic of Germany, the main driving force of the European economy, is facing an incipient recession - its GDP is expected to drop by 0.7 percent this year. By the way, Russia's GDP is expected to increase by at least 1.5 percent or even 2 percent this year. But the main driving force of the European economy is in a 0.7-percent slump and an upcoming recession. Inflation is on the rise there. In Russia, inflation stands at 2.3 percent, and the Central Bank predicts that it will reach about 5 percent in late 2023. Well, this is good; very low inflation is not very good for Russia, but this level will be quite acceptable. Their inflation levels are over 7 percent, that is, about 7.5 percent. I don't remember exactly, but the Eurozone is posting 5 percent inflation, and, to the best of my knowledge, the Federal Republic of Germany is at 7.4 percent. Unemployment continues to increase, and it has become quite exorbitant in southern Europe. Russia has minimal unemployment, an all-time low.

So, it is not so easy to produce everything there, and even more difficult to expand production and build new facilities. This will come in handy for us, because Russia has a special situation. We must build up our armaments; we will have to, and we will accumulate ***strategic*** reserves in warehouses. And where will they keep them? Why the hell would the Czech Republic want some kind of ***strategic*** reserve? What will they do with it? Where will they put it? It's not so simple. Well, if they want to, let them.

But then, the Americans behave very pragmatically, and everything they do is in their own interests alone; they do not care about the interests of their allies. They have no allies; they only have vassals. And their vassals are beginning to realise what role they are destined for. In fact, they do not really like all this, at the level of public consciousness. Some of my friends say the situation there is like in the Soviet Union. I say, "What do you mean?" It's like at work: at a company, in the office everyone sits and discusses Russia, but when they go home, everything is quite different in the kitchen. Probably, people who say this sympathise with us and they probably exaggerate a bit. But that's the trend.

So, as regards depleted uranium shells, it can be explained like this: there are simply no other shells left. And when they say they will start producing this or that: well, please go ahead. Things are not so simple during a recession. And then, there are also opposition parties that are using the situation; they are rocking politics there, analysing the real situation in the economy. The safety margins of the European and the American economies are very large. This is obvious and understandable. They are high-tech, the structure of the economy is very developed, and it is powerful; but still there are many problems.

I think this is what dictated the desire to supply shells with depleted uranium. The cheapest approach is to do nothing. There are such shells in warehouses, they can send them to Ukraine, and that's it. And they do not care what happens there. They behave like this everywhere. Remember what they did in Yugoslavia? And what did they do in Syria or Iraq? They did the same thing: they do not care. They have nothing but their own interests, and the interests of their allies do not interest them at all.

Speaking of the economy, they made a lot of decisions and lured companies to the United States from Europe. Everyone understands this, everyone sees it, but they cannot do anything about it. They have taken away the order for nuclear submarines from the French. And what did they do in response? Nothing. Moreover, we know, they whispered in the Americans' ear: we must make some public statements, publicly quarrel with you - and then we will quietly crawl away, please do not be angry with us. That's all. They are not as decisive as we here in Russia. There is no passion there, these are fading nations; that's the whole problem. But we have it. We will fight for our interests, and we will achieve our goals.

Dmitry Kulko: Thank you.

Dmitry Steshin: Dmitry Steshin, Komsomolskaya Pravda.

Mr President, a journalist on the frontline doesn't always ask questions - he is often asked questions because he kind of represents the world in general.

Since October, fighters have been asking me questions about the so-called grain deal. I couldn't explain many things about it. I simply understood that it was a strong irritant and a blank spot for them. I told them that this deal was also based on our interests - grain exports to the West and the interests of the poorest countries that were supposed to receive this grain. But I realise that our interests in this deal are not being observed. Plus, there are concerns that weapons will be brought in via the security corridors and these corridors will be used for attacking the Black Sea Fleet, and so on.

In fact, I am redirecting this question to you. Do we need this deal? And, if our interests are not being considered, maybe it should be severed?

Vladimir Putin: Frankly, this is a surprise question for me. I did not expect to hear it. But probably those who are fighting on the frontline don't understand why we let Ukraine ship this grain. I understand, and I agree.

You see, we are doing this not for the sake of Ukraine but for the sake of friendly countries in Africa and Latin America because this grain should primarily be sent to the world's poorest states. That said, we were promised that our grain would not be subjected to reprisals, if I may say so, that there would be no obstacles to exporting it. Unfortunately, we were cheated once again.

Nothing was done to facilitate our grain supplies to external markets. I am referring to chartering vessels, their insurance, payments, including connecting Rosselkhozbank to SWIFT. There were many terms that the Westerners were supposed to fulfil under UN guidance, but nothing was done.

Nevertheless, we have extended these agreements several times - and I'd like to repeat it again - in the interests of friendly countries. It is obvious to everyone that it is also in our interests to maintain good, trustworthy and stable relations with the part of the world that does not support the aggressive anti-Russia actions of the West and its satellites in Ukraine. This is our interest - to maintain good relations.

Incidentally, I don't know whether this was announced or not but the leaders of several African states are expected to visit Russia soon - in the near future. We agreed to discuss current issues and will certainly talk about the grain deal. We are primarily motivated by these considerations.

But it turns out that, as I have said many times, only a little over 3 percent of the total volume of Ukrainian grain went to the poorest countries. The figure fluctuates a little: 3.2 to 3.4 percent, because it changes a little depending on where the next dry cargo ship with grain goes, but in general it is somewhere around 3.5 percent. More than 40 percent goes to the prosperous countries in the European Union. They are the main recipients of Ukrainian grain: it is cheaper, they get it, and they feel good, and Ukraine got paid for it. Today, I could be wrong, but it seems to me that this is the main source of foreign exchange revenue for Ukraine now.

Everything else has practically collapsed there. I am not talking about industry, but everything is stopping there. I do not know what they still produce there. There used to be ***agricultural*** production and the metallurgical industry, the pipes. The metals sector is almost stopped since there is no electricity there. Machinery manufacturing has stopped. Shipbuilding collapsed long ago, even before the special military operation. The aviation industry collapsed before the special military operation. Engine production has collapsed.

The main sources of revenue were the metallurgical industry, which no longer exists, and the ***agricultural*** products they export, in particular grain. We understand this, but we deliberately went for it, I repeat, to support developing countries, our friends, and in order to achieve the lifting of sanctions on our ***agricultural*** sector. We were deceived once again, as I said. This is the first thing.

Second, regarding the African countries, they get almost nothing, too. This is why we are now thinking about how we can get out of this grain deal. Moreover, the corridors for these cargo ships are constantly used by the enemy to launch naval drones.

I don't know if the Ministry of Defence released this information or not: just yesterday, or the day before yesterday, our ship, which was guarding the TurkStream, the gas pipeline that runs to Turkey, was attacked by four semi-submersible drones. Three of them were destroyed, and the fourth lost its way and was finished off later. Immediately after that, four more drones appeared. At that same time, we saw an unmanned aerial vehicle belonging to US ***strategic*** intelligence hovering high above, in the neutral zone. Apparently, it was correcting the movements of these drones.

The United States is getting more and more involved in this conflict, almost directly involved, provoking serious international security crises. Correcting the movements of drones that are attacking our warships is a very serious risk. This is very serious, and they should know that we know about it. We will think about what to do with this in the future. In general, this is how it is.

So, as far as the grain deal is concerned, we think about terminating our participation in it. This is the first thing.

And second, we will be ready to deliver the amount of grain that the poorest countries received - I repeat, it was a little over three percent - free of charge. But this needs to be discussed, including when our friends from the African states arrive: soon, very soon. I would like to hear their opinion as well on how to proceed.

Dmitry Steshin: Thank you very much.

Murad Gazdiyev: Mr President,

Murad Gazdiyev, RT TV Channel.

First, our Editor-in-Chief Margarita Simonyan asked me to give you her letter. She has done a lot to make our meetings possible - both officially and unofficially.

Mr President, I have several questions. Considering that you said you are not going to reveal all your plans, I still have a question on a peace settlement. Everyone - besides Russia and Ukraine - has their own view of how to settle this conflict.

Vladimir Putin: Why? You are wrong here. Why did you say "besides Russia and Ukraine"? We also have one. Moreover, we reached an agreement in Istanbul. I don't remember his name and may be mistaken, but I think Mr Arakhamia headed Ukraine's negotiating team in Istanbul. He even initialled this document.

Murad Gazdiyev: But I am saying that besides Russia and Ukraine, other countries also have their own view of how to settle this conflict.

Vladimir Putin: Oh, pardon me, I apologise. Yes.

Murad Gazdiyev: The United States, the Europeans - but it's like the US, Saudi Arabia and even African countries have expressed willingness to mediate to help settle this conflict. Obviously, apart from peace, they are also pursuing some of their own interests.

Now my question, Mr President. Which of these versions are you leaning toward? Are you leaning toward any of them at all? Is there anyone to negotiate with and does it make sense to?

Vladimir Putin: First, we have never refused - as I said a thousand times - to participate in any talks that may lead to a peace settlement. We have always said so. Moreover, during the talks in Istanbul, we initialled this document. We argued for a long time, butted heads there and so on, but the document was very thick and it was initialled by Medinsky on our side and by the head of their negotiating team - I think his name is Arakhamia but I don't remember exactly. We actually did this but they simply threw it away later and that's it. This is the first point.

Second, you said the Europeans have their approach and the Americans also have their approach. But, you know, it's like in every joke about the Europeans versus the Americans. Point one - the Americans are always right. Point two - if the Americans are not right, see point one. So, that's why there isn't anyone to talk to especially.

Overall, the Western approach boils down to standing with Ukraine and its interests, we are aware of that. Speaking of Ukraine's interests, there is point three: if the interests of Ukraine are not in sync with point two, see point one, because ultimately it is about the United States' interests. We know that they hold the key to solving issues. If they genuinely want to end today's conflict via negotiations, they only need to make one decision which is to stop supplying weapons and equipment. That's it. Ukraine itself does not manufacture anything. Tomorrow, they will want to hold talks that are not formal, but substantive, and not to confront us with ultimatums, but to return to what was agreed upon, say, in Istanbul.

Ukraine's security issues are spelled out in great detail there. In fact, much of what is written there makes us wonder whether we should agree to it. To reiterate, it was initialled by both sides.

Therefore, if they want to get back to it, we are ready to talk to them. But for now, they want to defeat Russia and to achieve success in their counteroffensive operation. I just reported to you about the status of this counteroffensive operation.

Murad Gazdiev: Mr President, you are saying they just need to stop the flow of weapons going to Ukraine, but they do not. They do the opposite: first there were tanks, now it is depleted uranium.

Vladimir Putin: There is no depleted uranium yet.

Murad Gazdiev: There is coming from the UK. We have already seen articles in various neo-conservative organisations - there was a widely covered one that insisted on making tactical nuclear weapons available to Ukraine. The question is: is the United States not afraid to endlessly escalate the situation and raise the stakes?

Vladimir Putin: They pretend not to be. In fact, there are many people there who think clearly and are unwilling to lead the world into a third world war in which there will be no winners; even the United States will not come out of it as a winner.

Irina Kuksenkova: If I may, I have one more question about space, or rather, about space reconnaissance.

Vladimir Putin: It is time to wrap up.

Irina Kuksenkova: Yes, of course. According to open data, up to 100 military satellites are out there working for the enemy. They can see our troops and movements. Our space group is not as strong.

Vladimir Putin: Yes.

Irina Kuksenkova: What can we do about it and how should it be dealt with? This is a systemic issue, correct? Will it take years to improve things?

Vladimir Putin: Of course, it is not a secret. Without a doubt, we should have been engaging in space activities in a different manner in previous years. But we did not plan - I think this is clear - we did not plan either the events in Crimea, or the events that are taking place now.

I have said on numerous occasions, including at this meeting, that we have been trying to end this armed conflict. Regrettably, we were forced to take military action, but we did not begin it. These are long-term projects that are planned for years ahead and subsequently implemented in accordance with the plans we made five to seven years ago. But today we are adjusting our actions. As you know, we have launched a spacecraft recently. We will increase this group.

Incidentally, Russia has the fifth largest satellite group in the world. Overall, it is a good group.

Irina Kuksenkova: We are fighting against the first one.

Vladimir Putin: Yes, of course. We must adjust this work accordingly. We will certainly do this. But until then we need something to take its place. What might this be? Different-purpose unmanned aerial vehicles. Our colleague has rightly said that we must increase the number of different drones, including strike and reconnaissance ones, which takes time.

I agree with you, you are right, we must do this.

Dmitry Zimenkin: Dmitry Zimenkin, Izvestia and Ren TV.

I am grateful to Mr Sladkov for giving us this chance and to you for listening to us. I think that the issue raised in the trenches and by the soldiers' wives is important. It has to do with the status of participants in the military operations.

Here are three examples. The Belgorod Region, border guards and the mobile warfare department, who repel the enemy onslaught, even though it was a diversionary attack, do this together with conscripted servicemen before the arrival of Defence Ministry forces.

Vladimir Putin: They do.

Dmitry Zimenkin: The Luhansk police who fought in the Kharkov Region last year, and their colleagues from the Kaskad tactical group who are fighting in the Donetsk People's Republic now, do not have this status either.

I received a phone call from a field medic today. He has been working behind the line for four months.

Vladimir Putin: Behind the line?

Dmitry Zimenkin: Yes, behind the line, which means that he is fighting. He has moved 70 men from the battlefield and has had four concussions. I hear that he began stammering after the fourth one. He serves in Unit 31135 but is allegedly not fighting. He cannot even receive an order for this reason.

Vladimir Putin: I don't see why not.

Dmitry Zimenkin: He said they are not regarded as taking part in the hostilities. I don't know what the problem is. That's what he told me personally.

Remark: They are not regarded as participants.

Dmitry Zimenkin: Exactly.

Alexander Kots: They are not registered as fighting in the special military operation zone but as serving in their permanent deployment areas.

Remark: The same goes for the border guards.

Dmitry Zimenkin: This aspect must be clarified. I think it's not fair, and the point at issue is not the additional payment, which is not that big.

Vladimir Putin: Good. Mr Zimenkin, I have heard about such problems. I have taken note of them.

I am aware of them, and Mr Bortnikov and Mr Kolokoltsev have been asking these questions. But it is the first time that I have heard this about military medics. I will certainly take a look at this problem. It must be a technical problem in some places. If a military medic is actually working behind the line, I do not understand what is happening. I will look into it. Where exactly is he working?

Dmitry Zimenkin: He is registered in the Belgorod Region, but he worked near Svatove. Our crew took the footage.

Vladimir Putin: Write this down for me, please.

Dmitry Zimenkin: I will do this right now.

Vladimir Putin: I need a concrete example.

As for the other categories of military personnel, especially border guards and partly the police, this issue must certainly be addressed.

I understand this and agree with you, and the heads of these agencies have raised this matter as well. I have issued instructions to the Security Council, which is preparing proposals.

Murad Gazdiev: And a few words about the situation - not in the liberated territories, not in the new regions, but in Russia proper.

Our fighters often manage to read the news, even at the frontline. To put it mildly, they are outraged to hear of another scandal where a civil servant or a university professor almost openly tries to sway young people to a pro-Ukraine position. That is, by and large, these people have no caution, they aren't afraid of fines.

All right, I know, and you have been very clear that we will not act like the Ukrainian regime: a bag over the head and the person disappears forever. But, given that we are not like them, we are fighting against this, is it not a betrayal of our values to just leave the situation as it is?

Vladimir Putin: Leaving it like this verges on betrayal. That's the first point.

Second. I think it was Semyon Pegov who spoke here about the need to promote the fighters, especially those who have proven themselves well on the battlefield, to promote them to higher ranks in the Armed Forces, but not only that. They can be promoted to law enforcement or special services. We need to look for such people - in terms of their consciousness and their understanding of justice - and entrust them with investigating the rogues you mentioned.

In the same vein, we appointed the Investigative Committee of Chechnya to investigate the public destruction of the Quran. And, as stated by the Minister of Justice, [Nikita Zhuravel, who burned the Quran outside a mosque in Volgograd] will serve his sentence in a penitentiary institution in one of the Russian regions with a predominantly Muslim population.

As to the rogues you mentioned, we need to devise something similar. You were absolutely right to raise this question. I'll think about it.

Murad Gazdiev: Thank you very much.

Vladimir Putin: Thank you very much for your question.

Murad Gazdiev: If I may, I will give the letter to my comrades from the Federal Guard Service.

Vladimir Putin: Yes, of course.

Thank you very much.

Source: President of the Russian Federation website in English 1100 gmt 15 Jun 23

**Load-Date:** June 16, 2023

**End of Document**



[***Tim Cook unveils Vision Pro headset in Apple's most significant launch since iPhone***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:68D9-J3T1-JBNF-W0KJ-00000-00&context=1516831)

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**Body**

Apple on Monday unveiled a headset called the Vision Pro in the tech giant’s most significant product launch since the iPhone, promising that it will be “a new kind of computer”.

The device, which resembles a pair of ski goggles, projects apps such as web browsers, video calls and games into a wearer’s visual field, making them appear huge.

Apple said the Vision Pro, which will cost $3,499 (£2,814), will be “the most advanced personal electronics device ever” when it is released next year.

The device is Apple’s first foray into augmented reality (AR), which Tim Cook, the chief executive, has said is the next major frontier in technology.

Unlike existing virtual reality (VR) headsets, wearers will be able to see the world around them while using the device. Other people will also be able to see the user’s eyes through the headset’s screen.

The Vision Pro will be controlled using hand movements, eye tracking and voice instructions.

Apple showed off users experiencing a “personal movie theatre” while sitting on a plane, projecting several huge computer screens on a desk, and watching different sports games at the same time on multiple virtual televisions. The device will scan users’ irises to verify their identity, for example to make payments or enter passwords.

Mr Cook described the Vision Pro as “a new kind of computer that augments reality by seamlessly blending the digital world with the real world”. He said it was the “first Apple product you look through, not at.”

He also ***suggested*** that the device was the start of a long-term push into AR, saying it will “introduce us to spatial computing”. Mr Cook has said that he ultimately wants the company to be able to fit the technology into eyeglasses.

He said the device “will change the way we communicate, collaborate, work and enjoy entertainment”.

The high price of the Vision Pro means it will be likely to be out of reach for many people at first, although the “Pro” branding ***suggested*** that cheaper versions are likely to be released in future.

The product has been the culmination of years of work on AR, which has been a priority for Mr Cook but has so far struggled to become a mainstream technology.

It is designed to be lightweight and not overheat, connecting to an external battery that wearers hold in their pocket. The battery will last for around two hours, or the device can be plugged in.

The launch of the device kicks off a new rivalry with Mark Zuckerberg’s Meta, who has bet the Facebook owner’s future on AR and sister technology VR. Meta last week announced a new version of its Quest headset.

Apple shares hit an all-time high on Monday in anticipation of the launch, valuing the world’s biggest company at $2.9 trillion, but fell after the company revealed the Vision Pro’s higher-than-expected price and its announcement that the new product would not be released until next year.

Apple said the Vision Pro will be released early next year in the US, and in other countries later in 2024. The staggered launch ***suggests*** initial supplies may be limited.

05 Jun 2023-08:17PM BST

Apple's share price falls

That’s enough excitment for one day. Before we go, let’s have a look at Apple’s share price.

Apple shares hit an all-time high on Monday in anticipation of the VR headset launch, valuing the world’s biggest company at $2.9 trillion.

However, they later fell after the tech company revealed Vision Pro’s higher-than-expected price and said it would not be released until next year.

05 Jun 2023-08:12PM BST

And here's how much it costs...

Apple’s Vision Pro will cost $3,499. It will be released early next year in the US.

05 Jun 2023-07:48PM BST

Apple partners with Disney to offer immersive entertainment experience

Apple’s Vision Pro will also offer an immersive version of streaming platform Disney+.

The partnership includes Disney-owned brands ESPN+, National Geographic and Marvel, which will be available as soon as Vision Pro launches.

05 Jun 2023-07:29PM BST

Apple unveils VR headset

Apple has unveiled its first-ever headset: Vision Pro.

The new VR device-which is controlled by users’ hands, voice and eyes-allows users to watch movies, shows and connect with others in a 3D immersive environment.

The VR goggles can be used alongside Apple’s apps, including FaceTime, Safari, and Apple Music.

According to Apple, Vision Pro will revolutionise spatial computing in the way that the Mac changed personal computing and the iPhone mobile computing.

05 Jun 2023-07:20PM BST

Apple Watch gets fitness upgrade

Next up is the Apple Watch, which is on version 10 of its operating system.

Apple has introduced a “smart stack” that will allow users to quickly ***rotate*** between “quick views” of different apps such as music controls, timer and the calendar.

As usual, there are new watch faces and tweaks to the fitness app, which has become a key selling point of the wearable device.

WatchOS also has new features for cyclists allowing users to view new metrics such as FTP, a measure of cycling fitness, and power zones.

There are updates for Apple’s health features too. Users can log their state of mind, and the iPhone Health app will match that to other variables such as exercise levels.

05 Jun 2023-06:40PM BST

Apple boosts artificial offering with i0S 17 update

Apple has previewed the upcoming version of its iPhone operating system, iOS 17, which will be released later this year.

The software will feature a “live voicemail” feature in the phone app, which will transcribe voicemail messages as they are being in real time, allowing phone owners to pick up a call if it is urgent.

FaceTime will allow people to leave video voicemail messages.

Apple is also significantly upgrading its autocorrect feature, with the feature understanding entire sentences so it can correct words with context. It has also upgraded predictive text, ***suggesting*** words as you type in a similar way to Gmail.

The iMessage app is receiving a “check in feature” that will automatically alert loved ones when you get home.

Many of the features are a subtle rebuke to criticisms that Apple has missed the AI wave.

05 Jun 2023-06:22PM BST

Apple unveils 'best and most ***capable*** lineup in the history of the personal computer'

Apple has unveiled a 15-inch version of its popular MacBook Air laptop, in addition to the 13-inch version that is currently the world’s best-selling computer, technology editor James Titcomb reports.

The 15 inch MacBook Air is 11.5mm thin and weighs around 1.5kg, as well as boasting 18 hours of battery life. It will cost $1,299-which is likely to equate to roughly the same figure in pounds.

Sales of Apple’s laptops have been boosted in recent years by the launch of computers featuring its in-house M series of chips. However, they fell by around 32pc in the last quarter as the pandemic boom in computer sales faltered.

Apple also unveiled a new version of its high-end Mac Studio computer, featuring a new M2 Ultra chip, and a new Mac Pro, which is used for demanding tasks such as video editing and 3D simulation.

It means that all of Apple’s computers now feature the company’s own processors. Tim Cook calls it the “best and most ***capable*** lineup in the history of the personal computer.”

05 Jun 2023-06:16PM BST

Apple begins Worldwide Developers Conference

Apple’s annual developers conference in California has kicked off.

The tech company has so far unveiled its new M2 Ultra, the most powerful chip made for a personal computer ever, plus the 15-inch Macbook Air, the world’s thinnest laptop.

Chief executive Tim Cook is also expected to [*debut the VR headset*](https://www.telegraph.co.uk/business/2023/06/04/apple-reality-pro-headset-vr-ar-next-iphone-moment-tim-cook/) , which will be the first time that the world’s largest company has moved into a new product category since launching the Apple Watch nine years ago.

Watch it live below

05 Jun 2023-05:54PM BST

Ex-F1 owner to make offer for Center Parcs

CVC Capital Partners, the former owner of Formula One, is poised to table an offer for Center Parcs.

The Luxembourg-based private equity firm is reportedly among the potential buyers considering a takeover of the British chain of family holiday resorts.

Any offer made by CVC would be through its long-term ***Strategic*** Opportunities investment fund, Sky News reported.

The potential buyout would expand CVC’s UK staycation portfolio, having bought the majority stake in rival Away Resorts in 2021.

It follows reports last month that Center Parcs owner Brookfield Property Partners had appointed investment bankers to identify potential buyers for the resort’s UK holiday village.

The Canadian property giant is reportedly seeking between £4bn and £5bn from the sale, which is managed by Bank of America, Barclays and Eastdil Secured.

CVC Capital Partners was approached for comment.

05 Jun 2023-05:16PM BST

FTSE 100 closes flat after disapointing US services report

The FTSE 100 has roughly flat after a sharp decline during the late afternoon. It closed 0.1pc lower at 7,599.99.

The blue-chip index sank after the Institute for Supply Management’s closely watched gauge of US services unexpectedly fell to the lowest level of the year.

Combined with softer orders, the decline indicates service providers are experiencing sluggish demand.

The mid-***cap*** FTSE 250 index closed 0.19pc lower at 19,113.55.

05 Jun 2023-04:27PM BST

JP Morgan boss has 'no plans' to run for US presidency

Jamie Dimon, the chief executive of JP Morgan, has shutdown fresh speculation that he plans on running for the White House.

“As he has said in the past, Jamie has no plans to run for office,” a JP Morgan spokesman told Bloomberg. “He is very happy in his current role.”

It comes after the long-time JP Morgan chief executive, who has been in his role since 2005, last week hinted at a political career once he steps down from the Wall Street titan.

“I love my country, and maybe one day I’ll serve my country in one capacity or another,’ he told BloombergTV.

New York hedge fund investor Bill Ackman said last week that Mr Dimon should run for president in 2024, describing him as a political centrist who could beat President Joe Biden in a primary.

05 Jun 2023-03:56PM BST

Hunt plans biggest shake-up of employee ownership schemes in 23 years

Chancellor Jeremy Hunt is planning to make it easier for employees to own shares in the companies they work for in a bid to boost economic growth.

Economics reporter Melissa Lawford has the details:

The Government has launched a call for evidence asking businesses for their views on how to improve Save As You Earn (SAYE) and the Share Incentive Plan (SIP) in what is set to be the biggest reform of employee ownership schemes in 23 years.

The call for evidence, which was first announced in Mr Hunt’s Spring Budget, will likely be the widest consultation on these schemes since the introduction of the SIP in 2000.

The SAYE scheme allows employees to buy discounted shares in their company if they save money each month for three to five years, while the SIP scheme enables employers to sell shares directly to employees, or offer them as awards, tax free.

New analysis by HM Revenue & Customs shows that 81pc of employers who use the schemes [*found they helped boost businesses...*](https://www.telegraph.co.uk/business/2023/06/05/jeremy-hunt-shake-up-employee-ownership-schemes/)

05 Jun 2023-03:33PM BST

Handing over

I’ll say cheerio for now at this point and hand over our live blog to Adam Mawardi.

I leave you with the latest gauge of the services sector in the US, which nearly stagnated in May as business activity and orders slowed.

The Institute for Supply Management’s (ISM) overall gauge of services fell to 50.3, the weakest level this year, from 51.9 in April.

The business activity index, which parallels the ISM factory output index, fell for a fourth month to a three-year low of 51.5. Combined with softer orders, the decline indicates service providers are experiencing sluggish demand.

The picture for services was more positive in the S&P Global US Services purchasing managers index, also out today:

The [*#US*](https://twitter.com/hashtag/US?src=hash&ref_src=twsrc%5Etfw) service sector signalled solid growth in May ([*#PMI*](https://twitter.com/hashtag/PMI?src=hash&ref_src=twsrc%5Etfw) at 54.9, Apr: 53.6). Business activity rose at the strongest pace since April 2022 as strengthening underlying demand conditions drove sharp increase in new orders. : [*https://t.co/ywFp7a89gf*](https://t.co/ywFp7a89gf) [*pic.twitter.com/6y6XmIVbsY*](https://t.co/6y6XmIVbsY)

05 Jun 2023-02:59PM BST

Apple poised to close at record high ahead of mixed-reality headset launch

Apple shares surged by more than 1pc as markets opened putting the world’s largest company on track to close at a record high as it prepares to unveil a mixed-reality headset at its annual software developer conference.

The launch will see Apple make its first big move into a new product category since the introduction of the Apple Watch nine years ago.

It will also put it in direct competition with Facebook-owner Meta Platforms.

Like Meta’s Quest Pro from last year and Quest 3 announced last week, Apple’s device is likely to blend a video feed from the outside world with a virtual world displayed on screens inside the headset.

Shares of the iPhone maker have risen 1.6pc to hit a record intraday high of $183.76.

05 Jun 2023-02:44PM BST

European gas prices jump 20pc

European gas futures jumped 20pc, the biggest jump since March amid signs of a tighter liquefied natural gas market and potentially stronger Asian demand for the fuel.

Benchmark month-ahead Dutch futures rose as much as 20pc to more than €28 a megawatt-hour after last week skidding to the lowest level in two years. The UK equivalent increased by more than 21pc.

The continent is still finding its footing after a historic energy crisis triggered by the severe supply cuts following Russia’s invasion of Ukraine.

Europe has amassed higher-than-usual storage levels after a relatively mild winter, record imports of liquified natural gas (LNG) and tepid demand.

However, traders are mindful of persistent risks, including the possibility of even lower Russian supplies and competition with Asia for LNG.

US shipments of the fuel — vital for Europe’s energy security — are currently more profitable to Asia in July, August and September, according to Bloomberg.

There’s also a link to the oil market. Saudi Arabia on Sunday agreed to curb crude supply further in July to help shore up sagging oil prices. Long-term LNG contracts are often linked to oil, meaning buyers may prefer spot shipments for now.

OUCH! European [*#gas*](https://twitter.com/hashtag/gas?src=hash&ref_src=twsrc%5Etfw) futures jumped &gt;20%, the biggest jump since March amid signs of a tighter LNG market and potentially stronger Asian demand for the fuel. This again widens the price gap w/US natural gas. (via BBG) [*pic.twitter.com/cHnqIarRCz*](https://t.co/cHnqIarRCz)

05 Jun 2023-02:18PM BST

City beats Paris and Frankfurt in investment race

The City has reasserted its credentials as Europe’s leading financial centre after figures showed an increase in foreign investment in Britain.

The UK landed 76 financial service projects in 2022, up 17pc from the previous year despite the economic downturn and political instability in Westminster, according to analysis by EY.

Britain was way ahead of France in second place, which had 45 projects, a fall of 25pc, while Germany and Spain followed with 31 each.

The rise in the UK was thanks to an increase in American investment, with 21 US-backed projects — up a quarter year-on-year.

Anna Anthony, UK financial services managing partner at EY, said even in challenging times, investors see the UK “as the most attractive European financial services market”.

05 Jun 2023-02:12PM BST

Brokerage fined £17m for role in controversial tax scheme

Financial regulators have handed out a £17.2m fine over a company’s role in controversial so-called cum-ex tax transactions.

The Financial Conduct Authority (FCA) said brokerage ED&F Man Capital Markets “enabled” significant volumes of dividend arbitrage trading that allowed millions of euros to be illegitimately claimed from Danish tax authorities.

It is the fourth case brought against London brokers in relation to the trades and the largest penalty yet.

Therese Chambers, the FCA’s joint executive director of enforcement and market oversight, said: “It is completely unacceptable for authorised firms to make money from this kind of trading.”

ED&F Man did not dispute the FCA’s findings and was given a 30pc discount in the fine.

Danish and German investigators separately raided the London offices of ED&F Man in November.

Cum-ex took advantage of tax laws that seemed to allow multiple investors to claim refunds of a tax that was paid only once.

Germany abolished the practice in 2012. Some traders then targeted Denmark in similar trades and the country has said it suffered a loss of more than $2bn (£1.6bn).

05 Jun 2023-01:39PM BST

Gold miner Polymetal eyes sale of Russian arm

Anglo-Russian gold and silver miner Polymetal International could be eyeing up a sale of its Russian subsidiary following the resignation of its top two bosses and being targeted by Western sanctions.

The London-listed firm, which primarily operates in Russia, said it is considering “all possible options” regarding divesting the Russian arm.

Shares in the company have dived since Vladimir Putin led an invasion of Ukraine in February last year.

Prior to the war breaking out, shares in the business were trading at around 1,100p. They have since lost more than 80pc of their value and are now worth about 180p.

Polymetal’s chief executive, Vitaly Nesis, and chief financial officer, Maxim Nazimok, cut ties with the Russian arm of the business completely, the company said.

But they remain with the wider group and are focusing on operations in Kazakhstan, where the firm plans to relocate from its current domicile in Jersey and escape the risk of further sanctions.

It is likely to result in the company de-listing its stocks from the London markets.

It said: “In the light of recent developments, and in the interests of preserving shareholder value, the board and the special committee have decided to consider all possible options available for divestment of JSC Polymetal and its subsidiaries.”

05 Jun 2023-01:22PM BST

Oil price rallies higher amid Saudi cuts

Oil has surged even higher after Saudi Arabia said it would cut production by a million barrels a day in July.

Brent crude, the international benchmark, has risen by 2.2pc today and is heading toward $78 a barrel.

US-produced West Texas Intermediate has leapt 2.4pc to more than $73 a barrel.

Crude [*#oil*](https://twitter.com/hashtag/oil?src=hash&ref_src=twsrc%5Etfw) has erased all of last week's losses as [*#SaudiArabia*](https://twitter.com/hashtag/SaudiArabia?src=hash&ref_src=twsrc%5Etfw) said it will cut its supply by another 1 million barrels per day in July.When investing in oil (or [*#commodities*](https://twitter.com/hashtag/commodities?src=hash&ref_src=twsrc%5Etfw) ), it's important to take into account that there is a cartel, [*#OPEC*](https://twitter.com/hashtag/OPEC?src=hash&ref_src=twsrc%5Etfw) +, which has been pretty active in… [*pic.twitter.com/dQia7uEZNV*](https://t.co/dQia7uEZNV)

05 Jun 2023-11:26AM BST

Oil and gas 'part of our energy mix for many, many years' says Starmer

Sir Keir Starmer has tried to reassure trade union critics that Labour’s energy plans would not hit jobs, claiming that oil and gas would be necessary for “many, many years” to come.

GMB union general secretary Gary Smith warned the party’s policy to ban new oil and gas extraction licences in the North Sea would create a “cliff edge” that will hit jobs.

Speaking on a visit to Hinkley Point C in Somerset, Sir Keir stressed that adapting to climate change and tapping new sources of energy would bring fresh opportunities. He told broadcasters:

I think we have a once-in-a-generation opportunity now to seize the jobs of the future.

Oil and gas will be part of that, because where there is existing licences they will go on to the 2050s and so oil and gas will be part of our energy mix for many, many years to come.

But we need to seize the opportunities for the next generation of jobs. And that is in renewables, it is in nuclear, Hinkley Point C here today, staring at the future.

We have got 9,000 people working on this site, they are going to power the UK and they are the jobs of the future.

05 Jun 2023-11:09AM BST

Mortgage deals pulled as market expects interest rates to rise

Another 200 residential mortgage deals were pulled over the weekend as the average rate on a two-year fixed rate deal jumped to 5.72pc.

Economics reporter Melissa Lawford has the details:

In total, 699 residential fixed-rate deals have disappeared from the market in the last two weeks – equivalent to more than one in eight mortgage deals, according to Moneyfacts.

Lenders are repricing deals fast after surprisingly high inflation data triggered large jumps in expectations for future borrowing costs.

The average rate on a two-year fix (across all deposit sizes) has climbed from 5.33pc to 5.72pc in 13 days, a jump of 0.39 percentage points.

This means that a buyer taking out a typical £200,000 loan will have to pay an extra £780 per year compared to if they had secured a mortgage deal two weeks earlier.

The average rate on a five-year fix has climbed from 5.01pc to 5.41pc over the same period.

05 Jun 2023-10:55AM BST

Asos shares surge 15pc after '£1bn takeover approach'

Asos shares have surge higher after it was reported that the troubled online fashion retailer had received a £1bn takeover approach from a company backed by China’s Alibaba.

The retailer was approached by Turkish online fast fashion firm Trendyol in late December, according to a report in the Sunday Times.

It is believed that the proposed deal would have valued Asos at between £10 and £12 a share.

Talks are not thought to be active but news of the recent bid interest sent shares in Asos jumping 15pc higher at one stage in morning trading.

Trendyol-which in 2021 raised £265m from Alibaba and $1.5bn (£1.2bn) from other investors including SoftBank and the Qatar Investment Authority-is said to have been working with advisers from Morgan Stanley on the approach.

Asos has seen its shares tumble as sales have languished and costs rocketed, with customer spending coming under pressure and shoppers returning to the high street.

It was booted out of the FTSE 250 in the recent FTSE reshuffle due to its hefty stock market declines.

The group was last month forced to raise funds in order to strengthen its balance sheet, with a £75m investor cash call, as well as entering into a new £275m debt facility. Asos declined to comment on the reported takeover interest.

05 Jun 2023-10:39AM BST

UK 'must future-proof' City's financial services sector

After the EY report showing the UK retained its crown as Europe’s top destination for financial services investment, City of London Corporation policy chairman Chris Hayward said:

London continues to lead Europe in attracting foreign direct investment in financial services, and the sector is proving resilient despite the global challenges facing the UK economy.

That is good news for every household, because a strong City creates the wealth and jobs that support the economy and fund our public services.

But it is vital that we continue to build on this success. We must future-proof the sector to ensure we remain globally competitive and the natural choice for foreign investors.

05 Jun 2023-10:23AM BST

Government borrowing costs edge higher

The cost of Government borrowing has begun ticking higher again at the start of this week as concerns linger about the health of Britain’s economy.

The yield on two-year gilts, which are sensitive to rises in interest rates, has risen by seven basis points to 4.4pc today, while 10-year bond yields have climbed six basis points to 4.2pc.

Both remain around the levels seen during Liz Truss’s short-lived time as prime minister.

Yields are ticking higher around the world amid worries over potential inflation that could be caused by rising oil prices, as Saudi Arabia plans to cut production by a million barrels a day from July.

Ten-year US Treasury yields have risen nearly five basis points while German 10-year bund yields have climbed nearly six basis points.

05 Jun 2023-10:04AM BST

EU to extend ban on Ukrainian grain imports

The European Commission is expected to extend its ban on Ukrainian grain imports until September 15, Poland’s ***agriculture*** minister has said.

The EU set restrictions until today on imports of wheat, maize, rapeseed and sunflower seed from the war-torn country to ease the excess supply of the grains in Bulgaria, Hungary, Poland, Romania and Slovakia.

Those countries had complained that cheaper Ukrainian grain was making domestic production unprofitable and had asked the EU to extend the ban.

Poland’s ***agriculture*** minister Robert Telus tweeted: “We have received from the EC a draft of a new regulation banning the import of four products to the five countries. The effective date provided for in the draft is September 15 this year. It’s a draft but I hope it will come into force from tomorrow.”

Ukrainian wheat, maize, rapeseed and sunflower seed can be sold to any other country in the 27-nation bloc.

The EU had earlier liberalised all imports from Ukraine to help Kyiv’s efforts to fend off Russia’s invasion. The five countries became transit routes for Ukrainian grain that could not be exported through its Black Sea ports because of the war.

Ukrainian President Volodymyr Zelenskiy on Thursday called for the unconditional removal of all export restrictions on Ukrainian ***agricultural*** products at talks with European Commission President Ursula von der Leyen.

05 Jun 2023-09:44AM BST

UK services sector grows for fourth straight month

Britain’s dominant services sector continued to expand last month but increased wage pressures pushed up cost inflation to a three-month high, according to a closely-watched survey.

The S&P Global/CIPS UK Services purchasing managers’ index delivered a reading of 55.2 in May, down slightly from 55.9 in April but above the 50 mark separating growth from contraction for the fourth consecutive month.

Robust sales pipelines and greater willingness to spend from consumers, despite ongoing economic uncertainty, helped to boost order volumes in May.

However, the overall rate of input price inflation edged up to a three-month high amid elevated wage pressures and continuing supplier price hikes.

Tim Moore, economics director at S&P Global Market Intelligence, said:

Service sector businesses have experienced strong growth so far in the second quarter of 2023, fuelled by resilient demand for consumer and technology services, combined with a post-pandemic tailwind as households switched from spending on goods to services.

Higher salary payments more than offset lower fuel costs, which meant that overall input price inflation edged up to its strongest for three months in May.

Fueled by resilient demand for consumer and technology services, growth across the [*#UK*](https://twitter.com/hashtag/UK?src=hash&ref_src=twsrc%5Etfw) ’s service sector remained robust in May ([*#PMI*](https://twitter.com/hashtag/PMI?src=hash&ref_src=twsrc%5Etfw) at 55.2; Apr: 55.9). This was despite still severe [*#inflationary*](https://twitter.com/hashtag/inflationary?src=hash&ref_src=twsrc%5Etfw) pressures. : [*https://t.co/Rt4oTQPxyX*](https://t.co/Rt4oTQPxyX) [*@cipsnews*](https://twitter.com/cipsnews?ref_src=twsrc%5Etfw) [*pic.twitter.com/KaO0MAcgtL*](https://t.co/KaO0MAcgtL)

05 Jun 2023-08:19AM BST

New business lobby group launched ahead of CBI crunch vote

One of the UK’s biggest business groups has positioned itself to replace the Confederation of British Industry a day ahead of a crunch vote to determine the future of the scandal-hit organisation.

The British Chambers of Commerce announced a new business council including major companies such as BP and Heathrow Airport and said large corporations were “looking for a different kind of representation”.

It comes as the CBI fights to secure its future following a series of sexual harassment allegations, with its members poised to vote on a turnaround plan on Tuesday.

It was first cast into chaos in March when The Guardian newspaper published allegations of misconduct against the CBI’s then director general, Tony Danker.

Mr Danker apologised and said that the offence or anxiety he had caused was “unintentional”. He stepped aside while outside lawyers investigated the claims against him.

Before long though the floodgates opened-another dozen or more women approached The Guardian saying they had been victims of sexual harassment while working for the business group.

Shevaun Haviland, the British Chambers of Commerce’s director general, said: “The voice of business needs to be heard loud and clear, and now is the right time for us to speak up.”

05 Jun 2023-08:06AM BST

Markets rise at the open

The FTSE 100 rose as markets opened as the commodity-heavy index was boosted by surging oil prices.

The blue-chip index climbed 0.3pc to 7,632.87 while the midcap FTSE 250 rose by the same amount to 19,206.11.

05 Jun 2023-07:50AM BST

UBS poised to complete Credit Suisse takeover this month

UBS has said that it expects to complete its takeover of longtime rival Credit Suisse as early as next week.

The two Zurich-based banks are uniting in a 3 billion-franc (£2.7bn) deal that was arranged hastily in March by the Swiss government and regulators after Credit Suisse’s stock plunged and jittery depositors quickly pulled out their money.

The merger was aimed at stemming upheaval in the global financial system after the collapse of two US banks shook confidence in the sector. The takeover will leave UBS as Switzerland’s single banking titan.

UBS said today that it expects to complete the acquisition by as early as June 12.

It said: “Completion is subject to the registration statement, which covers shares to be delivered, being declared effective by the US Securities and Exchange Commission, and to satisfaction, or waiver by UBS, of other remaining closing conditions.”

The reputation of 167-year-old Credit Suisse was pummelled in recent years over stock price declines, a string of scandals and the flight of customers worried about the bank’s future.

05 Jun 2023-07:43AM BST

Prince Harry to take on Mirror over hacking claims

The Duke of Sussex is due to appear at the High Court today as his case against the publisher of the Daily Mirror over alleged unlawful information gathering begins.

Prince Harry is suing Mirror Group Newspapers (MGN) for damages, claiming journalists at its titles-which also include the Sunday Mirror and Sunday People-were linked to methods including phone hacking, so-called “blagging” or gaining information by deception and use of private investigators for unlawful activities.

His claim is being heard alongside three other “representative” claims during a trial which began last month and is due to last six to seven weeks.

Prince Harry alleges about 140 articles published between 1996 and 2010 contained information gathered using unlawful methods, and 33 of these have been selected to be considered at the trial.

MGN is contesting the claims and has either denied or not admitted each of them. The publisher also argues some of the claimants have brought their legal action too late.

The Duke is due to arrive at the court in London today and is due to enter the witness box on Tuesday, when he will face cross-examination from MGN’s lawyers.

05 Jun 2023-07:30AM BST

Diageo boss' retirement brought forward after 'significant setback' in surgery

The world’s largest spirits maker has brought forward the appointment of its new chief executive after its boss suffered complications in surgery on a stomach ulcer.

Sir Ivan Menezes, who has led Johnnie Walker maker Diageo since 2013, had announced he would retire this summer, with Debra Crew due to take over as chief executive on July 1.

However Diageo announced today that Sir Ivan, who was knighted in the King’s first New Year’s Honours list, has “suffered a significant setback due to complications, which followed emergency surgery on the ulcer”.

As a result Ms Crew has been appointed interim chief executive with immediate effect, ahead of her formal ratification to the role in July.

The company said:

Our thoughts are with our much-loved colleague, Ivan, and his family.

Out of respect for Ivan and his family’s privacy, we will not be commenting further at this time.

05 Jun 2023-07:13AM BST

Oil prices rise as Opec cuts production targets

Oil prices have rallied after Saudi Arabia said it would cut production by an extra one million barrels a day in July in an attempt to prop up the crude market.

The Arab state will lower its output to its lowest level in several years as Saudi Energy Minister Prince Abdulaziz bin Salman [*said he “will do whatever is necessary*](https://www.telegraph.co.uk/business/2023/06/04/saudi-arabia-slashes-oil-production-and-threatens-to-do-wha/) to bring stability to this market”.

It follows a tense meeting of the Opec+ cartel of oil-producing nations over the weekend, where the 23-member group decided it would not deepen its recent cuts to output.

Vivek Dhar, director of mining and energy commodities research at Commonwealth Bank of Australia, called Saudi Arabia’s decision a “voluntary cut” that was “notable more for downside protection” .

Oil in New York tumbled 11pc last month amid concerns over the outlook for demand, especially in China.

Today, international benchmark Brent crude has already climbed as much as 1.5pc to more than $77 a barrel, while US-produced West Texas Intermediate has risen as much as 1.6pc toward $73.

Saudi Arabia has sacrificed further market share to stabilise the market.

While others in the group pledged to maintain their existing cuts until the end of 2024, Russia made no commitment to curb output further and the United Arab Emirates secured a higher production quota for next year.

Saudi Arabia’s production cut in July could be extended, but the Saudis will keep the market “in suspense” about whether this will happen, Energy Minister Prince Abdulaziz bin Salman said.

The minister has repeatedly sought to hurt bearish oil speculators, warning them to “watch out” in the build-up to Sunday’s meeting.

Vandana Hari, founder of Vanda Insights, told Bloomberg TV: “Saudi Arabia would ideally want prices to be above $80 a barrel, and it is now trading around $77 a barrel.”

She added that if the health of the global economy falters, the short sellers “will be back in no time”.

05 Jun 2023-07:07AM BST

Good morning

Oil prices have advanced after Saudi Arabia said it would cut production by a million barrels a day from July, sacrificing market share in an attempt to prop up the crude market.

Brent crude, the international benchmark, has already climbed as much as 1.5pc to more than $77 a barrel, while US-produced West Texas Intermediate has risen as much as 1.6pc toward $73.

5 things to start your day

1) [*Saudi Arabia slashes oil production and threatens to do ‘whatever is necessary’ to boost prices*](https://www.telegraph.co.uk/business/2023/06/04/saudi-arabia-slashes-oil-production-and-threatens-to-do-wha/) | The move is likely to inflame tensions with US President Joe Biden and risks reigniting inflation in Britain and Europe

2) [*Tim Cook seeks Apple’s next iPhone moment with bet on VR*](https://www.telegraph.co.uk/business/2023/06/04/apple-reality-pro-headset-vr-ar-next-iphone-moment-tim-cook/) | Monday’s launch is anticipated to be the most pivotal of Cook’s leadership

3) [*Record demand for 35-year mortgages as first-time buyers face soaring rates*](https://www.telegraph.co.uk/business/2023/06/04/demand-35-year-mortgages-first-time-buyers-rates/) | More Britons sign up to loans that will stretch into their seventies

4) [*Siemens and Microsoft launch last-ditch bid to save CBI as support drains away*](https://www.telegraph.co.uk/business/2023/06/04/ousted-cbi-chief-tony-danker-prepares-to-sue-over-dismissal/) | Businesses lead show of support for embattled group ahead of crunch vote on its future

5) [*Aldi has lightbulb moment in efforts to keep down prices*](https://www.telegraph.co.uk/business/2023/06/04/aldi-turns-off-lights-cut-costs/) | German supermarket has resorted to dimming stores as it grapples with inflation

What happened overnight

Asian stocks followed Wall Street higher on Monday after strong US hiring data coupled with scant wage gains ***suggested*** a possible recession might be further away, but also that inflationary pressures are weakening.

The Nikkei 225 in Tokyo advanced 1.9pc to 32,124.17 and the Shanghai Composite Index added less than 0.1pc to 3,232.80. The Hang Seng in Hong Kong gained 0.7pc to 19.078.22.

The Kospi in Seoul was 0.6pc higher at 2,616.25 and the S&P ASX 200 in Sydney jumped 1.2pc to 7,232.10.

Singapore and Jakarta gained. Markets in New Zealand and Thailand were closed for holidays.

Wall Street’s benchmark S&P 500 index leaped 1.5pc on Friday, putting it on the verge of entering what traders call a “bull market” after rising nearly 20pc in seven months.

**Load-Date:** June 7, 2023

**End of Document**



[***Atlantis Japan Growth Fund Ltd - Annual Results for the financial year ended 30 April 2023***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:690X-CHG1-DXP3-R2WT-00000-00&context=1516831)

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ATLANTIS JAPAN GROWTH FUND LIMITED

(“AJGF” or the “Company”)

(a closed-ended investment company incorporated in Guernsey with registration number 30709)

LEI 5493004IW0LDG0OPGL69

Annual Results for the financial year ended 30 April 2023

 22 August 2023

(Classified Regulated Information, under DTR 6 Annex 1 section 1.1)

The financial information set out below does not constitute the Company's statutory accounts for the financial year ended 30 April 2023. All figures are based on the audited financial statements for the financial year ended 30 April 2023.

The financial information for the financial year ended 30 April 2023 noted below is derived from the financial statements delivered to the UK Listing Authority.

The annual report and audited financial statements for the financial year ended 30 April 2023 will shortly be posted to shareholders and will also be available on the company website:[*http://www.atlantisjapangrowthfundlimited.com*](http://www.atlantisjapangrowthfundlimited.com)

INTRODUCTION

INVESTMENT OBJECTIVE

Atlantis Japan Growth Fund Limited (the “Company”) aims to achieve long term capital growth through investment wholly or mainly in listed Japanese equities.

INVESTMENT POLICY

The Company may invest up to 100% of its gross assets in companies quoted on any Japanese stock exchange including, without limitation, the Tokyo Stock Exchange Prime, Standard and Growth sections, or the regional stock exchanges of Fukuoka, Nagoya and Sapporo. The Company’s benchmark index is the TOPIX Total Return index “benchmark total return index” and the Company will not be restricted to investing in constituent companies of the benchmark.

The Company may also invest up to 20% of its Net Asset Value (the “NAV”) at the time of investment in companies listed or traded on other stock exchanges but which are either controlled and managed from Japan or which have a material exposure to the Japanese economy.

The Company may also invest up to 10% of its NAV at the time of investment in securities which are neither listed nor traded on any stock exchange or over-the-counter market.

In general, investments will be made in equity shares of investee companies, or in debt issued by investee companies. However, the Company may also invest up to 20% of its NAV at the time of investment in equity warrants and convertible debt.

The Company will not invest in more than 10% of any class of securities of an investee company. The Company will not invest in derivative instruments save for the purpose of efficient portfolio management.

The Company may not invest more than 10% in aggregate of the value of its total assets in other listed closed-ended investment funds except in the case of investment in closed-ended investment funds which themselves have published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds, in which case the limit is 15%.

The Company may borrow up to a maximum of 20% of NAV at the time of borrowing.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

The management and impact of the risks associated with the investment policies are described in detail in the Notes to the Financial Statements (see Note 15).

INVESTMENT MANAGER AND INVESTMENT ADVISER

Quaero Capital LLP has been appointed as the Investment Manager of the Company since 1 August 2014.

Atlantis Investment Research Corporation (“AIRC”) has been appointed as the Investment Adviser to the Company since 1 August 2014.

AIRC, established in Tokyo, through Taeko Setaishi, as lead adviser, and her colleagues, advises the Investment Manager on the day-to-day conduct of the Company’s investment business, the role it has played since the launch of the Company in May 1996.

CHAIRMAN’S STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

As announced on 11 August 2023, the Board has agreed heads of terms for a proposed combination of the assets of the Company with the assets of Nippon Active Value Fund Plc (“NAVF”) (the “Proposal”). Further details regarding the Proposal are provided in the ***Strategic*** Review section below.

The past year has continued along the pattern of challenging equity markets and rapid ***rotations*** in the global economic and geopolitical theatres. A persistent surge in inflation, fuelled further by the Russian energy sanctions and grain supply chain shortages out of Ukraine, overshadowed the continued resurgence in growth following the pandemic. The US Federal Reserve has led the global move to tighten rates, and equity markets have been closely tied to each signal on the path of interest rates. Despite Japan being the only G7 nation to maintain an easy monetary policy and not raise rates, reaffirmed by the new BOJ Governor Ueda, the equity market has moved much in line with US stocks. Meanwhile, the yen has fallen some 5% against sterling and the dollar reflecting, in part, the widening interest rate differential. Closer to home, we took heart from the enhanced economic policy management by Prime Minister Kishida, after the ruling party success in the Upper House elections last July. Our thoughts were very much with the Japanese at this time, coming closely after the assassination of former Prime Minister, Shinzo Abe who had both re-energised Japan following the 2011 earthquake and pushed for the enhanced corporate governance in Japan.

In a challenging environment for growth companies, the Company finished its financial year to 30 April 2023 with the net asset value on a total return basis 4.0% lower than a year earlier. This underperformed the Company’s benchmark, the Topix Total Return (TR) Index which was 7.3% higher in sterling terms. The Company is always seeking to invest in those companies whose growth dynamics have been overlooked by the market, with a focus on delivering sustainable earnings growth over the long-term. Given this and the polarisation of investment style trends, the underperformance of growth stocks by over 7.5% created performance headwinds for the Company.

Whilst undeniably challenging over the near term, the Company’s performance over a 5-year period places it in the middle of its peer group. The Company paid out four regular quarterly dividends of 1% of the Company’s net asset value (“NAV”), calculated on the average daily NAV of April 2022. Further, at the end of the financial year, the Company’s discount was 16.0% against 12.2% a year earlier.

Market AND Performance

The pattern that we saw in the last financial year, where the ***rotation*** from growth to value companies took hold, was amplified in the financial year just ended. This masked the strength in the overall market though the pattern of investing behaviour being led by foreign investors, highlighted by investors such as Warren Buffett, was to focus on the globally compelling valuation that was to be found in Japanese stocks. Valuations for growth companies contracted over the period despite their encouraging earnings outlook, their low debt levels and continued robust cash positions. Persistent foreign selling of the Topix Growth Index was amplified by the fears of a global financial crisis stemming from the collapse of regional banks in the US in spite of backstop protection from the US Treasury. This more than offset the positive demand outlook for China’s economy.

***STRATEGIC*** REVIEW

Following discussions with several of the Company’s biggest shareholders in connection with the Company’s forthcoming continuation vote at this year’s AGM, the Board has recently undertaken a comprehensive ***strategic*** review of the future opportunities for your Company.

The Board’s key objective in this review was to consider the best long term investment strategy for those of our shareholders who wish to remain invested in the Japanese market, whilst recognising that the current discount attaching to our shares, our recent performance and our relatively modest market capitalisation are problematic in attracting new shareholders to the register.

In the course of the Board’s ***strategic*** review we identified a number of competing Japanese investment trusts where greater liquidity and a lower discount has been evident, supported by clear, focused and differentiated investment strategies.

The Board has agreed heads of terms for a proposed combination of the assets of the Company with the assets of NAVF. NAVF is a top-performing UK investment trust which targets attractive capital growth for its shareholders through active engagement with a focused portfolio of small and mid-***cap*** quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified as being undervalued.

The proposed combination with NAVF is expected to improve the enlarged fund's liquidity as well as spreading the fixed costs of operation over a larger pool of assets under management.

Implementation of the Proposal is subject to the approval, inter alia, of the Company’s shareholders as well as regulatory and tax approvals and approval by the shareholders of NAVF. A circular providing further details of the Proposal and convening a general meeting to seek the necessary shareholder approvals will be published by the Company as soon as practicable.

It is anticipated that the Proposal, if approved, will be implemented in Q3 2023. The Board believes that implementation of the Proposal is in the best interest of shareholders as a whole and that many shareholders will wish to continue to be invested in the enlarged fund.

Nevertheless, given the proposed change of investment strategy represented by the Proposal, the Board believes it is appropriate to offer shareholders the opportunity to realise part, or potentially all, of their investment in the Company via a cash exit for up to 25% of the Company's shares in issue, at a 2% discount to the fair value per share of the Company on the effective date of the Scheme. The manager of NAVF has agreed to meet the Company’s reasonable costs of implementing the Proposal.

dividend policy

The quarterly dividend is set at 1% of the average daily NAV per share in the final month of the preceding financial year and is paid out of capital resources at the end of each calendar quarter. The Board continues to believe that this dividend policy is a fairer way to distribute capital to all shareholders, compared to the previously employed redemption mechanism.

The September 2022, December 2022, March 2023 and June 2023 dividend payments were paid to registered shareholders at the rate of 2.15p per share, based on the average daily NAV per share in the final month of the Company’s financial year ended 30 April 2022. As a result of the Company’s performance over the year to April 2023, the average NAV per share for the month of April 2023 was 196p. Thus, the new quarterly dividend rate (subject to the outcome of the Proposal described above) will be at 1.96p for the four dividends payable at the end of September 2023, December 2023, March 2024 and June 2024.

Environmental, Social and Governance (ESG) Investment

Investing responsibly is at the centre of the Company’s investment philosophy and process. In 2015 the Company’s investment manager, Quaero Capital, became a signatory to the UNPRI to demonstrate commitment to responsible investment. Quaero Capital has since joined the Institutional Investor Group for Climate Change (IIGCC) and the Carbon Disclosure Project (CDP), as it looks to understand and adopt best practice to address climate change. As long-term investors it is important that we understand the environmental, social and governance risks and opportunities affecting the companies in which we invest. Strong relationships built over many years in the market enable us to use our position as long-term investors to encourage transparency and flag areas of high ESG risk.

BOARD COMPOSITION

Given the support comprising 51% of the Company’s share register, indicated during consultation with major Shareholders ahead of the Proposal, the Board does not anticipate the need for re-election at an AGM.  Should this prove necessary, and as reported in 2021, I would be stepping down this year as Chairman of the Company and have been working with my successor, Michael Moule, to ensure a smooth transition and a focus on refreshing board membership. Michael has been a director since February 2018 and, a should the Proposal not be adopted, Shareholders would be assured of his continued stewardship as Chairman with effect from this year’s AGM.

Philip Ehrmann would not be seeking re-election to the Board at any forthcoming AGM.

Not including the outgoing Chairman and Philip Ehrmann as detailed above, all Directors would be subject to annual re-election at the AGM on 8 December 2023, should it be required to take place.

DISCOUNT management and share buy backs

In order to assist in managing the discount at which the Company’s shares trade and to enhance the NAV per share of remaining shareholders, the Company has authority to buy back shares. The Board renewed its existing powers to buy back shares at the 2022 AGM. The Board reviews the discount level on a regular basis and will opportunistically buy back stock if the discount is perceived to be too wide.

The discount widened over the period from 12.2% to 16.0%. As part of its discount management policy, during the financial year ended 30 April 2023, the Company exercised its authority to buy back 560,500 shares for holding in Treasury, which represented 1.21% of the issued share capital.

At the 2019 AGM, the Board announced that a Continuation Vote will be called every fourth year. The next Continuation Vote would therefore be held at the at the AGM on 8 December 2023, should it be required to take place.

GEARING

Gearing is defined as the ratio of a company’s long-term debt, less cash held, compared to its equity capital, expressed as a percentage. The effect of gearing is that, in rising markets, the Company tends to benefit from any growth of the Company’s investment portfolio above the cost of payment of the prior ranking entitlements of any lenders and other creditors. Conversely, in falling markets the Company suffers more if the Company’s investment portfolio underperforms the cost of those prior entitlements.

In order to improve the potential for capital returns to shareholders, the Company currently has access to an overdraft facility with the Company’s Depositary, Northern Trust (Guernsey) Limited, for up to ¥1.5 billion. As at 30 April 2023 the Company’s net gearing level (being the amount of drawn-down bank debt less the cash held on the balance sheet) was 4% compared to 5% at the end of the prior reporting period.

The Directors consider it a priority that the Company’s level of gearing should be maintained at appropriate levels with sufficient flexibility to enable the Company to adapt at short notice to changes in market conditions. The Board reviews the Company’s level of gearing on a regular basis. The current maximum that has been set is 20% of the Company’s net assets. The Investment Adviser is encouraged to use the gearing facility and the Company’s cash reserves in order to enhance returns for shareholders.

ONGOING CHARGES AND INVESTMENT MANAGEMENT FEE

The Board continues to monitor the level of ongoing charges incurred by the Company and for the financial year ended 30 April 2023 the ongoing charges were 1.85% (30 April 2022: 1.65%). The Board will remain vigilant in seeking opportunities for reductions. Details of the ongoing charges are shown in Note 19 to the Financial Statements.

A tiered structure for investment management fees was put in place with effect from 5 July 2019, with a fee of 1% on the first £125m of net assets, 0.85% on net assets between £125m and £175m and 0.70% on net assets above £175m.

ANNUAL GENERAL MEETING (“AGM”)

To create provision for all possible outcomes relating to the Proposal, notice of the Company's AGM accompanies this Annual Report which would, if required, take place on 8 December 2023. In the event that the Proposal is approved by Shareholders at an extraordinary general meeting in Q3, the AGM will be adjourned since the Company will already have completed its merger with NAVF. The Board will update shareholders on the timing of the shareholder meeting to consider the Proposal, once this is confirmed, by notice of meeting and by RNS announcement.

OUTLOOK

We are entering a transformational period in Japan, with a more persistent inflation outlook than we have seen in decades, which is opening the door for the Bank of Japan to adjust its decades long low interest rate regime. This could herald a sharp reversal in the fortunes of the Japanese yen in the coming year. We have corporates talking of double digit pay increases for graduates and sustained wage inflation across many industries. Furthermore, we have a government and stock exchange committed to enhanced corporate governance focus and to pressing companies to address the poor returns on capital and low ratings on the premium market. This is all at a time when we are seeing resilient earnings recovery, improving customer demand and a domestic economy that has seen a healthy uptick in the post-pandemic environment. In spite of the challenging environment in which our Investment Adviser has been operating over the past few terms, the factors above all support the unrepentant focus on those growth companies that have attractive PER, PBR and yield comparables, particularly those with long-term resilient business models. Given the return of the foreign investor over recent months, we expect their early interest in value to broaden out to the wider market and those businesses that benefit from strong operational moats, demand recovery and the increased infrastructure spend in the key areas of digital transformation, pharmaceutical technology, and the evolving workforce.

Your Directors and I continue to believe in the long-term growth potential of the Japanese market given the economic factors set out above which, if realised, would place the sector in a strong position to benefit from the recovery of the global economy and, more particularly, the firming domestic outlook.  This sense of optimism is a primary contributor to our conclusions and ultimate proposal arising from the ***strategic*** review as outlined earlier in this statement.

Noel Lamb    22 August 2023

Investment Adviser’s Report

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

Performance

The Company’s Net Asset Value (NAV) per share, calculated in sterling, ended the financial year at 193.4p, down 3.99% YoY on a total return basis, versus the TOPIX Total Return Index return of 7.26%. The company’s discount to NAV ended the period at 16.0%, widening from 12.2%. At financial year end the Company’s net gearing was 4%, narrowing from the previous year’s level of 5%.

At the end of April 2023, the Company held 55 stocks, reduced from 66 positions held in the previous year. Sectors that performed positively included Banks, Other Financial and Wholesale Trade. There were strong contributions from small ***cap*** engineering consultant INTLOOP (9556 JP), major global supplier of semiconductor manufacturing supplies DISCO (6146 JP), and Sumitomo Mitsui Financial Group (8316 JP) one of Japan’s three major conglomerate banks. Sectors that underperformed included Information and Communications and Electrical Appliances. Detraction from performance came from S-Pool (2471 JP), a provider of special needs employment services, Wacom (6727 JP), manufacturer of touch panels and VisasQ (4490 JP), a leading provider of expert network services.

The Company’s performance has continued to suffer from the post-COVID market style shift away from growth towards value. Over the period, the TOPIX Growth Total Return index underperformed the TOPIX Total Return Value index by 7.53%. This appeared to have stabilised towards the end of 2022, although in early 2023 Japan’s value attractions received attention from global investors after Warren Buffet extolled the cheapness of Japanese equities.

The portfolio remains entirely invested in the equities of Japanese companies and J-REITS. The Company has no exposure to foreign exchange hedges, nor does it take positions in convertible bonds, or other types of structured financial products.

Market comment

Inflation and interest rate policy have been significant factors in markets during the period under review. The invasion of Ukraine in February 2022 drove up commodity and energy prices, contributing to global inflation and adding urgency to central bank policy tightening. Japan has been the exception as inflation here has remained largely muted and the Bank of Japan (BoJ) has kept easy monetary policy largely unchanged. The resulting policy divergence with the rest of the world has led to a substantial move in the USD/JPY rate to above ¥150. After decades of stagnant inflation, the BoJ has been reluctant to stifle emergent reflation in the hope that recovery could lead to a more self-sustaining cycle of wage growth and consumption. We have seen encouraging signs on wage hikes among larger companies and it remains to be seen if this will spread more broadly across the corporate sector.

Japan has been slower than the western world to exit from its COVID restrictions. Nevertheless, after a significant peak in infections during the summer of 2022, the country began incrementally dismantling its prohibitions since the autumn, removing mask advice and, most significantly, allowing visa-free travel into the country from November 2022. Inbound tourism, which was prior to COVID a significant contributor to domestic consumption, thus picked up in the second half of the financial year.

Late reopening and the weak currency have generally provided a favourable environment for older economy cyclical ‘value’ stocks. In 2023, Japan’s lower priced stocks received a further boost from a recurrence of the activist theme in Japan, as the Tokyo Stock Exchange announced it would apply further pressure on Prime-listed companies which consistently trade at a discount to book value.

Economic Outlook

Japan downgraded COVID-19 to flu status on May 8th 2023. Inbound tourist travel to Japan should continue to recover, helping the domestic economy. Retail sales have continued to provide evidence of domestic recovery, rising 7.2% in March 2023. While the tourism spend is a major boost, the bulk of spending is by domestic consumers supported by low unemployment and improving wages. This may also indicate the emergence of rational expectations of rising prices as opposed to the deflationary mind-set of the last couple of decades.

Inflation continues to rise, with March CPI +3.2% YoY. Although it is expected to slow from this summer as commodity/energy price impact fades, there is the ***suggestion*** that individuals continue to spend ahead of higher prices expected in the not-too-distant future, a positive development for the economic outlook. On April 9th, the BoJ appointed a new governor Kazuo Ueda, and although he appears unlikely to change policy significantly in the near future, the April 28th BoJ board meeting left its zero-interest rate policy unchanged.

Tempering the generally benign outlook, global macro and geopolitical concerns remain, as some US regional banks have continued to stumble, reminding us that tightening monetary policy to contain inflation has real world consequences and is not an exact science. We are cautiously optimistic on the outlook for Japan’s economy, though the FY 3/23 earnings season appears to be resulting in some rather conservative FY 3/24 earnings guidance.

Investment Adviser’s Strategy

Since the TOPIX Growth TR Index peaked against the corresponding value index in December 2020, it has underperformed by 37.5% to end of April 2023. In one sense, this is easily explained by earnings as the above trend growth of digitalization and e-commerce ‘growth’ sectors has slowed since COVID, while older economy ‘value’ stocks have seen earnings recover strongly as the economy reopened. Further supporting this narrative, the shareholder activism theme has returned to the Japanese market, with several high-profile activist successes, and a natural recovery in shareholder returns as profits have recovered. Without wishing to predict the timing of a recovery in growth, we can at least say that the earnings of companies with structural growth are cheaper than they were, while the gap with book value has narrowed for more cyclical sectors.

The Investment Adviser continues to focus on companies which can achieve long term structural growth in earnings, for example those benefiting from structural change and growth areas such as in technology, manufacturing and workflow efficiency, work-style reform, healthcare, infrastructure and unique new business models. The Investment Adviser has not changed its basic approach of frequently meeting with company managements to test their progress and continues to employ a bottom-up approach in its fundamental analysis.

Atlantis Investment Research Corporation

22 August 2023

Alternative Investment Fund Manager’s Report

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

Quaero Capital LLP, which is registered in England as a limited liability partnership, was authorised on 22 July 2014 by the Financial Conduct Authority of the UK as the Company’s Alternative Investment Fund Manager (the “AIFM”) for the purposes of the Alternative Investment Fund Managers Directive (“AIFMD” or the “Directive”).

As the Company’s AIFM, Quaero Capital LLP is required to make available an annual report for each financial year of the Company containing the following:

A detailed description of the principal risks and uncertainties facing the Company (see Principal Risks and Uncertainties below).

A balance sheet or a statement of assets and liabilities (see Statement of Financial Position below).

An income and expenditure account for the financial year (see Statement of Comprehensive Income below).

A report on the activities of the financial year including an overview of the investment activities and financial performance over the year (see Chairman’s Statement above Investment Adviser’s Report above, Details of Ten Largest Investments below, Schedule of Investments below and Directors’ Report and Statement of Directors’ Responsibilities below).

Details of material changes to the information set out under Article 23 of the Directive. To satisfy this requirement, Quaero Capital LLP publishes an Investor Disclosure Document available at [*http://www.atlantisjapangrowthfund.com*](http://www.atlantisjapangrowthfund.com).

Certain disclosures in relation to the remuneration of Quaero Capital LLP. To meet these requirements, details of Quaero Capital LLP’s remuneration policy and remuneration disclosures in respect of Quaero Capital LLP’s reporting period for the financial year ended 31 March 2023 are available at [*http://www.atlantisjapangrowthfund.com/literature*](http://www.atlantisjapangrowthfund.com/literature).

Details of the leverage employed by the Company. Using the methodologies prescribed under the Directive, the leverage of the Company is disclosed in the following table:

Quaero Capital LLP

22 August 2023

Details of Ten Largest Investments

AS AT 30 APRIL 2023

The ten largest investments comprise a fair value of £22,998,339 (30 April 2022: £26,026,741) representing 29.1% of Net Asset Value (30 April 2022: 29.8%) with details as below:

Internet Initiative Japan (180,000 shares)

Internet Initiative Japan (IIJ) was Japan’s first ISP (internet service provider) which gave it a first mover advantage. It initially worked closely with NTT, Japan’s main telecom provider and largest shareholder, which helped establish the firm as the go-to ISP for Japan’s leading enterprises and giving it a large Rolodex of major companies as customers. IIJ’s main businesses are now split between Network Services and System Integration. Its services cover the entire gamut from highly sophisticated cloud software and cyber security to general connectivity infrastructure and MVNO (discount mobile virtual network operator) offerings to support the digital transformation needs of major multi-national corporations to smaller enterprises. The company is well positioned for stable double-digit growth over the coming years.

Fair value of £2,976,367 representing 3.77% of Net Asset Value (30 April 2022: 1.6%)

Sumitomo Mitsui Financial (75,000 shares)

Sumitomo Mitsui Financial Group (SMFG) is one of Japan’s three leading banking groups. While loans have been growing, lending margins have been under pressure in Japan for over ten years, and the impact of the former has finally overcome the latter to generate net interest income growth over the last year, while the prospect of some normalization of domestic monetary policy could boost core earnings growth substantially. Meanwhile SMFG has the highest Common Equity Tier 1 Capital ratio at 13.7%, ***suggesting*** upside potential from improved capital efficiency. Japanese banks do not appear to be affected by the particular set of circumstances currently afflicting the US regional banking space.

Fair value of £2,455,087 representing 3.11% of Net Asset Value (30 April 2022: 1.2%)

Topcon (210,000 shares)

Topcon is a globally present manufacturer of optical devices with applications in ophthalmology and high precision 3D surveying/positioning devices using GPS, networks and lasers. In ophthalmology it has a global top share in 3D Optical Coherence Tomography (OCT) and auto refractometers (Chronos) amongst others. Its precision optical equipment products are automation systems positioning and smart infrastructure for use in civil engineering, construction, and ***agricultural*** fields. The shortage of skilled labour in industries such as construction and ***agriculture*** is driving demand for automation technology including Topcon’s devices. Infrastructure expansion plans in the US and Europe are a tailwind. We see the potential for Topcon to raise margins substantially over the next few years as new ophthalmic product development costs have peaked and as the smart infrastructure and positioning business grows overseas.

Fair value of £2,381,023 representing 3.01% of Net Asset Value (30 April 2022: 1.2%)

Japan Material (197,000 shares)

Japan Material is a supplier of ultra-pure water, specialty gases and chemicals used in semiconductor and LCD manufacturing. The company’s services include managing the entire process from design to construction, installation and maintenance of specialty equipment, piping, pumps and other infrastructure. The company has a long history with Japan’s top semiconductor related companies including Kioxia (Toshiba), Micron and other manufacturers such as Japan Display. The company is known for its highly skilled staff and has a good track record of supplying total solutions for managing the entire process of laying out the piping to design and maintenance of the gas supply, for advanced semiconductor and electronics manufacturing, to help reduce operating costs. With the recent disruption of supply chains in the semiconductor sector, the Japanese government is supporting the onshoring of production in Japan. Several major projects have ensued between Japanese and Taiwanese semiconductor manufactures as well as other companies who are increasing their investment in Japan. Japan Material has recently acquired land in Kyushu to support semiconductor plants in the region, which should help drive long-term above trend growth for the company.

Fair value of £2,360,299 representing 2.99% of Net Asset Value (30 April 2022: 3.5%)

FP Partner (56,000 shares)

FP Partner is an independent insurance agent selling retail insurance products and providing after-sales services on behalf of a number of insurance companies. It offers products from the majority of domestic and international insurers operating in Japan. As well as insurance product sales, the company has expanded into banking and securities, selling investment trusts and brokering mortgages, and aiming to become a one-stop provider of financial products under the “Money Doctor” brand. The company’s branch and store network now has national coverage and in a fragmented industry the company estimates that it is the second-largest independent insurance agent in Japan. The number of industry agents is contracting nationally, with rising costs of compliance and technology, as well as succession issues with older independent agents driving consolidation and presenting opportunity for larger players such as FP. The company listed in September 2022.

Fair value of £2,282,743 representing 2.89% of Net Asset Value (30 April 2022: 0.0%)

Creek & River (180,000 shares)

Creek & River’s core businesses are staff agency business, managing temporary staffing and employment of specialists, and a production business accepting outsourced creative production and development. While the agency business began in creative fields such as video production, TV and game design, over time the scope of service has expanded into professional services such as doctors, IT engineers, lawyers, accountants, architects, fashion designers and chefs with the view that Creek & River’s business model is widely applicable. As of the end of February 2023, about 370,000 professionals were registered with the company. The creative business still accounts for over 75% of revenue, but the medical staffing business, providing employment services for medical specialists, generates higher margins and consequently 33% of consolidated operating profit, is growing fast. The majority of medical institutions in Japan are registered as clients. The company’s growth strategy lies in expanding the number of professional services from the current 18 to 50. Alongside staff agency and production C&R has a fast growing Rights business managing the distribution of intellectual property.

Fair value of £2,245,814 representing 2.84% of Net Asset Value (30 April 2022: 1.2%)

Disco (24,000 shares)

Disco is a semiconductor production equipment maker and holds the top global share in slicing and dicing, grinding and polishing equipment for semiconductors, electronic components and silicon wafers. The stock also offers some defensive qualities as it also has non-integrated circuit (IC) customers that provides some counter-cyclical protection, and it has a large consumables and maintenance business that generates steady recurring revenues. Disco has benefited from the extension of the current semiconductor cycle and the continued excess demand conditions in maintenance, parts and consumables. Due to the acute semiconductor shortages as a result of the pandemic, and more recently the war in Ukraine, the Japanese government is supporting the onshoring of semiconductor production and strengthening of the industry and

supply chains in Japan as a ***strategic*** initiative. The same phenomenon is occurring in other countries which is benefiting

Disco. The company is also a weak yen beneficiary and has a large orderbook giving it visibility on steady sales growth for the next few years regardless of where we are in the cycle.

Fair value of £2,181,749 representing 2.76% of Net Asset Value (30 April 2022: 2.5%)

Amvis Holdings (120,000 shares)

Amvis is the leader in Japan’s fast-growing hospice care segment. Japan lags many countries in providing specialist end-of-life care for the terminally ill and the potential market for such services is huge. Hospice care reduces the burden on a hospital system which is struggling under the weight of Japan’s ageing society, reducing costs for the state while providing a better environment for patients and their families. This segment does not suffer from the health budget constraints and over-competition of the more generalist nursing home sector. Amvis is the fast-moving operator in this sector, growing from 29 to 58 facilities in the last two years and with plans to double this again over the next three years. It is highly focused on efficiency and profitability giving it the financial resources to pursue its rapid expansion, while increasingly able to hire qualified nursing staff to run its facilities.

Fair value of £2,090,430 representing 2.64% of Net Asset Value (30 April 2022: 1.5%)

Shin-Etsu Chemical (90,000 shares)

Shin-Etsu Chemical is a leading global specialty chemical manufacturer with leading global businesses in construction PVC and silicon wafers for microchips; the company also has a world-class supply chain in silicones, cellulose and photoresists. The PVC business is centred on its US subsidiary Shintech. While the company has seen some softness in both the PVC business and the semiconductor wafer businesses, the PVC market has already shown signs of bottoming, while the expanding range of semiconductor applications is expected to drive growth in the longer term.

Fair value of £2,050,965 representing 2.6% of Net Asset Value (30 April 2022: 2.0%)

&Do Holdings (350,000 shares)

&Do is a small, independent real estate company specializing in home equity withdrawal products, a relatively new financial service category in Japan. Having gained substantial data and expertise through the establishment of a national franchise chain engaged in the traditional businesses of residential property brokerage, property sales and renovation services, &Do has taken an early lead in offering financial products such as reverse mortgage and residential sale & leaseback services. Applying financial technology to its extensive residential property expertise, and in alliance with financial institutions, &Do is able to tap the growing market amongst Japan’s burgeoning senior population for ways to finance their later years. &Do’s services offering them the potential to unlock the equity stored in their homes.

Fair value of £1,973,862 representing 2.5% of Net Asset Value (30 April 2022: 1.4%)

Schedule of Investments

AS AT 30 APRIL 2023

Board of Directors

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

NOEL LAMB(Chairman, appointed to the Board on 1 February 2011 and appointed as Chairman on 1 May 2014), British, graduated from Exeter College, Oxford University and is a barrister-at-law. He joined Lazard Brothers & Co Limited in 1987 and from 1992 to 1997 he was the managing director of Lazard Japan Asset Management where he was the fund manager for their Japanese equities. In 1997, he moved to the Russell Investment Group where he established the investment management capability of Russell in London. In 2002, he was promoted to Chief Investment Officer in North America where he managed assets of $150bn until his departure in 2008. In 2020, he was appointed as a director of Guinness Asset Management Funds and in January 2022 as chairman of Rockwood ***Strategic*** plc.

PHILIP EHRMANNFCSI (appointed to the Board on 25 October 2013), British, graduated from the London School of Economics with a BSc in Economics. He started his investment career in 1981 specialising in the North American market before heading up Emerging Markets for Invesco Asset Management. In 1995 he joined Gartmore Investment Management to undertake a similar role, before becoming Head of Pacific & Emerging Markets. Whilst at Gartmore he managed the Gartmore Asia Pacific Trust plc, a pan-Asian Investment Trust. In 2006 he moved to Jupiter Asset Management where he was Co-Head of Asia. At the beginning of 2015 he joined Manulife Asset Management as a Senior Managing Director, responsible for overseeing Global Emerging Markets equity portfolios.

Philip Ehrmann would not be seeking re-election to the Board at any forthcoming AGM.

RICHARD PAVRY(appointed to the Board on 1 August 2016), British, is the Chief Executive Officer at Devon Equity Management Limited. Richard graduated in Natural Sciences from Cambridge University before converting to law. He began his career as a solicitor with Simmons & Simmons, moving to Jupiter Asset Management in 2000 where he served as head of investment trusts. He moved to Devon Equity Management Limited in November 2019. Richard has previously served as a non-executive director of Jupiter Second Split Trust plc and is Chairman of Devon Equity Funds SICAV.

MICHAEL MOULE(appointed to the Board on 5 February 2018), British, has a close connection to investment trusts and global investment having managed The City of London Investment Trust plc, The Bankers Investment Trust plc and The Law Debenture Corporation plc during an extensive City career with Touche Remnant and Henderson Global Investors. He was until May 2022 a member of the Investment Committee of The Open University, and was previously Chairman of Polar Capital Technology Trust plc.

YUKI SOGA(appointed to the Board on 1 July 2021), Japanese, currently residing in London. Schooled in the UK and a graduate of Somerville College, Oxford, she has spent most of her career to date working in Tokyo. Yuki commenced her career with lawyers Clifford Chance and Herbert Smith and then researched quoted Japanese equities for Arcus and Macquarie. She subsequently became a partner at Indus Capital Tokyo. Since June 2020 Yuki has been running her own research and consulting business.

***strategic*** report

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

The ***Strategic*** Report provides shareholders with enhanced transparency and oversight capabilities when assessing how directors have performed their duties to promote the continued success of the company for shareholders’ collective benefit. This is achieved by providing context to the financial statements, analysis of past performance and insights into the decisions taken to maintain future performance.

The Directors submit their ***Strategic*** Report, Directors’ Report and Statement of Directors’ Responsibilities, together with the Company’s Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statements of Cash Flows and the related Notes for the financial year ended 30 April 2023, together the “Audited Financial Statements”. These Audited Financial Statements give a true and fair view and have been properly prepared, in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS EU”).

THE COMPANY

Atlantis Japan Growth Fund Limited (the “Company”) was incorporated in Guernsey on 13 March 1996. The Company commenced activities on 10 May 1996. The Company is an authorised closed-ended investment scheme registered and domiciled in P.O. Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands. The Company’s equity shares are traded on the London Stock Exchange.

As an investment trust, the Company is classified as an Alternative Investment Fund whose Alternative Investment Fund Manager (AIFM), Quaero Capital LLP, is required to be authorised and regulated by the Financial Conduct Authority. The Company is itself subject to the UKLA Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules (“DTR”) and the rules of the London Stock Exchange.

INVESTMENT OBJECTIVE AND POLICY

The Company’s investment objective and policy are set out above.

The Company’s investment activities are managed by Quaero Capital LLP (“Investment Manager”) with the administration delegated to Northern Trust International Fund Administration Services (Guernsey) Limited.

KEY PERFORMANCE INDICATORS (“KPIs”)

At each Board meeting, the Board considers a number of performance measures to assess the Company’s success in achieving its objectives. Below are the main KPIs which have been identified by the Board for determining the progress of the Company:

Change in Net Asset Value (“NAV”), Discount to the NAV, Share price; andOngoing charges.

RESULTS AND DIVIDENDS

The results for the financial year are set out in the Statement of Comprehensive Income below.

As a UK investment trust the Company is subject to the provisions of the Corporation Tax Act 2010. Section 1158 includes a retention test which states that the Company should not retain in respect of any accounting period an amount which is greater than 15% of its income. This has been modified for accounting periods beginning on or after 28 June 2013 such that a negative balance on a company's revenue reserve is taken into account when calculating the amount of distributable income. This is not relevant for the financial year ended 30 April 2023 (30 April 2022: not relevant).

Distributions of £3,845,816 were made during the financial year (30 April 2022: £4,511,513) and the Company met the retention test for the financial year ended 30 April 2023.

CAPITAL VALUES

At 30 April 2023, the value of net assets attributable to shareholders was £79,031,826 (30 April 2022: £87,278,759) and the NAV per share was £1.93 (30 April 2022: £2.11).

BUSINESS REVIEW AND TAX STATUS

The Company has been formally accepted into the investment trust company regime, subject to the Company continuing to submit appropriate annual tax filings to HM Revenue and Customs. In the opinion of the Directors, the Company has conducted its affairs so as to enable it to maintain ongoing investment trust status, subject to completion of the relevant tax work.

DIVIDEND POLICY

There is a regular dividend paid to all shareholders on a quarterly basis set at 1% of net asset value at the close of the preceding financial year. The June 2022 dividend was made at the rate of 2.88p per share, being 1% of the average daily NAV per share in the final month of our financial year ended the 30 April 2021. The quarterly dividend will be paid out of capital resources at the end of each calendar quarter. The September 2022, December 2022, March 2023 and June 2023 dividend payments were made at the rate of 2.15p per share, being 1% of the average daily NAV per share in the final month of our financial year ended 30 April 2022. As a result of the Company’s performance over the year to April 2023, the average NAV per share for the month of April 2023 was 196p and so the new quarterly dividend rate ((subject to the outcome of the Proposal described above) will be at 1.96p for the four dividends payable at the end of September 2023, December 2023, March 2024 and June 2024.

SHARE BUY-BACKS

The Company has been granted the authority to make market purchases of up to a maximum of 14.99% of the aggregate number of ordinary shares in issue at a price not exceeding the higher of (i) 5% above the average of the mid-market values of the ordinary shares for the five business days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current investment bid for the ordinary shares.

In deciding whether to make any such purchases the Directors will have regard to what they believe to be in the best interests of shareholders as a whole, to the applicable legal requirements and any other requirements in the Articles. The making and timing of any buy-backs will be at the absolute discretion of the Board and not at the option of the shareholders, and is expressly subject to the Company having sufficient surplus cash resources available (excluding borrowed moneys).

The Board believes that the effective use of treasury shares can assist the Company in improving liquidity in the Company’s ordinary shares, managing any imbalance between supply and demand and minimising the volatility of the discount at which the ordinary shares trade to their NAV for the benefit of shareholders. It is believed that this facility gives the Company the ability to sell ordinary shares held in treasury quickly and cost effectively, and provides the Company with additional flexibility in the management of the capital base. During the financial year ended 30 April 2023, 560,500 shares were purchased into treasury (30 April 2022: 378,000). The number of shares held in treasury at 30 April 2023 is 5,625,686 (30 April 2022: 5,065,186), the percentage of treasury shares in total is 12.1% (30 April 2022: 10.9%).

The Board shall have regard to current market practice for the re-issuance of treasury shares by investment trusts and the recommendations of the Investment Manager and the Investment Adviser. The Board’s current policy is that any ordinary shares held in treasury will not be resold by the Company at a discount to the Investment Manager and the Investment Adviser’s estimate of the prevailing NAV per ordinary share as at the date of issue. The Board will make an announcement of any change in its policy for the re-issuance of ordinary shares from treasury via a Regulatory Information Service approved by the Financial Conduct Authority (“FCA”).

VIABILITY STATEMENT

The Company’s business model is designed to deliver long term capital growth to its shareholders through investment in readily realisable stocks in the Japanese equity markets. Its plans are therefore based on having no fixed or limited life provided the global equity markets continue to operate normally.

The Board has assessed the Company’s prospects over a three year period, notwithstanding its announcement on 11 August 2023 of the proposed combination with NAVF and the material uncertainty described in the Going Concern statement below (that shareholders may choose not to support the Proposal),  the Board considers that this period reflects a balance between looking out over a long-term horizon and the inherent uncertainties of looking out further than three years. In assessing the viability of the Company over the review period the Directors have focused upon the following factors:

The requirement to hold a continuation vote at the next AGM;The ongoing relevance of the Company’s investment objective in the current economic environment, considered via an extensive ***strategic*** review;The Proposal arising from the ***strategic*** review, to combine the assets of the Company with those of NAVF by means of a scheme of reconstruction, which is subject to shareholder and regulatory approvals at the date of this Annual Report;The principal risks detailed below and the steps taken to mitigate these risks;The liquidity of the Company’s underlying portfolio, which is invested in liquid and readily realisable securities;Recent stress testing has confirmed that shares can be easily liquidated, despite continued uncertainty and a volatile economic environment;The level of forecast revenue surplus generated by the Company and its ability to achieve the dividend policy; andThe level of gearing is closely monitored by the Board. Covenants are actively monitored and there is adequate headroom in place.

Following the ***strategic*** review, the Board believes that the Proposal will benefit shareholders and expects that the required approvals will be received at a general meeting of the Company. Should the Proposal not receive the necessary approval, or the Continuation vote not be passed, the Board believes from the work carried out during their review, that other attractive options remain available for shareholders in the Japan sector which can be pursued.

Accordingly, taking into account the Company’s current position and its prospects, and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report.

In making this assessment, the Board has considered that matters such as significant economic or stock market volatility (including the possibility of a greater than anticipated economic impact of geopolitical developments), a substantial reduction in the liquidity of the portfolio, or changes in investor sentiment, and the outcome of the general meeting(s), could have an impact on its assessment of the Company’s prospects and viability in the future.

GOING CONCERN

The Board has considered and sought advice on the appropriateness of continuing to prepare the Financial Statements on a going concern basis.

It is worth noting that one option being considered by the Board is in relation to the announcement of the proposed combination of the Company’s assets with the assets of NAVF - which would involve a scheme of reconstruction resulting in the voluntary liquidation of the Company, however, material uncertainties exist in relation to this Proposal, including pending shareholder, regulatory and tax approvals.

Notwithstanding the above, a number of attractive options remain available to the Company, and the Board has concluded that it remained appropriate to continue to prepare the Financial Statements on a going concern basis.

Additionally, the Company’s assets consist of equity shares in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale. The Board has reviewed the results of stress testing prepared by the Manager in relation to the ability of the assets to be realised in the current market environment. The results of stress testing, which models a sharp decline in market levels, demonstrated that the Company had the ability to raise sufficient funds so as to remain within its debt covenants and pay expenses.

The Company does not have a fixed life. However, a resolution on the continuation of the Company will be put to the Company's shareholders as part of the Proposal at the general meetings and AGM at a date to be notified to shareholders in due course.

Taking the above factors into consideration, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence and discharge its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

On 11 August 2023, the Board announced its agreement in principle of heads of terms for the proposed combination of the assets of the Company with the assets of NAVF, to be implemented, subject to shareholder approval, through a scheme of reconstruction, resulting in the voluntary liquidation of the Company. More detail can be found in the Chairman’s Statement above, and in the RNS announcement itself. Further information will be set out in a circular to shareholders to be published in due course.

The Board believes that the Proposal is in the best interests of shareholders and will recommend that shareholders vote in favour of the relevant resolutions at the extraordinary general meetings to be held in due course in order to implement the scheme. However, due to the requirements for approvals from shareholders of both companies there can be no certainty of the outcome at the date of this Annual Report and, therefore, there remains material uncertainties on the Proposal obtaining the necessary approvals to be enacted.

Should the Proposal not receive the necessary shareholder or regulatory approvals and should the Continuation Vote to be put to the subsequent AGM also fail to be approved by shareholders the Board believes, from the work carried out during the ***strategic*** review, that other attractive options remain available for shareholders in the Japan fund sector which can be pursued. Accordingly the Board has prepared these financial statements on a going concern basis.

PRINCIPAL RISKS AND UNCERTANTIES

As an investment trust, the Company invests in securities for the long term. The financial investments held as assets by the Company comprise equity shares (see the Schedule of Investments above for a breakdown). As such, the holding of securities, investing activities and financing associated with the implementation of the investment policy involve certain inherent risks. Events may occur that could result in either a reduction in the Company’s net assets or a reduction of revenue profits available for distribution.

Principal risks should include, but are not necessarily limited to, those that could result in events or circumstances that might threaten the company’s business model, future performance, solvency, liquidity and reputation. In deciding which risks are principal risks companies should consider the potential impact and probability of the related events or circumstances, and the timescale over which they may occur.

The Board has considered the risks and uncertainties facing the Company and prepares and reviews regularly a risk matrix which documents the significant and emerging risks.

The risk matrix document considers the following information:

Identifying and reporting changes in the risk environment;Identifying and reporting changes in the operational controls;Identifying and reporting on the effectiveness of controls and remediation of errors arising; andReviewing the risks faced by the Company and the controls in place to address those risks.

Performance

Inappropriate investment policies and processes may result in under-performance against the prescribed benchmark index and the Company’s peer group. The Board manages these risks by ensuring a diversification of investments and regularly reviewing the portfolio asset allocation and investment process. The Board also regularly monitors the Company’s investment performance against a number of indices and the AIC Japanese smaller companies’ sub-sector peer group. In addition, certain investment restrictions have been set and these are monitored as appropriate.

Discount

A disproportionate widening of the discount relative to the Company’s peers could result in loss of value for shareholders. The Board reviews the discount level regularly.

Regulatory

The Company operates in a complex regulatory environment and faces a number of regulatory risks. Breaches of regulations, such as Section 1158 of the Corporation Tax Act 2010, the Companies (Guernsey) Law, 2008, the UKLA Listing Rules and the Disclosure and Transparency Rules (“DTR”), could lead to a number of detrimental outcomes and reputational damage. The Company conforms with the Alternative Investment Fund Managers Directive (“AIFMD”). The Board relies on the services of the Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited, and its professional advisers to ensure compliance with the Companies (Guernsey) Law, 2008, the Protection of Investors (Bailiwick of Guernsey) Law, 2020 (“POI Law”), the Authorised Closed-Ended Investment Scheme Rules and Guidance, 2021 (“Authorised Closed-ended Rules”), the UKLA Listing Rules and Prospectus Rules, the DTR and the rules of the London Stock Exchange.

Operational

Like most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Investment Manager, Investment Adviser, Company’s Administrator and Depositary. The security, for example, of the Company’s assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements depends on the effective operation of these systems. These are regularly tested, monitored and are reviewed by the Directors at the quarterly board meetings.

Financial

The financial risks faced by the Company, including the impact of changes in Japanese equity market prices on the value of the Company’s investments, are disclosed in Note 15 to the Financial Statements. The financial risks disclosed in Note 15 are detailed for compliance with IFRS EU.

Global Events

The geopolitical tension caused by the Russian invasion of Ukraine continues to create uncertainty in the markets and is directly impacting energy costs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) POLICIES

Although the Company does not have specific ESG or sustainability objectives. the Board is convinced that integrating ESG risks into the Company’s financial analysis will support making better decisions for its shareholders. As a long-term investor it is fundamentally important that the Company understands the environmental, social and governance risks and opportunities affecting its investments.

The Investment Manager, in consultation with the Investment Adviser, operates an exclusion policy which incorporates exclusion lists to screen investments across all applicable investment strategies. These exclusion lists include any companies involved in the production or distribution of indiscriminate and controversial weapons, in line with international convention. Additionally, companies whose conduct is in systematic and severe breach of UN Global Compact principles are also excluded from investment consideration. Companies that have a significant part of their business exposed to coal mining and coal powered energy without any public plans for significant reduction are also not considered for investment.

The Investment Manager and the Investment Adviser support all the Principles of the Japan Stewardship Code for responsible institutional investors and seek to fulfil their stewardship responsibilities under the Code. Whilst using both external and internal analysis, the Investment Manager, in consultation with the Investment Adviser, seeks to vote on all investee companies’ matters in line with its responsible investment philosophy with the aim of contributing positively and promoting the sustainable growth and long-term success of investee companies and stakeholders.

The Investment Manager is a signatory/member of the following:

UN PRI (United Nations Principles for Responsible Investment) to demonstrate commitment to responsible investment. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society.IIGCC (Institutional Investors Group on Climate Change), which looks to influence corporations to address long term risks associated with climate change.CDP (Carbon Disclosure Project), which looks to influence companies to disclose their carbon footprint and address risks associated with climate change. The project also provides a wealth of environmental data reported by companies.TCFD (Task Force for Climate-related Financial Disclosure). The Investment Manager has signed the statement of support for the Financial Stability Board’s Task Force on Climate-related Financial Disclosures. As such as it will make annual disclosures in line with the recommendation in its annual Sustainability Report, outlining its strategy and its targets.

FUTURE PROSPECTS

Please see the Chairman’s Statement and the Investment Adviser’s Report above for more information on the future prospects of the Company.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires that the Board must act in the way it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members (i.e. shareholders) as a whole and in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster the Company’s business relationships with suppliers, customers and others; the impact of the Company’s operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

Promotion of the Success of the Company

As an externally managed investment company, the Company does not have any employees. Instead, key functions are outsourced such as the provision of investment management services to the Investment Manager and other stakeholders support the Company by providing secretarial, administration, depositary, custodial, banking and audit services.

The Board seeks to promote a culture of strong governance and to challenge, in a constructive and respectful way, the Company’s advisers and other stakeholders.

Consideration of Stakeholder Interests

The Directors have regard to the interests of the Company's stakeholders, which include but are not limited to shareholders and service providers. The Directors have taken steps to understand and assess the impact of the Company's operations on these stakeholders. The Company recognizes the importance of maintaining positive relationships with all stakeholders.

Ongoing shareholder engagement is vital for the Company's success and the effective execution of its long-term strategy. The Board is dedicated to cultivating and sustaining positive relationships with shareholders, and actively seeks to consider their interests. This allows the Board to incorporate shareholder views into its ***strategic*** decision-making and objectives.

To establish and nurture strong working relationships, the Company invites its key service providers, such as the Investment Adviser, AIFM, and Company Secretary/Administrator, to attend quarterly Board meetings and present their respective reports. This practice ensures effective oversight of the Company's activities. Additionally, the external auditor is invited to participate in at least one Audit Committee meeting annually. The Chair of the Audit Committee maintains regular communication with the auditor, Investment Adviser, and Administrator to ensure the smooth execution of the audit process.

The Board recognizes the importance of engaging with the Company's key service providers beyond scheduled meetings. This includes dedicating time to foster working relationships and ensure the seamless operational functioning of the Company.

Furthermore, the AIFM plays a crucial role in the Company's long-term success by engaging the Investment Adviser to provide investment advisory services. The Board regularly monitors the Company's investment performance in alignment with its objectives, investment policy, and strategy. The Board receives and reviews periodic reports and presentations from both the AIFM and Investment Adviser, and seeks to maintain regular contact to foster a productive working relationship.

The Directors recognize the importance of environmental stewardship and have taken steps to minimize the Company's impact on the environment. The Company seeks to invest in environmentally responsible companies and engages with investee companies to encourage sustainable practices.

Engagement with Stakeholders

The Company actively engages with its stakeholders to ensure their voices are heard and considered in decision-making processes. This includes regular communication channels, such as annual general meetings, investor presentations, and periodic reports. The Company also encourages feedback from stakeholders and considers their input when making significant decisions.

Directors' Duties and Decision-Making Process

The Directors of the Company have fulfilled their duties by exercising reasonable care, skill, and diligence in the best interests of the Company and its shareholders. They have conducted comprehensive analysis and research when making ***strategic*** decisions, considering the potential consequences on stakeholders and the long-term sustainability of the Company.

In conclusion, the Directors are mindful of their duties under Section 172 of the Companies Act 2006 by promoting the success of the Company, considering the interests of stakeholders, and engaging with them in a meaningful way. The Company remains committed to upholding these principles and continuously enhancing its practices to ensure the sustainable growth and prosperity of the Company and its stakeholders.

Noel Lamb                  Richard Pavry

Chairman    Director

22 August 2023

Directors’ Report and Statement of Directors’ Responsibilities

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

The Directors are pleased to present their twenty seventh Annual Report and Audited Financial Statements of the Company for the financial year ended 30 April 2023.

PRINCIPAL ACTIVITY

The Company is a Guernsey registered authorised closed-ended investment company with UK investment trust status traded on the London Stock Exchange. The Company has a premium listing in the Official List. Trading in the Company’s ordinary shares commenced on 10 May 1996.

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The Directors are responsible for preparing Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that financial year. In preparing these Financial Statements, the Directors are required to:

–         select suitable accounting policies and then apply them consistently;

–         make judgements and estimates that are reasonable and prudent;

–         state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements;

–         prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

We confirm, to the best of our knowledge, that:

–         this Annual Report and Audited Financial Statements, prepared in accordance with IFRS EU and applicable Guernsey law, give a true and fair view of the assets, liabilities, financial position and assesses the Company’s position, performance, business model and strategy of the Company; and

–         this Annual Report and Audited Financial Statements include information detailed in the Directors' Report, the Investment Adviser’s Report and Notes to the Financial Statements, which provides a fair review of the information required by:

a)    DTR 4.1.8 of the DTR, being a fair review of the Company’s business and a description of the principal risks and uncertainties facing the Company;

b)    DTR 4.1.11 of the DTR, being an indication of important events that have occurred since the beginning of the financial year, the likely future development of the Company, the Company’s use of financial instruments and, where material, the Company’s financial risk management objectives and policies and its exposure to price risk, credit risk, liquidity risk and cash flow risk.

In the opinion of the Directors, the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s position, performance, business model and strategy.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 (the “Companies Law”) and the POI. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors’ Report and other information included in the Annual Report is prepared in accordance with company law applicable in Guernsey. They are also responsible for ensuring that the Annual Report includes information required by the UKLA Listing Rules and the DTR.

The Directors who held office at the date of the approval of the Financial Statements confirm that, so far as they are aware:

–         There is no relevant audit information of which the Company’s auditor is unaware; and

–         Each Director has taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

The Directors confirm that these Financial Statements comply with these requirements.

In respect of the UK Criminal Finances Act 2017, which has introduced a new corporate criminal offence of “failing to take reasonable steps to prevent the facilitation of tax evasion”, the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements of the Company have been prepared in accordance with IFRS EU.

SIGNIFICANT SHAREHOLDINGS

In accordance with the Company's Articles of Association the Directors have the ability to request nominee shareholders to disclose the beneficial shareholders they represent. Based on the information received the following shareholders had a holding in the Company in excess of 3% as at 30 April 2023.

The Company has not received any notifications of changes to the above mentioned holdings from 30 April 2023 to date of approval of the financial statements.

SECRETARY

The Secretary is Northern Trust International Fund Administration Services (Guernsey) Limited.

INDEPENDENT AUDITOR

Grant Thornton Limited were re-appointed as the independent auditor at the Annual General Meeting, and Grant Thornton Limited have indicated their willingness to be re-appointed in office.

Resolutions to re-appointing the Independent Auditor and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

CORPORATE GOVERNANCE AND SHAREHOLDER RELATIONS

Details of the Company’s compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement below and this statement forms part of the Directors’ Report.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The Company has entered into the arrangements necessary to ensure compliance with the AIFM Directive. Following a review of the Company's management arrangements, the Board approved the appointment of Quaero Capital LLP ("Quaero") as the Company's Alternative Investment Fund Manager on the terms of and subject to the conditions of the Investment Management Agreement between the Company and Quaero.

The Board has also appointed Northern Trust (Guernsey) Limited (the "Depositary") to act as the Company's depositary (as required by the AIFM Directive) on the terms and subject to the conditions of a Depositary Agreement between the Company, Quaero and the Depositary.

BOARD ROLES

During the financial year Philip Ehrmann stood down as Chair of the Audit Committee and was replaced as Chair of the Audit Committee by Richard Pavry. Philip Ehrmann would not be seeking re-election to the Board at any forthcoming AGM.

During the financial year Noel Lamb stood down as a member of the Audit Committee. He will remain as Chair of the Board of the Company until his retirement at the Annual General Meeting in December 2023.

There were no other changes to the Board of Directors during the financial year.

International Tax Reporting

For the purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Services (“IRS”) as a Guernsey reporting Foreign Financial Institution (“FFI”), received a Global Intermediary Identification Number PYT2PS.99999.SL.831, and can be found on the IRS FFI list.

The Common Reporting Standard (“CRS”) is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development (“OECD”), which has been adopted by Guernsey and which came into effect on 1 January 2016. The Board has taken the necessary action to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

Noel Lamb                  Richard Pavry

Chairman    Director

22 August 2023

Directors’ Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

The Board has approved this report, in accordance with the rules covering good communication to shareholders, as opposed to the requirements and format of a typical listed company Directors’ Remuneration Report. An ordinary resolution for the approval of this report will be put to the members at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Board as a whole fulfils the function of a Remuneration Committee. The Company’s Financial Adviser, Corporate Broker and Company Secretary will be asked to provide advice when the Directors consider the level of Directors’ fees.

POLICY ON DIRECTORS’ FEES

The Board’s policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective.

The fees for the non-executive Directors are determined within the limits of £200,000 set out in the Company’s Articles of Incorporation. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

DIRECTORS’ SERVICE CONTRACTS

It is the Board’s policy that none of the Directors have a service contract. Directors are appointed initially until the following annual general meeting when, under the Company’s Articles of Incorporation, it is required that they be re-elected by shareholders. Thereafter, two Directors shall retire by ***rotation***, or if only one Director is subject to retire by ***rotation*** they shall retire. The retiring Directors will then be eligible for reappointment having been considered for reappointment by the Chairman and other Directors. Notwithstanding the foregoing provisions of the Company's Articles of Incorporation, the Board is recommending that all Directors be subject to re-election as laid out in AIC Code at the forthcoming annual general meeting.

DIRECTORS’ EMOLUMENTS FOR THE FINANCIAL YEAR

The Directors who served in the financial year are entitled to the following emoluments in the form of fees are listed in the table below:

Other than the fixed yearly emoluments listed above the Directors who served during the financial year are entitled to no other short term benefits, long term benefits, post-employment benefits, share based payments or any benefits on termination of their directorship with the Company.

DIRECTORS’ INTERESTS

The Directors listed above are all members of the Board at the financial year end 30 April 2023.

Certain Directors had a beneficial interest in the Company by way of their investment in the ordinary shares of the Company.

The details of these interests as at 30 April 2023 and 30 April 2022 are as follows:

As at the date of this report, there were no changes to the Directors’ interests.

There were no relevant contracts in force during or at the end of the financial year in which any Director had an interest. There are no service contracts in issue in respect of the Company’s Directors.

No Directors had a non-beneficial interest in the Company during the financial year under review.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

The following summarises the Directors’ directorships in other public companies:

None of the other Directors held directorships in other public companies during the financial year under review.

APPROVAL

A resolution for the approval of the Directors’ Remuneration Report for the financial year ended 30 April 2023 will be proposed at the annual general meeting.

By order of the Board

Noel Lamb    Richard Pavry

Chairman    Director

22 August 2023

Corporate Governance

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

INTRODUCTION

The following Corporate Governance statement forms part of the Directors’ Report above (DTR 7.2.1). The Board of the Company has considered the principles and provisions of the February 2019 edition of the AIC Code of Corporate Governance (the “AIC Code”). The AIC Code addresses all the principles set out in the UK Corporate Governance Code 2018 (the “UK Code”), as well as setting out additional principles and provisions on issues that are of specific relevance to the Company.

The Company is subject to the Guernsey Financial Services Commission ("GFSC") Code of Corporate Governance (the "GFSC Code") and reports against the AIC Code which is deemed to comply with the GFSC Code.

The Company has complied with the provisions of the AIC Code and the relevant provisions of the UK Code throughout the financial year, except as set out below:

–         the role of the chief executive

–         executive directors’ remuneration

–         the need for an internal audit function

–         the need to appoint a senior independent director

–         the need to appoint a nomination committee or management engagement committee

–         the whistle blowing policy

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are non-executive and the Company does not have employees, hence no whistle-blowing policy is required. However, the Directors note that the Company’s service providers have whistle blowing policies in place.

The AIC Code is available on the AIC website ([*http://www.theaic.co.uk*](http://www.theaic.co.uk)). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

THE BOARD

Disclosures under the AIC Code

The Board comprises five independent non-executive Directors including the outgoing Chairman, Noel Lamb. Due to the size of the Company, the nature of its activities and the fact that all of the Directors are independent, the Board does not consider it necessary to appoint a senior independent Director.

The Board has not appointed a remuneration committee but, comprising wholly independent Directors, the whole Board considers these matters regularly. The Board considers agenda items formally laid out in the Notice and Agenda, which are formally circulated to the Board in advance of the meeting as part of the Board papers.

The primary focus at board meetings is a review of investment performance and associated matters such as the discount, redemptions, gearing, asset allocation, marketing and investor relations, peer group information and industry issues. There were five board meetings (1 May 2021-30 April 2022: five), three Audit Committee meetings (1 May 2021-30 April 2022: three) and five other committee meetings (1 May 2021-30 April 2022: six) held during the financial year 1 May 2022 to 30 April 2023. The table below shows the number of formal meetings attended by each Director during the financial year:

Directors are appointed initially until the following annual general meeting when, under the Company’s Articles of Incorporation, it is required that they be re-elected by shareholders. Thereafter, two Directors shall retire by ***rotation***, or if only one Director is subject to retire by ***rotation*** he shall retire. The retiring Directors will then be eligible for reappointment having been considered for reappointment by the Chairman and other Directors. Not including the outgoing Chairman (see Board Composition note above), the Board is recommending that all eligible Directors be subject to re-election as laid out in AIC Code at the forthcoming AGM.

The Board evaluates its performance and considers the tenure of each Director including the Chairman on an annual basis, and considers that the mix of skills, experience, ages and length of service to be appropriate to the requirements of the Company. The Directors can also provide feedback to the Chairman at the regular quarterly board meetings, audit committee and other committee meetings.

When considering succession planning, the Board bears in mind the balance of skills, knowledge, sector experience and diversity existing on the Board. The Board has noted amendments to the AIC code to strengthen the principle on boardroom diversity following the Davies Report. The Board considers diversity as part of the annual performance evaluation and it is felt that there is a range of backgrounds and each Director brings different qualities to the Board and its discussions. It is not felt appropriate for the Company to have set targets in relation to diversity; candidates will be assessed in relation to the relevant needs of the Company at the time of appointment. A good knowledge of investment management generally, Japanese investment management specifically and investment trust industry matters and sophisticated investor concerns relevant to the Company will nevertheless remain the key criteria by which new Board candidates will be assessed. The Board will recommend when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board each Director is invited to submit nominations and these are considered in accordance with the Board’s agreed procedures. The Board may also use independent external agencies as and when the requirement to recruit an additional Board member becomes necessary.

The Board embraces the principles of the AIC Code but, with regard to its provisions concerning Director tenure, is of the opinion that an individual’s independence cannot be arbitrarily determined on the basis of a set period of time. The Company’s investment objective is to achieve long term capital growth and it benefits from having long serving Directors with a detailed knowledge of the Company’s operations to effectively oversee its management on behalf of shareholders. The Company therefore does not impose fixed term limits on Directors’ tenure as this would result in a loss of experience and knowledge without any assurance of increased independence. The Board, collectively and individually, firmly believes in the continued independence of its members. The Board confirms that the performance of all Directors has been subject to formal evaluation and that they continue to be effective in their role. The Board firmly recommends to shareholders that all eligible Directors should be re-elected.

There is an agreed procedure for Directors to take independent professional advice if necessary, and at the Company’s expense. This is in addition to the access which every Director has to the advice of the Company Secretary. The Company has taken out insurance jointly with QBE and Travelers in respect of the Directors’ liability. For the financial year ended 30 April 2023 the charge was £6,859 (30 April 2022: £6,383).

INTERNAL CONTROLS

The Board has delegated the responsibility for the management of the Company’s investment portfolio, the provision of depositary services and the administration, registrar and corporate secretarial functions including the independent calculation of the Company’s NAV and the production of the Annual Report and Audited Financial Statements. The Annual Report and Audited Financial Statements are also independently reviewed by the Audit Committee. Whilst the Board delegates responsibility, it retains responsibility for the functions it delegates and is responsible for the risk management and systems of internal control. Formal contractual agreements have been put in place between the Company and providers of these services.

The Board directly on an ongoing basis and via its Audit Committee has implemented a system to identify and manage the risks inherent in such contractual arrangements by assessing and evaluating the performance of the service providers, including financial, operational and compliance controls and risk management systems.

On an ongoing basis compliance reports are provided at each Board meeting from the Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited, and the Audit Committee reviews the Service Organisation Controls (SOC 1) report on this service provider.

The extent and quality of the systems of internal control and compliance adopted by the Investment Manager and the Investment Adviser are also reviewed on a regular basis, and the primary focus at each Board meeting is a review of investment performance and associated matters such as gearing, asset allocation, marketing and investment relations, peer group information and industry issues. The Board also closely monitors the level of discount and has the ability to buy back shares in the market.

The Board believes that it has implemented an effective system for the assessment of risk, but the Company has no staff, has no internal audit function and can only give reasonable but not absolute assurance that there has been no material financial misstatement or loss.

COMMITTEES

The Board has established an Audit Committee which is described below.

The Board has not appointed a Management Engagement Committee or Nomination Committee but has chosen to assess and review the performance of the Board and contractual arrangements with the Investment Manager, Investment Adviser and service providers to the Company on an annual basis by the entire Board who are independent non-executive Directors. Details of the Investment Management Agreement are shown in Note 6 to the Financial Statements.

Audit Committee

The Audit Committee operates within defined terms of reference. The Audit Committee’s responsibilities include, but are not limited to:

–         review of draft annual and interim report and financial statements;

–         review of independence, objectivity, qualifications and experience of the auditor; and

–         review of audit fees.

The Audit Committee is appointed by the Board and comprises Mr Pavry as Chairman, Mr Ehrmann, Mr Moule and Ms Soga. Philip Ehrmann would not be seeking re-election to the Board at any forthcoming AGM.

In accordance with the AIC Code, the Board has determined that Mr Pavry has recent and relevant financial experience. All other members of the Audit Committee are deemed to have the necessary ability and experience to understand the Financial Statements.

The incoming Chairman is also a member of the Audit Committee and in accordance with the AIC Code, the Board has deemed this appropriate as all of the other members of the Audit Committee are independent non-executive Directors and the Chairman may not be the Chairman of the Audit Committee.

The function of the Audit Committee is to ensure that the Company maintains the highest standards of integrity, financial reporting and internal control.

The Audit Committee meets with the Company’s external auditor annually to review the Audited Financial Statements.

The Audit Committee meets at least twice a year and may meet more frequently if the Audit Committee deems necessary or if required by the Company’s auditor.

The Company’s auditor is advised of the timing of the Audit Committee Meetings. The Audit Committee has access to the Compliance officers of the Investment Manager, the Administrator and the Depositary.

The Company Secretary is the Secretary of the Audit Committee and attends all meetings of the Audit Committee.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

SHAREHOLDER RELATIONS

The Board monitors the trading activity and shareholder profile on a regular basis and maintains contact with the Company’s stockbroker to ascertain the views of shareholders. Shareholders where possible are contacted directly on a regular basis, and shareholders are invited to attend the Company’s annual general meeting in person and ask questions of the Board and Investment Adviser. Following the annual general meeting each year the Investment Adviser gives a presentation to the shareholders.

The Company reports to shareholders twice a year and a proxy voting card is sent to shareholders with the Annual Report and Audited Financial Statements. The Registrar monitors the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the annual general meeting. Shareholders may contact the Directors via the Company Secretary. In addition, estimated NAVs are published on a daily basis and monthly factsheets are published on the Investment Manager's website at[*http://www.atlantisjapangrowthfund.com*](http://www.atlantisjapangrowthfund.com).

EVALUATION OF PERFORMANCE OF INVESTMENT MANAGER AND INVESTMENT ADVISER

The investment performance is reviewed at each regular Board meeting at which representatives of the Investment Manager and Investment Adviser are required to provide answers to any questions raised by the Board. The Board has instigated an annual formal review of the Investment Manager and Investment Adviser which includes consideration of:

–         performance compared with benchmark and peer group;

–         investment resources dedicated to the Company;

–         investment management fee arrangements and notice period compared with peer group; and

–         marketing effort and resources provided to the Company.

In the opinion of the Directors the continuing appointment of the Investment Manager and Investment Adviser on the terms agreed is in the interests of the Company’s shareholders as a whole.

By order of the Board

Noel Lamb   Richard Pavry

Chairman   Director

22 August 2023

Audit Committee Report

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities for the financial year ended 30 April 2023.

The Audit Committee has continued its detailed scrutiny of the appropriateness of the Company’s system of risk management and internal controls, the robustness and integrity of the Company’s financial reporting, along with the external audit process. The Committee has devoted time to ensuring that controls and processes have been properly established, documented and implemented.

During the course of the financial year, the information that the Audit Committee has received has been timely and clear and has enabled the Audit Committee to discharge its duties effectively.

The Audit Committee supports the aims of the UK Code, the AIC code and the best practice recommendations of other corporate governance organisations and the Association of Investment Companies (“AIC”), and believes that reporting against the revised AIC Code allows the Audit Committee to further strengthen its role as a key independent oversight Committee.

ROLE AND RESPONSIBILITIES

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information before publication.

In addition, the Audit Committee reviews the systems of internal controls on a continuing basis that the Investment Manager and the Board have established with respect to finance, accounting, risk management, compliance, fraud and audit. The Committee also reviews the accounting and financial reporting processes, along with reviewing the roles, independence and effectiveness of the external auditor.

The ultimate responsibility for reviewing and approving the Annual Report and Audited Financial Statements remains with the Board.

The Audit Committee's full terms of reference can be obtained by contacting the Company's Administrator.

Should it be required to take place, Philip Ehrmann would not be seeking re-election to the Board at any forthcoming AGM, and from that date would cease to be a member of the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, as a whole, including the Audit Committee members, considers the nature and extent of the Company’s risk management framework and the risk profile that is acceptable in order to achieve the Company’s ***strategic*** objectives. As a result, it is considered that the Board has fulfilled its obligations under the AIC Code.

The Audit Committee continues to be responsible for reviewing the adequacy and effectiveness of the Company’s on-going risk management systems and processes. Its system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit Committee through reports received from the Investment Manager, Investment Adviser and Depositary, along with those from the Administrator and external auditor.

The Audit Committee has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Manager, Investment Adviser, Administrator and Depositary provide sufficient assurance that a sound system of risk management and internal control, which safeguards shareholders’ investments and the Company’s assets, is maintained. An internal audit function is therefore considered unnecessary.

FRAUD, BRIBERY AND CORRUPTION

The Audit Committee has relied on the overarching requirement placed on all service providers under the relevant agreements to comply with applicable law. The Audit Committee reviews the service provider policies and receives a confirmation from all service providers that there have been no instances of fraud or bribery.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

The Audit Committee assesses whether suitable accounting policies have been adopted. The Audit Committee reviews accounting papers prepared by the Investment Manager and Administrator which provide details on the main financial reporting judgements. The Audit Committee also reviews reports by the external auditor which highlight any issues with respect to the work undertaken on the audit.

The significant issues considered during the financial year by the Audit Committee in relation to the Financial Statements and how they were addressed is detailed below:

(i) Valuation of Investments:

The Company’s investments had a fair value of £81,638,432 as at 30 April 2023 and represent a substantial portion of the assets of the Company. As such this is the largest factor in relation to the consideration of the Financial Statements. These investments are valued in accordance with the Significant Accounting Policies set out in Note 2 (f) to the Financial Statements. The Audit Committee considered the valuation of the investments held by the Company as at 30 April 2023 to be correct from information provided by the Investment Manager, Investment Adviser, Depositary and Administrator on their processes for the valuation of these investments.

(ii) Income Recognition:

The Audit Committee considered the income from investments recorded in the Financial Statements for the financial year ended 30 April 2023. Income from investments is recognised in accordance with the Significant Accounting Policies set out in Note 2 (d). The Audit Committee reviewed information obtained from the Investment Manager and was satisfied that income (excluding net realised and unrealised gains/losses on investments), having arisen solely from dividends declared by listed equities, was correctly stated in the Financial Statements.

(iii) Review of the Financial Statements:

At the request of the Audit Committee, the Administrator confirmed that it was not aware of any material misstatements, including matters relating to Financial Statements presentation. At the Audit Committee meeting to review the Annual Report and Audited Financial Statements, the Audit Committee received and reviewed a report on the audit from the external auditor. On the basis of its review of this report, the Audit Committee is satisfied that the external auditor has fulfilled its responsibilities with diligence and professional scepticism. The Audit Committee advised the Board that these Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s position, performance, business model and strategy. The Audit Committee will consider and make recommendations to the Board in relation to the appointment and reappointment of the Company’s external auditor. The Audit Committee will discuss with the external auditor concerning such issues as compliance with accounting standards and any proposals which the external auditor has made regarding internal auditing procedures.

The Audit Committee is satisfied that appropriate disclosures have been included in the Financial Statements.

EXTERNAL AUDITOR

The Audit Committee has responsibility for making a recommendation on the appointment, reappointment and removal of the external auditor.

During the financial year the Audit Committee received and reviewed the audit plan, audit findings report and audit report from the external Auditor. To assess the effectiveness of the external audit process, the auditor was asked to articulate the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. The Audit Committee also reviewed the work done during the financial year by the external auditor as part of the audit process and from time to time compares their effectiveness as well as their costs with the benefit of the experience they have had in other investment management houses and relevant contexts. These steps enable the Audit Committee to monitor the auditor’s performance, behaviour and effectiveness during the exercise of their duties, which informs the decision to recommend reappointment on an annual basis. The Audit Committee under its terms of reference reviews the appointment and re-appointment of the external auditor typically at its December meeting in advance of the reviewing the audit approach for the Annual Report and Audited Financial Statements.

The Committee ensures that auditor objectivity and independence are safeguarded by requiring pre-approval by the Committee for all non-audit services provided to the Company, which takes into consideration:

–         confirmation from the auditor that they have adequate arrangements in place to safeguard their objectivity and independence in carrying out such work, within the meaning of the regulatory and professional requirements to which they are subject;

–         the fees to be incurred, relative to the audit fees;

–         the nature of the non-audit services; and

–         whether the auditor’s skills and experience make it the most suitable supplier of such services and whether they are in a position to provide them.

The following table summarises the remuneration paid for services of Grant Thornton Limited during the financial year ended 30 April 2023 and 30 April 2022.

For any questions on the activities of the Audit Committee not addressed in the foregoing, a member of the Audit Committee will attend each annual general meeting to respond to such questions.

The Audit Committee Report was approved on 22 August 2023 and signed on behalf of the Audit Committee by:

Richard Pavry

Chairman, Audit Committee

Depositary Statement

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS

Northern Trust (Guernsey) Limited has been appointed as Depositary to Atlantis Japan Growth Fund Limited (the “Company”) in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the “AIFM Directive”).

We have enquired into the conduct of Quaero Capital LLP (the “AIFM”) for the financial year ended 30 April 2023, in our capacity as Depositary to the Company.

This report, including the review provided below, has been prepared solely for the shareholders of the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the “AIFMD legislation”).

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM or their delegates have not so complied, we, as the Depositary, will state why this is the case and outline the steps which we have taken to rectify the situation.

BASIS OF DEPOSITARY REVIEW

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of company, the assets in which a company invests and the processes used, or experts required, in order to value such assets.

REVIEW

In our view, the Company has been managed during the year, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document and by the AIFMD legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

For and on behalf of

Northern Trust (Guernsey) Limited

22 August 2023

Independent Auditor’s Report to the Members OF ATLANTIS JAPAN GROWTH FUND LIMITED

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

Opinion

We have audited the financial statements of Atlantis Japan Growth Fund Limited (the ‘Company’) for the year ended 30 April 2023 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRS EU).

In our opinion, the financial statements:

give a true and fair view of the state of the Company’s affairs as at 30 April 2023 and of the Company’s loss for the year then ended;are in accordance with IFRSs as adopted by the European Union; andcomply with The Companies (Guernsey) Law, 2008.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(b) the financial statements, which indicates that a resolution on the continuation of Company will be put to the Company’s shareholders as part of the Proposal at the general meetings and AGM. On 11 August 2023 the Board announced that heads of terms had been agreed for the combination of the assets of the Company by way of a Scheme of Reconstruction (‘the Scheme’). This reconstruction is subject to shareholder, regulatory and tax approval. As stated in Note 2(b) these events indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

We assessed the determination made by the Board of Directors that the Company is a going concern and hence the appropriateness of the financial statements to be prepared on going concern basis;We assessed the Company’s worst case scenario and have evaluated the Company’s liquidity, solvency and ability to meet its ongoing liabilities as they fall due;   We obtained management’s assessment of going concern and corroborated management’s key assertions that the investments held could easily be converted to cash (if required), by review of the frequency of investment trading activity during the year and shortly after the year end;We challenged the appropriateness of management’s key assertions by challenging the assumptions used including their expectation on the impact of the Russian/Ukraine crisis on the markets; andWe assessed the disclosures in the financial statements relating to going concern to ensure they were fair, balanced and understandable and in compliance with IAS 1 ‘Presentation of Financial Statements’.

We are responsible for concluding on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to the Company’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting and directors' identification in the financial statements of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Our approach to the audit

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on:

-       the overall audit strategy;

-       the allocation of resources in the audit; and

-       directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to the key audit matters to be communicated in our report;

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor’s report.

Materiality was determined as follows:

An overview of the scope of our audit

The day-to-day management of the Company’s investment portfolio, the custody of its investments and the maintenance of the Company’s accounting records is outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers (which included obtaining the System and Organisation Controls (SOC) 1 Report of the Administrator), and inspecting records and documents held by these third-party service providers. The Company engages an investment manager, Quaero Capital LLP, to manage the investment portfolio. We had interaction with the investment manager which included correspondence on Company performance, in completing aspects of our audit work.

We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks. In relation to the KAM described above, the majority of our substantive testing focused on the audit of the investment portfolio and associated disclosures as at the reporting date and the movement in investment holdings during the year. There were no changes in approach from the previous period.

The other information comprises the information included in the Annual Report and Audited Financial Statements, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the Annual Report and Audited Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to theCompany’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

The Company has also reported compliance against the GFSC Finance Sector Code of Corporate Governance and the AIC Code of Corporate Governance (the “Code”) which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code to meet the Company’s obligations, as an investment company, under the Listing Rules of the FCA.

Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

the directors’ explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;the directors’ statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy; the directors’ confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the Company (including the Russian/Ukraine crises and cost of living crises) and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of the Russian/Ukraine crises and cost of living crises); the section of the annual report that describes the review of the effectiveness of Company’s risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; andthe section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed.

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

proper accounting records have not been kept by the Company; orthe Company’s financial statements are not in agreement with the accounting records; orwe have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

As explained more fully in the Directors’ Report and Statement of Directors’ Responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered ***capable*** of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are ***capable*** of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the investment industry in which it operates, becoming familiar with applicable laws and regulations. We determined that the following laws and regulations were most significant:IFRS as adopted by the European Union; The Companies (Guernsey) Law, 2008; The Protection of Investors (Bailiwick of Guernsey) Law, 2020; The UK Corporate Governance Code; The Association of Investment Companies (AIC) Code of Corporate Governance and GFSC Finance Sector Code of Corporate Governance. FCA Listing Rules; FCA Disclosure Guidance and Transparency Rules; The Authorised Closed—Ended Investment Scheme Rules and Guidance 2021;The Alternative Investment Fund Managers Directive; andApplicable tax legislation in Guernsey and the United Kingdom.

We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and reports prepared for Board meetings and Audit Committee meetings.In assessing the potential risks of material misstatements we:Obtained an understanding of the Company’s operations, including the nature of its revenue sources and investment operations and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; Obtained an understanding of the applicable statutory provisions; Reviewed the policies and procedures implemented by the Company to review and monitor compliance with its regulatory requirements; andReviewed compliance reports prepared by the Administrator/Secretary and presented to the Board throughout the year.

We assessed the susceptibility of the Company’s financial statements to material misstatement, including how fraud might occur. We also considered investor focus and management remuneration which may create an incentive for management to manipulate profit. We considered the possibility of fraud through management override and, based on our understanding, we designed and incorporated the following audit procedures into our audit strategy to identify instances of fraud and non-compliance with relevant laws and regulations:identifying and assessing relevant controls management has in place to prevent and detect fraud;identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; andassessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

As per the engagement partner’s assessment, the engagement team collectively have the appropriate competence and capabilities to recognise non-compliance with laws and regulations.

All non-compliance with laws and regulation and fraud were communicated with the engagement team and none of these matters were identified as key audit matters.

Relevant laws and regulations and potential fraud risks were communicated to all engagement team members. We remained alert of any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at:[*http://www.frc.org.uk/auditorsresponsibilities.This*](http://www.frc.org.uk/auditorsresponsibilities.This) description forms part of our auditor’s report.

Other matters which we are required to address

We were appointed by the audit committee on 22 March 2023 to audit the financial statements for the year ended 30 April 2023. Our total uninterrupted period of engagement is 4 years covering the periods ended 30 April 2020 to 30 April 2023.

The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

This report is made solely to the Company’s members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Cyril Swale

For and on behalf of Grant Thornton Limited

Chartered Accountants

St Peter Port

Guernsey

Date: 22 August 2023

Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

In arriving at the result for the financial year, all amounts above relate to continuing activities.

The total column in this statement represents the Company’s Statement of Comprehensive Income, prepared in accordance with IFRS EU. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

The notes form an integral part of these financial statements.

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

The notes form an integral part of these financial statements.

Statement of Financial Position

AS AT 30 APRIL 2023

\*Based on the Net Asset Value at the financial year end divided by the number of shares in issue: 40,856,070 (30 April 2022: 41,416,570) (see Note 17).

Approved by the Board and authorised for issue on 22 August 2023 and signed on its behalf by:

Noel Lamb    Richard Pavry

Chairman    Director

The notes form an integral part of these financial statements.

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

\* The 30 April 2022 amounts have been reclassified to conform with the current year presentation of the bank overdraft facility as a financing activity. This change in presentation was done so as to provide more reliable and more relevant information. As an impact the 30 April 2022 accounts have a figure of £3,938,000 representing a drawdown of the overdraft facility during the financial year to 30 April 2022. The Cash and cash equivalents at end of financial year figure has also been adjusted to reflect this reclassification changing from (£4,533,000) to £72,000.

The notes form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2023

GENERAL INFORMATION

Atlantis Japan Growth Fund Limited (the “Company”) was incorporated in Guernsey on 13 March 1996. The Company commenced activities on 10 May 1996. The Company is an authorised closed-ended investment scheme registered and domiciled in P.O. Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands. The Company’s equity shares are traded on the London Stock Exchange.

As an investment trust, the Company is not regulated as a collective investment scheme by the Financial Conduct Authority. However, it is subject to the UKLA Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules and the rules of the London Stock Exchange.

The Company’s investment objective is to achieve long term capital growth through investing wholly or mainly in listed Japanese equities.

The Company’s investment activities are managed by Quaero Capital LLP (“Investment Manager”) with the administration delegated to Northern Trust International Fund Administration Services (Guernsey) Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

a) Basis of preparation

The Financial Statements of the Company have been prepared in accordance with IFRS EU. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss, and in accordance with the Association of Investment Companies (“AIC”) Statement of Recommended Practice (“SORP”) for Investment Trust Companies and Venture Capital Trusts to the extent it is not in conflict with IFRS EU and the Company’s Principal Documents.

The preparation of the Financial Statements in conformity with IFRS EU requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. As at the financial year ended 30 April 2023, the Company, being solely invested in listed equities, did not hold any investment requiring the use of significant estimation to determine their value. There were no other significant estimates for the financial year ended 30 April 2023.

The significant accounting policies adopted are consistent with those of the previous financial year.

New standards not yet adopted

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 May 2022 that had a significant effect on the Company's Financial Statements. Furthermore, none of the amendments to standards that are effective from that date had a significant effect on these Financial Statements.

Other accounting standards and interpretations have been published and will be mandatory for the Company's accounting periods beginning on or after 1 May 2023 or later periods. On review of the future standards and interpretations, the impact of these standards is not expected to be material to the reported results and financial position of the Company.

Critical judgements

The Board consider GBP the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. GBP is the currency in which the Company measures its performance. This determination also considers the competitive environment in which the Company is compared to other European investment products. The presentation currency for these financial statements is GBP.

b) Going concern

The Board has considered and sought advice on the appropriateness of continuing to prepare the Financial Statements on a going concern basis.

It is worth noting that one option being considered by the Board is in relation to the announcement of the proposed combination of the Company’s assets with the assets of NAVF - which would involve a scheme of reconstruction resulting in the voluntary liquidation of the Company, however, material uncertainties exist in relation to this Proposal, including pending shareholder, regulatory and tax approvals.

Notwithstanding the above, a number of attractive options remain available to the Company, and the Board has concluded that it remained appropriate to continue to prepare the Financial Statements on a going concern basis.

Additionally, the Company’s assets consist of equity shares in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale. The Board has reviewed the results of stress testing prepared by the Manager in relation to the ability of the assets to be realised in the current market environment. The results of stress testing, which models a sharp decline in market levels, demonstrated that the Company had the ability to raise sufficient funds so as to remain within its debt covenants and pay expenses.

The Company does not have a fixed life. However, a resolution on the continuation of the Company will be put to the Company's shareholders as part of the Proposal at the general meetings and AGM at a date to be notified to shareholders in due course.

Taking the above factors into consideration, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence and discharge its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

On 11 August 2023, the Board announced its agreement in principle of heads of terms for the proposed combination of the assets of the Company with the assets of NAVF, to be implemented, subject to shareholder approval, through a scheme of reconstruction, resulting in the voluntary liquidation of the Company. More detail can be found in the Chairman’s Statement above, and in the RNS announcement itself. Further information will be set out in a circular to shareholders to be published in due course.

The Board believes that the Proposal is in the best interests of shareholders and will recommend that shareholders vote in favour of the relevant resolutions at the extraordinary general meetings to be held in due course in order to implement the scheme. However, due to the requirements for approvals from shareholders of both companies there can be no certainty of the outcome at the date of this Annual Report and, therefore, there remains material uncertainties on the Proposal obtaining the necessary approvals to be enacted.

Should the Proposal not receive the necessary shareholder or regulatory approvals and should the Continuation Vote to be put to the subsequent AGM also fail to be approved by shareholders the Board believes, from the work carried out during the ***strategic*** review, that other attractive options remain available for shareholders in the Japan fund sector which can be pursued. Accordingly the Board has prepared these financial statements on a going concern basis.

c) Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

d) Income recognition

Dividend income arising on the Company’s investments is accounted for gross of withholding tax on an ex-dividend basis or when the right to receive payment is established.

e) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

f) Investments held at fair value through profit or loss

(i)  Classification and Measurement

The Company classifies its investments based on both the Company’s business model for managing those financial assets and the contractual cash flow characteristics of those financial assets. The portfolio of the financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions.

The Company classifies its entire investment portfolio as financial assets or liabilities as fair value through profit or loss. This includes forward currency contracts of which Nil were held at the financial year end (30 April 2022: Nil). All financial assets are mandatorily measured as at fair value through profit or loss with no assets being designated.

The Company’s policy requires the Investment Manager and the Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(ii)Recognition and Measurement

Investments are initially recognised at the trade date of purchase. They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition which are written off in the Statement of Comprehensive Income, and allocated to the capital column of the Statement of Comprehensive Income at the time of acquisition).

Investments are de-recognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Gains and losses on investments are included in the Statement of Comprehensive Income as capital.

(iii) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as transferable securities and financial derivative instruments traded publicly) are based on quoted market prices at the close of trading on the reporting date.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including the use of recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The fair value of financial derivative instruments, that are not exchange-traded, is estimated at the amount that the Company would receive or pay to terminate the contract at the reporting date, taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Realised gains and losses on investment disposals are calculated using the weighted average cost method.

g) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

At each reporting date, the Company shall measure the loss allowance on the amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12 month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment is more than 90 days past due is considered credit impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

h) Other receivables

Other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

IAS 7 requires disclosures that:

•       Enable users of the financial statements to evaluate changes in liabilities arising from financing activities; and

•       Provide a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position is ***suggested*** although not mandatory.

These requirements have been met as part of the Statement of Changes in Equity for share capital transactions attributable to holders of ordinary shares and Note 13 (Overdraft Facility).

j) Other payables and accrued expenses

Other payables and accrued expenses are obligations to pay for services that have been acquired in the ordinary course of business. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

k) Overdraft facility

All borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account discount or premium on settlement.

The Company’s borrowings are denominated in JPY. Gains and losses on foreign exchange on loans are included in the Statement of Comprehensive Income as capital.

l) Foreign currencies

The Company’s investments are predominately denominated in JPY. The Company’s obligation to shareholders is denominated in GBP and, when appropriate, the Company may hedge the exchange rate risk from JPY to GBP. Therefore, the Company’s functional currency is GBP. The Company’s presentation currency is GBP.

At each Statement of Financial Position date, assets and liabilities, which are denominated in foreign currencies, are translated into the functional currency at the closing rates of exchange. Transactions involving currencies other than the functional currency are recorded at the exchange rates prevailing on the dates of the transactions. Resulting exchange differences are recognised in profit or loss in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within “Net gains/(losses) on foreign exchange”.

m) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. In addition, the Company incurs withholding taxes imposed by certain countries on dividend and interest income. Such income is recognised gross of the taxes and the corresponding withholding tax is recognised as a tax expense.

The tax currently payable is based on the taxable profit for the financial year. Any taxable profit differs from the net profit, if any, as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company’s liability for current tax is calculated using tax rates that were applicable at the Statement of Financial Position date.

In line with the provisions of the AIC SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the “marginal basis”.

Under this basis, if taxable income is ***capable*** of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. A deferred tax liability is recognised in full for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

n) Capital reserve

The capital reserve distinguishes between gains/(losses) on sales or disposals and valuation gains/(losses) on investments. The capital reserve consists of realised gains/(losses) on investments, movement in valuation of gains/(losses) on investments and gains/(losses) relating to foreign exchange. This is a distributable reserve which may be utilised for the repurchase of share capital and for distributions to shareholders by way of Dividend.

o) Share premium

Share Premium Account represents the excess of the issue price over the par value on shares issued.

p) Revenue reserve

Revenue reserve is a distributable reserve and is the undistributed income of the Company.

q) Accumulated other comprehensive income

Historical exchange differences on the translation of assets, liabilities, income and expenses from functional to presentation currency are recognised in accumulated other comprehensive income.

r) Treasury shares

Where the Company purchases its own share capital (whether into treasury or cancellation), the consideration paid, which includes any directly attributable costs (net of income taxes), is recognised as a deduction from equity shareholders’ funds through the capital reserve, which is a distributable reserve.

When such shares are subsequently sold or reissued, the consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised as an increase in equity and proceeds from the reissue of treasury shares are transferred to/from the capital reserve.

Shares held in treasury are not taken into account in determining earnings per share detailed in Statement of Comprehensive Income and NAV per share detailed in Note 17.

s) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

t) Ordinary shares

The Company’s ordinary shares were redeemable in the capital of the Company at no par value and are classified as equity in accordance with the Company's Articles of Incorporation.

u) Subscriber shares

The Company's subscriber shares are classified as equity in accordance with the Company's Articles of Incorporation. These shares do not participate in the profits of the Company. For more information please see Note 14.

v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements and disclosed in the Statement of Changes in Equity in the period in which the dividends are approved by the Board.

3. OPERATING SEGMENTS

The Board makes the ***strategic*** resource allocations on behalf of the Company and is responsible for the Company’s entire portfolio. The Board is of the opinion that the Company is engaged in a single geographic and economic segment business. The asset allocation decisions are based on a single, integrated investment strategy, and the Company’s performance is evaluated on an overall basis.

The internal reporting provided to the Directors for the Company’s assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS EU.

The fair value of the financial instruments held by the Company and the equivalent percentages of the total value of the Company are reported in the Schedule of Investments.

4. NET LOSSES ON INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

5. RELATED PARTY DISCLOSURE

The Investment Manager, Investment Adviser, Depositary, Administrator and Directors are considered related parties to the Company under IAS 24 as they have the ability to control, or exercise significant influence over, the Company in making financial or operational decisions. See Notes 6 to 9 for details of transactions with these related parties during the financial year ended 30 April 2023.

The Company has an overdraft facility with the Depositary, Northern Trust Guernsey Limited (NTGL). Please see Note 13 for details.

Certain Directors had a beneficial interest in the Company by way of their investment in the ordinary shares of the Company.

The details of these interests as at 30 April 2023 and 30 April 2022 are as follows:

The above interests of the Directors were unchanged as at the date of this report.

Remuneration paid to the Directors during the year is detailed in note 9 and in the Directors’ Remuneration Report.

As at 30 April 2023, a family member of the late President of the Investment Adviser held 0 (zero) (30 April 2022: 900,800) ordinary shares of the Company.

6. INVESTMENT MANAGEMENT AND INVESTMENT ADVISER FEES

Under the terms of the Investment Management Agreement, the Investment Manager, Quaero Capital LLP, will continue in office until a resignation is tendered or the contract is terminated. In both circumstances, a resignation or termination must be given with a notice period which must not be less than three months, and be in accordance with the Investment Management Agreement.

The Company pays to the Investment Manager a fee accrued daily and paid monthly in arrears at the annual rate of 1% of the daily NAV of the Company on the first £125m of net assets, 0.85% on net assets between £125m and £175m and 0.70% on net assets above £175m.

The Investment Adviser Fees are 75% of the total Investment Management Fees and are paid by the Investment Manager.

For the financial year ended 30 April 2023, total investment management fees were £834,431 (30 April 2022: £1,106,750), of which £61,338 (30 April 2022: £71,043) is due and payable as at that date. Of the total investment management fees, £208,608 (30 April 2022: £276,688) was due to the Investment Manager, with £15,334 (30 April 2022: £53,282) payable as at 30 April 2023.

For the financial year ended 30 April 2023, total investment adviser fees were £625,823 (30 April 2022: £830,062), with £46,004 (30 April 2022: £17,761) payable as at 30 April 2023.

7. DEPOSITARY FEES

Under the terms of the Depositary Agreement, fees are payable to the Depositary, Northern Trust (Guernsey) Limited, monthly in arrears, on the Gross Asset Value (Net Asset Value before investment management fees) of the Company as at the last business day of the month at an annual rate of:

Gross Asset Value Annual Rate

Up to $50,000,000 0.035%

 $50,000,001 to $100,000,000 0.025%

 Thereafter 0.015%

The Depositary is also entitled to a global custody fee of 0.03% per annum of the NAV of the Company, subject to a minimum fee of $20,000, and transaction fees as per the Depositary Agreement.

For the financial year ended 30 April 2023, total depositary fees were £74,057 (30 April 2022: £94,579), of which £13,947 (30 April 2022: £18,034) was due and payable as at that date.

8. ADMINISTRATION FEES

Under the terms of the Administration Agreement, the Company pays to the Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited, a fee accrued weekly and paid monthly in arrears at the annual rate of:

NAV Annual Rate

Up to $50,000,000 0.18%

 $50,000,001 to $100,000,000 0.135%

 $100,000,001 to $200,000,000 0.0675%

 Thereafter 0.02%

For the financial year ended 30 April 2023, total administration fees were £129,834 (30 April 2022: £140,342), of which £14,262 (30 April 2022: £21,552) was due and payable as at that date.

9. DIRECTORS’ FEES AND EXPENSES

Each of the Directors is entitled to receive a fee from the Company, being £36,000 per annum for the Chairman, £30,000 per annum for the Chairman of the Audit Committee and £26,000 per annum for each of the other Directors. In addition, the Company reimburses all reasonably incurred out-of-pocket expenses of the Directors.

For the financial year ended 30 April 2023, total directors’ fees and expenses were £161,278 (30 April 2022: £148,146), of which £13,864 (30 April 2022: £8,910) was due and payable as at that date.

10. RESEARCH COSTS

The Investment Manager has established a research budget whereby the Company will pay for research services independently of trade execution. All transactions are placed and executed on the basis that best execution is achieved. Research costs incurred from 1 May 2022 to 30 April 2023 amounted to £128,770 (30 April 2022: £100,611).

11. TAXATION

The Company is exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and has paid an annual exemption fee of £1,200 (30 April 2022: £1,200), however the Company is subject to UK tax being a UK tax resident to comply with the Section 1158 of the Corporation Tax Act 2010. The main rate of corporation tax in the UK was 19% effective from 1 April 2017 and effective 1 April 2023 the rate will increase to 25%.

Current taxation

The current taxation charge for the financial year is different from the standard rate of corporation tax in the UK. The differences are explained in the following table:

The Company is an investment trust and therefore is not taxable on capital gains.

Factors that may affect future tax charges

As at 30 April 2023, the Company has excess management expenses of £3,881,495 that are available to offset future taxable revenue. Whilst this represents management’s best estimate based on the carried forward balance in the previous financial year of £11,170,418 the estimated value could differ from actual amounts. However, the potential impact is not expected to be significant.

A deferred tax asset has not been recognised in respect of these amounts as they will be recoverable only to the extent that there is sufficient future taxable revenue.

12. EARNINGS/(DEFICIT) PER ORDINARY SHARE

The earnings/(deficit) per ordinary share figure is based on the loss for the financial year of £3,443,430 (30 April 2022: loss of £23,930,408) divided by the weighted average number of shares (excluding shares held in treasury) in issue during the financial year ended 30 April 2023, being 41,165,951 (30 April 2022: 41,416,570).

The revenue loss per ordinary share and capital loss per ordinary share figure is based on the net revenue loss for the financial year of £420,341 (30 April 2022: loss of £503,939), the net capital loss of £3,022,089 (30 April 2022: loss of £23,426,469) respectively and 41,165,951 being the weighted average number of shares in issue during the financial year ended 30 April 2023 (30 April 2022: 41,416,570).

13. OVERDRAFT FACILITY

As at 30 April 2023, the Company had drawn down ¥515,993,536 (£3,045,934) on the overdraft facility (30 April 2022: drawn down ¥752,724,992 (£4,609,310)). ¥1,500,000,000 (£8,848,774) is borrowable under the terms of the facility agreement. Under the terms of the facility agreement with NTGL, the Company is required to comply with the following financial covenant:

Borrowings on the accounts in the name of the borrower may not exceed at any time the lesser of (a) 20% of the value of unencumbered, listed and daily priced assets held in custody by the Depositary for the borrower or (b) 100% of any borrowing limit set out in the constitutional documents of such borrower.

The Company complied with all of the above financial covenants during the financial years ended 31 April 2023 and 30 April 2022.

14. SHARE CAPITAL AND SHARE PREMIUM

Authorised

The Company is authorised to issue an unlimited number of ordinary shares of no par value. The Company has issued two subscriber shares for the purposes of incorporation of the Company. The subscriber shares do not participate in the profits of the Company.

The Company may also issue C shares being a convertible share in the capital of the Company of no par value. C shares shall not have the right to attend or vote at any general meeting of the Company. The holders of C shares of the relevant class shall be entitled, in that capacity, to receive a special dividend of such amount as the Directors may resolve to pay out of the net assets attributable to the relevant C share class and from income received and accrued attributable to the relevant C share class for the period up to the conversion date payable on a date falling before, on or after the conversion date as the Directors may determine. There are no C shares currently in issue.

The rights which the ordinary shares confer upon the holders thereof are as follows:

Voting rights

On a show of hands, every member who is present shall have one vote and, on a poll, a member present in person or by proxy shall be entitled to one vote per ordinary share held.

Entitlement to dividends

The Company may declare dividends in respect of the ordinary shares which are paid out of capital reserves. Treasury shares do not confer an entitlement to any dividends declared.

Rights in a winding-up

The holders of ordinary shares will be entitled to share in the NAV of the Company as determined by the Liquidator.

During the financial year ended 30 April 2023, £958,010 of shares were purchased into treasury (30 April 2022: £778,650).

Shareholders are entitled to receive any dividends or other distributions out of profits lawfully available for distribution and on winding up they are entitled to the surplus assets remaining after payment of all the creditors of the Company. The shares redeemed in the current financial year were cancelled immediately.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In accordance with its investment objective and policies, the Company holds financial instruments which at any one time may comprise the following:

-          securities held in accordance with the investment objective and policies;

-          cash and cash equivalents and short-term receivables and payables arising directly from operations;

-          loans used to finance investment activity; and

-          derivative instruments for the purposes of efficient portfolio management only.

The financial instruments held by the Company principally comprise equities listed on the stock markets in Japan, including, without limitation, the Tokyo Stock Exchange categorised as Prime, Standard and Growth sections, or

the regional stock exchanges of Fukuoka, Nagoya and Sapporo.

The specific risks arising from the Company's exposure to these instruments, and the Investment Manager/Investment Adviser's policies for managing these risks, which have been applied throughout the financial year, are summarised below.

Capital management

The Company’s objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company may not borrow or otherwise use leverage exceeding 20% of its net assets for investment purposes, to settle facilities for specific investments, such as bridge financing. In connection with the facility agreement, the Company has entered into an English law, multicurrency, and revolving overdraft facility with NTGL (see Note 13).

As at 30 April 2023, the Company had a commitment leverage ratio of 1.04:1 and a gross leverage ratio of 1.04:1.

The Company does not have any externally imposed capital requirements apart from the fact that it should not retain more than 15% of income, in order to comply with Section 1158 of Corporation Tax Act 2010. The Company has complied with this requirement.

The Company is a closed-ended investment company. The Company’s capital is represented by ordinary shares of no par and each share carries one vote. They are entitled to dividends when declared.

There were 560,500 shares repurchased into treasury during the financial year ended 30 April 2023 (30 April 2022: 378,000).

Market risk

The Company's investment portfolio - particularly its equity investments - is exposed to market price fluctuations which are monitored by the Investment Manager/Investment Adviser in pursuance of the investment objective and policies.

At 30 April 2023, the Company’s market price risk is affected by three main components: changes in market prices, currency exchange rates and interest rate risk. Currency exchange rate movements and interest rate movements, which are dealt with under the relevant headings below, primarily affect the fair values of the Company’s exposures to equity securities, related derivatives and other instruments. Changes in market prices primarily affect the fair value of the Company’s exposures to equity securities, related derivatives and other instruments.

Exceptional risks associated with investment in Japanese smaller companies may include:

-          greater price volatility, substantially less liquidity and significantly smaller market capitalisation; and

-          more substantial government intervention in the economy, including restrictions on investing in companies or in industries deemed sensitive to relevant national interests.

Market price sensitivity analysis

If the price of each of the equity securities to which the Company had exposure at 30 April 2023 had increased or decreased by 5% with all other variables held constant, this would have increased or decreased profit and net assets attributable to equity shareholders of the Company by:

Foreign currency risk

The Company principally invests in securities denominated in currencies other than GBP, the functional currency of the Company. Therefore, the Statement of Financial Position will be affected by movements in the exchange rates of such currencies against the GBP. The Investment Manager/Investment Adviser has the power to manage exposure to currency movements by using forward currency contracts. No such instruments were held as at 30 April 2023 (30 April 2022: None).

It is not the present intention of the Directors to hedge the currency exposure of the Company, but the Directors reserve the right to do so in the future if they consider this to be desirable.

The treatment of currency transactions other than in GBP is set out in Note 2(l) to the Financial Statements.

As at 30 April 2023, the Company has a USD cash exposure in GBP terms of £1,470 (30 April 2022: £4,757).

The Company's net JPY exposure in GBP terms is set out in the following table:

The Company's net JPY exposure in GBP terms is set out in the following table:

Foreign currency sensitivity analysis

If the exchange rate at 30 April 2023, between the functional currency and all other currencies had increased or decreased by a 5% currency movement with all other variables held constant, this would have increased or reduced profit and net assets attributable to equity shareholders of the Company by:

No benchmark is used in the calculation of the above information. The only foreign currency the Company has a significant exposure to is JPY, hence the above foreign currency sensitivity analysis has not been disclosed on a currency by currency basis.

Interest rate risk

Substantially all the Company’s assets and liabilities are non-interest bearing and any excess cash and cash equivalents are invested at short-term market interest rates.

As at 30 April 2023, the Company has a small exposure to interest rate risk regarding the loan facility and cash and cash equivalents.

Increases in interest rates may increase the costs of the Company's borrowings. The rate of interest is the rate per annum equivalent to the Bank of Japan Official base rate plus 1.25% and will be calculated on the amount for the time being outstanding on each account based upon the number of days elapsed and a year of 365 days. The currency base lending rate is subject to a floor of zero. Interest on the loan is payable monthly in arrears. As at 30 April 2023, the interest accrued on the loan was £3,159 (30 April 2022: £nil).

The following disclosures exclude prepayments and taxation receivables and payables:

The cash flow interest rate risk comprises those assets and liabilities with a floating interest rate, for example cash deposits at local market rates. Cash and cash equivalents earn interest at the prevailing market interest rate. Although this portion of the NAV is not subject to fair value risk as a result of possible fluctuations in the prevailing market interest rates, the future cashflows of the Company could be adversely or positively impacted by decreases or increases in those prevailing market interest rates.

The fair value interest rate risk comprises those assets and liabilities with a fixed interest rate, for example loans payable and loan interest payable.

Fair value

All assets and liabilities are carried at fair value with the exception of short term receivables and payables and cash and cash equivalents, which are carried at amortised cost.

Short term receivables and payables

Receivables and payables do not carry interest and are short term in nature. They are stated at amortised cost, as reduced by appropriate allowances for irrecoverable amounts in the case of receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments.

As at 30 April 2023, the Company had drawn down ¥515,993,536 (£3,043,934) on the credit facility (30 April 2022: drawn down ¥752,724,992 (£4,609,310)). In connection with the facility agreement, the Company has entered into an English law, multicurrency, and revolving credit facility with NTGL.

The loan may be used for the following purposes:

-          the acquisition of investments in accordance with the investment policy; and

-          its working capital requirements in the ordinary course of business.

The loan must be repaid on the earliest of the day on which written demand is made by NTGL for repayment or the day on which an automatic repayment event occurs (such as insolvency).

The Company invests primarily in listed securities which are liquid in nature.

The Company’s liquidity risk is managed by the Investment Manager who monitors the cash positions on a regular basis.

The maturity analysis of the Company’s financial liabilities (excluding tax balances) is set out in the following table:

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

In accordance with the investment restrictions as described in its prospectus and investment policy, the Company may not invest more than 10% of the Company’s gross assets in securities of any one company or issuer. However, this restriction shall not apply to securities issued or guaranteed by a government or government agency of the Japanese or US Governments. In adhering to these investment restrictions, the Company mitigates the risk of any significant concentration of credit risk arising on broker and dividend receivables.

As the Company invests primarily in publicly traded equity securities the Company is not exposed to credit risk from these positions. However, the Company will be exposed to a credit risk on parties with whom it trades and will bear the risk of settlement default. The Company minimises concentrations of credit risk by undertaking transactions with a number of regulated counterparties on recognised and reputable exchanges. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on a purchase once the securities have been received from the broker. The trade will fail if either party fails to meet its obligation. The Company is exposed to credit risk on cash and investment balances held with the Depositary. The Investment Manager regularly reviews concentrations of credit risk.

All of the cash assets are held with the Northern Trust Company (“NTC”). Cash deposited with NTC is deposited as banker and is held on its Statement of Financial Position. Accordingly, in accordance with usual banking practice, NTC’s liability to the Company in respect of such cash deposits shall be that of debtor and the Company will rank as a general creditor of NTC. The financial assets are held with the Depositary, Northern Trust (Guernsey) Limited.

These assets are held distinct and separately from the proprietary assets of the Depositary. Securities are clearly recorded to ensure they are held on behalf of the Company.

Bankruptcy or insolvency of the Depositary and, or one of its agents or affiliates may cause the Company’s rights with respect to the securities held by the Depositary to be delayed or limited.

NTC is a wholly owned subsidiary of Northern Trust Corporation. As at 30 April 2023, Northern Trust Corporation had a long term rating from Standard & Poor’s of A+ (30 April 2022: A+). Risk is managed by monitoring the credit quality and financial positions of the Depositary the Company uses. Northern Trust acts as its own sub-depositary in the US, the UK, Ireland and Canada. In all other markets Northern Trust appoints a local sub-depositary. Northern Trust continually reviews its sub-depositary network to ensure clients have access to the most efficient, creditworthy and cost-effective provider in each market.

The securities held by the Company are legally held with the Depositary, which holds the securities in segregated accounts, and subject to any security given by the Company to secure its overdraft facilities, the Company’s securities should be returned to the Company in the event of the insolvency of the Depositary or its appointed agents, although it may take time for the Company to prove its entitlement to the securities and for them to be released by the liquidator of the insolvent institution. The Company will however only rank as an unsecured creditor in relation to any cash deposited or derivative positions with the Depositary, their related companies and their appointed agents, and is therefore subject to the credit risk of the relevant institution in this respect.

The assets exposed to credit risk at financial year end amounted to £104,896 (30 April 2022: £71,870).

Fair value hierarchy

The fair value of investments traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the Statement of Financial Position date. The quoted market price used for investments held by the Company is the last traded price; the appropriate quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

The fair value of investments that are not traded in an active market is determined by using valuation techniques.

For instruments for which there is no active market, the Company may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models may be used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. These instruments would be categorised as level 2.

The following table sets out fair value measurements using the IFRS EU 13 fair value hierarchies:

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 - valued using quoted prices in active markets for identical assets or liabilities.Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1.Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

16. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

17. NAV HISTORY

18. DIVIDENDS

All amounts held in the Company’s revenue reserve are distributable to shareholders by way of dividends. There are regular quarterly payments of 1% of the company’s NAV (based on the average daily NAV in the final month of the financial year). These will be paid in March, June, September and December.

The Company declared the following dividends during the financial year ended 30 April 2023:

19. ONGOING CHARGES

The ongoing charges using the AIC recommended methodology were 1.85% for the financial year ended 30 April 2023 (30 April 2022: 1.65%). Of the £1,576,539 expenses in the Statement of Comprehensive Income, excluded from the calculation of ongoing charges, are £30,000 considered by the Directors to be non-recurring (30 April 2022: £nil).

20. EXCHANGE RATES

The following exchange rates were used at the reporting date to convert the assets and liabilities of the Company:

The following average exchange rates were used during the financial year to convert the transactions of the Company:

21. CHANGES IN THE PORTFOLIO

A list, specifying for each investment the total purchases and sales which took place during the financial year ended 30 April 2023, may be obtained, upon request, at the registered office of the Company.

22. EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the financial year which require adjustment to or additional disclosure in the Financial Statements.

23. EVENTS AFTER THE FINANCIAL YEAR

Philip Ehrmann would not be seeking re-election to the Board at any forthcoming AGM.

There were no other significant events subsequent to the financial year which require adjustment to or additional disclosure in the Financial Statements.

24. ULTIMATE CONTROLLING PARTY

There is no one entity with ultimate control over the Company.

**Load-Date:** August 23, 2023

**End of Document**



[***Architecture and autoinhibitory mechanism of the plasma membrane Na+/H+ antiporter SOS1 in Arabidopsis***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:68YM-VTT1-JDK8-04FW-00000-00&context=1516831)

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**Body**

Introduction

Sodium is one of the most abundant elements in Earth’s crust. For most plants, low levels of Na+ are beneficial for many processes, such as maintaining osmotic pressure, partly eliminating potassium deficiency symptoms, and stimulating plant growth,. However, excessive accumulation of cytosolic Na+ disrupts several important physiological processes, including the cell cycle, enzymatic reactions, and photosynthesis, and thus leads to stunted growth and arrested cell development,. Therefore, Na+ extrusion from the cytosol is critical for the salt tolerance of plants, especially in saline soil. SOS1, which is highly conserved in the phylae of the plant kingdom, is identified as the only Na+/H+ transporter that localizes at the plasma membrane and specifically exports Na+ by utilizing the electrochemical proton gradient generated by H+-ATPase,. Compared with the vacuolar Na+/H+ transporters, SOS1 is insensitive to K+ and plays a unique physiological role in cellular Na+ homeostasis,. Overexpression of SOS1 has been shown to improve plant salt tolerance, whereas disruption of SOS1 expression conversely results in the loss of salt resistance in halophytes. Thus, SOS1 has become an important target for the improvement of salinity resistance in ***agricultural*** biotechnology,.

SOS1 is an electroneutral Na+/H+ antiporter that belongs to the NhaP/SOS1 subfamily of the monovalent cation proton antiporter family 1 (CPA1),. The transmembrane portion of SOS1 exhibits significant sequence similarities with the animal, bacterial, and fungal plasma membrane Na+/H+ antiporters. The molecular mechanisms of Na+/H+ transport have been extensively studied over the past two decades, including in studies of electrogenic antiporters such as Escherichia coli (EcNhaA) and Thermus thermophilus (TtNapA), electroneutral transporters such as Pyrococcus abyssi (PaNhaP), Methanocaldococcus jannaschii (MjNhaP), the mammalian protein Equus caballus NHE9 and the human NHE1-CHP1 complex in inward- and cariporide-bound outward-facing conformations and in the self-inhibited NHE3-CHP1 complex. These studies showed that these transporters form homodimers, with each monomer consisting of 12 or 13 transmembrane (TM) helices that contain a dimerization domain responsible for dimerization and an ion transport core domain. The ion binding cavity is located between these two domains and possesses highly conserved acidic residues, which are responsible for substrate ion binding and are alternately exposed to the intracellular or extracellular sides during the transport cycle in a model of an elevator mechanism,. In addition to the conserved transmembrane domain, SOS1 harbors a cytoplasmic C-terminal domain consisting of ~700 amino acids, making it the largest known cation/proton antiporter. Previous studies have shown that the cytoplasmic domain contains an autoinhibitory region (residues: 998–1146) to keep the transporter in an inactive state. Phosphorylation of SOS1 mediated by SOS3 (CBL4)-SOS2 (CIPK24) or CBL10-SOS2/CIPK8 protein kinase complexes is crucial for recovery of the Na+ extrusion activity of SOS1–. However, the mechanism underlying the autoinhibition of SOS1 by its intracellular domain remains largely unknown.

In this study, we express and purify full-length wild-type SOS1 and resolve its structure by single-particle cryo-electron microscopy. SOS1 forms a homodimer and is composed of a TMD and an intracellular domain. Based on the structural comparison, SOS1 is stabilized in an occluded state, mediated by interactions between the TMD and intracellular domain. Moreover, we identify two segments that are able to regulate the activity of SOS1. Deletion or mutations within these two regions can significantly rescue SOS1 transport activity, as evidenced by functional complementation assays using salt-sensitive yeast.

Results

Architecture of Arabidopsis thaliana SOS1

To investigate the autoinhibitory mechanism of SOS1, we expressed full-length wild-type Arabidopsis thaliana SOS1 in HEK293F cells. The sharp and symmetric size-exclusion chromatography (SEC) profile showed that the purified SOS1 sample was homogeneous. The peak fractions were pooled and concentrated for cryo-EM sample preparation (Supplementary Fig. ). A total of 1552 micrographs were collected and subjected to further analysis with RELION-3.1 and cryoSPARC. Four classes (class I–IV) are generated from 3D classification without alignment (Supplementary Fig. ). We determined three cryo-EM maps from different classes (class I, II, and IV) at 3.5 Å, 2.8 Å, and 3.4 Å, respectively, according to the gold-standard Fourier shell correlation (GSFSC) criterion (Supplementary Fig. –j and Table ). The high-quality cryo-EM maps allow us to reliably build the SOS1 models (Supplementary Fig. ). Next, we compared the SOS1-ClassI and SOS1-ClassIV with the 2.8-Å resolution SOS1-ClassII. We found that the structures of SOS1-ClassI and SOS1-ClassII are nearly identical, supported by RMSD of ~0.3 Å for 1856 Cα atoms. However, superimposition of SOS1-ClassIV structure to the SOS1-ClassII structure gives rise to RMSDs of 1.5 Å for overall structure, indicating that two different SOS1 structures have been resolved. We firstly focused on the 2.8-Å resolution SOS1-ClassII to display structural features of SOS1 and name SOS1-ClassII as SOS1 in short.

The resulting dimeric SOS1 is approximately 85 Å in length, 95 Å in width, and 120 Å in height (Fig. ). Arabidopsis thaliana SOS1 consists of 1146 residues. However, our SOS1 model is only composed of residues 32–972, 1007–1017, and 1030–1048 and the vast majority of the autoinhibitory region (998–1146) is not resolved due to high flexibility (Fig. ). The TMD is composed of residues 32 to 450 and contains 13 TM helices with an extracellular N-terminus and an intracellular C-terminus. Similar to other antiporters in the CPA family–,, the arrangement of TM helices is conserved in SOS1, that is, TMs 4–6 and TMs 11–13 form the core domain, and TMs 1–3 and TMs 7–10 form the dimerization domain (Fig.  and Supplementary Figure ). TM5 and TM12 are broken at the cross position, yielding the four fragments TM5a, TM5b, TM12a, and TM12b. Intriguingly, in addition to the short amphipathic helix between TM3 and TM4 (AH3-4) on the intracellular side, (Supplementary Fig. ), SOS1 has an amphipathic helix on the extracellular side between TM2 and TM3 (AH2-3; Fig. ).

Architecture of Arabidopsis thaliana SOS1.

a, b Overall structure of the dimeric model of SOS1 from two perpendicular views, parallel to the membrane plane. The two protomers in a are colored in deepsalmon and blue, respectively. Gray lines represent boundaries of the cell membrane. The N- and C-termini of the model are labeled. HC1 helix forms an angle of approximately 15 degrees with the plane of the membrane. The two protomers in b are shown as cartoon and surface representations. The protomer in the cartoon is colored in rainbow. The height and width of the structure are indicated. c Domain structure and organization of SOS1, numbers of amino acid defining the domains are indicated. Dashed line indicated the unresolved disorder regions in the structure. d Structure of the transmembrane domain viewed from the extracellular side. Core and dimerization domains are shown in cartoon and cylindrical representations, respectively. One core domain is shaded within a light blue oval. e The dimeric assembly of α-CTD viewed from the extracellular side.

The intracellular domains extend ~70 Å into the cytoplasm. Based on the enrichment of secondary structural elements and structural homology, we divided the intracellular domain into four parts, including an α-helix-rich cytoplasmic domain (α-CTD, residues 458–722), a cyclic nucleotide-binding domain-like domain (CNBLD, residues 732–883), a β-sheet-rich cytoplasmic domain (β-CTD, residues 888–972) and a not fully resolved C-terminal autoinhibitory tail (Fig. ). The α-CTD contains eight α-helical segments (HC1–HC8), which are arranged into a U-shaped structure and located proximal to the inner surface of the membrane. Every two adjacent helices are folded in an antiparallel manner connected by short loops. The HC1-HC2 helices and the HC7-HC8 helices form the two arms of the U-shaped α-CTD (Fig. ). HC1 directly connects to TM13 via an 8-amino acid linker at the N-terminus, forming a 15° angle to the membrane plane. However, the other arm formed by HC7 and HC8 is positioned at opposite sides of the HC1-HC2 helices, in which HC8 is parallel to the membrane plane, participating in interactions with intracellular loops between TM helices (Supplementary Fig. ).

CNBLD consists of a bent α-helix (αA) followed by a six-strand antiparallel β-roll (β1–β6) containing a short α-helix (αP) between β4 and β5, followed finally by three additional α-helices (αB–αD), which are located beneath the α-CTD (Supplementary Fig. ). The surface of the β-roll forms extensive electrostatic interactions with the HC6 of the α-CTD and there is hydrophobic interaction between αC of CNBLD and β-CTD (Supplementary Fig. ). CNBLD is homologous to cyclic nucleotide-binding domains (CNBDs) and is generally considered to be a putative cyclic nucleotide-binding motif . Superimposition of the CNBLD with the human hyperpolarization-activated cyclic nucleotide-gated ion channel HCN1 and plant hyperpolarization-activated phosphorylation-regulated AKT1, using the β-roll as a reference, the αA and αD helices at the N- and C-termini undergoes remarkable conformational change (Supplementary Fig. ). The root mean squared deviation (RMSD) for α carbons is 2.11 Å and 2.72 Å between CNBLD and the CNBD of the HCN1 and AKT1, respectively. Relative to the cAMP-unbound state, αB is more similarly positioned to the relative helix in the cAMP-bound form of HCN1, and αC moves close to the cavity formed by the β-roll that serves as the cyclic nucleotide-binding pocket, probably causing steric hindrance for cAMP binding (Supplementary Fig. ). Moreover, the residues that form specific electrostatic and hydrogen-bonding interactions with bound cyclic nucleotides within the substrate-binding pocket are not conserved in SOS1, especially the highly conserved arginine residue located in the loop between the αP and the β5 sheet (e.g., R549 in human HCN1; Supplementary Fig. ) is replaced by hydrophobic Y820 in the CNBLD. Furthermore, the sidechain of E813 is oriented into the binding cavity and takes the place of the cyclic phosphate moiety, ***suggesting*** that CNBLD cannot bind and be regulated by cyclic nucleotides (Supplementary Fig. ). A previous study indicated that G777D and G784E mutations lead to inactive transporters. Based on our structure, G777 is located on the N-terminal of β1 and forms a “mortise-tenon” joint with F834 on the neighboring β6 (Supplementary Fig. ). Such an interaction has been proved to be important for aligning and locking the neighboring β-sheets and thus improve the folding speed and stability of β-sheet,. G784 is the most conserved glycine among eukaryotic and prokaryotic CNBD, which adopt special dihedral angles that is disallowed for the other amino acid. Thus, we speculate that the mutation of G777 or G784 may affect folding and stability of the CNBD, and thus significantly decrease transport activity of the SOS1.

The β-CTD touches the CNBLD and is close to the twofold symmetric axis on the bottom of the structure (Supplementary Fig. ). The density of β-CTD is not well resolved, probably due to its high conformational flexibility. Therefore, model building for the β-CTD is initiated by docking the predicted structure by AlphaFold2 into the cryo-EM map as a rigid body. The last 174 residues comprised the autoinhibition domain of SOS1, which is largely not resolved in the cryo-EM map, in line with secondary structure prediction results ***suggesting*** that this segment is intrinsically disordered.

Interactions mediate SOS1 dimerization

Similar to other homologous transporters, SOS1 assembles as a homodimer. Many contacts, occurring within the TMD and CTD, contribute to the dimerization of SOS1. Within the TMD, dimerization of SOS1 is primarily mediated by extensive van der Waals interactions between TMs 1, 8, and 10 (Fig. ). Most of the relevant residues from these helices are hydrophobic. Residues from protomer A, such as V34, V37, V38, V40, L44, V45, and I48 on TM1, interact with V259, I260, L264, T263, I266, A267, Y270, F271, Y274, and W279 on TM8′ from protomer B (the prime indicates its being from the symmetry mate) (Supplementary Fig. ). At the site proximal to the intracellular surface, the N-terminus of TM10 is located near the 2-fold symmetry axis, and forms hydrophobic interactions with each other via residues F314, M317 and I321. The N-terminus of TM8 is also tightly patched with the intracellular helix of TM10, forming a hydrophobic cluster. In addition, at the periphery of the interface, there is a salt bridge between H313 and S310 at the C-terminus of TM10, providing further stabilization (Supplementary Fig. ). There is also a polar interaction between the N-terminal K85 of the extracellularly amphipathic helix AH2-3 and E278 of the C-terminal of TM8′, which probably contributes to the stabilization of the dimerization structure (Supplementary Fig. ). Moreover, a cavity in the central part of the dimer was visualized on the extracellular side, as previously observed in the NHE1 structures. The cavity of SOS1 is smaller than that of NHE1 with four strip-shaped EM densities located within this cavity, which likely represent the hydrophobic tails of lipid molecules and form extensive hydrophobic interactions with the hydrophobic residues W93AH2-3, F105TM3, P107TM3, F314TM10, and W315TM10 (Supplementary Fig. ). Considering no additional lipids were supplied during sample preparation, we speculate that these lipid molecules observed within the cavity may be derived from HEK293 host and are probably involved in stabilizing the dimeric SOS1.

CTD dimerization interface of SOS1.

a Overall structure of the SOS1 dimer model. Helices involved in the dimeric interactions are highlighted. Three regions in the dimeric CTD are boxed. b, c Interactions between HC1 and HC2 from one protomer and HC7′ from another protomer viewed from the front of the structure (b), and from the left (c). Sidechains of residues contributing to dimerization are shown as sticks. The hydrogen bond between E470 and Y691′ is shown as dashed lines. d Electrostatic complementary interactions between the HC1-HC2 loop and the pocket formed by α-CTD′ and CNBLD′ from another subunit. The positively charged pocket is shown according to its electrostatic potential calculated with the Adaptive Poisson-Boltzmann Solver (APBS) plugin in Pymol and contoured at ±5 kT/e. Residues that are harbored in the pocket and involved in the interactions are shown as sticks. e Electrostatic complementary interactions between the juxtamembrane helix HC8′ and TM5, TM6 of TMD and HC1 of α-CTD from the other subunit. Hydrogen and salt-bridge bonds are shown as dashed lines.

SOS1 harbors a large intracellular domain, which provides extensive interactions to stabilize the dimer, especially at the α-CTD (Fig. ). For instance, two arms of each U-shaped α-CTD are crossed to form a rectangle-shaped structure. Consequently, the HC1 and HC2 helices from one subunit interact closely with HC7 from another subunit by extensive hydrophobic and van der Waals interactions (Fig. ). E470 on HC1 and Y697 on HC7′ form hydrogen bonds to further stabilize the dimerization of α-CTD. Moreover, the conserved negatively charged loop between the HC1 and HC2 helices (HC1-HC2 loop, 482LGDDEELGPAD492) of α-CTD inserts into a pocket formed by α-CTD′ and CNBLD′ from the other subunit and forms salt bridge and hydrogen bonding interactions with a cluster of highly conserved basic and polar residues, including R624HC5′, R665HC6′ R673HC7′, K676HC7′, H800CNBD′, and H805CNBD′ (Fig.  and Supplementary Fig. ). Furthermore, some charged residues are distributed at the N-terminus of HC8′, including E702, E703, and K704 (Fig. ). They are located proximal to the cell membrane and are involved in electrostatic interactions with surrounding positively charged residues, such as K181TM5b, K187TM6, and K460HC1, which may contribute to mediating the dimerization of SOS1.

The structural comparison indicates that the dimerized SOS1-ClassIV harbors a distinct conformation to the 2.8-Å resolution SOS1 that the TMD undergoes significant conformational changes and the intracellular domains are nearly identical (Fig. ), supported by the RMSD values between these two structures are 2.0 Å and 0.7 Å for TMD and CTD, respectively. Taking a close look, the extracellular ends of TM helices from two protomers expand in opposing directions, except that the TM8 and TM9 remain unaltered (Fig. ), while the cytoplasmic ends of TM helices are superimposable (Fig. ). Therefore, we termed the SOS1-ClassIV structure as SOS1expand. We next compared structures of one protomer in these two conformations and found that they adopt a similar conformation, but have some subtle structural discrepancies at TM8 and TM9 helices (Fig. ), with RMSD of 0.6 Å. Within the hydrophobic central cavity between dimerization domains, we found that the lipid molecules differently interact with the SOS1 in these two conformations. In both structures, four lipid molecules are determined at similar positions proximal to the 2-fold symmetrical axis (Fig. ). However, in the SOS1expand structure, an extra lipid is inserted into space between TM1 and TM3′ helices at the dimerization interface. Meanwhile, the side chain of Y270 on TM8′ is extruded in the SOS1expand structure to accommodate this lipid molecule (Fig. ).

Lipids induced rearrangement of dimerization interface.

a Overall structure of the SOS1expand. Two monomers are colored in green and yellow, respectively. Lipid molecules are shown as red sticks and spheres. b–d Structural comparisons based on the whole dimeric structure between SOS1expand and SOS1, illustrated using three slice views b–d as indicated by labeled panes; namely, TMD from extracellular side (b), TMD from intracellular side (c), and α-CTD from extracellular side (d). Black arrows indicated the helix movements of SOS1expand compared to the SOS1. TM8 and TM9 are highlighted and labeled in b. e Structural comparison between the monomers of SOS1expand and SOS1, using monomer itself as the alignment reference. TM8 and TM9 are labeled. f Four lipid molecules embedded at the dimer interface of SOS1. g, h Six lipid molecules embedded at the dimer interface of SOS1expand. The extra lipid in a SOS1expand monomer is highlighted in g, and its interactions with adjacent regions are shown in h. The flipped sidechain of Y270 was shown as sticks.

Autoinhibitory mechanism of SOS1 mediated by the intracellular domain

Previous studies have shown that the C-terminus of SOS1 contains an autoinhibitory domain to keep the transporter in a resting state with basal activity. The protein kinase complex formed by SOS3 (CBL4)-SOS2 (CIPK24) or CBL10-SOS2/CIPK8 in Arabidopsis can phosphorylate and activate SOS1 to relieve autoinhibition–. In addition, truncation of the C-terminal 148 amino acids (SOS1Δ998) is able to fully activate SOS1. Considering that our SOS1 sample was expressed in full length and in the absence of any overexpressed protein kinases, we speculate that the structure of SOS1 is trapped in an inhibited state. To investigate the autoinhibitory mechanism of the SOS1 transporter, we compared the TMD of SOS1 with the human homolog NHE1 in either the inward-facing or outward-facing state, yielding RMSD values of 2.4 Å and 3.2 Å, respectively, indicating that SOS1 is stabilized in an inward-facing conformation (Supplementary Fig. ). In line with previous observations, SOS1 harbors a negatively charged cytoplasmic cavity with a closed extracellular vestibule within each protomer. The depth of the cavity is 14 Å, which is clearly shallower than that seen in NHE1 (Fig. ). The conserved aspartate residue in “ND” motif on TM6 has been extensively characterized in CPA1 as the central ion binding site. In the inward-facing and outward-facing NHE1 structures, residue D267TM6 is exposed to the intracellular and extracellular sides for binding with and exchanging cations. Based on the sequence alignment and structural comparison, we identified the corresponding residues D201 that potentially responsible for Na+ binding in SOS1 (Supplementary Fig. ). The complementation assay using salt-sensitive yeast indicates that the growth of AXT3K was marginally rescued upon SOS1 expression and notably augmented in the presence of SOS2-SOS3 protein kinase complex. Nevertheless, the transport activity of SOS1 was eliminated by the D201A mutation, even in the presence of the SOS2-SOS3 complex, substantiating the significance of the D201TM6 in cation association in both inward-facing and outward-facing conformations (Supplementary Fig. ). Strikingly, in the current SOS1 structure, D201TM6 is approximately 5 Å away from the apex of the intracellular cavity and is not accessible by the solvent (Fig. ), indicating that the structure is stabilized in an occluded state, which prevents ion binding and thus inhibits the transporter.

C-loop and C-helix stabilize SOS1 in an occluded conformation.

a Occluded conformation of SOS1, stabilized by the C-loop and the C-helix. The intracellular cavity between the dimerization domain and core domain is displayed with the electrostatic surface, and the depth of the cavity is labeled. The putative cation binding sites, D201TM6, are shown as sticks. The C-loop and C-helix are displayed as tubes in purple. b, c Alignment of the core domain of inward-facing human NHE1-CHP1IF (deep blue) and SOS1 (orange). The core domain is shown in cartoon, and the dimerization domain of SOS1 is shown in a solid surface. The directions and distances of TM5b displacement are indicated. d Interactions among TM5b, TM6, and the N-terminus of HC8′ from the other protomer. Charged residues involved in the interactions are shown in sticks. The dashed line indicates the charge-dipole interaction between K704′ and the C-terminal of TM5b. e Salt tolerance test of AXT3K cells expressing solely the wild-type SOS1 (SOS1-WT), SOS1 together with SOS2-SOS3 (SOS1 + SOS2 + SOS3) and SOS1 mutants as indicated. Decimal dilutions of saturated cultures were plated in AP medium supplemented with 1 mM KCl and 0, 50, 100, 200, or 400 mM NaCl. The concentration of NaCl is labeled above the image. The growth of all transformants was indistinguishable in plates without NaCl. f Hydrophobic interactions between the C-loop and α-CTD. The hydrophobic cavity formed by HC1, HC3, and HC5 is shown as the surface. g Polar interactions between the C-loop and α-CTD. Hydrogen and salt-bridge bonds are shown as dashed lines. h C-helix interacts with HC1, HC2, and CNBLD′ from another subunit. i Intracellular Na+ content in the untransformed and transgenic yeast cells. Units are milligram of ion per gram dry weight of cell samples. DW: dry weight. Data are expressed as the means ± SEM (n = 3) and asterisks above the columns indicate significant differences. Each spot represents a single data value. Statistical significance was determined by two-side and unpaired t-test, without making any adjustments for multiple comparisons (\*p < 0.05; \*\*p < 0.01; \*\*\*p < 0.001; \*\*\*p < 0.0001). P value, SOS1-WT vs. ΔC-loop, 0.0001; SOS1-WT vs. W1013A, 0.0001; SOS1-WT vs. ΔC-loop/C-helix, <0.0001; W1013A vs. ΔC-helix, 0.0007; W1013A vs. ΔC-loop/C-helix, 0.0140; ΔC-helix vs. ΔC-loop/C-helix, 0.0001. Source data are provided as a Source Data file.

To understand the molecular basis of the inaccessibility of D201TM6, we compared the core domains of SOS1 and NHE1-CHP1 in the inward-facing conformational (NHE1-CHP1IF) state, giving rise to an RMSD of 1.60 Å over 180 Cα atom pairs (Supplementary Fig. ). The arrangement of TM helices is nearly identical in the core domains of SOS1 and NHE1-CHP1IF. However, TM5b exhibits a dramatic local conformational change, being displaced by 5 Å toward the dimerization domain compared with that of the NHE1-CHP1IF complex (Fig. ). Consequently, D201TM6 is completely buried in a cavity composed of TM3, TM5b, and TM10 and cannot interact with ions from the intracellular side. The core domain of SOS1 is further compared with that of the NHE1-CHP1 complex in the outward-facing conformation (NHE1-CHP1OF; Supplementary Fig. ). Strikingly, TM5b assumes a conformation similar to that of the NHE1-CHP1OF complex, indicating that SOS1 may be trapped in an occluded state, an intermediate state between inward- and outward-facing conformational states. Taking a closer look at the C-terminus of TM5b, we found that the intracellular portions of TM5b and TM6 are involved in extensive electrostatic interactions with the N-terminus of the juxtamembrane helix HC8 from another subunit (Fig. ). In particular, the salt-bridge bond between K187TM5b and E703HC8 and a charge-dipole interaction between K704 and the C-***cap*** of TM5b may participate in stabilizing this occluded conformation. Therefore, we mutated the charged residues (702EEK704) to alanine to disrupt these interactions, however, this mutation had little effect on the yeast salt-tolerant phenotype compared to wild-type SOS1 (Fig. ). We further speculate that in addition to these interactions, the restricted space between TMD and CTD may also impede the conformational change from an occluded state to an inward-facing state. We mutated the four consecutive acidic residues (484DDEE487) at the C-terminus of HC1 to alanine to rupture its interactions with the interface of α-CTD and CNBLD in the other subunit (Fig. ). The activity of this mutant was enhanced compared with that of the wild-type SOS1, indicating that this interaction is probably critical to inhibit SOS1 transport activity.

Previous studies indicated that the C-terminal tail plays key roles in inhibiting the transport activity of SOS1,. However, the majority of this tail is invisible in the cryo-EM map, presumably due to high flexibility. Interestingly, we identified two short segments composed of residues H1007–I1017 and L1030–V1048, which are termed the C-loop and C-helix, respectively, according to their secondary structure (Fig.  and Supplementary Fig. ). Residues on the C-loop with large sidechain, such as M1011 and W1013 help to determine the peptide sequences and the sequence of C-helix was confirmed by secondary structure prediction and the large side chain residue of F1042. The C-loop is closely embedded in a cavity formed by the HC1, HC3, and HC5 helices from the α-CTD of the same subunit, mediated by hydrophobic and electrostatic interactions. In particular, residues L1010 and M1011 penetrate into two different hydrophobic pockets formed by I463HC1-Y466HC1 and F535HC3-L633HC5-F636HC5, respectively. The side chain of the highly conserved aromatic residue W1013 on the C-loop is close to residues Y466 and Y469 located on the N-terminus of HC1, forming a stack of π-π interactions with an edge-to-face geometry (Fig. ). Hydrogen bonds between the backbone carbonyl group of L1010 and the imidazole group of H1007 on the C-loop and side chains of R462 and E470 on HC1 further strengthen interactions between the C-loop and α-CTD (Fig. ). Moreover, the salt bridges R1008-E545 and E1015-R534 mediate interactions of the C-loop and HC3 helix. The C-helix is located underneath the α-CTD and grips CNBLD from the same subunit and α-CTD from another subunit with extensive contact interfaces, thus stabilizing the dimerization of SOS1 and a specific geometry between α-CTD and CNBLD (Fig. ). Hydrophobic interactions are important to stabilize HC1 and HC2. For example, F1042 on the C-helix forms π-π stacking interactions with F479 and W493. Moreover, G1043 and S1033 of the C-helix also form hydrogen bonds with S738 and S883 of CNBLD. Taken together, the results show that C-loop and C-helix are involved in extensive intramolecular or intermolecular interactions with α-CTD and CNBLD and presumably stabilize the intracellular domain in a specific conformation to inhibit SOS1 activity. We speculate that the C-loop and C-helix may be important for the autoinhibitory regulation of the C-terminal tails.

To understand the functional roles of the C-loop and C-helix determined in the structure, we constructed internal deletions of C-loop (SOS1ΔC-loop), C-helix (SOS1ΔC-helix) or both (SOS1ΔC-loop/C-helix) and performed functional complementation assays using the salt-sensitive yeast mutant strain AXT3K,,, which is unable to grow in nutrient medium supplementary with 50 mM NaCl (Fig. ). The expression level of these mutants is comparable to that of the wild-type (WT) SOS1, as evidenced by the Western blot analysis (Supplementary Fig. ). To further confirm that the salt tolerance of transgenic AXT3K is increased through enhanced Na+ efflux activity of SOS1, the intracellular Na+ content of cells expressing the SOS1 variants in AP medium with 30 mM NaCl was measured (Fig. ). Compared with WT SOS1, SOS1ΔC-loop upregulated SOS1 activity under salt stress conditions and significantly boosted the salt tolerance ability of transgenic yeast cells, allowing them to survive in medium containing a high concentration of 400 mM NaCl, which is similar to co-expression of the three SOS genes, while SOS1ΔC-helix only moderately enhanced transporter activity. However, the plaque growth of the combined deletion mutant SOS1ΔC-loop/C-helix was significantly better than that of the single mutant SOS1ΔC-loop or co-expression of the three SOS genes, which reached a high level similar to the hyperactivated truncation mutant at Q998. Correspondingly, Na+ content in yeast cells transformed with SOS1ΔC-loop/C-helix was 26% lower than that in SOS1ΔC-loop-expressing cells (Fig. ). Non-invasive micro-test technology (NMT) showed a significant enhancement of Na+ efflux in yeast expressing SOS1ΔC-loop and SOS1ΔC-loop/C-helix compared to WT SOS1 under salt conditions (Supplementary Fig. ). Notably, the mean rate of Na+ efflux in the SOS1ΔC-loop/C-helix transformants exhibited 2-fold faster than the SOS1ΔC-loop transformants. These results ***suggest*** that these two fragments are cooperatively involved in the regulation of SOS1 activity, but the C-loop appears to play a more important regulatory role. Based on structural analysis, the W1013C-loop and F1042C-helix likely play a key role in locking the autoinhibitory conformation by stabilizing the N- and C-termini of HC1 through π-π stacking with surrounding aromatic residues, respectively. We substituted these two residues with alanine (SOS1W1013A and SOS1F1042A). The SOS1W1013A and SOS1F1042A mutants improved the salt tolerance of transgenic yeast to a level equivalent to that achieved with SOS1△C-loop and SOS1△C-helix, respectively, which is further supported by experiments measuring the relative intracellular Na+ content of these transformants (Fig. ).

In order to understand the conformational change of the transporter upon activation, we also carried out the structural study using constitutively activated C-terminal-truncated SOS1 (SOS1Δ998) mutant. The SOS1Δ998 was recombinantly expressed and purified, which was subjected to cryo-EM analysis (Supplementary Fig. ). Despite the SEC profile and SDS PAGE analysis look decent, we could not resolve a reasonable cryo-EM map of the SOS1Δ998. Specifically, the intracellular domains are completely blurred in the 2D classes and indistinguishable in the 3D map (Supplementary Fig. ), ***suggesting*** that the activated SOS1 is featured by highly flexible intracellular domains, instead of tightly packed domains found in the inhibited states. We thus speculate that the activation of the SOS1 through C-terminal phosphorylation, C-terminal truncation, and C-loop deletion may be due to disruption of the intramolecular and intermolecular interactions of intracellular domains.

TM5b serves as an intracellular lateral gate

An elevator-like transport model has been proposed for Na+/H+ antiporters to carry Na+ ions from one side of the membrane to the other in exchange for protons based on the structural analyses of the inward- and outward-facing conformation structures. Recently, we reported atomic-resolution structures of the human NHE1-CHP1 complex in both inward-facing (NHE1-CHP1IF) and cariporide-bound outward-facing (NHE1-CHP1OF) conformations, in which the core domain undergoes significant conformational changes, including translation and ***rotation***, relative to the dimerization domain (Fig. ). TM5b of the core domain of the NHE1-CHP1IF complex forms a thinner 310 helix, and the hydrophobic middle part becomes fully stretched to significantly deepen and open the cavity to the intracellular side. Strikingly, TM5b is rearranged into an α-helix and lifted by a charge-dipole interaction between D238TM5 and the N-***cap*** of TM12b in the outward-facing NHE1-CHP1 complex. SOS1 harbors a negatively charged inward-facing cavity between the core and dimerization domains, and this intracellular cavity is shallower than that of the NHE1-CHP1IF complex. Interestingly, the structure of the core domain of SOS1, including TM5b, resembles that of the NHE1-CHP1OF complex rather than that of the NHE1-CHP1IF complex. In particular, TM5b forms an α-helix and moves close to the dimerization domains through the charge-dipole interaction between D172TM5 and the N-terminus of TM12b. Consequently, the side chain of D201TM6, equivalent to D267TM6 in NHE1, is buried and inaccessible, indicating that the structure of SOS1 represents an occluded state. Based on these structural analyses, we proposed that TM5b acts as an intracellular lateral gate, governing the association or dissociation of ions and conformational change of the transporter.

Intracellular lateral gate in distinct conformations.

a–c Conformational transition of SOS1 and NHE1-CHP1 among the inward-facing state (a), the occluded state (b), and the outward-facing state (c), viewed in the membrane plane. The core domain is shown as surfaces and colored according to electrostatic potential. TM5, TM6, TM10, and TM12 are shown as cartoons. TM5 and TM12 are colored in rainbow. Asp172SOS1 and Asp201SOS1 (Asp238NHE1 and Asp267NHE1) are critical for ion binding and are labeled in red. Conformational change of TM5b is highlighted by showing the Cα of N-terminal (cyan, Pro173SOS1 and Pro239NHE1) and Cα of C-terminal (green, Lys181SOS1 and Glu247NHE1) residues in α-helical form as spheres. The centers of mass (COMs) of the core domain and dimerization domain are calculated using transmembrane helices and are shown as dots. COMC, core domain, black; COMD, dimerization domain, gray.

Discussion

SOS1 is the only known plasma membrane-localized Na+/H+ antiporter identified to date in higher plants. It is ubiquitously expressed in epidermal cells at the root tip and in parenchyma at the xylem-symplast boundary of roots, stems, and leaves and plays pivotal roles in maintaining ion homeostasis and controlling long-distance Na+ transport via the xylem. Soil salinity is becoming a severe environmental stress factor worldwide, and the major toxic cation present in saline soils is Na+, which is seriously detrimental to plant growth and restricts ***agricultural*** production,. Therefore, SOS1 is emerging as a promising candidate to develop salt-tolerant transgenic crops. Despite there have been recent advances in the understanding functional roles of cytosolic C-terminal tail of eukaryotic Na+/H+ antiporters (i.e., NHE1 and NHE3),, the autoinhibitory mechanism of SOS1 remains elusive.

Here, we determined high-resolution cryo-EM structures of the full-length wild-type Arabidopsis thaliana SOS1, revealing the architecture and subunit arrangement of this Na+/H+ antiporter. Unlike the classic Na+/H+ exchanger, SOS1 harbors a large intracellular domain consisting of a rectangle-shaped α-helical disk just below the membrane, a cyclic nucleotide-binding homology domain, and a C-terminal antiparallel β-sheet roll. We also determined SOS1 at two conformations in which lipid molecules differentially insert into the extracellular cavity formed by two dimerization domains. In the SOS1expand structure, two extra lipids were determined to be buried in the dimerization interface, leading to extracellular expansion of the TMD. However, the differences in bound lipids did not result in significant conformational changes in the intracellular ends of TM helices and in the intracellular domains. According to the structural comparison, we found that SOS1 is locked in an occluded state by shifting of TM5b toward the dimerization domain, stabilized by interactions between TM5b and HC7-HC8 helices from the other subunit (Fig. ). We proposed that TM5b may function as a lateral gate to control the accessibility of the ion binding pocket from the intracellular side. Moreover, HC1 directly connects TM13 from the core domain. As reported in a previous study, the core domain is supposed to undergo upward or downward movement relative to the dimerization domain during the transport cycle. We speculate that the close packing between TMD and intracellular domain would prohibit the core domain from sliding across the membrane, thus inhibiting the activity of SOS1.

Proposed model for SOS1 activation.

TM5 and TM6 helices from the core domains are illustrated and labeled. Side chains of the D201TM6 are shown as sticks. Intracellular domains including the HCs, CNBLD, and β-CTD are represented according to their structure and labeled. The C-loops and C-helices are shown as tubes. The unresolved structure of the C-terminal tail is shown in dashed lines. a The inhibited state is shown where the intracellular domains are tightly packed together. The TM5b occludes D201TM6 and makes it inaccessible from the intracellular side. b The active state is demonstrated, where the intracellular domains are unpacked following the release of the C-loop and C-helices. The phosphorylated region is denoted by a red dotted circle. The core domain undergoes elevator-like movement between the inward-facing conformation and outward-facing conformation, depicted using opaque and transparent cartoons, respectively. Arrows indicate the movement of the core domain from the inward-facing state to the outward-facing state.

Two discrete fragments, C-loop (residues 1007–1017) and C-helix (residues 1030–1048), were determined to interact with intracellular domains from different subunits. We speculate that interactions of C-loop and C-loop with other domains might contribute to stabilize dimerization of the intracellular domains. Deletion of C-loop and/or C-helix (SOS1ΔC-helix, SOS1ΔC-helix) and mutation of W1013 or F1042 significantly stimulate the transport activity of SOS1, demonstrating C-loop and C-helix serve as a crucial molecular switch to regulate the activity of this antiporter. To gain insights into the activation mechanism of SOS1, we also made a constitutively active construct by truncating C-terminal autoinhibitory tail (SOS1Δ998) and carried out cryo-EM study. It turns out that intracellular domains are completely blurred during 2D and 3D classification, preventing us from obtaining a high-resolution map and ***suggesting*** that intracellular domains may become highly mobile upon SOS1 activation. Interestingly, we found that the surface electrostatic potential of the intracellular domains is negatively charged (Supplementary Fig. ). Considering the critical roles of C-loop/C-helix and phosphorylation of C terminal tail in activation of SOS1, we further hypothesis that the phosphorylation of the C-terminal tail would introduce additional negative charge(s) that would repel negatively charged intracellular domains, reducing binding affinity of the C-loop and C-helix to the intracellular domain and destabilizing dimerization of the intracellular domain, thereby activating the SOS1. Previous studies have identified S1138 as the phosphorylation site and highlighted the role of S1136 in localizing SOS2 to the phosphorylation site. However, we found that the serine-to-alanine mutant SOS1S1136A/S1138A conferred the same degree of salt tolerance in yeast as the wild-type SOS1 in the presence of the SOS2-SOS3 complex (Supplementary Fig. ). This finding strongly ***suggests*** the existence of additional potential phosphorylation site(s) involved in SOS1 activation by the SOS2-SOS3 complex that have not yet been clearly identified. Further investigations are required to map the specific locations of these additional phosphorylation sites and gain valuable insights into the activation mechanism.

Methods

Cloning, expression, and purification of the Arabidopsis SOS1

The gene encoding Arabidopsis. thaliana SOS1 (UniProtKB accession: Q9LKW9) was amplified from a cDNA library of A. thaliana ecotype Columbia (Col-0) and subcloned into a pEG-BacMam expression vector. To facilitate detection and purification of the SOS1, a superfolder green fluorescent protein (sfGFP) and a Twin-Strep tag were introduced at the C-terminus of the SOS1, following by a PreScission Protease (PPase) recognition site. Recombinant proteins were expressed in HEK293F cells (Thermofisher, 11625019) using the Bac-to-Bac baculovirus expression system (Invitrogen, USA). Specifically, P2 viruses generated in Sf9 insect cells (Thermofisher, 10902096) were used to infect HEK293F at a density of 2.2–2.5×106 cells mL−1 with 1% (v/v) fetal bovine serum (FBS). Transfected HEK293F cells were cultured in a shaker with 5% CO2 at 37 °C. After 12 h, 10 mM sodium butyrate was added to the medium and the cells were incubated for another 48 h before harvesting. Harvested cells were snap-frozen in liquid nitrogen and resuspended in a lysis buffer (20 mM HEPES pH 7.5, 150 mM NaCl, 5 mM β-mercaptoethanol (β-ME), 2 μM leupeptin, 0.8 μM pepstatin, and 2 μM aprotinin (MedChemExpress)), followed by lysing with a Dounce homogenizer. The membrane fraction was isolated by ultracentrifugation at 45,000 g for 40 min and immediately resuspended into a solubilization buffer (20 mM HEPES pH 7.5, 150 mM NaCl, 1% (w/v) digitonin, 5 mM β-ME, 5 mM ATP, 5 mM MgCl2, 2 μM leupeptin, 0.8 μM pepstatin, and 2 μM aprotinin) for 3 h with agitation. Insoluble debris was removed by ultracentrifugation at 45,000 g for 40 min, and the supernatant was subjected to affinity chromatography column with Streptactin Beads (Smart-Lifesciences, China) at a flow rate of 1 mL/min. The beads were washed with 10 column volumes of washing buffer (20 mM HEPES pH 7.5, 150 mM NaCl, 5 mM β-ME, 0.03% (w/v) glycol-diosgenin (GDN), 2 μM leupeptin, 0.8 μM pepstatin, and 2 μM aprotinin) to remove nonspecific bound protein and then the SOS1 protein was eluted with the washing buffer supplemented with 5 mM desthiobiotin. The eluate was incubated together with PPase for 3 h to improve the sample homogeneity, concentrated with 100-kDa cut-off Amicon Ultra centrifugal filter (Merck Millipore, Germany) to 1 mL and further purified by size exclusion chromatography (SEC) using a Superose 6 Increase 10/300 GL column (GE Healthcare, USA) with a running buffer containing 20 mM HEPES pH 7.5, 150 mM NaCl, 5 mM β-ME and 0.007% (w/v) glyco-diosgenin (GDN). The peak fractions were collected, concentrated to ~6 mg/mL for cryo-EM grid preparation. The yield of protein was approximately 0.2 mg/L of HEK293F cell culture. All processes for protein purification were carried out at 4 °C. The purified protein was also analyzed using High Performance Liquid Chromatography (HPLC) and Coomassie-stained SDS-PAGE.

The truncated SOS1Δ998 construct was incorporated from existing full-length wild-type SOS1, with a PPase cleavage site, sfGFP and Twinstrep tags being fused to the C-terminus of the gene product. The above described method was followed for the truncated protein purification.

Cryo-EM grid preparation and data collection

A droplet (2.5 μL) of SOS1 protein sample was applied to the holey carbon grids (Cu R1.2/1.3 300 mesh, Quantifoil), which were glow-discharged beforehand in H2-O2 condition for 1 min using a Solarus plasma cleaner (Gatan, USA). The grids were then blotted with a Vitrobot Mark IV (Thermo Fisher Scientific, USA) for 4.5 s under 4 °C and 100% humidity and flash-frozen in liquid ethane cooled by liquid nitrogen. Cryo-EM data were collected on a 300-kV FEI Titan Krios transmission electron microscope (Thermo Fisher Scientific, USA) equipped with a Gatan K2 Summit direct electron detector and a GIF quantum energy filter. The SerialEM was used to collect movie stacks automatically at a magnification of 130,000×, which corresponds to a pixel size of 0.52 Å across a defocus range of –1.2 μm to –2.2 μm. Each movie stack was dose-fractionated in 32 frames with a total dose of 60 e–/Å2. The dose rate was set to 9.0 e–/pixel/s.

Data processing

A total of 1,552 movies were collected for the structural analysis of SOS1. The movies were subjected to beam-induced motion correction and dose-weighted using MotionCor2 with 5 × 5 patching. Contrast transfer function (CTF) parameters for each micrograph were determined by Gctf. Particle picking was conducted by Gautomatch and the integrated blob picker and template picker in cryoSPARC, generating a dataset of 1,254,798 particles. Rounds of reference-free 2D classification were performed in cryoSPARC to clean particles, followed by Ab-initio reconstruction to generate a reference 3D map. Reference-free 2D classification resolved different projections and clearly showed that SOS1 consists of a transmembrane domain (TMD) and a large cytoplasmic domain (CTD) with distinguishable structural features, including transmembrane and intracellular helices. Particles were then imported into RELION-3.1 and cleaned up by rounds of 3D classifications. The initial multi-reference 3D classification in RELION was performed on a 4 × 4 binned data set against a good map and four biased maps, generating 5 classes. Class 5 (40.3%), which was calculated using the good reference, displayed structural features of the transmembrane and intracellular domains. Particles from class 5 were then re-extracted with 2 × 2 binning and subjected to another round of multi-reference 3D classification in RELION with the same reference set. Particles from the best class accounted for 67.6% of total input and displayed well-resolved structural features, including continuous transmembrane helices and α-helices within the intracellular domains. After beam-tilt CTF refinement, Bayesian polishing, and 3D refinement, a high-resolution density map was reconstructed in RELION and reported at 3.5 Å according to the golden-standard Fourier shell correlation (GSFSC) criterion. These particles were subsequently submitted to another round of skip-align 3D classification in RELION, resulting in four reconstructions at overall resolutions of 5.5 Å, 3.1 Å, 7.5 Å, and 4.0 Å, respectively. Particles from these classes, namely, 290,003 particles (58.6%) from class I, 151,646 particles (21.5%) from class II, and 80,155 particles (12.4%) from class IV, were imported into cryoSPARC for further processing. Heterogeneous refinements were performed on the classes individually to improve map quality. The final maps were generated by non-uniform refinement in cryoSPARC, which generated a class I map at 3.5 Å, a class II map at 2.8 Å, and a class IV map at 3.4 Å, all based on the GSFSC criterion. A diagram of data processing is presented in Supplementary Figure .

For the truncated SOS1Δ998 protein, a total of 931,449 particles were initially picked from 1,312 micrographs, followed by particle cleaning using 2D classification. In contrast to the full-length SOS1, the intracellular part of SOS1Δ998 in 2D micrographs is completely blurred. The helical features of the transmembrane region are also ambiguous. Ab initio reconstruction was conducted to generate an initial map. 3D classification against the low-resolution map and four trash maps was carried out with the application of C2 symmetry, which yielded five classes. The most populated class was composed of 26% of total particles but the TM helices cannot be clearly displayed. Particles from this class were selected and submitted to further 3D classification focusing on TMD domain. However, none of the six classes displaying resolved transmembrane helices and we did not obtain a map with clear TMD density because the completely disordered cytoplasmic structure broken the alignment of the particles. All procedures of data processing were conducted in cryoSPARC.

Model building

To build the atomic model of the SOS1, the transmembrane helices of a NHE1 (PDB ID: 7DSX) protomer was fitted into the density map of SOS1 using UCSF Chimera as the initial model and then were manually inspected and rebuild in Coot. The remaining parts of SOS1 were built de novo according to the cryo-EM density and secondary structure prediction. The two discrete cytoplasmic segments containing residues 1007–1017 (C-loop) and 1030–1048 (C-helix) was clearly determined with well-resolved densities for mainchain and bulky side chains, which enabled us to unambiguously build the atomic model. However, the chain ID of the C-loop and C-helix is not clearly determined based on the cryo-EM map, due to linkers connecting β-CTD, C-loop and C-helix are missing. As shown in Supplementary Figure , The distances between I972 from A subunit and H1007 from two C-loops are about 27 Å and 24 Å, respectively. Considering 35 amino acids missing between these two termini, we speculate that both two C-loop segments possibly belong to chain A. The C-loop interacting with HC1, HC3, and HC5 from A subunit was set as chain A. The distances between I1017 on C-loop from chain A and L1030 from two C-helix are 16 Å and 45 Å, respectively. Considering only 12 residues missing between C-loop and C-helix, we speculate that the C-helix interacting with CNBLD from chain B belongs to chain A. To generate a dimerized SOS1 model, the atomic model of a SOS1 protomer was copied and manually fit into the densities according to the symmetry axis. Manual refinement and real-space refinement in PHENIX were performed iteratively to further improve the model. The hydrocarbon chain of lipid was added manually in Coot. The geometries of the structures were valuated using PHENIX. The model vs. map Fourier shell correlation curve was calculated using the comprehensive validation (cryo-EM) in PHENIX. Figures were prepared in PyMOL and UCSF Chimera. Statistics for cryo-EM data collection and model refinement are summarized in Supplementary Table .

Yeast complementary assay

To analyze the mutational effects of SOS1 variants on the antiport activity, colony growth, and Na+ content determination were performed using the Saccharomyces cerevisiae mutant strain AXT3K (4ena1::HIS3::4ena4, 4nha1::LEU2, and 4nhx1::KanMX4), which is deficient in the Na+ efflux proteins ENA1–4 and NHA1, and the vacuolar Na+/H+ antiporter NHX1. Full-length Arabidopsis thaliana SOS1 was cloned into the plasmid pYPGE15 with a C-terminal 6×His tag. Nine different constructs of SOS1 were made, containing five mutations (D201A, W1013A, F1042A, 702EEK704/AAA, 484DDEE487/AAAA), three internal deletions (SOS1ΔC-loop, SOS1ΔC-helix and SOS1ΔC-loop/C-helix) and a truncation construction (SOS1Δ998). All the mutations were generated by overlap extension PCR and sequenced prior to use. The forward primers and the reverse primers for the modifications are summarized in Supplementary Table . Plasmids pYPGE15 containing the variant gene were transformed into AXT3K using the PEG/LiAc method. In both types of assays, co-transformed with pYPGE15-AtSOS1 and p414-AtSOS2-AtSOS3 was used as the positive control, and the untransformed AXT3K was used as a negative control.

The NaCl-resistance colony assay were performed in AP medium (8 mM phosphoric acid, 10 mM arginine, 2% glucose, 2 mM MgSO4, 1 mM KCl, 0.2 mM CaCl2, plus trace elements and vitamins, adjusted to pH 6.5 with arginine). The transgenic and untransformed yeast cells were precultured in liquid YPD medium until OD600 = 1.0 and diluted to 10–1, 10–2, 10–3, 10–4, 10–5 successively. 4.5 μL aliquots of each serial 10-fold dilutions of yeast cells were spotted onto AP plates supplemented with 0, 50, 100, 200 or 400 mM NaCl. After incubation for 3–5 days at 28 °C, the growth of yeast cells on plates was imaged and analyzed.

Na+ content determination

In the Na+ content determination, yeast cells were grown either with or without 30 mM NaCl in 2.5 L of AP medium at 28 °C with shaking (200 rpm). The cells were harvested by centrifugation (3000 g, 5 min) when the OD600 reached 0.25 ± 0.01. After treatment with ice-cold washing buffer (10 mM MgCl2, 10 mM CaCl2and 1 mM HEPES), the yeast cells were then oven-dried at 85 °C for 48 h and weighed, after which the samples were digested with 10 mL of HNO3 and H2O2 overnight. And then the Na+ content was determined using an atomic absorption spectrometer (Agilent, USA). All data are reported as the mean ± SEM. Data analyses were performed using Prism 9 (GraphPad, USA). The original data was shown in Supplementary Table . The functional data is not normalized by the expression level.

Measurement of Na+ efflux with non-invasive micro-test technology

The real-time Na+ efflux from the yeast cells under salt stress was measured using NMT, (NMT Physiolyzer, YoungerUSA, MA, USA). Yeast cells were first cultivated in 5 mL AP medium (8 mM phosphoric acid, 2% glucose, 2 mM MgSO4, 1 mM KCl, 0.2 mM CaCl2, plus trace elements and vitamins, adjusted to pH 6.5 with arginine) at 28 °C for 24 h with shaking (200 rpm), and then transferred into 10 mL fresh medium with a final concentration of 100 mM NaCl and allowed to grow at 28 °C for 2 h with shaking (200 rpm), after which 0.5 mL nutrient solution with yeast cells were harvested by centrifuge (3000 × g, 5 min), the pellet was resuspended in 0.2 mL measuring buffer (100 mM mannitol, 1.0 mM NaCl, 0.2 mM MES, pH 6.3). Na+-flux microsensor were positioned 5 μm away from the cells enriched by the conical filter membrane, and a continuous flux recording was taken for 5 min for each sample using imFluxes V3.0 software (Xuyue Company, Beijing, China). All data are reported as the mean ± SEM. Data analyses were performed using Prism 9 (GraphPad, USA). The experiment was repeated three times.

Western blot analysis

For Western blot analyses, yeast cells were cultivated in 10 mL AP medium at 28 °C with shaking (200 rpm) and harvested by centrifugation at 1500 × g after 24 h. The cell pellet was resuspended in ice-cold disruption buffer composed of 25 mM Tris, 150 mM NaCl (pH 8.0), supplemented with 2 μM leupeptin, 0.8 μM pepstatin, 2 μM aprotinin (MedChemExpress) and 1 mM PMSF (Sangon Biotech). Cell lysates were prepared by vigorous vertexing with glass beads in a mixer mill for 10 × 3 min at 4 °C, followed by centrifugation at 13,000 × g for 30 min at 4 °C. The pellet was resuspended and incubated with 2×SDS sample loading buffer for 5 min prior to subjecting the denatured protein samples to 8% SDS-PAGE. Subsequently, the proteins were transferred to nitrocellulose blotting membranes (GE health, USA) for immunoblotting. The membranes were blocked with 5% nonfat skim milk for 1 h and then incubated with the specified primary mouse monoclonal antibodies: anti-His (1:6000 dilution, CW0286M, CoWin Biotech, Beijing, China) and anti–β-tubulin (1:6000 dilution, ab184970, Abcam, UK) in PBS containing 0.1% Tween 20, followed by extensive washes and incubation with corresponding horseradish peroxidase–conjugated secondary antibodies goat anti-mouse (1:6000 dilution, CW0102S, CoWin Biotech, Beijing, China) and goat anti-rabbit (1:6000 dilution, CW0103S, CoWin Biotech, Beijing, China) for 1 h at room temperature. Immunoreactive bands were detected using Western Lightning Plus-ECL blotting detection reagents (Tanon, China).

Reporting summary

Further information on research design is available in the  linked to this article.

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**Notes**

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[***Blue-shift photoconversion of near-infrared fluorescent proteins for labeling and tracking in living cells and organisms***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69X7-N3N1-F129-P0Y3-00000-00&context=1516831)

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**Body**

Introduction

Fluorescent proteins (FPs) have been engineered to reversibly and irreversibly shift their spectral properties upon illumination at specific wavelength and energy,. Some FPs exhibit transitions from a dark to a bright state (photoactivation, PA) while others change color (photoconversion, PC). Irreversible spectral shift, also called photolabeling, enables a diverse type of imaging experiments where a subset of molecules or cells can be highlighted and monitored over time using conventional or super-resolution fluorescence microscopy–. Such a tool provides unique spatial and temporal information compared to conventional time-lapse imaging where the entire labeled population is monitored at the same time i.e., the dynamics of single cells or a subset of a protein species located in a specific compartment can be discerned from the ensemble and averaged behavior down to µs–ms temporal resolution.

Photoconvertible fluorescent proteins (PCFPs) can fluoresce in both states, which adds the option to monitor both photo-converted and unconverted population simultaneously. PCFPs have been engineered from many GFP-like proteins with a green-to-red spectral shift (like Dendra, mEos, mKikGR) and further screened for brightness, minimal cross-talk and photostability in both states. FPs ***capable*** of a cyan-to-green (PSCFP2) and an orange-to-far-red (PSmOrange and PSmOrange2) spectral shift are also available. A common feature of these PCFPs is the need for ultraviolet (UV) or blue-green illumination to drive photoconversion. To bypass the use of highly energetic UV light, two-photon photoconversion, or primed conversion, i.e., the combined illumination of blue and red/near-infrared (NIR) light, have been used. However, the former approach suffers from low yield whereas the latter still requires visible light illumination and relatively high red-light intensities due to the photoconversion efficiency.

PCFPs with spectra and photoconversion light at longer wavelengths such as the NIR region are still missing despite being desirable for bioimaging applications, as they would reduce autofluorescence, light scattering, and phototoxicity,. Bacterial phytochrome photoreceptors (BPhPs) carry the most NIR-shifted known natural chromophore, a linear tetrapyrrole biliverdin IXα (BV). As an enzymatic product of heme catabolism, BV has the advantage of being naturally produced in mammalian cells. BphPs consist of at least four domains, including PAS (Per-ARNT-Sim), GAF (cGMP phosphodiesterase/adenylate cyclase/FhlA), PHY (phytochrome-specific), and various effector domains. The BV chromophore is located in the GAF domain and has a covalent thioether bond between the C3 atom of ring A and a Cys at the N-terminal part of the PAS domain. Photoswitching via light-induced ***rotation*** of ring D is an inherent feature of BphPs whose primary function in host bacteria is light-driven signal transduction. BphPs reversibly switch between a red (Pr, λabs ~700 nm) and a far-red/NIR (Pfr, λabs ~ 750 nm) absorbing state. Canonical BphPs adopt the Pr state in the dark and photoconvert to the Pfr state upon illumination with far-red light (peaked at 680–710 nm). From the Pfr state, NIR illumination (peaked at 740–760 nm) and/or thermal relaxation drives the BphP back to the Pr state. Two notable exceptions to this photoconversion behavior are the “bathy”-BphP and the RpBphP3 from R. palustris. For the former, Pfr is the dark-adapted state which can photoconvert to Pr and for RpBphP3, the photoproduct absorbs at shorter wavelengths than the Pr state, in the near-red (Pnr, λabs ~ 645 nm),.

Additional requirements such as higher brightness, monomeric state, yield of conversion and stability in both forms need to be met to use the Pr/Pfr spectral shift as a photoconvertible tool for biological imaging. A first attempt to engineer dark-to-bright photoactivatable NIR FPs led to PAiRFP and PAiRFP2. Although their photoactivation results in an up to 20-fold fluorescence increase, their brightness is well below that of standard NIR FPs and their high sensitivity to light makes them unstable preventing their use in daylight and time-lapse experiments.

High effective brightness and a monomeric state have been achieved with the miRFP mutants of the BphPs of R. palustris,. miRFPs consist only of the PAS-GAF domains (Supplementary Fig. ) and have fluorescence emission peaks ranging from 670 nm to 720 nm–. The absence of the PHY domain and the Asp substitution in the conserved -PXSDIP- amino acid motif of BphPs stabilizes ring D of the BV chromophore in the Pr state. The spectral diversity of miRFPs is attributed to the degree of π-conjugation of ring A with the rest of the BV chromophore: it is partially reduced in the most blue-shifted variant miRFP670 while having π-π stacking with protein residues in the most red-shifted miRFP variants.

Here, we report on a photoconversion phenomenon common to various miRFPs (miRFP670, miRFP703, miRFP709, miRFP713, and miRFP720) that leads to a stable photoconverted species. The photoconversion can be driven by either NIR (640–780 nm) or UV/Vis (405 nm) illumination.

Because miRFPs are excited, emit and are photoconverted with NIR light, they open possibilities for photolabeling in a previously unexplored spectral region. Red-shifted illumination is advantageous for tissue and in vivo imaging, where samples are typically affected by scattering. Furthermore, the photoconversion driven by NIR illumination is found to be non-linear, thus providing optical axial confinement and minimal off-target phototoxicity. It has been shown that the photoconversion of PCFPs in the visible range can also be axially confined through the primed conversion mechanism, at the expense of slower conversion efficiency relative to the photoconversion of the same PCFPs by UV light and it is therefore suboptimal for chasing fast dynamics. miRFPs represent a viable option for cell and sub-cellular tracking applications featuring a faster photoconversion rate without compromising the time resolution, as with primed conversion. Additionally, we further show that the miRFP spectral shift is coupled to a fluorescence lifetime change, which can be used to further separate the photoconverted molecules from the original population enhancing the contrast. This is particularly desirable for in vivo studies over long observation time windows, where protein turnover might decrease the signal of photoconverted cells.

We demonstrate the compatibility of the miRFP photoconversion with in vivo imaging by tracking proteins and organelles in cell culture and zebrafish larvae with confocal and super-resolution stimulated emission depletion (STED) microscopy. The miRFP photoconversion experiments can be performed in commercially available microscopes, which typically host laser lines at 405 and 775 nm. Finally, we show how the spectra and kinetics of miRFPs’ photoconversion are complementary to commonly used PCFPs in the visible range, allowing to multiplex photolabeling of proteins and single cells.

Results

Characterization of the miRFP NIR-to-far-red photoconversion

To investigate the light-driven spectral shift of several miRFP variants, we expressed them in E. coli bacteria. When we illuminated a selected region of interest of the bacteria pellet with pulsed light at 775 nm, an hypsochromic shift of ~53 nm in the fluorescence excitation and ~59 nm in the fluorescence emission spectra is detected (Fig. , Supplementary Fig. ). The same direction and length of the shift was found for the other miRFP variants (Fig. , Table ), ***suggesting*** a common underlying mechanism that is hypothesized to be disturbance of the π-conjugated system in the BV chromophore (Fig. ). The photoconverted form exhibits blue-shifted spectra compared to the unconverted population, yet the spectra are still well separated from the reddest species of the GFP-like PCFPs (Fig.  and Supplementary Fig. ).

Blue-shift photoconversion in miRFPs.

a Representative images of an experimental recording (blue-shifted channel: 580–620 nm, excitation at 570 nm; red-shifted channel: 700–750 nm, excitation at 670 nm). b Emission spectra for the initial (solid line) and photoconverted (dashed line) forms of different groups of PCFPs. One example for each group of GFP-like PCFPs (top). Emission spectra for the miRFP proteins expressed in bacteria before and after photoconversion (bottom). The gray blocks identify the spectral bands (~50 nm) occupied by the PCFPs. c Energy levels for miRFP720 with the paths of photoconversion. The BV chromophore is sketched in the Pr state. A single thioether bond attaches ring A to the Cys residue of the PAS domain in miRFP703, miRFP709, miRFP713, and miRFP720. miRFP670 has two thioether bonds from the protein to ring A. d Photoconversion yield for miRFP709 expressed in E. coli at increasing illumination intensity for a range of wavelengths at 680–900 nm. e Action spectra for miRFP proteins in the blue-shifted channel. The photon flux of the photoconversion illumination was kept constant at ~ 0.1 × 1026 ph/cm2s. f Comparison of the relative maximum photoconversion yield obtained for miRFP709 at 405 nm illumination compared to 700 nm illumination, the maximum of the action spectra. Each data point in d–f is the mean and SD for bacteria enclosed in a field of view of ~30 × 30 µm2 (100–200 bacteria). In d and e, each point represents the mean, and the shaded area represents one standard deviation. In f, the bars represent the mean, the error bars represent one standard deviation. g Axial confinement dependency on the photoconversion-inducing illumination wavelength: 775 nm (120 fs, 80 MHz, left) and 405 nm (continuous wave, right). For both wavelengths, the photoconversion energy is below saturation (10 J/cm2 and 3 J/cm2 for 775 nm and 405 nm, respectively). The images are representative examples of 3 independent experiments. Scale bars, 5 µm. Source data are provided as a Source Data file.

The spectral shift for miRFP proteins after photoconversion

| **NIR FP** | **miRFP670** | | **miRFP703** | | **miRFP709** | | **miRFP713** | | **miRFP720** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **grounda** | **convertedb** | **grounda** | **convertedb** | **grounda** | **convertedb** | **grounda** | **convertedb** | **grounda** | **convertedb** |
| Ex. max [nm] | 642 | ~570 | 674 | ~630 | 683 | 630 | 690 | 630 | 702 | ~635 |
| ?Ex, [nm] | 72 | 44 | 53 | 60 | 67 |  |  |  |  |  |
| Em. max [nm] | 670 | ~590 | 703 | ~660 | 709 | 650 | 713 | ~655 | 720 | ~665 |
| ?Em [nm] | 80 | 53 | 59 | 58 | 55 |  |  |  |  |  |
| PC yield for ?PC, Q band | 3.5 ± 0.1 | 7.6 ± 0.1 | 3.9 ± 0.1 | 7.8 ± 0.1 | 4.3 ± 0.1 |  |  |  |  |  |
| PC yield for ?PC, S band | 2.3 ± 0.1 | 2.9 ± 0.1 | 1.7 ± 0.1 | 2.9 ± 0.1 | 1.9 ± 0.1 |  |  |  |  |  |

aExcitation and emission maxima in the ground state are indicated as measured on purified miRFP proteins in Matlashov M. E. et al., Nat. Comm. 11, 1–12 (2020).

bPhotoconverted spectra were acquired in illuminated E.coli bacteria expressing miRFPs at 10 nm bandwidth, which provides some uncertainty for the determination of excitation and emission maxima.

The absorbance spectra of miRFPs are composed of two bands: the Q band (~640–700 nm) and the Soret band (~380–400 nm), where the latter corresponds to the absorption of individual pyrrole rings of the BV chromophore. Starting from the Q band spectral region, we investigated the efficiency of photoconversion as a function of different wavelengths for the five miRFPs variants using a femtosecond laser source (80 MHz, 120 fs pulse width, Fig. ). The photoconversion yield was quantified as the ratio of fluorescence intensity after and before photoconversion (Fpost/Fpre) detected in the emission band of the photoconverted form ~ 600–700 nm (Supplementary Note ). The highest yield was in the 680–720 nm, which is in good agreement with the miRFP absorbance (Fig. ).

At each wavelength of the 680–800 nm range, the photoconversion yield increased quadratically with the illumination energy (Fig.  and Supplementary Figs. –), which ***suggests*** a two-photon absorption (2PA). As common for tetrapyrrole, the 2PA efficiency is resonantly enhanced in the 710–810 nm spectral region due to the nearby one-photon transition of the Q-band,. The photoconversion yield curve showed a similar ascendant trend until it reaches a maximum followed up by a fall. Previous ultrafast transient absorption studies and 2PA cross-section estimation on the dimeric iRFP, ancestor of miRFP, ***suggested*** that competing pathways such as stimulated emission and bleaching are the reason for the descendent trend, while ground state depletion, excited state absorption and 2PA promote higher yield of photoconversion (Fig. , Supplementary Fig. ). The efficiency and balance between these processes depend on the excitation wavelength. The dependency of the photoconversion yield to the wavelength reflects the resonance enhancement, with a peak position strongly influenced by the Q-band (Fig. ). The spectra were recorded at minimal energy (~10 photons/cm2s) to avoid artifacts introduced by photo-bleaching or stimulated emission. We measured a similar trend for all miRFPs, with peaks at 690–720 nm. An exception was miRFP670, where the peak shifted toward shorter wavelengths as a result of a more blue-shifted Q-band (Fig. ). We also recorded the related spectra of the unconverted population, which showed comparable dependence versus photoconversion’s energies and wavelengths (Supplementary Fig. ).

The Soret absorption band can be used to drive photoconversion in the UV/Vis spectral region (Fig.  and Supplementary Fig. ). As opposed to the NIR-driven photoconversion, the 405 nm light promotes a linear dependency of the photoconversion yield versus illumination energy (Supplementary Fig. ). Interestingly, the plateau level of the 405 nm driven conversion was lower than that of the Q band for all miRFPs, likely due to a higher bleaching rate (Supplementary Fig. ).

The dual nature of the photoconversion in the two spectral regions influences the spatial confinement of the fluorescence signal. We illuminated two regions of a bacteria sample expressing miRFP713 and located at an axial depth of 15 µm from the coverglass with 775 nm (10 J/cm2) and 405 nm (3 J/cm2), respectively. As expected from a 2PA, the photoconversion at 775 nm generated a photoproduct axially confined (~4 µm) due to the non-linear dependence on the illumination energy, whereas the one-photon absorption at 405 nm photolabeled several planes (~20 µm) (Fig.  and Supplementary Fig. ).

After photoconversion, the photoproduct was thermally stable for ~12 h at room temperature (Supplementary Fig. ). We detected a 10–20% increase of the signal in the photoconverted species over the first 30 min, likely due to some relaxation from metastable dark states (Supplementary Fig. ). Additionally, the photoconversion yield increased when bacteria are observed in an open chamber, indicating an oxygen-dependent photoconversion process (Supplementary Fig. ).

miRFP NIR-to-far-red photoconversion: fluorescence lifetime

In addition to the spectral change, the NIR and far-red forms of miRFP also differ in fluorescence lifetime. Common to all miRFPs studied, we observed an increase in the average fluorescence lifetime upon photoconversion: from 0.65 ± 0.05 ns to 1.10 ± 0.20 ns for miRFP720; from 0.80 ± 0.01 ns to 1.20 ± 0.20 ns for miRFP713; from 0.64 ± 0.01 ns to 1.15 ± 0.02 ns for miRFP703; and from 1.22 ± 0.01 ns to 1.80 ± 0.10 ns for miRFP670 (Fig.  and Supplementary Note ).

Lifetime characterization of the miRFP photoconversion.

a The lifetime for the ground (gray) and photoconverted (blue) forms of different miRFPs is reported (N = 3–5 repetitions, boxes mark the IQR, line defines the median point, gray dot marks the mean, whiskers mark the maximum and minimum values). The photoconversion is triggered by 405 nm illumination at 4.8 J/cm2. b Representative fluorescence lifetime decay for the far-red form (620–650 nm detection band, red dots) and NIR form (700–730 nm detection band, blue dots) of miRFP720 expressed in E. coli, together with the instrument response function (IRF) of the system (green line). c Spectral lifetime exploration for miRFP720 labeling of H2B in HeLa cells. For a non-photoconverted and photoconverted (405 nm light at 5 J/cm2) nucleus, a fluorescence lifetime image has been recorded spectrally from 640 to 740 nm, integrating intervals of 20 nm (excitation at 594 nm). The phasor plot reports the information at all the spectral window (after 8 pixels binning of the images). The two extremes of the orange dotted line correspond to lifetimes of 0.6 ns and 1.5 ns. The arrow follows the progression of the phasor in relation to the spectral progression. d Phasor plot for a layer of bacteria photoconverted only in a central square through 405 nm light in an emission region (e) where the photoconverted and non-photoconverted forms of miRFP720 overlap and therefore are indistinguishable by fluorescence intensity (680–700 nm). The two components identifiable in the phasor plot are highlighted in blue (slow component, photoconverted form) and orange (fast component, non-photoconverted form). Scale bar, 5 µm. f The same dataset has been decomposed according to the two identified lifetime components and the relative change of fluorescence is reported for the fast (0.65 ns) and slow component (1.1 ns). g Quantification of the change in fluorescence for the blue-shifted (filled bars, left) and red-shifted channel (hollow bars, right) (mean ± SD for n = 6 independent repetitions). Scale bars, Source data are provided as a Source Data file.

We then focused on the miRFP720, as the reddest miRFP variant, and investigated its fluorescence lifetime using FLIM imaging, (Fig.  and Supplementary Note ). To test the lifetime dependence on the spectral shift, we recorded one FLIM image at an emission band of 20 nm, from 640 to 740 nm upon excitation with 594 nm light. In the unconverted state, the mean fluorescence lifetime of miRFP720 moves along a line in the phasor plot starting from 0.6 ns in the most shifted NIR window (720–740 nm) to 1.5–2.5 ns for the far-red one (640–660 nm). Upon photoconversion, the fluorescence lifetime is less dependent on the spectral detection window compared to the unconverted population, and it is distributed toward the long lifetime extreme. This spectral dependency of the unconverted form ***suggests*** an initial heterogeneity of miRFP720 in the equilibrium state that converges in the slower form upon conversion (Fig.  and Supplementary Note ). Even if the second component of the ground state and the photoconverted form share similar lifetimes and spectral profiles, it is not possible to address them as the same form only with this spectral lifetime data. To confirm the results, we performed the experiments both in E. coli expressing miRFP720 and in mammalian cells expressing miRFP720-H2B and found that the fluorescence lifetime follows the same spectral dependency (Supplementary Note ).

Such modulation in fluorescence lifetime is beneficial for photolabeling imaging experiments because it can be used to enhance the photoconversion contrast (Fig. ). Fluorescence lifetime is less affected by concentration variations than the ratio of intensities as metric, and therefore advantageous in, for example, tissue imaging or cases where there is a disparity in brightness for the two forms. The lifetime separation is done either on the phasor plot by graphically identifying the two fluorescence lifetime components in the fluorescence lifetime imaging (FLIM) dataset (Fig. ) or by linear decomposition of the two components of the converted miRFP fluorescence lifetime decay with average lifetimes of 0.65 ns and 1.1 ns before and after photoconversion (Fig. ). Both strategies allowed to recover the extent of the photoconverted area on a layer of E. coli expressing miRFP720 (Fig. ). By lifetime decomposition, the raw data and the image derived by the two components can be directly separated and compared. This resulted in a doubling of the measured effective photoconversion yield as compared to solely spectral separation (Fig.  and Supplementary Note ).

Photoconversion multiplexing

The photoconvertible miRFPs diversify from the reported GFP-like PCFPs in spectral properties, photoconversion light and kinetics, the direction of the spectral shift upon conversion and fluorescence lifetime. Overall, those properties are not only appealing for imaging applications in need of red-shifted light but enable multiplexed experiments complementing well previously available PCFPs. We characterized side-by-side the photoconversion yield of NIR-to-far-red (such as miRFP713 and miRFP720) and green-to-red PCFPs (such as mEos and Dendra2) to design pulse schemes enabling their combined use in bioimaging (Fig. ). The emission spectra of Dendra2 and mEoS in their converted (570–600 nm) and unconverted (500–550 nm) species can be separated from the miRFP720 and miRFP713 converted (640–680 nm) and unconverted (710–750 nm) (Fig. ). The separation between the two families of PCFPs extend also to the fluorescence lifetime, with green-to-red characterized by fluorescence lifetime of ~2–3 ns and miRFP characterized by sub-ns lifetime (Supplementary Fig. ). Among the miRFP variants, miRFP720 and miRFP713 are of particular interest since they are not only the reddest-shifted variant but they also show the highest effective brightness in mammalian cells.

Multiplexed photoconversion strategies for green-to-red and NIR-to-far-red PCFPs.

a Emission spectra for Dendra2 and miRFP713 before (solid) and after (dashed) photoconversion. b, c Efficiency of photoconversion upon various illumination for miRFP713 (dark gray) and Dendra2 (blue). b The fold of conversion for the two proteins is compared over the same energy range of 405 nm illumination (CW). c The energy dependence of the conversion yield for miRFP with 775 nm (700 ps, 40 MHz) illumination is compared to the primed conversion for Dendra2 with fixed 488 nm (CW, 0.13 kW/cm2) and increasing 775 nm (700 ps, 40 MHz) illumination. The comparisons in (b, c) have been performed on a layer of E. coli expressing miRFP713 or Dendra2. Each data point is the mean and SD for bacteria enclosed in a field of view of ~ 15 × 15 µm2 (=50–100 bacteria). Representative example of 3 replica for spatially uncoupled (d) and coupled (e) photoconversion. Scale bars, 5 µm. d Using photoconversion wavelengths and illumination conditions unique for the PCFPs, like pulsed 775 nm for miRFP and low energy of 405 nm light for the green-to-red PCFPs, two different spatial locations (within the dotted square) can be selectively photoconverted in the field of view. e The spatially localized illumination with a combination of high 775 nm and 488 nm light (within the squared dotted area) photoconverts both PCFPs in the same area. Scale bar, 10 µm. fE. coli expressing miRFP720 photoactivated with 775 nm light at saturation level in a region of around 25 µm (dotted square) and observed in the blue-shifted channel (650–690 nm). g Brightfield images of four-time points in the 100 min observation window for the inset in orange. The red square marks the photoconverted area. Scale bars, 10 µm. h Ratio of growth between the photoconverted and non-photoconverted area illuminated with 775 nm (with the energy required to saturate the miRFP720 photoconversion) or 405 nm (with the energy required to saturate Dendra2 photoconversion). The box plot reports 4 independent repetitions (box encloses the 25th to 75th percentile, whiskers include all values and line shows the mean, 0.95 and 0.90, respectively) of which the images in f and g are examples. Source data are provided as a Source Data file.

UV/Vis light at 405 nm is commonly used to drive the photoconversion of green-to-red PCFPs and can also be used for miRFP even if less efficiently than NIR light (Fig.  and Supplementary Fig. ). We measured different kinetics of photoconversion at 405 nm for Dendra2 and miRFP713, which enabled to selectively photoconvert them by tuning the energy. At low illumination energy (<1 J/cm2) only Dendra2 is photo-shifted. Instead at higher energy (4–6 J/cm2), both proteins can be photoconverted (Fig. ). The NIR photoconversion can only convert the miRFP720, except when used in combination with blue light at 488 nm through primed conversion (Fig. ). We measured a 10-fold lower photoconversion efficiency for miRFP713 compared to Dendra2 upon NIR. Therefore, only miRFP720 is selectively photoconverted at illumination energy <1 kJ/cm2 while >10 kJ/cm2 both PCFPs are equally photoconverted.

Based on the investigated photoconversion kinetics elicited by NIR and UV/Vis light, we designed multiplexed schemes with spatiotemporal coupling or decoupling of the photoconversion (Fig. ). On a mixed layer of E. coli expressing miRFP713 and Dendra2, the two-cell population was photo-labeled independently (Fig. ) using a low level of UV/Vis light (1.5 mJ/cm2) for Dendra2 and 775 nm (1.4 kJ/cm2) for the miRFP.

Other types of multiplexed experiments might require to photolabel of both bacterial populations in the same spatial location (Fig. ). With this purpose, we illuminated the bacteria with 775 nm (16 kJ/cm2) and simultaneously with 488 nm (4 mJ/cm2) observing photoconverted products from both Dendra2 and miRFP713.

To test phototoxicity, we monitored growth of E. coli colonies over 100 min after photoconversion (Fig.  and Supplementary Note ). At the energy needed to saturate the photoconversion of miRFP720 (λPC = 775 nm) or Dendra2 (λPC = 405 nm), no alteration of the bacterial growth was observed. Similarly, upon 775 nm illumination, we did not observe a decrease in cell viability in HeLa mammalian cells (Supplementary Note ).

The miRFP photoconversion can also be effectively performed in mammalian cells (Supplementary Fig. ). The relatively fast kinetic of the miRFP photoconversion enabled to perform multiplexing experiments in living systems, tackling rapid dynamics (<min) of subcellular organelles (Fig. ). After one frame of illumination with 405 nm light at 4.7 J/cm2, a 15-fold average increase of fluorescence intensity in the blue-shifted channel was observed for miRFP720 labeled to different protein of interest (Supplementary Fig. ). The contrast in the blue-shifted channel and the photoconversion yield were minimally affected by crosstalk from the red-shifted form. The fluorescence bleed-through generated by the converted form in the red-shifted channel was minimized by selecting the excitation wavelengths >670 nm (Supplementary Note ).

Multiplexed photoconversion of green-to-red and NIR-to-far-red PCFPs for organelle tracking.

Assessment of the (a) spectral, (b) fluorescence lifetime compatibility of miRFP720 (gray-to-magenta color) and mEos2 (blue-to-orange color) when expressed in Hela cells. The fast FLIM lifetimes are representative of cells expressing mEos3.2-clathrin and LAMP1-miRFP720. c FLIM image reporting the crosstalk between LAMP1-miRFP720 and mEos2-Peroxisomes in the 620–670 nm detection band. The fluorescence lifetime information encoded in the colormap allows to distinguish the two proteins and, therefore, correctly segment the two labeled organelles. d Sequential scheme of recording, for the multicolor photoconversion imaging. The excitation and detection band are color coded to reflect the signal of the protein that is predominant under that excitation and detection condition. e Reactivity to the 405 nm light as photoconversion wavelength measured in Hela cells expressing LAMP1-miRFP720 (filled circles) and mEos3.2-clathrin (empty circles). The reactivity to 405 nm illumination is measured as the ratio between the fluorescence of the photoconverted state and the ground state. The graphs are normalized for comparison between the two PCFPs. The asterisk identifies the 405 nm power used to photoconvert both proteins simultaneously. Each data point is the mean and SD of the photoconversion yield for N = 25–50 organelles. f illustration of coupled photoconversion multiplexing scheme with a common PC wavelength. Through illumination with 405 nm light, green-to-red and NIR-to-far-red PCFPs can be combined to achieve spatially colocalized photoconversion at the subcellular level. g Coupled photoconversion experiment in HeLa cells, with the labeling of peroxisomes, mEos2-Peroxisomes, and lysosomes, LAMP1-miRFP720. Before photoconversion, all the fluorescence was emitted by the green (500–550 nm, cyan) and NIR (710–750 nm, gray) forms. h Upon illumination with 405 nm light (3.16 J/cm2), a confined region (dotted rectangle in g) of the cells was photolabeled, where the two proteins photoconverted to the red (570–590 nm, orange) and far-red (620–660 nm, magenta) forms, respectively. i A closer look at the photoconverted region and motility of the organelles disentangled over time for the photoconverted area (time interval 1 min). Scale bars, 5 µm. Representative images of 5 experiments. Source data are provided as a Source Data file.

We applied the coupled photoconversion imaging scheme using UV/Vis illumination to track peroxisomes and lysosomes in Hela cells expressing mEos2 and miRFP720, respectively (Fig. ). In case of interference between the photoconverted channels of the two PCFPs, spectral unmixing (Fig. ) or lifetime separation (Fig. ) could be used to disentangle the signals (Fig. ). Nevertheless, a sequential recording strategy generally minimized the crosstalk of the red-shifted mEos form in the miRFP far-red channel (Fig.  and Supplementary Note ). By shining relatively low doses of light at 405 nm (3–5 J/cm2), more than 80% of the mEos and miRFP720 proteins were converted (Fig. ), resulting in photolabeling of organelles at cell periphery. These subsets of lysosomes and peroxisomes were tracked over time while redistributing within the whole cell (Fig.  and Supplementary Figs. –). This multiplexing strategy enabled the study of organelle fusion and dynamics with an imprinted temporal (time of conversion) and spatial information (cellular subregion of origin) (Fig. ).

miRFP NIR-to-far-red photoconversion: combination with STED microscopy

The high effective brightness, photostability, and monomeric state of miRFPs make them suitable probes for STED microscopy. In the NIR range, STED can be performed using a depletion wavelength of 775 nm (40 MHz, 550–700 ps pulse width) with an illumination dose close to that needed for photoconversion (Fig.  and Supplementary Note ). Interestingly, when we performed STED imaging, we observed that the super-resolved spatial information is predominantly coming from the blue-shifted form (Fig. ). This distinction was invisible in the former study where the fluorescence of miRFPs was detected in a broad 655–755 nm detection bandwidth, integrating the contributions of the converted and unconverted population.

Photoconversion of miRFP720 in STED microscopy.

a Representation of the 775 nm depletion beam during the scanning process in STED image acquisition. A region of the sample will be exposed to all the light of one crest of the depletion beam light pattern before ending up in the center of the donut where its emission photons will be registered. Scale bar, 250 nm. b Building up of the energy level (blue line) based on the previously described scanning of the depletion beam (the profile of which is reported as the yellow line). The dashed gray line marks the energy threshold for the photoconversion to happen. The donut is calculated for the intensity of the 775 nm light at the back aperture of 15 mW. c Signal-to-noise ratio in the blue channel (650–690 nm) and the red channel (705–745 nm), extracted from N = 29 filaments of vimentin-miRFP720 (Supplementary Fig. ). Bars represent the mean value; error bars represent one standard deviation. d Lysosomes labeled with miRFP720, LAMP1-miRFP720, in live U2OS cells and imaged in the blue-shifted channel (650–690 nm, magenta) and red-shifted channel (705–745 nm, gray). A 20 × 20 μm2 area was photoconverted by recording a STED image with a cumulative depletion illumination intensity of ~1 kJ/cm2 at each point. For the photoconverted area, the first (e) and last (f) frames of a time-lapse of 52 consecutive frames are shown in confocal and STED. Time interval in the confocal time-lapse is 10.6 s. g Dynamics of the interaction between a photoconverted (magenta) and a non-photoconverted lysosome (gray) outside of the photoconverted area. h Zoom-in to a cluster of vesicles in a photoconverted area, where the increased spatial resolution allowed distinguishing them and their hollow structure. Scale bar, 5 µm (d), 1 µm (e–g) and 500 nm (h). i The intensity profile was evaluated across the region highlighted with white arrows in (h) and averaged over 100 nm in width. The double peak has been fitted with two Lorentzian functions to localize the membranes. Representative images of 3 experiments. Source data are provided as a Source Data file.

The 775 nm fiber laser (40 MHz, 550–700 ps pulse width) commonly used in STED microscopy could similarly drive the blue-shifted photoconversion as the femtosecond pulsed laser (Supplementary Fig. ). However, an increase of ~50 times the average power of the NIR illumination is needed, going from 4 J/cm2 for femtosecond pulsed (120 fs) to 200 J/cm2 for picosecond pulsed (550 ps) NIR light to reach saturation of the photoconversion.

By combining STED microscopy and photoconversion, a region of interest can be imaged at higher resolution in the first frame (Fig. ) where at the same time a blue-shift is induced, whereby the photoconverted structures can be followed subsequently over the entire field of view using confocal imaging. Finally, the entire field of view can be recorded at a higher resolution again using STED imaging. We used this imaging strategy to follow the dynamics of lysosomes tagged with miRFP720 (Fig. ). Over a time-lapse of 9 min (51 frames, 10.6 s time interval), the photoconverted population of lysosomes at the cell periphery gradually populated the whole volume. Interaction between photoconverted and non-photoconverted lysosomes was also observed (Fig.  and Supplementary Fig. ). STED imaging could resolve single organelles and the outer membrane localization of LAMP1, showing lysosomes as hollow structures (Fig. ). Another example where the blue-shift of miRFPs could be used to decouple the motion of highly packed and mobile cellular structures was the vimentin network, which could be finely resolved with STED microscopy (Supplementary Fig. ) Dynamic network rearrangement could be tracked over time with photolabeled and non-photolabeled filaments moving in and out of the photoconverted region (Supplementary Fig. ).

miRFP NIR-to-far-red photoconversion: in vivo

We used zebrafish as a proof-of-principle to test the applicability of our method in a multicellular organism. We injected in 1-cell stage zebrafish zygotes a Tol2-based plasmid carrying the nuclear histone H2B-miRFP720 fusion protein under the expression of a ubiquitous promoter (ubb promoter), and we successfully observed labeled nuclei in Zebrafish larvae (Fig. ). We tested the photoconversion in living day 4 post-fertilization zebrafish larvae. We focused on the aorta-gonad-mesonephros area and selectively photoconverted a single nucleus of the tissue (Fig. ). The axial confinement could be confirmed on a volumetric recording (Fig. ), and the signal could be followed over an extended period of 2.5 h under live-cell imaging conditions (Fig.  and Supplementary Fig. ). Single nuclei were photoconverted without damaging the tissue and adjacent blood vessels (Supplementary Figs. –).

Photoconversion of miRFP720 in vivo.

a Photoconversion in zebrafish larvae with a mosaic expression of miRFP720-tagged histones, H2B-miRFP720. The area of imaging corresponds to the aorta-gonad-mesonephros region. Time-lapse recording over 2.5 h in blue-shifted (650–690 nm, magenta) and red-shifted (705–745 nm, gray) detection channels, after selective photoconversion of one specific nucleus. Scale bar, 10 µm. b Volumetric recording before (left) and after (right) photoconversion with 775 nm light. Source data are provided as a Source Data file.

Discussion

We have identified a photoconversion phenomenon in the miRFP family of NIR FPs and characterized the spectral properties and kinetics of the photoconverted miRFP species.

The miRFP family is the result of extensive engineering efforts toward maximized effective brightness, monomeric state, and spectral tuning. As the brightest genetically encoded NIR FPs they have been extensively used in live-cell imaging, from large-scale tissue imaging down to sub-cellular nanoscale imaging. Here, we have observed that upon selective illumination in the characteristic bands of absorption of BphPs (Soret band ~405 nm and Q band ~700 nm), miRFPs (λem ~ 670–720 nm) are stably photoconverted to a spectrally-shifted form (λem ~ 590–665 nm). The converted proteins exhibited an increase of the fluorescence lifetime, from sub-nanosecond to 1.0–1.2 ns. All the miRFPs followed the same trend except for miRFP670, which unconverted has a fluorescent lifetime of 1.2 ns and after photoconversion increases to 1.8–2.0 ns. The photoconverted form originates from an excited state that can be reached either by 1PA in the UV/Vis (corresponding to the Soret band) or by 2PA achieved through 680–780 nm pulsed illumination. Among the two, the non-linear path at >700 nm generates a higher conversion yield than the UV/Vis.

The miRFPs are the most red-shifted PCFPs reported, with miRFP720 shifting from an emission peak at 720 nm in the unconverted state to 665 nm in the photoconverted state. Besides the spectral emission window, miRFPs can be also efficiently photoconverted with NIR light. The non-linear nature of the photoconversion at 700 nm enables to confine the fluorescence signal axially, which facilitate single cell photolabeling as well as imaging experiment requiring optical sectioning. Once converted, the miRFPs are stable for several hours enabling live-cell and in vivo imaging. For challenging imaging applications in vivo where fluorescence intensity changes, often influenced by low signal-to-noise ratios, brightness disparity, or possible fluorescent protein turnover occur, the reported change in a fluorescent lifetime can be used to spot and enhance the converted population.

Phototoxicity can be reduced by using NIR light illumination, especially to drive the photoconversion where the reported non-linear process limits off-target photobleaching. Indeed, the illumination dose needed for the photoconversion, ~2.6 J/cm2 at 700 nm, is orders of magnitude below the photodamage threshold of 5 × 104 J/cm2 for DNA,, and in the range of illumination doses normally used for two-photon microscopy and STED microscopy, where similar laser sources and microscope acquisition setting are used (Supplementary Note ). Furthermore, less UV/Violet light reduces the risk of transcriptomic alterations, pushing the synergy between PCFPs and single-cell RNA sequencing techniques where photoconversion is crucial for obtaining spatial and functional information.

The relatively high photoconversion rate enabled fast recording, i.e., exposure/dwell times in the µs range. This was pivotal to tracking organelle over time in live cells or to combining photolabeling and STED nanoscopy. NIR light at 775 nm is a standard laser line for commercially available STED microscopes and can be used for miRFP photoconversion (Supplementary Note ).

miRFPs occupy a spectral region without overlaps with GFP-like PCFPs, neither in the unconverted nor in the photoconverted form, which enabled their combined use in bioimaging experiments. While the two groups of PCFPs share the possibility to be converted with 405 nm, the different rates can be used to convert distinct PCFPs within the same region of the sample. This enables to design multiplexing imaging schemes with either spatiotemporally coupled or decoupled photoconversion. On the one hand, the possibility to photoconvert miRFPs at 405 nm with comparable illumination doses as for the majority of GFP-like PAFPs and PCFPs (~1–5 J/cm2 at 405 nm), but with distinct excitation and emission spectra for all four forms, allows for spatiotemporally colocalized photoconversion of multiple protein populations. On the other hand, the possibility of combining two PCFPs converted by illumination at different wavelengths and illumination intensities allows for entirely spatiotemporally independent photoconversion, highlighting interactions between distinctly labeled proteins or temporally marking the same labeled protein in different time points (Supplementary Fig. ).

The photoconversion yield of miRFP is currently lower than the one reported for GFP-like PCFPs. Nevertheless, future tailored engineering efforts have the potential to further optimize the miRFP toward higher photoconversion yield, firstly by minimizing crosstalk and heterogeneity in the equilibrium state. From our characterization, we can draw hypotheses on the possible mechanism behind the photoconversion that could guide the mutagenesis of optimized NIR PCFPs. On the molecular scale, a fundamental step for the optimization of miRFPs as fluorescent tags has been the suppression of the typical photoswitching behavior of BphPs and the stabilization of the protein in the Pr form by the formation of the strong hydrogen bond between ring D and the histidine residue introduced into the immediate chromophore environment. For this reason, the miRFP absorption should not result in the ***rotation*** of ring D observed in BphPs. Nevertheless, it may still cause BV chromophore movement at the initial picosecond timescale similar to that observed in BphPs truncated to the PAS-GAF domains. In the previous study, it was found that not only ring D but also ring A of the BV is displaced, accompanied by the photodissociation of the conserved A-ring-bound water molecule. This initial chromophore movement further caused the transient displacement of residues in the BV-binding pocket, including that of the -PXSDIP- and -SPIH- motifs. We hypothesize that one of the displaced rings may form a transient bond with conserved residues, such as Ser or His, decreasing the BV chromophore π-conjugation. Indeed, the thermal stability of the photoconverted state of the miRFPs ***suggests*** a covalent modification of BV. This hypothesis is supported by the SDS-PAGE and Zn2+-staining (Supplementary Fig. ), where the photoconverted form of miRFP720 exhibited higher electrophoretic mobility. As has been previously shown, this can be attributed to the formation of an additional bond between the protein and the BV chromophore. The photoconverted states of the four reddest miRFPs have similar excitation (630–635 nm) and emission (650–660 nm) maxima, ***suggesting*** the similarity of their photoconverted BV chromophores. The exception is the bluest miRFP670 protein, in which Cys in the -SPCH- motif is covalently bound to ring A, eliminating one double bond from the chromophore π-conjugation system.

In conclusion, we have demonstrated that miRFPs can function as photoconvertible genetically encoded probes in the NIR spectral range suitable for precise non-invasive photolabeling and spatiotemporal tracking of tagged proteins, organelles, cells and tissues in a variety of bioimaging applications.

Methods

Photoconversion with femtosecond laser source on bacteria

The photoconversion experiments have been performed on a Leica SP8 equipped with a Ti:Sapphire laser (SpectraPhysics INSIGHT DUAL X3) tunable between 680 and 1300 nm. The pulse width of this laser source was 120 fs with a repetition rate of 80 MHz. The objective used was a Leica 63 × 1.4 NA oil. The conversion was evaluated by monitoring the fluorescence variation before and after exposing the same field of view to the light of different wavelengths. Over the sequence of confocal images, the dwell time was constant, 3.16 μs, and a pixel size of 72 nm was used to scan an area of 36 × 36 μm2. The recording of the two channels was sequential and completely decoupled, both in excitation and detection windows. In particular, the red-shifted channel was excited at 670 nm and detected at 710–750 nm for miRFP720, miRFP713, miRFP709 and miRFP703, the excitation and detection were moved to 640 nm and 650–690 nm for miRFP670. The blue-shifted channel was excited at 610 nm and detected at 620–650 nm for miRFP720 and miRFP713, exited at 590 nm and detected at 600–640 nm for miRFP709 and miRFP703, and excited at 550 nm and detected at 570–600 nm for miRFP670. The photoconversion wavelength was tuned between 680 and 900 nm, maintaining the same power after the objective. Measuring the power at the objective can underestimate the power of the focal spot, but it gives an accurate relative comparison between the different conditions explored in this study. The intensity increase in the blue-shifted channel and decrease in the red-shifted channel have been studied as functions of changing the wavelength and the illumination power at a fixed wavelength. In the latter case, the photoconversion yield was presented as a function of the photon flux to allow the comparison between different wavelengths. A diode laser was used to assess the photoconversion at 405 nm (50 mW, continuous wave). The photoconversion as a function of the intensity was measured by varying the laser power over a wide range. In contrast, the degree of photoconversion for a given wavelength was assessed at 2 × 1025 photons/cm2s, corresponding to the plateau level for the power series associated with that wavelength.

Emission and excitation spectra

The excitation and emission spectra for miRFPs have been recorded on the same Leica SP8. The spectra have been recorded in bacteria expressing the miRFP of interest before and after photoconversion (at saturating power). The emission spectrum was detected in the range of 600–780 nm with 10 nm bandwidth steps while excited at 550–590 nm (in particular, 550 nm for miRFP670, 570 nm for miRFP709 and miRFP703, and 590 nm for miRFP713 and miRFP720). The detection of the system was limited to 775 nm. This can result in an artificial shift of the peak for the more red-shifted variants. To prevent systematic bias, the estimation of the blue-shift was calculated considering the value reported in literature as starting wavelength. The excitation spectrum was recorded with excitation in the range 470–670 nm with 10 nm steps and detection in the 700–750 nm window (except for miRFP670 where the detection interval 650–700 nm was used). The emission spectrum was detected in the range 550–780 nm for the blue-shifted form with 10 nm bandwidth steps while excited at 500 nm. The excitation spectrum was recorded in the range 470–645 nm with 10 nm steps and detected in the 649–660 nm window. The miRFP720 spectra have been recorded on a different Leica SP8 system, the same used for the photoconversion in live-cell experiments, where the limit in detection was set at 750 nm, resulting in the cut of the emission peak. The specific imaging parameters are collected in Supplementary Table .

STED microscopy setup

STED imaging has been performed with a custom-built STED set-up. The miRFP variants were excited with a 640 nm pulsed diode laser (LDH-D-C-640, PicoQuant) and subsequently depleted with a 775 nm pulsed (width of 550 ps) fiber laser (KATANA 08 HP, OneFive), both operating at 40 MHz. The donut-shaped depletion beam at the focal plane was created using a spatial light modulator (LCOSSLM X10468–02, Hamamatsu Photonics). The excitation and depletion laser beams were coupled together and scanned over the sample using fast galvanometer mirrors (galvanometer mirrors 6215H and servo driver 71215HHJ 671, Cambridge Technology). The laser beams were focused onto the sample using an HC PL APO 100× 1.40 NA oil STED white objective lens (15506378, Leica Microsystems), through which also the fluorescence signal was collected. After de-scanning and decoupling, the fluorescence signal passed through a common confocal pinhole (1.28 Airy disk units) to then be split by a dichroic mirror (Di02-R635-25 × 36, Semrock) in two channels, 650–690 nm (GT670/40 M, Chroma) and 705–745 nm (FF01-725/40–25, Semrock), both equipped with a notch filter (NF03-785E-25, Semrock). The signal was finally recorded by two free-space APDs (SPCM-AQRH-13-TR, Excelitas Technologies). The microscope was controlled through two separate software; image acquisition and some hardware control were done through the ImSpector software (Max-Planck Innovation, Göttingen, Germany) while the rest of the hardware control (SLM, focus lock and 775 nm laser) was done through Python-based custom-written microscope control software ImSwitch ([*https://github.com/kasasxav/ImSwitch*](https://github.com/kasasxav/ImSwitch)). The specific imaging parameters are collected in Supplementary Table .

STED imaging

Single-protein imaging of miRFP720 was done with a 640 nm excitation laser power of 5.6–26.1 μW and a 775 nm depletion laser power of 12–25 mW, both measured at the first conjugate back focal plane of the objective. The pixel size for the STED images was set to 29 nm and for the confocal images 125 nm. The pixel dwell time for the STED images was around 50 μs and for the confocal images 10 μs. All images shown are raw data. The STED images are displayed with a Gaussian smoothing of 0.65 pixels to help visualization.

Zebrafish larvae imaging

For the imaging of zebrafish larvae, a glycerol objective (HC PL APO 93×/1.3 N.A. Glycerol STED White motCORR objective lens (Leica Microsystems) has been used in the custom-built STED microscope. The photoactivation of the nuclei has been achieved by illuminating 3 planes at a 1 μm axial distance enclosing the nucleus of interest (around 8 × 8 μm2). For the photoconversion around 20 MW/cm2 of 775 nm light has been scanned over the area with a pixel size of 60 nm and pixel dwell time of 100 μs. The time-lapse recording has been acquired at room temperature with intervals of 30 min between acquisitions.

Blue-shift at 775 nm

The characterization of the photoconversion at 775 nm has been predominantly performed with the custom-built STED microscope presented before. Here, the SLM was controlled to generate a Gaussian profile instead of a donut shape. The laser source used is a 775 nm pulsed fiber laser, with 550 ps pulse width and a 40 MHz repetition rate. To quantify the blue-shift induced by light at 775 nm, we monitored the variation of fluorescence for confocal images in two detection windows, a blue-shifted channel (650–690 nm) and a red-shifted channel (705–745 nm), before and after illumination with 775 nm light and calculated the ratio between them (Fpost/Fpre). The dwell time of the confocal images (100 μs) and the power of the excitation (2.3 kW/cm2) were kept constant. The fluorescence of all individual bacteria in a field of view of 15 × 15 μm2 (pixel size 60 nm, frame time 6.5 s) was averaged to calculate the global fluorescence (mean ± std). For the photoconversion’s power dependence, the 775 nm light has been increased to 50 MW/cm2. The initial part of the power-dependent series has been fitted to quantify the dependence of the blue-shift as a function of the photoconversion wavelength intensity.

To see the stability of the photoconverted blue-shifted form, we monitored the fluorescence in both channels for sequential frames after one initial 775 nm activation step (21.2 MW/cm2, corresponding to the plateau level for the yield of photoconversion). The stability has been tested both for subsequent recordings corresponding to a minute time scale or with a frame interval of 10, 20, and 30 min. To exclude the influence of bleaching in assessing the stability of photoconversion, fluorescence in the 10 × 10 μm2 areas was corrected for the bleaching induced by the 640 nm, using the surrounding non-photoconverted area as a reference. The signal was finally normalized to the level of fluorescence before photoconversion.

Further characterization to compare the photoconversion of miRFP720 or miRFP713 relative to Dendra2 with NIR light has been performed.

Photoconversion in living cells and FLIM analysis

To compare and combine the photoconversion of spectrally distinct PCFPs, a modular Leica STED and TCS SP8—FALCON (FAst Lifetime CONtrast) system (Leica Microsystems GmbH, Wetzlar, Germany) equipped with a 100 × 1.4 NA STED WHITE oil objective was used. The miRFP720 and miRFP713 NIR form was excited at 670 or 633 nm and the fluorescence was recorded in the interval 710–750 nm, while the far-red form was excited at 610 or 594 nm and its fluorescence was recorded in the interval 620–670 nm. Experiments varying this bandwidth (either 620–670 nm or 640–680 nm) were also reported to test and characterize the crosstalk between the photoconverted forms. For Dendra2, mEos3.2, and mEos2 the green form was excited at 488 nm while the orange at 561 nm, and the emission intervals were 500–550 nm and 570–600 nm, respectively. The images were recorded at a pixel size of 57–83 nm and a dwell time of 3.12 μs. The photoconversion was driven by 405 nm light, with both intensity and line average used to tune the intensity (ranging at around 3–5 J/cm2). Similarly, the 775 nm STED beam of the system (700 ps, 80 Mz) has been used to trigger the photoconversion in the NIR range. The pulsed 775 nm light in combination with 488 nm light was used for primed conversion of the green-to-red variants. Although less efficient than illumination with continuous wave light this configuration allows the exploration and integration of the mechanism in the commercial microscope used. The photoconversion has been implemented sequentially either in a frame-by-frame or line-by-line fashion. At first, the pre-converted forms for the two proteins were acquired simultaneously, given their clear spectral separation. Secondly, the orange form was recorded and finally, the red form. The frame-by-frame approach was used to retrieve the characteristics of photoconversion, such as yield, power dependency, and lifetime. In this case, a first sequence pre-photoconversion was followed by a frame where only 405 nm light was shined to the sample, and the line average was tuned to reach different power densities. In the experiments at fixed 405 nm, the light intensity was set to 4.8 J/cm2. The line-by-line was instead used for the spatially localized experiments, where the different channels need to reflect the same time point, minimizing the dynamic rearrangement of the labeled organelles. For this experiment, a ROI was drawn on the image and during one frame the 405 nm light was switched on only inside the ROI. This scheme accounts for the irradiation of 3 J/cm2 of 405 nm light. Depending on the intensity of the red form of the green-to-red PCFPs the images were spectrally unmixed using the Spectral Unmixing plug-in of ImageJ. The lifetime was recorded on the same system and the integrated FLIM-Phasors-analysis software was used to visualize the fluorescence lifetime change upon photoconversion for the different fluorescence proteins and their analysis. The lifetime measurements integrated the signal in the same emission intervals stated before. For the measurement done in a bacterial layer, given the homogeneity of the system, a pixel average of 8 has been used. For miRFP720, the lifetime has been further investigated, correlating the evolution of the lifetime with the emission spectral window.

SDS-PAGE and zinc staining

To test the stability of the photoconversion and the presence of a covalent binding as a BV chromophore stabilizing mechanism, a Zn2+ fluorescence assay was performed. Approximately 1.5 μg of protein is diluted 1:1 in buffer (62.5 mM Tris-HCl, pH 6.8, 2% SDS, 25% glycerol, 0.01% bromophenol blue) and denatured at 95 °C for 5 min. After removing debris by low-speed brief centrifugation, the protein was resolved by 4–20% (wt/vol) polyacrylamide gel electrophoresis (PAGE) in the presence of sodium dodecyl sulfate (SDS) (Mini-PROTEAN TGX Precast Protein Gels, BioRad). After SDS-PAGE, the gel was soaked in 100 μM ZnCl2 solution at room temperature for 30 min. The Zn2+-enhanced fluorescence of miRFPs was visualized using a fluorescence reader (BioRad XR + ). Ultimately, the gel was stained with Coomassie blue dye.

Bulk photoconversion

A 5 μl volume of miRFP720 (6.27 μM) purified protein was photoconverted. We placed the drop in a humidified and closed chamber with a glass coverslip bottom and illuminated it with 775 nm light (Katana, 550 ps, 40 MHz) in the Leica SP8 system. The power of the 775 nm laser was calibrated to reach saturation of the photoconversion on a bacterial layer expressing miRFP illuminated with the same microscope. The microscope was set to scan an area of 63 × 63 μm2 (divided per 512 × 512 pixels) with a dwell time of 7.69 μs (frame rate of 0.093 Hz). Averaging of 4 lines and 10 frames as well as 35 repetitions was performed to finally cover 10% of the volume of the drop. The control drop was placed on the same coverslip and went through the same procedure without being exposed to the photoconversion light.

Protein expression and purification

For expression in bacteria, the miRFPs were cloned into pBAD/His-B vector (Life Technologies/Invitrogen). TOP10 host E. coli cells (Invitrogen) were used for protein expression. A pWA23h plasmid encoding heme oxygenase from Bradyrhizobium ORS278 (hmuO) under the rhamnose promoter was co-transformed with a pBAD/His-B plasmid encoding a miRFP. Bacterial cells were incubated overnight at 37 °C in an LB medium supplemented with ampicillin and kanamycin. To start protein expression, 0.002% arabinose and 0.02% rhamnose were added. After growing for 12 h at 37 °C, the bacteria were incubated at 18 °C for 24 h. Proteins were purified with Ni-NTA agarose (Qiagen). For elution, PBS containing 100 mM EDTA was used instead of imidazole. The samples were then desalted using PD-10 desalting columns (GE Healthcare).

Preparation of bacterial samples

The photophysical properties of photoconversion have been characterized using a paste of bacterial cells. About 2 μl of bacterial paste expressing the miRFP protein of interest was placed on a #1.5 coverslip and compressed on a slide, to obtain a homogeneous layer of bacteria, and finally sealed with biphasic glue. To probe the influence of oxygen on photoconversion, this mounting approach (referred to as “closed-chamber” in Supplementary Fig. ) was compared to a similar amount of bacteria paste placed on an open chamber (MatTek, P35G-1.5-20-C) with a #1.5 coverslip bottom. Plasmids used for bacterial expression of the green-to-orange PCFPs were purchased from Addgene and are the following: pGEX6P-1-Dendra2 (Plasmid # 82436).

Cell culture

U2OS (ATCC HTB-96) cells and HeLa cells (ATCC CCL-2) were cultured in Dulbecco’s modified Eagle medium (DMEM) (Thermo Fisher Scientific, 41966029) supplemented with 10% (v/v) fetal bovine serum (Thermo Fisher Scientific, 10270106) and 1% penicillin-streptomycin (Sigma-Aldrich, P4333), and kept at 37 °C and 5% CO2 in a humidified incubator. For transfection with the miRFP proteins, cells were seeded on coverslips in a 6-well plate or on 8-well μSlide (Ibidi). After 24 h, cells were transfected using FuGENE transfection reagent (Promega, E2312) according to the manufacturer’s protocol. At 24–72 h after transfection, cells were washed in phosphate-buffered saline, placed with Leibovitz’s L-15 Medium (ThermoFisher Scientific, 21083027) in a chamber and imaged at room temperature. No BV was added to the culture or imaging medium. The plasmids used for the green-to-orange PCFPs were purchased from Addgene and are the following: Dendra2-CD9-10 (Plasmid #57705), mEos2-Peroxisomes-2 (Plasmid #54750), mEos3.2-Clathrin (Plasmid #57452). Plasmids for miRFP fusion were previously presented.

Zebrafish studies

The coding sequence of the histone-H2B-miRFP720 fusion fluorescent protein was cloned in a pENTR/D-TOPO vector (Invitrogen, 450218), which contains Gateway-compatible attL1 and attL2 sites flanking the site of gene insertion, thus generating the pME-H2B-miRFP720 entry plasmid. A zebrafish-specific construct allowing the expression of H2B-miRFP720 was generated through the Gateway multisite recombination system using the above-mentioned pME-H2B-miRFP720 plasmid, the entry vectors p5E-bactin2 and p3E-polyA from the Tol2kit and the destination vector pDestTol2pACryGFP, which contains a cassette that drives expression of GFP fluorescent protein in retinal cells. The Gateway LR Clonase II enzyme mix (Invitrogen, 11791020) was used for the Gateway LR recombination. Clones were selected and verified by restriction enzyme analysis and sequencing, thus obtaining the Tol2pACryGFP\_bactin2:H2B-miRFP720 construct. Zebrafish (Danio rerio, AB strain) were kept in the Karolinska Institutet Zebrafish core facility according to standard protocols and under the ethical permits Nr 5756/17 and 14049/19, approved by the Stockholm Ethical Committee (Stockholms djurförsöksetiska nämnd) and issued by the Swedish Board of ***Agriculture***. B eggs were collected at 1-cell stage and injected with 1nL of an injection solution containing 50 ng/μL of the Tol2pACryGFP\_bactin2:H2B-miRFP720 construct and 35 ng/μL of Tol2 transposase mRNA. At two days post fertilization (dpf), injected embryos expressing GFP in the retina, as a result of construct integration in the genome, were selected for subsequent photoconversion experiments. At 4 dpf, selected larvae were mounted in 1% low gelling point agarose in 12 mm Nunc Glass Base dishes (Thermo Scientific, 150680) and used for photoconversion of H2B-miRPF720+ cells in the aorta-gonad-mesonephros (AGM) region.

Cell-viability assessment

The overnight culture of E. coli bacteria expressing miRFP720 has been diluted 1:20, of which 3 µl has been immobilized between a coverglass and an agar pad with the corresponding antibiotic resistance. The measurements have been conducted at 37 °C with a brightfield recording every 2 min. The experiments with NIR light have been conducted on the custom-made STED microscope described previously, equipped with a CMOS camera DMK 33UP1300 (The Imaging Source Europe GmbH, Bremen, Germany) for brightfield imaging. The area of interest has been first exposed with the 775 nm illumination (100x objective lens, scanning modality, pixel size 150 nm, dwell time 50 µs, power at the BA ~ 7.4 mW), then visualized in fluorescence to assess the photoconversion over a bigger area and finally followed in bright field imaging with an exposure time of 250 ms. The experiments with 405 nm light have been conducted on a Zeiss confocal microscope (63x objective). The 405 nm power has been calibrated with E. coli expressing Dendra2 to define the imaging setting for photoconversion saturation (pixel size 150 nm, dwell time ~ 10 µs, power at the sample plane ~ 55 µW). The assessment has then been conducted on E. coli expressing miRFP720 to be consistent with the previous measurement. For the analysis, the bacteria have been segmented by training the deep learning network StarDist through the ZeroCostDL4Mic notebook and the area of the bacteria colonies were linked and followed for the full timelapse. This strategy, where we follow a bigger area of what is subjected to photoconversion, gives the possibility to directly compare the two conditions in the same measurement and thus minimizes possible biases due to sample-to-sample or day-to-day variability as well as possible differences in the segmentation due to using different microscopes. For the cell viability assessment, HeLa cells expressing H2B-miRFP720 have been followed over an extended period (7–11 h) after photoconversion with NIR light (10x objective lens, scanning modality, pixel size 613 nm, dwell time 12 ms, power at the BA of 16 mW). The temperature 37 °C, 5 % CO2 and 90% humidity have been set on an Okolab incubator chamber (Naples, Italy). A bright field image was recorded every 5 min with an exposure time of 100 ms. The fate of all the cells enclosed in the first frame have been classified into: dead, dividing and live. All the cells have been considered for analysis, both transfected and not transfected.

Statistics and reproducibility

Data were analyzed using Origin Pro 2018 (64 bit) and custom pipelines in Fiji macros. The NIR-to-far-red photoconversion contrast is mainly power dependent, therefore, the energy used in the live-cell experiments is guided by the calibration curves at different wavelengths and, therefore, different microscopes, such as the one reported in Figs. d, , Supplementary Figs.  and for the proteins expressed in bacteria or Fig. , Supplementary Figs.  and for the protein expressed in mammalian cells. Sample sizes, means, and standard deviations are indicated in the relevant figure legends. All imaging results are presented as representative examples of an experiment repeated at least twice or as indicated in the respective figure legend. Detailed information about the experiments behind each figure is reported in Supplementary Table .

Reporting summary

Further information on research design is available in the  linked to this article.

**Acknowledgements**

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**Notes**

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[***Zelensky arrives at White House for talks with Biden***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6975-7981-DY4H-K0N2-00000-00&context=1516831)

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September 21, 2023 Thursday 10:59 PM GMT

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**Body**

Volodymyr Zelensky has arrived at the White House for a “very important” meeting with President Joe Biden.

[*The Ukrainian President and First Lady Olena Zelenska*](https://www.telegraph.co.uk/world-news/2023/09/22/ukraine-russia-war-latest-news-putin-biden-kyiv-zelensky/) were greeted by Mr Biden and Jill Biden at 3.34pm local time before heading inside for bilateral talks.

Mr Zelensky told reporters the visit was “very important” while the two couples posed for photos on the South Lawn.

Other questions about funds for the war effort were ignored.

The two presidents then walked to the Oval Office where they posted for photographs before sitting down for a meeting.

It comes after the US House of Representatives voted to block consideration of a military funding bill after Republican legislators warned Washington was “broke”.

The move, which raises the prospect of a government shutdown beginning October 1, came just hours after Mr Zelensky appealed to Congress for greater support to repel Russia’s invasion.

The Ukrainian president signalled ahead of his visit to Washington that he wanted to secure more aid after his country was rocked by a flurry of Russian missile strikes overnight.

21 Sep 2023-09:58PM GMT

Today’s Ukraine liveblog is now closed

Thank you for following The Telegraph’s live coverage.

Please join us again tomorrow, where we will be bringing you latest updates of the war in Ukraine.

21 Sep 2023-09:46PM GMT

Defence package is worth $325 million

The aide package includes Hawk air defense batteries each month through the winter, and launchers and intercepters.“That’s what this is all about,” Mr Biden told Mr Zelensky.

“The future, the future of freedom. America can never, we’ll never walk away from that. That’s why, 575 days later, we stand with Ukraine and will continue to stand with you, Mr. President.”

21 Sep 2023-09:44PM GMT

Biden announces Abrams tanks in defence package

The US President told Mr Zelensky the US will “continue to stand with you” before announcing a defence package which includes M1 Abrams tanks. Ukraine has requested Abrams tanks for months.

Mr Zelensky thanked Mr Biden, Congress and the American people for their support.

He said he and Mr Biden had had “strong” negotiations today and thanked Mr Biden for a “powerful” defence package which is “exactly what our soldiers need now”.

21 Sep 2023-09:37PM GMT

Biden says Ukraine is ‘unbroken, unbowed and unconquered’

The Presidents have begun making remarks following an extended bilateral meeting. Sitting between Antony Blinken and Kamala Harris, Mr Biden said it had been 575 days since “Putin launched his brutal war of conquest against Ukraine”. He said: Putin “thought he could break you”, adding: “from your children to your grandparents, I’ve never seen so much courage”. He said Ukraine is “unbroken, unbowed and unconquered” and that the people of the US understand what “Ukraine is fighting to defend”.

21 Sep 2023-08:47PM GMT

Zelensky says US and Ukraine are 'really, truly allies'

In the Oval Office Mr Biden referred to Ukraine as a “partner”, while Mr Zelensky referred to the US and Ukraine as “really, truly allies.”

Mr Biden said the US is “formalizing our commitment to Ukraine’s long-term security alongside the G7 and with other partners..we’re supporting a just and lasting peace, one that respects Ukraine’s sovereignty and territorial integrity.”

Mr Zelesky, speaking in English while using prompt cards, said: “It’s good that our countries are really truly allies.”

21 Sep 2023-08:41PM GMT

Zelensky thanks Biden for helping to 'combat Russian terror'

Mr Biden told Mr Zelensky at the White House on Thursday that he would “ensure the world stands with you” against Russia’s invasion.

Mr Zelensky told Mr Biden in the Oval Office that the Ukrainian people “greatly appreciate the assistance provided by the United States to combat Russian terror.”

21 Sep 2023-08:22PM GMT

Zelensky thanks Congress and Americans for "big, huge support"

Mr Zelensky thanked Mr Biden for the invitation to the White House, before saying: “Today I’m in Washington to strengthen our coalition to defend Ukrainian children, families, our homes, freedom and democracy in the world.

“And I started my day in the US Congress to thank its members and the people in America for their big, huge support.”

21 Sep 2023-08:10PM GMT

Zelensky thanks Poland for its support and says he looks forward to military discussion with Biden

Asked whether he worries Ukraine is losing Poland as a friend over the grain dispute, Mr Zelensky said: “I want to thank the Polish people, Polish society for their support. That’s it.”

“The people of Ukraine have shown enormous bravery,” Mr Biden said.

Speaking in the Oval Office, Mr Zelensky said he had frank conversations with members of Congress.

He said he looked forward to discussion military support from the US with Mr Biden “with a special emphasis on air.”

21 Sep 2023-07:52PM GMT

Zelensky says he discussed delivery of 'long-range capabilities' with Defence Sec Lloyd Austin

In a meeting with [*@SecDef*](https://twitter.com/SecDef?ref_src=twsrc%5Etfw) Lloyd Austin, I thanked the U.S. for its crucial support.We discussed deliveries of artillery systems and long-range capabilities, as well as strengthening air defense.I invited the U.S. to take part in Ukraine’s upcoming Defense Industries Forum. [*pic.twitter.com/tKYWuMyoWZ*](https://t.co/tKYWuMyoWZ)

21 Sep 2023-07:36PM GMT

Zelensky arrives at White House for meeting with Joe Biden

Mr Zelensky and Olena Zelenska arrived at the White House at 3:34pm.

President Biden and Dr. Biden emerged at 3:33 and chatted quietly before the black Suburban pulled up..

Mr Zelensky shook hands with the US President while Mrs Zelenska and First Lady Jill Biden kissed one another on the cheek.

“Very important,” Zelensky said to a shouted question about how important this visit is as the two couples posed for photos.

Other questions about funds for the war effort were ignored.

21 Sep 2023-07:18PM GMT

Zelenksy shares picture of him meeting Mitch McConnell and Chuck Schumer

I met with U.S. Senate Majority Leader [*@SenSchumer*](https://twitter.com/SenSchumer?ref_src=twsrc%5Etfw) , U.S. Senate Republican Leader [*@LeaderMcConnell*](https://twitter.com/LeaderMcConnell?ref_src=twsrc%5Etfw) , and U.S. Senators.I am grateful to the U.S. Senate for helping our warriors free Ukrainian land of Russian invaders. Support for Ukraine means strengthening NATO’s eastern flank.… [*pic.twitter.com/Xw4pjlN1U4*](https://t.co/Xw4pjlN1U4)

21 Sep 2023-07:08PM GMT

Poland's stopping sending weapons to Ukraine is 'sovereign decision', US DoD

“We’ve always said that it’s a sovereign decision for any country to decide what level of support that they’re going to provide,” said Pentagon press secretary Brig. Gen. Patrick Ryder at a news briefing on Thursday.

“Poland has been one of the leading countries when it comes to providing security assistance to Ukraine, and not only security assistance but also in terms of providing significant humanitarian aid and support for more than a million displaced Ukrainians who have gone to Poland as a result of Russia’s invasion,” he said.

21 Sep 2023-06:20PM GMT

Zelensky says Ukraine counts on "constant support" of US

Mr Zelensky said Ukraine was hoping for continued backing from the United States, during his visit to Washington.

“To win, we must stand together. And win together. We count on you, on your constant support,” Mr Zelensky said, according to a statement on the Ukrainian presidency’s website released after a meeting with top US officials.

Mr Zelensky and his wife Olena are scheduled to arrive at the White House in 40 minutes. There will then be a bilateral meeting between the two leaders and then an expanded meeting at 4pm. The First Ladies will hold a separate meeting.

This will be the sixth meeting between Mr Biden and Mr Zelensky, and the Ukrainian President’s second visit to Washington since the beginning of the Russian invasion.

21 Sep 2023-06:11PM GMT

ATACMS long range missiles not 'off the table' for future

“The President is constantly speaking both to his own military and to his counterparts in Europe and to the Ukrainians themselves about what is needed on the battlefield at any given phase of the war and then what the United States can provide,” Mr Sullivan said during today’s briefing,

He added: “As he’s weighed all that up to today, he has determined that he would not provide ATACMS, but he is also not taking it off the table in the future.”

21 Sep 2023-05:54PM GMT

US won't give Ukraine long-range ATACMS missiles yet

US President Joe Biden will not give Kyiv long-range ATACMS missiles yet, the White House has said.

Mr Zelensky has long called for Army Tactical Missile Systems, or ATACMS, and it was ***suggested*** Mr Biden might grant them during today’s White House visit.

The high-precision missiles are ***capable*** of travelling 190 miles, a longer range than the Storm Shadow and Scalps missiles delivered by the UK and France.

21 Sep 2023-05:42PM GMT

Bilateral talks between Biden and Zelensky come at 'significant moment'

National Security Advisor Jake Sullivan said President Joe Biden’s meeting with Mr Zelensky comes at a “significant moment” as Ukraine makes progress in its counteroffensive and as Russia launched “another brutal wave of airstrikes”.

Mr Sullivan told reporters at a White House briefing Mr Biden will announce a package for Ukraine that includes “significant air defence capabilities”.

21 Sep 2023-05:31PM GMT

Zelensky lays wreath at 9/11 Pentagon Memorial ahead of White House visit

First lady of Ukraine Olena Zelenska and Volodymyr Zelensky paid their respects at the 9/11 Pentagon Memorial in Washington.

They were joined by Chairman of the Joint Chiefs Gen. Mark Milley and Secretary of Defense Lloyd Austin

21 Sep 2023-05:09PM GMT

Russia's leverage over Ukrainian grain exports to decline, senior US official predicts

Russia’s leverage over Ukraine’s export of grain via the Black Sea will likely erode in weeks to come as more ships are able to leave Ukrainian ports, a senior US State Department official said.

Rising costs could also prompt Moscow to reconsider its July abandonment of the grain deal, said James O’Brien, head of the State Department Office of Sanctions Coordination.

Western countries have accused Russia of using food as a weapon of war by quitting the Black Sea deal, which had helped bring down global food prices, and then carrying out repeated air strikes on Ukrainian ports and grain stores.

“Over the next several weeks, I think the factors that led Russia to believe it would benefit from withdrawing are going to change,” Mr O’Brien said.

21 Sep 2023-04:49PM GMT

Ukraine 'will lose the war' without US aid, Zelensky warns

Volodymyr Zelensky appealed to lawmakers for continued support in the war with Russia amid Republican skepticism over whether Congress should approve a new round of aid for his country.

After seeking to shore up international support at the United Nations, the Ukrainian president visited Washington on a crosstown blitz that was also set to include a meeting with military leaders at the Pentagon, President Joe Biden and an address on Thursday evening at the National Archives museum.

Dressed in military green to reflect his status as a wartime leader, Zelensky briefed the full US Senate in the Capitol’s historic Old Senate Chamber, receiving several standing ovations, according to a post on the platform X by Senator Chris Murphy.

“We had great dialogue,” Zelensky told reporters at the Capitol after the meeting.

Zelensky told Senators that military aid was crucial to Ukraine’s war effort, Majority Leader Chuck Schumer said in the Senate chamber after the briefing, which took place behind closed doors.

“If we don’t get the aid, we will lose the war,” Schumer quoted Ukraine’s leader as saying.

21 Sep 2023-04:45PM GMT

Zelensky addresses reporters after hearing with US senators

21 Sep 2023-03:30PM GMT

Bulgaria expels Russian and Belarusians accused of spying

Bulgaria is expelling one Russian and two Belarusian nationals for carrying out activities against Bulgaria’s national security and interests, authorities said on Thursday.

The country’s agency for national security said in a press release that the three individuals had worked to “purposefully influence the social and political processes in Bulgaria in favor of Russian geopolitical interests.”

It added that the trio had been stripped of the right of residence and barred from entering Bulgaria for a period of five years. The statement did not elaborate further and provided only initials of those expelled.

The Russian Embassy in Sofia reacted angrily in a Facebook post to the expulsions, calling the move a “rude, blatant action by Bulgarian authorities.”

It said the three people expelled were members of the clergy, the prior of the Russian Orthodox Church in Sofia, Archimandrite Vassian, and two ministers of the Church of St. Nicholas of Myra.

21 Sep 2023-03:26PM GMT

Ukraine's armoured vehicles breech Russian defensive line

21 Sep 2023-03:19PM GMT

Ukraine warns of new Russian air campaign against national power grid

Ukrainian officials fear Russian attacks on energy facilities across Ukraine on Thursday mark the first salvo in a new air campaign against the national power grid.

Power cuts were reported in five Ukrainian regions in the west, centre and east, reviving memories of multiple air strikes on critical infrastructure last winter that caused sweeping outages for millions during the bitter cold.

“Winter is coming. Tonight [Russia] renews missile attacks on Ukrainian energy infrastructure,” lawmaker Andrii Osadchuk said after the overnight attacks.

Officials said at least 18 people were wounded in the air strikes, including a nine-year-old girl, and a regional governor said two people were killed in separate overnight Russian shelling.

Grid operator Ukrenergo said it was the first Russian attack on power infrastructure in six months, and reported damage to facilities in western and central regions.

Ukraine has been racing to repair infrastructure after the attacks last winter damaged nearly half its energy system and forced grid operators to impose regular rolling power cuts.

21 Sep 2023-01:57PM GMT

Pictured: Rescuers search rubble in Kharkiv after missile attack

21 Sep 2023-01:54PM GMT

Russia claims attacks by armoured brigades repelled

Russia’s defence ministry has made no reference to the Surovikin Line breach in Zaporizhzhia in its daily update.

Instead, it stated the 71st and 47th Mechanised Brigades attacked positions near Novopokrovka and Robotyne but were repelled.

It also claimed members of the 46th Airmobile Brigade were hit near the Verbove.

21 Sep 2023-01:45PM GMT

Poland will stop sending weapons to Ukraine amid grain row

Poland will no longer send weapons to Ukraine, its prime minister has said, in an escalation of tensions between the two allies at a key moment in Kyiv’s fightback against Russia’s invasion.

The threat is the latest salvo in the mounting row following Poland’s refusal to accept grain imports from Ukraine.

Their spat has prompted fears that Western unity in support of Kyiv could splinter more than 19 months since Vladimir Putin, the Russian president, ordered the invasion.

Read the full story [*here*](https://www.telegraph.co.uk/world-news/2023/09/21/poland-stop-sending-weapons-to-ukraine-grain-row/) .

21 Sep 2023-01:34PM GMT

Grain ship reaches Turkey through Black Sea corridor

The first grain ship to sail from Ukraine since Russia reimposed its Black Sea blockade in July reached Istanbul, according to marine traffic monitors.

Ukrainian officials said the Palau-flagged Resilient Africa vessel was carrying 3,000 tonnes of wheat when it left Ukraine’s Chornomorsk port two days ago.

21 Sep 2023-01:22PM GMT

Pictured: Firefighters battle blaze following strikes on Ukrainian capital

21 Sep 2023-01:06PM GMT

Zelensky arrives at US Capitol

Volodymyr Zelensky has arrived in the US Capitol in Washington to meet with Joe Biden.

It comes as the US president attempts to get a $24bn aid package for Ukraine pushed through Congress despite Republican scepticism.

21 Sep 2023-01:05PM GMT

Russian commander 'wounded in Melitopol attack'

Ukraine’s security and armed forces launched a missile strike a “secret Russian headquarters” in Melitopol, Ukrainian media reports.

The commander and chief of staff of Russia’s 58th Army were apparently among the dozens of officers wounded, while 10 are said to have been killed.

Kyiv’s counteroffensive is attempting to push towards Melitopol in the south to cut of Russia’s “land bridge” to Crimea.

21 Sep 2023-01:00PM GMT

Kherson 'covered with fire' as shelling resumes

Russia has resumed its shelling of Kherson, the regional governor has said, following a “massive” attack in the early hours of this morning.

Oleksandr Produkin wrote on Telegram: “The Russians shelled Bilozerka. According to preliminary information, one person was killed and two others were injured.

“There enemy covers the Kherson region with fire all day... five were killed by the Russians, and another ten were injured.”

21 Sep 2023-12:29PM GMT

Key Bakhmut supply route 'in range of Ukrainian mortars'

Russia is apparently having difficulty supplying its troops in the besieged city of Bakhmut after Ukraine brought a key road under its “fire control”.

A spokesman for the eastern group of Ukraine’s armed forces said: “The exit near Andriivka and Klishchiivka gives us the opportunity to get closer to the Bakhmut-Horlivka highway, which is already under our fire control.

“Mortars and anti-tank calculations are already reaching there. Therefore, the supply of the enemy in this direction has already become much more difficult and will become more difficult in the future.”

Yesterday, Britain’s Ministry of Defence said the road was “one of the main supply routes into Bakhmut from the south.”

21 Sep 2023-12:17PM GMT

Moscow 'strengthens advanced units' in Kupyansk and Lyman

Russia is reportedly strengthening tanks and assault units around Kupyansk and Lyman as it attempts to make inroads in the northeast of Ukraine.

Colonel Mykola Urshalovych of Ukraine’s national guard added that Moscow had carried out 21 airstrikes and roughly 800 shellings in the areas.

21 Sep 2023-11:58AM GMT

'30pc of Ukraine has been mined'

Almost a third of Ukrainian territory-roughly 174,000 square kilometres-has been mined, according to the country’s transport department.

Colonel Vitaliy Kyrylov said: “Explosive objects can remain a threat to life for a long time. It is dangerous to enter places market with MINES before the complete demining of such areas.”

Kyiv has previously said Ukraine is one of the most heavily-mined places in the world, with up to five devices per square metre.

21 Sep 2023-11:48AM GMT

Pictured: Ukrainian commander cradles puppies on visit near Belarusian border

21 Sep 2023-11:15AM GMT

'Attack shows we need more sanctions', says Zelensky

Volodymyr Zelensky has asked allies to ratchet up sanctions on Russia after it launched its biggest attack on Ukraine in weeks.

He said: “Last night, Russian terrorists launched another massive attack. In particular, on infrastructure. Most of the missiles were shot down. But only most of them. Not all of them.

“More air defence. More sanctions. More support for Ukrainian soldiers on the front lines.”

Figures in Kyiv are frustrated that Russian rockets using rockets using foreign-built microchips and other components are being used against Ukrainian cities.

21 Sep 2023-11:00AM GMT

Ukraine 'pushes deep into Russian defences'

Ukraine says it has advanced deep into Russian defences after geolocated footage put its armoured vehicles beyond the Surovikin Line in Zaporizhzhia.

Colonel Mykola Urshalovych, of the national guard, said: “Despite dense mining and engineering equipment, as well as strong resistance of the occupiers, our units had partial success, advanced both in the depth of the enemy’s defences and along the front.”

It comes after footage showed the 82nd Air Assault Brigade had sent Marder and Stryker armoured vehicles through the defensive line west of Verbove.

21 Sep 2023-10:44AM GMT

11 injured in missile strike on Cherkasy

Eleven people are now believed to have been injured in a missile attack on Cherkasy, central Ukraine, with two in a serious condition.

21 Sep 2023-10:35AM GMT

Poland to keep sending 'previously-agreed weapons deals'

Warsaw has pledged to fulfil existing arms deals with Ukraine after saying it would cut off equipment to its war-torn neighbour.

“Poland will only carry out previously agreed deliveries of ammunition and armaments. Including those resulting from contracts signed with Ukraine,” government spokesman Piotr Muller said.

21 Sep 2023-10:23AM GMT

Kyiv: Russia is targeting energy facilities again

Russia has resumed its campaign of targeting Ukraine’s energy infrastructure, Kyiv believes, after a power station was hit early this morning.

Energy minister Herman Galushchenko said: “The most difficult season is approaching, which will not be easier than the previous winter. Enemy attacks have already begun.

“Today, after a long break, we had the first enemy attack on an energy facility in western Ukraine. And it is obvious there will be more and more of them closer to winter.”

Russian air strikes beginning in October last year destroyed almost a third of Ukraine’s power stations in just over a week.

21 Sep 2023-10:17AM GMT

Charles: 'We are determined that Ukraine will triumph'

The King has said France and Britain share a responsibility for ensuring Ukraine wins the war against Russia.

Addressing the French parliament on the second day of his state visit, Charles said: “Together we are unwavering in our determination that Ukraine will triumph.”

21 Sep 2023-10:06AM GMT

Kyiv-Warsaw tensions 'will not have a key impact on war'

Poland’s decision to cut off arms to Ukraine will have a limited impact because Warsaw has already sent a “significant” amount of equipment, it has been ***suggested***.

Rybar, the pro-Russian blogger, said: “Over the course of a year and a half, the Poles have already sent a significant part of their supplies to the Kyiv regime-a fleet of T-72 and PT-91 Twardy tanks, Krab howitzers, MiG-29 fighters, Mi-24 helicopters.

“There might simply not be any free resources left to supply the armed forces of Ukraine.

“At the same time, there is still no talk of closing the border or refusing to provide territory for the supply of western weapons to Ukraine. So the current decision... will not have a key impact.”

21 Sep 2023-09:59AM GMT

Pictures: Ukrainian troops push through forests near Andriivka

21 Sep 2023-09:50AM GMT

Ukraine and Poland 'to work out grain dispute'

Ukraine and Poland have agreed to work out their differences following a trade dispute on grain exports, the Ukrainian ***agriculture*** ministry has said.

Poland, which recently announced it would end arms supplies to Kyiv after taking offense to Volodymyr Zelensky’s remarks at the UN, is one of a number of European countries to ban Ukrainian grain imports.

The ministry said the two sides had confirmed their “close and constructive ties and agreed to work out an option to co-operate on export issues in the near future”.

21 Sep 2023-09:25AM GMT

Ukrainian drones 'target Russian fuel facility'

Ukrainian drones reportedly targeted a “fuel and energy complex” in Oryol last night, the governor of the western Russian region has said.

Andrey Klychkov wrote on Telegram: “Two unmanned aerial vehicles that attempted to attack objects of the fuel and energy complex were neutralised.”

It comes after drones allegedly struck an oil refinery in the region this week, in what appears to be a campaign to target Russian supply lines across the border.

21 Sep 2023-09:15AM GMT

Slovakia to lift Ukrainian grain ban after striking deal

Slovakia will lift its embargo on Ukrainian grain after the two countries agreed to set up a trade licensing system, the Slovak ***agriculture*** ministry has said.

Ukraine has apparently agreed to halt a complaint over the import ban, which it filed against Slovakia with the World Trade Organisation.

21 Sep 2023-09:11AM GMT

Geolocated footage confirms 82nd Brigade breached Surovikin Line

Ukraine’s 82nd Brigade have breached the Surovikin Line in Zaporizhzhia, geolocated footage confirms.

Marder and Stryker armoured vehicles are operating behind the three-layer defence system, which consists of an anti-tank ditch, “dragon’s teeth” and trenches covered by artillery fire.

21 Sep 2023-08:58AM GMT

Five regions without electricity as power stations struck

Overnight Russian attacks damaged energy infrastructure in central and western Ukraine, the country’s national grid operator has said.

Ukrenergo added that the strike caused power cuts in five regions: Kyiv, Zhytomyr, Dnipropetrovsk, Rivne, and Kharkiv.

It emerged earlier an energy facility in Rivne had been hit, in what some commentators believe is the start of a concerted bombing campaign.

21 Sep 2023-08:47AM GMT

Three Russian missiles hit Lviv

Russian missile strikes in the western city of Lviv caused fires to break out but there are no reports of casualties, according to the regional governor.

Maksym Kozytskyy said: “Unfortunately, there were... strikes on the Lviv region, namely, on the Drohobych district.

“Two arrivals at an industrial facility and one at a private two-storey warehouse. The fire was extinguished at 09:18 [local time].

“Information about the victims, fortunately, was not received.”

21 Sep 2023-08:23AM GMT

Defences still intact near Verbove, Russia insists

Russian sources are claiming that a Ukrainian attack around the village of Verbove in Zaporizhzhia was repelled.

Vladimir Rogov, a Kremlin-backed official in the region, said attack drones “covered an assault group of Ukrainian militants and forced them to retreat”.

Rybar, a pro-Russian blogger, said Kyiv was focusing on piercing defences between Robotyne and Verbove but was being held off “at the moment”.

However, fogeolocated footage shows Kyiv’s armoured vehicles pushing through the main line of defences west of the settlement.

21 Sep 2023-08:07AM GMT

Pictured: Firefighters on scene after Cherkasy hotel destroyed

21 Sep 2023-08:02AM GMT

Strike on Crimean air base caused 'serious damage'

A Ukrainian strike on the Saky airbase in Crimea caused “serious damage” to Russian equipment, national media reports.

21 Sep 2023-07:59AM GMT

Reports: Ukraine attacks Russian aircraft in Crimean base

Ukraine reportedly attacked a military airfield in Crimea last night as it intensified its campaign on the annexed peninsula.

The security services and navy used drones to overload air defences before launching Neptune cruise missiles at the Saky base, apparently used to coordinate Russian strikes.

At least a dozen Su-24 and Su-30 aircraft are thought to have been present, according to state broadcaster Suspilne, along with a training centre for drone operators.

It is unclear what damage was inflicted by the Ukrainian strike.

21 Sep 2023-07:51AM GMT

Missile attacks show 'difficult months ahead'

A Ukrainian official has warned that “difficult months” are ahead amid signs that Russia would start attacking energy facilities.

Oleksiy Kuleba, deputy head of the presidential office, said: “Tonight, Russia launched a massive attack on Ukraine.

“Difficult months are ahead: Russia will attack energy and critically important facilities.”

21 Sep 2023-07:47AM GMT

'New campaign of missile attacks' to target energy facilities

A “new campaign” targeting Ukraine’s power stations could be underway after an energy facility in Rivne was attacked, a pro-Russian blogger has ***suggested***.

According to the Military Informant Telegram channel: “For the first time in a long rime, a blow was struck at an energy infrastructure facility in Ukraine.

“At night, the distribution station of the Rivne Thermal Power Plant was hit by a missile strike.

“This could mean the start of a new campaign of missile attacks on Ukraine’s energy sector on the eve of the cold and heating season.”

21 Sep 2023-07:41AM GMT

Death toll in Kherson increases to three

Another death has been confirmed in Kherson following Russian missile strikes that caused fires across the city.

Ukraine’s interior ministry said: “In the middle of the night, the enemy began to attack residential areas with various weapons.

“Seven fires broke out in the city. Residential and multi-apartment buildings, cars and a shopping row in one of the city’s markets were on fire.

“According to the police, three people died, five more were injured.”

21 Sep 2023-07:29AM GMT

Two dead following 'massive missile strikes' on Ukraine's cities

Two civilians were killed as Russia launched dozens of missiles in a “massive” attack on Ukrainian cities this morning, authorities have said.

In Kherson, two men aged 29 and 41 died when a dormitory was struck in the southern city of Kherson.

Regional governor Oleksandr Produkin added that four people were taken to hospital, including a 61-year-old woman in a serious condition.

In Kyiv, the Ukrainian capital, falling debris from intercepted missiles wounded seven and damaged buildings.

21 Sep 2023-07:24AM GMT

Energy facilities hit in Russian strike on Rivne

Energy facilities were hit in a Russian missile strike on Ukraine’s western Rivne region early this morning, the local authorities have said.

It comes amid fears that Moscow could repeat last year’s bombing of power stations as the winter draws in.

21 Sep 2023-07:19AM GMT

Give Germany a place on the UN Security Council, says Zelensky

Volodymyr Zelensky used his UN Security Council address to call for Germany to be given a permanent seat as he criticised the organisation’s inaction on the war,Susie Coen writes.

Claiming the Council should represent “current realities”, the Ukrainian president also ***suggested*** African Unity should be given a place at the council, as well as broader representation for Asia.

Mr Zelensky, 45, said it is “unjust” that billions of people do not have a permanent representative in the Security Council, while Russia does.

Read the full story [*here*](https://www.telegraph.co.uk/world-news/2023/09/20/ukraine-russia-war-latest/) .

21 Sep 2023-07:17AM GMT

Pictures: Firefighters battle flames after strikes on Kyiv

21 Sep 2023-07:14AM GMT

43 cruise missiles launched at Ukraine in early hours

Russian bombers reportedly launched waves of cruise missiles Ukrainian targets in the early hours of this morning.

Ukraine’s armed forces said in a statement: “A total of 43 cruise missiles were launched form 10 ***strategic*** aircraft Tu-95ms from the area west of Engels [air base].

“Rockets were launched in several waves. They entered the airspace of Ukraine from different directions, constantly changing their course along the route.

“As a result of combat work... 36 cruise missiles were destroyed.”

21 Sep 2023-07:06AM GMT

Kyiv 'repels Russian counterattacks' in south and east

Ukraine says it has repelled Russian counterattacks following counteroffensive gains in the south and east of the country.

A spokesman for the General Staff said: “Defence forces repelled attacks by Russian troops in the Robotyne area in this direction [towards Melitopol].

“Also... the defence forces successfully repelled enemy attacks [south of Bakhmut] in the area west of Zaitseve.

“The Russians also tried to restore their lost position in the areanortheast of Adriivka, but were unsuccessful.”

21 Sep 2023-07:01AM GMT

Storm Shadow missiles hit Russia's Black Sea Fleet headquarters

A Ukrainian Storm Shadow missile strike has hit a headquarters building in Crimea belonging to Russia’s Black Sea Fleet,Maighna Nanu writes.

Videos shared on social media showed the British-supplied cruise missiles streaking through the sky on their way to the target. Other videos showed smoke rising into the air after the impact.

Read the full story [*here*](https://www.telegraph.co.uk/world-news/2023/09/20/ukraine-russia-war-storm-shadow-missiles-crimea/) .

21 Sep 2023-06:59AM GMT

Watch: Ukrainian armour advances 'beyond Surovikin Line'

Marder and Stryker assault west of Verbove behind the main line.Location: 47.435681,35.935325[*@UAControlMap*](https://twitter.com/UAControlMap?ref_src=twsrc%5Etfw) [*@GeoConfirmed*](https://twitter.com/GeoConfirmed?ref_src=twsrc%5Etfw) [*pic.twitter.com/AmuMfIT6Nc*](https://t.co/AmuMfIT6Nc)

21 Sep 2023-06:57AM GMT

Crimea rocked by waves of drone and cyber attacks

Russian-annexed Crimea has reportedly been hit by waves of drone and cyber attacks this morning.

Anti-aircraft units shot down 19 Ukrainian drones over the Black Sea and mainland, Russia’s defence ministry said.

Authorities have also reported a “large-scale cyber attack” on the websites of government agencies, according to state media.

21 Sep 2023-06:50AM GMT

MoD: Russia hampered by 'low morale and poor training'

Russia is struggling to mount successful offensives because troops are plagued by poor morale and inadequate training, the Ministry of Defence (MoD) has said.

According to an intelligence update: “The absence of regular unit ***rotations*** out of combat duty is highly likely one of the most important factory contributing to low Russian morale, and the Russian Army’s failure to conduct higher-level training.

“The lack of such training is highly likely contributing to Russia’s difficulties in conducting successful complex offensive operations.”

Latest Defence Intelligence update on the situation in Ukraine – 21 September 2023.Find out more about Defence Intelligence's use of language: [*https://t.co/iWynNpUZId*](https://t.co/iWynNpUZId) [*#StandWithUkraine*](https://twitter.com/hashtag/StandWithUkraine?src=hash&ref_src=twsrc%5Etfw) [*pic.twitter.com/ohz5iN4GHd*](https://t.co/ohz5iN4GHd)

21 Sep 2023-06:49AM GMT

Poland to stop arming Ukraine

Ukraine has lost one of its staunchest allies as Poland says it will stop arming Ukraine to focus on its own defence.

The row is thought to have been sparked by Warsaw restricting the flow of Ukrainian grain across its border, amid protests by farmers.

Poland, a Nato member, then took offence after Volodymyr Zelensky told the UN that certain countries were only pretending to support Kyiv.

Mateusz Morawiecki, the Polish prime minister, said it took the decision “because we are now arming Poland with more modern weapons”.

21 Sep 2023-06:42AM GMT

Good morning

Good morning and welcome to today’s Ukraine liveblog.

We will be guiding you through all the latest updates from Ukraine.

**Load-Date:** September 22, 2023

**End of Document**



[***Final Results for the year ended 30 June 2023***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6B6T-1VV1-F0CC-S03X-00000-00&context=1516831)

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GCM Resources PLC

29 January 2024

29 January 2024

GCM Resources plc

("GCM" or the "Company")

(AIM:GCM)

Final Results for the year ended 30 June 2023

Notice of Annual General Meeting

GCM Resources plc announces the publication of its final audited results for the year ended 30 June 2023 (the "Annual Report and Accounts") and that the Company's 2023 Annual General Meeting will be held at 10.00 a.m. on Thursday 29 February 2024, at QEII Centre, Broad Sanctuary, Westminster,London, SW1P 3EE.

The Annual Report and Accounts and the Notice of Annual General Meeting will be posted to shareholders on Tuesday 30th January 2024​. Copies are available on request from the Company and will be available on the Company's website ([*www.gcmplc.com*](http://www.gcmplc.com)). The Annual Report & Financial Statements are also available on the 'Financial Reports' page of the Company's website.

Further to the RNS dated 28 December 2023, the Company's shares are currently temporarily suspended from trading on AIM. The Company's shares will remain suspended until the settlement and completion of subscription to raise £500,000, previously announced on 26 January 2024.

For further information:

|  |  |
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Executive Chairman's Statement

**Non-Executive Chairman's Statement**

The Board presents the Company's Annual Report and Accounts for the year ended 30 June 2023, which once again has been a challenging period for new large-scale project development in Bangladesh. As the first half of the reporting period unfolded there was optimism regarding Bangladesh making moves to refocus its energy supply strategy away from an almost total dependence on imports to embracing a ***strategic*** balance, with coal supply coming from its significant, largely unexploited domestic coal resources. The State Minister for Power, Energy and Mineral Resources even spoke in parliament on the extraction of these coal resources, citing that the Phulbari coal deposit is the country's only realistic open pit coal mine option, implying its potential for delivering significant long-term coal production for power generation.

Whilst indications are the momentum swing towards domestic energy resource extraction is on the rise, physical progress was stymied as political focus swung towards the 7 January 2024 National Election (outside the reporting period), i.e., from the second half of the reporting period the country entered its election year.

We have previously commented on the extremely detrimental effects that high commodity prices (particularly for energy products) are having on Least Developed Countries. Unfortunately, this situation has worsened as the world's supply chain not only was not keeping pace with demand from the post-COVID awakening of industries, but has been further affected by the protracted Ukraine conflict and more recent conflict in the Middle East. In the case of Bangladesh, the past couple of years have seen its foreign exchange reserves plummet by 50%, its currency devalue against the US Dollar by over 30% and inflation pushing 10%. In short, this has caused an even deeper austerity move with the central bank imposing certain restrictions on imports, which also caused disruption to imported coal supply, impacting power supply from recently commissioned large-scale coal-fired power plants.

Our Dhaka team maintains contact with government agencies and has seen evidence that the forementioned momentum towards developing the country's known domestic coal resources and increasing exploration to identify new gas fields is waxing. The downturn in key economic indicators has seemingly been an awakening and it is most fortunate that the country has such a world class energy resource as the Phulbari coal deposit that can easily be developed and help insulate against the vagaries of the world energy market.

GCM has patiently been working to be in the best position to present the Project Proposal to the Bangladesh Government and would welcome its participation as a partner in the Project. With the apparent move towards finally realising the potential of domestic energy resources, now that the National Election has been completed and the Awami League government returned, we are targeting Project Proposal delivery once the new government has settled in.

To reiterate, the Project Proposal focusses on development of the Phulbari coal mine which will have an annual production of over 15 million tonnes, ***capable*** of supporting some 6,600MW based on the latest highly energy efficient coal-fired power plant systems for more than 30 years. The Project area can also support over 2,000MW of installed Solar Power Capacity throughout the life of the Project and this is an adjunct to the Proposal. It is aimed to supply power from the Solar Power Park to both the national grid and the Phulbari coal mining operation, enabling the mine to attain carbon emission neutrality and "Green Mine" status.

During this last Financial Year, our team continued to work closely with development partner, Power Construction Corporation of China, Ltd. ("PowerChina"). They are a diverse and extremely experienced organisation with the capabilities to support all aspects of the Project. Apart from an MOU focused on coal mine development and Joint Venture Agreements for power plants of 4,000MW (two 2,000MW Stages), as indicated below, PowerChina has also shown interest in the proposed Phulbari mine site Solar Power Park.

Other steps taken in Financial Year 2023 include:

· On 22 August 2022, the Company announced that it had agreed a further extension of the consultancy agreement with DG Infratech Pte Ltd ("DGI"), a Bangladeshi controlled company, for an additional two years. DGI's prime role is to provide advisory and lobbying services in relation to the Company's business, namely to achieve project approval.

· On 12 December 2022, the Company announced that the MOU with PowerChina, focused on coal mine development, has been extended for a further 12-months to 6 December 2023.

· On 9 January 2023, the Company announced a Joint Development Agreement ("JDA") for the proposed Solar Power Park to be developed as an adjunct to the Phulbari Coal and Power Project. Under the terms of the JDA, GCM would hold 50%, Dyani Corporation 30% and PowerChina 20%, with the intention of also being appointed the EPC Contractor.

· On 14 June 2023, the Company announced it had successfully raised £0.5 million through the placement of 20,000,000 new ordinary shares of 1 pence (the "issue price") with professional investors at a price of 2.5 pence per share.

**Non-Executive Chairman's Statement**

Outside the Reporting Period:

· On 15 September 2023, the Company announced the resignation of its Independent Non-Executive Director, Mr Mohd Najib Bin Abdul Aziz. And that Independent Non-Executive Director, Mr Christian Taylor-Wilkinson, would act as interim Non-Executive Chairman.

· On 28 November 2023, the Company announced that further to its announcements of 23 November 2021, June 2021 and 12 December 2022, Power Construction Corporation of China, Ltd. ("PowerChina") it had agreed an extension for a period of a further 12 months from 6 December 2023 to 6 December 2024 on the same terms as the previous memorandum of understanding ("MoU") which is primarily focused on the Phulbari coal mine development. This will allow PowerChina and GCM to continue to work on determining the modality for PowerChina to become a Mine Development Partner, subject to the approval of PowerChina internal compliance and all other relevant regulatory agencies.

· On 28 November 2023, the Company announced in relation to the Loan Facility with Polo Resources Ltd ("Polo") as announced on 26 March 2021 and as amended and announced on 3 March 2022, it had requested to drawn down a further £300,000 in accordance with the terms announced thereon. The Company on receipt of this further drawdown will have then utilised the full £3.5million of the £3.5million facility. This current drawdown request along with existing cash balances will be sufficient to fund the Company through to the end of March 2024, to which the Company will require to raise additional funds prior to the end of March 2024, for Working Capital thereafter.

· On 20 December 2023 and on 28 December 2023, the Company announced in relation to the final drawdown request of 28 November 2023, it was still awaiting receipt of the £300,000 funds from Polo Resources Ltd. The Company also stated it was considering alternative funding options.

· On 28 December 2023, the Company announced it was still in the process of completing its 2022-2023 audit; the delayisdue to finalising an ongoing funding event. Therefore, as it was unable to publish its audited financial statements for the year end 30 June 2023 by 31 December 2023, the Company'sshareswere thereforetemporarily suspendedfrom trading on AIM.The suspension would occur from 7.30am on 2 January2024.

· On 24 January 2024, the Company announced that it received a notice from Polo Investments Limited ("Polo"), pursuant to Section 168 of the Companies Act 2006, requesting that a resolution to remove Christian Taylor-Wilkinson be tabled, as an ordinary resolution, at the forthcoming Annual General Meeting of the Company or a general meeting of GCM to be convened as soon as practicable. Polo currently holds 43,328,003 shares representing 20.9% of the Company's total voting.

· On 25 January 2024, the Company announced that it had successfully raised gross proceeds of £0.5m by means of a direct subscription (the "Subscription") of new Ordinary Shares (the "Subscription Shares") at a price of 1.65 pence per share (the "Subscription Price"). The Company will need to carry out an additional fundraise before the end of May 2024 to fund its working capital for the next 12 months. The Subscription Price represents a discount of 37.7 per cent to the Closing Price of 2.65 pence per Ordinary Share on 23 January 2024, being the latest practicable business day prior to the publication of this announcement.

Overarching Operating Environment:

Bangladesh is pursuing a balanced energy mix with coal-fired power a significant contributor. This was reinforced by the Honourable Prime Minister for Bangladesh stating in the national parliament on 14 September 2023 (outside the reporting period) that her government was working towards generating 40,000 MW of electricity by 2030 and 60,000 MW by 2041. In that address it was highlighted that her government is implementing "new plans" for coal, diesel/furnace oil, nuclear and renewable energy-based power generation.

Bangladesh currently has 6,035 MW of installed or very soon to be commissioned coal-fired power generating capacity with a demand for some 16 million tonnes of coal per annum, i.e., equivalent to the Phulbari coal mine's planned production. These power plants include:

· Existing Barapukuria plants 525 MW

· Payra 1,320 MW

· Rampal 1,320

· Matarbari 1,200 MW

· S ALAM Banshkhali 1,320 MW

· Barisal 350 MW

However, the long-term plan is to increase coal-fired power to 11,830 MW which would require some 36 million tonnes of coal per annum.

The United Nations Climate Change Conference COP28 was held in the period 30 November to 12 December 2023 (outside the reporting period). On 1 December 2023, the COP28 President announced the first major milestone being a historic agreement to action the Loss and Damage Fund aimed at assisting vulnerable developing countries combat the effects of climate change. Bangladesh had previously announced that it would be promoting such a fund at the conference. The Bangladesh Environment Minister is leading the Bangladesh COP28 delegation and announced that Bangladesh strongly urged developed countries to fulfil their commitment of $100 billion in climate finance. He expressed Bangladesh's disappointment with progress on climate finance and stated that commitment of developed countries to provide US$100 billion per year has not been met yet, and that Bangladesh had strong reservations on how the climate financing would be calculated.

The Bangladesh COP28 delegation also observed that there is a huge distinction between developed countries and developing countries regarding the ability to phase out fossil fuels. The country is pursuing renewable energy, however, as solar and wind are not suitable for base-load power, thermal and nuclear remain the main options for providing base-load power to support its economic development.

Once again, I thank our shareholders and stakeholders for their incredible patience and on-going support. With the much-anticipated swing towards bringing domestic energy resources (both existing coal resources and potentially new gas discoveries) into the energy mix, we are now reaching the point of most relevance for the Project and look forward to moving with the Project Proposal once the newly elected Awami League government is in place and fully functional.

Christian Taylor-Wilkinson

Non-Executive Chairman

29 January 2024

Group ***Strategic*** Report

**Strategy and Business Model**

GCM's Objective remains the development of the Phulbari coal deposit as a captive, large-scale, open pit mining operation supporting some 6,600MW of highly energy-efficient Ultra-Supercritical power generation. As important adjunct to this Objective is the implementation of a large-scale, Solar Power Park (in stages to at least 2,000MW capacity) within the Project area, to be initiated within the first two years of gaining land access. The Solar Power Park is planning to deliver power both to the national grid and to the Phulbari coal mine which will enable it to attain "Green Mine" status.

Our Strategy is to firstly obtain approval from the Bangladesh Government for the comprehensive Project Proposal and with our Development Partner, PowerChina, finance, develop and operate all facets of the Project over its 35+ years life. The Strategy has several key components including inviting the Bangladesh Government to be partner in the Project, under mutually agreed terms yet to be finalised; and to establish Joint Ventures ("JVs") for key business units required to ensure efficient, economically sustainable mining operations and delivery of coal to customers.

Our business model has two business units covering the core aspects of the Project:

· "MINING COMPANY" to develop and operate the coal mine; and

· "POWER COMPANY" to develop and operate the proposed 4,000 MW Ultra-Supercritical power plants already covered in JVs with our Development Partner, PowerChina, and to develop and operate the mine-site Solar Power Park. Note that the business model relies on establishing a reliable domestic market for the Phulbari coal mine's full production. This is vital to underpin the Project's economic sustainability and it is an important consideration when pursuing project financing. At present Bangladesh has installed coal-fired power plant with 6,035 MW capacity, requiring some 16 million tonnes of coal per annum, i.e., basically the Phulbari coal mine's nameplate production. However, the Bangladesh Government plans show a total coal-fired capacity of 11,830 MW and it remains probable that with approval of the Project's coal mine, the proposed 4,000 MW plants proposed by GCM and PowerChina will become attractive alternatives (located on or near the mine site would deliver cheapest coal-fired thermal power).

Our business model also proposes two JVs covering associated crucial areas:

· "Coal Transport JV Company" to be responsible for delivering coal to market by arranging finance for and facilitating any necessary transport infrastructure upgrades; arranging any necessary rolling stock and barges (river and ocean-going); and managing the coal transport system to ensure timely and lowest cost delivery to customers; and

· "Industrial Mineral Co-Product JV Company" to manage the extraction and delivery of large-volume valuable Industrial Mineral Co-Products that can be recovered from the overburden material removed to access coal, i.e., available ahead of reaching first coal. These Co-Products consist of gravels, aggregate, sands, glass sands, ceramic and pottery clay and potentially bottled water. This is potentially a very large business opportunity with the value of Co-Products available over the life of the Project estimated at over ten Billion Dollars. Also, the Industrial Mineral Co-Products are in great demand in Bangladesh, so this JV Company will also add great value to industries and the economy, and importantly will deliver cashflow to the MINING COMPANY well ahead of first coal.

GCM remains confident its Strategy and Business Model will deliver project approval and enable the Project to: reduce the Country's exposure to the volatile energy market; deliver a long-term positive impact on Foreign Exchange Reserves; deliver the lowest coal-based energy price and cheapest electricity, enabling expansion and competitiveness of industries; produce new higher paying jobs; and grow the economy. It potentially will be a catalyst for a "step-jump" in the Bangladesh economy, supporting its move a Developing Country status by 2026 and helping achieve its Vision 2041 to:

· End absolute poverty and to be graduated into higher middle-income status by 2031; and

· Eradicate poverty on way to becoming a developed nation by 2041

Progress in-line with the strategy

The Company's "Feasibility Study and Scheme of Development" for the coal mine component of the Project is pending approval from the Bureau of Mineral Development (an entity under the Energy and Mineral Resources Division of the Ministry of Power, Energy and Mineral Resources).

Progress during the reporting period has been impacted by the political and bureaucratic focus being distracted in the lead-up to the National Election which was held on 7 January 2024. Nevertheless, GCM's Dhaka-based team continued to work with contacts within the government agencies to ensure the Company is in the very best position to engage with the new government once it is in place and fully functional within the 1st Quarter 2024. This communication is two-way and an overview of what would be expected in the Project Proposal has been shared. Indication are the government is now expecting the Ministry of Power, Energy and Mineral Resources to deliver a "new plan" that address how the country can negate the economic stress caused by being almost totally dependent on imported energy products. It is understood this "new plan" is to prioritise both development of the country's known coal reserves and exploration in the anticipation of defining new gas reserves.

The Project also now plans to have an associated Solar Power Park of up to at least 2,000 MW that could be installed within a couple of years of Project approval and gaining land access. This is an exciting adjunct to the Proposal and could be operating before the mining operation reached coal, i.e., would provide an early cashflow. To facilitate the Solar Power Park, on 9 January 2023, the Company announced a JDA for the proposed Solar Power Park whereby GCM would hold 50%, Dyani Corporation 30% and PowerChina 20%, with the intention of also being appointed the EPC Contractor.

**Year in review**

For the 1st half of the reporting period there were indications the Bangladesh Government would be making a move towards bringing its domestic energy resources into its energy mix which is almost totally dependent on imports. The State Minister for the Ministry of Power, Energy and Mineral Resources even spoke at length in parliament (on the record) regarding the country's known coal resources and specifically cited the Phulbari coal deposit as the only one that could practically be open pit mined (and deliver the coal production volume that would make a difference). Unfortunately, this initiative became stalled as the country entered the 2023 election year.

As 2023 progressed, the country's exposure to the world energy market and rampant price reinforced the dire economic trajectory it was following, i.e., foreign exchange reserves had halved and reported to be dropping at some US$1 Billion per month, the local currency had devalued by some 30% and inflation pushing 10%.

Civil Society have become unrelenting in their promotion of the country moving to develop its own energy resources and endeavour to move away from the total import situation, as well as expressing concerns over the continued use of liquid fuel rental power plants and their associated very high power tariffs. Then in September 2023 (outside the reporting period), the Honourable Prime Minister of Bangladesh addressed parliament and stated that her government were implementing "new plans" for coal, diesel/furnace oil, nuclear and renewable energy-based power generation.

Throughout the reporting period and beyond, the Company's Dhaka-based team has maintained contact with the relevant government agencies and there is credible evidence that the "new plans" cited by the Honourable Prime Minister are being framed and that such plans are addressing domestic coal extraction and exploration efforts for new gas. This is exciting news for the Company, the Project and its Shareholders and efforts are being made to ensure we are in the strongest position to engage with the newly elected government within the 1st Quarter 2024 and deliver the Project Proposal which includes a large-scale Solar Power Park as an adjunct.

The Company's relationship with its Development Partner, PowerChina, continues favourably evolve and they are now also involved in the proposed Solar Power Park via a JDA signed in January 2023.

GCM's field team continued its close contact with the local community and local authorities to ensure they remain fully informed on the Project. The 67 "Community Liaison Assistants", recruited from across the Project area, play a vital role in our two-way community communication strategy.

WH Ireland Limited continues as the Company's Nominated Advisor and Broker since their appointment on 11 January 2021.

**Finance review**

The Group recorded a loss of £1,320,000 during the year ended 30 June 2023 compared to a loss of £1,679,000 during the previous year. The loss decreased from the comparative year principally due to a decrease in non-cash, share-based payments accrued in accordance with the Group's agreements with Dyani & DG in relation to pre-development expenditure. The decrease was from £414,000 in 2022 to £180,000 this year as a result of natural reduction in payment to the consultants, but their continuing partnership allows the Group to continue its progress in-line with GCM's strategy of developing power generation as a new business stream, with no slow-down in pursuing continuing project progress.

The Group recorded a net decrease in cash at the end of the year to £543,000 (2022: £961,000). Net cash used in operations for the year was £627,000 (2022: £846,000), cash used in investing activities was £656,000 (2022: £520,000), and cash inflow from financing was £865,000 (2022: £1,610,000).

The Group has continued its aim to maintain tight control of expenditure incurred during the year: Administrative expenses were down by 2.9% to £728,000 for the year ended 30 June 2023 (2022: £750,000) which included £10,000 non-cash expenditure, and finance costs remained stable at £480,000 (2022: £480,000). Capitalised expenditure in relation to the mine proposal was £625,000 for the year ended 30 June 2023 compared to £563,000 in the previous year.

To finance its operations during the year, GCM completed a successful Placing in conjunction with WH Ireland Ltd, raising Gross proceeds of £500,000 in June 2023. In addition, GCM continued to have available, the short-term loan facility with Polo Resources Limited ("Polo") (the "Polo Loan Facility"). A drawdown of £300,000 on the Polo Loan Facility was made during November 2023 and if the drawdown was received, the full facility of £3,500,000, would be utilised. At the date of this report, the drawn down funds had not been received. The terms of the loan facility were amended in March 2022 as part of the completed placing and subscriptions, such that the lender may request conversion by the issuance of new ordinary shares in the Company at 5.14 pence per share (being the Issue Price) subject to any necessary regulatory approvals. All other terms of the agreement remained unchanged. (See Note 12 for detailed terms).

As GCM does not yet generate any revenue, the Board expects that the Group's operations will continue to be funded by a combination of equity and debt financing.

Continuing for the foreseeable future, the Company's cash expenditure is not expected to increase and, as far as possible, obligations to key stakeholders will be primarily satisfied by the issue of new ordinary shares in the capital of the Company ("Ordinary Shares"), to both incentivise those stakeholders and preserve cash.

As at the date of this report, the Company had drawn down £3,200,000 of the Polo Loan Facility and the Company currently has approximately £42,000 in available cash resources, which is not sufficient to meet the Company's immediate cash requirements, assuming the Company's currently forecast cash costs. The Company has explored other financing options, and at the date of this report has secured £500,000 gross equity funds by way of a subscription for ordinary Shares with Clear Capital markets, as announced on 26 January 2024 at 1.65p per share.

**Corporate Social Responsibility**

The Company appreciates that the Project is not a 'one go' process like other large development projects. The Project's Social Licence to Operate ("SOL") will require a concerted effort over the life of the Project. Key to maintaining the SOL is the ability to listen to the communities within which we will be operating, deal with their concerns, keep them fully informed, improve livelihoods and, not only minimise environmental impacts, but improve the local environment.

GCM is committed to developing the Project in accordance with highest international and national environmental and social standards as defined in:

· International Finance Corporation (World Bank) policies and standards;

· Equator Principles;

· Asian Development Bank's (ADB) Safeguard Policies; and

· Prevailing policies and laws of Bangladesh.

GCM continues to be a signatory of UN Global Compact, the World's largest voluntary corporate responsibility initiative, and embraces the core values pertaining to human rights, labour standards, the environment and anti-corruption.

Feedback from government agencies indicates the desire for the local people to be stakeholders and to be motivated to support projects, i.e., offer employment, provide education and fairly compensate for land required and people displaced. The Project's Resettlement Action Plan ("RAP") comprehensively deals with the government's desires for the local people and was prepared as part of the coal mine's all-encompassing Environmental and Social Impact Assessment. The specific requirements of the local people were captured in surveys covering families within and immediately adjacent to the Project Area. A demographic survey was also carried out in 2019 to update the population and household trends. GCM is committed to lift the amenity of its local community and will ensure the RAP will deliver:

· Full and fair compensation prior to displacement;

· Fairness, transparency and choice;

· Higher living standards (town/village sites improved amenities);

· Financial grants to enhance livelihoods;

· Training and preferential employment; and

· Support of farmers to enhance ***agricultural*** production.

GCM maintains facilities in the Project area and its resident field team is in close contact with the community and local authorities. The field team is assisted by 67 Community Liaison Assistants ("CLA's"), recruited from across the Project Area.

**Risks and uncertainties**

The predominant risks and uncertainties faced by the Company are set out below:

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Political and economic - risk that the recently completed National Election is not deemed to be free and fair, leading to a protracted period of civil unrest and US led sanctions that affect economic development. However, to offset this risk, Bangladesh is receiving significant diplomatic support by its large neighbours being Indian and China. Also, the Bangladesh President has set a precedent by allowing the Bangladesh army to be deployed to assist in quelling any such civil unrest. In this situation, business development was able to continue.

- risk that the Project Proposal is not approved, however, the country's exposure to the world energy market has caused severe economic stress leading to austerity measures that have interrupted the flow of energy products for power generation which in turn impacts business and industrial productivity. However, Indications are the government is working to offset this risk with "new plans" in the energy and power sector aimed at reducing imports by developing its domestic energy reserves, principally coal and also undertaking exploration programs to grow the severely depleted gas reserves. The Company operates in Bangladesh through its wholly owned subsidiary, Asia Energy Corporation, and all activity is covered under the terms and conditions of its Contract with the Bangladesh Government for "Exploring and Mining of Coal in Northern Bangladesh". Under this Contract, approval is assured, although there may be several iterations involved to clarify issues ahead of the approval.

***Strategic*** - risk that the ***strategic*** partnership with the Chinese state-owned-enterprise PowerChina does not proceed, thus undermining the Company's strategy of presenting the Project as a captive coal mine with reliable market options for its full coal mine production and jeopardising the mine's economic sustainability. However to offset this risk, the Project Proposal invites the Bangladesh Government to become a partner in the Project and the Proposal promote all or part of the Phulbari captive open pit coal mine production being sold in the first instance to the Government's own power plants, thus reducing or eliminating the dependency on having mine-mouth power plants as the sole market for the Phulbari coal. The current and prolonged world energy crisis with escalated coal and LNG prices (increasing pressure of Bangladesh's Foreign Exchange Reserves) also makes the proposition of the Government using Phulbari coal for its power plants much more attractive.

The Company has also taken steps to further reduce this risk by its Bangladesh team working with contacts within key government agencies to ensure the Project Proposal is aligned with the "new plans" in the energy and power sector (as noted in the Political and economic risk discussion) and that the Company is in the best position to engage with the newly elected government following the 7 January 2024 National Election.

Financing - risk that the Company will not be able to raise necessary working capital to sustain its activities ahead of presenting the Project Proposal to the government or the funding required to take the Project through the government approval process to implementation stage. The former financing risk is off-set by the Company's track-record of being able to raise funds through the equity market. The latter financing risk is offset by agreements in place with our Development Partner, PowerChina, whereby in return for being awarded EOC Contracts, PowerChina has expressed a willingness to assist with project financing. The Directors are confident that the necessary funds will be obtained as and when required. For further details refer to the Directors' Report.

Commercial - risk that the Project's economic viability is undermined by sustained adverse movement of coal price and key cost elements. This risk is offset by the current and prolonged world energy crisis with escalated coal and LNG prices makes the proposition of the Government using Phulbari coal for its power plants much more attractive. Analysts predict the supply/demand forces will support continuing high coal prices in the medium term, thus using Phulbari coal will give the Government some protection against supply and cost escalation risk and save billions of dollars in Foreign Exchange. To further reduce economic viability risk there will be a rise and cost provision for the coal mine with the coal supply agreements for the power plants. Bangladesh currently has 6,035 MW of coal-fired power capacity installed that requires some 16 million tonnes of coal per annum, i.e., the nameplate production for the Phulbari coal mine. In addition, the Bangladesh Government's plan is to increase the coal-fired power capacity to 11,830 MW which will require some 36 million tonnes per annum.

Legal - risk that the mining lease and exploration licences are revoked. The Group continues to comply with all terms of the Contract with the Government for "Exploration and Mining of Coal in Northern Bangladesh" and is careful to ensure that all ongoing conditions of the Contract and the associated mining lease and exploration licences are met. GCM has received a recent comprehensive legal opinion that the Contract is enforceable under Bangladesh and International law.

Health and safety, social and environmental risks - The Group remains committed to developing the Project and meeting the highest international social and environmental standards as detailed in the Corporate Social Responsibility section within this ***Strategic*** Report.

Climate Change risk - Increased awareness and action against climate change will put pressure on governments and financing organisations to reduce exposure to fossil fuel related power generation. This could affect future Bangladeshi Government policy towards coal fired generation and limit funding appetite for the Project. Bangladesh is scheduled to officially become a developing country in 2026 as the UN committee recommended that the country should get five years, instead of three, to prepare for the transition due to the impact of Covid-19 on its economy. Until 2026, the country will continue to enjoy the trade benefits as an LDC. The Bangladesh Government has also recently adopted its Vision 2041 which aims to end absolute poverty and to be graduated into higher middle-income status by 2031 and eradicate poverty on way to becoming a developed nation by 2041.

Bangladesh has minimal emissions and is far behind the developed countries in terms of GDP and power generation per capita. Considering the year 2019 (immediately prior to the COVID pandemic and the worldwide economic slowdown) published figures indicate its contribution to the world's CO2 production was some 0.25 percent, i.e. Bangladesh is not a significant emitter.

Vision 2041 identifies two fundamental energy and power sector pillars necessary to support the Vision: (i) Adopting a least-cost power generation expansion path; and (ii) Promoting supply of low-cost primary energy. To achieve this, it needs to steadily grow its power generation capacity (efficient low-cost power) to drive industrial development and create sustainable new well-paying jobs. To this end, even if the Phulbari full coal production was consumed in over 6,600MW of power being generated Bangladesh's contribution to the world's CO2 production would still be minimal.

The Bangladesh Government recognises the importance of commercial fuel diversity for its power generation; however, it remains heavily reliant on imported fuels, which exposes the country to inherent world-market risks in terms of maintaining supply and controlling cost. The world-wide protracted energy crisis has raised serious questions over Bangladesh's dependence on imported energy products. It has forced the Government to adopt an austerity approach involving restricting energy imports and cutting back on power generation, principally driven by falling Foreign Exchange Reserves. Civil society and many political figures are now calling for a rapid move to develop the country's domestic coal land gas resources to ensure energy security and save on Foreign Exchange. As noted in the Political and economic risk discussion, indications are the Bangladesh Government is working on "new plans" for the energy and power sector which aim to reduce dependency on expensive imported energy products by developing its domestic energy resources, principally the known domestic coal reserves and to encourage exploration for new gas fields.

The Phulbari Project remains focused entirely on serving Bangladesh's domestic requirements, adhering to its policies and laws and supporting its development goals. The Project will assist Bangladesh achieve its NDC targets as it balances issues to achieve its development goals. By using Phulbari's high quality coal high energy efficient low emission Ultra-Supercritical power plants the country will not only eliminate greenhouse emissions associated with coal shipping and handling, but importantly it will realise a large amount of clean coal technology produced power at tariffs that will make its industries more competitive. This will help drive Bangladesh economic development and ability to deal with the effects of climate change.

Board engagement with stakeholders

This section serves as our section 172 statement and should be read in conjunction with the rest of the ***Strategic*** Report and the Company's Corporate Governance Statement.

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, and would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, governments, local communities, and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The Directors uses its Board meetings as a mechanism for giving careful consideration to the factors set out above in discharging their duties under section 172.

Stakeholder engagement

Key stakeholder groups we engage with are listed below, together with an explanation of why we focus on them and how we engage them.

Employees

The success of the Group is dependent upon the hard work and dedication of all our employees. The Board ensures a continuing investment in existing employees who are supported through professional, technical and on-the-job training relevant to their functional areas, as well as other relevant role-specific training. The Board directs executives and senior managers to keep staff informed of the progress and development of the Company on a regular basis through formal and informal meetings and regular communications. In addition, the Board ensures funds are provided for regular events to encourage employee participation in local community initiatives.

Government Agencies & Local Communities

The Group operates in the regulated mining sector in Bangladesh. The Board ensures the Company adopts a positive focus on maintaining productive relations with local communities and all levels of government. As a result, the Chief Executive Officer and Chief Operating Officer regularly conduct consultations with multi-levels of government agencies to ensure that all regulatory approvals and permits remain in good order. Development of local community improvement programmes are undertaken with consultation of local government and community representatives to maintain positive and productive relationships necessary to advance the Phulbari project.

As a mining exploration Group, the Board takes seriously its ethical responsibilities to the communities and environment in which it works. Wherever possible, local communities are engaged in the geological operations and support functions required for field operations. The regions in which the Group operates have native title laws. The Company is respectful of native title rights and engages proactively with local communities. In addition, we are careful to manage the environmental obligations of our work, and undertake site rehabilitation programmes, and prepare mine management plans, in accordance with local laws and regulations. Our goal is to meet or exceed standards, to ensure we maintain our social licence to operate from the communities with which we interact.

Contractors & Suppliers

Our proposed Joint Venture associates, consultants and suppliers are key business partners, and the quality of goods and services we receive are essential to supporting operations and to enhance the project process with our goal to successfully submit our project proposal to the Bangladesh Government for approval.

During the year, the Board committed significant resources into fostering improved relationships with our key partners. As directed by the Board, management collaborates and continually works with our partners and the full supply chain, sharing best practice and seeking out synergies to improve.

Lender

For the entire reporting period the Chairman, CEO and FD, on behalf of the Board have been in regular contact with its lender. An extension to the loan agreement was agreed during the year, which enabled the Group to continue on a stable financial platform.

Investors

Investors are considered key stakeholders, and consequently investor relations are a focus area for Directors. Where possible the Board engages investors on Group performance following project updates and results announcements with face-to-face meetings or scheduled calls.

On behalf of the Board,

Datuk Michael Tang PJN

Chief Executive Officer

29 January 2024

**Board of Directors**

**Executive Directors**

Datuk Michael Tang PJN (Executive Chairman) is Chairman of the Company's largest shareholder, Polo Resources Limited, and is the principal of Mettiz Capital Limited, an investment company. Datuk Tang has significant corporate and financial experience in natural resources, power generation, healthcare, technology, manufacturing and real estate. Datuk Tang qualified as a barrister at Lincoln's Inn and holds a Bachelor of Law degree from the London School of Economics and Political Science. Datuk Tang was conferred the Distinguished Order for Meritorious Service ("Panglima Jasa Negara") which carries the honorific title of "Datuk" by His Majesty King of Malaysia. The award was in recognition of his invaluable service and contribution to the nation.

Keith Fulton (Finance Director) is the Finance Director of GCM and has over 25 years accounting and finance experience and was a partner at the audit firm Chapman Davis for over fourteen years. He began his career at Badger Hakim, where he qualified as a Chartered Accountant, following which he held various financial advisory and leadership positions at a number of corporates, including Finance Director at IDG UK Holdings Ltd. Keith is a member of the Institute of Chartered Accountants in England and Wales.

Gary Lye (Chief Operating Officer) is the Chief Operating Officer of GCM and Chief Executive Officer of GCM's subsidiary, Asia Energy Corporation (Bangladesh) Pty Ltd. He has been with the Phulbari Coal and Power Project (the Project) since January 2004 and led the exploration programme and Feasibility Study. He is a qualified geologist and geotechnical engineer with a Master's Degree in Rock Mechanics from the Royal School of Mines, London and a Diploma of the Imperial College (DIC), London and has over 45 years' international experience in the mining industry. Gary previously held senior mining positions with several leading mining companies. This included roles as ***Strategic*** Mine Development Manager with Kalgoorlie Consolidated Gold Mines at their Super Pit operations in Kalgoorlie, Western Australia, and as Manager of Mining Research for CRA in Perth, Western Australia.

**Non-Executive Directors**

Mohd. Najib Abdul Aziz (Non-Executive Chairman) has over 25 years corporate and finance experience in a number of industries, including property, construction and manufacturing. He began his career at KPMG in Perth and later worked at Arthur Andersen & Co. in Kuala Lumpur. Najib has significant experience in both Executive and Non-Executive Director roles in Malaysia. In addition to his current executive roles at Corporate-Pacific Holdings Sdn Bhd and Pentas Flora Environmental Services Sdn Bhd, he is also an Independent Non-Executive Director of Bina Puri Holdings Bhd and Tropicana Corporation Bhd, the latter where he is also the Chairman of the Audit Committee. Najib is a member of the Malaysian Institute of Accountants and a member of Chartered Accountants Australia and New Zealand. Najib resigned from the Board on 11 October 2023.

Christian Taylor-Wilkinson (Non-Executive Chairman) has spent his working life in the City and has over 30 years' experience advising and working alongside companies across many sectors and geographies. Christian's background spans investment banking, investor relations and financial PR, which gives him a broad perspective on the capital markets landscape as well as a deep understanding of the needs of businesses, their boards and their shareholders. He has worked with a wide range of companies - from global European and Asian telecommunications businesses to smaller AIM companies. He founded Leander PR Ltd, a small ***cap*** focused financial public relations agency in April 2009. He was appointed as a Non-Executive Director of Altona Energy plc, a Rare Earths mining exploration company, in January 2019, and was made CEO in November 2020, until his resignation as Chief Executive in June 2023, and continues in a Business Development role for the Company.

**Corporate Governance Report**

Corporate Governance Statement

The Board of Directors ("Board") aims to adhere to industry good practice in relation to corporate governance of the Company. The Board approved the adoption of the Quoted Companies Alliance Corporate Governance Code 2018 ("QCA Code") on 9 July 2018.

The QCA Code sets out 10 principles which should be applied. These are listed below together with a short explanation of how the Group applies each of the principles. Where the Group does not fully comply with each principle an explanation as to why has also been provided:

Principle One: Strategy and business model

The Board has developed and implemented a strategy which it believes will achieve long term value for shareholders. This strategy is set out in the ***Strategic*** Report. The Company believes that this strategy is appropriate to protect the Company from unnecessary risk and optimise its long-term future.

Principle Two: Understanding shareholder needs and expectations.

The Board is committed to maintaining good communications and seeks to understand and meet shareholder needs and expectations by engaging with them across a range of platforms. All shareholders are encouraged to attend the Company's Annual General Meetings where they can meet and directly communicate with the Board. After the close of business at the Annual General Meeting, the Chairman opens the floor to questions from shareholders. The Company provides phone numbers on all its updates and RNS announcements where shareholders can contact the appropriate senior Company representatives directly. Shareholders also have access to information through the Company's website,[*www.gcmplc.com*](http://www.gcmplc.com/).

Shareholders are also welcome to contact the Company via email at [*info@gcmplc.com*](mailto:info@gcmplc.com) with any specific queries.

Principle Three: Stakeholder responsibilities

The Board recognises that the long-term success of the Company is reliant upon strong positive relationships with the Government of Bangladesh, local potentially affected communities, its partners, customers, contractors, suppliers, employees and other stakeholders.

The Company is committed to developing any project under its control to the highest international social and environmental standards. In addition to compliance with applicable national laws, GCM has committed to comply with the Equator Principles, the International Finance Corporation's Performance Standards on Social and Environmental Sustainability and the principles of the UN Global Compact.

At this stage in the Company's development, the Board has not adopted a specific written policy on Corporate Social Responsibility as the standards it has committed to gives sufficient guidance at the Company's current stage of development.

The Company engages positively with local communities, regulatory authorities and stakeholders in its project locations and encourages feedback through this engagement. Through this process the Company identifies the key resources and fosters the relationships on which the business relies.

Principle Four: Risk management

The Board periodically reviews the risks to which the Group is exposed including on all significant new transactions, and ensures that these risks are minimised as far as possible whilst recognising that its business opportunities carry an inherently high level of risk. The principal risks and uncertainties facing the Group at this stage in its development and in the foreseeable future are detailed within the ***Strategic*** Report together with risk mitigation strategies employed by the Board.

Principle Five: A well-functioning Board of Directors

The Non-Executive Chairman (Christian Taylor-Wilkinson) has overall responsibility for the Corporate Governance of the Company. The Board is responsible for formulating, reviewing and approving the Group's strategy, budget, major transactions and monitoring achievement of its business objectives. An agenda and supporting documentation are circulated to the directors before each Board meeting. Open and timely access to all information is provided to directors to enable them to bring independent judgement on issues affecting the Group and facilitate them in discharging their duties. The Board meets formally periodically during the year for these purposes and holds additional meetings when necessary to transact other business. The Board receives reports for consideration on all significant ***strategic***, operational and financial matters.

The Board currently consists of the Non-Executive Chairman (Christian Taylor-Wilkinson), the Chief Executive Officer (Datuk Michael Tang PJN), the Finance Director (Keith Fulton), and the Chief Operating Officer (Gary Lye). The Board considers that its composition is satisfactory and complies with the QCA Code, however, is currently actively recruiting one or two further non-executive directors to improve its Board composition.

The roles of Chairman and Chief Executive Officer are split per best practice. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. The Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information. No one individual has unfettered powers of decision. The Finance Director works full time for the Company.

The non-executive director is considered independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Board is supported by the audit, remuneration and the nomination committees, details of which can be found below.

Principle Six: Appropriate skills and experience of the Directors

For the current size and stage of development of the Company, the Board considers the current balance of sector, financial and public market skills and experience present on the Board is appropriate to execute the Company's strategy and business plan and discharge its duties effectively. As the Company evolves, the Board will be reviewed and expanded as necessary to ensure appropriate expertise is always in place to support its business activities. Details of the current Board of Directors' biographies are set out within the Board of Directors section.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed.

Principle Seven: Evaluation of Board performance

Due to GCM's size and available resources, and the status of the Company's operations, the Company has yet to set in in place a formal evaluation system for its Board, Directors and employees. The appropriateness of performance review will be reassessed as the Company's corporate governance evolves in line with development of its business. The board shall monitor requirements for succession planning on an ongoing basis.

Principle Eight: Corporate culture

The Company operates in the United Kingdom and Bangladesh. It is committed to upholding all laws relevant to countering bribery and corruption in all jurisdictions in which it operates and remains bound by the laws of the United Kingdom, including the Bribery Act 2010, in respect of conduct both at home and abroad.

The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever we operate, implementing and enforcing effective systems to counter bribery.

The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Board takes account of employees' interests when making decisions, and ***suggestions*** from employees aimed at improving the Group's performance are welcomed.

The Company has adopted a Share Dealing Code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine: Maintenance of governance structures and processes

Ultimate authority for all aspects of the Company's activities rests with the Board. The Non-Executive Chairman is responsible for the effectiveness of the Board, ensuring that no individual or group dominates the Board's decision-making, and that the Non-Executive Directors are properly briefed on all operational and financial matters. The Non-Executive Chairman has overall responsibility for corporate governance matters in the Group. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. Key operational and financial decisions are reserved for the Board through periodic Board meetings.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third-parties and a duty to declare any interest in a proposed transaction or arrangement.

Principle Ten: Shareholder communication

The Company encourages communication with both private and institutional shareholders. The Company's website is regularly updated and users, including all stakeholders, can register to be alerted via email when material announcements are made. The Company's contact details are on the website for investor relations enquiries.

Shareholders are encouraged to attend the Company's Annual General Meeting. Notices of General Meetings are posted to shareholders and copies for at least the past five years are contained within the Annual Reports, copies of which are available on the website.

The results of voting on all resolutions in future general meetings will be posted to the Company's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent votes.

Board and Committees

The Board consists of three executive directors and one non-executive director (including the Chairman). The Board considers that this composition is satisfactory, considering the size and scale of the Group's activities and that no one individual or group dominates the decision-making process. The composition of the Board, including the balance between executive and non-executive directors will continue to be reviewed to ensure that the Board continues to have the appropriate structure and skills to meet the needs of the Group as its business develops. The Board will continue to monitor and actively recruit additional independent non-executive directors.

The Board meets regularly through the year, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the Group's forecast and budget, major capital expenditure, risk management policies and approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner prior to Board meetings. The Board delegates certain of its responsibilities to the Board Committees which have clearly defined terms of reference and are listed below.

All directors have access to the advice and services of the Group's solicitors, Nominated Adviser and the Company Secretary. Any Director may take independent professional advice at the Group's expense in the furtherance of their duties.

Retirement by ***rotation***

One third of directors are required to retire at every Annual General Meeting (AGM) of the Company by ***rotation*** and may be re-elected by ordinary resolution.

**The Audit Committee**

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. Mr Christian Taylor-Wilkinson is Chair of the Audit Committee, supported by Keith Fulton, the Finance Director and Company Secretary, and the full board who are not formally members of the committee. The membership of the committee will be reviewed annually and upon any changes to the composition of the Board. During the year the Audit Committee met twice and was active in assessing the adequacy of the interim and annual financial statements, including conducting meetings with the auditors of the Company.

**The Remuneration Committee**

The Remuneration Committee is responsible for making recommendations to the Board of Directors' and senior executives' remuneration. Non-Executive Directors' remuneration is considered by the Board. Financial packages for the Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another Company. Mr Christian Taylor-Wilkinson is Chair of the Remuneration Committee, supported by Keith Fulton, the Finance Director and Company Secretary, and the full board who are not formally members of the committee. The membership of the committee will be reviewed annually and upon any changes to the composition of the Board. The Committee met once during the year to conduct a review of executive remuneration, including benchmarking to market and making appropriate recommendations to the Board.

The Nominations Committee

The Nominations Committee makes recommendations to the Board for the recruitment of Directors and senior executives. Mr Christian Taylor-Wilkinson is Chair of the Nominations Committee, supported by Keith Fulton, the Finance Director and Company Secretary, and the full board who are not formally members of the committee. The membership of the committee will be reviewed annually and upon any changes to the composition of the Board. During the year the Nominations Committee did not meet formally but has been involved in the assessment of prospective candidates for non-executive positions as requested by the Board.

Christian Taylor-Wilkinson

Non-Executive Chairman

29 January 2024

**Directors' Report**

The Directors present their annual report and the audited accounts for the year ended 30 June 2023.

**Principal activities**

GCM Resources plc (GCM) was incorporated as a Public Limited Company (Company register number 04913119) on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The Company's principal activity, through its subsidiaries, is the development of the Phulbari Coal and Power Project in Bangladesh.

**Business review**

Phulbari Coal and Power Project

A detailed review of progress on the Phulbari Coal and Power Project is included in the Group ***Strategic*** Report.

Financial resources

As at 30 June 2023, GCM held £543,000 in cash (2022: £961,000 cash).

Corporate responsibility

GCM is committed to undertaking its activities in accordance with the highest international social, environmental and operational standards. For detailed information please refer to the Group ***Strategic*** Report.

Financial review

The Group recorded a loss after tax of £1,320,000 for the year ended 30 June 2023 (2022: loss after tax of £1,679,000). Non-cash expenses of £180,000 were incurred during the year (2022: £414,000).

Capitalised evaluation expenditure relating to the Phulbari Coal and Power Project was £625,000 for the year ended 30 June 2023 (2022: £563,000).

**Events after the end of the reporting period**

**The events which took place subsequent to 30 June 2023, are fully disclosed in Note 21 to the Consolidated Financial Statements.**

**Dividends**

The Directors do not recommend the payment of a dividend (2022: nil).

Going concern

As at 30 June 2023, the Group had £543,000 in cash and £805,000 of net current liabilities. The directors and management have prepared a cash flow forecast to March 2025, which shows that the Group will require further funds to cover operating costs to advance the Phulbari Coal and Power Project and meet its liabilities as and when they fall due. Based on current forecasts, additional funding will need to be either raised from third parties or the short-term loan facility with Polo Resources Limited ("Polo Loan Facility") increased and extended by the end of March 2024, in order to meet current operating cost projections. The Directors also note that, under the amended terms of the existing Polo Loan Facility, the lender agreed not to serve a repayment request in cash for 5 years from the date of amended terms, 26 March 2021, or alternatively convert to shares at 5.14 pence per share at the lender's option (as amended on 1 March 2022). The Company does not currently have secured funding arrangements in place to cover this loan or further potential expenditure which may be needed to advance the Project and, accordingly, should Polo request repayment of the Polo Loan Facility (under certain terms of the Loan Facility), GCM will need to raise funds in a short amount of time, which may not be available on terms acceptable to the Board or on a workable timeframe.

The Company currently has utilised £3,200,000 of the Polo Loan Facility at the date of this report (at the date of this report, the Company is awaiting receipt of the final drawdown of £300,000 from Polo), and based on projected future cash expenditure, at the date of this report this facility would be required to be increased, or additional funds raised through equity placing or other debt facilities in order to be sufficient to support the Company's operations for the twelve months from the date of this report. As announced by the Company on 25 January 2024, the Company has completed a Gross equity fund raise of £500,000 by way of subscription for Ordinary Shares with Clear Capital Markets, at a price of 1.65p per share. At the current run rates, the Company's existing cash resources, is expected to provide sufficient capital for the next five months. The Company intends to explore alternative funding options over the second quarter of 2024, with the aim to complete and secure the necessary third-party funding by the end of June 2024.

In forming the conclusion that it is appropriate to prepare the financial statements on a going concern basis the Directors have made the following assumptions that are relevant to the next twelve months:

- Sufficient additional funding can be obtained for working capital purposes; and

- In the event that operating expenditure increases significantly as a result of successful progress with regards to the Phulbari Coal and Power Project, sufficient funding can be obtained.

While the Directors remain confident that necessary funds will be available as and when required, as at the date of this report these funding arrangements are not secured, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Upon achieving approval of the Phulbari Coal and Power Project, significant additional financial resources will be required to proceed to development.

**Future outlook**

The Group is fully committed to the Phulbari Coal and Power Project and is directly engaging with the Government of Bangladesh and other stakeholders to move the Project forward. A detailed review of progress on the Phulbari Coal and Power Project is included in the Group ***Strategic*** Report.

**Principal risks and uncertainties**

Details of the Group's principal risks and uncertainties can be found within the Group ***Strategic*** Report .

**Financial instruments**

Details of the financial risk management objectives and policies of the Group and information on the Group's exposure to financial risks can be found in note 18 to the financial statements.

**Directors**

The Directors who served during the year:

|  |  |
| --- | --- |
| Appointed | Resigned |
| Executive Directors |  |
| Datuk Michael Tang PJN |  |
| Keith Fulton |  |
| Gary Lye |  |
| Non-Executive Directors |  |
| Mohd. Najib Abdul Aziz | 11 October 2023 |
| Christian Taylor-Wilkinson |  |

Amounts paid for services of Directors for the year ended 30 June 2023 were:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Salary & fees | Share based payments | 2023 Total | 2022 Total |  |
| £ | £ | £ | £ |  |
| Executive Directors |  |  |  |  |
| Datuk Michael Tang PJN (\*) | 303,600 | - | 303,600 | 303,600 |
| Keith Fulton | 90,000 | 10,000 | 100,000 | 120,000 |
| Gary Lye | 173,828 | - | 173,828 | 170,540 |
| Non-Executive Directors |  |  |  |  |
| Mohd. Najib Abdul Aziz (resigned 11 October 2023) | 6,000 | - | 6,000 | 6,000 |
| Christian Taylor-Wilkinson | 6,000 | - | 6,000 | 6,000 |
| James Hobson(resigned 1 December 2021) | - | - | - | 5,000 |
| 579,428 | 10,000 | 589,428 | 611,140 |  |

(\*) Michael Tang's remuneration remains partially unpaid as at 30 June 2023, see Note 20 also.

The Directors who held office at 30 June 2023, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2023 | 2023 | 2023 | 2022 | 2022 | 2022 |  |  |  |
| Shares | Conditional shares (1) | Options | Shares | Conditional shares | Options |  |  |  |
| Executive Directors |  |  |  |  |  |  |  |  |
| Datuk Michael Tang PJN | - | - | 7,250,000 | (2) | - | - | 7,250,000 |  |
| Keith Fulton | 1,023,343 | - | - |  | 705,883 | - | - |  |
| Gary Lye | 2,000 | 170,000 | 825,000 |  | 2,000 | 170,000 | 825,000 |  |
|  |  |  |  |  |  |  |  |  |
| Non-Executive Directors |  |  |  |  |  |  |  |  |
| Mohd. Najib Abdul Aziz | - | - | - |  | - | - | - |  |
| Christian Taylor-Wilkinson | - | - | - |  | - | - | - |  |
| James Hobson | - | - | - |  | 200 | - | - | (3) |

(1) Shares awarded in the event of key milestones being reached. Refer to Note 17 to the financial statements.

(2) Options with an exercise price of £0.11, vested on 1 January 2016 and an expiry date of 31 May 2020. On 29 May 2020, these options were extended on the same terms until 31 May 2024.

(3) James Hobson resigned on 1 December 2021.

**Internal controls**

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Further reviews of internal controls will be undertaken as the Group develops to ensure that they remain adequate and effective.

**Risk management**

The Board considers risk assessment to be important in achieving its ***strategic*** objectives. There is a process of evaluation and monitoring risks through regular reviews by senior management.

**Business risk**

The Board regularly evaluates and reviews business risks when reviewing project timelines. The types of risks reviewed include:

· Regulatory and compliance obligations

· Political and economic risks - refer to note 1 for further information

· Environmental requirements

· Legal risks relating to contracts, licences and agreements

· Insurance risks - the Group holds insurance coverage for potential employee and liability claims

· Political risks arising from operating in Bangladesh - refer to note 1 for further information

· Climate Change Risk - refer to Risks and Uncertainties within the ***Strategic*** Report

**Treasury policy**

The Group currently finances its operations through equity and debt financing and holds its cash to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer to note 18 for liquidity risk.

Capital management

Capital comprises of cash only. The Group holds a loan facility of £3,500,000 of which £3,200,000 had been fully utilised as at 30 June 2023. The Group does not hold other loans, financial leases, or other non-current finance obligations.

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| £000 | £000 |  |
| Cash | 543 | 961 |
| Borrowing facilities undrawn (\*) | 300 | 300 |
| Unpaid share capital (\*\*) | - | 400 |
| Capital | 843 | 1,661 |

(\*) £300,000 of the available facility, was requested to be drawn down on 28 November 2023, and the Company at the date of this report is awaiting receipt of the funds

(\*\*) The unpaid share capital of £400,000 was received on 5 July 2022

Upon approval of the Phulbari Coal and Power Project funding will be sought from a mix of equity and debt sources to finance development. The objective of the Group's capital management will be to manage gearing levels and capital ratios in order to support its business, maximise shareholder value and maintain a healthy capital position. The Group incurs expenditure in a number of currencies including UK Pounds, Bangladesh Taka, US Dollars and Australian dollars. The Group has a policy of not hedging currency exposures.

**Qualifying third party indemnity provisions**

The Company has put in place qualifying third party indemnity provisions for all of the directors of the Company which was in force at the date of approval of this report.

**Political contributions**

No payments to political parties have been made during the year (2022: nil).

**Relations with shareholders**

The Board attaches great importance to maintaining good relationships with its shareholders. The Group's activities are detailed in the Annual Report and Financial Statements, the Interim Report and market announcements. Market sensitive information is always released to all shareholders concurrently in accordance with stock exchange rules. The AGM provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Group maintains a corporate website where information on the Group is regularly updated and all announcements are posted.

**Website disclosure**

The Group has a website [*www.gcmplc.com*](http://www.gcmplc.com) on which statutory information, press releases and background information on the Group and its operations can be found.

**Annual General Meeting (AGM)**

Full details of the resolutions to be proposed at the Company's AGM will be included in the Notice of Meeting which will be distributed to shareholders along with the Annual Report.

**Auditors**

The auditors to the Group, PKF Littlejohn LLP, have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the AGM.

**Directors' statement as to disclosure of information to auditors**

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare Group financial statements under UK-adopted international accounting standards. Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM. In preparing the financial statements the directors are required to:

· select suitable accounting policies and then apply them consistently;

· make judgements and accounting estimates that are reasonable and prudent;

· state whether they have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;

· prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board,

Keith Fulton

Executive Director

29 January 2024

**Independent Auditor's Report**

Independent auditor's report to the members of GCM Resources Plc

Opinion

We have audited the financial statements of GCM Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

· the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2023, and of the group's loss for the year then ended;

· the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

· the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006; and

· the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in both the group and parent company financial statements, which indicates that the group's and the parent company's ability to continue as a going concern is dependent on the ability to secure additional funding through financing arrangements or the issue of equity. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

· Challenging the directors' forecasts prepared to assess the group's and parent company's ability to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements. We have reviewed the consistency of committed cash flows against contractual arrangements and compared general overheads to current run rates. The forecasts demonstrated that the group and parent company will require additional funding during the going concern period to meet its liabilities as and when they fall due.

· The forecasts indicate that the current funding will not be sufficient with further funding being required to meet increased expenditure on the mine and power plant project. We have discussed with the directors the strategies that they are pursuing to secure further funding if and when required. We note that the Company have successfully raised funds from issuing equity in the past but at the date of this report there are no legally binding agreements in place to cover a funding deficit in these scenarios.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we consider 1.5% of total assets to be the most significant determinant of the group's financial performance used by shareholders as the group continues to bring its mining assets through to development. Materiality of the parent company was based upon the loss before tax in order to achieve sufficient coverage of expenditure in our testing.

Whilst materiality for the financial statements as a whole was £659,000 (2022 - £662,000), each significant component of the group was audited to a lower level of materiality. The parent company materiality was £66,000 (2022 - £82,000) with the other components being audited to a materiality of £329,000 (2022 - £331,000). These materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 70% of the above materiality levels for both group and parent company, equating to £461,000 (2022 - £463,000) and £46,000 (2022 - £57,400) respectively, based upon our assessment of the risk of misstatement.

We agreed with management that we would report to the audit committee all individual audit differences identified during the course of our audit in excess of £32,000 (2022 - £33,000) for the financial statements as a whole and £3,300 (2022 - £4,100) for the parent company. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

Our approach to the audit

Our group audit scope focused on the group's principal operating location being Bangladesh which was subject to a full scope audit together with the parent company, which was also subject to a full scope audit. These represent the significant components of the group.

The remaining components of the group were considered non-significant and these components were principally subject to analytical review procedures.

Entities subject to full scope audits account for 99% of the total assets.

The audits of each of the significant components were performed in the United Kingdom. All of the audits were conducted by PKF Littlejohn LLP.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in theMaterial uncertainty related to going concernsection we have determined the matters described below to be the key audit matters to be communicated in our report.

|  |  |
| --- | --- |
| Key Audit Matter | How our scope addressed this matter |
| Carrying value of intangible asset (Group) and Carrying value of investment in subsidiary (Parent Company) |  |
| As disclosed in note 9 to the group financial Statements, the group's intangible asset represents capitalised exploration and evaluation expenditure on the Phulbari Coal Project. The balance is £43.4m as at 30 June 2023. The parent company holds an investment in Asia Energy Corporation (Bangladesh) Pty Limited which is the entity that holds the underlying Phulbari asset. The value of the investment on the parent company balance sheet is £47.9m, as disclosed in note 6 to the parent company financial statements. The group has a contract with the Government of Bangladesh to explore, develop and mine on the Phulbari Coal licence area. In 2005 the Group submitted a feasibility study and mine development plan, in line with the terms of the contract, in order to obtain approval to move forward with development. To date the government has not provided the necessary approval. As a result, there is continued uncertainty regarding if and when such approval will be obtained. The parent company has received a legal opinion confirming that the group retains legal title to the asset despite the delays in approval, and that the contract with the Government of Bangladesh is enforceable under Bangladesh and International law. The recoverability of the investment in Asia Energy Corporation (Bangladesh) Pty Limited is reliant on the successful development of the Phulbari asset and is therefore subject to the same uncertainties regarding recoverability. The directors consider that the delay in obtaining the approval represents an indicator of impairment under IFRS 6 Exploration for and Evaluation of Mineral Resources. As part of the impairment assessment the directors concluded that the value of the intangible asset and investment in subsidiary continues to be appropriately supported by the original definitive feasibility study submitted in 2005. As such, the carrying value is dependent upon the ultimate approval of the feasibility study and mine development plan. The directors remain satisfied that approval will ultimately be obtained and concluded that no impairment is required at 30 June 2023. The directors have disclosed their key judgements, together with the uncertainties in this regard, in note 1 to the financial statements. Given the level of judgement applied, and the ongoing delays in obtaining government approvals, we consider this to be a significant audit risk and a key audit matter. | Our work included: · Evaluating the Directors' assessment of the group's right to tenure over the Phulbari Coal licence area by reviewing historical agreements and the external legal opinion obtained by the group on the status of the overriding contract. We obtained the legal opinions from the group's external solicitor and assessed the solicitor's competence and independence to give such opinions. A discussion was held with the lawyer providing those opinions. · Gaining an understanding of the strategy the directors are pursuing to progress the project given the continued delays in securing development approval and reviewing the partnership agreements the parent company has entered into historically and during the period. · Evaluating management's impairment assessment and underlying economic model against the original feasibility study submitted in 2005, including the approved coal reserves study. We critically challenged the key estimates and assumptions used including their continued appropriateness including assessment of the price inputs to market data and forecasts; re-calculation of discount rates; and review of the forecast costs. We performed our own sensitivity analysis over individual key inputs, together with a combination of sensitivities over such inputs. · Reviewing the minutes of meeting of GCM's board and RNS announcements for indicators of a potential trigger for impairment. · Evaluating the disclosures given in the notes to the financial statements, including the judgments and the uncertainties regarding the ultimate approval by the Government of Bangladesh. |

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

· the information given in the ***strategic*** report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

· the ***strategic*** report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the ***strategic*** report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

· adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

· the parent company financial statements are not in agreement with the accounting records and returns; or

· certain disclosures of directors' remuneration specified by law are not made; or

· we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are ***capable*** of detecting irregularities, including fraud is detailed below:

· We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and our experience of the resource exploration sector.

· We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from

o Companies Act 2006;

o AIM listing rules

o Quoted Companies Alliance Code; and

o Local laws and regulations in Bangladesh where the group operates.

· We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:

o Enquiries of management

o Review of Board minutes

o Review of legal expenses including inquiry of the group's legal representative

o Review of RNS announcements

· We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the estimates, judgements and assumptions applied by management in the assessment of impairment of intangible assets gave the greatest potential for management bias. Refer to the Key audit matter section above.

· As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [*www.frc.org.uk/auditorsresponsibilities*](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Joel

(Senior Statutory Auditor) 15 Westferry Circus

For and on behalf of PKF Littlejohn LLP Canary Wharf

Statutory Auditor London E14 4HD

29 January 2024

**Consolidated Financial Statements**

**Consolidated Statement of Comprehensive Income**

**For year ended 30 June**

|  |  |  |  |
| --- | --- | --- | --- |
| Notes | 2023 | 2022 |  |
| £000 | £000 |  |  |
| Operating expenses |  |  |  |
| Pre-development expenditure | 16 | (180) | (414) |
| Exploration and evaluation costs | 68 | (35) |  |
| Administrative expenses | (728) | (750) |  |
| Operating loss | 3 | (840) | (1,199) |
| Finance costs | (480) | (480) |  |
| Loss before tax | (1,320) | (1,679) |  |
| Taxation | 6 | - | - |
| Loss for the year | (1,320) | (1,679) |  |
| Other comprehensive income | - | - |  |
| Total comprehensive expense for the year | (1,320) | (1,679) |  |
| Loss per share |  |  |  |
| Basic (pence per share) | 7 | (0.7p) | (1.1p) |
| Diluted (pence per share) | 7 | (0.7p) | (1.1p) |

The notes below form an integral part of these financial statements.

**Consolidated Statement of Changes in Equity**

**For year ended 30 June**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Share capital | Share premium account | Share based payments not settled | Accumulated losses | Total |  |
| £000 | £000 | £000 | £000 | £000 |  |
| Balance at 1 July 2021 | 12,048 | 55,611 | 583 | (30,953) | 37,289 |
| Total comprehensive loss | - | - | - | (1,679) | (1,679) |
| Share issuances | 447 | 2,086 | (372) | - | 2,161 |
| Share issuance costs | - | (121) | - | - | (121) |
| Shares to be issued | - | - | 414 | - | 414 |
| Share based payments | - | - | 17 | - | 17 |
| Balance at 30 June 2022 | 12,495 | 57,576 | 642 | (32,632) | 38,081 |
| Total comprehensive loss | - | - | - | (1,320) | (1,320) |
| Share issuances | 253 | 513 | (255) | - | 511 |
| Share issuance costs | - | (35) | - | - | (35) |
| Shares to be issued | - | - | 180 | - | 180 |
| Share based payments | - | - | 2 | - | 2 |
| Balance at 30 June 2023 | 12,748 | 58,054 | 569 | (33,952) | 37,419 |

The notes below form an integral part of these financial statements.

**Consolidated Balance Sheet Company number04913119**

**As at 30 June**

|  |  |  |  |
| --- | --- | --- | --- |
| Notes | 2023 | 2022 |  |
| £000 | £000 |  |  |
| Current assets |  |  |  |
| Cash and cash equivalents | 543 | 961 |  |
| Other receivables | 8 | 25 | 436 |
| Total current assets | 568 | 1,397 |  |
| Non-current assets |  |  |  |
| Property, plant and equipment | - | 3 |  |
| Right of use assets | 13 | 42 | 19 |
| Intangible assets | 9 | 43,367 | 42,742 |
| Total non-current assets | 43,409 | 42,764 |  |
| Total assets | 43,977 | 44,161 |  |
| Current liabilities |  |  |  |
| Payables | 11 | (1,353) | (1,369) |
| Lease liabilities | 13 | (20) | (27) |
| Total current liabilities | (1,373) | (1,396) |  |
| Non-current liabilities |  |  |  |
| Lease liabilities | 13 | (22) | (1) |
| Borrowings | 12 | (5,163) | (4,683) |
| Total non-current liabilities | (5,185) | (4,684) |  |
| Total liabilities | (6,558) | (6,080) |  |
| Net assets | 37,419 | 38,081 |  |
| Equity |  |  |  |
| Share capital | 14 | 12,748 | 12,495 |
| Share premium account | 14 | 58,054 | 57,576 |
| Other reserves | 14 | 569 | 642 |
| Accumulated losses | (33,952) | (32,632) |  |
| Total equity | 37,419 | 38,081 |  |

These financial statements were approved by the Board of Directors and were signed on their behalf by:

**Keith Fulton**

**Executive Director**

**29 January 2024**

The notes below form an integral part of these financial statements.

**Consolidated Cash Flow Statement**

**For year ended 30 June**

|  |  |  |  |
| --- | --- | --- | --- |
| 2023 | 2022 |  |  |
| £000 | £000 |  |  |
| Cash flows used in operating activities |  |  |  |
| (Loss) before tax | (1,320) | (1,679) |  |
| Adjusted for: |  |  |  |
| Pre-development expenditure | 16 | 180 | 414 |
| Finance costs | 15 | 480 | 480 |
| Other non-cash expenses | 10 | 30 |  |
| (650) | (755) |  |  |
| Movements in working capital: |  |  |  |
| Decrease in operating receivables | 12 | 2 |  |
| Increase in operating payables | 11 | 354 |  |
| Cash used in operations | (627) | (846) |  |
| Net cash used in operating activities | (627) | (846) |  |
| Cash flows used in investing activities |  |  |  |
| Payments for intangible assets | (656) | (520) |  |
| Net cash used in investing activities | (656) | (520) |  |
| Cash flows from financing activities |  |  |  |
| Issue of ordinary share capital | 900 | 1,731 |  |
| Share issue costs | (35) | (121) |  |
| Net cash from financing activities | 865 | 1,610 |  |
| Total (decrease)/increase in cash and cash equivalents | (418) | 244 |  |
| Cash and cash equivalents at the start of the year | 961 | 717 |  |
| Cash and cash equivalents at the end of the year | 15 | 543 | 961 |

The notes below form an integral part of these financial statements.

**Notes to the Consolidated Financial Statements**

**1. Accounting policies**

GCM Resources plc is domiciled in England and Wales, was incorporated in England and Wales as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market ("AIM") on 19 April 2004.

The financial report was authorised for issue by the Directors on 29 January 2024, and the Consolidated Balance Sheet was signed on the Board's behalf by Keith Fulton.

**Basis of preparation**

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 June 2023.

The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated.

The functional and presentational currency of each of the entities in the Group is pounds sterling, and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

**Political and economic risks - carrying value of intangible asset**

The principal asset is in Bangladesh and accordingly subject to the political, judicial, fiscal, social and economic risks associated with operating in that country.

The Group's principal project relates to thermal coal and semi-soft coking coal, the markets for which are subject to international and regional supply and demand factors, and consequently future performance will be subject to variations in the prices for these products.

GCM, through its subsidiaries, is party to a Contract with the Government of Bangladesh which gives it the right to explore, develop and mine in respect of the licence areas. The Group holds a mining lease and exploration licences in the Phulbari area covering the prospective mine site. The mining lease has a 30-year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

In accordance with the terms of the Contract, GCM submitted a combined Feasibility Study and Scheme of Development report on 2 October 2005 to the Government of Bangladesh. Approval of the Scheme of Development from the Government of Bangladesh is necessary to proceed with development of the mine. GCM continues to await approval.

The Group has received no notification from the Government of Bangladesh (the "Government") of any changes to the terms of the Contract. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law, and will consequently continue to endeavour to receive approval for development.

Accordingly, the Directors believe that the Phulbari Coal and Power Project (the "Project") will ultimately receive approval, although the timing of approval remains in the hands of the Government. To enhance the prospects of the Project, GCM has engaged in a strategy to align the Project with the needs and objectives of the Government. This includes the option to supply coal to both the Government's commissioned and in the pipeline power plants, which total 11,755MW. The Government is seeking to grow its economy and deliver electricity at prices that will ensure competitiveness of its industries. The Group's strategy of developing the Phulbari coal deposit as a captive, large-scale, open pit mining operation supporting some 6,600MW of highly energy-efficient Ultra-Supercritical power generation will enable cheaper coal-fired electricity than imported coal options. This evolving strategy has been enhanced to include installation of a large-scale Solar Power Park (up to 2,500MW) within the Project area, to be installed within the first two years of gaining land access; operating the Phulbari coal mine as a "Net Zero Carbon" or "Green Mine"; and participation modalities for Government.

Until approval of the Scheme of Development from the Government of Bangladesh is received there is continued uncertainty over the recoverability of the intangible mining assets. The Directors consider that it is appropriate to continue to record the intangible mining assets at cost, however if for whatever reason the Scheme of Development is not ultimately approved the Group would impair all of its intangible mining assets, totalling £43,367,000 as at 30 June 2023.

**Going concern**

As at 30 June 2023, the Group had £543,000 in cash and £805,000 of net current liabilities. The directors and management have prepared a cash flow forecast to March 2025, which shows that the Group will require further funds to cover operating costs to advance the Phulbari Coal and Power Project and meet its liabilities as and when they fall due. Based on current forecasts, additional funding will need to be either raised from third parties or the short-term loan facility with Polo Resources Limited ("Polo Loan Facility") increased and extended by the end of March 2024, in order to meet current operating cost projections. The Directors also note that, under the amended terms of the existing Polo Loan Facility, the lender agreed not to serve a repayment request in cash for 5 years from the date of amended terms, 26 March 2021, or alternatively convert to shares at 5.14 pence per share at the lender's option (as amended on 1 March 2022). The Company does not currently have secured funding arrangements in place to cover this loan or further potential expenditure which may be needed to advance the Project and, accordingly, should Polo request repayment of the Polo Loan Facility (under certain terms of the Loan Facility), GCM will need to raise funds in a short amount of time, which may not be available on terms acceptable to the Board or on a workable timeframe.

The Company currently has utilised £3,200,000 of the Polo Loan Facility at the date of this report (at the date of this report, the Company is awaiting receipt of the final drawdown of £300,000 from Polo), and based on projected future cash expenditure, at the date of this report this facility would be required to be increased, or additional funds raised through equity placing or other debt facilities in order to be sufficient to support the Company's operations for the twelve months from the date of this report. As announced by the Company on 26 January 2024, the Company has completed a Gross equity fund raise of £500,000 by way of subscription for Ordinary Shares with Clear Capital Markets, at a price of 1.65p per share. At the date of this report the Company is not yet in receipt of these funds, however they are expected to be received on 2 February 2024. At the current run rates, the Company's existing cash resources, is expected to provide sufficient capital for the next five months. The Company intends to explore alternative funding options over the second quarter of 2024, with the aim to complete and secure the necessary third-party funding by the end of June 2024.

In forming the conclusion that it is appropriate to prepare the financial statements on a going concern basis the Directors have made the following assumptions that are relevant to the next twelve months:

- Sufficient additional funding can be obtained for working capital purposes; and

- In the event that operating expenditure increases significantly as a result of successful progress with regards to the Phulbari Coal and Power Project, sufficient funding can be obtained.

While the Directors remain confident that necessary funds will be available as and when required, as at the date of this report these funding arrangements are not secured, the above conditions and events represent material uncertainties that may cast significant doubt over the Group's and Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Upon achieving approval of the Phulbari Coal and Power Project, significant additional financial resources will be required to proceed to development.

**Use of judgements, estimates and assumptions**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Intangibles - Note 9

In assessing the recoverability of intangible assets, if an impairment trigger under IFRS 6 is identified then intangibles are tested for impairment. Management has identified impairment triggers to be the market capitalisation of the Company compared to the recognised amount on the balance sheet and the delay in obtaining approval of the Scheme of Development. To assess for recoverability, estimates are used to determine the expected net return on investment. The estimated return on investment takes into account estimated recoverable reserves, coal prices, development and production costs, capital investment requirements, discount rates and environmental and social costs among other things. Management has considered the estimated return on investment to be significantly higher than the current carrying value and therefore no impairment has been accounted for. The headroom in the value in use calculation compared to the carrying value is not sensitive to probable changes in the key underlying assumptions. Refer to "Political and economic risks - carrying value of intangible asset" section within Note 1 for further details in respect of the recoverability of intangible mining assets and the Board's judgement regarding the ultimate approval of the project being secured.

Power plant development costs

Power project expenditure is expensed as pre-development expenditure until it is probable that future economic benefits associated with the Project will flow to the Group and the costs can be measured reliably. To assess whether it is probable that future economic benefits will arise from the power plant development costs, management judgement was required and considered: objective evidence that the power plant is technically and economically feasible, and objective evidence that the appropriate authorities of the Government of Bangladesh have, or are likely to approve power plant development. All power project expenditure were accordingly expensed in the year.

**Basis of consolidation**

Where the Company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

**Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes costs directly attributable to making the asset ***capable*** of operating as intended.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

· buildings 7 - 40 years

· plant and equipment 3 - 15 years

· vehicles 5 - 7 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Power project development costs

Power project expenditure is expensed as pre-development expenditure until it is probable that future economic benefits associated with the project will flow to the Group and the costs can be measured reliably. When it is probable that future economic benefits will flow to the Group, all costs associated with developing a power plant project are capitalised as power project expenditure within property, plant and equipment category of tangible non-current assets. The capitalised expenditure will include appropriate technical and administrative expenses but not general overheads. Power project assets are not depreciated until the asset is ready and available for use.

**Intangible assets**

Acquired intangible assets, are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives.

Exploration and evaluation costs are capitalised as exploration and evaluation assets on an area of interest basis in accordance with IFRS 6. Costs such as geological and geophysical surveys, drilling and commercial appraisal costs, and other directly attributable costs of exploration and appraisal including technical and administrative costs, are capitalised as intangible exploration and evaluation assets.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and mining of the area of interest, or by its sale; or

(ii) activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing or planned for the future.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances ***suggest*** that the Group should test for impairment. In the event that there is an indicator of impairment, the Group performs an impairment test in accordance with its policy on impairment as stated below. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

**Impairment**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial Instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument and are subsequently measured at amortised cost.

Classification and measurement of financial assets

The initial classification of a financial asset depends upon the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group's financial assets are measured at amortised costs and are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.

The Group's cash and cash equivalents and other receivables are measured at amortised cost. Other receivables are initially measured at fair value. The Group holds other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECL's") on its financial assets measured at amortised cost. Due to the nature of its financial assets, the Group measures loss allowances at an amount equal to the lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses.

Classification and measurement of financial liabilities

A financial liability is initially classified as measured at amortised cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative or designated as FVTPL on initial recognition.

The Group's accounts payable, accrued liabilities and short-term debt are measured at amortised cost.

Accounts payable and accrued liabilities are initially measured at fair value and subsequently measured at amortised cost. Accounts payable and accrued liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Short-term debt is initially measured at fair value, net of transaction costs incurred. Subsequently they are measured at amortised cost using the effective interest rate method. Short-term debt is classified as current when payment is due within 12 months after the reporting period.

The Group has no financial liabilities measured at FVTPL.

Where there is a modification to a financial liability, the financial original liability is de-recognised and a new financial liability is recognised at fair value in accordance with the Group's policy.

Other loans and borrowings

All loans and borrowings which are financial instruments are initially recognised at the present value of cash payable to the lender (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included in finance costs in the income statement.

**Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised outside profit and loss, in which case it is recognised in other comprehensive income or directly in equity as appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

· where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

· in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

· deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Foreign currency transactions**

Transactions in currencies other than pounds sterling are recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**Share based payments**

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the recipients become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) or to conditions not related to performance or service (non-vesting conditions).

Where equity settled share based payments are made to non-employees the cost of equity-settled transactions is measured by reference to fair value of the goods or services received and measured at the date the entity obtains the goods or the counterparty renders the service.

Where the fair value of the goods or services received cannot be estimated reliably, the entity measures the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. Where the equity-settled share based payment is directly attributable to exploration and evaluation activities, the movement in cumulative expense since the previous balance sheet date is capitalised, with a corresponding entry in equity. Otherwise, the movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

**New standards and interpretations applied**

**The Group has adopted all of the amended standards and interpretations during the year that are relevant to its operations, none of which had a material impact on the financial statements.**

**New standards and interpretations not applied**

IASB and IFRIC have issued a number of new standards and interpretations with an effective date after the date of these financial statements. These will be adopted in the period that they become mandatory, unless otherwise indicated. Information on the new standards which could impact the Group is presented below

|  |  |  |
| --- | --- | --- |
| Effective date | Adoption date |  |
| International Accounting Standards (IAS / IFRSs) |  |  |
| Amendments to IAS 8 Definition of Accounting Estimates | 1 January 2023 | 1 January 2023 |
| Amendments to IAS 1 Disclosure of Accounting Policies | 1 January 2023 | 1 January 2023 |
| Amendments to IAS 12Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction | 1 January 2023 | 1 January 2023 |
| Amendments to IFRS 17 -Insurance Contracts | 1 January 2023 | 1 January 2023 |

Based on the current and foreseeable operations, the adoption of the above standards and interpretations will not have a material impact on the Group's financial statements in the period of initial application.

**2. Segment analysis**

The Group operates in one segment being the exploration and evaluation of energy related projects. The only significant project within this segment is the Phulbari Coal and Power Project (the Project) in Bangladesh.

**3. Operating loss**

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| The operating loss is stated after charging: |  |  |
| Directors' remuneration | 589 | 611 |
| Other staff costs (1) | 9 | 10 |
| Operating lease rentals (2) | 16 | 12 |
| Depreciation of property, plant and equipment (3) | - | - |

(1) Other staff costs for 2023 financial year were £221,000 of which £9,000 was expensed in administrative expenses, £nil expensed in exploration and evaluation costs and £212,000 capitalised (2022 £10,000 expensed in administrative expenses, £nil expensed in exploration and evaluation costs and £176,000 capitalised).

(2) Operating lease rental costs for 2023 financial year were £25,000 of which £9,000 was expensed and £8,000 capitalised (2022: £20,000 of which £12,000 was expensed and £8,000 capitalised).

(3) Total depreciation for 2023 was £3,000 which was capitalised to intangibles (2022: £5,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £68,000, primarily related to Foreign Exchange gains were credited in accordance with the Group's accounting policy on exploration and evaluation costs (2022: expensed £35,000).

**4. Auditor's remuneration**

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Audit of the group and company financial statements | 41 | 34 |
| Audit of subsidiaries | - | - |
| Total audit | 41 | 34 |
| Total fees | 41 | 34 |

**5. Amounts paid for Directors' services, and staff costs**

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Amounts paid for Directors' services |  |  |
| Amounts paid for Directors' services | 589 | 611 |

**The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report . The aggregated remuneration of the highest paid director is £303,600 (2022: £303,600).**

**Staff costs**

|  |  |  |
| --- | --- | --- |
| Wages and salaries(1) | 212 | 176 |
| Social security costs | 9 | 10 |
| 221 | 186 |  |

(1) Excludes amounts paid for Directors' services.

|  |  |  |
| --- | --- | --- |
| The average monthly number of employees during the year was: | 2023 Number | 2022 Number |
| Exploration and evaluation | 14 | 14 |
| Administration | 3 | 3 |
| 17 | 17 |  |

**6. Taxation**

**Reconciliation of the tax charge in the income statement**

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Loss on ordinary activities before tax | (1,320) | (1,679) |
| UK corporation tax @ 25/19% (2022:19%) | (251) | (319) |
| Unrecognised deferred tax assets during the year | 252 | 301 |
| Non-deductible expenditure | (1) | 18 |
| Total tax (credit)/expense reported in the income statement | - | - |

**Unrecognised deferred tax assets**

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Deferred tax asset |  |  |
| Tax losses carried forward | 4,663 | 4,411 |
| Impairment | 891 | 891 |
| Other | 1 | 1 |
| 5,555 | 5,303 |  |
| Less: deferred tax assets de-recognised | (5,555) | (5,303) |
| - | - |  |

**At 30 June 2023 tax losses for which a deferred tax asset was not recognised was estimated to be £24,536,000 (2022: £23,216,000). Deferred tax assets are only recognised at UK Corporation Tax Rate of 25/19% (2022: 19%) should it become more likely than not that taxable profit or timing differences, against which they may be deducted, will arise.**

**7. Loss per share**

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| £000 | £000 |  |
| (Loss) for the year | (1,320) | (1,679) |
| Thousands | Thousands |  |
| Weighted average number of shares |  |  |
| Basic and diluted weighted average number of shares | 184,480 | 121,733 |
| (Loss) per share |  |  |
| Basic (pence per share) | (0.7p) | (1.1p) |
| Diluted (pence per share) | (0.7p) | (1.1p) |

There are 9,300,000 potentially dilutive options, and 702,333 warrants along with 2,391,818 potentially dilutive shares to be issued at 30 June 2022 which are not included in the calculation of diluted earnings per share because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

**8. Other Receivables**

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Current |  |  |
| Prepayments | 20 | 29 |
| Other receivables | 5 | 7 |
| Share Capital Unpaid (1) | - | 400 |
| 25 | 436 |  |

(1) The Company received full receipt of the outstanding funds for the share subscription on 5 July 2022.

**9. Intangible assets**

|  |  |  |  |
| --- | --- | --- | --- |
| Exploration & evaluation expenditure | Mineral rights | Total |  |
| £000 | £000 | £000 |  |
| At 1 July 2021 | 41,032 | 1,147 | 42,179 |
| Additions - exploration & evaluation | 563 | - | 563 |
| At 30 June 2022 | 41,595 | 1,147 | 42,742 |
| Additions - exploration & evaluation | 625 | - | 625 |
| Cost and net book value at 30 June 2023 | 42,220 | 1,147 | 43,367 |
| Cost and net book value at 30 June 2022 | 41,595 | 1,147 | 42,742 |

The mineral rights will be amortised over the licence period (including extensions) once commercial production commences at the Phulbari Coal and Power Project.

The exploration and evaluation expenditure will have an indefinite useful life until approval is obtained for the Phulbari Coal and Power Project. At that time, the asset will be transferred to mining property and development assets within property, plant and equipment in accordance with accounting policy.

**10. Investments**

**Principal undertakings**

Investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Country of | Ownership interest |  |  |
| Incorporation | 2023 | 2022 |  |
| Subsidiaries |  |  |  |
| South African Coal Limited | England and Wales | 100% | 100% |
| Asia Energy Corporation Pty Limited | Australia | 100% | 100% |
| Asia Energy Corporation (Bangladesh) Pty Limited | Australia | 100% | 100% |
| Asia Energy (Bangladesh) Pvt Ltd | Bangladesh | 100% | 100% |
| Fair Value Through Other Comprehensive Income |  |  |  |
| Peoples Telecommunication and Information Services Ltd (PeoplesTel) | Bangladesh | 37% | 37% |

The investment in PeoplesTel has been accounted for as financial asset at Fair Value Through Other Comprehensive Income as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

**11. Payables**

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Trade payables | 559 | 575 |
| Related party accrued payable | 794 | 794 |
| 1,353 | 1,369 |  |

**Refer to note 20 for details of the related party accrued payable.**

**12. Borrowings (Non-current liabilities)**

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Loan from related party |  |  |
| Balance as at 1 July | 4,683 | 4,203 |
| Loan instalments drawn down | - | - |
| Interest charges | 480 | 480 |
| Balance as at 30 June | 5,163 | 4,683 |

**Refer to note 20 for details of the loan from related party.**

The Company on 1 March 2022, as part of the completed placing and subscriptions, amended the terms of the loan facility, such that the lender may request conversion by the issuance of new ordinary shares in the Company at 5.14 pence per share (being the Issue Price) subject to any necessary regulatory approvals. All other terms of the agreement remained unchanged.

The Company on 26 March 2021, as part of the completed placing, extended and amended the terms of the loan facility provided by Polo Resources Limited (the "Facility") of which, as was announced on 7 January 2021, there was at 30 June 2023, £300,000 of the initial £3.5 million facility remaining undrawn. The lender has agreed that it will not serve a repayment request on the company for 5 years from the date of the agreement replacing the previous provision that it was payable on demand with 90 days' notice. The Company and Polo Resources Limited have agreed an increase in the interest rate from 12% to 15% per annum rising by 1.5% on the third anniversary and by a subsequent 1.5% on each anniversary thereafter. Furthermore, the lender may request conversion by the issuance of new ordinary shares in the Company at 7.5 pence per share (being the Issue Price) subject to any necessary regulatory approvals. The Company may elect to repay all or part of the outstanding loan at any time giving 60 days' notice and with the agreement of Polo Resources Limited. Any share issue to the Lender is conditional upon the Lender's interest, together with the interest of any parties with which it is in concert, remaining below 30% of the Company's issued capital. All other principal terms of the loan facility remain unchanged. Refer to the Group accounting policies for details of Management judgement used in accounting for the loan amendment.

**13. Leases and Commitments**

**Right of use assets**

The statement of financial position shows the following amounts relating to leases:

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Buildings | 42 | 19 |
| Vehicles | - | - |
| 42 | 19 |  |

**Lease liabilities**

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Classified as; |  |  |
| Current | 20 | 27 |
| Non-current | 22 | 1 |
| 42 | 28 |  |

The interest expense incurred on lease liabilities was £5,000 (2022: £3,000), and capitialised in accordance with the Group's policy on exploration and evaluation assets. Cash outflows in respect of right of use assets were £41,000 (2022: £47,000).

Other commitments

In addition, under the terms of the Prospecting License agreement with the Bangladesh authorities for contract licence areas B, G and H respectively, an annual fee of 500 Taka (£3.70 at year-end exchange rate) is payable for each hectare within the licence area. The Group currently leases 5,480 hectares within these licence areas. The licence has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

**14. Issued share capital**

|  |  |  |  |
| --- | --- | --- | --- |
| Ordinary Shares Thousands | Deferred A Shares Thousands | Total share capital £000 |  |
| Allotted, called up and fully paid: |  |  |  |
| At 1 July 2021 | 137,593 | 118,582 | 12,048 |
| Shares issued | 44,712 | - | 447 |
| At 30 June 2022 | 182,305 | 118,582 | 12,495 |
| Shares issued | 25,217 | - | 253 |
| At 30 June 2023 | 207,522 | 118,582 | 12,748 |

Share issues

On 1 March 2022, 25,291,828 placing shares and 16,171,777 subscription shares were issued on the completion of a successful fund raise at 5.14p per share, raising gross cash proceeds of £2,130,000.

On 7 April 2022, 3,248,740 shares were issued to consultants and a director in accordance with the terms of their agreements, at prices from 4.25p to 18p, for total non cash consideration of £402,000.

**14. Issued share capital (continued)**

On 5 April 2023, 5,216,810 shares were issued to consultants and a director in accordance with the terms of their agreements, at prices from 3.15p to 14p, for total non cash consideration of £265,000.

On 14 June 2023, 20,000,000 placing shares were issued on the completion of a successful fund raise at 2.5p per share, raising gross cash proceeds of £500,000.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

The Deferred Shares have no voting rights and do not carry any entitlement to attend general meetings of the Company; nor will they be admitted to AIM or any other market. They carry only a priority right to participate in any return of capital to the extent of £1 in aggregate over the class. In addition, they carry only a priority right to participate in any dividend or other distribution to the extent of £1 in aggregate over the class. In each case a payment to any one holder of Deferred Shares shall satisfy the payment required. The Company will be authorised at any time to effect a transfer of the Deferred Shares without reference to the holders thereof and for no consideration pursuant to and in accordance with the Act. Accordingly, the Deferred Shares will, for all practical purposes, be valueless and it is the Board's Intention, at an appropriate time, to have the Deferred Shares cancelled, whether through an application to the Companies Court or otherwise in accordance with the Act.

**Reserves**

Share capital

The balance held in share capital relates to the nominal net proceeds on issue of the Company's equity share capital, comprising £0.01 ordinary shares, and £0.09 deferred A shares.

Share premium account

The share premium account represents the premium received over the nominal value of ordinary shares on issue of the Company's equity. The share premium account has been reduced by expenditure associated with issuing shares such as listing costs.

Other reserves

This reserve records the fair value of conditional shares awarded but not settled, and consultants service payments to be also settled by way of share issues.

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Share based payments not settled | 569 | 642 |
| 569 | 642 |  |

**15. Notes supporting statement of cashflows**

Cash and cash equivalents for the purposes of the statement of cash flows comprises:

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Cash at bank available on demand | 543 | 961 |
| 543 | 961 |  |

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions:

|  |  |  |
| --- | --- | --- |
| Current loans and borrowings | Total |  |
| £000 | £000 |  |
| Balance at 1 July 2021 | 4,203 | 4,203 |
| Cash flows | - | - |
| Non-cash flows: Interest accrued | 480 | 480 |
| Balance at 30 June 2022 | 4,683 | 4,683 |
| Balance at 1 July 2022 | 4,683 | 4,683 |
| Cash flows | - | - |
| Non-cash flows: Interest accrued | 480 | 480 |
| Balance at 30 June 2023 | 5,163 | 5,163 |

**16. Significant non-cash transactions**

The significant non-cash transactions during the year were as follows:

· £180,000 of expenses were incurred by a consultant for their services. The consulting payment included £180,000 (4,363,636 shares at 4.125p per share) for a consultant retainer. These retainer fee shares which had not been issued to the consultants at year end have been included in other reserves for shares to be issued.

**17. Share based payments**

The charge/(credit) for share based payments during the year is shown in the following table:

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Charged/(credited) to intangibles |  |  |
| Conditional shares | 2 | 17 |
| 2 | 17 |  |

Share Warrants

During the year ended 30 June 2023, the Company granted nil warrants to subscribe for ordinary shares (2022: 30,000). No warrants were exercised or lapsed during the year (2022: nil). As at 30 June 2023, 702,333 warrants were in issue (2022: 702,333).

**17. Share based payments (continued)**

Options

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2023 Options Thousands | 2023 WAEP | 2022 Options Thousands | 2022 WAEP |  |
| At 1 July | 9,300 | £0.11 | 9,300 | £0.11 |
| Exercised during the year | - | - | - | - |
| Outstanding at 30 June | 9,300 | £0.11 | 9,300 | £0.11 |
| Exercisable at 30 June | 9,300 | £0.11 | 9,300 | £0.11 |

The options outstanding at 30 June 2023 have an exercise price of £0.11 (2022: £0.11) and a weighted average contractual life of 0.9 years (2022: 1.9 years), including those granted options whose term was extended during the year. No options were exercised during the year.

**Conditional shares scheme**

GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil cash consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal and Power Project. The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by IFRS 2.

Movement in non-vested conditional shares:

|  |  |  |
| --- | --- | --- |
| 2023 Thousands | 2022 Thousands |  |
| At 1 July | 210 | 210 |
| Conditional shares lapsed | - | - |
| At 30 June | 210 | 210 |

The grant details of the conditional shares outstanding as at 30 June 2023 are as follows:

|  |  |  |
| --- | --- | --- |
| Share price at grant date £ | Conditional shares Thousands |  |
| Grant date |  |  |
| 25 August 2005 | £6.32 | 40 |
| 9 March 2006 | £4.99 | 30 |
| 46 July 2009 | £0.84 | 140 |
| 210 |  |  |

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2023 is £478,000 (2022: £476,000) after taking into account:

· Expected timeframe for milestones to be achieved

· Probability of successful completion of milestones

· The conditional shares awarded to employees are subject to their employment at the time milestones are reached

The increase in the cost of conditional shares of £2,000 for the year ended 30 June 2023 is directly attributable to the Phulbari Coal and Power Project, and accordingly capitalised to intangibles on this basis (2022: expensed £17,000).

**18. Financial Instruments**

The Group holds cash as a liquid resource to fund the obligations of the Group.

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and periodic review of expenditure forecasts.

The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however it does review its currency exposures on a regular basis. The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

The financial liabilities of the Group include trade payables and a short-term loan from a related party. Trade payables are recognised at fair value on initial recognition and subsequently measured at amortised cost. The short-term loan was recognised based on the present value of cash payable to the lender. As the short-term loan is payable within 12 months, the present value of the cash payable was equal to the principal value of the loan.

**Interest rate risk**

The interest rate maturity profile of the financial assets of the Group is as follows:

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Floating rate - within 1 year |  |  |
| Cash and cash equivalents | - | - |

Other interest bearing financial instruments which are subject to fixed rate interest charges are the Group's borrowings as disclosed in Note 12.

Other financial instruments of the Group which are non-interest bearing and are therefore not subject to interest rate risk, are, non-interest-bearing cash and cash equivalents as at 30 June 2023 was £543,000 (2022: £961,000).

**Credit risk**

The Group considers the credit ratings of banks in which it holds funds in order to manage exposure to credit risk and counterparty risk. Funds are held in banks with credit ratings ranging from AAA -AA. The maximum credit risk at 30 June 2023 was as follows:

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Cash and cash equivalents | 543 | 961 |

**Liquidity risk**

The Group ensures that it has sufficient cash to meet all its commitments when required, through equity and short term loan funding, please refer to the accounting policies for further detail. The table below summarises the contractual maturity profile of the Group's financial liabilities as at 30 June 2023 and 2022.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Within 30 days £000 | 1 to 3 months £000 | 3 to 12 months £000 | 2 - 5 years £000 | Total & Carrying value £000 |  |
| 2023 |  |  |  |  |  |
| Payables | 1,272 | 2 | 79 | - | 1,353 |
| Lease liabilities | 1 | 4 | 15 | 22 | 42 |
| Borrowings | - | - | - | 5,163 | 5,163 |
| 1,273 | 6 | 94 | 5,185 | 6,558 |  |
| 2022 |  |  |  |  |  |
| Payables | 1,296 | 1 | 72 | - | 1,369 |
| Lease liabilities | 3 | 9 | 15 | 1 | 28 |
| Borrowings | - | - | - | 4,683 | 4,683 |
| 1,299 | 10 | 87 | 4,684 | 6,080 |  |

**Currency risk**

The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

Fair values of financial assets and liabilities

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Financial instrument classification | Book value | Fair value |  |  |  |
| 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |  |  |
| Financial assets |  |  |  |  |  |
| Cash and cash equivalents | Amortised cost | 543 | 961 | 543 | 961 |
| Receivables | Amortised cost | 25 | 436 | 25 | 436 |
| Financial liabilities |  |  |  |  |  |
| Creditors | Amortised cost | 1,353 | 1,369 | 1,353 | 1,369 |
| Borrowings | Amortised cost | 5,163 | 4,683 | 5,163 | 4,683 |

Management have assessed that the fair value of cash, current receivables and current payables approximate their carrying amounts due to the short-term maturities of these instruments.

**19. Contingent liabilities**

Royalty

The Group is obliged to pay Deepgreen Minerals Corporation Pty Limited US$1 per tonne of coal produced and sold from the Phulbari mine. The Directors are of the opinion that a provision is not required in respect of these matters, as coal has not yet been produced at Phulbari.

Consultant success fees

The Group is obliged to pay a consultant, DG Infratech PTE. Limited, success fees conditional upon achieving key milestones relating to the advancement of the proposed Phulbari Coal and Power Project, in North-West Bangladesh. As at 30 June 2023 the outstanding milestones were as follows:

Success Fee - Coal Project's Scheme of Development

· a one-time fee equal to 5% of Issued Capital, to be paid within five business days following GCM'S receipt of the written approval of the Coal Project's Scheme of Development.

Success Fee - Power Plants

· a one-time fee equal to 2% of Issued Capital, to be paid within five business days following GCM'S receipt of the written approval in respect of each group of Power Plants.

Success Fee - Commencement of Development

· a one-time fee equal to 4% of Issued Capital, to be paid within five business days following GCM'S commencement of development of the Coal Project.

The Directors are of the opinion that a provision is not required in respect of these success fees, as the milestones had not been met as at 30 June 2023.

**20. Related Party Transactions**

Key management personnel

|  |  |  |
| --- | --- | --- |
| 2023 £000 | 2022 £000 |  |
| Short-term benefits | 686 | 643 |
| Share based payments | 12 | 39 |
| 698 | 682 |  |

**Related party loan**

GCM is beneficiary to a £3.5 million loan facility from its largest shareholder, with a current interest rate of 15% per annum. As at 30 June 2023 the Group had utilised £3.2 million of the loan facility (2022: £3,200,000) and an interest accrual of £1,963,000 (2022: £1,483,000). The terms of the loan were amended in March 2022 & March 2021, refer to note 12 of the Company Financial Statements. Note Polo Resources Ltd is a related party by way of Michael Tang being a Director of both Companies.

**Management services company**

As disclosed in the Directors' Report, for the year ended 30 June 2023, the remuneration for the services of Datuk Michael Tang PJN, Executive Chairman of the Company, was £303,600, which comprised of directors fees amounting to £6,000 (2022: £6,000) and management services of £297,600 paid to a management services company (2022: £297,600).

For the period September 2018 to March 2021 Datuk Michael Tang PJN offered to defer the payments due to his management services company until further notice in order to assist the Company. The total debt as a result of the deferment of £769,000 has not been paid and is being accrued accordingly.

As at 30 June 2023 the amount owing to the management services company of Datuk Michael Tang PJN was £793,600 (2022: £793,600).

**21. Events after the end of the reporting period**

**The following events took place subsequent to 30 June 2023, for which there has been no adjustment to the 30 June 2023 financial statements:**

- On 15 September 2023, the Company announced that for personal reasons Mohd Najib Bin Abdul Aziz had reluctantly tendered his resignation from his position as Independent Non-Executive Chairman. Najib's resignation took effect from 11 October 2023. As a result of Najib's resignation, the Company is pleased that Independent Non-Executive Director, Christian Taylor-Wilkinson, has agreed to act as interim Non-Executive Chairman until such time that new NEDs are appointed and the board makes its final decision on the Chairman role.

- On 28 November 2023, the Company announced that, further to its announcements of 23 November 2021, June 2021 and 12 December 2022, Power Construction Corporation of China, Ltd. ("PowerChina") it had agreed an extension for a period of a further 12 months from 6 December 2023 to 6 December 2024 on the same terms as the previous memorandum of understanding ("MoU") which is primarily focused on the Phulbari coal mine development. This will allow PowerChina and GCM to continue to work on determining the modality for PowerChina to become a Mine Development Partner, subject to the approval of PowerChina internal compliance and all other relevant regulatory agencies.

- On 28 November 2023, the Company announced in relation to the Loan Facility with Polo Resources Ltd ("Polo") as announced on 26 March 2021 and as amended and announced on 3 March 2022, it had requested to drawn down a further £300,000 in accordance with the terms announced thereon. The Company on receipt of this further drawdown will have then utilised the full £3.5million of the £3.5million facility. This current drawdown request along with existing cash balances will be sufficient to fund the Company through to the end of March 2024, to which the Company will require to raise additional funds prior to the end of March 2024, for Working Capital thereafter.

- On 20 December 2023, the Company announced in relation to the final drawdown request of 28 November 2023, it was still awaiting receipt of the £300,000 funds from Polo Resources Ltd.

**21. Events after the end of the reporting period**

- On 24 January 2024, the Company announced that it received a notice from Polo Investments Limited ("Polo"), pursuant to Section 168 of the Companies Act 2006, requesting that a resolution to remove Christian Taylor-Wilkinson be tabled, as an ordinary resolution, at the forthcoming Annual General Meeting of the Company or a general meeting of GCM to be convened as soon as practicable. Polo currently holds 43,328,003 shares representing 20.9% of the Company's total voting.

- On 26 January 2024, the Company announced that it had successfully raised gross proceeds of £0.5m by means of a direct subscription (the "Subscription") of new Ordinary Shares (the "Subscription Shares") at a price of 1.65 pence per share (the "Subscription Price"). The Company will need to carry out an additional fundraise before the end of May 2024 to fund its working capital for the next 12 months. The Subscription Price represents a discount of 37.7 per cent to the Closing Price of 2.65 pence per Ordinary Share on 23 January 2024, being the latest practicable business day prior to the publication of this announcement.

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**Notes**

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**End of Document**



[***Ukraine-Russia war – live: Putin’s troops make gains in Bakhmut but suffer ‘significant casualties’***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6809-14C1-JBNF-W20V-00000-00&context=1516831)

The Independent (United Kingdom)

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**Section:** EUROPE,WORLD; Version:26

**Length:** 11738 words

**Byline:** Arpan Rai and Liam James

**Highlight:** Russia burning through artillery and aviation resources ‘destroying the city they cannot capture’, says Kyiv

**Body**

Russian forces are continuing to make gains in Bakhmut but are suffering “significant casualties”, according to the Institute for the Study of War (ISW).

It comes as a Ukrainian general says [*Russia*](https://www.independent.co.uk/topic/russia) is sending more elite troops including special forces to support the [*Wagner*](https://www.independent.co.uk/topic/wagner) Group in the battle for the besieged city in the east of the country.

“The defence forces exhausted the Wagnerites. The enemy is forced to involve special forces and airborne assault units in the battles for Bakhmut,” said Colonel General Oleksandr Syrskyi, commander of [*Ukraine*](https://www.independent.co.uk/topic/ukraine) ’s ground forces.

He added that [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) ’s soldiers are “actively using their artillery and aviation, destroying the city that they cannot capture”.

This comes a day after a Russia-backed official said that [*Moscow*](https://www.independent.co.uk/topic/moscow) ’s forces control more than 75 per cent of Bakhmut but cautioned that it is still too early to talk about the besieged city’s fall.

US officials are trying to trace the source of the leak, the worst to hit the American military in many years.

Key Points

Russia forces make gains in Bakhmut but suffer ‘significant casualties’, says US think-tank Putin sending special forces, airborne units to help out Wagner UN tally of confirmed civilian deaths nears 8,500 Russia claims 75% of Bakhmut captured Ukraine says Russia using 'scorched earth' tactics in Bakhmut Tactics will change, not ***strategic*** moves, says Ukraine after leaks

WSJ journalist pleads not guilty in Russian court

Wall Street Journal reporter Evan Gershkovich pleaded not guilty to charges of espionage in Russia during a court appearance today, state-owned news agency TASS reported.

Russia’s top security agency had arrested the journalist on accusations of spying on 30 March.

He was brought to Moscow where a court at a closed hearing ordered him held in pre-trial detention until 29 May. The TASS state news agency said he pleaded not guilty.

The authorities released no evidence publicly and the case is said to have been marked “top secret”.

Zelensky holds meeting with war generals

Volodymyr Zelensky held his regular meeting with army generals handling the war in Ukraine and signalled that the conflict is at a critical stage.

“I held a regular meeting of the staff today. First of all, we considered the combat situation, what we manage to succeed in in the main directions, in difficult directions, such as Bakhmut and Avdiivka, the Donetsk region in general, such as Kreminna and the Luhansk region in general,” he said, adding that the Ukrainian forces are looking at what needs to be worked on.

“There were reports by General Syrskyi, General Tarnavskyi, the Commander-in-Chief, the main intelligence directorate. The General Staff and the Minister of Internal Affairs reported on the staffing of new units of our defense forces -new brigades,” he said.

Mr Zelensky added: “We are now at such a stage of the war, when it is important for our society and partners not to lose a sense of the path we have to overcome. Precisely the path. The path that’s ahead.”

What we know so far on the leaked Pentagon documents

It’s been less than a week since news of highly classified military documents on the Ukraine war surfaced, sending the Pentagon into full-speed damage control to assure allies and assess the scope of the leak.

The information on scores of slides has publicised potential vulnerabilities in Ukraine’s air defence capabilities and exposed private assessments by allies on an array of intelligence matters, raising questions about whether the leak will erode allies’s trust in sharing information with the US or impact Ukraine’s plans to intensify the fight against Russia this spring.

This is a look at what the documents are, what is known about how they surfaced, and their potential impact.

[*What we know so far on the leaked Pentagon documents*](https://www.independent.co.uk/news/ukraine-ap-lloyd-austin-washington-russia-b2318102.html)

Wagner claims 80% of Bakhmut captured

Wagner chief Yevgeny Prigozhin has announced that his mercenary fighters have captured more than 80 per cent of Bakhmut and control the salt mining city’s major points.

“In Bakhmut, the larger part, more than 80 per cent is now under our control, including the whole administrative centre, factories, warehouses, the administration of the city,” he said in a video posted by a Russian military blogger.

Wagner’s forces are pressing on with their encirclement of Bakhmut, he said.

The top Ukrainian military officials have not addressed the claims directly but said that their troops were holding firm against fierce attacks.

US will ‘turn over every rock’ to find source of leak – Pentagon chief

US defence secretary Lloyd Austin has said that the country will investigate the recent purported leak of classified documents until the source is found.

“We will continue to investigate and turn over every rock until we find the source of this and the extent of it,” Mr Austin said during a press conference at the State Department.

More than 50 of the documents labelled “Secret” and “Top Secret”, revealing details of military capabilities of US and its allies and adverseries, have been reviewed by Reuters after they first appeared on social media platforms in March

The Pentagon was aware that the documents had been leaked and posted dated 28 February and 1 March but was not certain if the documents had made their way to online platforms previously.

“These are things that we will find out as we continue to investigate,” the top official said.

Leaked documents may have origin in chatroom for gamers

A major leak of classified U.S. documents that’s shaken [*Washington*](https://www.independent.co.uk/topic/washington) and exposed new details of its intelligence gathering may have started in a chatroom on a social media platform popular with gamers.

Held on the Discord platform, which hosts real-time voice, video and text chats, a discussion originally created to talk about a range of topics turned to the war in [*Ukraine*](https://www.independent.co.uk/topic/ukraine). As part of debates about Ukraine, according to one member of the chat, an unidentified poster shared documents that were allegedly classified, first typing them out with the poster’s own thoughts, then, as of a few months ago, beginning to post images of papers with folds in them.

The posts appear to have gone unnoticed outside of the chat until a few weeks ago, when they began to circulate more widely on social media and get picked up by major news outlets. The leaks have alarmed U.S. officials and sparked a Justice Department investigation.

The records have provided startling and surprisingly timely details of U.S. and NATO assistance to Ukraine. They also provided clues about efforts to assist Ukraine in its war with [*Russia*](https://www.independent.co.uk/topic/russia) , including an anticipated spring offensive.

The scale of the exposure has yet to be determined. Also unclear is whether any government worked to share the documents or manipulate them.

[*Click here for the full story.*](https://www.independent.co.uk/news/ap-ukraine-washington-russia-lucca-b2317466.html)

Tuesday recap: Wagner group claims forces control 80% of Bakhmut

On the ground, the head of Russia’s Wagner mercenary group, Yevgeny Prigozhin, claimed in a video posted on Tuesday that his forces now control more than 80 per cent of the eastern Ukrainian city of Bakhmut, the capture of which Moscow believes will be a stepping stone to taking other, larger cities in the area.

Bakhmut is in the Donbas, which contains the regions of Donetsk and Luhansk, the control of which is one of Moscow’s aims in the war.

Bakhmut has been the scene of some of the most intense fighting of the invasion so far. In a video published by a Russian military blogger on the Telegram messaging app, Mr Prigozhin is seen showing on a map of the area how his forces are continuing their encirclement of the now devastated city, which before Russia’s invasion had been home to around 70,000 people.

“In Bakhmut, the larger part, more than 80 per cent, is now under our control, including the whole administrative centre, factories, warehouses, the administration of the city,” Mr Prigozhin said.

The claim was immediately denied by Kyiv. Serhii Cherevatyi, the spokesperson for the eastern grouping of the Ukrainian armed forces, told CNN: “I’ve just been in touch with the commander of one of the brigades that are defending the city. I can confidently state that the Ukrainian defence forces control a much larger percentage of the territory of

.”

Leaked Pentagon documents on Ukraine ‘altered to understate Russian losses'

US officials had previously said that some of the documents circulating online, giving battlefield casualty estimates from Ukraine, appeared to have been altered to understate Russian losses.

Kremlin spokesperson Dmitry Peskov declined to comment on the leak, but said: “There is in fact a tendency to always blame everything on Russia. It is, in general, a disease.”

One of the latest leaks claimed that Egypt was planning to supply Russia covertly with rockets and other munitions, although the US was said to believe that the plan had never been carried out, according to The Washington Post, which reported having seen the document.

A spokesperson for Egypt’s foreign ministry, Ahmed Abu Zeid, told the Post: “Egypt’s position from the beginning is based on non-involvement in this crisis, and committing to maintain equal distance with both sides, while affirming Egypt’s support to the UN charter and international law.”

An unnamed Egyptian official, quoted in state media, called the report an “informational absurdity” and said that Egypt follows a “balanced policy” with all international parties.

As for Kyiv’s response, Mykhailo Podolyak – an adviser to Volodymyr Zelensky – said Ukraine needs more long-range weapons and “less contemplation on leaks”.

US seeks to reassure allies over Pentagon leaks about Ukraine

[*Ukraine*](https://www.independent.co.uk/topic/ukraine) has said that the US has made clear its “iron-clad” support for the country’s fight against [*Russia*](https://www.independent.co.uk/topic/russia) ’s invasion, in the wake of a damaging leak of documents from the [*Pentagon*](https://www.independent.co.uk/topic/pentagon).

Washington has been attempting to limit the diplomatic fallout from the incident, with the documents appearing to highlight information about Ukraine’s military capability as well as intelligence relating to Washington’s allies, including South Korea and Israel.

The US Department of Justice and US security agencies are investigating the release of the documents while they assess the damage to national security, with analysts saying that the documents appear to have been shared initially on the video-game chat platform Discord in an effort to win an argument about the war in Ukraine.

Ukraine’s foreign minister, Dmytro Kuleba, said that the US secretary of state, Antony Blinken, had assured him in a phone call that Washington still backed Kyiv’s effort to win the war with Russia, and had rejected any notion of doubt in Ukraine’s military capacity.

“During our call today, [Blinken] reaffirmed the ironclad U.S. support and vehemently rejected any attempts to cast doubt on Ukraine’s capacity to win on the battlefield,” he tweeted. “The US remains Ukraine’s trustworthy partner, focused on advancing our victory and securing a just peace.”

Trudeau’s website hacked before Ukraine meeting

Mr Trudeau’s official website on Tuesday morning showed a “service is unavailable” error. The prime minister said the cyber attacks were an “unsurprising” act by Russian hackers.

“It’s not uncommon for Russian hackers to target countries as they are showing their steadfast support for Ukraine,” Trudeau said, adding that Canada was not going to be dissuaded by such attacks.

“We are aware of reports that some Government of Canada websites have been offline,” a spokesperson for Canada’s Communications Security Establishment (CSE) said in a statement, and echoed Trudeau’s comment that it not an uncommon occurrence in countries hosting visits by Ukrainian government officials.

“While these incidents draw attention, they have very little impact on the systems affected,” the CSE spokesperson said.

Canada has been one of the most vocal supporters of Ukraine and committed more than C$8 billion ($5.94 billion) to Ukraine in financial, military, humanitarian and other assistance since January 2022, just before the February invasion.

Canada imposes new sanctions on Russia over Ukraine

Canada has imposed new sanctions over Russia’s invasion of Ukraine and pledged fresh military support for Kyiv after Prime Minister Justin Trudeau met Ukrainian Prime Minister Denys Shmyhal in Toronto.

As the two leaders met, Trudeau’s official website was shut down and the Canadian spy service acknowledged that “some” other government pages had also been offline.

Canada will send 21,000 assault rifles, 38 machine guns and 2.4 million rounds of ammunition to Ukraine sourced from Colt Canada, while the new sanctions would target 14 Russian individuals and 34 entities.

Trudeau said Canada was also imposing sanctions on nine entities tied to the Belarusian financial sector to further pressure Russia’s “enablers in Belarus.”

“We will continue to support Ukraine with everything needed for as long as necessary,” Trudeau said.

“Ukraine feels the colossal support of Canada in every area ... and we really appreciate it,” said Shmyhal, the highest ranking Ukrainian to visit Canada since the start of the war over a year ago.

The two discussed a range of subjects including further military support and reconstruction efforts in Ukraine, before signing a joint declaration to modernize trade between the two countries.

No ships inspected under the Ukraine Black Sea grain deal on Tuesday

No ships were inspected on Tuesday under the Ukraine Black Sea grain deal “as the parties needed more time to reach an agreement on operational priorities,” the United Nations said, adding that routine inspections were due to resume on Wednesday.

“We urge all involved to meet their responsibilities to ensure that vessels continue to move smoothly and safely in the interest of global food security,” U.N. spokesman Stephane Dujarric said in a statement, adding that there are currently 50 vessels waiting to move to the Ukrainian ports.

All ships are inspected by officials from Russia, Ukraine, Turkey and the United Nations in waters near Turkey on the way in and out of Ukraine. Official online data shows no ships were inspected on Tuesday.

Since the deal allowing the safe wartime export of grain from Ukraine’s Black Sea ports was agreed in July, more then 27.5 million tonnes of food have been exported. Dujarric said this had contributed to the lowering of food prices globally.

“This critical work is done against the backdrop of the ongoing war and active hostilities. We do not underestimate the challenges, but we know they can be overcome,” he said. “The U.N. team is working closely with all sides, taking into consideration all parties’ concerns.”

The deal -initially brokered last July by Turkey and the United Nations -was renewed last month for at least 60 days, half the intended period.

“The global humanitarian benefits of the initiative are evident and are not limited to exports to specific low-income countries. It is in everyone’s interest to keep it going,” Dujarric said.

Russia has said it will only extend the deal beyond May 18 if impediments to its export of ***agricultural*** products and fertilizer are removed. Moscow’s demands include returning the Russian ***Agricultural*** Bank to the SWIFT banking system and unblocking the financial activities of fertilizer companies.

To help persuade Russia to allow Ukraine to resume its Black Sea grain exports last year, a three-year deal was also struck in July in which the United Nations agreed to help Russia with its food and fertilizer exports.

Western powers have imposed tough sanctions on Russia for its invasion of Ukraine in February 2022. While its food and fertilizer exports are not sanctioned, Moscow says restrictions on payments, logistics and insurance industries are a barrier to shipments.

Ukraine resumes electricity exports despite Russian attacks

Ukraine began resuming electricity exports to European countries on Tuesday, its energy minister said, a dramatic turnaround from six months ago when fierce Russian bombardment of power stations plunged much of the country into darkness in a bid to demoralize the population.

The announcement by Energy Minister Herman Halushchenko that Ukraine was not only meeting domestic consumption demands but also ready to restart exports to its neighbors was a clear message that Moscow’s attempt to weaken Ukraine by targeting its infrastructure did not work.

Ukraine’s domestic energy demand is “100%” supplied, he told The Associated Press in an interview, and it has reserves to export due to the “titanic work” of its engineers and international partners.

Russia ramped up infrastructure attacks in September, when waves of missiles and exploding drones destroyed about half of Ukraine’s energy system. Power cuts were common across the country as temperatures dropped below freezing and tens of millions struggled to keep warm.

Moscow said the strikes were aimed at weakening Ukraine’s ability to defend itself, while Western officials said the blackouts that caused civilians to suffer amounted to war crimes. Ukrainians said the timing was designed to destroy their morale as the war marked its first anniversary.

Ukraine had to stop exporting electricity in October to meet domestic needs.

Engineers worked around the clock, often risking their lives to come into work at power plants and keep the electricity flowing. Kyiv’s allies also provided help. In December, U.S. Secretary of State Antony Blinken announced $53 million in bilateral aid to help the country acquire electricity grid equipment, on top of $55 million for energy sector support.

Biden speaks to parents of journalist detained in Russia

President Joe Biden has spoken to the parents of Wall Street Journal reporter Evan Gershkovich, nearly two weeks after the Moscow-based journalist was detained in Russia and charged with espionage.

Biden made the call as he flew to Belfast to start a four-day trip to Northern Ireland and Ireland. The call happened one day after the Biden administration formally declared the reporter had been “wrongfully detained.”

The designation elevates Gershkovich’s case for the U.S. government and means that a particular State Department office will take the lead on seeking his release.

Before departing Washington on Tuesday, Biden again condemned the journalist’s detention. Both the U.S. government and Wall Street Journal have vehemently denied the Russian accusation that Gershkovich is a spy.

“We’re making it real clear that it’s totally illegal what’s happening, and we declared it so,” Biden said. “It changes the dynamic.”

White House press secretary Karine Jean-Pierre told reporters after the call that Biden “felt it was really important to connect with Evan’s family, his parents,” She said that Gershkovich, 31, has been “top of mind” for the president.

White House National Security Council spokesman John Kirby said that the Russian government has yet to grant U.S. consular access to Gershkovich.

“It’s not for lack of trying,” Kirby said, adding that the State Department has been seeking access “ever since the moment we found out that he was detained.”

Russian authorities arrested Gershkovich in Yekaterinburg, Russia’s fourth-largest city, on March 29. He is the first U.S. correspondent since the Cold War to be detained for alleged spying.

Brazil’s Lula puts Ukraine peace on agenda during visit to China

President Luiz Inacio Lula da Silva departed Brazil on Tuesday for an official visit to China, where he aims to convince President Xi Jinping to form a group of nations to mediate an end to Russia’s war with Ukraine.

Lula’s visit, postponed from March for health reasons, aims to reset relations with Brazil’s largest trade partner following a frosty four years under his far-right predecessor Jair Bolsonaro.

Lula is also seeking to put Brazil back on the international stage after a period of relative isolation by Bolsonaro, who spurned his country’s traditional role in multilateral forums and drew criticism for not protecting the Amazon rainforest.

When he meets Xi on Friday, Lula has said he will ***suggest*** a proposal to mediate peace talks between Russia and Ukraine, an initiative that among Western leaders has only been welcomed by French President Emmanuel Macron.

“I am convinced that both Ukraine and Russia are waiting for someone else to say, ‘Let’s sit down and talk,’” Lula told journalists last week.

Lula has ***suggested*** a peace solution could be the return of newly invaded territory, though not Crimea -an option that Ukrainian President Volodymyr Zelenskiy has rejected outright.

For his initiative to advance, Lula needs China to send a message to Russia, said a European diplomat in Brasilia.

“Lula knows that China is the only country Russia will listen to,” said the diplomat, speaking on condition of anonymity and adding: “People are waiting to see if it gets some traction from other countries, like France and Germany.”

US intelligence leak has 'serious level of inaccuracy', says Britain

Britain’s Ministry of Defence (MoD) said there was “a serious level of inaccuracy” in a widely-reported leak of alleged classified US information.

“Readers should be cautious about taking at face value allegations that have the potential to spread disinformation,” a Ministry of Defence spokesperson said in a statement published on Twitter.

US national security agencies and the Justice Department are investigating the release of dozens of classified documents to assess the damage to national security and relations with allies and other countries, including Ukraine.

Hungary signs new energy deal with Russia

Hungary has signed new agreements to ensure its continued access to Russian energy – a sign of the country’s continuing diplomatic and trade ties with Moscow which have confounded some European leaders amid the war in Ukraine.

Speaking at a news briefing in Moscow, Hungarian foreign minister Peter Szijjarto said Russian state energy company Gazprom has agreed to allow Hungary, if needed, to import quantities of natural gas beyond the amounts agreed to in a long-term contract that was amended last year.

The price of the gas, which would reach Hungary through the Turkstream pipeline, would be capped at 150 euros (£131.80) per cubic meter, Mr Szijjarto said, part of an agreement that will allow Hungary to pay down gas purchases on a deferred basis if market prices go above that level.

Mr Szijjarto’s trip to Russia’s capital was unusual for an official from a European Union (EU) country.

Most members of the 27-nation bloc have distanced themselves from Mr Putin over his invasion of Ukraine and sought to wean their countries off Russian fossil fuels.

The Hungarian government has lobbied heavily in the EU to be exempted from any sanctions imposed on Russian gas, oil or nuclear fuel, and has also threatened to veto proposed EU actions against Moscow.

Russian forces in Crimea brace for possible Ukraine assault

The Moscow-appointed leader of Crimea said Tuesday the region is on guard for what may be an impending Ukrainian counteroffensive.

Sergei Aksyonov told reporters that Russian forces in Crimea had built “modern, in-depth defenses” and had “more than enough” troops and equipment to repel a possible Ukrainian assault after 13 months of war following Russia’s full-scale invasion.

“We cannot underestimate the enemy, but we can definitely say that we are ready (for an attack) and that there will be no catastrophe,” he said.

[*Russian forces in Crimea brace for possible Ukraine assault*](https://www.independent.co.uk/news/ap-ukraine-crimea-kyiv-moscow-b2317789.html)

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[*Russian forces in Crimea brace for possible Ukraine assault*](https://www.independent.co.uk/news/ap-ukraine-crimea-kyiv-moscow-b2317789.html)

Russia’s Wagner head claims his forces control over 80% of Bakhmut

The head of Russia’s Wagner mercenary group, Yevgeny Prigozhin, said in a video posted on Tuesday that his forces controlled more than 80% of the Ukrainian city of Bakhmut.

Bakhmut, a small eastern city in eastern Ukraine, has for months been the target of a major Russian offensive and has seen the heaviest fighting in the nearly 14-month war.

Romania to buy US F-35 fighter planes to bolster air defences

Romania aims to buy the latest generation US F-35 fighter planes to boost its air defences, the country’s supreme defence council (CSAT) said in a statement on Tuesday.

The European Union and Nato state has raised defence spending to 2.5 per cent of gross domestic product this year from 2 per cent, in response to Russia’s invasion of Ukraine.

The country, which shares a 400 mile border with Ukraine, is host to a US ballistic missile defence system and, as of last year, has a permanent alliance battlegroup stationed on its territory.

“Having robust, credible, interoperable, flexible and efficient air defence operational capabilities ... as part of our commitments as a NATO and EU state is key to Romania meeting its defence policy objectives,” the statement said.

“The air force’s modernisation process will continue through the acquisition of last generation F-35 jets.”

Egypt wanted to arm Russia with thousands of rockets in secret ‘to avoid problems with West’ -report

Egypt’s president Abdel Fatah El-Sisi had allegedly ordered 40,000 rockets to be discreetly shipped to Russia, showed some of the classified US intelligence documents that were recently leaked on social media.

Discussions between high-level Egyptian officials about the sale of weapons to Russia were found in the series of classified files, reported The Washington Post.

The leaked documents made their way to gaming social media platform Discord in February and March.

Arpan Raireports.

[*Egypt ‘wanted to arm Russia in secret to avoid problems with West’*](https://www.independent.co.uk/news/world/middle-east/egypt-russia-putin-arms-ukraine-war-b2317697.html)

Russia redeploying ‘heavy flamethrower’ thermobaric weapons to elite frontline troops in Ukraine

Russia is likely handing over thermobaric multiple launch rocket systems to its elite airborne forces, ***suggesting*** its use in the continuing war against Ukraine, the British defence ministry said on Tuesday.

The British defence ministry cited Russian media reports on the transfer of TOS-1A thermobaric multiple launch rocket systems to Moscow’s airborne forces (VDV) on 3 April.

Thermobaric weapons, fired using the multiple launch rocket systems, are considered to be one of the most brutal war weapons in existence.

Arpan Rai reports.

[*Russia redeploying ‘heavy flamethrower’ thermobaric weapons to elite frontline troops*](https://www.independent.co.uk/news/world/europe/russia-thermobaric-weapons-ukraine-war-tos-1a-b2317577.html)

Ukrainian children reunited with families after being taken to Russia

UN tally of confirmed civilian deaths nears 8,500

Nearly 8,500 civilians are confirmed to have been killed in Russia’s invasion of Ukraine, a U.N. body said on Tuesday, with many thousands more unverified deaths still feared.

The Office of the UN High Commissioner for Human Rights (OHCHR) said it had recorded 8,490 people killed and 14,244 injured between the launch of the invasion of Feb. 24, 2022, and April 9, 2023.

The body has long described its figures as “the tip of the iceberg” because of its limited access to battle zones.

The majority of the deaths were recorded in territory controlled by the Ukrainian government and under attack by Russian forces, including 3,927 people in the Donetsk and Luhansk regions, which have witnessed intense fighting.

“OHCHR believes that the actual figures are considerably higher, as the receipt of information from some locations where intense hostilities have been going on has been delayed and many reports are still pending corroboration,” it said in a statement.

Russian forces have pressed their offensive in the eastern Donetsk region where several cities and towns have under heavy bombardment.

A U.N.-mandated investigative body found last month that Russian forces had carried out “indiscriminate and disproportionate” attacks on Ukraine. Russia denies targeting civilians or committing atrocities.

Reuters

Russia set to draft men into armed forces by sending them electronic call-up papers

Russia will soon draft men into the army by sending them electronic call-up papers via an online portal in addition to traditional letters, according to draft legislation due to be debated on Tuesday that aims to facilitate mobilisation.

More than 300,000 former soldiers and ex-conscripts are believed to have been called up since President Vladimir Putin announced an emergency draft last year to support Russia’s “special military operation” in Ukraine.

Currently, conscription papers in Russia have to be delivered in person by the local military enlistment office or via an employer, but the proposed changes to legislation would see conscription papers being sent via recorded mail and online.

Once an electronic summons is received, citizens who fail to show up at the military enlistment office will be automatically banned from travelling abroad.

“The summons is considered received from the moment it is placed in the personal account of a person liable for military service,” Andrei Kartapolov, chairman of the Russian parliament’s defence committee, said in comments on television.

Reuters

Russian tennis player speaks out after sparking outrage with Spartak Moscow shirt

Anastasia Potapova has said she will not wear a Spartak Moscow shirt on court again after being warned for doing so during Indian Wells.

Potapova, who has climbed to 25th in the world rankings, was rebuked after warming up in the football shirt during the tournament in California.

Her choice of garment was criticised by Iga Swiatek, who stressed that the Russian should not “show her views in this way” given the ongoing war in Ukraine.

Harry Latham-Coyle reports:

[*Russian tennis player speaks out after sparking outrage with Spartak Moscow shirt*](https://www.independent.co.uk/sport/tennis/russia-ukraine-anastasia-potapova-spartak-moscow-b2317623.html)

Kremlin opponent defiant in statement during treason trial

Jailed Kremlin opponent Vladimir Kara-Murza Jr. likened judicial proceedings against him on Monday to the sham Stalin-era and later proceedings that condemned his countrymen to prison or death sentences.

Kara-Murza also said he’s proud of his public statements and behavior for which he’s facing charges of treason and spreading false information about the Russian military in Ukraine.

A journalist and a prominent government opponent who twice survived poisonings he blamed on the Kremlin, Kara-Murza has been behind bars since his arrest a year ago. He made his comments near the end of his closed-door trial in a statement posted on Russian social media sites.

[*Kremlin opponent defiant in statement during treason trial*](https://www.independent.co.uk/news/world/americas/us-politics/ap-kremlin-stalin-ukraine-boris-nemtsov-b2317406.html)

Russia redeploying ‘heavy flamethrower’ thermobaric weapons to elite frontline troops in Ukraine

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[*Russia redeploying ‘heavy flamethrower’ thermobaric weapons to elite frontline troops*](https://www.independent.co.uk/news/world/europe/russia-thermobaric-weapons-ukraine-war-tos-1a-b2317577.html)

Ukrainian children reunited with families after being taken to Russia

Russia forces make gains in Bakhmut but suffer ‘significant casualties’, says US think-tank

Russian forces are continuing to make gains in Bakhmut but are suffering “significant casualties”, according to the Institute for the Study of War (ISW).

[*#Bakhmut*](https://twitter.com/hashtag/Bakhmut?src=hash&ref_src=twsrc%5Etfw) Update:[*#Russian*](https://twitter.com/hashtag/Russian?src=hash&ref_src=twsrc%5Etfw) forces continued to make territorial gains in & around Bakhmut on Apr. 9 & 10—likely continuing to suffer significant casualties, as Wagner forces reportedly continue to commit war crimes by beheading servicemen in Bakhmut.[*https://t.co/w9uyAkUeuo*](https://t.co/w9uyAkUeuo) [*https://t.co/Zok96eijcl*](https://t.co/Zok96eijcl) [*pic.twitter.com/9YWbVvbNry*](https://t.co/9YWbVvbNry) — ISW (@TheStudyofWar) [*April 11, 2023*](https://twitter.com/TheStudyofWar/status/1645604924506472449?ref_src=twsrc%5Etfw)

Poland’s prime minister Mateusz Morawiecki flies to US for meetings to strengthen economic and defence ties

Poland’s Prime Minister Mateusz Morawiecki has flown to the United States for meetings aimed at strengthening the economic and defence cooperation of the two nations.

Morawiecki is due to meet with Vice President Kamala Harris on Tuesday at the White House. He is also scheduled to have meetings with the representatives of American defence companies during his three-day visit.

“I am flying to the United States to strengthen the alliance with our most powerful ally, with a country that guarantees security in Europe, that especially guarantees security in our part of Europe,” Morawiecki said.

Following Russia’s full-scale invasion of Ukraine last year, the United States increased its military presence in Poland — a nation on NATO’s eastern flank that borders Ukraine — and has used Poland as a transit country for military and humanitarian aid going into Ukraine.

Poland is also a major donor of aid to Ukraine, and has been ordering tanks and other modern military equipment, mostly from U.S. and South Korean producers, to strengthen its own forces and replace some older equipment sent to Ukraine.

Morawiecki‘s visit follows two visits to Poland by U.S. President Joe Biden since Russia invaded Ukraine in February 2022.

Additional reporting by Associated Press

US determines Russia has ‘wrongfully detained’ Wall Street Journal reporter Evan Gershkovich

The United States has determined that Russia has “wrongfully detained” Wall Street Journal reporter Evan Gershkovich, effectively saying that espionage charges are bogus and that the case is political.

“Journalism is not a crime,” State Department spokesperson Vedant Patel said in a statement on Monday. “We condemn the Kremlin’s continued repression of independent voices in Russia, and its ongoing war against the truth.”

The US government would provide all appropriate support to Gershkovich and his family, said Patel.

Patel also called for Russia to release Paul Whelan, a former U.S. Marine serving a 16-year sentence in a Russian prison and is also designated by Washington as “wrongfully detained.”

Russia’s FSB security service said on March 30 it had arrested Gershkovich, accusing him of gathering information about a Russian defense company that was a state secret.

The Wall Street Journal has denied Gershkovich was spying. The White House has called the espionage charge, which carries a jail term of up to 20 years, “ridiculous.”

US President Joe Biden has called for Gershkovich’s release and Secretary of State Antony Blinken in an April 2 telephone call with his Russian counterpart Sergei Lavrov raised Washington’s concerns over the reporter’s “unacceptable detention.”

Russia ‘destroys large fuel depot’ near Zaporizhzhia

Russia's defence ministry said its forces destroyed a depot with 70,000 tonnes of fuel near Zaporizhzhia.

They destroyed Ukrainian army warehouses storing missiles, ammunition and artillery in the regions of Zaporizhzhia and Donetsk, the ministry said.

What is a vacuum bomb? The new weapon Russia has admitted unleashing on Ukraine

[*Russia*](https://www.independent.co.uk/topic/russia) ’s military offensive against [*Ukraine*](https://www.independent.co.uk/topic/ukraine) has taken a horrifying turn after [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) ’s forces [*admitted using thermobaric weapons*](https://www.independent.co.uk/news/world/europe/russia-thermobaric-weapons-ukraine-uk-b2032537.html) against the former Soviet territory.

Thermobaric weapons are considered to be one of the most brutal war weapons in existence.

The missiles are filled with a highly explosive fuel and chemical mix, which, on exploding, can cause supersonic blast waves ***capable*** of obliterating everything in their path, including buildings and humans.

They are also known as aerosol bombs or vacuum bombs.

[*What is a vacuum bomb? The new weapon Russia has admitted unleashing on Ukraine*](https://www.independent.co.uk/news/world/europe/what-is-a-vacuum-bomb-weapon-ukraine-b2038824.html)

Russia could use ‘heavy flamethrower' thermobaric missiles in Ukraine – UK

Russia is likely transfering TOS-1A thermobaric multiple launch rocket systems to its airborne forces, ***suggesting*** its use in the continuing war against Ukraine, the British defence ministry said today.

The MoD has cited Russian media reports on the transfer of TOS-1A thermobaric multiple launch rocket systems to Russian airborne forces (VDV) on 3 April.

Thermobaric weapons are considered to be one of the most brutal war weapons in existence.

“The highly destructive TOS-1A, which Russia designates as a ‘heavy flamethrower’, is typically operated by Russia’s specialist Chemical, Biological and Radiological Protection Troops in Ukraine, and has not previously been formally associated with the VDV,” the ministry said.

It added that this transfer likely indicates a future role for the VDV in offensive operations in Ukraine. “It is likely part of efforts to reconstitute the VDV after it suffered heavy casualties in the first nine months of the war,” the MoD said.

Full report: US launches multi-agency search to find source of huge Ukraine document leak

The United States has launched a multi-agency investigation after [*highly classified military and intelligence documents*](https://www.independent.co.uk/news/ukraine-ap-washington-nato-twitter-b2316236.html) containing sensitive information on topics including Ukraine’s defence were leaked online, my colleagueStuti Mishrareports.

[*US launches multi-agency search to find source of huge Ukraine document leak*](https://www.independent.co.uk/news/world/americas/us-search-ukraine-document-leak-b2317010.html)

Putin sending special forces, airborne units to help out Wagner

Ukrainian Colonel General Oleksandr Syrskyi has said that Russia is sending more forces to help out the Wagner Group in the besieged sector of Bakhmut amid signs of fatigue.

He said that Moscow is sending in special forces and airborne units to help their attack on Bakhmut, as members of Russia’s private mercenary Wagner Group, who have spearheaded the Bakhmut assault, were exhausted.

Ukraine’s general staff said Russian forces had made unsuccessful advances on areas west of Bakhmut and at least 10 towns and villages had come under Russian shelling, including Bakhmut and Chasiv Yar.

A Ukrainian counter-offensive is looming and is long been expected to begin soon after months of attritional warfare in the east.

A Russian winter offensive failed to make much progress, and its troops have made only small advances at huge cost.

The Ukrainian defenders have also taken heavy casualties.

Kremlin defends China over Taiwan military drills

China has every right to respond to what it called repeated “provocations” against it and carry out military exercises around Taiwan, the Kremlin has said.

Beijing carried outthe last of three days of drills around Taiwan on Monday, including practicing aerial and naval blockade manoeuvres of the island, which China views as part of its own territory – something Taiwan’s government strongly disputes.

In a call with reporters, Kremlin spokesperson Dmitry Peskov said everyone should respect China and its actions which were in line with international law, saying: “In a very short period of time, you and I have witnessed repeated actions that have been provocative toward the People’s Republic of China.

“And, of course, China has the sovereign right to respond to these provocative actions, including conducting military manoeuvres in strict compliance with international law.”

Mr Peskov also ***suggested*** that France, whose president Emmanuel Macron visited China for talks last week, could not broker a peace in Ukraine as Paris is “both indirectly and directly involved in this conflict on the side of Ukraine. Therefore, it is still difficult to imagine any mediation efforts here”.

During his visit to China, Mr Macron called on Chinese leader Xi Jinping to “bring Russia back to its senses” over Ukraine.

Russia claims 75% of Bakhmut captured

Vladimir Putin’s forces control more than 75 per cent of the besieged city of Bakhmut, the Russia-installed head of the occupied part of Ukraine’s Donetsk region has said.

Moscow-backed regional leader Denis Pushilin published footage of himself on Telegram purportedly visiting the small mining city where battles have raged since last summer.

“I can say with absolute certainty, that more than 75 per cent of the city is under the control of our units,” Pushilin told state-run Rossiya-24 TV channel after his visit.

He has cautioned that it is still too early to talk about Bakhmut’s fall, contrary to premature claims by the Wagner Group mercenary force.

The battle for Bakhmut has been one of the bloodiest of the 13-month war, drawing comparisons with the First World War due to its attritional nature and the massive casualties on both sides.

Tactics will change, not ***strategic*** moves, says Ukraine after leaks

Ukrainian presidential aide Mykhailo Podolyak has said Kyiv’s ***strategic*** plans remained unchanged after a leak of classified war documents, but that specific tactics were always subject to change.

This comes after reports from Volodymyr Zelensky’s office that Ukraine had already changed its war plans in response to the leak of a large number of secret documents relating to the conflict in the US.

The secretary of the national security and defence council, Oleksiy Danilov, told Reuters: “The opinion of people who have nothing to do with this do not interest us... The circle of people who possess information is extremely restricted.”

National security experts and US officials suspect the leaker could be American, but have not ruled out pro-Russian actors.Russia, however, has said that any inclination to blame to Moscow is like a “disease”.

“There is in fact a tendency to always blame everything on Russia. It is, in general, a disease,” Kremlin spokesperson Dmitry Peskov said, without commenting directly on the leak.

Volodymyr Zelensky meets Richard Branson

Ukrainian president Volodymyr Zelensky has met British billionaire Richard Branson and welcomed him on board as an ambassador for a Ukrainian online fundraising platform.

“I met today with Richard Branson – a prominent British entrepreneur and a longtime friend of Ukraine. He has been supporting us since 2014 – both in words and with concrete work. Now he has decided to join the team of United24 ambassadors. I am grateful for that!” he said in his nightly address.

Mr Zelensky added: “We discussed how the global influence of Mr Branson can help us in our recovery, reconstruction of our educational institutions, attraction of technological assistance for Ukraine, in particular, to carry out humanitarian demining.”

United24 is the official fundraising platform of Ukraine and an initiative led by Mr Zelensky to seek donations and aid for rebuilding the war-hit nation. The online platform allows one-click donations to Ukraine and was set up in a bid to help the country after the full-scale invasion by Russia in February last year.

Watch: The Independent speaks to Bucha residents a year after Russia’s invasion

Arrest of WSJ reporter ‘a brazen act’, says World Bank president

Russia’s arrest of Wall Street Journal reporter Evan Gershkovich is a “brazen act” and violates the vital freedom of the press, including the safety of journalists, World Bank president David Malpass has warned.

Russian Federal Security Service investigators have charged Mr Gershkovich with espionage, which the journalist denies.

Russia’s Federal Security Service (FSB) said on 30 March it had detained Gershkovich in the Urals city of Yekaterinburg and had opened an espionage case against him for collecting what it said were state secrets about the military industrial complex.

Ukraine invites Narendra Modi for visit and calls on India to be more involved in resolving war

Kyiv wants India to be more involved in helping to resolve Russia’s war and has sought a visit by Indian prime minister Narendra Modi, Ukraine’s deputy foreign minister has said.

Ukraine also expects India to invite Ukrainian officials to participate in G20 events and intensify political dialogue with Kyiv, Emine Dzhaparova told broadcaster CNBC TV18.

India holds the ***rotating*** G20 presidency this year and hosts a leaders summit in September. New Delhi has not been as critical of Moscow as others for its invasion of Ukraine and has even increased its purchasing of Russian oil while others have sought to buy less or ban it.

Ms Dzhaparova, who is on a four-day visit to New Delhi, told the broadcaster: “We believe India should be engaged and involved in the Ukraine issue to a great extent”.

“We believe intensification of political dialogue on the highest level is first step towards this big goal. My president is requesting a phone conversation with the prime minister. We are looking forward to welcome him in Kyiv one day,” she said.

Russian journalists demand politician’s release ahead of ‘Stalinist’ treason verdict

Dozens of Russian journalists and rights activists have urged authorities to free a prominent opposition politician facing up to 25 years in jail for alleged treason and other charges said to be politically motivated, after he criticised the war in Ukraine, Vladimir Putin, and his crackdown on dissent.

The appeal to release Vladimir Kara-Murza, 41, came ahead of a court hearing in Moscow as his trial – which the journalists likened to the political terror meted out by Soviet leader Josef Stalin in the 1930s – draws to a close.

Russian state prosecutors have requested a 25-year prison sentence for Kara-Murza, a father of three and author and former journalist who holds Russian and British passports. He is expected to deliver a final speech at Monday’s hearing, his lawyer Vadim Prokhorov has said.

Kara-Murza has spent years in opposition to Mr Putin and has lobbied foreign governments and institutions to sanction Russia and individual Russians for purported human rights violations. Prosecutors accuse him of discrediting the Russian military and treason among other charges.

What is in files leaked from Pentagon?

The five-week-old files published in a Pentagon leak reveal details of Ukraine’s requirements ahead of the spring counteroffensive it is planning, as well as how the US and Nato might meet them by way of supplying armaments.

The documents also reportedly disclose sensitive information on other nations like South Korea and Israel, as well as maps recording recent battlefield movements in Bakhmut and Kharkiv. One of the documents gave details of internal discussions among senior South Korean officials about US pressure on Seoul to supply weapons to Ukraine, and its policy of not doing so.

They do not reveal specific resistance battle plans, however, although Kyiv has nevertheless been forced to amend its strategy as a result of the leak, CNN reported on Monday, citing a source close to President Zelensky.

According to military analysts who have inspected the files, certain details appear to have been modified from their original format to exaggerate the American tally of Ukrainians killed in the war while downplaying the number of Russian troops thought to have been killed, adding to the suspicion of Russian involvement.

Pope renews call to pray for peace celebrating Easter Monday

Pope Francis renewed his call to pray for peace on Easter Monday, celebrating the Regina Coeli (Queen of the Heavens) prayer in St Peter’s Square.

At the end of the prayer, the pontiff recalled the 25th anniversary of the Good Friday Agreement, which brought an end to decades of violent conflict between Catholics and Protestants in Northern Ireland.

In a restatement of his Easter message, he invited people to continue to pray for peace in the world, especially in troubled Ukraine. Pope Francis on Sunday invoked prayers for both the Ukrainian and Russian people and praised nations which welcome refugees.

[*Pope renews call to pray for peace celebrating Easter Monday*](https://www.independent.co.uk/news/pope-francis-ap-vatican-city-st-peters-square-ukraine-b2317227.html)

Turkey launches first amphibious assault ship

Turkey has launched its first amphibious assault ship, with Ankara aiming to extend its drone capabilities from land-based to naval operations as Russia’s war in Ukraine heightens regional tensions.

The TCG Anadolu can handle only light aircraft, chiefly helicopters and jets that can take off from shorter runways. It is 232 meters long and 32 meters wide, and can carry some 1,400 personnel – one battalion of soldiers – combat vehicles and support units to operate overseas.

“This vessel will allow us to conduct military and humanitarian operations in every corner of the world, when needed,” President Tayyip Erdogan said at the launch ceremony in Istanbul, adding: “We see this vessel as a symbol that will consolidate Turkey’s regional leadership position.”

Ankara’s original plan was to deploy F-35 B-model fighter jets, which can take off from shorter runways, on its largest warship. But its plans had to change after the US removed its Nato ally from its F-35 program over its purchase of Russian S-400 defence systems in 2019. Turkey then converted TCG Anadolu into a drone carrier.

Watch: Ukrainian children reunited with families after being taken to Russia

Fingers point at Russia – and US – over leaked Pentagon files

Three US officials have told Reuters they believe Russia or a pro-Russia agent is behind the leak of Pentagon files containing details of Ukraine’s planned spring counteroffensive.

But former senior Pentagon official Michael Mulroy told the same outlet: “The focus now is on this being a US leak, as many of the documents were only in US hands.”

The Kremlin said on Monday that there was a general tendency to always blame Russia for everything when asked about accusations that Moscow may have been behind the leaks.

Spokesperson Dmitry Peskov told reporters: “I cannot comment on this in any way. You and I know that there is in fact a tendency to always blame everything on Russia. It is, in general, a disease.” Russia’s Foreign Spy Service declined comment when asked by Reuters about the leaks.

[*Ukrainian air defence could run out of missiles by May, leaked Pentagon files* ***suggest***](https://www.independent.co.uk/news/world/europe/ukraine-air-defence-leaked-documents-b2317236.html)

Six civilians killed in latest Russian shelling

Ukraine’s presidential office said at least six civilians were wounded in the latest Russian shelling.

Separately, Donetsk Gov. Pavlo Kyrylenko said Russian forces struck a power plant and residential buildings in the eastern province.

The Russians also shelled nine border villages in the provinces of Kharkiv, Sumy and Chernihiv.

Ukraine’s Deputy Prime Minister Iryna Vereshchuk said in televised remarks that the country has nearly seven million internally displaced people, including about one million children.

Most of them have abandoned their homes in the east and the south to move to safer locations in central and western Ukraine.

Half of Ukraine soldiers returned ‘injured, ill or tortured'

Ukraine’s Coordination Headquarters for the Treatment of Prisoners of War alleged that almost half of the 80 men and 20 women soldiers who returned home “have serious injuries, illnesses or have been tortured.” It presented no evidence for its claims.

According to Ukrainian news reports, one of the women prisoners is Valeriia Karpilenko, a border guard who had helped defend Mariupol’s Azovstal steel plant. Last May, she married a Ukrainian soldier in the steel plant’s basement while Russian forces surrounded the complex. Her husband was killed three days later.

The freed Russians were being flown on military transport planes to Moscow for medical treatment and rehabilitation, the Defense Ministry said.

Such exchanges represent one of the few areas of cooperation between Ukraine and Russia. The two sides have returned hundreds of each other’s soldiers, as well as the bodies of fallen troops, since the war began.

Russia and Ukraine swap more than 200 prisoners

Russia and Ukraine carried out a major prisoner swap on Monday, with 106 Russian prisoners of war being freed in exchange for 100 Ukrainians, both sides said.

In a Telegram post, Ukrainian presidential aide Andriy Yermak said the released Ukrainians included defenders of Mariupol city and its Azovstal steel plant, captured in the war’s opening months.

Russia‘s Defence Ministry said its prisoners were freed after a process of negotiations.

Russia and Ukraine have engaged in periodic prisoner swaps since the beginning of the war in Feburary 2022, in a rare example of direct contact between the enemies.

Turkey launches its first aircraft carrier, eyes drone capabilities

Turkey launched its first aircraft carrier on Monday, aiming to extend its drone capabilities from land-based to naval operations amid increased regional tensions as war rages in Ukraine on the other side of the Black Sea.

The TCG Anadolu can handle only light aircraft, chiefly helicopters and jets that can take off from shorter runways. It is 232 meters long and 32 meters wide, and can carry some 1,400 personnel -one battalion of soldiers -combat vehicles and support units to operate overseas.

“This vessel will allow us to conduct military and humanitarian operations in every corner of the world, when needed,” President Tayyip Erdogan said at the launch ceremony in Istanbul.

“We see this vessel as a symbol that will consolidate Turkey’s regional leadership position,” he said.

The amphibious assault ship was built in Istanbul’s Sedef Shipyard by a Turkish-Spanish consortium, based on the design of Spanish light aircraft carrier Juan Carlos I.

Ankara’s original plan was to deploy F-35 B-model fighter jets, which can take off from shorter runways, on its largest warship.

But its plans had to change after the United States removed Turkey, a NATO ally, from its F-35 program over Ankara’s purchase of Russian S-400 defence systems in 2019. Turkey then converted TCG Anadolu into a drone carrier.

In addition to helicopters, Turkey plans to deploy on the new carrier Bayraktar TB3 and Kizilelma unmanned aerial combat vehicles -both under production by Turkish defence firm Baykar -as well as Hurjet light attack aircraft being developed by Turkish Aerospace Industries (TAI).

TCG Anadolu will be the world’s first aircraft carrier whose fleet is made up mostly of armed drones once the plan is implemented.

Turkey, which has NATO’s second largest army, shares a border with conflict-ridden Syria and Iraq and has a long Mediterranean as well as Black Sea coastline.

In the nearly 14-month Ukraine war, Turkey has positioned itself as an intermediary between Kyiv and Moscow, helping to broker with the United Nations a deal allowing for the safe export of grain from Ukrainian ports via the Black Sea.

Russian-installed Donetsk region chief says Russia controls 75% of Bakhmut

The Russian-installed head of the Moscow-controlled part of Ukraine‘s Donetsk region Denis Pushilin told state television on Monday that Russian forces controlled 75% of the embattled city of Bakhmut.

Russian journalists demand politician Kara-Murza's release ahead of 'Stalinist' treason verdict

Dozens of Russian journalists and rights activists on Monday called on the authorities to free a prominent opposition politician facing up to 25 years in jail for alleged treason and other charges which they said were politically motivated.

The appeal to release Vladimir Kara-Murza, 41, came ahead of a court hearing in Moscow as his trial, which the journalists likened to the political terror meted out by Soviet leader Josef Stalin in the 1930s, draws to a close.

Russian state prosecutors on Thursday requested a 25-year prison sentence for Kara-Murza, a father of three and author and former journalist who holds Russian and British passports. He is expected to deliver a final speech at Monday’s hearing, his lawyer Vadim Prokhorov has said.

Kara-Murza has spent years in opposition to President Vladimir Putin and has lobbied foreign governments and institutions to sanction Russia and individual Russians for purported human rights violations.

Prosecutors accuse him of discrediting the Russian military and treason among other charges after he criticised Russia‘s war in Ukraine -which it calls a “special military operation” -Moscow’s crackdown on dissent, and Putin.

Ukraine says Russia using 'scorched earth' tactics in Bakhmut

A senior Ukrainian commander said on Monday that Russian troops were using “scorched earth” tactics in the embattled city of Bakhmut and destroying buildings and positions with air strikes and artillery.

Ukrainian forces have hung on for months in Bakhmut, a small city in eastern Donetsk region, where the fiercest fighting of Moscow’s full-scale Feb. 2022 invasion has killed thousands of soldiers and been dubbed the “meat-grinder”.

“The enemy switched to so-called scorched earth tactics from Syria. It is destroying buildings and positions with air strikes and artillery fire,” said Colonel General Oleksandr Syrskyi, commander of Ukraine‘s ground forces.

But the defence of the city of Bakhmut continued, he said.

Syrskyi, who is overseeing the operation in the east, on Sunday visited front line areas with the fiercest fighting around Bakhmut, Ukraine‘s Military Media Centre said.

“The situation is difficult but controllable,” he said.

Ukraine also accused Russia of using “scorched earth” tactics last summer in its assault on Sievierodonetsk, a city in the eastern Luhansk region. Kyiv’s forces were forced to withdraw from there in July after a Russian onslaught.

In pictures: Scenes from bloody Bakhmut as intense battle continues

Ukraine says only 1,800 civilians still living in 'ruins' of Avdiivka

The civilian population of the embattled eastern Ukrainian city of Avdiivka has dwindled to 1,800 people from 32,000 before the war, as Russian forces bear down on the city to try to capture it, the local governor said on Monday.

Avdiivka has been one of the main targets of a Russian winter offensive that Moscow hoped would reinvigorate its Feb. 2022 invasion and which has only been able to make small territorial advances in the east.

“The Russians have turned Avdiivka into a total ruin,” said Pavlo Kyrylenko, Donetsk’s regional governor.

He said the city was hit by an air strike on Monday that destroyed a multi-storey building.

“Fortunately, there were no casualties as all the residents of the building evacuated in time,” he said. “In total, around 1,800 people remain in Avdiivka, all of whom risk their lives every day.”

In a separate statement, the Ukrainian General Staff said Russian forces were continuing to mount offensive operations around Avdiivka, but were suffering heavy losses in both manpower and equipment.

Belarus leader says he wants guarantees that Russia will defend his country if it is attacked

Alexander Lukashenko, the president of Belarus, told Russia‘s defence minister on Monday that he wanted guarantees that Moscow would defend his country if it was attacked, the state-owned BelTA news agency reported.

BelTA cited Lukashenko as making the remarks to Russian Defence Minister Sergei Shoigu during a meeting in the Belarusian capital Minsk.

Lukashenko was cited as saying that he had previously discussed the matter with Russian President Vladimir Putin who he said had agreed with him that such security guarantees were necessary and needed to be formalised.

“In general, it sounded at the talks (with Putin) that in the case of aggression against Belarus, the Russian Federation would protect Belarus as its own territory. These are the kind of security (guarantees) we need,” Lukashenko was quoted as saying.

Belarus, which currently hosts a contingent of Russian forces, has offered assistance to Moscow during its military campaign in Ukraine which Russia calls “a special military operation.”

In the war’s earliest days, Minsk allowed Moscow to use its territory to launch an ultimately unsuccessful assault on the Ukrainian capital, Kyiv.

Since late last year, a flurry of military drills and visits from high-level Russian officials have sparked speculation that Belarus may formally join a new attack on Ukraine.

Lukashenko has consistently denied such intentions, but has said that Belarus will respond to any incursions onto its territory or attempts to foment unrest.

Kremlin says China has right to conduct Taiwan exercises, France cannot mediate in Ukraine

The Kremlin said on Monday that China had every right to respond to what it called “provocations” and carry out military exercises around Taiwan.

In a call with reporters, Kremlin spokesman Dmitry Peskov also said it was hard to imagine France, whose president Emmanuel Macron visited China for talks last week, playing a mediation role in Ukraine because Paris had taken the side of one of the parties in the conflict.

Lukashenko says Belarus needs guarantees that Russia will defend it if attacked

President Alexander Lukashenko said on Monday that Belarus needs guarantees that Russia will defend Belarus “like its own territory” in the event of external attack, state-owned BelTA reported.

Ukrainian says defenders of Bakhmut still holding out

Ukraine‘s general staff said Russian forces had made unsuccessful advances on areas west of Bakhmut and at least 10 towns and villages had come under Russian shelling. The Russians had also made no headway in attacks on Avdiivka, it said.

Donetsk is one of four provinces in eastern and southern Ukraine that Russia declared annexed last year and is seeking to fully occupy in what appears to be a shift in its war aims after failing to overrun the country soon after its invasion in February 2022.

Western analysts say both sides have been losing large numbers of troops in the battle for Bakhmut, a regional transport and logistics hub prior to the war.

Control of Bakhmut could allow Russia to directly target Ukrainian defensive lines in Chasiv Yar in the east and open the way for its forces to advance on two bigger cities in the Donetsk region -Kramatorsk and Sloviansk.

While Ukraine has said it wants to inflict as many casualties as possible on the Russian forces as its prepares its own counteroffensive, President Volodymyr Zelenskiy last week acknowledged that if troops risked being encircled they could be pulled back.

Ukrainian military analyst Oleh Zhdanov said Russian forces controlled the centre of Bakhmut, with much of their assault now focusing on the railway station.

“There is heavy fighting in the city centre and the enemy is gradually moving toward the western outskirts,” Zhdanov said.

Britain’s Defence Ministry said that over the last seven days, Russia also appeared to have increased its armoured assaults around the town of Marinka, also in Donetsk province.

“Russia continues to give a high priority to resourcing operations in the broader Donetsk sector, including the Marinka and Avdiivka areas, expending significant resources for minimal gains,” it said.

Is the world on the precipice of a second cold war?

The rivalry could get out of hand, with dynamics in Washington and Beijing leading the world into a gratuitous confrontation between nuclear powers, writes Borzou Daragahi :

In the space of just one week, the influential American news and [*opinion*](https://www.independent.co.uk/topic/opinion) outlet Foreign Policy published no less than six pieces demanding US and Western policymakers confront [*China*](https://www.independent.co.uk/topic/china) more forcefully on [*human rights*](https://foreignpolicy.com/2023/04/07/china-human-rights-united-states-groupthink/) , [*shipping*](https://foreignpolicy.com/2023/04/03/global-shipping-china-dependence-korea-japan-britain/) , [*finance*](https://foreignpolicy.com/2023/04/03/chinas-neighbors-are-eyeing-up-yuan-as-banking-worries-spread/) , [*climate change*](https://foreignpolicy.com/2023/03/30/us-china-climate-finance-negotiations-cop-emissions-loss-damage/) , [*quantum computing*](https://foreignpolicy.com/2023/03/31/us-china-competition-quantum-computing/) , and [*microchips*](https://foreignpolicy.com/2023/04/03/chips-biden-xi-china-sanctions-semiconductors/).

Just in case anyone missed the point, another [*called*](https://foreignpolicy.com/2023/04/06/united-states-china-taiwan-war-sanctions/) on [*Washington*](https://www.independent.co.uk/topic/washington) to create an “economic war council” to add a financial component to the military posture against China.

A new cold war is being thrust upon the world – one that could shape lives and nations for decades to come.

[*Is the world on the precipice of a second cold war? | Borzou Daragahi*](https://www.independent.co.uk/voices/russia-china-second-cold-war-conflict-b2316800.html)

What’s the latest from the battlefield?

Here is the latest update from the frontline:

\* Ukraine‘s military reported continued Russian strikes, with the heaviest fighting still focused on two cities in eastern Donetsk region -Bakhmut and Avdiivka.

\* Russia has destroyed a depot containing 70,000 tonnes of fuel near the southeastern Ukrainian city of Zaporizhzhia, the Russian defence ministry said on Sunday.

\* President Volodymyr Zelenskiy denounced Russian air strikes coinciding with the observance of Orthodox Palm Sunday, including an attack that killed a father and daughter at home in the city of Zaporizhzhia.

\* Reuters could not verify the battlefield reports.

Ukraine says Russia switching to 'scorched earth' tactics in Bakhmut

The commander of the Ukrainian ground forces said on Monday that Russian troops had switched to “scorched earth” tactics in the embattled eastern city of Bakhmut and were destroying buildings and positions with air strikes and artillery.

Russia‘s assault on Bakhmut, a small city in the Donetsk region, has been the focus of the biggest battle of Moscow’s full-scale invasion launched in February 2022.

“The enemy switched to the so-called scorched earth tactics from Syria. It is destroying buildings and positions with air strikes and artillery fire,” said Colonel General Oleksandr Syrskyi, commander of Ukraine‘s ground forces.

Ukraine‘s defence of the city of Bakhmut continued, he said.

“The situation is difficult but controllable,” he said in comments quoted by Ukraine‘s Media Military Centre.

He said Russian forces were bringing in special forces and airborne assault units to help their attack on the city as members of Russia‘s Wagner military group had become “exhausted”.

Reuters could not verify the battlefield account.

South Korea to discuss 'issues raised' from leaked documents with US

South Korea is aware of news reports about a leak of several classified U.S. military documents and it plans to discuss “issues raised” as a result of the leak with the United States, a South Korean presidential official said on Sunday.

Several classified U.S. military documents have recently been posted on social media offering a partial, month-old snapshot of the war in Ukraine, three U.S. officials told Reuters on Friday, adding that Russia or pro-Russian elements were likely behind the leak.

Reuters has not been able to verify the authenticity of the documents. The U.S. Justice Department has said it is investigating the leak.

One of the documents, obtained by Reuters, showed details about internal discussions among top South Korean top officials about U.S. pressure on Seoul to help supply weapons to Ukraine, and its policy of not doing so.

The document, which does not appear to have a date on it, said that South Korea had agreed to sell artillery shells to help the United States replenish its stockpiles, insisting that the “end user” should be the U.S. military. But internally, top South Korean officials were worried that the United States would divert them to Ukraine.

The report was based in part on signals intelligence, which ***suggests*** the United States had been spying on South Korea, one of its most important allies.

The South Korean presidential official, speaking to reporters, declined to respond to questions about U.S. spying or to confirm any details from the leaked documents.

Asked if South Korea planned to lodge a protest or demand an explanation from the United States, the official, who declined to be identified, said the government would review precedents and cases involving other countries.

South Korea has signed major deals providing hundreds of tanks, aircraft and other weapons to NATO member Poland since Russia invaded Ukraine. But President Yoon Suk Yeol has said that a South Korean law that forbids supplying weapons to countries engaged in conflict makes it difficult to send arms to Ukraine.

The South Korean official said there was no change to South Korea’s policy.

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[***Ukraine news – live: Putin and Wagner lose ‘substantial manpower in Bakhmut fight’***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:67WR-BXK1-JBNF-W0MB-00000-00&context=1516831)

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**Section:** EUROPE,WORLD; Version:20

**Length:** 10945 words

**Byline:** Arpan Rai and Emily Atkinson

**Highlight:** Full-scale invasion in Ukraine completes grim 400 days

**Body**

[*Russia*](https://www.independent.co.uk/topic/russia) and the mercenary [*Wagner*](https://www.independent.co.uk/topic/wagner) group have likely lost tens of thousands of soldiers in [*Bakhmut*](https://www.independent.co.uk/topic/bakhmut) even as [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) ’s forces continued to fight in the salt mining city.

The Institute for the Study of War (ISW) pointed to the statement by the US chairman of the joint chief of staff general Mark Milley who said that the Wagner has around 6,000 professional personnel and 20,000 to 30,000 recruits, mostly convicts, in Bakhmut.

This is lower than the number mentioned by the national security council spokesperson [*John Kirby*](https://www.independent.co.uk/topic/john-kirby) in December where he said that the Wagner had 50,000 personnel in [*Ukraine*](https://www.independent.co.uk/topic/ukraine) including 10,000 contractors and 40,000 convict recruits.

“It is likely that the difference between Kirby’s 50,000 figure in Ukraine and Milley’s 26,000 to 36,000 figure in the Bakhmut area is the result of casualties from Wagner’s attritional offensive on Bakhmut,” the ISW said.

Volodymyr Zelensky lauded Ukrainian strength faced against 400 days of Russia’s full-scale invasion in his nightly address.

Key points

Wagner has lost ‘substantial manpower’ in Bakhmut fight Ukraine has endured 400 days of Putin’s invasion, says Zelensky White House says Russia looking to trade food for North Korean munitions Putin may force 400,000 troops to join war in new volunteer campaign, says UK Xi Jinping should visit Ukraine, says White House Russia has suffered more than 220,0000 casualties so far, says Ben Wallace

Transcript of AP interview with Volodymyr Zelenskyy

[*AP*](https://www.independent.co.uk/topic/ap) Executive Editor Julie Pace interviewed Ukrainian President Volodymyr Zelenskyy as Zelenskyy visited the southeastern city of Zaporizhzhia, which still faces regular shelling from Russian forces, and northern towns in the Sumy region that were liberated shortly after the war began a year ago.

Zelenskyy spoke to the AP aboard a train shuttling him across Ukraine to cities near some of the fiercest fighting and others where his country’s forces have successfully repelled Russia’s invasion. Zelenskyy rarely travels with journalists, and the president’s office said AP’s two-night train trip with him was the most extensive since the war began.

Read the full transcript below:

[*Transcript of AP interview with Volodymyr Zelenskyy*](https://www.independent.co.uk/news/ap-ukraine-english-europe-china-b2311272.html)

Wagner has lost ‘substantial manpower’ in Bakhmut fight

Russia’s onslaught on Bakhmut can turn bleak as Wagner group and conventional Russian forces have likely lost manpower in their ongoing fight in the salt mining city, analysts say.

“Western officials reported that Wagner Group and conventional Russian forces have likely lost a substantial amount of manpower in the Bakhmut area, which will further constrain Russia’s offensive on Bakhmut,” the US-based Institute for the Study of War said in its latest analysis.

The think-tank monitoring the war referenced a statement by the US chairman of the joint chief of staff general Mark Milley who said that the Wagner Group has around 6,000 professional personnel and 20,000 to 30,000 recruits, mostly convicts, fighting in the Bakhmut area.

This is lower than the number mentioned by the national security council spokesperson John Kirby in December where he said that the Wagner Group had 50,000 personnel in Ukraine including 10,000 contractors and 40,000 convict recruits.

“It is likely that the difference between Kirby’s 50,000 figure in Ukraine and Milley’s 26,000 to 36,000 figure in the Bakhmut area is the result of casualties from Wagner’s attritional offensive on Bakhmut,” the ISW said.

It added: “Kirby reported on 17 February that the Wagner Group had suffered 30,000 casualties, with 9,000 dead, in operations in Ukraine.

“The Wagner Group may lose thousands more convict recruits in the upcoming weeks as convicts finish their six-month military contracts, and the Wagner leadership appears for now to be allowing pre-pardoned convicts to return from the frontlines to Russia at the conclusion of those contracts,” the ISW said.

Scuffles at Kyiv monastery over alleged Russian ties

Scuffles broke out outside a Kyiv monastery on Thursday after a Ukrainian branch of the Orthodox Church that the government says has ties with Russia defied an eviction order.

Tensions over the presence of the Ukrainian Orthodox Church (UOC) at the 980-year-old Kyiv-Pechersk Lavra monastery have risen since Russia’s invasion of Ukraine in February last year.

Kyiv accuses the UOC of maintaining ties with the Russian Orthodox Church, which has supported Moscow’s invasion of Ukraine. The UOC says it broke all links with the Russian Church in May 2022.

Hours after a deadline to leave the monastery passed at midnight on Wednesday, members of the UOC refused entry to representatives of a government commission who wanted to inspect buildings in the gold-domed monastery’s sprawling complex.

Shortly afterward, scuffles broke out in which a Reuters reporter was hit and shoved by an unidentified man and another reporter was pushed away by a cleric as she tried to approach him. No one was hurt.

Ukraine has endured 400 days of Putin’s invasion, says Zelensky

Volodymyr Zelensky has lauded Ukrainian strength faced against 400 days of Russia’s full-scale invasion in his nightly address.

“Four hundred days... Four hundred days of our defence against full-scale aggression. This is a colossal path that we have endured . All together -everyone who fought and fights for Ukraine. Who took care and takes care about the state and Ukrainians. Who helped and helps our logistics. Who strengthened and strengthens Ukrainian resilience,” Mr Zelensky said.

He added: “Ukraine went through the most terrifying days of that February. We survived this winter as well. There is a colossal effort behind these words...”

“We passed last spring, which turned the tide of this war in favour of our defence,” he siad.

“Last summer and autumn, we proved that the spring liberation of our northern regions was no accident. The battle for Kyiv, Chernihiv and Sumy regions... The return of the territories of our Kharkiv region, the return of Kherson, the defence of Bakhmut and Donbas in general -this is the heroism of Ukrainians that the world will not forget,” Mr Zelensky said.

Trump claims ‘ignorant and foolish’ DeSantis comments about Putin could lead to nuclear war

In his latest campaign video posted to Truth Social, [*Donald Trump*](https://www.independent.co.uk/topic/donald-trump) again took aim at [*Ron DeSantis*](https://www.independent.co.uk/topic/ron-desantis) , this time slamming him for his recent remarks on [*Russia*](https://www.independent.co.uk/topic/russia) which took a tougher stance regarding [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) ’s war on [*Ukraine*](https://www.independent.co.uk/topic/ukraine).

The former president sought to tie the Florida governor to remarks made in the past by Senator [*Mitt Romney*](https://www.independent.co.uk/topic/mitt-romney) and even the late Senator [*John McCain*](https://www.independent.co.uk/topic/john-mccain).

“Calling Russia a gas station with a bunch of nuclear weapons, or calling Putin, quote, ‘an authoritarian gas station attendant with some legacy of nuclear weapons from the old Soviet Union’ is exactly the kind of simple-minded thinking that has produced decades of failed diplomacy and ultimately war,” said the former president.

“And where is that war going? Those such as Mitt Romney and Ron DeSantis, very much alike, who insist on arrogantly treating Russia as deeply inferior to the other nations of the world with no history or culture or pride, are not only ignorant and foolish, but their attitude makes it impossible to negotiate peace. Absolutely impossible,” he continued.

Oliver O’Connell reports:

[*Trump claims ‘ignorant’ DeSantis remarks about Putin could lead to nuclear war*](https://www.independent.co.uk/news/world/americas/us-politics/trump-desantis-putin-nuclear-war-b2311246.html)

ICYMI: Russia to stop warning US before carrying out missile tests

Russia will no longer tell the US before carrying out missile tests, a senior Kremlin diplomat said on Wednesday, signalling an end to a decades-long practice that has eased the threat of nuclear escalation.

Sergei Ryabkov, Russian deputy foreign minister, said in remarks carried by Russian news agencies that Moscow had halted all information exchanges with Washington after recently withdrawing from the last remaining nuclear arms pact with the US.

The two nations have exchanged advance warnings about test launches for decades, along with information about the current state of their nuclear forces.

Read more below:

[*Russia to stop warning US before carrying out missile tests*](https://www.independent.co.uk/news/world/europe/russia-missile-warning-nuclear-us-b2310322.html)

Zelensky painting up for auction

An original painting of Volodymyr Zelensky signed by the Ukrainian president is being sold at auction, and proceeds from the sale will be used to benefit the nation’s people suffering during its war with Russia.Bidding on the 40-by-24-inch painting by American artist Oleg Jones starts at $50,000, and the goal is to sell it for at least $100,000, Bobby Livingston, executive vice president of auctioneer RR Auction in Boston, said Thursday.The painting features an image of Zelenskyy against the background of Ukraine‘s blue and yellow flag. Several raised stars in the upper left of the piece form a heart around the gold trident from the nation’s coat of arms.

Inside Zelenskyy’s efforts to buoy a nation

The caravan of unmarked vehicles tears across the muddy grass next to the playground. On the merry-go-round, the children stop swinging and spinning. The curious — parents and other residents of this southeastern town — gather around. Car doors swing open, and heavily armed security guards in battlefield fatigues spill out.

And just like that, he is among them: Ukrainian President Volodymyr Zelenskyy, wartime leader and his country’s chief morale officer.

This week, Zelenskyy shuttled across the country on a 48-hour train trip to rally soldiers who are battling Russian forces — and, just as important, to buoy the communities often caught in the crossfire.

Read more below:

[*Ukraine by rail: Inside Zelenskyy's efforts to buoy a nation*](https://www.independent.co.uk/news/ap-ukraine-kyiv-zaporizhzhia-donald-trump-b2310627.html)

Putin calls up 147,000 Russians for spring conscription

Russian President Vladimir Putin has signed an annual decree outlining how many citizens should be enlisted to fight as part of its spring conscription campaign.

The decree states that 147,000 Russian citizens should be drafted for military service, Tass news agency reports.

In September 2022, Putin previously signed an order calling for the conscription of 120,000 people as part of its autumn campaign.

At present, all men between the ages of 18 and 27 are required to carry out one year’s military service or the equivalent training if in higher education.

Blinken compares Bosnia Serb leader to Putin

U.S. Secretary of State [*Antony Blinken*](https://www.independent.co.uk/topic/antony-blinken) has compared the policies of the Bosnia Serb separatist leader to those of Russian [*President*](https://www.independent.co.uk/topic/president) [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) following his moves to curb dissent and LGBTQ rights.

Blinken tweeted late Wednesday that “Milorad Dodik’s attacks on basic rights and freedoms in Republika Srpska show he is on President Putin’s authoritarian path.”

Republika Srpska is the name for the half of Bosnia that is dominated by the country’s Serbs. Dodik is the entity’s president and leading politician who has repeatedly advocated for the breakup of Bosnia and clashed with Western officials in the Balkan country.

Earlier this month, Dodik’s government faced criticism from the U.S. and the European Union for pushing forward with a law to recriminalize libel and insult offences, which was seen as an attack on the freedom of expression and independent media.

Dodik also announced a law in the upcoming months to prohibit access for LGBTQ activists to kindergartens, schools and universities. This came only days after a group of hooligans attacked LGBTQ activists and journalists in Banja Luka, Republika Srpska’s administrative centre.

Read more:

[*Blinken compares Bosnia Serb leader to Putin*](https://www.independent.co.uk/news/world/americas/us-politics/ap-bosnia-and-herzegovina-antony-blinken-vladimir-putin-president-b2310932.html)

NATO, US forces join Romania-led Black Sea military drills

Romania’s navy led multinational military drills in the [*Black Sea*](https://www.independent.co.uk/topic/black-sea) region Thursday that brought together U.S. and NATO troops as the 30-nation alliance looks to boost security on its southeastern flank amid Russia’s war in [*Ukraine*](https://www.independent.co.uk/topic/ukraine).

The sea and air exercises are part of a series of drills known as Sea Shield 2023 that involve some 3,400 military personnel from 12 NATO member countries and some partner nations.

Romania’s navy said Thursday’s drills in the Mahmudia region of the Danube Delta, which flows into the Black Sea, would demonstrate how the combined forces would “neutralize an enemy air landing” in an area adjacent to such a waterway.

More than 30 naval ships, 14 aircraft and 15 “fast intervention” boats and other patrol vessels are taking part in Sea Shield 2023, which started March 20 and runs until April 2. Anti-explosive divers have participated in drills, as have chemical, biological, and nuclear defence specialists.

In response to Russia’s February 2022 invasion of Ukraine, NATO bolstered its presence on Europe’s eastern flank by sending additional multinational battlegroups to alliance members Romania, Hungary, Bulgaria, and Slovakia.

Read more:

[*NATO, US forces join Romania-led Black Sea military drills*](https://www.independent.co.uk/news/ap-nato-romania-black-sea-ukraine-b2311128.html)

White House says Russia looking to trade food for North Korean munitions

The [*White House*](https://www.independent.co.uk/topic/white-house) said [*Russia*](https://www.independent.co.uk/topic/russia) is “actively seeking” to acquire North Korean-made munitions for use against [*Ukraine*](https://www.independent.co.uk/topic/ukraine) and has offered to trade Pyongyang food in exchange for the weapons.

National Security Council spokesperson John Kirby told reporters on Thursday that Russia’s quest for North Korean munitions is a consequence of the American and European sanctions that have been imposed on Moscow since Russian forces began invading Ukraine last year.

In January, the White House claimed that Russia’s Wagner Group had received trainloads of arms from North Korea last year.

Mr Kirby said the Biden Administration remains “concerned” that Pyongyang will provide further support for Russia’s war in Ukraine, and said a private arms dealer has been trying to broker a secret agreement between the two countries.

Andrew Feinberg reports:

[*White House says Russia looking to trade food for North Korean munitions*](https://www.independent.co.uk/news/world/americas/us-politics/russia-north-korea-food-munitions-weapons-b2311184.html)

Finland says Russia spy operations weakened in Nordic nation

Expulsions of [*Russian*](https://www.independent.co.uk/topic/russia) intelligence officers and visa refusals have substantially weakened Moscow’s intelligence operations in neighboring [*Finland*](https://www.independent.co.uk/topic/finland) in the past year, the Finnish Security and Intelligence Service said Thursday.

The intelligence agency, known by the abbreviation SUPO, said in a statement that Russian intelligence has been “squeezed” in the [*Nordic*](https://www.independent.co.uk/topic/nordic) country because of the agency’s ability to compromise spy operations in 2022.

“The Russian intelligence station (in Finland) shrank to about half of its former size last year,” SUPO Director Antti Pelttari said, adding that the main reason for the decline were expulsions of suspected spies and visa refusals on the advice of his agency.

The falling number of intelligence officers and restrictions on travel across the Russian-Finland border amid [*Moscow*](https://www.independent.co.uk/topic/moscow) ‘s war in Ukraine have significantly undermined operating conditions for Russian spies in Finland, SUPO said.

It noted that operations under diplomatic cover have traditionally been the main instrument of Russian intelligence abroad, and Moscow was seeking to use, among other methods, cyberespionge to make up for the shortfall in human intelligence.

Read more:

[*Finland says Russia spy operations weakened in Nordic nation*](https://www.independent.co.uk/news/finland-ap-helsinki-russia-nordic-b2310830.html)

Wall Street Journal reporter seen for first time since being arrested in Russia

New footage has captured a Wall Street Journal reporter seen for the first time since being arrested in Russia.

Journalist [*Evan Gershkovich*](https://www.wsj.com/news/author/evan-gershkovich) was arrested in Yekaterinburg on spying charges, according to Russia’s Federal Security Service (FSB) – the successor to the KGB.

He was brought to Moscow where a court at a closed hearing ordered him held in pre-trial detention until 29 May. The TASS state news agency said he pleaded not guilty. The authorities released no evidence publicly and the case is said to have been marked “top secret”.

The arrest is the most serious public move against an international journalist since Russia invaded [*Ukraine*](https://www.independent.co.uk/topic/ukraine) in February last year. Espionage charges against someone from an American news outlet have not been seen since the end of the Cold War – with the detention coming amid a bitter war of words between Moscow and Washington over the Ukraine war. If convicted, Mr Gershkovich could face up to 20 years in prison.

The Wall Street Journal said in a statement it was “deeply concerned” for Mr Gershkovich’s safety and that it “vehemently denies the allegations from the FSB and seeks the immediate release of our trusted and dedicated reporter”.

Watch here:

Read the full story here:

[*Russia arrests Wall Street Journal reporter on ‘espionage’ charges*](https://www.independent.co.uk/news/world/europe/wsj-reporter-arrested-russia-espionage-evan-gershkovich-b2310976.html)

White House releases statement on Wall Street Journal reporter arrested in Russia

The White House has released a statement following the arrest of a Wall Street Journal journalist in Russia.

[*Evan Gershkovich*](https://www.wsj.com/news/author/evan-gershkovich) was arrested in Yekaterinburg on spying charges, according to Russia’s Federal Security Service (FSB) – the successor to the KGB.

He was brought to Moscow where a court at a closed hearing ordered him held in pre-trial detention until 29 May. The TASS state news agency said he pleaded not guilty. The authorities released no evidence publicly and the case is said to have been marked “top secret”.

A newly-released statement from White House Press Secretary Karine Jean-Pierre reads:

“We are deeply concerned by the troubling reports that Evan Gershkovich, an American citizen, has been detained in Russia.

“Last night, White House and State Department Officials spoke with Mr. Gershkovich’s employer, the Wall Street Journal. The Administration has also been in contact with his family.

“Furthermore, the State Department has been in direct touch with the Russian government on this matter, including actively working to secure consular access to Mr. Gershkovich.

“The targeting of American citizens by the Russian government is unacceptable. We condemn the detention of Mr. Gershkovich in the strongest terms.

“We also condemn the Russian government’s continued targeting and repression of journalists and freedom of the press.

“I want to strongly reiterate that Americans should heed the U.S. government’s warning to not travel to Russia. U.S. citizens residing or travelling in Russia should depart immediately, as the State Department continues to advise.”

King Charles praises Germany’s generosity in hosting millions of Ukrainian refugees

[*King Charles III*](https://www.independent.co.uk/topic/king-charles-iii) has praised [*Germany*](https://www.independent.co.uk/topic/germany) for showing “extraordinary hospitality” in hosting more than one million [*refugees*](https://www.independent.co.uk/topic/refugees) from [*Ukraine*](https://www.independent.co.uk/topic/ukraine) since the outbreak of war.

In the first state banquet speech of his reign on Wednesday evening (29 March), Charles also pledged to “strengthen the connections” between the [*UK*](https://www.independent.co.uk/topic/uk) and Germany after arriving in [*Berlin*](https://www.independent.co.uk/topic/berlin).

“I did want to pay a particular tribute to Germany’s extraordinary hospitality in hosting over one million Ukrainian refugees,” the King said.

“This, it seems to me, so powerfully demonstrates the generosity and spirit of the German people.”

Watch:

[*King Charles praises Germany’s generosity in hosting millions of Ukrainian refugees*](https://www.independent.co.uk/tv/lifestyle/germany-ukraine-war-king-charles-b2311045.html)

“I’m praying for you”, King Charles tells Ukrainians during historic Bundestag address

The King has told Ukrainians “I’m praying for you” after condemning the “unimaginable suffering” caused by President Vladimir Putin’s invasion of their homeland.

Charles met families who escaped to Germany after he praised the nation’s “courageous, important and appreciated” decision to send “significant” military support to Ukraine in a historic address to the Bundestag.

At Berlin’s old Tegel Airport the King met recently arrived Ukrainians, a few of more than a million who have sought refuge in the country, and in a lighter moment played table football with some of the group.

On several occasions Charles clasped his hands together and told refugees “I’m praying for you”.

The King made history by delivering the first speech by a British monarch during a session of the Bundestag.

He told the packed chamber: “The unprovoked invasion of Ukraine has inflicted the most unimaginable suffering on so many innocent people.

“Countless lives have been destroyed; freedom and human dignity have been trampled in the most brutal way. The security of Europe has been threatened, together with our democratic values.

“The world has watched in horror -but we have not stood by. Even as we abhor the appalling scenes of destruction, we can take heart from our unity -in defence of Ukraine, of peace and freedom.

“Germany and the United Kingdom have shown vital leadership. As Europe’s two largest donors to Ukraine, we have responded with taking decisions which might previously have seemed unimaginable. Germany’s decision to send such significant military support to Ukraine is remarkably courageous, important and appreciated.”

Sweden’s Nato hopes falter amid fresh objection from Hungary

Sweden’s foreign minister has indicated that he was no longer sure his country would be able to join Nato by July, after fresh signs of objections from Hungary.

Sweden applied to join the military alliance after Russia’s invasion of Ukraine last year, but Hungary and fellow Nato member Turkey held off from approving the bid.

Foreign minister Tobias Billstrom said last week that “it goes without saying” Sweden would become a member by the time of a Nato summit in Vilnius in July.

But he told TT news agency on Thursday: I have noted the things that have been said in recent days, especially from Hungary’s side, and that means you always have reason to alter your words.

“I think ‘hopeful’ in this context is better,” he added.

King Charles visits Ukrainian refugees in Berlin

The King has been photographed visiting the Tegel Refugee Centre in Berlin, where he is seen talking to Ukrainian people and families given refuge there.

Russia’s Lavrov to visit Turkey in early April -Turkish broadcaster NTV

Russia’s foreign minister Sergei Lavrov will visit Turkey on 6-7 April Turkish private broadcaster NTV reported on Thursday.

The war in Ukraine and developments in Syria would be discussed in talks during Lavrov’s visit, as well as commerce, energy issues and bilateral ties, NTV said.

Orlando Bloom tells President Zelensky stoicism of Ukraine is ‘awe-inspiring’

[*Orlando Bloom*](https://www.independent.co.uk/topic/orlando-bloom) has praised the strength of the Ukrainian people as he met the country’s president, [*Volodymyr Zelensky*](https://www.independent.co.uk/topic/volodymyr-zelensky) , and encouraged him to “go win” the war.

The [*British*](https://www.independent.co.uk/topic/british) actor, 46, who is a Unicef Goodwill Ambassador, travelled to [*Kyiv*](https://www.independent.co.uk/topic/kyiv) in his first visit back to [*Ukraine*](https://www.independent.co.uk/topic/ukraine) since 2016.

In the meeting, Bloom told Mr Zelensky it is “remarkable to see how you are holding this country” and said it was a “real honour” to meet the Ukrainian president.

More on this story here:

[*Orlando Bloom tells President Zelensky stoicism of Ukraine is ‘awe-inspiring’*](https://www.independent.co.uk/news/uk/volodymyr-zelensky-orlando-bloom-ukraine-unicef-british-b2308581.html)

FSB requests formal arrest of US reporter

Investigators from Russia’s Federal Security Service (FSB) on Thursday requested the formal arrest of American Wall Street Journal reporter Evan Gershkovich, detained on suspicion of espionage, the state-owned news agency TASS reported, citing Moscow’s Lefortovo district court.

‘Too early’ to talk of prisoner swap for US reporter, Russian minister says

Russian deputy foreign minister Sergei Ryabkov says it is too early to talk of a possible prisoner swap involving a detained US reporter who has been held on suspicion of spying, the state RIA news agency reported.

The Interfax news agency cited Ryabkov as saying that such exchanges had previously taken place for those already convicted, and that it was necessary to wait to see how the story with Evan Gershkovich developed.

Russia to keep missile test notices under Cold War-era deal

Russia will continue to give the US advance notice about its missile tests despite suspending the last remaining nuclear arms treaty between the two countries, a top Russian diplomat has said.

Deputy foreign minister Sergei Ryabkov’s statement reversed one he made on Wednesday, when he said Moscow had halted all information exchanges with Washington envisioned under the 2011 New START nuclear pact, including missile test warnings.

More on this here:

[*Russia to keep missile test notices under Cold War-era deal*](https://www.independent.co.uk/news/world/americas/ap-washington-moscow-vladimir-putin-soviet-b2310855.html)

Zelensky describes ‘horrific’ year in Kyiv region

The past year had been “the most horrific” in the lives of many residents of the Kyiv region, Ukraine‘s president said on Thursday, where Russian troops are accused of committing war crimes before withdrawing a year ago

The Ukrainian military recaptured the small towns of Irpin and Bucha outside the capital, Kyiv, in late March last year.

International investigators are now collecting evidence in Irpin, Bucha and other places where Ukraine says Russian troops committed large-scale atrocities. Russia denies the allegations.

“For many residents of the Kyiv region, the past year has become the most horrific in their entire lives. And the liberation of the Kyiv region has become a symbol of the fact that Ukraine will be able to win this war,” president Volodymyr Zelensky wrote in English on the Telegram messaging app.

“Events that could not be imagined in the 21st century have become a reality in the satellite cities of Kyiv, Bucha and Irpin. Russian troops marched on the Ukrainian capital from the north and brought death and destruction.”

Zelensky wrote his Telegram post under video footage showing heavily damaged buildings and vehicles that had been destroyed in Bucha and Irpin.

Kremlin says US reporter ‘caught red-handed’

The Kremlin said on Thursday that the arrest of Wall Street Journal reporter Evan Gershkovich by Russia’s FSB security service on suspicion of spying was “a matter for the FSB”, but that it understood Gershkovich had been “caught red-handed”.

Russian did not publish any evidence of Gershkovich’s guilt. The Wall Street Journal vehemently denied the allegation.

Russia in contact with IAEA on 'evolving' idea of Zaporizhzhia nuclear plant safety zone

Moscow is still in talks with the head of the International Atomic Energy Agency about the idea of a safety zone around the Zaporizhzhia nuclear plant that is controlled by Russian forces in Ukraine, Russian deputy foreign minister Sergei Ryabkov was reported as saying.

RIA quoted him as saying that the idea was “evolving”. Interfax quoted Ryabkov as saying Moscow was in “constant contact” with IAEA chief Rafael Grossi.

China’s role in Ukraine conflict vital to EU relations, says von der Leyen

China must play a part in pressing for a “just peace” in Ukraine and its role in the conflict will be vital in shaping relations with the European Union, European Commission President Ursula von der Leyen said on Thursday.

China, as a permanent member of the United Nations Security Council, had a responsibility to play a constructive role in advancing a peace based on the territorial integrity of Ukraine, with the withdrawal of invading Russian forces.

“Any peace plan which would in effect consolidate Russian annexations is simply not a viable plan. We have to be frank on this point,” von der Leyen said in a speech in Brussels on the eve of a trip to Beijing.

“How China continues to interact with Putin’s war will be a determining factor for EU-China relations going forward.”

Four bankers who helped Putin's friend set up Swiss bank account convicted

Four bankers who helped a close friend of Vladimir Putin move millions of francs through Swiss bank accounts have been convicted of lacking diligence in financial transactions.

The four were found guilty on Thursday of helping Sergey Roldugin, a concert cellist who has been dubbed “Putin’s wallet” by the Swiss government.

The executives -three Russians and one Swiss -helped Roldugin, who is godfather to Putin’s eldest daughter Maria, deposit millions of francs in Swiss bank accounts between 2014 and 2016.

The men, who cannot be identified under Swiss reporting restrictions, were found guilty at a hearing at Zurich District Court and were given suspended sentences of seven months each.

Waall Street Journal reporter in Russia 'detained on suspicion of spying’

Russia’s FSB security service has claimed that a reporter with The Wall Street Journal, Evan Gershkovich, had been detained in the Urals city of Yekaterinburg on suspicion of espionage, the Interfax news agency reported.

In a statement quoted by Interfax, the FSB said it had “stopped the illegal activities of U.S. citizen Gershkovich Evan, born in 1991, a correspondent of the Moscow bureau of the American newspaper The Wall Street Journal, accredited at the Russian Foreign Ministry, who is suspected of spying in the interests of the American government”.

The statement said Gershkovich had been tasked “by the American side” with gathering information on “the activities of one of the enterprises of the military-defence complex”. It provided no evidence.

Watch: Russia’s defence chiefs released a video showing patrol trucks carrying missiles

Russian man sentenced to prison after daughter’s anti-war picture detained, says lawyer

A Russian man who was sentenced to two years in prison for discrediting the Russian armed forces, and whose daughter was taken into care after she drew an anti-war picture at school, has been detained, reports say.

News of Alexei Moskalyov’s detention was confirmed to Reuters by human rights activist and lawyer Dmitry Zakhvatov on Thursday.

He vanished from his home during the night on Tuesday, hours before being sentenced to two years for discrediting the Russian armed forces.

Masha Moskaleva’s drawing featured both the Ukrainian and Russian flags, emblazoned with the words “No to war” and “Glory to Ukraine”, and a woman shielding her child from Moscow’s missiles.

It was reported earlier this month by independent rights watchdog OVD-Info that the 13-year-old’s art teacher reported her work to the school’s headteacher, who then alerted Russian authorities.

Local law enforcement in the town of Yefremov in the Tula region, south of Moscow, took action in April 2022, charging Mr Moskalyov, 53, with “discrediting” the Russian army for an anti-war comment he wrote on social media platform Odnoklassniki.

His daughter was taken to a foster care facility in Yefremov.

In a letter shared yesterday, Miss Moskaleva urged her father not to give up and told him to “believe, love and hope”.

“Hi Dad, I really ask you not to get sick and not to worry,” the letter said. “Everything is fine with me, I love you very much and know that you’re not guilty of anything. I am always on your side, and everything you do is right,” she wrote.

Written neatly on lined paper, the letter ended with “I love you” in English, and the words “you are a hero” inside a heart.

Russian forces advance on Bakhmit

US thinktank the Institute for the Study of War’s said this morning that “geolocated footage published on March 28 and 29 indicates that Russian forces advanced in southern and southwestern Bakhmut.”

It comes after officials on the Ukrainian side said that Russian forces have witnessed some success in Bakhmut over the past day after being stalled around the Donetsk city for weeks in a slow-burning fight.

[*#Bakhmut*](https://twitter.com/hashtag/Bakhmut?src=hash&ref_src=twsrc%5Etfw) Update:[*#Russian*](https://twitter.com/hashtag/Russian?src=hash&ref_src=twsrc%5Etfw) forces continued offensive operations in and around Bakhmut on March 29.Geolocated footage published on March 28 and 29 indicates that Russian forces advanced in southern and southwestern Bakhmut.[*https://t.co/GC1K0Witfn*](https://t.co/GC1K0Witfn) [*pic.twitter.com/hlECzoQTvp*](https://t.co/hlECzoQTvp) — ISW (@TheStudyofWar) [*March 30, 2023*](https://twitter.com/TheStudyofWar/status/1641272150291095553?ref_src=twsrc%5Etfw)

Putin may force 400,000 troops to join war in new volunteer campaign, says UK

The Vladimir Putin regime will possibly coerce men signing up for volunteer programme to be mobilised, the British defence ministry has said today.

Recent Russian media reporting ***suggests*** that the authorities are preparing to start a major military recruitment campaign with the aim of signing up an additional 400,000 troops.

The ministry noted that Russia is presenting the campaign as a drive for volunteer, professional personnel, rather than a new, mandatory mobilisation.

“There is a realistic possibility that in practice this distinction will be blurred, and that regional authorities will try to meet their allocated recruitment targets by coercing men to join up,” the MoD said.

It added: “Russian authorities have likely selected a supposedly ‘volunteer model’ to meet their personnel shortfall in order to minimise domestic dissent. It is highly unlikely that the campaign will attract 400,000 genuine volunteers.”

“However, rebuilding Russia’s combat power in Ukraine will require more than just personnel; Russia needs more munitions and military equipment supplies than it currently has available,” the ministry said.

Xi Jinping should visit Ukraine, says White House

The White House has said that Chinese president Xi Jinping should speak to Volodymyr Zelensky and a visit should be made to the war-torn country.

National security spokesperson was asked if he believes that Mr Xi should visit Ukraine, as ***suggested*** by the Ukrainian president.

“We certainly support, at the very least, a conversation between president Xi and president Zelensky. And, my goodness, we’ve been saying that for weeks,” he said.

IOC not stalling decision over Russia and Belarus, insists Thomas Bach

The International Olympic Committee has set out new recommendations governing how Russian and Belarusian athletes can return to international sport, writesJamie Gardner.

[*IOC not stalling decision over Russia and Belarus, insists Thomas Bach*](https://www.independent.co.uk/independentpremium/sport/russia-ukraine-olympics-paris-thomas-bach-b2309629.html)

UN nuclear watchdog in Ukraine: ‘Military activity is rising'

The head of the International Atomic Energy Agency Rafael Grossi is on a repeat visit to the Zaporizhzhia nuclear power plant and has said that is a “significant increase” in the number of troops in the region.

“It is obvious that military activity is increasing in this whole region. So the plant can’t be protected,” he said.

A recording of the briefing was made available to Reuters.

Mr Grossi said he was putting aside plans for a security zone around the plant so he could propose specific protection measures acceptable to both Russia and Ukraine.

Zaporizhzhia nuclear power plant – the biggest nuclear facility in Europe – was a prized part of Ukraine‘s energy network and accounted for about 20 per cent of national power generation before the invasion. It has not produced any electricity since September, when the last of its six reactors was taken offline, leaving tens of thousands of Ukrainian civilians hunkering down inside their houses in biting sub-zero temperatures during the winter.

Russian forces shelled towns in central Zaporizhzhia region, including the contested centre of Hulyaipole, the Ukrainian general staff said.

Russia has suffered more than 220,0000 casualties so far, says Ben Wallace

The latest assessments show Russian casualties in the continuing war in Ukraine to be more than 220,0000, the British defence secretary has said.

“The Russian forces have some really significant and deep systemic problems at the moment in their efforts. The latest US assessments I have seen now put casualty figures over 220,0000 of dead or injured,” Mr Wallace said.

Just last month, the British intelligence had put the number of casualties between 175,000 to 200,000 for the Russian forces and their private military contractor forces, adding that this likely included between 40,000 and 60,000 killed.

ICYMI: Donald Trump says he could 'solve' Ukraine war ‘in 24 hours’

Kyiv monks accused of Russia links refuse eviction order

Orthodox monks who’ve been ordered out of a monastery in Kyiv have refused to leave today, as a deadline to vacate the complex expired.

The dispute over the Kyiv-Pechersk Lavra monastery, Ukraine’s most revered Orthodox site, is part of a wider religious conflict playing out in parallel with the war.

The monks using the property belong to the Ukrainian Orthodox Church, which has been accused of links to [*Russia*](https://www.independent.co.uk/topic/russia).

Read the full story here:

[*Kyiv monks accused of Russia links refuse eviction order*](https://www.independent.co.uk/news/ap-ukraine-orthodox-kyiv-russia-b2310489.html)

Sanctions for man who ‘tried to arrange sale of weapons to Russia'

The US said yesterday it had imposed sanctions on a Slovakian man for trying to arrange the sale of over two dozen types of North Korean weapons and munitions to Russia to help Moscow replace military equipment lost in its war with Ukraine.

The action, which comes as Washington warned that Russia is seeking to acquire additional weapons from North Korea, is the latest in a series of sanctions the US has imposed targeting Moscow and its attempts to obtain military equipment. The conflict in Ukraine has killed tens of thousands and reduced many cities to rubble.

The US Treasury Department said in a statement it had imposed sanctions on Slovakian national Ashot Mkrtychev “for having attempted to, directly or indirectly, import, export, or re-export to, into, or from the DPRK any arms or related materiel.”

Russia’s invasion of Ukraine violates UN charter, says Singapore PM

Singapore’s prime minister Lee Hsien Loong has said Russia’s invasion of Ukraine has gravely violated the United Nations charter and international law.

Mr Lee was speaking at the Boao forum in the southern Chinese island province of Hainan.

Big powers have the responsibility of maintaining stable and workable relations with one another, and the most worrying is the state of relations between the United States and China, he said today.

Russia convicts father of teen who drew antiwar pictures

A Russian court on Tuesday convicted a single father over social media posts criticizing the war in Ukraine and sentenced him to two years in prison — a case brought to the attention of authorities by his daughter’s drawings against the invasion at school, according to his lawyer and activists.

The case of Alexei Moskalyov, who was indicted and tried in his hometown of Yefremov, about 300 kilometers (about 186 miles) south of Moscow, has drawn international attention and is a grim indication that the Kremlin is intensifying its crackdown on dissent, targeting more people and handing out harsher punishments for any expression of criticism of the war.

[*Russia convicts father of teen who drew antiwar pictures*](https://www.independent.co.uk/news/ap-ukraine-estonia-tallinn-kremlin-b2309476.html)

Russia sees a ‘degree of success’ in Bakhmut, says Ukraine

Russian forces have witnessed some success in Bakhmut over the past day after being stalled around the Donetsk city for weeks in a slow-burning fight, officials from the Ukrainian side have said.

“Enemy forces had a degree of success in their actions aimed at storming the city of Bakhmut,” the General Staff of the Ukrainian Armed Forces said in its regular night-time report.

“Our defenders are holding the city and are repelling numerous enemy attacks,” the top military command said.

For four straight weeks of this month, the average number of daily Russian attacks on the front line reported by Ukraine‘s general staff has declined.

Whereas earlier Russian attacks were recorded to be around 124 in the first week of March, the next seven days saw 69 attacks.

On Wednesday, this dipped further to 57 attacks.

Journalists near the frontline west of Bakhmut and in the northern sector have also observed notable declines in the intensity of Russian attacks last week.

After prematurely announcing the capture of most of Bakhmut in early March, the Russian officials now say that their forces are in the process of gaining ground in street-by-street fighting.

Eurovision festival ‘a celebration of Ukraine tinged with bitterness of war’

A festival accompanying the Eurovision Song Contest will be a celebration of Ukraine “tinged with bitterness” as the war continues in the European country.

EuroFestival, a two-week series of events in Liverpool, has announced 24 culture commissions for May which include a performance by Ukrainian Eurovision Song Contest winner Jamala and collaborations between British artists and Ukrainian artists.

Tetyana Filevska, creative director at the Ukrainian Institute, told the PA news agency at the British Music Experience in Liverpool, during the launch of the programme on Tuesday, that celebrating her culture is a form of “resistance”.

[*Eurovision festival ‘a celebration of Ukraine tinged with bitterness of war’*](https://www.independent.co.uk/news/uk/ukraine-liverpool-british-british-council-bbc-b2309644.html)

ICYMI: Sunak defends use of British munitions stockpiles to support Ukraine

British ammunition stockpiles are being used for the purpose they were intended – degrading Russia’s fighting ability, Rishi Sunak has said.

The Prime Minister said he would “not necessarily see it as a negative” that levels of shells and missiles were being run down because they were being used to deter the threat from Vladimir Putin’s military.

Mr Sunak’s comments came as British-supplied Challenger 2 tanks were poised to begin combat missions in Ukraine.

[*Sunak defends use of British munitions stockpiles to support Ukraine*](https://www.independent.co.uk/news/uk/ukraine-xi-jinping-british-rishi-sunak-prime-minister-b2309531.html)

UN atomic watchdog chief returns to Ukraine nuclear plant

The head of the U.N.’s atomic energy watchdog returned Wednesday to the Zaporizhzhia Nuclear Power Plant, a day after saying a deal to protect Europe’s largest nuclear power facility from a catastrophic accident due to the war in Ukraine was “close.”

International Atomic Energy Agency Director General Rafael Mariano Grossi crossed the war’s front lines for a second time to reach the plant, which is located in a partially Russia-occupied part of Ukraine where combat has intensified.

The IAEA, which is based in Vienna, Austria, has a ***rotating*** team permanently based at the plant. Grossi told The Associated Press in an interview Tuesday he feels it is his duty to ramp up talks between Kyiv and Moscow aimed at safeguarding the facility.

[*UN atomic watchdog chief returns to Ukraine nuclear plant*](https://www.independent.co.uk/news/ap-ukraine-international-atomic-energy-agency-europe-russia-b2310140.html)

World's first research hub for child blast injuries opens to support Ukraine war victims

Putin using Bakhmut to destroy Wagner Group and ‘put its chief in his place’, says ISW

Analyst says Ukraine battle – in which the Russian side has suffered heavy casualties – is part of a wider Kremlin power play, writesArpan Rai.

[*Putin using Bakhmut to ‘largely destroy Wagner Group and put its chief in his place’*](https://www.independent.co.uk/independentpremium/world/putin-ukraine-war-russia-bakhmut-wagner-b2308979.html)

Russia to stop warning US before carrying out missile tests

Russia will no longer tell the US before carrying out missile tests, a senior Kremlin diplomat said, signalling an end to a decades-long practice that has eased the threat of nuclear escalation.

Sergei Ryabkov, Russian deputy foreign minister, said in remarks carried by Russian news agencies that Moscow had halted all information exchanges with Washington after recently withdrawing from the last remaining nuclear arms pact with the US.

The two nations have exchanged advance warnings about test launches for decades, along with information about the current state of their nuclear forces.

Liam James reports.

[*Russia to stop warning US before carrying out missile tests*](https://www.independent.co.uk/news/world/europe/russia-missile-warning-nuclear-us-b2310322.html)

Ukraine’s Zelensky is ‘ready’ for Chinese leader to visit

Ukraine’s president invited his powerful Chinese counterpart, Xi Jinping, to visit the war-torn nation, saying they haven’t been in contact since the war began and he is “ready to see him here.”

“I want to speak with him,” Volodymyr Zelensky told The Associated Press on Tuesday, the week after Xi visited Russian President Vladimir Putin last week. China had no immediate response about whether a Xi visit to Ukraine would happen.

[*Ukraine's Zelenskyy is 'ready' for Chinese leader to visit*](https://www.independent.co.uk/news/xi-jinping-ap-ukraine-vladimir-putin-beijing-b2310210.html)

ICYMI: Donald Trump says he could 'solve' Ukraine war ‘in 24 hours’

Poland urges EU to limit influx of Ukrainian grain

Poland wants the European Union to use all tools at its disposal to limit the amount of Ukrainian grain entering the bloc’s market, the prime minister said on Wednesday, amid fury among farmers over the effect of imports on Polish grain prices.

Mounting anger in the countryside over the influx of Ukrainian grain poses a major headache for Poland’s ruling nationalist Law and Justice (PiS) party in an election year, as its conservative voter base mainly lives in rural areas and small towns.

“We demand the use of all regulatory instruments -quotas, tariffs, which will limit or block the import of Ukrainian grain into Poland,” Mateusz Morawiecki told a news conference.

Morawiecki said he had agreed with the leaders of several countries bordering Ukraine to write to European Commission President Ursula von der Leyen to demand action.

Ukraine, one of the world’s largest grain exporters, has seen its Black Sea ports blocked since Russia invaded more than a year ago and has been forced to find alternative shipping routes through European Union states Poland and Romania.

But logistical bottlenecks mean large quantities of Ukrainian grains, which are cheaper than those produced in the European Union, have ended up in central European states, hurting prices and sales of local farmers.

Morawiecki spoke as ***Agriculture*** Minister Henryk Kowalczyk met with farmers representatives, who have dismissed government aid proposed so far as inadequate.

“Money is due for every hectare of grain, losses must be covered,” said Michal Kolodziejczak, founder of the Agrounia group ahead of roundtable talks with the government. “There must be at least 6 billion zlotys ($1.39 billion) to cover these losses.”

“I’m not going to leave unless there are good solutions here. The police will have to take us out.”

The figure cited by Kolodziejczak was ten times higher than the 600-million-zloty aid programme approved by the European Commission on Monday, which the government says will help compensate farmers for their losses.

Kowalczyk recently had to be escorted out of an ***agricultural*** fair in the central Polish city of Kielce after he was accosted by a crowd of angry farmers and had eggs thrown at him at another event.

Takeaways from AP's interview with Ukraine's Zelenskyy

A team of journalists from The Associated Press spent two days traveling by train with Ukrainian President Volodymyr Zelenskyy as he visited the southeastern city of [*Zaporizhzhia*](https://www.independent.co.uk/topic/zaporizhzhia) , which still faces regular shelling from Russian forces, and northern towns in the Sumy region that were liberated shortly after the war began a year ago.

The [*AP*](https://www.independent.co.uk/topic/ap) is the first news organization to travel extensively with Zelenskyy since the war began. Here are some takeaways from an interview with Zelenskyy as he returned to [*Kyiv*](https://www.independent.co.uk/topic/kyiv) late Tuesday.

[*Takeaways from AP's interview with Ukraine's Zelenskyy*](https://www.independent.co.uk/news/world/europe/ap-ukraine-vladimir-putin-takeaways-kyiv-b2309879.html)

Object near Nord Stream 2 pipeline poses no safety risk

An object found close to the Nord Stream 2 gas pipeline in the Baltic Sea appeared to be a maritime buoy and does not pose a safety risk, the Danish Energy Agency said on Wednesday.

The object, which was retrieved on Tuesday by the Danish navy, was discovered during an inspection of the last remaining intact pipeline by Swiss-based operator Nord Stream 2 AG.

“Investigations indicate that the object is an empty maritime smoke buoy, which is used for visual marking. The object does not pose a safety risk,” the agency said in a statement.

Last week, Denmark invited the Russian-controlled Nord Stream operator to assist in retrieving the object. A representative from Nord Stream 2 AG was present during the operation, which was carried out at a depth of 73 meters, the agency said.

Putin using Bakhmut to destroy Wagner Group and ‘put its chief in his place’, says ISW

Russia’s months-long battle to capture the Ukrainian city of [*Bakhmut*](https://www.independent.co.uk/topic/bakhmut) is being used by the Kremlin to “largely destroy” the private [*Wagner*](https://www.independent.co.uk/topic/wagner) Group and put its chief [*Yevgeny Prigozhin*](https://www.independent.co.uk/topic/yevgeny-prigozhin) “in his place”, according to experts monitoring the conflict.

Analysts have ***suggested*** an ulterior motive to the Russian leadership’s determination to keep throwing mercenary units into the bloody siege, with disagreements over Ukraine increasingly driving a wedge between [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) and his long-time ally.

[*The Wagner Group*](https://www.independent.co.uk/news/world/europe/wagner-group-russia-ukraine-war-b2295482.html) has trained and deployed thousands of convicted criminals in Ukraine – promised their freedom if they can survive six months on the frontline – ever since the Russian president launched his full-scale invasion of the former Soviet nation.

Arpan Rai reports:

[*Putin using Bakhmut to ‘largely destroy Wagner Group and put its chief in his place’*](https://www.independent.co.uk/independentpremium/world/putin-ukraine-war-russia-bakhmut-wagner-b2308979.html)

Ukraine condemns IOC recommendations on Russian and Belarusian athletes

Ukraine‘s sports ministry condemned on Wednesday what it said was a partial change of position by the International Olympic Committee (IOC) on allowing Russian and Belarusian athletes to compete in international competitions as neutrals.

The IOC issued recommendations on Tuesday for the athletes’ gradual return to world sport, with President Thomas Bach saying their participation “works” despite Russia‘s war in Ukraine.

“The Ministry of Youth and Sports of Ukraine condemns the partial change of the position of the International Olympic Committee regarding the non-admission of Russian and Belarusian athletes,” a written ministry statement said.

“We have consistently advocated and will continue to insist that under the conditions of the unprecedented unprovoked military aggression of the Russian Federation with the support of the Republic of Belarus against Ukraine, which contradicts the principles of the Olympic Charter, representatives of aggressor states should not be present at international sports arenas.”

The ministry said the recommendations should primarily be applied to sports where athletes from Russia and Belarus have already been admitted to competitions.

The head of Russia‘s Olympic Committee said the criteria announced by the IOC were unacceptable. The Kremlin said the IOC’s guidelines that allow Russian and Belarusian athletes to compete in contained “elements of discrimination”.

The recommendations made by the IOC executive board concern the return of athletes to international competitions but not specifically the 2024 Paris Olympics, for which a separate decision will be taken at a later date.

Ukraine and some of its allies have threatened to boycott the Paris Games should they compete, even as neutrals.

UN atomic watchdog returns to Zaporizhzhia nuclear power plant

The head of the UN’s atomic energy watchdog has returned to the Zaporizhzhia nuclear power plant, a day after saying a deal to protect Europe’s largest nuclear power facility from a catastrophic accident due to the war in Ukraine was “close”.

International Atomic Energy Agency (IAEA) director general Rafael Mariano Grossi crossed the war’s front lines for a second time to reach the plant, which is located in a partially Russia-occupied part of Ukraine where combat has intensified.

The IAEA, which is based in Vienna, Austria, has a ***rotating*** team permanently based at the plant.

Mr Grossi told The Associated Press (AP) in an interview on Tuesday that he felt it was his duty to ramp up talks between Kyiv and Moscow aimed at safeguarding the facility.

He met on Monday with Ukrainian president Volodymyr Zelensky and said he would “most probably” head to Moscow in the coming days.

But Mr Zelensky said in a separate interview with the AP that he was less optimistic a deal was near.

“I don’t feel it today,” he said.

Spain to send six tanks to Ukraine after Easter

Spain will send six German-made 2A4 Leopard tanks to Ukraine after the April 9 Easter holiday to support Kyiv’s efforts to fend off Russia‘s invasion, Defence Minister Margarita Robles told lawmakers on Wednesday.

Robles said the country had just repaired the fighting vehicles that have not been used since the 1990s, and was testing their combat readiness before shipping them.

“By sending the Leopards, we will continue to help the Ukrainian people... to defend themselves against an absolutely unjust attack,” she said, adding that Spain would now repair another four tanks which will be sent “in the near future”.

The Spanish military has trained Ukrainian tank crews for several weeks in the northeastern city of Zaragoza.

Earlier this week, 18 Leopard 2 tanks pledged by Germany and three pledged by Portugal arrived in Ukraine, which says the fighting vehicles are crucial to defeat the Russian invasion. Moscow calls the deliveries of Western weapons a dangerous provocation.

IAEA chief: situation at Ukrainian nuclear plant hasn't improved

The head of the International Atomic Energy Agency, Rafael Grossi, said on Wednesday that the situation at Ukraine‘s Zaporizhzhia nuclear power plant had not improved and that fighting nearby had intensified, Russian news agencies reported.

Moscow and Kyiv have repeatedly accused each other of shelling the site of the power plant over the last year. Grossi has been pushing for a safety agreement between Ukraine and Russia to protect the facility. (

Russia stops sharing nuclear information with US

A senior Russian diplomat said Moscow had suspended sharing information about its nuclear forces with the United States, including notices about missile tests.

Russian deputy foreign minister Sergei Ryabkov said in remarks carried by Russian news agencies that Moscow had halted all information exchanges with Washington after previously suspending its participation in the last remaining nuclear arms pact with the US.

Last month, Russian president Vladimir Putin suspended the New START treaty, saying Russia could not accept US inspections of its nuclear sites under the agreement at a time when Washington and its Nato allies had openly declared Russia‘s defeat in Ukraine as their goal.

Moscow emphasised that it was not withdrawing from the pact altogether and would continue to respect the ***caps*** on nuclear weapons.

The Russian foreign ministry initially said Moscow would keep notifying the US about planned test launches of its ballistic missiles.

Russia's Wagner chief says battle for Bakhmut damaged his forces

The head of Russia‘s Wagner mercenary group said on Wednesday that fighting to take control of the Ukrainian city of Bakhmut had “practically destroyed” the Ukrainian army but also “badly damaged” his forces.

“The battle for Bakhmut today has already practically destroyed the Ukrainian army, and unfortunately, it has also badly damaged the Wagner Private Military Company,” Wagner chief Yevgeny Prigozhin said in an audio message.

Russia says it has stopped all data exchanges with U.S. on nuclear weapons

Russia‘s Deputy Foreign Minister Sergei Ryabkov said on Wednesday that Moscow had stopped notifying the United States about its nuclear activities, including test launches, after it pulled out of the New START arms control treaty last month.

“All notifications, all forms of notification, all data exchange, all inspection activities, in general all kinds of work under the treaty are suspended, they will not be carried out,” Ryabkov was quoted as saying by the Interfax news agency.a

Russia launches drills of its nuclear missile forces

The Russian military conducted drills of its ***strategic*** missile forces Wednesday, deploying mobile launchers in Siberia in a show of the country’s massive nuclear capability amid the fighting in Ukraine.

As part of the drills, the Yars mobile missile launchers will maneuver across three regions of Siberia, Russia‘s Defense Ministry said. The movements will involve measures to conceal the deployment from foreign satellites and other intelligence assets, the ministry said.

The Defense Ministry didn’t say how long the drills would last or mention plans for any practice launches. The Yars is a nuclear-tipped intercontinental ballistic missile with a range of about 11,000 kilometers (over 6,800 miles). It forms the backbone of Russia‘s ***strategic*** missile forces.

The Defense Ministry released a video showing massive trucks carrying the missiles driving out from a base to go on patrol. The maneuvers involve about 300 vehicles and 3,000 troops in eastern Siberia, according to the ministry.

The massive exercise took place days after Russian President Vladimir Putin announced a plan to deploy tactical nuclear weapons to Belarus, Russia‘s neighbor and ally.

Tactical nuclear weapons are intended for use on the battlefield and have a relatively short range and a much lower yield compared to the long-range ***strategic*** missiles fitted with nuclear warheads that are ***capable*** of obliterating whole cities.

Putin’s decision to put the tactical weapons in Belarus followed his repeated warnings that Moscow was ready to use “all available means” — a reference to its nuclear arsenal — to fend off attacks on Russian territory.

Sweden summons Russian envoy over 'retaliation' remark

Sweden’s Foreign ministry on Wednesday summoned the Russian ambassador after Moscow’s diplomatic mission to Stockholm posted on its website that the Scandinavian country would become a “legitimate target for Russia‘s retaliatory measures” if it joins NATO.

Foreign Minister Tobias Billström decried what he called an “obvious attempt at influence.”

Billström told Swedish news agency TT that the country’s security policy is determined by its government and no one else.

It’s unclear when the Russian ambassador will appear at the Foreign Ministry.

In May, Sweden and neighboring Finland angered Moscow after jointly applying for NATO membership, abandoning decades of non-alignment in the wake of Russia‘s invasion of Ukraine in February 2022.

Sweden’s bid has stalled due to opposition from Turkey whose president has said his country wouldn’t ratify membership before disputes between Ankara and Stockholm are resolved.

The Turkish government has accused Sweden of being too soft on groups that it deems to be terror organizations.

Moreover, Hungary’s parliament has yet to ratify Sweden’s NATO membership bid and it remains unclear when it will do so.

Russia starts exercises with Yars intercontinental ballistic missiles

Russia has begun exercises with its Yars intercontinental ballistic missile system and several thousand troops, its defence ministry said on Wednesday, in what is likely to be seen as another attempt by Moscow to show off its nuclear strength.

President Vladimir Putin has aimed to make the Yars missile system, which replaced the Topol system, part of Russia‘s “invincible weapons” and the mainstay of the ground-based component of its nuclear arsenal.

“In total, more than 3,000 military personnel and about 300 pieces of equipment are involved in the exercises,” the defence ministry said in a statement on the Telegram messaging service.

The drills involve the ***Strategic*** Missile Forces comprehensive control checking of the Omsk missile formation together with a command and staff exercise with the Novosibirsk missile formation equipped with the Yars systems.

During the exercises, the Yars mobile systems will conduct manoeuvres in three Russian regions, the ministry said, without identifying the regions.

“Also, ***strategic*** missilemen will carry out a set of measures to camouflage and counter modern aerial reconnaissance means in cooperation with formations and units of the Central Military District and the Aerospace Forces.”

There are few confirmed tactical and technical characteristics of the Yars mobile intercontinental ballistic missile systems, which reportedly have an operational range of 12,000 km (7,500 miles).

According to military bloggers, the systems are able to carry multiple independently targetable nuclear warheads and can be mounted on a truck carriers or deployed in silos.

Hungary says 'grievances' hold up ratification of Sweden's NATO accession

Hungary is holding up Sweden’s admission to NATO because of grievances over criticism by Stockholm of Prime Minister Viktor Orban’s policies, the Hungarian government spokesman said on Wednesday.

Bridging the gap will require effort on both sides, spokesman Zoltan Kovacs said.

Sweden and its neighbour Finland asked to join the NATO military alliance last year following Russia‘s invasion of Ukraine. But the process has been held up by Hungary and Turkey.

After months of foot-dragging by Orban’s ruling Fidesz party, Hungary’s parliament approved a bill on Monday to allow Finland to join NATO but the Swedish bill is still stranded.

“In the case of Sweden, there is an ample amount of grievances that need to be addressed before the country’s admission is ratified,” Kovacs said on his blog.

Swedish representatives “have been repeatedly keen to bash Hungary through diplomatic means, using their political influence to harm Hungarian interests”, he said, referring to Swedish criticism over the erosion of rule of law by Orban’s government in the past 13 years. Orban denies these allegations.

He said Stockholm had taken a “hostile attitude” to Budapest for years.

“Adding Ankara’s woes and grievances to the mix does not leave much room to manoeuvre, at least not until the Swedes start changing their tune and help these lingering wounds heal,” Kovacs said.

Turkish President Tayyip Erdogan said last week that Turkey’s parliament would also start ratifying Finland’s accession. But it held off approving Sweden’s bid, accusing it of harbouring Kurdish militants.

Russia's Patrushev says Moscow is committed to preventing nuclear war

Russian Security Council Secretary Nikolai Patrushev said on Wednesday that Moscow is committed to preventing nuclear war and military confrontation between nuclear-armed states, the TASS news agency reported.

It comes after his earlier comments where he said Russia “has modern unique weapons ***capable*** of destroying any adversary, including the United States, in the event of a threat to its existence”.

UN nuclear boss heads to Zaporizhzhia nuclear power plant

The head of the U.N. nuclear watchdog set off on Wednesday for Russian-occupied southeastern Ukraine to visit the Zaporizhzhia nuclear power station for the second time since Moscow’s forces invaded last year.

Rafael Grossi, head of the International Atomic Energy Agency, says he is travelling to Europe’s largest nuclear power station to review the situation there as part of a push to reduce the risk of a major accident.

Moscow and Kyiv have repeatedly accused each other of shelling the site of the power station over the last year. Grossi has pushing for a safety agreement between Ukraine and Russia to protect the facility.

An IAEA spokesperson confirmed Grossi was on his way to the plant. He said Grossi was in the Zaporizhzhia region, but declined to say where. He shared a photograph of Grossi standing in body armour by an armoured U.N. car on the side of a road.

Grossi told Reuters in an interview on Tuesday in the Ukrainian city of Dnipro that his attempt to broker a deal to protect the nuclear plant was still alive, and that he was adjusting the proposals to seek a breakthrough.

Grossi, who met President Volodymyr Zelensky on Monday, described the situation at the plant as “very dangerous” and very unstable.

The IAEA has had its own monitors stationed at the Zaporizhzhia plant since last year, when Grossi travelled to the facility and fears were mounting of the possibility for a nuclear accident.

**Load-Date:** March 31, 2023

**End of Document**



[***Poland to have army three times size of Britain's in two years, defence minister confirms***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:680J-MNF1-JBNF-W04D-00000-00&context=1516831)

telegraph.co.uk

April 12, 2023 Wednesday 2:22 PM GMT

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**Section:** WORLD NEWS; Version:3

**Length:** 3265 words

**Byline:** By Matthew Day

**Body**

Poland wants to build an army that is big enough to act "as a dam that will not be broken" by Russia, the defence minister confirmed in an interview.

[*Spurred on by the threat of Russian aggression*](https://www.telegraph.co.uk/news/2023/03/30/make-ukraine-bulwark-against-future-russian-aggression/) , the government has already announced itys intention to double the size of the Polish Army to three times the size of the British Army-300,000 personnel as part of an ambitious defence policy that could turn Poland into the continent’s premier military power.

The British Army has around 100,000 troops in active service.

The Polish government, which faces a general election in the autumn, has also embarked on a massive multi-billion pound defence spending spree that has resulted in huge orders for tanks, artillery and combat aircraft.

“We are seeking a mandate to govern for another term because then we can finish the process we started,” said Mariusz Blaszczak, the defence minister, in a radio interview on Wednesday morning.

“We need two more years and then the Polish army will be the strongest in Europe. We are on track to do this.”

Mr Blaszczak added that [*Poland will soon take delivery of dozens of US-made Abrams tanks*](https://www.telegraph.co.uk/world-news/2021/10/26/poland-radically-boost-army-fend-russias-imperial-ambitions/). The government has ordered 116 older M1A1 Abrams as a stop-gap measure to replace tanks sent to Ukraine. They will also give Poland’s armoured forces bite before significant numbers of the 250 brand-new M1A2 Abrams and 1,000 South Korean K2s that the government has also bought start to arrive.

The older Abrams, the minister said, would join the 18th Mechanised Division, which is stationed in eastern Poland.

“Their task will be to create a barrier, a [*dam that will not be broken by an aggressor*](https://www.telegraph.co.uk/news/2023/02/17/poland-now-leading-power-europe/) ,” said Mr Blaszczak. “First of all, we want to deter any aggressor. We want to show them that the Polish army is strong and equipped with modern weapons.”

His interview coincided with a visit by Mateusz Morawiecki, the Polish prime minister, to the United States at which Warsaw is expected to propose a “***strategic*** partnership” with Washington that will underscore the strong relations between the two countries.

12 Apr 2023-03:08PM BST

Today's liveblog is now closed

Thank you for following today's liveblog.

Please follow along tomorrow for all the latest updates on Ukraine.

12 Apr 2023-03:04PM BST

Kyiv compares Russia to Islamic State

Ukraine compared Russia to Islamic State and called on the International Criminal Court to investigate after a video emerged online showing apparent Russian soldiers filming themselves beheading a Ukrainian captive with a knife.

The Kremlin described the video as "awful" but said its authenticity needed to be checked. Moscow has denied in the past that its troops carry out atrocities during the conflict.

"There is something that no one in the world can ignore: how easily these beasts kill," Ukrainian President Volodymyr Zelensky said in a video message.

"There will be legal responsibility for everything. The defeat of terror is necessary."

Ukrainian Foreign Minister Dmitro Kuleba said on Twitter: "A horrific video of Russian troops decapitating a Ukrainian prisoner of war is circulating online.

"It's absurd that Russia, which is worse than ISIS, is presiding over the UNSC," he said, referring to the U.N. Security Council, where Russia took up the ***rotating*** presidency this month.

"Russian terrorists must be kicked out of Ukraine and the UN and be held accountable for their crimes."

Ukraine's foreign ministry called on the International Criminal Court to "immediately investigate yet another atrocity of the Russian military".

12 Apr 2023-02:52PM BST

Pictured: Members of the TARGET Civil Formation interrogate civilians in Lviv

12 Apr 2023-02:22PM BST

Putin arrest warrant 'spanner in the works' for South Africa

South Africa said an international arrest warrant for Russian President Vladimir Putin over the Ukraine war was a "spanner in the works" ahead of a BRICS summit in the country in August.

Pretoria, which has close ties with Moscow, has been faced with a diplomatic dilemma since the International Criminal Court (ICC) issued an arrest warrant against Putin in March.

The Russian president is due to attend a summit of the BRICS-a bloc which groups together Brazil, Russia, India, China and South Africa-in South Africa in August.

But the host nation is a member of the ICC and would be expected to make the arrest if Putin steps foot in the country.

12 Apr 2023-02:05PM BST

Austria will 'arrest Putin' if he visits the country, minister says

Vladimir Putin will be arrested “if he sets foot on Austrian soil” pursuant to the International Criminal Court arrest warrant against him, one of the country’s ministers has said,reports Genevieve Holl-Allen.

Karolina Edtstadler, Austria’s Minister for the European Union and Constitutional Affairs, told German newspaper Tagesspiegel: “Austria will comply with its obligations under international law and criminal law.

“If he sets foot on Austrian soil, an arrest must be made.”

The ICC issued the warrant for the arrest of the Russian president last month over alleged war crimes in Ukraine. As the court has no power to enforce its warrants, any arrest will depend on another country being prepared to implement it.

Austria is a signatory to the Rome statute, the treaty that established the ICC in 1998.

12 Apr 2023-01:17PM BST

Pictured: A Ukrainian soldier holds an anti-drone gun

12 Apr 2023-12:56PM BST

Kremlin describes alleged beheading video as 'awful'

The Kremlin described a video purporting to show the decapitation of a Ukrainian prisoner of war as "awful".

Dmitry Pesvok, the Kremlin spokesperson, added that its authenticity needed to be checked.

He told reporters at a briefing: "First of all, in the world of fakes that we live in, we need to check the veracity of this footage.

"Then it could be a pretext to check whether or not this is true, whether it happened, and if it did, where and by whom."

12 Apr 2023-12:39PM BST

Leaked US intelligence document claims Serbia agreed to arm Ukraine

Serbia, one of the only countries in Europe that has refused to sanction Russia for its invasion of Ukraine, reportedly agreed to supply arms to Kyiv or has sent them already, according to a classified Pentagon document.

The document, reportedly a summary of European governments' responses to Ukraine's requests for military training and "lethal aid" or weapons, was among dozens of classified documents posted online in recent weeks in what could be the most serious leak of US secrets in years.

Serbia's Defense Minister Milos Vucevic dismissed the intel as "untrue" in a statement on Wednesday.

"Serbia did not, nor will it be selling weapons to the Ukrainian nor the Russian side, nor to countries surrounding that conflict," Mr Vucevic said.

12 Apr 2023-12:25PM BST

EU vows to hold war criminals to account

The EU pledged to hold war criminals to account after footage spread online allegedly showing the beheading of a Ukrainian prisoner of war by Russian forces.

"We don't have more information on the veracity of the video. Having said that, if confirmed, this is yet another brutal reminder about the inhumane nature of the Russian aggression," EU spokeswoman Nabila Massrali said.

"The EU reiterates its firm commitment to holding to account all perpetrators and accomplices of war crimes committed in connection with Russia's war," she said.

12 Apr 2023-12:11PM BST

Watch: Russia tests new 'advanced' Inter-continental ballistic missile

12 Apr 2023-11:49AM BST

UK sanctions financial network of Russian oligarchs Abramovich and Usmanov

Britain sanctioned individuals and companies who it accused of acting as "financial fixers" for Russian oligarchs Roman Abramovich and Alisher Usmanov.

Britain's Foreign Office said in a statement the new measures targeted those helping the two prominent businessmen to avoid the full cost of sanctions that were imposed following Russia's invasion of Ukraine.

"We are closing the net on the Russian elite and those who try to help them hide their money for war," foreign minister James Cleverly said in the statement. "We will keep cutting them off from assets they thought were successfully hidden."

The government said sanctions were imposed on Demetris Ioannides and Christodoulos Vassiliades, two Cypriots it described as "professional enablers" who had helped to create offshore structures and trusts.

12 Apr 2023-11:38AM BST

Russia tests new 'advanced' Inter-continental ballistic missile

Russia has conducted what it said was the successful test launch of an "advanced" intercontinental ballistic missile, weeks after it suspended participation in its last remaining nuclear arms control pact with the United States.

The Russian defence ministry said in a statement that a "combat crew successfully launched an intercontinental ballistic missile (ICBM) of a mobile ground-based missile system" from its Kapustin Yar test site on Tuesday.

"The missile's training warhead hit a mock target at the Sary-Shagan training ground (Republic of Kazakhstan) with given precision," it added.

Since sending troops into Ukraine last year, President Vladimir Putin has issued thinly veiled warnings that he could use nuclear weapons there if Russia were threatened.

While the Russian defence ministry did not specify the type of missile used in Tuesday's launch, in February, Putin said a new kind of ICBM would be deployed sometime this year, following US reports that the weapon had failed a recent test.

The Sarmat-dubbed "Satan 2" by Western analysts-is ***capable*** of carrying multiple nuclear warheads and is among Russia's next-generation missiles that Putin has described as "invincible".

12 Apr 2023-11:22AM BST

Kremlin says outlook for Black Sea grain deal is 'not so great'

The Kremlin has said the outlook for the landmark UN-brokered Black Sea grain deal was not great as promises to remove obstacles to Russian exports of ***agricultural*** and fertiliser exports had not been fulfilled.

The grain deal is an attempt to ease a food crisis that predated the Russian invasion of Ukraine, but has been made worse by the most deadly war in Europe since World War Two.

The agreement, due to expire next month in its current form, was first signed by Russia, Ukraine, Turkey and the United Nations in July last year and twice extended. On paper, it allows for the export of food and fertiliser, including ammonia, from three Ukrainian Black Sea ports.

While the West has not placed sanctions on Russia's food and fertiliser exports, Moscow claims they are compromised by obstacles-such as insurance and payment hindrances-that it says must be removed for the deal to work properly.

Kremlin spokesman Dmitry Peskov said that the current agreement was not working for Russia, despite some efforts by the United Nations to get the parts of the deal relating to Moscow's interests implemented.

"No deal can stand on one leg: it must stand on two legs," Mr Peskov told reporters. "In this regard, of course, judging by the state of play today, the outlook (for its extension) is not so great."

12 Apr 2023-11:13AM BST

Russia approves draft-dodging law in sign of fresh mobilisation

Russia’s parliament has voted through a law creating a digital conscription service that looks set to herald a [*fresh wave of mobilisation*](https://www.telegraph.co.uk/world-news/2023/01/21/putin-mulls-fresh-mobilisation-half-a-million-conscripts-ukraine/).

The state Duma on Tuesday advanced a bill that would make it virtually impossible to avoid the draft, deeming any man who receives a summons on the government’s website must serve – even if they have not read the message.

The bill could be signed into law by Vladimir Putin within days.

from Nataliya Vasilyeva [*here*](https://www.telegraph.co.uk/world-news/2023/04/11/russia-ukraine-mobilisation-draft-dodgers-duma/)

12 Apr 2023-10:49AM BST

Pictured: A Ukrainian soldier looks out a passing APC on the frontline in Bakhmut

12 Apr 2023-10:33AM BST

Russians accused of beheading Ukrainian soldiers in fresh war crimes

Russian forces have been [*accused of war crimes*](https://www.telegraph.co.uk/world-news/2023/03/17/putin-arrest-warrant-icc-war-crimes-ukraine1/) after two videos emerged online appearing to show the beheading of Ukrainian soldiers.

Western analysts blamed mercenary fighters from the Wagner Group for the alleged atrocities, which are likely to have taken place close to [*the besieged eastern city of Bakhmut*](https://www.telegraph.co.uk/world-news/2023/04/07/the-battle-for-bakhmut-on-the-frontlines-of-the-ukraine-war/).

Two videos were shared via pro-Russian social media channels purportedly showing separate beheadings of Ukrainian servicemen.

from Joe Barnes [*here*](https://www.telegraph.co.uk/world-news/2023/04/12/ukraine-russian-war-crimes-beheading-soldiers/)

12 Apr 2023-10:16AM BST

Zelensky blasts Russian 'beasts' after alleged POW beheading video

Ukrainian President Volodymyr Zelensky denounced Russian "beasts" after a video surfaced on social media purporting to show the decapitation of a Ukrainian prisoner of war.

"There is something that no one in the world can ignore: how easily these beasts kill... we won't forget anything, nor will we forgive murderers" Zelensky said in a message on social media, vowing to bring justice to his war-torn nation.

12 Apr 2023-09:39AM BST

Biden to discuss Ukraine with Sunak

Joe Biden will discuss the war in Ukraine with British Prime Minister Rishi Sunak when the two leaders meet on Wednesday during the US President's visit to Northern Ireland, a White House official said.

"I expect the leaders will also have the opportunity to touch base on the latest developments in Ukraine including our continuing joint efforts to support the people in Ukraine," National Security Council Senior Director for Europe Amanda Sloat told reporters.

12 Apr 2023-09:16AM BST

Ukraine’s counter-offensive to fall ‘well short’, according to leaked intelligence

US intelligence believes the upcoming Ukrainian counter-offensive [*could fall “well short”*](https://www.telegraph.co.uk/world-news/2023/04/10/ukraine-russia-war-news-putin-latest-biden-bakhmut-zelensky/) of Kyiv’s goals, according to a purported leaked top-secret document.

The assessment was part of a major leak of classified US material relating to Ukraine and other allies that has shaken Washington.

Ukraine [*is expected to launch an attack*](https://www.telegraph.co.uk/world-news/2023/04/07/ukraine-russia-war-latest-news-putin-crimea-live/) on invading Russian troops in the spring, in its first major military push of the year.

[*here*](https://www.telegraph.co.uk/world-news/2023/04/10/ukraine-russia-pentagon-intelligence-leak-zelensky/)

12 Apr 2023-08:55AM BST

Pictured: A Ukrainian soldier fires a grenade launcher on the frontline in Bakhmut

12 Apr 2023-08:38AM BST

Ukrainian partisans post collaborators’ pictures ahead of Melitopol counter-offensive

Ukrainian partisans in the Russian-occupied city of Melitopol are outing collaborators and defacing rouble banknotes as they build momentum ahead of an expected counter-offensive by Kyiv, an underground resistance leader has told The Telegraph.

“News of the future counter-offensive, and the potential that Melitopol and the Zaporizhzhia region will be liberated soon has really encouraged a lot of people to do something patriotic,” said Ivan (not his real name).

“Like with Kherson, we have seen a big boom in pro-Ukrainians feeling more and more confident to join a resistance movement,” the IT expert added.

from Joe Barnes [*here*](https://www.telegraph.co.uk/world-news/2023/04/12/ukrainian-partisans-post-collaborators-pictures/)

12 Apr 2023-08:19AM BST

Russia 'risks becoming economic colony of China'

Russia risks becoming an "economic colony" of China as its isolation from the West deepens following the invasion of Ukraine, the US CIA Director has said.

"Russia is becoming more and more dependent on China and, in some respects, runs the risk of becoming an economic colony of China over time, dependent for export of energy resources and raw materials," William Burns told an event at Rice University in Texas.

It comes as Lloyd Austin, the US Defence Secretary, said the United States will investigate the recent purported leak of classified documents until the source is found.

12 Apr 2023-08:00AM BST

Pictured: Ukrainian servicemen inspect remains of destroyed armored vehicles

12 Apr 2023-07:49AM BST

Latest MoD update

Latest Defence Intelligence update on the situation in Ukraine-12 April 2023.Find out more about Defence Intelligence's use of language: [*https://t.co/oww9kSTDjf*](https://t.co/oww9kSTDjf) [*#StandWithUkraine*](https://twitter.com/hashtag/StandWithUkraine?src=hash&ref_src=twsrc%5Etfw) [*pic.twitter.com/Jb1vXCAaSS*](https://t.co/Jb1vXCAaSS)

12 Apr 2023-07:46AM BST

World Bank chief says Western European countries need to help fund Ukraine reconstruction

The World Bank is ready to do its part in rebuilding Ukraine after the devastation of Russia's invasion, but international financial institutions cannot shoulder the sums involved alone and Western European countries will have to chip in, World Bank President David Malpass said.

Mr Malpass, speaking at the spring meetings of the International Monetary Fund and World Bank, noted that the World Bank had played a big role in rebuilding Europe's steel industry after World War Two and could play a similar role in Ukraine.

"But the size is daunting," he said, citing a recent estimate that it would cost $411 billion to rebuild Ukraine's economy, or 2.6 times its expected 2022 gross domestic product. The number, calculated by the World Bank, United Nations, European Commission and Ukraine, was up sharply from an estimate of $349 billion released last September.

12 Apr 2023-07:45AM BST

British special forces are in Ukraine, Pentagon leak ***suggests***

Britain's elite special forces and dozens more Western military personnel are on the ground in Ukraine, a trove of intelligence documents circulating online implies.

The latest revelation on the contents [*of "top secret" Pentagon papers*](https://www.telegraph.co.uk/world-news/2023/04/07/ukraines-forces-for-counter-offensive-is-photoshopped-us/) comes as the UK's Ministry of Defence warned the documents "demonstrated a serious level of inaccuracy" and after Kyiv dismissed them as fake.

The extent to which information contained in the leak had been doctored remained uncertain, however the level of concern from United States officials was telling.

from Andrea Hamblin [*here*](https://www.telegraph.co.uk/world-news/2023/04/12/ukraine-russia-war-uk-special-forces-leaked-documents/)

12 Apr 2023-07:44AM BST

Good Morning

Good morning and welcome to today's Ukraine liveblog.

We will be guiding you through all the latest updates on Ukraine.

**Load-Date:** April 12, 2023

**End of Document**



[***Final Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6B5R-5X71-JCXB-201P-00000-00&context=1516831)

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**Body**

RNS Number : 6602A

Sunrise Resources Plc

24 January 2024

SUNRISE RESOURCES PLC

("Sunrise" or the "Company")

24 January 2024

Audited Results for the year to 30 September 2023

Sunrise Resources plc is pleased to announce its Chairman's Statement and audited results for the year ended 30 September 2023.

The Company will announce posting of its Annual Report and Financial Statements which will also be published on the Company's website along with Notice of the Annual General meeting in due course.

For more information please contact:

|  |  |
| --- | --- |
| Sunrise Resources plc Patrick Cheetham, Executive Chairman | Tel: +44 (0)1625 838 884 |
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Market Abuse Regulation (MAR) Disclosure

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ('MAR'). Upon the publication of this announcement via Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

Qualified Person Information:

The information in this release has been compiled and reviewed by Mr. Patrick Cheetham (MIMMM, MAusIMM) who is a qualified person for the purposes of the AIM Note for Mining and Oil & Gas Companies. Mr. Cheetham is a Member of the Institute of Materials, Minerals & Mining and also a member of the Australasian Institute of Mining & Metallurgy.

Chairman's Statement

Dear Shareholders,

I am pleased to present your Annual Report for 2023 which covers the financial year ended 30 September 2023.

The Operating Review of this Annual Report describes developments on the Company's projects in 2023 and includes details of market developments and market projections for natural pozzolan, the key supplementary cementitious material on which our CS and Hazen projects in Nevada, USA, are based.

For some time now our efforts have been focussed on finding an industry partner to help develop our mine-ready CS Project and we are currently in discussions with a number of possible partners. I appreciate that for shareholders, and indeed for the Board, the progress in finding an industry partner is disappointingly slow. Consumers of performance industrial minerals are conservative and slow to make decisions to take up new products, like natural pozzolan, to replace established products. But the industry is changing and demand for pozzolan is now growing. We are in the fortunate position that we can maintain our interest in the project at low cost whilst partner discussions continue. Our CS Project is large and very high quality and can be brought into production in a relatively short time frame.

Following the Roman era of cement production and the 20th Century period when natural pozzolan was used extensively in major dam projects in the USA, we are now entering a new era for natural pozzolan which is already contributing to the decarbonisation of the cement and concrete industries globally through the production of blended cements with a lower embodied carbon content. In the USA the consumption of cementitious materials is forecast to increase at a 10% annualised rate from just over 129 million tonnes in 2021 to over 154 million tonnes by 2030. However, the production of ordinary Portland cement will largely be static as no new cement plants are likely to be built, nor clinker production expanded. The increased consumption of cement will mainly come from increased use of blended cements where ordinary Portland cement is blended with supplementary cementitious materials such as natural pozzolan. Production of natural pozzolan is forecast to increase from a level of around 1.2 million tons per annum today to nearly 6 million tonnes per annum by 2030 with 62% of the 2030 supply expected to come from California and Nevada based on known resources which includes those held by Sunrise Resources.

In addition to our large deposits of natural pozzolan, our portfolio of industrial minerals projects includes the Pioche Sepiolite Project in Nevada, a low-cost acquisition which is under option to Tolsa, the world's largest sepiolite producer. Tolsa has carried out trenching and drilling in 2023. This has defined a large body of sepiolite bearing clay but further work is required to better understand the commercial properties of the Pioche sepiolite and determine the best processing methods and range of commercial products that might be produced at Pioche. Consequently, at the end of December 2023, the Company agreed to extend Tolsa's option to purchase the Pioche project in exchange for a further option fee payment of US$100,000 and an increase in the option exercise price from US$1.25 million to US$1.4 million. Sunrise will be entitled to a 3% gross revenue royalty on production of sepiolite if the option is exercised, which we believe now has an increased probability.

The prospect of royalty cash flow has also advanced at two other projects in 2023. Our 2% royalty on the Garfield Project was brought into focus earlier this year when the property operator, Golden Metal Resources, announced that a significant copper porphyry system was identified at Garfieldfollowing the results of a high-resolution soil geochemical sampling survey. The pace of exploration is also increasing around our Jacksons Wash Claims which major gold producer Kinross holds an option to purchase subject to Sunrise retaining a 2.5% royalty.

The Company holds several additional projects in Nevada and Australia. This includes the Reese Ridge Project in Nevada where field work this year resulted in the discovery of outcropping high grade zinc mineralisation. The results from 3D conductivity modelling of electromagnetic data have identified conductivity anomalies directly below the surface mineralisation which may represent a body of sulphide mineralisation of economic interest. The Project is now drill ready.

Other than this, we have not carried out significant exploration this year as we have sought to preserve funds in what remains a very difficult market for junior exploration companies. We were fortunate to have raised a total of £480,000 at the beginning of the financial year and we operate with a low cost base, sharing administration costs with Tertiary Minerals plc.

Following the end of the reporting period, in November 2023, and as a contingency measure, the Company carried out a split of its share capital and a buy-back and cancellation of deferred shares. The net result was to lower the par value of its ordinary shares to a level that is now well below market value allowing the Company to raise funds via the issue of new equity in future.

Our next Annual General Meeting will be held in London on 22 February 2024. At this AGM we will be seeking approval for resolutions to allow for the issue of new shares and the disapplication of pre-emption rights as we usually do. Without the first of these resolutions the Company cannot issue new shares at all. The second resolution allows the Company to issue shares for cash other than strictly pro-rata to existing shareholders. For example, it allows for rounding of entitlements and to exclude the issue of shares to shareholders in jurisdictions where it would be illegal. Rights issues are, in any event, prohibitively expensive for small companies and these resolutions will allow the directors flexibility to issue new shares to raise funds as and when necessary, up to a limit that is rarely used.

I urge shareholders to support these resolutions as, until such time as the Company is self-funding, the Company needs to be able to issue shares to raise funds to continue as a going concern.

We look forward to welcoming shareholders at the AGM and to reporting the Company's progress in 2024.

Patrick Cheetham

Executive Chairman

23 January 2024

***Strategic*** Report

The Directors present their ***Strategic*** Report for the year ended 30 September 2023.

The principal activity of the Company is the acquisition, exploration and development of mineral projects, primarily in the western USA.

Our strategy is to develop cash flow from the Company's key projects, through joint mine developments, project sales and joint ventures as well as royalty interests, in order that the Company's activities become self-funding.

The Company's Business Model is to acquire 100% ownership of mineral assets at minimal expense. This is usually accomplished through the identification of exploration opportunities and low cost claim staking or applying for exploration licences from the relevant authority. This is the case for all but one of the Company's projects. In other cases, rights are negotiated with existing project owners for initially low periodic payments that rise over time as confidence in the project value increases as is the case for the Bay State Silver Project.

The Group currently operates with a low-cost base to maximise the funds that can be spent on value adding exploration and development activities. The Company's administration costs are reduced via a cost sharing Management Services Agreement with Tertiary Minerals plc ("Tertiary").

The Company's ambition is to deliver on this ***strategic*** plan and details of the Company's projects and developments during the reporting period are given in the Operating Review.

Until the Company becomes profitable and self-funding, its operations are financed by periodic capital raisings, through private share placings, the issue of other financial instruments and through project sales and joint ventures. Where possible the Board will seek to secure additional funding from a range of sources, for example debt funding, pre-financing through offtake agreements and other joint arrangements.

Over the past few years, the Company has established a valuable portfolio of drill-ready precious metal, base metal and industrial mineral projects. Our strategy remains to valorise those projects through sale or other arrangements seeking, wherever possible, free-carried exposure to increases in value and production from the projects.

Organisation Overview

The Group's business is directed by the Board and is managed by the Executive Chairman. The Company has a Management Services Agreement with Tertiary which was the original parent of the Company. Under this cost sharing agreement, Tertiary provides all of the Company's administration and technical services, including the technical and management services of the Executive Chairman, at cost. Day-to-day activities are managed from Tertiary's offices in Macclesfield in the United Kingdom, but the Group operates in two other countries and the corporate structure of the Group reflects the historical pattern of project acquisition by the Group and the need, where appropriate, for fiscal and other reasons, to have incorporated entities in particular territories.

The Group's exploration activity in Nevada, USA, is undertaken through two local subsidiaries, SR Minerals Inc. and Westgold Inc.

In Australia, the Company operates through an Australian subsidiary, Sunrise Minerals Australia Pty Ltd.

The Board of Directors comprises two independent non-executive directors and the Executive Chairman. The Executive Chairman is also Executive Chairman of Tertiary, but otherwise the Board is independent of Tertiary. Tertiary is not a significant shareholder (as defined under the AIM Rules) in the Company.

Financial & Performance Review

The Group is not yet producing minerals and so has no income other than a small amount of bank interest and payments from project transactions. Consequently, the Group is not expected to report profits until it disposes of or is able to profitably develop or otherwise realise the value of its exploration and development projects.

The Group reports a loss of £391,291 for the year (2022: £478,223) after administration costs of £425,419 (2022: £291,860). The loss includes expensed pre-licence and reconnaissance exploration costs of £3,753 (2022: £5,638), and other income of £36,881 (2022: £13,474) being an option fee paid by Tolsa USA, Inc. in connection with the Pioche Project and a lease payment made by Kinross Gold U.S.A., Inc. in connection with the Jacksons Wash Project. Administration costs include a charge of £5,319 (2022: £1,087) relating to the value of certain share warrants held by employees of Tertiary and by third parties calculated in accordance with IFRS 2.

The Financial Statements show that, at 30 September 2023, the Group had net current assets of £212,009 (2022: £155,776). This represents the cash position and receivables, less trade and other payables. These amounts are shown in the Consolidated and Company Statements of Financial Position and are also components of the net assets of the Group. Net assets also include various "intangible" assets of the Company. As the term ***suggests***, these intangible assets are not cash assets but include some of this year's and previous years' expenditure on mineral projects where that expenditure meets the criteria in Note 1(d) of the accounting policies. The intangible assets total £2,409,311 (2022: £2,503,812) and a breakdown by project is shown in Note 2 to the financial statements.

Details of intangible assets, investments and right of use assets are also set out in Notes 9, 8 and 17 respectively.

Net assets also include the market value at the year-end of shares in VR Resources Ltd and Power Metal Resources plc which are held as "available for sale" investments as set out in Note 8.

Impairment

Expenditure which does not meet the criteria for continued capitalisation set out in Note 1(n), such as pre-licence and reconnaissance costs, are expensed and added to the Company's loss. The loss reported in any year can also include expenditure for specific projects carried forward in previous reporting periods as an intangible asset but which the Board determines is "impaired" in this reporting period.

It is a consequence of the Company's business model that there will be impairments of unsuccessful exploration projects from time to time. The extent to which expenditure is carried forward as intangible assets is a measure of the extent to which the value of the Company's expenditure is preserved.

Biannual reviews are carried out by the Directors as to whether there are any indications of impairment of the Group's assets.

An impairment review of the carrying values of exploration and development projects (and in the Company, the associated intercompany loans) as at 30 September 2023 was undertaken by the Directors under IFRS 6 and IAS 36. As a result of the year-end review it was judged that no projects or intercompany loan should be impaired. Further information on the judgements made can be found in the Operating Review. Projects which are held for sale or joint venture have not been impaired as it is anticipated that their carrying values will be recovered through sale or through residual joint venture interests in future.

The intangible asset value of a project, shown at cost, should not be confused with the realisable or market value of a particular project which will, in the Directors' opinion, be at least equal in value and often considerably higher. Hence the Company's market capitalisation on the AIM Market is usually in excess of the net asset value of the Group.

The Company finances its activities through issue of share capital placings and other arrangements, and, occasionally, asset sales. As the Company's projects become more advanced there may be ***strategic*** opportunities to obtain funding for some projects through joint venture, production sharing, royalty and other marketing arrangements.

Key Performance Indicators

The financial statements of a mineral exploration and development company can provide a moment in time snapshot of the financial health of a company but do not provide a reliable guide to the performance of the Company or its Board.

The usual financial key performance indicators ("KPIs") relating to financial performance are neither applicable nor appropriate to measure the value creation of a company which is involved in mineral exploration and development which currently has no turnover. The applicable KPIs are predominantly qualitative rather than quantitative and relate to the success, or otherwise, of exploration and mineral discovery on the Group's projects which is extensively covered in the Operating Review of the ***Strategic*** Report.

The Company does seek to reduce overhead costs, where practicable, but is reporting higher administration costs this financial year of £425,419 (2022: 291,860). This is in part due to legal costs associated with agreements, increases in audit fees and nominated advisor and broker fees, together with foreign exchange variances during the year.

In exploring for valuable mineral deposits, we accept that not all our exploration will be successful but also that success can be rewarding. We therefore expect that our shareholders will be invested for the potential for capital growth taking a long-term view of management's track record in mineral discovery and development.

Fundraising

The Directors prepare annual budgets and cash flow projections that include the proceeds of future fundraising necessary within the next 12 months to meet the Group's overheads and planned discretionary project expenditure. The successful raising of finance is required based on projections to enable the Group and Company to meet their liabilities as they fall due and continue to operate on a going concern basis.

Operating Review

Sunrise Resources plc is a mineral exploration and development company with operations in Nevada, USA, and Western Australia.

The Company's projects in Nevada are held through two 100% owned subsidiary companies, SR Minerals Inc., which holds the Company's industrial minerals and certain longer established projects, and Westgold Inc. which holds the company's interest in more recently acquired projects in Nevada. The Company's Baker's Gold Project in Australia is held through an Australian subsidiary, Sunrise Minerals Australia Pty Ltd.

Industrial Minerals Projects

CS POZZOLAN-PERLITE PROJECT, NEVADA

The Company's CS Pozzolan-Perlite Project in Esmeralda County, Nevada, USA, covers large deposits of natural pozzolan and perlite and is planned as the Company's first mine development project.

Large deposits of both industrial minerals have been defined by mapping, trenching, drilling and bulk sampling with14.5 million tons of pozzolan and 1.3 million tons of perliteincluded in the mine plan. An additional area, the Northeast Zone, presents a large additional target for natural pozzolan so far defined only by one drill hole and surface sampling.

The value of the market for pozzolan is substantially higher than that for perlite and the deposits of natural pozzolan at the CS Project are far larger than the deposits of perlite. In addition, perlite is itself a natural pozzolan. Consequently, the Company is focused on the production of natural pozzolan for the time being.

For some time now the Company has been in discussions with various groups with the objective of securing investment and material offtake agreements for the development of the project. These discussions usually involve extensive testing of the material, both in its own right and as a blend with proprietary cements and/or cement blends. Currently, the Company is in talks and with a number of groups including cement producers and a producer of natural pozzolan.

The CS Project is "mine ready" with the key operating permits already in place. The Company is able to maintain this mine-ready status at low cost and with no time constraints as to when mining must start, save for periodic renewals of the air quality permit and payment of annual claim fees.

What is Natural Pozzolan?

Natural pozzolan is a naturally occurring Supplementary Cementitious Material ("SCM") that is used to partially replace and reduce the use of ordinary Portland cement, a major source of the greenhouse gas CO2 in cement mixes, concrete and mortars.

Natural pozzolan also takes the place of coal fly ash pozzolans, the supply of which is rapidly declining in the western world due to the continued closure of coal-fired power stations.

The natural pozzolan on the Company's projects in Nevada is a pozzolanic volcanic glass that needs only to be ground to be used as a SCM.

What is Perlite?

Perlite is a glassy raw material which expands on heating by up to 20 times in volume into a white or pale coloured low-density material. Expanded perlite is used in various industrial and household applications such as insulation, paint texturing, plaster and concrete fillers, building material fillers, formed insulation and fire-proofing. It also has application as filter aids, insulating industrial cryogenic storage vessels and as a potting medium in gardening and horticulture to aid water retention and aeration of the soil. In recent years, especially during the Covid lockdown period, one of the largest areas of growing demand was for large-scale hydroponic farming resultant of the legalisation of cannabis in many US states.

According to the United States Geological Survey ("USGS"), production of raw perlite in the USA was steady in 2022, at around 880,000 tons with a modest 5% rise in demand being met by an increase in imports rather than an increase in domestic production. Demand for perlite for use in horticulture has weakened, as some growers substitute perlite with cheaper wood fibre, and there has been a levelling off in demand from the cannabis growing market post-Covid.

The Role Of Natural Pozzolan In CO2 Net-Zero Strategies

The development of the Company's natural pozzolan projects are taking place against a background of fundamental change in the cement and concrete industries; a change which is being driven by climate change targets to achieve net zero CO2 emissions.

After water, concrete is the most used substance on Earth. Whilst 14 billion cubic metres of concrete were poured globally in 2020, this is forecast to increase to 20 billion cubic metres annually by 2050 with continuing global urbanisation and population growth. This activity is currently responsible for 8% of the world's man-made emissions, half of which comes from the burning of fuel and the other half by direct release of CO2 from burning limestone in the cement clinker stage of production of ordinary Portland cement ("OPC").

Net zero CO2 targets are therefore a major challenge for the cement and concrete industries but one they must meet. In the US, as elsewhere around the world, these targets are enshrined in State legislation, industry-body commitments and are increasingly driven by cement and concrete customers and specifiers. In addition, one of the Implementation Priorities in US President Biden's November 2021 Executive Order "Implementation of the US$1.2 trillion Infrastructure Investment and JobsAct" is "building infrastructure that is resilient and that helps combat the crisis of climate change". This will result in priority being given to greener and more sustainable building materials in contracts awarded under the Infrastructure Bill.

Another significant development which advances the potential of natural pozzolan was the enactment of The Inflation Reduction Act of 2022. This Act includes a US$5.8 billion package of grants, rebates and loans for decarbonisation of heavy industries like steel and cement. A key element for the transition of large cement companies to a lower carbon footprint is to incorporate SCMs into their cement formulations. The packages introduced by The Inflation Reduction Act of 2022 specifically provide funding for manufacturers that install equipment ***capable*** of slashing greenhouse gas emissions.

Southern California is a major target market for the Company's CS Project and California has the largest economy of all the US States. In September 2021, in the first law of its kind in the US, California's Carbon ***Cap***-and-Trade scheme was signed into legislation and directly targets greenhouse gas emissions associated with the cement industry. This Cement Decarbonization legislation is focused on achieving net zero emissions from the industry by the end of 2045. It works by putting a periodically declining limit on carbon emissions for a given entity, allows those entities to trade unused allowances but imposes fines on any entity exceeding its allowance. Experts believe this will pave the way for similar Federal legislation in the US.

2021 also saw the publication by The US Portland Cement Association of its road map to carbon neutrality. A key component for this road map is the production of blended cements whereby OPC is diluted with either limestone (1L cement) or natural pozzolan (1P cement) or both in a ternary blend (1T cement) either by inter-grinding with OPC clinker stage or by blending ground limestone or natural pozzolan with ground OPC.

A clear trend is emerging where cement companies are moving towards the production of blended cements in distinct steps, concentrating initially on the production of 1L cement where circa 10% limestone is blended with OPC. This is an easy win for the cement companies as limestone is always available locally as the main source of cement clinker. However, this does not add anything to the durability of concrete as natural pozzolan does.

The next evolutionary step being adopted by the industry is the production of 1T cements where both limestone and an SCM such as natural pozzolan (or fly-ash or blends of fly-ash and natural pozzolan) can be used to dilute OPC by up to 50% and improve the sustainability of concrete made with blended cements.

Due to their high carbon emissions, cement plants have difficulty expanding their OPC production and it is unlikely that any new OPC cement plants will be built in the foreseeable future. The production of blended cements not only provides for more durable and sustainable concrete with lower embodied carbon, but it also allows a cement company to sell more cement per ton of OPC clinker capacity. The production of clinker is often the volume limiting step to cement production.

This is an important consideration particularly as cement companies are currently operating at full clinker capacity. It does, however, require investment in additional grinding capacity.

The Role Of Natural Pozzolan In Sustainable Development

In addition to building greener structures, a key part of sustainability in the concrete industry is the building of more durable structures with longer life.

Whereas "Roman concrete" structures made with natural pozzolan have survived for millennia, some concrete structures from parts of the 20th century made with OPC are susceptible to "concrete cancer". This is due to the reaction of alkalis in OPC with "reactive" silica in concrete aggregates and results in expansion, cracking and spalling of the concrete (Alkali Silica Reaction or "ASR").

As high-quality aggregate supplies for concrete become scarcer, the concrete industry is having to use more reactive aggregates that can severely impact the quality of the resulting concrete.

The use of high quality SCMs such as natural pozzolan will mitigate ASR by tying up and immobilising the alkalis in cement, preventing their reaction with silica in the aggregates. So much so that the use of pozzolans is often mandated by State Departments of Transport for public infrastructure construction work to ensure more sustainable structures.

Sustainability, and ASR mitigation in particular, is therefore a significant factor in choosing the use of natural pozzolan in net zero CO2 strategies.

Of all the strategies being adopted by the cement and concrete industries, only the use of SCMs can mitigate ASR and so we expect to see natural pozzolan used in conjunction with other CO2 reduction strategies.

Pozzolan Market Study

During the year the Company released the findings of a market study commissioned by the Company with Cement Distribution Consultants of Amsterdam ("CDC") to evaluate market opportunities and market growth predictions for cement and the use of SCMs, including natural pozzolan, in the USA, and California and Nevada in particular which are being targeted by the Company with its CS and Hazen natural pozzolan projects in Nevada.

The market study provides the Company with a detailed breakdown of cement markets, county by county in California and for the two main population centres in Nevada (Reno-northern Nevada and Las Vegas-Henderson). It also details the production profiles of all cement producers and ready-mix companies in these two states and details movements of cement within and between different US states.

Moreover, the report is helping the Company to identify a wider range of potential partners for the development of its natural pozzolan projects in Nevada.

Cement Markets

California's cement production of around 10.7 million tons per annum ("mtpa") is located almost entirely in southern California. CalPortland Cement ("CPC", a subsidiary of Japan's Taiheiyo Cement Corporation) is the largest cement producer in California with an installed capacity of 4.5 mtpa. Cemex is second with 3.1 mtpa and Mitsubishi is the third largest with a capacity of 1.4 mtpa. A fourth cement plant, Tehatchapi, has a capacity of 0.9 mtpa and is owned by Unacem of Peru which operates in the US through Drake Cement. The California plants are believed to be working at high-capacity utilisation.

Only CalPortland's Redding plant, with a capacity of about 0.6 mtpa, supplies northern California directly following the closure, on environmental grounds, of Heidelberg Cement's Permanente plant at Cupertino near San José in northern California.

The cement market in Nevada is much smaller than in California. Nevada's cement consumption in 2022 was 1.7 million tons ("mt"). Of this volume about 0.7 mt is produced in Nevada's only cement plant at Fernley by Nevada Cement (Eagle Materials) and the rest is supplied from California, Arizona and Utah. Nevada Cement has a rail terminal in Sacramento, supplied from its Fernley cement plant, and it has recently purchased a ship import terminal in Sacramento.

The California cement market is strongly influenced by the overall cement market in the wider Southwest US as the combined states of Nevada, Arizona, Utah, New Mexico and Colorado have a structural cement deficit which is compensated from the cement plants in southern California.

When cement consumption is low in the region, the region is largely self-sufficient with only small inflows from the large cement plants in southern California. These plants then supply a significant part of their production by rail to the northern California market. In these periods (e.g. during and after the 2008 - 2011 financial crisis) there are no cement imports into California.

When cement consumption in the southwest US grows, an overall deficit builds and this is then filled by the cement plants in southern California which direct their output more to the region and reduce the supply (by rail) to northern California. The corresponding shortage in northern California is then resolved by imports from Asia via the ship terminals. The ship terminals are mainly owned by the cement producers. When cement demand in the southwest US grows further the cement plants in southern California direct more cement to the region and when they cannot fully supply the southern California market anymore the local cement terminals in the port of Los Angeles, Long Beach open up. Here, also, the import terminals are owned by the cement producers.

Ready-Mix Companies

Most cement and SCM's are destined, with sand and gravel aggregates, for the production of concrete in pre-cast concrete structures or for use by the ready-mix industry.

In California and Nevada, the production and sale of concrete is dominated by the major cement producers which are vertically integrated. Nevertheless, there are a significant number of large independent ready-mix companies owned by non-cement producing materials (aggregate) companies, some of which are showing interest in adding natural pozzolan to their mix of products.

Natural Pozzolan

All of the cement producers in southern California have shown interest in natural pozzolan as an SCM and CPC is currently permitting a deposit of natural pozzolan near to their Mohave cement plant in southern California. In northern Nevada, Nevada Cement is producing natural pozzolan from a third-party quarry near Reno.

Production of natural pozzolan is currently taking place at dedicated grinding plants in Utah (Geofortis) and Arizona (Kirkland Mining & Drake Cement) where the market is either internal or with the ready-mix companies and with fly ash suppliers producing blended fly ash/natural pozzolan products.

Market Forecasts

CDC has provided the Company with forecasts to 2030 of consumption and production of cement and the three main volumetrically important SCMs - fly ash, ground granulated blast furnace slag ("GGBS") and natural pozzolan. This data has been provided independently from the market study commissioned by the Company. The forecasts are detailed and cover every state in the USA. CDC has also provided 2021 figures for comparison which is taken as a baseline year when use of natural pozzolan was in its infancy.

Tables 1, 2 and 3 show the 2030 forecasts and 2021 comparisons for the US as a whole, and for California and Nevada separately.

Considering the US as a whole, Table 1 shows that:

· the consumption of cementitious materials (including ordinary Portland cement) is forecast to increase at an annualised rate of 10% from just over 129 million tonnes to over 154 million tonnes by 2030.

· the production of ordinary Portland cement will reduce, albeit marginally, as no new cement plants will be built and no existing plants will be expanded so cement clinker production will be relatively steady.

· the increased consumption of cement will come entirely from increased use of the main SCMs through the production of blended cements or by blending SCMs and cement at the ready-mix or casting plants or at various cement terminals.

· fly ash production will reduce from over 24.3 mtpa in 2021 to 15.7 mtpa in 2023 but consumption will increase and be met from overseas imports and/or reclamation of historically ponded fly ash.

· US consumption and production of GGBS will increase marginally, constrained by domestic and international availability, and changing iron and steel making technologies.

· US consumption and production of natural pozzolan will increase from a very low base to nearly 6 mtpa by 2030.

Whilst looking at the US as a whole is instructive, when those same statistics are considered on a state-by-state basis there are substantial regional differences. These differences arise due to the availability of different SCMs in different states, transport costs and state-to-state infrastructure etc., as well as varying state legislation on mandating SCM use and decarbonisation of the cement industry.

Of primary interest to Sunrise are the target markets in California and Nevada.

Tables 2 and 3 show comparable statistics for California and Nevada respectively for 2021 and 2030. The tables show that:

· production of cement will increase in both states through increased use of SCMs in line with predicted national trends.

· consumption of fly ash will increase only marginally and the production of fly ash in Nevada will cease. This reflects the lack of fly ash production and ponded fly ash in California and Nevada.

· production of natural pozzolan will increase substantially in both states based on known resources of volcanic natural pozzolan which include the Company's Hazen and CS Projects in Nevada.

· California and Nevada together are expected to produce 62% of all SCMs consumed in the US.

The Company's natural pozzolan projects are well placed to benefit from these structural changes in the cement and concrete industries and the forecast increase in the market for natural pozzolan.

Table 1. Total US Cement & SCM Consumption 2021 & 2030

|  |  |  |
| --- | --- | --- |
| 2021 | 2030 |  |
| Total Cement + SCM Consumption | 129,439,000 | 154,692,000 |
| Cement | 109,913,000 | 108,284,000 |
| SCM (All) | 19,526,000 | 46,408,000 |
| Fly Ash |  |  |
| US Consumption | 10,651,000 | 29,806,000 |
| US Production | 24,338,000 | 15,710,000 |
| Imports or Reclaimed from Landfill | 500,000 | 14,096,000 |
| Surplus (Landfill & Other) | 14,187,000 | - |
| Ground Granulated Blast Furnace Slag |  |  |
| US Consumption | 8,335,000 | 10,875,000 |
| US Production | 6,200,000 | 7,750,000 |
| US Imports from Overseas | 2,135,000 | 3,125,000 |
| Natural Pozzolan |  |  |
| US Consumption | 540,000 | 5,726,000 |
| US Production | 520,000 | 5,726,000 |
| US Imports from Overseas | 20,000 | - |

Table 2. California Cement & SCM Consumption 2021 & 2030

|  |  |  |
| --- | --- | --- |
| 2021 | 2030 |  |
| Total Cement + SCM Consumption | 12,649,000 | 15,116,000 |
| Cement | 10,741,000 | 10,581,000 |
| SCM (All) | 1,908,000 | 4,535,000 |
| Fly Ash |  |  |
| State Consumption | 965,000 | 1,255,000 |
| State Production | - | - |
| Imports from Other States (inc. Reclaimed) | 803,000 | 513,000 |
| Imports from Overseas | 162,000 | 742,000 |
| Ground Granulated Blast Furnace Slag |  |  |
| State Consumption | 653,000 | 852,000 |
| State Production | - | - |
| Imports from Other States | 3,000 | 74,000 |
| Imports from Overseas | 650,000 | 778,000 |
| Natural Pozzolan |  |  |
| State Consumption | 290,000 | 2,428,000 |
| State Production | 280,000 | 1,800,000 |
| Exports to other states | 10,000 | 628,000 |
| Imports from overseas | 20,000 | - |

Table 3. Nevada Cement & SCM Consumption 2021 & 2030

|  |  |  |
| --- | --- | --- |
| 2021 | 2030 |  |
| Total Cement + SCM Consumption | 2,037,000 | 2,435,000 |
| Cement | 1,730,000 | 1,704,000 |
| SCM (All) | 307,000 | 731,000 |
| Fly Ash |  |  |
| State Consumption | 267,000 | 339,000 |
| State Production | 93,000 | - |
| Imports from Other States (inc. Reclaimed) | 174,000 | 329,000 |
| Imports from Overseas | - | - |
| Ground Granulated Blast Furnace Slag |  |  |
| State Consumption | - | - |
| State Production | - | - |
| Imports from Other States | - | - |
| Imports from Overseas | - | - |
| Natural Pozzolan |  |  |
| State Consumption | 40,000 | 391,000 |
| State Production | 20,000 | 1,100,000 |
| Exports to Other States | 20,000 | 709,000 |
| Imports from Overseas | - | - |

HAZEN NATURAL POZZOLAN PROJECT, NEVADA

The Hazen Pozzolan Project is located in Churchill County in Northern Nevada 32km by road from the town of Fernley and 38km by road from the County town of Fallon.

The Company's mining claims were staked in June 2021 to cover a deposit of glassy pumice targeted as a natural pozzolan. Pumice is currently mined elsewhere in the US as natural pozzolan and at Hazen was mined as a lightweight aggregate from a shallow open pit some decades ago.

The Hazen pozzolan deposit is just 9km from a rail siding on the arterial east-west Union Pacific line and is therefore well positioned for rail transport to the regional markets of northern California, points east, as well as the local markets around Reno and northern Nevada. Its location is therefore complementary to the Company's CS Pozzolan-Perlite Project which is targeting different cement and concrete markets in southern California and the expanding adjacent cities of Las Vegas and Henderson in southern Nevada.

Whilst the Hazen Project is less advanced than the CS Project, the Company's laboratory testwork to date has shown that the material present in the pit is of similar high quality to the CS Project pozzolan. It exceeds the specifications of ASTM standard C618 and mitigates the deleterious alkali silica reaction that occurs when concrete is made using reactive aggregates.

The Hazen pumice has the additional property that it is lightweight and so it will also be evaluated for its potential as a lightweight aggregate for use in lightweight concrete blocks and facing stones.

Further work is required to determine the extent of the Hazen deposit although indications are that the pumice extends several hundred meters beyond the limits of the existing open pit.

At the end of 2022, the Company entered into a collaborative arrangement with an existing processor of natural pozzolan for mining and test grinding of a bulk sample of the Company's Hazen natural pozzolan deposit in northern Nevada. At its own cost the processor mined a 250-ton bulk sample of Hazen natural pozzolan and shipped the bulk sample to its process plant to be processed. This bulk sample has not yet been processed due to plant availability and the processor's own priorities.

PIOCHE SEPIOLITE PROJECT, NEVADA

The Pioche Sepiolite Project (the "Pioche Project") is located close to the historic mining town of Pioche in Lincoln County, Nevada. It lies within 4km of US Highway 93, from which it can be accessed by a network of 4WD tracks, and 47km from rail at the town of Caliente, Nevada.

The Pioche Project was originally identified whilst evaluating the area for deposits of natural pozzolan and was acquired by claim staking at low cost. High-grade sepiolite was subsequently identified in outcrop.

What is Sepiolite

Sepiolite is a non-swelling, lightweight, porous clay with outstanding sorption capacity. The largest market globally for sepiolite is for use in lightweight non-clumping pet litters, where it has superior properties compared to other clays used in this application. It is also used extensively in ***agriculture*** as a slow-release absorbent and adsorbent carrier for chemicals and pesticides, in animal feeds as a binder and carrier for nutrients and growth promoter. It is also used as a suspending agent in paints, medicines, pharmaceuticals and cosmetics, and in high temperature drilling muds.

Sepiolite is a very uncommon clay and there are very few commercial deposits in the world, and, with one exception, there are no significant sepiolite deposits known in the US, so a large potential market would exist for any new US producer of sepiolite.

The Pioche Project claims are currently under option to Spanish company, Tolsa S.A. ("Tolsa"), the world's largest producer of sepiolite. Tolsa may purchase the Pioche Project for US$1.4 million and an ongoing payment to Sunrise of a 3% royalty. This option expires on 28 December 2024.

If the option is exercised, SR Minerals Inc. will retain a 3% royalty on all minerals and mineral materials produced and sold from the Pioche Project claims and any further claims acquired by either party in a 2-mile radius of the external boundary of the original claims (the "Mineral Products Royalty"). The Mineral Products Royalty is calculated as gross revenue less sales bonus, commissions, rebates and any other discounts provided to unrelated third parties. The Mineral Products Royalty will be payable from the commencement of commercial production for a period of 25years and a nominal advance royalty of US$50,000 per annum will be paid if production is not started for any reason within 5 years from 28 June 2022.

Twenty per cent of all payments, including royalties, will be payable by the Company as a success fee to an unrelated third party, a sepiolite industry specialist, who brokered the agreement with Tolsa.

During the year, Tolsa doubled the claim area for the Pioche Project and completed topographic surveys, trenching and a drilling programme. The drill programme was carried out using an auger drill mounted on a Ford F550 truck and hauled from Tolsa USA, Inc.'s Casper Wyoming mine area.

Twenty drill holes were completed for a total of 929.5 linear ft. Holes were drilled to an average depth of 47ft reflecting the shallow occurrence of sepiolite amenable to open-pit mining. The drill holes were spaced relatively evenly over an area of 2km x 1.1km, where track access allowed and where surface disturbance could be minimised. A helical drill stem was used to extract the samples and sepiolite, and samples were then cut from the materials retained on the auger drill stem on extraction from the ground. Good recovery was achieved.

The drilling, taken together with trenching, has confirmed two main levels of medium-high grade sepiolite clay and 166 samples were taken and shipped to Tolsa's laboratories in Madrid. Based on textures, appearance, colour and lithological differences, 40 samples were selected for testing for their commercial properties.

A large deposit of sepiolite bearing clay has been defined and work is ongoing to define the commercial properties of the Pioche sepiolite and determine the best processing methods and range of commercial products that might be produced at Pioche.

NEWPERL PERLITE PROJECT, NEVADA

The NewPerl Project is located approximately 85km from the CS Project in Nevada, USA, and contains a number of areas where surface samples have shown excellent test results for production of horticultural grades of perlite. Subject to further testing, this could be suitable for feed into the CS Project in the future.

Drill testing of the NewPerl Project scheduled for 2023 was deferred as a cost saving measure.

Gold, Silver & Base Metal Projects

REESE RIDGE PROJECT, NEVADA

The Reese Ridge Project is located on the south side of the prospective Humboldt Structural Zone, 83km south-southwest of Battle Mountain, Nevada. It also lies adjacent to the Reese River geothermal system which has been, and continues to be, explored for geothermal energy. This exploration has included use of a number of geophysical techniques common to the mineral exploration industry, including ZTEMTM.

The Reese Ridge Project has evolved from the Company's Reese River industrial limestone project and was first ***suggested*** as an interesting target when prospecting by the Company yielded an unremarkable limestone sample containing a few spots of the lead sulphide mineral galena which was submitted for analysis and returned a value of 15.9% zinc (with 0.3% lead and 17ppm silver). The high zinc content was unexpected, unexplained and given a low priority.

Since then, various Company prospecting campaigns have focused on a broader area containing numerous conspicuous iron-rich gossans of generally limited extent but which attracted the Company's attention, and that of early prospectors, and were found to contain exotic geochemistry and consistently anomalous zinc, lead and silver with values up to 6.8% zinc, 3.3% lead and 51g/t silver. Forty-three samples taken from these gossans and old workings averaged 0.86% zinc.

In May 2023, the original high-grade zinc sample site was revisited and two further samples were collected and analysed with the following results:

· Sample No 52303: 13.6% zinc, 12.8% lead, 146ppm silver.

· Sample No.52304: 29.6% zinc, 0.3% lead, 7ppm silver.

Sample 52303 contained visible galena and so the high lead content was to be expected. However, the very high zinc values in both samples were again a surprise as the samples were otherwise inconspicuous. It is believed that the zinc in these samples is present as secondary zinc oxide, carbonate or silicate minerals. These minerals are difficult to identify in the field in an area where the rocks are significantly altered and do not have the stand-out character of iron rich gossans and are easily overlooked.

Whilst the widespread high visibility iron rich gossans at Reese Ridge are part of the same mineralising system, they were likely a red herring to the early prospectors and to our own earlier follow up sampling campaigns, given that less visually distinctive samples are now confirmed to contain very high zinc levels.

The geological setting and geological features of the target are consistent with a Carbonate Replacement Deposit ("CRD") style of mineralisation. These can be large and high grade. A relevant example is the Hermosa Project in the neighbouring State of Arizona which was acquired by South32 in a US$1.3 billion takeover and which includes the Taylor Deposit (138 million tonne Mineral Resource with a zinc equivalent grade of 8.61%) now under development.

During the year, the Company sourced the data from a 2010 ZTEM electromagnetic geophysical survey carried out to explore for geothermal energy and commissioned leading Canadian geophysical company, Geotech Ltd ("Geotech"), to carry out further processing and 2D and 3D inversions on the ZTEM data.

3D inversion produces a 3D model that "maps" the conductivity of the earth at and below surface. The newly developed 3D model has confirmed an annular zone of low resistivity (high conductivity) below the surface mineralisation that extends from near surface to a depth of nearly 1,000m. This annular zone surrounds a core of high resistivity which the Company interprets as a granitic intrusion. This would be consistent with a CRD model for mineralisation. In other work at the Reese Ridge Project, the Company has received results from a petrological report on thin section examination of mineralised surface samples. This has indicated that the zinc mineralisation at surface is largely contained in secondary minerals, the result of weathering or alteration, but remnants of zinc sulphide (sphalerite) and lead sulphide (galena) were identified consistent with sulphide mineralisation at depth and a possible source for the low resistivity anomaly. A review of chemical analyses from the surface mineralisation has identified anomalously high levels of the metal gallium in the high-grade zinc samples - up to 68ppm gallium.

Gallium is an essential mineral in the production of semi-conductors and is increasingly used in the production of solar panels. It is also used in high frequency computer chips. It is extracted from some zinc ores and approximately 80% of the world's gallium is produced in China. China has, in the recent past, placed restrictions on the export of gallium and gallium compounds in response to the US's restrictions on the exports of high-end computer chips to China.

The Company is now planning a follow-up exploration programme to include drill testing.

JACKSON WASH GOLD & PERLITE PROJECT, NEVADA

The Jackson Wash Project is located 16km from the NewPerl Project in Nevada and was acquired as a target for horticultural grade perlite. However, the project area is also prospective for gold and silver.

The claims are currently leased to global gold producer Kinross Gold U.S.A., Inc. ("Kinross") which also holds an option to purchase the claims at any time before 6 October 2030 for US$500,000 and the grant to Sunrise of a 2.5% Net Smelter Return Royalty.

For Kinross, the Company's Jackson's Wash Project claims form part of a larger project area centred on the historic Montezuma silver, gold and mercury mining centre. This is an active exploration area for Kinross which has recently advised the Company that it is currently planning to increase its exploration activity in the wider project area.

The Company retains the right to mine perlite on its project claims during the lease/option period.

CLAYTON SILVER-GOLD PROJECT, NEVADA

The property lies in the Walker Lane Mineral Belt. It is some 30km southeast of the producing Mineral Ridge Gold Mine and 30km southwest of the major historic mining centre of Goldfield, where a number of large gold-silver deposits are currently under development.

The mineralisation at the Clayton Project was discovered in the 1980s when drilling programmes were conducted by Freeport-McMoRan Gold and Coeur Exploration. Wide intervals of low-grade silver mineralisation were intersected and it was postulated that gold-silver values were under-reporting due to loss of fines from the reverse circulation drilling method.

This historical drilling loss of silver was corroborated by the Company when a twin diamond drill hole delivered an 84% increase in the silver grade compared to an original Freeport hole.

The Clayton Project is available for joint venture although the Company will consider follow up drilling as resources become available. No exploration was conducted at the Clayton Project in the reporting period.

NEWARK GOLD PROJECT, NEVADA

The Newark Gold Project is located at the southern end of the Battle Mountain-Eureka (Cortez) gold trend. It lies 40km south of, and along the same structural zone as, the past-producing Alligator Ridge Mine, 13km southwest of the past producing Illipah Gold Mine and 20km east of the Pan Gold Mine.

The Newark Project was originally targeted for Carlin-style gold mineralisation by Freeport in the 1980s following the discovery of anomalous gold values in silicified rocks in a favourable structural and stratigraphic setting. Carlin-style deposits can be both large (e.g. Goldstrike which contains 39 million ounces gold at a grade of 3.3 g/t) and high-grade (e.g. Barrick's recent Goldrush discovery which contains 21 million ounces gold at a grade of 6.9 g/t).

Freeport drilled a total of 16 holes. Significantly, hole NWK8 intersected 47m of low-level gold (average 0.14 ppm gold) in jasperoid from 75m to the end of the hole at 122m. Drilling is warranted to test this gold bearing jasperoid and to deepen the hole through to about 400m depth to test the underlying Joana Limestone which can be a significant host for Carlin-style gold mineralisation.

The Company will consider a joint venture partnership for this project. No exploration was conducted at the Newark Project in the reporting period.

BAKER'S GOLD PROJECT

The Baker's Gold Project is located 25km southeast of Meekatharra in the Murchison Goldfield of Western Australia.

Since acquiring the Project, the Company has carried out soil sampling and a preliminary programme of drilling with significant mineralisation being intersected in drill hole 21SBRC002 (2m interval from 64m down hole grading 14.4 g/t gold including 1m grading 26.5 g/t gold).

The Company has applied for a mining lease and a prospecting licence to cover this mineralisation and is working towards the grant of one or other of the licences.

No work was carried out in 2023 and costs incurred in connection with the Baker's Gold Project continue to be impaired pending the rationalisation of the Company's tenement applications.

Royalty Interests

GARFIELD PROJECT, NEVADA

Sunrise Resources retains a 2% Net Smelter Return Royalty at the Garfield Project following its sale to Golden Metal Resources plc ("GMR").

The Garfield Project is located in the prolific Walker Lane Mineral Belt in Nevada, USA, and is an active exploration project for GMR. In September 2023, GMR advised that exploration work "has confirmed the potential for large scale porphyry and skarn type copper mineralised bodies" with copper mineralisation now defined in two zones, named the Power Line Zone and High-Grade Zone, following the completion of a soil geochemical sampling programme.

The Power Line Zone is a northeast-southwest trending copper-in-soil anomaly which extends for over 1,500m in length (remains open towards the southwest), located in the west of the project area. The Power Line Zone connects the original Garfield showing discovered by Sunrise with a previously isolated zone located towards the southwest, where limited historical rock sampling results returned up to 2.6% copper and 0.54g/t gold.

At the High-Grade Zone, a circa 1.5km by 0.8km copper-in-soil anomaly, which remains open towards north, south and east, is located in the southeast of the Project area and approximately 1km southeast of the Power Line Zone. Limited historical rock sampling completed near what is now the western end of the High-Grade Zone returned up to 5.53% copper, which highlights the potential of this large, newly defined copper mineralised system.

GMR reports that it will be conducting priority follow up exploration at Garfield, with focus on the High-Grade Zone.

Sunrise's 2% Net Smelter Royalty interests covers all of the Power Line Zone and the majority of the High Grade Zone.

STONEWALL GOLD PROJECT, NEVADA

Westgold Inc. holds a 2% Net Smelter Return Royalty from GMR in the Stonewall Project, also a key project for GMR.

Stonewall is prospective for epithermal-style gold-silver mineralisation.

JUNCTION PROJECT, NEVADA

Until recently, the Company held a royalty interest in a number of claims sold in 2017 to Canadian company, VR Resources Limited ("VRR"). VRR allowed these claims to lapse during the year after its drilling programmes failed to live up to earlier expectations.

Other Projects

SR Minerals Inc. continues to hold mining claims at a number of additional projects in Nevada including the Bay State Silver Project, the County Line Diatomite Project and the Ridge Limestone Project. These projects are available for sale or joint venture.

An agreement was reached with the underlying owners of the Bay State Silver Project claims in 2021 to reduce the annual lease payments to a nominal amount for the next three years.

Health and Safety

The Group has maintained strict compliance with its Health and Safety Policy and is pleased to report there have been no lost time accidents during the year.

Environment

No Group company has had or been notified of any instance of non-compliance with environmental legislation in any of the countries in which they work.

Risks & Uncertainties

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible.

The principal risks and uncertainties facing the Group at this stage in its development and in the foreseeable future are detailed below together with risk mitigation strategies employed by the Board.

|  |  |
| --- | --- |
| Risk | Mitigation Strategies |
| Exploration Risk The Group's business is mineral exploration and development which are speculative activities. There is no certainty that the Group will be successful in the definition of economic mineral deposits, or that it will proceed to the development of any of its projects or otherwise realise their value. | The directors bring many years of combined mining and exploration experience and an established track record in mineral discovery. The Company maintains a portfolio of exploration projects, including projects at the drill stage, in order to spread the risk associated with mineral exploration. |
| Resource/Reserve Risk All mineral projects have risk associated with defined grade and continuity. Mineral Resources and Reserves are always subject to uncertainties in the underlying assumptions which include the quality of the underlying data, geological interpretations, technical assumptions and price forecasts. | When relevant, Mineral Resources and Reserves are estimated by independent specialists on behalf of the Group and reported in accordance with accepted industry standards and codes. The directors are realistic in the use of metal and mineral price forecasts and impose rigorous practices in the QA/QC programmes that support its independent estimates. |
| Development and Marketing Risk Delays in permitting, financing, mine commissioning and marketing a project and its products may result in delays to the Group meeting production targets. | To reduce development risk the directors will ensure that its permitting, financial evaluation and financing and market mechanisms are robust and thorough and will seek to position the Company as a low-cost producer. |
| Commodity Price Risk Changes in commodity prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity. | The Company consistently reviews commodity prices and trends for its key projects throughout the development cycle. |
| Mining and Processing Technical Risk Notwithstanding the completion of metallurgical testwork, test mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, groundwater conditions and other geological conditions may still render a mining and processing operation economically or technically non-viable. | From the earliest stages of exploration, the directors look to use consultants and contractors who are leaders in their field and in future will seek to strengthen executive management and the Board with additional technical and financial skills as the Company transitions from exploration to production. |
| Environmental and Social Governance (ESG) Risk Exploration and development of a project can be adversely affected by environmental and social legislation and the unforeseen results of environmental and social impact studies carried out during evaluation of a project. Once a project is in production, unforeseen events can give rise to environmental liabilities. | The development of industrial minerals projects such as the CS Project carry a lower level of environmental and social liability than gold or base metal projects due to low levels of toxic contaminants in the ore and processing chemicals. The Company has adopted an Environmental, Social and Governance Policy (the "ESG Policy") and avoids the acquisition of projects where liability for legacy environmental issues might fall upon the Company. The ESG Policy will be updated in future to reflect the status of the Company's projects. |

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| --- | --- |
| Political Risk All countries carry political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social permitting risks, risks of strikes and changes to taxation, whereas less developed countries can have, in addition, risks associated with changes to the legal framework, civil unrest and government expropriation of assets. | The Company's strategy restricts its activities to stable, democratic and mining friendly jurisdictions. The Company has adopted a Bribery & Anti-Corruption Policy and a Code of Conduct and these are strictly enforced. |
| Partner Risk Whilst there has been no past evidence of this, the Group can be adversely affected if joint venture partners are unable or unwilling to perform their obligations or fund their share of future developments. | The Board's policy is to maintain control of certain key projects so that it can control the pace of exploration and development and reduce partner risk. For projects where other parties are responsible for critical payments and expenditures the Company's agreements legislate that such payments and expenditures are promptly met. |
| Financing & Liquidity Risk The Company has an ongoing requirement to fund its activities through the equity markets and in future to obtain finance for project development. There is no certainty such funds will be available when needed. | The Company maintains a good network of contacts in the capital markets that has historically met its financing requirements. The Company's low overheads and cost-effective exploration strategies help reduce its funding requirements and currently the outstanding directors' fees are settled in shares. Nevertheless, further equity issues will be required over the next 12 months. |
| Financial Instruments Details of risks associated with the Group's Financial Instruments are given in Note 19 to the financial statements. | The directors are responsible for the Group's systems of internal financial control. Although no systems of internal financial control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately. In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal financial controls. The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements. |
| Exchange Rate Risk The value of the Company's assets held in overseas subsidiaries will vary with exchange rate fluctuations, especially in the US Dollar/Pound Sterling exchange rate. As much of the Company's exploration costs are incurred in US Dollars, the Company's budget costs will be subject to exchange rate variations when actually incurred. | The Company's project expenditures are discretionary and subject to constant review and changing priorities. The Company does not speculate on exchange rates or hedge its foreign currency exposures but will consider doing so once expenditures become more predictable and locked in. |

Forward-Looking Statements

This Annual Report may contain certain statements and expressions of belief, expectation or opinion which are forward-looking statements, and which relate, inter alia, to the Company's proposed strategy, plans and objectives or to the expectations or intentions of the Company's directors. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the control of the Company that could cause the actual performance or achievements of the Company to be materially different from such forward-looking statements.

Section 172 (1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. This requires a director to have regard, among other matters, to: the likely consequences of any decision in the long-term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, clients, joint arrangement partners and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The Company's directors give careful consideration to these factors in discharging their duties. The stakeholders we consider are our shareholders, employees, suppliers (including consultants and contractors), our joint arrangement partners, the regulatory bodies that we engage with and those that live in the societies and geographical areas in which we operate. The directors recognise that building strong, responsible and sustainable relationships with our stakeholders will help us to deliver our strategy in line with our long-term objectives.

Having regard to:

The likely consequences of any decision in the long-term:

The Company's Aims and Business Model are set out at the head of this ***Strategic*** Report and in the Chairman's Statement. The Company's mineral exploration and development business is, by its very nature, long-term and so the decisions of the Board always consider the likely long-term consequences and take into consideration, for example, trends in metal and minerals supply and demand, the long-term political stability of the countries in which the Company operate and the potential impact of its decisions on its stakeholders and the environment. As the Company aims to transition the CS Project into production, other projects also become important to the long-term future of the Company and this has framed the Board's decision to allocate a portion of capital to the testing of some of the Company's precious metal projects and to acquiring new projects. The Board's approach to general strategy and long-term risk management are set out in the Corporate Governance Statement (Principle 1) and the section on Risks and Uncertainties.

The interests of the Company's employees:

Other than the Board, the Company has no employees. It relies on the employees of Tertiary Minerals plc who are engaged through a services agreement, but all of these employees have daily access to the Executive Chairman and their views are considered in the Board's decision making. Further details on the Board's employment policies, health and safety policy and employee engagement are given in the Corporate Governance Statement (Principle 8).

The need to foster the Company's business relationships with its stakeholders:

The sustainability of the Company's business long-term is dependent on maintaining strong relationships with its stakeholders. The factors governing the Company's decision making and the details of stakeholder engagement are set out in the Corporate Governance Statement (Principles 2, 3, 8 and 10).

Having regard to the impact of the Company's operations on the community and the environment:

The Company requires a "social licence" to operate sustainably in the mining industry and so the Board makes careful consideration of any potential impacts of its activities on the local community and the environment. The Board strives to maintain good relations with the local communities in which it operates and with local businesses. For example, in permitting the CS Project for production the Board has carried out extensive work and consultation with regulators and the local community representatives to evaluate the benefits and impacts of its CS Project. Further discussion of these activities and Board considerations can be found in the Environmental, Social and Governance ("ESG") Statement and in the Corporate Governance Statement (Principle 3).

The desirability of the Company maintaining a reputation for high standards of business conduct:

The Board recognises that its reputation is key to its long-term success and depends on maintaining high standards of corporate governance. It has adopted the QCA Code of Corporate Governance and sets out in detail how it has complied with the 10 key principles of the QCA Code in the Corporate Governance Statement. This contains details of various Company policies designed to maintain high standards of business conduct such as the Share Dealing Policy; the ESG Policy; the Health and Safety Policy, the Social Media Policy and the Bribery & Anti-Corruption Policy and Code of Conduct.

The need to act fairly between Members of the Company:

The Board ensures that it takes decisions in the interests of the members (shareholders) as a whole and aims to keep shareholders fully informed of significant developments, ensuring that all shareholders receive Company news at the same time. The Executive Chairman devotes time to answering genuine shareholder queries, no individual or group of shareholders is given preferential treatment. Further information is provided in the Corporate Governance Statement (Principles 2 and 10).

This ***Strategic*** Report was approved by the Board of Directors on 23 January 2024 and signed on its behalf.

Patrick Cheetham

Executive Chairman

Directors' Responsibilities

The directors are responsible for preparing the ***Strategic*** Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires directors to prepare financial statements for a company for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with applicable law and UK adopted International Accounting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare the financial statements in accordance with the AIM Rules of the London Stock Exchange for companies whose securities are traded on the AIM market.

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

· select suitable accounting policies and then apply them consistently;

· make judgements and accounting estimates that are reasonable and prudent;

· state whether they have been prepared in accordance with applicable law and UK adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and

· prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the ***Strategic*** Report and the Directors' Report and other information included in the Annual Report and financial statements are prepared in accordance with applicable law in the United Kingdom.

Website Publication

The maintenance and integrity of the Sunrise Resources plc website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Information from the Directors' Report

The directors are pleased to submit their Annual Report and audited financial statements for the year ended 30 September 2023.

The ***Strategic*** Report contains details of the principal activities of the Company and includes the Operating Review which provides detailed information on the development of the Group's business during the year and indications of likely future developments and events that have occurred after the financial year-end.

Going Concern

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. Further funding is raised as and when required. When any of the Group's projects move to the development stage, specific project financing will be required.

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. Given the Group's cash position at the year-end of £177,967 (2022: £96,126) these projections include the estimated proceeds of future fundraising necessary within the next 12 months to meet the Group's overheads and planned discretionary project expenditures and to maintain the Company and its subsidiaries as going concerns. Although the Company has been successful in raising finance in the past, there is no assurance that it will obtain adequate finance in the future. This represents a material uncertainty related to events or conditions which may cast significant doubt on the Group and Company's ability to continue as going concerns and, therefore, that they may be unable to realise their assets and discharge their liabilities in the normal course of business. However, the directors have a reasonable expectation that they will secure additional funding, when required, to continue meeting corporate overheads and exploration costs for the foreseeable future and the directors therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

Dividend

The directors do not recommend the payment of any dividend.

Financial Instruments and Other Risks

The business of mineral exploration and evaluation has inherent risks. Details of the Group's financial instruments and risk management objectives and of the Group's exposure to risk associated with its financial instruments are given in Note 19 to the financial statements.

Details of risks and uncertainties that affect the Group's business are given in the ***Strategic*** Report.

Directors

The directors holding office in the period were:

Mr P L Cheetham - Chairman of the Board and Chairman of the Nomination Committee.

Mr R D Murphy - Chair of the Remuneration Committee and a member of the Nomination and Audit Committees.

Mr J Cole - Chair of the Audit Committee and member of the Nomination and Remuneration Committees.

Attendance at Board and Committee Meetings

The Board retains control of the Group with day-to-day operational control delegated to the Executive Chairman. The full Board meets four times a year and on any other occasions it considers necessary.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Board Meetings | Nomination Committee | Audit Committee | Remuneration Committee |  |  |  |  |  |
| Director | Attended | Held | Attended | Held | Attended | Held | Attended | Held |
| P L Cheetham | 15 | 15 | 1 | 1 | 3 | 3 | 2 | 3 |
| R D Murphy | 15 | 1 | 3 | 3 |  |  |  |  |
| J Cole | 15 | 1 | 3 | 3 |  |  |  |  |

The directors' shareholdings are shown in Note 16 to the financial statements.

Events After The Balance Sheet Date

(i) Capital Restructure

At a General Meeting on 22 November 2023, the shareholders approved the sub-division of the Company's ordinary share capital, whereby each existing Ordinary Share with a nominal value of 0.1p was subdivided into 1 new Ordinary Share of 0.001p and 1 Deferred Share of 0.099p each, and the subsequent buy back and cancellation of the Deferred Shares. The Sub-Division was completed on 23 November 2023. The Deferred Shares had no significant rights attached to them and carried no right to vote or to participate in distribution of surplus assets and were not admitted to trading on the AIM market of the London Stock Exchange plc. The Deferred Shares effectively carried no value and the Buy Back and Cancellation of the Deferred Shares was completed on 29November 2023. The Buy Back of the Deferred Shares was funded by an issue of 10,000 ordinary shares at a price of 0.07 pence per share made specifically for that purpose.

(ii) Pioche Project

By an agreement dated 27 December 2023, the Company agreed with Tolsa USA, Inc. to extend the term of the Option Agreement to 28 December 2024 in exchange for a payment of a further option fee of US$100,000 by 15 January 2023 and an increase in the Option Exercise Price from US$1.25million to US$1.4million.

Shareholders

As at the date of this report the following interests of 3% or more in the issued share capital of the Company appeared in the share register.

|  |  |  |
| --- | --- | --- |
| As at 23 January 2024 | Number of shares | % of share capital |
| Interactive Investor Services Nominees Limited SMKTISAS | 426,799,948 | 10.42% |
| Interactive Investor Services Nominees Limited SMKTNOMS | 420,159,497 | 10.26% |
| Barclays Direct Investing Nominees Limited CLIENT1 | 349,014,635 | 8.52% |
| Hargreaves Lansdown (Nominees) Limited 15942 | 334,431,899 | 8.17% |
| Smith & Williamson Nominees Limited | 292,784,545 | 7.15% |
| Hargreaves Lansdown (Nominees) Limited VRA | 247,952,429 | 6.05% |
| Interactive Investor Services Nominees Limited TDWHSIPP | 179,712,466 | 4.38% |
| HSDL Nominees Limited | 155,189,251 | 3.79% |
| Hargreaves Lansdown (Nominees) Limited HLNOM | 144,541,872 | 3.53% |
| HSDL Nominees Limited MAXI | 124,862,685 | 3.05% |

Details of directors' interests in shares and warrants are given in Note 16 to the Financial Statements.

Disclosure of Audit Information

Each of the directors has confirmed that so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware, and that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

A resolution to reappoint Crowe U.K. LLP as Auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Charitable and Political Donations

During the year, the Group made no charitable or political donations.

Annual General Meeting

The Company's Annual General Meeting will be held on Thursday 22 February 2024 at 10.00 a.m.

Conflicts of Interest

The Companies Act 2006 permits directors of public companies to authorise directors' conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Company's Articles contain such a provision. Procedures are in place in order to avoid any conflict of interest between the Company and Tertiary Minerals plc. Tertiary provides corporate and project management services to Sunrise.

Approved by the Board on 23 January 2024 and signed on its behalf.

Patrick Cheetham

Executive Chairman

Board of Directors

The Directors and Officers of the Company during the financial year were:

|  |  |
| --- | --- |
| Patrick Cheetham Executive Chairman Key Experience: · Founding director · Mining geologist with more than 40 years' experience in mineral exploration · More than 35 years in public company management Appointed: March 2005 Committee Memberships: Chairman of the Nomination Committee External Commitments: Executive Chairman of Tertiary Minerals plc | Roger Murphy Senior Non-Executive Director Key Experience: · Career focus in capital raising for mining and oil & gas companies · Former MD, Investment Banking, of Dundee Securities Europe Ltd · Geologist Appointed: May 2016 Committee Memberships: Chairman of the Remuneration Committee and Member of Audit and Nomination Committees External Commitments: Partner and non-executive Director of Madini Minerals, Executive Director of Zamare Minerals Ltd, Sarn Helen Gold Limited and TREO Minerals Ltd. |
| James Cole Non-Executive Director Key Experience: · Chartered Accountant with strong commercial background and track record of success in fundraising, mergers, disposals and acquisitions in resource sector · Previously Finance Director for the Goal Group Limited. Formerly Chief Financial Officer Cominco Resources Ltd, AIM/TSX traded European Minerals Corporation plc and TSX/OSE traded Crew Gold Corporation. Appointed: May 2021 Committee Memberships: Chairman of the Audit Committee and a Member of the Remuneration and Nomination Committees External Commitments: Provides independent financial consultancy to a number of companies. | Rod Venables Company Secretary Key Experience: · Qualified company/commercial solicitor · Director and Head of Company Secretarial Services at City Group PLC · Experienced in both Corporate Finance and Corporate Broking Appointed: July 2019 External Commitments: Company Secretary for Tertiary Minerals plc and other clients of City Group PLC |

Corporate Governance

Chairman's Overview

There is no prescribed corporate governance code for AIM companies and the London Stock Exchange prefers to give companies the flexibility to choose from a range of codes which suit their specific stage of development, sector and size.

The Board considers the corporate governance code published by the Quoted Companies Alliance to be the most suitable code for the Company. Accordingly, the Company has adopted the principles set out in the QCA Corporate Governance Code (the "QCA Code") and applies these principles wherever possible, and where appropriate given its size and available resources. The Company's Corporate Governance Statement was reviewed by the Board on 23 January 2024. The Company has set out on its website and in its Corporate Governance Statement the 10 principles of the QCA Code and details of the Company's compliance. The Code was updated post year-end and the 2023 QCA Code is designed to apply to companies whose financial years start on or after 1 April 2024.

Patrick Cheetham, in his capacity as Chairman, has overall responsibility for the corporate governance of the Company and the Board is responsible for delivering on our well-defined business strategy having due regard for the associated risks and opportunities.

The Company's corporate governance arrangements now in place are designed to deliver a corporate culture that understands and meets shareholder and stakeholder needs and expectations whilst delivering long-term value for shareholders.

The Board recognises that its principal activity, mineral exploration and development, has potential to impact on the local environment and communities and consequently has adopted an Environmental, Social and Governance ("ESG") Policy to ensure that the Group's activities have minimal environmental and social impact. Where appropriate the Group's contracts with suppliers and contractors legally bind those suppliers and contractors to do the same. The Group's activities, carried out in accordance with the ESG Policy, have had only minimal environmental and social impact at present and this policy is regularly reviewed. Where appropriate, all work is carried out after advance consultation with affected parties.

The Board recognises the benefits that social media engagement can have in helping the Company reach out to shareholders and other stakeholders, but it also recognises that misuse or abuse of social media can bring the Company into disrepute. To facilitate the responsible use of social media, the Company has adopted a Social Media Policy.

The Board has also adopted a Share Dealing Code for dealings in shares of the Company by directors and employees and a Bribery & Anti-Corruption Policy and Code of Conduct applicable to employees, suppliers and contractors.

The Group recognises that the goodwill of its contractors, consultants and suppliers is important to its business success and seeks to build and maintain this goodwill through fair dealings. The Group has a prompt payment policy and seeks to settle all agreed liabilities within the terms agreed with suppliers. The amount shown in the Consolidated and Company Statements of Financial Position in respect of trade payables at the end of the financial year represents 39 days of average daily purchases (2022: 23 days). This amount is calculated by dividing the creditor balance at the year end by the average daily Group spend in the year.

The Board recognises it has a responsibility to provide ***strategic*** leadership and direction in the development of the Group's health and safety strategy in order to protect all of its employees and other stakeholders. The Company has developed a Health and Safety Policy to clearly define roles and responsibilities and in order to identify and manage risk.

Your Board currently comprises three directors of which two are non-executive and considered by the Board to be independent. We believe that this balance provides an appropriate level of independent oversight. The Board has the ability to seek independent advice although none was deemed necessary in the year under review. The Board is aware of the need to refresh its membership from time to time and to match its skill set to those required for the development of its mineral interests and will consider appointing additional independent non-executive directors in the future.

Patrick Cheetham

Executive Chairman

Environmental, Social and Governance Statement

Sunrise Resources plc and its subsidiaries ("the Company") practice responsible exploration as reflected in this Environmental, Social and Governance ("ESG") policy statement and as demonstrated by our actions. By doing so we reduce project risk, avoid adverse environmental and social impacts, optimising benefits for all stakeholders while adding value to our projects.

Our business associates, consultants and contractors ("Associated Parties") perform much of our primary activities at our projects and therefore we require that all Associated Parties working on our behalf or for our subsidiaries accept and adhere to the principles set out in this policy. We encourage input from those with local knowledge and we review this policy on a regular basis.

Our ESG policy is guided by the Prospectors & Developers Association of Canada's (PDAC) Framework for Responsible Exploration (known as e3 Plus) which encourages mineral exploration companies to support and improve social, environmental and health and safety performance across all exploration activities around the world.

Adopting Responsible Governance and Management

The Company is committed to environmentally and socially responsible mineral exploration and has developed and implemented policies and procedures for corporate governance and ethics. We ensure that all staff and key Associated Parties are familiar with these and have appropriate levels of knowledge of these policies and procedures.

The Company employs persons and engages contractors with the required experience and qualifications relevant to their specific tasks and, where necessary, seeks the advice of specialists to improve the understanding and management of social, environmental, human rights and security, health and safety, and in the application of traditional knowledge.

The Company's Corporate Governance Statement and Bribery & Anti-Corruption policy and Code of Conduct can be viewed on our website here: [*https://www.sunriseresourcesplc.com/corporate-governance*](https://www.sunriseresourcesplc.com/corporate-governance).

Applying Ethical Business Practices

As well as our shareholders and staff, our stakeholders include local communities and local leadership, local, regional and national government and regulatory authorities, suppliers, contactors and consultants, our local business partners and other interested parties. Our corporate culture and policies require honesty, integrity, transparency and accountability in all aspects of our work and when interacting with all stakeholders.

The Company takes all necessary steps to ensure that activities in the field minimise or mitigate any adverse impacts on both the environment and on local communities.

Commitment to Project Due Diligence and Risk Assessment

We make sure we are informed of the laws, regulations, treaties and standards that are applicable with respect to our activities. We ensure that Associated Parties are informed and prepared before going into the field in order to minimise the risk of miscommunication, unnecessary costs and conflict, and to understand the potential for creating opportunities with local communities where possible.

Engaging Host Communities and Other Affected and Interested Parties

Sunrise is committed to engaging positively with local communities, regulatory authorities, suppliers and other stakeholders in its project locations, and encourages feedback through this engagement. Through this process, the Company develops and fosters the relationships on which our business relies for success.

Respecting Human Rights

The exploration activities of Sunrise are carried out in line with applicable laws on human rights in its home jurisdiction and those of the countries in which it works. The Company does not engage in activities that have adverse human rights impacts.

Protecting the Environment

We are committed to ensuring that environmental standards are met or exceeded in the course of our exploration activities. Applicable laws and local guidelines in all project jurisdictions are followed diligently and exploration programmes are only carried out once relevant permits and approvals have been secured from the appropriate regulatory bodies.

In Nevada, USA, most of our exploration is carried out on Federally owned land administered by the Bureau of Land Management ("BLM") which requires the submission of financial bonds for reclamation of exploration activities and which holds the Company to account. Provisions are made in the financial statements for reclamation costs in accordance with calculations set by the BLM. When operating on private lands the Company applies the same rigorous standards for reclamation.

In Australia, field exploration activity requires prior approval from the Department of Mines, Industry Regulation and Safety which imposes environmental reclamation obligations on any such approvals.

Where our activities create ground disturbance, we ensure that full rehabilitation is carried out in accordance with regulations and we take care to minimise the impact of our activities on local flora and fauna, choosing less impactful exploration methods where possible.

Safeguarding the Health and Safety of Workers and the Local Population

Company activities are carried out in accordance with its Health and Safety Policy which adheres to all applicable laws. It ensures that its Associated Parties are made aware of and follow these policies where relevant.

Corporate Governance Statement

The Board of Sunrise Resources plc comprises three members. Nevertheless, there are Audit, Remuneration and Nomination Committees to ensure proper governance in compliance with the QCA Code. The QCA Code sets out ten principles which should be applied. The principles are set out below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance.

Principle One: Establish a strategy and business model which promote long-term value for shareholders.

The Company has a clearly defined strategy and business model that has been adopted by the Board and is set out in the ***Strategic*** Report. Details of the challenges to the execution of the Company's strategy and business model and how those will be addressed can be found in Risks and Uncertainties in the ***Strategic*** Report.

Principle Two: Seek to understand and meet shareholder needs and expectations.

The Board is committed to maintaining good communication with its shareholders and investors. The Chairman and members of the Board from time to time meet with shareholders and investors directly or through arrangements with the Company's brokers to understand their investment requirements and expectations and to address their enquiries and concerns.

All shareholders are encouraged to attend the Company's Annual General Meetings where they can meet and directly communicate with the Board. After the close of business at the Annual General Meeting, the Chairman makes an up-to-date corporate presentation and opens the floor to questions from shareholders.

Shareholders are also welcome to contact the Company via email at [*info@sunriseresourcesplc.com*](mailto:info@sunriseresourcesplc.com) with any specific queries.

The Company also provides regulatory, financial and business news updates through the Regulatory News Service (RNS) and various media channels such as X, formerly Twitter. Shareholders also have access to information through the Company's website, [*www.sunriseresourcesplc.com*](http://www.sunriseresourcesplc.com), which is updated on a regular basis and which includes the latest corporate presentation on the Group. Contact details are also provided on the website.

Principle Three: Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Board takes regular account of the significance of social, environmental and ethical matters affecting the business of the Group. The Board has adopted an Environmental, Social and Governance ("ESG") Policy, which can be found on the Company website and an ESG Statement can be found in this Annual Report. The Company engages positively with local communities, regulatory authorities, suppliers and other stakeholders in its project locations and encourages feedback through this engagement. Through this process, the Company identifies the key resources and fosters the relationships on which the business relies.

Principle Four: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible whilst recognising that its business opportunities carry an inherently high level of risk. The principal risks and uncertainties facing the Group at this stage in its development and in the foreseeable future are detailed in Risks and Uncertainties in the ***Strategic*** Report, together with risk mitigation strategies employed by the Board.

Principle Five: Maintain the board as a well-functioning, balanced team led by the chair.

The Board's role is to agree the Group's long-term direction and strategy and monitor achievement of its business objectives. The Board meets formally four times a year for these purposes and holds additional meetings when necessary to transact other business. The Board receives regular and timely reports for consideration on all significant ***strategic***, operational and financial matters. Relevant information for consideration by the Board is circulated in advance of its meetings.

Further details on the Board's meetings are provided in the Directors' Report. The Board is supported by the Audit, Remuneration and Nomination Committees.

The Board currently consists of the Executive Chairman (Patrick Cheetham), and two non-executive directors (Roger Murphy and James Cole). The current Board's preference is that independent non-executive directors comprise the majority of Board members. Patrick Cheetham is currently the Chairman and Chief Executive. Patrick Cheetham has a service contract as Chairman of the Company and his services as Chief Executive are provided to the Company, at cost, through a Management Services Agreement with Tertiary Minerals plc ("Tertiary"), in which he is a shareholder and where he is also employed as Chairman. In 2023, Patrick Cheetham dedicated over 46% of his working time to the Company. The combined role of Chairman and Chief Executive results in cost savings and is considered acceptable whilst there is a majority of independent directors on the Board and having regard to the fact that the Company is not yet revenue generating.

The non-executive directors have committed the time necessary to fulfil their roles during the year. The attendance record of the directors at Board and Board Committee meetings are detailed in the Directors' Report.

The current non-executive directors are considered independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Principle Six: Ensure that between them the directors have the necessary up to date experience, skills and capabilities.

The Board considers the current balance of sector, financial and public market skills and experience of its directors are relevant to the Company's business and are appropriate for the current size and stage of development of the Company and the Board considers that it has the skills and experience necessary to execute the Company's strategy and business plan and discharge its duties effectively.

The directors maintain their skills through membership of various professional bodies, attendance at mining conferences and through their various external appointments.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. All directors are able to take independent professional advice, if required, in relation to their duties and at the Company's expense.

Principle Seven: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

The ultimate measure of the effectiveness of the Board is the Company's progress against the long-term strategy and aims of the business. This progress is reviewed in Board meetings held formally at least four times a year. The Executive Chairman's performance is regularly reviewed by the rest of the Board.

The Nomination Committee, currently consisting of the Executive Chairman and the two non-executive directors, meets once a year to lead the formal process of rigorous and transparent procedures for Board appointments. During this meeting the Nomination Committee reviews the structure, size and composition of the Board; succession planning; leadership; key ***strategic*** and commercial issues; conflicts of interest; time required from non-executive directors to execute their duties effectively; the overall effectiveness of the Board; and the Committee's own terms of reference.

Under the Articles of Association, new directors appointed to the Board must stand for election at the first Annual General Meeting of the Company following their appointment. Under the Articles of Association, existing directors retire by ***rotation*** and may offer themselves for re-election.

Principle Eight: Promote a corporate culture that is based on ethical values and behaviours.

The Board recognises and strives to promote a corporate culture based on strong ethical and moral values. The Group is currently managed via a service agreement with Tertiary. It has no employees outside the non-executive directors, but encourages Tertiary's employees to understand all aspects of the Group's business and Tertiary seeks to remunerate its employees fairly, being flexible where practicable. In future, the Group will give full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Board takes account of Tertiary's employees' interests when making decisions, and ***suggestions*** from those employees aimed at improving the Group's performance are welcomed.

The corporate culture of the Company is promoted to Tertiary's employees, suppliers and contractors and is underpinned by the implementation and regular review, enforcement and documentation of various policies: the Health and Safety Policy; the Environmental, Social and Governance ("ESG") Policy; the Share Dealing Policy; the Bribery & Anti-Corruption Policy & Code of Conduct; Privacy and Cookies Policy and Social Media Policy. These procedures enable the Board to determine that ethical values are recognised and respected.

The Board recognises that its principal activity, mineral exploration and development, has potential to impact on local environments and communities, and as such an ESG Policy was developed with this in mind and this replaces the previous to ensure that, wherever they take place, the Group's activities have minimal environmental and social impact. Where appropriate the Group's contracts with suppliers and contractors legally bind those suppliers and contractors to do the same. The Group's activities carried out in accordance with the ESG Policy have had only minimal environmental and social impact and this policy is regularly reviewed. Where appropriate, all work is carried out after advance consultation with affected parties.

Principle Nine: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

The Board has overall responsibility for all aspects of the business. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making, and that the non-executive directors are properly briefed on all operational and financial matters. The Chairman has overall responsibility for corporate governance matters in the Group and chairs the Nomination Committee. The Chairman has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. Key operational and financial decisions are reserved for the Board through quarterly project reviews, annual budgets, and quarterly budget and cash-flow forecasts and on an ad hoc basis where required.

The two non-executive directors are responsible for bringing independent and objective judgment to Board decisions. The Board has established Audit, Remuneration and Nomination Committees with formally delegated duties and responsibilities. James Cole currently chairs the Audit Committee, Roger Murphy chairs the Remuneration Committee and Patrick Cheetham chairs the Nomination Committee.

This Corporate Governance statement will be reviewed at least annually to ensure that the Company's corporate governance framework evolves in line with the Company's strategy and business plan.

Principle Ten: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Company regularly communicates with, and encourages feedback from, its shareholders who are its key stakeholder group. The Company's website is regularly updated and users, including all stakeholders, can register to be alerted via email when material announcements are made. The Company's contact details are on the website should stakeholders wish to make enquiries of management.

The Group's financial reports for at least the past five years can be found here: [*https://www.sunriseresourcesplc.com/financial-reports*](https://www.sunriseresourcesplc.com/financial-reports) and contains past Notices of Annual General Meetings.

The results of voting on all resolutions in general meetings are posted to the Company's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent votes.

Audit Committee Report

The Audit Committee is a sub-committee of the Board, comprised of the independent non-executive directors and assists the Board in meeting responsibilities in respect of external financial reporting and internal controls. The Audit Committee also keeps under review the scope and results of the audit. It also considers the cost-effectiveness, independence and objectivity of the auditors taking account of any non-audit services provided by them. James Cole is Chair of the Audit Committee.

The specific objectives of the Committee are to:

a) maintain adequate quality and effective scope of the external audit of the Group including its branches where applicable and review the independence and objectivity of the auditors.

b) ensure that the Board of Directors has adequate knowledge of issues discussed with its external auditor.

c) ensure the financial information and reports issued by the Company to AIM, shareholders and other recipients are accurate and contain proper disclosure at all times.

d) maintain the integrity of the Group's administrative operating and accounting controls and internal control principles.

e) ensure proper accounting policies are adhered to by the Group.

The Committee has unlimited access to the external auditors, to senior management of the Group and to any external party deemed necessary for the proper discharge of its duties. The Committee may consult independent experts where it considers necessary to perform its duties.

The Audit Committee reviews the financial controls of the Company on a regular basis and is satisfied that the Group's financial controls and reporting procedures are robust and sufficient to ordinarily prevent fraud and ensure that senior management, the Committee and the Board are fully aware of the Company's financial position at all times.

The Audit Committee met three times in the last financial year, on 9 December 2022, 31 May 2023 and 9 August 2023. Significant reporting issues considered during the year included the following:

1. Impairments

The Committee has reviewed the carrying values of the Group projects as at 30 September 2023, and recoverability of loans from the Parent Company to subsidiary undertakings and carried out impairment reviews. The project carrying values are assessed against the IFRS 6 criteria set out in Note 1(n). Loans to subsidiary undertakings are assessed for impairment under IFRS 9.

As a result of this, it was judged that no projects or intercompany loans should be impaired.

2. Going Concern

The Committee also considered the Going Concern basis on which the accounts have been prepared (see Note 1(b)). The directors are satisfied that the Going Concern basis is appropriate for the preparation of the financial statements.

James Cole

Chair - Audit Committee

Remuneration Committee Report

The Remuneration Committee is a sub-committee of the Board and comprises the independent non-executive directors. Roger Murphy is Chair of the Remuneration Committee.

The primary objective of the Committee is to review the performance of the executive directors and review the basis of their service agreements and make recommendations to the Board regarding the scale and structure of their remuneration.

However, the Company does not currently remunerate any of the directors other than in their capacity as directors. Whilst the Chairman of the Board, Patrick Cheetham, does have an executive role, his technical and managerial services are provided under a general service agreement with Tertiary Minerals plc and his remuneration is fixed by Tertiary Minerals plc. Nonetheless, it is the role of the Remuneration Committee to ensure that the executive director is appropriately incentivised and rewarded for his services to the Company and this is considered as part of the Committee's review of any Long-Term Incentive Plan.

The Remuneration Committee met three times during the financial year under review, on 7 November 2022, 22 March 2023 and 9 August 2023.

Roger Murphy

Chair - Remuneration Committee

Nomination Committee Report

The Nomination Committee comprises the Chairman and the independent non-executive directors. Patrick Cheetham is Chair of the Nomination Committee.

The primary objective of the Nomination Committee is to lead the formal process of reviewing and making recommendations as to Board appointments and other Board changes and to make appropriate recommendations to the Board.

The Committee is required, amongst other things, to:

a) Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to Board appointments and any Board changes.

b) Give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

c) Keep under review the leadership needs of the organisation to compete effectively in the marketplace.

d) Review annually the time required from non-executive directors and non-executive directors. Performance evaluation should be used to assess whether the executive directors and non-executive directors are spending enough time in fulfilling their duties.

e) Arrange periodic reviews of the Committee's own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

f) Ensure that prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that may result in a conflict of interest.

The Committee carries out its duties for the Parent Company, major subsidiary undertakings and the Group as a whole and met once during the period under review, on 3 May 2023 to review the Terms of Reference for the Committee and to consider their continuing suitability.

The Committee is satisfied that the current Board has a depth of experience and level, and range of skills appropriate to the Company at this stage in its development. It is however recognised that the Company is likely to need additional expertise as it moves forward into commercial production and so the composition of the Board will be kept under careful review to ensure that the Board can deliver long-term growth in shareholder value.

Patrick Cheetham

Chair - Nomination Committee

Publication of Statutory Accounts

The financial information set out in this announcement does not constitute the Company's Annual Accounts for the period ended 30 September 2023 or 2022. The financial information for 2022 is derived from the Statutory Accounts for 2022. Full audited accounts in respect of that financial period have been delivered to the Registrar of Companies. The Statutory Accounts for 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on the 2023 and 2022 accounts. Neither set of accounts contain a statement under section 498(2) of (3) the Companies Act 2006 and both received an unqualified audit opinion. However, there was an emphasis of matter in relation to a requirement that the Company raise funds in the future to continue as a going concern.

Availability of Financial Statements

The Annual Report containing the full financial statements for the year to 30 September 2023 will be uploaded to the Shareholders Documents section of the Company's website on or around 26 January 2024:

[*https://www.sunriseresourcesplc.com/shareholder-documents*](https://www.sunriseresourcesplc.com/shareholder-documents).

Consolidated Income Statement

for the year ended 30 September 2023

|  |  |  |  |
| --- | --- | --- | --- |
| Notes | 2023 £ | 2022 £ |  |
| Pre-licence exploration costs | 3,753 | 5,638 |  |
| Impairment of deferred exploration expenditure | - | 194,247 |  |
| Administration costs | 425,419 | 291,860 |  |
| Other income | 22 | (36,881) | (13,474) |
| Operating loss | (392,291) | (478,271) |  |
| Interest receivable | 1,000 | 48 |  |
| Loss before taxation | 3 | (391,291) | (478,223) |
| Tax on loss | 7 | - | - |
| Loss for the year attributable to equity holders of the parent | (391,291) | (478,223) |  |
| Loss per share - basic and diluted (pence) | 6 | (0.010) | (0.013) |

All amounts relate to continuing activities.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2023

|  |  |  |
| --- | --- | --- |
| 2023 £ | 2022 £ |  |
| Loss for the year | (391,291) | (478,223) |
| Items that could be reclassified subsequently to the income statement: |  |  |
| Foreign exchange translation differences on foreign currency net investments in subsidiaries | (215,389) | 441,434 |
| Items that will not be reclassified to the income statement: |  |  |
| Changes in the fair value of equity investments | (7,466) | (22,962) |
| (222,855) | 418,472 |  |
| Total comprehensive loss for the year attributable to equity holders of the parent | (614,146) | (59,751) |

Consolidated and Company Statements of Financial Position

at 30 September 2023

Company Registration Number: 05363956

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Notes | Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |  |
| Non-current assets |  |  |  |  |  |
| Intangible assets | 9 | 2,409,311 | - | 2,503,812 | - |
| Right of use assets | 17 | 5,536 | - | 11,147 | - |
| Investment in subsidiaries | 8 | - | 2,754,113 | - | 2,609,413 |
| Other investments | 8 | 11,192 | 5,625 | 20,075 | 11,250 |
| 2,426,039 | 2,759,738 | 2,535,034 | 2,620,663 |  |  |
| Current assets |  |  |  |  |  |
| Receivables | 11 | 145,459 | 30,369 | 167,425 | 49,164 |
| Cash and cash equivalents | 12 | 177,967 | 160,711 | 96,126 | 73,644 |
| 323,426 | 191,080 | 263,551 | 122,808 |  |  |
| Current liabilities |  |  |  |  |  |
| Trade and other payables | 13 | (108,773) | (95,104) | (104,936) | (90,061) |
| Lease liabilities | 17 | (2,644) | - | (2,839) | - |
| Convertible Loan Note | 23 | (300,000) | (300,000) | - | - |
| (411,417) | (395,104) | (107,775) | (90,061) |  |  |
| Net current (liabilities)/assets | (87,991) | (204,024) | 155,776 | 32,747 |  |
| Non current liabilities |  |  |  |  |  |
| Lease liabilities | 17 | - | - | (2,874) | - |
| Provisions for liabilities | 20 | (29,525) | - | (32,079) | - |
| (29,525) | - | (34,953) | - |  |  |
| Net assets | 2,308,523 | 2,555,714 | 2,655,857 | 2,653,410 |  |
| Equity |  |  |  |  |  |
| Called up share capital | 14 | 4,095,052 | 4,095,052 | 3,833,559 | 3,833,559 |
| Share premium account | 5,680,316 | 5,680,316 | 5,680,316 | 5,680,316 |  |
| Share warrant reserve | 14 | 42,815 | 42,815 | 40,101 | 40,101 |
| Fair value reserve | 2,674 | 11,874 | 10,140 | 17,500 |  |
| Foreign currency reserve | 14 | 188,714 | 1,321 | 404,103 | 1,321 |
| Accumulated losses | (7,701,048) | (7,275,664) | (7,312,362) | (6,919,387) |  |
| Equity attributable to owners of the parent | 2,308,523 | 2,555,714 | 2,655,857 | 2,653,410 |  |

The Company reported a loss for the year ended 30 September 2023 of £358,882 (2022: £552,391).

These financial statements were approved and authorised for issue by the Board on 23 January 2024 and were signed on its behalf.

P L Cheetham J Cole

Executive Chairman Director

Consolidated Statement of Changes in Equity

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Group | Share capital £ | Share premium account £ | Share warrant reserve £ | Fair value reserve £ | Foreign currency reserve £ | Accumulated losses £ | Total £ |
| At 30 September 2021 | 3,701,805 | 5,675,616 | 40,164 | 33,102 | (37,331) | (6,835,289) | 2,578,067 |
| Loss for the year | - | - | - | - | - | (478,223) | (478,223) |
| Change in fair value | - | - | - | (22,962) | - | - | (22,962) |
| Exchange differences | - | - | - | - | 441,434 | - | 441,434 |
| Total comprehensive loss for the year | - | - | - | (22,962) | 441,434 | (478,223) | (59,751) |
| Share issue | 131,754 | 4,700 | - | - | - | - | 136,454 |
| Share-based payments expense | - | - | 1,087 | - | - | - | 1,087 |
| Transfer of expired warrants | - | - | (1,150) | - | - | 1,150 | - |
| At 30 September 2022 | 3,833,559 | 5,680,316 | 40,101 | 10,140 | 404,103 | (7,312,362) | 2,655,857 |
| Loss for the year | - | - | - | - | - | (391,291) | (391,291) |
| Change in fair value | - | - | - | (7,466) | - | - | (7,466) |
| Exchange differences | - | - | - | - | (215,389) | - | (215,389) |
| Total comprehensive loss for the year | - | - | - | (7,466) | (215,389) | (391,291) | (614,146) |
| Share issue | 261,493 | - | - | - | - | - | 261,493 |
| Share-based payments expense | - | - | 5,319 | - | - | - | 5,319 |
| Transfer of expired warrants | - | - | (2,605) | - | - | 2,605 | - |
| At 30 September 2023 | 4,095,052 | 5,680,316 | 42,815 | 2,674 | 188,714 | (7,701,048) | 2,308,523 |

Company Statement of Changes in Equity

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Company | Share capital £ | Share premium account £ | Share warrant reserve £ | Fair value reserve £ | Foreign currency reserve £ | Accumulated losses £ | Total £ |
| At 30 September 2021 | 3,701,805 | 5,675,616 | 40,164 | 28,662 | 1,321 | (6,368,146) | 3,079,422 |
| Loss for the year | - | - | - | - | - | (552,391) | (552,391) |
| Change in fair value | - | - | - | (11,162) | - | - | (11,162) |
| Exchange differences | - | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (11,162) | - | (552,391) | (563,553) |
| Share issue | 131,754 | 4,700 | - | - | - | - | 136,454 |
| Share-based payments expense | - | - | 1,087 | - | - | - | 1,087 |
| Transfer of expired warrants | - | - | (1,150) | - | - | 1,150 | - |
| At 30 September 2022 | 3,833,559 | 5,680,316 | 40,101 | 17,500 | 1,321 | (6,919,387) | 2,653,410 |
| Loss for the year | - | - | - | - | - | (358,882) | (358,882) |
| Change in fair value | - | - | - | (5,626) | - | - | (5,626) |
| Exchange differences | - | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (5,626) | - | (358,882) | (364,508) |
| Share issue | 261,493 | - | - | - | - | - | 261,493 |
| Share-based payments expense | - | - | 5,319 | - | - | - | 5,319 |
| Transfer of expired warrants | - | - | (2,605) | - | - | 2,605 | - |
| At 30 September 2023 | 4,095,052 | 5,680,316 | 42,815 | 11,874 | 1,321 | (7,275,664) | 2,555,714 |

Consolidated and Company Statements of Cash Flows

for the year ended 30 September 2023

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Notes | Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |  |
| Operating activity |  |  |  |  |  |
| Operating (loss)/profit before interest | (392,291) | (392,050) | (478,271) | (570,441) |  |
| Depreciation/interest charge | 17,20 | 4,944 | - | 5,595 | - |
| Share-based payment charge | 5,319 | 5,319 | 1,087 | 1,087 |  |
| Shares issued in lieu of net wages | 15,520 | 15,520 | 31,279 | 31,279 |  |
| Fees paid by issues of shares (redemption fees) | 42,857 | 42,857 | - | - |  |
| Impairment charge - deferred exploration expenditure | 9 | - | - | 194,247 | - |
| Increase/(decrease) in provision for impairment of loans to subsidiaries | 8 | - | - | - | 318,100 |
| (Increase)/decrease in receivables | 11 | (21,966) | (18,795) | (36,620) | (26,463) |
| Increase/(decrease) in trade and other payables | 13 | 3,837 | 5,043 | 4,075 | (9,704) |
| Net cash outflow from operating activity | (384,637) | (384,963) | (278,608) | (256,142) |  |
| Investing activity |  |  |  |  |  |
| Interest received | 1,000 | 31,892 | 48 | 18,003 |  |
| Cash receipt from disposal of exploration assets | - | - | - | - |  |
| Cash receipt from disposal of equity investments | 8 | - | - | 23,263 | 23,263 |
| Development expenditures | 9 | (124,761) | - | (137,490) | - |
| Loans to subsidiaries | - | (144,700) | - | (173,926) |  |
| Net cash outflow from investing activity | (123,761) | (112,808) | (114,179) | (132,660) |  |
| Financing activity |  |  |  |  |  |
| Issue of share capital (net of expenses) | 118,636 | 118,636 | 104,500 | 104,500 |  |
| Lease payments | 17 | (2,623) | - | (2,874) | - |
| Shares issued via exercise of warrants | - | - | 675 | 675 |  |
| Convertible loan note | 400,000 | 400,000 | - | - |  |
| Net cash inflow from financing activity | 516,013 | 518,636 | 102,301 | 105,175 |  |
| Net increase/(decrease) in the year | 50,472 | 63,722 | (290,486) | (283,627) |  |
| Cash and cash equivalents at start of year | 96,801 | 74,319 | 371,740 | 337,817 |  |
| Exchange differences | 30,694 | 22,670 | 14,872 | 19,454 |  |
| Cash and cash equivalents at 30 September | 12 | 177,967 | 160,711 | 96,126 | 73,644 |

Notes to the Financial Statements

for the year ended 30 September 2023

Background

Sunrise Resources plc (the "Company") is a public company incorporated and domiciled in England. Its shares are traded on the AIM Market of the London Stock Exchange EPIC: SRES.

The Company is a holding company (together, "the Group") for one company incorporated in Australia, and two companies incorporated in Nevada, in the United States of America. The Group's financial statements are presented in Pounds Sterling (£) which is also the functional currency of the Company.

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

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on the basis of the recognition and measurement requirements of applicable law and UK adopted International Accounting Standards.

(b) Going concern

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. Further funding is raised as and when required. When any of the Group's projects move to the development stage, specific project financing will be required.

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. Given the Group's cash position at year end (£177,967), these projections include the proceeds of future fundraising necessary within the next 12 months to meet the Company's and Group's overheads and planned discretionary project expenditures and to maintain the Company and Group as going concerns. Although the Company has been successful in raising finance in the past, there is no assurance that it will obtain adequate finance in the future. This represents a material uncertainty related to events or conditions which may cast significant doubt on the Group's and Company's ability to continue as going concerns and, therefore, that they may be unable to realise their assets and discharge their liabilities in the normal course of business. However, the directors have a reasonable expectation that they will secure additional funding when required to continue meeting corporate overheads and exploration costs for the foreseeable future and therefore the directors believe that the going concern basis is appropriate for the preparation of the financial statements. In considering the longer term financial outlook of the Group, the continued viability of the most significant exploration and evaluation assets as set out in Note 1(n) is critical to this assessment.

(c) Basis of consolidation

Investments, including long-term loans, in the subsidiaries are valued at the lower of cost or recoverable amount, with an ongoing review for impairment.

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings using the acquisition method and eliminate intercompany balances and transactions.

In accordance with section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own statement of comprehensive income. The amount of the loss for the financial year recorded within the financial statements of the Company is £358,882 (2022: £552,391).

(d) Intangible assets

Exploration and evaluation

Accumulated exploration and evaluation costs incurred in relation to separate areas of interest (which may comprise more than one exploration licence or exploration licence applications) are capitalised and carried forward where:

(1) such costs are expected to be recouped through successful exploration and development of the area, or alternatively by its sale; or

(2) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the areas are continuing.

A biannual review is carried out by the directors to consider whether there are any indications of impairment in capitalised exploration and development costs. Full impairment reviews were carried out in order to assess the carrying values of each project as at 31 March 2023 and 30 September 2023. This involved consideration of changes in circumstances and evidence including exploration results, changes in tenure of mineral rights, economic circumstances such as market prices, opportunities for realisation such as sale or joint ventures and viability, comparing anticipated future costs with expected recoverable value. For each project, based upon the relevant considerations, the directors formed a view regarding the recoverability of capitalised expenditure and continued compliance with the IFRS 6 criteria for recognition and deferral.

Where an indication of impairment is identified, the relevant value is written off to the income statement in the period for which the impairment was identified. An impairment of exploration and development costs may be subsequently reversed in later periods should conditions allow.

Accumulated costs, where the Group does not yet have an exclusive exploration licence and in respect of areas of interest which have been abandoned, are written off to the income statement in the year in which the pre-licence expense was incurred or in which the area was abandoned.

Development

Exploration, evaluation and development costs are carried at the lower of cost and expected net recoverable amount. On reaching a mining development decision, for example, the commitment of capital to mine development, exploration and evaluation costs are reclassified as development costs and all development costs on a specific area of interest will be amortised over the useful economic life of the projects, once they become income generating and the costs can be recouped.

(e) Trade and other receivables and payables

Trade and other receivables and payables are measured at initial recognition at fair value and subsequently measured at amortised cost.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand.

(g) Leases

IFRS 16 requires the recognition of lease commitments as right of use assets and the recognition of a corresponding liability. Lease costs are recognised in the income statement in the form of depreciation of the right of use asset over the lease term and interest charges representing the unwind of the discount on the lease liability.

Short term leases, which fall outside the IFRS 16 requirements, having a duration of 12 months or less, are charged to the income statement on straight line basis.

(h) Deferred taxation

Deferred taxation, if applicable, is provided in full in respect of taxation deferred by temporary differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable.

(i) Foreign currencies

The Group's consolidated financial statements are presented in Pounds Sterling (£), being the functional currency of the Company, and the currency of the primary economic environment in which the Company operates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

For consolidation purposes, the net investment in foreign operations and the assets and liabilities of overseas subsidiaries, associated undertakings and joint arrangements, that have a functional currency different from the Group's presentation currency, are translated at the closing exchange rates. Income statements of overseas subsidiaries, that have a functional currency different from the Group's presentation currency, are translated at exchange rates at the date of transaction. Exchange differences arising on opening reserves are taken to the foreign currency reserve in equity.

(j) Share warrants and share-based payments

The Company issues warrants to employees (including directors) and third parties. The fair value of the warrants is recognised as a charge measured at fair value on the date of grant and determined in accordance with IFRS 9, adopting the Black-Scholes-Merton model. The fair value is recognised on a straight-line basis over the vesting period, with a corresponding adjustment to equity, based on the management's estimate of shares that will eventually vest. The expected life of the warrants is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. The details are shown in Note 15.

The Company also issues shares in order to settle certain liabilities, including payment of fees to directors. The fair value of shares issued is based on the closing mid-market price of the shares traded on the AIM market on the day prior to the date of settlement and it is expensed on the date of settlement with a corresponding increase in equity.

(k) Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

(l) Reclamation costs

The Group's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. The Group records a liability for the estimated future rehabilitation costs and decommissioning of its development projects at the time a constructive obligation is determined.

When provisions for closure and environmental rehabilitation are initially recognised, the corresponding cost is capitalised as an intangible asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and environmental rehabilitation activities is recognised in mining interests and, from the commencement of commercial production, is amortised over the expected useful life of the operation to which it relates. Any change in the value of the estimated expenditure is reflected in an adjustment to the provision and asset.

(m) Standards, amendments and interpretations not yet effective

At the date of authorisation of these financial statements, there are no amended reporting standards and interpretations that impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the current accounting policies.

(n) Judgements and estimations in applying accounting policies

In the process of applying the Group's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements:

Intangible assets - exploration and evaluation

IFRS 6 "Exploration for and Evaluation of Mineral Resources" requires that exploration and evaluation assets shall be assessed for impairment when facts and circumstances ***suggest*** that the carrying amount may exceed recoverable amount.

In practical terms, this requires that project carrying values are regularly monitored and assessed for recoverability whether from future exploitation of resources or realised by sale to a third party.

Where activities have not reached a stage, which permits reasonable confirmation of the existence of mineral reserves, the directors must form a judgement whether future exploration and evaluation should continue. This requires management to use their sector experience, apply their specialist expertise and form a conclusive judgement whether or not, on the balance of evidence that further exploration is justified to determine if an economically viable mining operation can be established in future. Such estimates, judgements and assumptions are likely to change as new information and evidence becomes available. If it becomes apparent, in the judgement of the directors, that recovery of capitalised expenditure is unlikely, the carrying value should be considered as impaired and treated as detailed below.

Impairment

Impairment reviews for deferred exploration and evaluation costs are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. The directors are required to continually monitor and review the carrying values by reference to new developments, stages in the exploration process and new circumstances. Assessment of the potential impairment of assets requires an updated judgement of the probability of adequate future cash flows from the relevant project. It includes consideration of:

(a) The period for which the entity has the right to explore in the specific area and whether this right will expire in the near future, and whether the right is expected to be renewed.

(b) Whether substantive expenditure on further exploration for and evaluation of mineral resources for the specific project is either budgeted or planned.

(c) Whether exploration for and evaluation of mineral resources on the specific project has led to the discovery of commercially viable quantities of mineral resources and whether the entity has decided to discontinue such activities on the project.

(d) Whether sufficient data exist to indicate that, although a development on the specific project is likely to proceed, the carrying amount of the exploration and evaluation asset is likely to be recovered in full from successful development of a mine or by the sale of the project.

The judgements in respect of key projects are as follows;

The CS Project in Nevada continues to be the Group's lead project with a carrying value of £1,439,893. In the judgement of the directors, this is justified as, following the successful grant of various mining and production permits, discussions with potential customers and partners for the development of the project is ongoing .

At the Hazen Project a bulk sample was extracted during the reporting period and is awaiting customer trials and as work is continuing the project is not impaired.

The Pioche Project is under evaluation by Tolsa S.A. who has carried out drilling and testwork during the reporting period and so no impairment is justified.

The Reese Ridge Project is an early-stage exploration project and drill targets were defined in 2023. As exploration is ongoing the project is not impaired.

Although further exploration at the Bay State Project, Nevada (carrying value £458,259) was budgeted, due to cost saving measures during the reporting period, no evaluation was carried out , however project leases and claims are being maintained. In the judgement of the directors further evaluation and exploration is justified as, despite some drilling issues in prior exploration programmes, positive drilling results have been obtained so far. In the opinion of the directors this asset is not impaired.

Although there has been no exploration during the reporting period on the County Line Project, Nevada (carrying value £158,102), in the judgement of the directors further evaluation of the production potential is justified in view of its proximity to the CS Project and project synergies. Additional testwork has been budgeted for and the Company's mining claims have been renewed for a further 12-month period. The project is not impaired.

Positive drilling results have previously been obtained from the Clayton Project, Nevada (carrying value of £134,151) and further exploration has been budgeted, therefore in the opinion of the directors the project is not impaired.

Also, in relation to other projects, the exploration rights are being maintained and further exploration and/or drilling is budgeted therefore the directors have reached the conclusion that no other impairments are required.

Going concern

The preparation of financial statements requires an assessment of the validity of the going concern assumption. This in turn is dependent on finance being available for the continuing working capital requirements of the Group. Based on the assumption that such finance will become available, the directors believe that the going concern basis is appropriate for these accounts.

Share warrants and share-based payments

The estimates of costs recognised in connection with the fair value of share warrants requires that management selects an appropriate valuation model and make decisions on various inputs into the model including the volatility of its own share price, the probable life of the warrants before exercise, and behavioural consideration of warrant holders.

2. Segmental analysis

The Chief Operating Decision Maker is the Board of Directors. The Board considers the business has one reportable segment, the management of exploration projects, which is supported by a Head Office function. For the purpose of measuring segmental profits and losses the exploration segment bears only those direct costs incurred by or on behalf of those projects, no Head Office cost allocations are made to this segment. The Head Office function recognises all other costs.

2. Segmental Analysis (continued)

|  |  |  |  |
| --- | --- | --- | --- |
| 2023 | Exploration projects £ | Head office £ | Total £ |
| Consolidated Income Statement |  |  |  |
| Pre-licence exploration costs | 3,753 | - | 3,753 |
| Share-based payments | - | 5,319 | 5,319 |
| Impairment of deferred exploration expenditure | - | - | - |
| Other expenses | - | 420,100 | 420,100 |
| Other Income | (36,881) | - | (36,881) |
| Operating loss | 33,128 | (425,419) | (392,291) |
| Interest receivable | - | 1,000 | 1,000 |
| Loss before tax | 33,128 | (424,419) | (391,291) |
| Taxation | - | - | - |
| Loss for the year attributable to equity holders of the parent | 33,128 | (424,419) | (391,291) |
| Non-current assets |  |  |  |
| Intangible assets: |  |  |  |
| Deferred exploration costs: |  |  |  |
| County Line Diatomite Project, USA | 158,102 | - | 158,102 |
| Bay State Silver Project, USA | 458,259 | - | 458,259 |
| NewPerl Project/Jackson Wash Project, USA | 74,708 | - | 74,708 |
| Ridge Limestone Project, USA | 36,682 | - | 36,682 |
| CS Pozzolan-Perlite Project, USA | 1,439,893 | - | 1,439,893 |
| Clayton Gold Project, USA | 134,151 | - | 134,151 |
| Newark Silver-Gold Project, USA | 36,059 | - | 36,059 |
| Hazen Pozzolan Project, USA | 23,586 | - | 23,586 |
| Pioche Sepiolite, USA | 17,287 | - | 17,287 |
| Reese Ridge Project, USA | 30,584 | - | 30,584 |
| 2,409,311 | - | 2,409,311 |  |
| Right of use assets | 5,536 | - | 5,536 |
| Other investments | - | 11,192 | 11,192 |
| 2,414,847 | 11,192 | 2,426,039 |  |
| Current assets |  |  |  |
| Receivables | 112,606 | 32,853 | 145,459 |
| Cash and cash equivalents | - | 177,967 | 177,967 |
| 112,606 | 210,820 | 323,426 |  |
| Current liabilities |  |  |  |
| Trade and other payables | (17,104) | (91,669) | (108,773) |
| Lease liabilities | (2,644) | - | (2,644) |
| Net current assets | 92,858 | 119,151 | 212,009 |
| Non-current liabilities |  |  |  |
| Reclamation liabilities | (29,525) | - | (29,525) |
| Lease liabilities | - | - | - |
| Convertible Loan Note | - | (300,000) | (300,000) |
| Net assets | 2,478,180 | (169,657) | 2,308,523 |
| Other data |  |  |  |
| Deferred exploration additions | 124,761 | - | 124,761 |
| Exchange rate adjustments to deferred exploration costs | (219,262) | - | (219,262) |

2. Segmental Analysis (continued)

|  |  |  |  |
| --- | --- | --- | --- |
| 2022 | Exploration projects £ | Head office £ | Total £ |
| Consolidated Income Statement |  |  |  |
| Pre-licence exploration costs | 5,638 | - | 5,638 |
| Share-based payments | - | 1,087 | 1,087 |
| Impairment of deferred exploration expenditure | 194,247 | - | 194,247 |
| Other expenses | - | 290,773 | 290,773 |
| Other income | (13,474) | - | (13,474) |
| Operating loss | (186,411) | (291,860) | (478,271) |
| Interest receivable | - | 48 | 48 |
| Loss before tax | (186,411) | (291,812) | (478,223) |
| Taxation | - | - | - |
| Loss for the year attributable to equity holders of the parent | (186,411) | (291,812) | (478,223) |
| Non-current assets |  |  |  |
| Intangible assets: |  |  |  |
| Deferred exploration costs: |  |  |  |
| County Line Diatomite Project, USA | 168,990 | - | 168,990 |
| Bay State Silver Project, USA | 497,398 | - | 497,398 |
| NewPerl Project/Jackson Wash Project, USA | 79,419 | - | 79,419 |
| Ridge Limestone Project, USA | 36,997 | - | 36,997 |
| CS Pozzolan-Perlite Project, USA | 1,505,188 | - | 1,505,188 |
| Clayton Gold Project, USA | 144,187 | - | 144,187 |
| Newark Silver-Gold Project, USA | 38,013 | - | 38,013 |
| Hazen Pozzolan Project, USA | 18,748 | - | 18,748 |
| Pioche Sepiolite, USA | 14,872 | - | 14,872 |
| 2,503,812 | - | 2,503,812 |  |
| Right of use assets | 11,147 | - | 11,147 |
| Other investments | - | 20,075 | 20,075 |
| 2,514,959 | 20,075 | 2,535,034 |  |
| Current assets |  |  |  |
| Receivables | 110,099 | 52,835 | 162,934 |
| Cash and cash equivalents | - | 96,126 | 96,126 |
| 110,099 | 148,961 | 259,060 |  |
| Current liabilities |  |  |  |
| Trade and other payables | (16,132) | (84,313) | (100,445) |
| Lease liabilities | (2,839) | - | (2,839) |
| Net current assets | 91,128 | 64,648 | 155,776 |
| Non-current liabilities |  |  |  |
| Reclamation liabilities | (32,079) | - | (32,079) |
| Lease liabilities | (2,874) | - | (2,874) |
| Net assets | 2,571,134 | 84,723 | 2,655,857 |
| Other data |  |  |  |
| Deferred exploration additions | 138,054 | - | 138,054 |
| Exchange rate adjustments to deferred exploration costs | 427,432 | - | 427,432 |

3. Loss before income tax

|  |  |  |
| --- | --- | --- |
| The operating loss is stated after charging: | 2023 £ | 2022 £ |
| Fees payable to the Company's auditor for: |  |  |
| The audit of the Company's annual accounts | 18,242 | 13,421 |
| Other Services: |  |  |
| Interim review of accounts | 1,725 | 1,200 |
| Corporation tax fees | 1,045 | 998 |

4. Directors' emoluments

|  |  |  |
| --- | --- | --- |
| Remuneration in respect of directors was as follows: | 2023 £ | 2022 £ |
| P L Cheetham (salary) | 21,333 | 16,000 |
| J Cole (salary) | 21,333 | 16,000 |
| R D Murphy (salary) | 21,333 | 16,000 |
| 63,999 | 48,000 |  |

The above remuneration amounts do not include non-cash share-based payments charged in these financial statements in respect of share warrants issued to the directors amounting to £4,335 (2022: £262) or Employer's National Insurance contributions of £3,589 (2022: £Nil).

The directors are also the key management personnel. If all benefits are taken into account, the total key management personnel compensation would be £71,924 (2022: £48,262).

5. Staff costs

|  |  |  |
| --- | --- | --- |
| Staff costs for the Group and the Company, including directors, were as follows: | 2023 £ | 2022 £ |
| Wages and salaries | 64,000 | 48,000 |
| Social security costs | 3,589 | - |
| Pension | - | - |
| Share-based payments | 4,335 | 262 |
| 71,924 | 48,262 |  |

|  |  |  |
| --- | --- | --- |
| The average monthly number of employees employed by the Group and the Company during the year was as follows: | 2023 Number | 2022 Number |
| Directors | 3 | 3 |
| Other Officers | - | - |
| 3 | 3 |  |

The Company does not employ any staff directly apart from the directors. The services of technical and administrative staff are provided by Tertiary Minerals plc as part of the Management Services Agreement between the two companies (see Note 16).

The Company issues share warrants to employees of Tertiary Minerals plc from time to time and these non-cash share-based payments resulted in a charge within the financial statements of £118 (2022: £157).

Company secretarial services are provided by Mr R. Venables through City Group plc.

6. Loss per share

Loss per share has been calculated using the loss for the year attributable to equity holders of the Company and the weighted average number of shares in issue during the year.

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| Loss (£) | (391,291) | (478,223) |
| Weighted average shares in issue (No.) | 3,955,796,532 | 3,734,454,207 |
| Basic and diluted loss per share (pence) | (0.010) | (0.013) |

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for the basic earnings per ordinary share. This is because the exercise of share warrants would have the effect of reducing the loss per ordinary share and is therefore anti-dilutive.

7. Income tax

No liability to corporation tax arises for the year due to the Group recording a taxable loss (2022: £Nil).

The tax credit for the period is lower than the credit resulting from the loss before tax at the standard rate of corporation tax in the UK - 19% (2022: 19%). The differences are explained below.

|  |  |  |
| --- | --- | --- |
| Tax reconciliation | 2023 £ | 2022 £ |
| Loss before tax | (391,291) | (478,223) |
| Tax at 19% (2022: 19%) | (74,345) | (90,862) |
| Pre-trading expenditure not deductible for tax purposes | 5,305 | 17,563 |
| Expenditure not deductible for tax purposes | 11,752 | 268 |
| Unrelieved losses carried forward | (57,288) | (73,031) |
| Tax charge/credit for year | - | - |
| Total losses carried forward | (4,448,062) | (4,158,554) |

Factors that may affect future tax charges

The Group has total losses carried forward of £4,448,062 (2022: £4,158,554). This amount would be charged to tax, thereby reducing tax liability, if sufficient profits were made in the future capped to £5m per annum allowance. The deferred tax asset has not been recognised as the future recovery is uncertain given the exploration status of the Group.

8. Investments

Subsidiary undertakings

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | Country of incorporation/ registration | Date of incorporation/ registration | Type and percentage of shares held at 30 September 2023 | Principal activity |
| Sunrise Minerals Australia Pty Ltd | Australia | 7 October 2009 | 100% of ordinary shares | Mineral exploration |
| SR Minerals Inc. | Nevada, USA | 12 January 2014 | 100% of ordinary shares | Mineral exploration |
| Westgold Inc. | Nevada, USA | 13 April 2016 | 100% of ordinary shares | Mineral exploration |

The registered office of Sunrise Minerals Australia Pty Ltd is Level 4, 35-37 Havelock Street West, Perth, WA 6005.

The registered office of SR Minerals Inc. and Westgold Inc. is 241 Ridge Street, Suite 210, Reno, NV 89501.

|  |  |  |
| --- | --- | --- |
| Investment in subsidiary undertakings | Company 2023 £ | Company 2022 £ |
| Value at start of year | 2,609,413 | 2,753,586 |
| Additions | 144,700 | 173,927 |
| Movement in provision | - | (318,100) |
| At 30 September | 2,754,113 | 2,609,413 |

Investments in share capital of subsidiary undertakings

The directors consider that the carrying value of the Company's investments in shares of subsidiary undertakings totalling £63 is not material and therefore does not require an impairment review.

Loans to Group undertakings

Amounts owed by subsidiary undertakings are unsecured and payable in cash. Loan interest is charged to US subsidiaries on intercompany loans with Parent Company.

A review of the recoverability of investments in and loans to subsidiary undertakings totalling £2,754,113 has been carried out in accordance with IFRS 9. As a result, the directors have concluded that no potential credit losses arose in the year. The assessment has been based upon a review of the underlying exploration assets held by the subsidiary undertakings.

Other investments - listed investments

|  |  |  |  |
| --- | --- | --- | --- |
| Company | Country of incorporation/ registration | Type and percentage of shares held at 30 September 2023 | Principal activity |
| VR Resources Ltd | Canada | 0.09% of ordinary shares | Mineral exploration |
| Power Metal Resources plc | United Kingdom | 0.04% of ordinary shares | Mineral exploration |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Investment designated at fair value through OCI | Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |
| Value at start of year | 20,075 | 11,250 | 63,503 | 45,675 |
| Additions | - | - | - | - |
| Disposals | - | - | (23,263) | (23,263) |
| Movement in valuation | (7,466) | (5,625) | (20,165) | (11,162) |
| Movement in foreign exchange | 1,417 | - | - | - |
| At 30 September | 11,192 | 5,625 | 20,075 | 11,250 |

The fair value of each investment is equal to the market value of its shares at 30 September 2023, based on the closing mid-market price of shares on its equity exchange market.

These are level one inputs for the purpose of the IFRS 13 fair value hierarchy.

9. Intangible assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Deferred exploration expenditure | Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |
| Cost |  |  |  |  |
| At start of year | 5,426,535 | 2,203,594 | 4,861,613 | 2,203,594 |
| Reclamation | - | - | (564) | - |
| Additions | 124,761 | - | 138,054 | - |
| Foreign currency exchange adjustments | (219,262) | - | 427,432 | - |
| At 30 September | 5,332,034 | 2,203,594 | 5,426,535 | 2,203,594 |
| Impairment |  |  |  |  |
| At start of year | (2,922,723) | (2,203,594) | (2,728,476) | (2,203,594) |
| Impairment losses during the year | - | - | (194,247) | - |
| At 30 September | (2,922,723) | (2,203,594) | (2,922,723) | (2,203,594) |
| Net book value |  |  |  |  |
| At 30 September | 2,409,311 | - | 2,503,812 | - |
| At start of year | 2,503,812 | - | 2,133,137 | - |

During the year the directors carried out an impairment review with reference to IFRS 6.20 (a) which resulted in no impairment being required. Refer to accounting policy 1(d) and 1(j) for a description of the considerations used in the impairment review.

10. Property, plant and equipment

The Group has the use of tangible assets held by a related undertaking, Tertiary Minerals plc, under a Management Services Agreement between the two companies.

11. Receivables

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |  |
| Prepayments | 18,528 | 16,203 | 41,052 | 37,506 |
| Other receivables | 126,931 | 14,166 | 126,373 | 11,658 |
| At 30 September | 145,459 | 30,369 | 167,425 | 49,164 |

12. Cash and cash equivalents

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash at bank and in hand | Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |
| At 30 September | 177,967 | 160,711 | 96,126 | 73,644 |

13. Trade and other payables

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |  |
| Amounts owed to related undertaking - Tertiary Minerals plc | 50,749 | 50,749 | 46,233 | 46,233 |
| Trade creditors | 10,095 | 8,993 | 10,450 | 9,057 |
| Accruals | 31,734 | 23,265 | 19,762 | 10,771 |
| Deferred income | 4,098 | - | 4,491 | - |
| Other payables | 10,916 | 10,916 | 20,116 | 20,116 |
| Other taxation and social security | 1,181 | 1,181 | 3,884 | 3,884 |
| At 30 September | 108,773 | 95,104 | 104,936 | 90,061 |

14. Share capital and reserves

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2023 Number | 2023 £ | 2022 Number | 2022 £ |  |
| Share capital - Allotted, called up and fully paid |  |  |  |  |
| Ordinary shares of 0.1p each |  |  |  |  |
| Balance at start of year | 3,833,559,087 | 3,833,559 | 3,701,804,687 | 3,701,805 |
| Shares issued in the year | 261,492,943 | 261,493 | 131,754,400 | 131,754 |
| Balance at 30 September | 4,095,052,030 | 4,095,052 | 3,833,559,087 | 3,833,559 |

During the year to 30 September 2023, the following share issues took place:

An issue of 80,000,000 0.1p ordinary shares at 0.1p per share to Towards Net Zero, LLC ("TNZ") by way of a share placing in relation to the First Closing of a Convertible Securities Issuance Deed (29November 2022), for a total consideration of £80,000.

An issue of 20,116,000 0.1p ordinary shares at 0.1p per share to three directors, for a total consideration of £20,116 in satisfaction of directors' fees (16 January 2023).

An issue of 35,714,286 0.1p Ordinary Shares at 0.1p per share, by exercise of conversion rights (TNZ convertible loan note), for a total consideration of £35,714 before expenses (6April 2023).

An issue of 15,519,800 0.1p ordinary shares at 0.1p per share to three directors, for a total consideration of £15,520 in satisfaction of directors' fees (8June 2023).

An issue of 3,000,000 0.1p ordinary shares at 0.1p per share in settlement of a portion of outstanding net fees to Mining and Metals Research Corporation, for a total consideration of £3,000 (8June 2023).

An issue of 35,714,286 0.1p Ordinary Shares at 0.1p per share, by exercise of conversion rights (TNZ convertible loan note), for a total consideration of £35,714 before expenses (4July 2023).

An issue of 71,428,571 0.1p Ordinary Shares at 0.1p per share, by exercise of conversion rights and the issue of fee shares in connection with the Deed (TNZ second convertible loan note), for a total consideration of £71,429 before expenses (11August 2023).

During the year to 30 September 2022 a total of 131,754,400 0.1p ordinary shares were issued, at an average price of 0.34p per share, for a total consideration of £136,455 net of expenses.

Nature and purpose of reserves

Foreign currency reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the Parent's functional currency, being Sterling, are recognised directly in the foreign currency reserve.

Share warrant reserve

The share warrant reserve is used to recognise the value of equity-settled share warrants provided to employees, including key management personnel, as part of their remuneration, and to third parties in connection with fundraising. Refer to Note 15 for further details.

Share premium reserve

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Fair value reserve

Fair value reserve represents the cumulative fair value changes of available-for-sale equity investment assets.

15. Share warrants granted

Warrants not exercised or expired at 30 September 2023

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Issue date | Exercise price | Number | Exercisable | Expiry dates |
| 21/02/19 | 0.160p | 4,000,000 | Any time from 21/02/20 | 21/02/24 |
| 21/02/19 | 0.110p | 4,000,000 | Any time from 21/02/20 | 21/02/24 |
| 06/08/20 | 0.195p | 35,000,000 | \*Any time from 05/08/21 | 05/08/25 |
| 05/08/22 | 0.113p | 8,000,000 | Any time from 05/08/23 | 05/08/27 |
| 24/03/23 | 0.150p | 25,000,000 | \*\*Any time from 31/12/23 | 24/03/28 |
| 09/08/23 | 0.100p | 9,000,000 | Any time from 09/08/24 | 09/08/28 |
| Total | 85,000,000 |  |  |  |

\*Of these, 15,000,000 warrants cannot be exercised before the Company makes the first sustainable sale of perlite/pozzolan product from the CS Project.

\*\*These 25,000,000 warrants did not meet their vesting criteria and expired on 31 December 2023.

Share warrants are issued for nil consideration and are exercisable as disclosed above. They are exchangeable on a one for one basis for each ordinary share of 0.1p at the exercise price on the date of conversion.

Share warrant movements:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2023 | 2022 |  |  |  |
| Number of share warrants | Weighted average exercise price (Pence) | Number of share warrants | Weighted average exercise price (Pence) |  |
| Outstanding at start of year | 168,750,000 | 0.19 | 49,500,000 | 0.18 |
| Granted during the year | 34,000,000 | 0.14 | 122,500,000 | 0.19 |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | (500,000) | 0.135 |
| Expired during the year | (117,750,000) | 0.20 | (2,750,000) | 0.135 |
| Outstanding at end of year | 85,000,000 | 0.16 | 168,750,000 | 0.19 |
| Exercisable at end of year | 51,000,000 | 0.17 | 160,750,000 | 0.19 |

The share warrants outstanding at 30 September 2023 had a weighted average exercise price of 0.16p (2022: 0.19p), a weighted average fair value of 0.05p (2022: 0.02p) and a weighted average remaining contractual life of 2.97 years.

In the year ended 30 September 2022, warrants were granted on 18 July 2022 as part of fundraise and to Peterhouse Capital Limited as settlement of broker commission and broker quarterly fee with an aggregate estimated fair value of £667.

In the year ended 30 September 2022, warrants were granted on 5 August 2022 to non-executive directors of the Company and employees of Tertiary Minerals plc with an aggregate estimated fair value of £2,735. Note 5 explains the value recognised in the reporting period in respect of Tertiary Minerals plc.

In the year ended 30 September 2023, warrants were granted on 24 March 2023 and 9 August 2023 to the Executive Chairman, the non-executive directors of the Company and employees of Tertiary Minerals plc with an aggregate estimated fair value of £3,005. Note 5 explains the value recognised in the reporting period in respect of Tertiary Minerals plc.

In the year to 30 September 2023, the Company recognised expenses of £5,319 (2022: £1,087) related to issuing of share warrants in connection with equity-settled share-based payment transactions. The fair value is charged to administrative expenses and where there is a vesting period it is charged on a straight-line basis over the vesting period, together with a corresponding increase in equity, based on the management's estimate of shares that will eventually vest.

The fair values of warrants are estimated using a Black-Scholes-Merton Pricing Model and charged to administrative expenses on a straight-line basis over the vesting period, together with a corresponding increase in equity, based on the management's estimate of shares that will eventually vest.

|  |  |  |
| --- | --- | --- |
| The inputs into the Black-Scholes-Merton Pricing Model were as follows: | 2023 | 2022 |
| Weighted average share price | 0.09p | 0.11p |
| Weighted average exercise price | 0.14p | 0.19p |
| Expected volatility | 50% | 60% |
| Expected life | 4.74 | 0.75 |
| Risk-free rate | 0.04% | 0.02% |
| Expected dividend yield | 0% | 0% |

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

16. Related party transactions

Key management personnel

The directors holding office at the year end and their warrants held in the share capital of the Company are:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| At 30 September 2023 | At 30 September 2022 |  |  |  |  |  |
| Shares number | Share warrants number | Warrant exercise price | Warrant expiry date | Shares number | Share warrants number |  |
| P L Cheetham\* | 255,785,016 | 30,000,000 | 0.195p | 05/08/25 | 247,532,996 | 30,000,000 |
| 25,000,000 | 0.150p | 24/03/28 |  |  |  |  |
| J Cole | 20,555,653 | 2,500,000 | 0.113p | 05/08/27 | 6,863,763 | 2,500,000 |
| 2,500,000 | 0.100p | 09/08/28 |  |  |  |  |
| R D Murphy | 78,785,677 | 2,000,000 | 0.160p | 21/02/24 | 65,093,787 | 6,500,000 |
| 2,000,000 | 0.195p | 05/08/25 |  |  |  |  |
| 2,500,000 | 0.113p | 05/08/27 |  |  |  |  |
| 2,500,000 | 0.100p | 09/08/28 |  |  |  |  |

\*Includes 5,500,000 shares held by K E Cheetham, wife of P L Cheetham

These 25,000,000 warrants did not meet their vesting criteria and expired on 31 December 2023.

Tertiary Minerals plc

Sunrise Resources plc is treated as an investment in the consolidated accounts of Tertiary Minerals plc, which held 0.12% of the issued share capital of Sunrise Resources plc on 30 September 2023 (2022: 0.57%).

Tertiary Minerals plc provides management services to Sunrise Resources plc and consequently during the year the Group incurred costs of £167,558 (2022: £171,052).

At the balance sheet date, an amount of £50,749 (2022: £46,232) was due to Tertiary Minerals plc, included in trade and other payables (Note 13).

Patrick Cheetham, the Executive Chairman of the Company, is also a director of Tertiary Minerals plc.

17. Leases

|  |  |  |
| --- | --- | --- |
| Right of use assets | Group 2023 £ | Group 2022 £ |
| Cost |  |  |
| At start of year | 25,399 | 21,010 |
| Additions | - | - |
| Disposals | - | - |
| Foreign currency exchange adjustments | (2,224) | 4,389 |
| At 30 September | 23,175 | 25,399 |
| Depreciation |  |  |
| At start of year | (14,252) | (7,587) |
| Charge for the year | (4,635) | (5,080) |
| Disposals | - | - |
| Foreign currency exchange adjustments | 1,248 | (1,585) |
| At 30 September | (17,639) | (14,252) |
| Carrying amounts |  |  |
| At 30 September | 5,536 | 11,147 |
| At start of year | 11,147 | 13,423 |

|  |  |  |
| --- | --- | --- |
| Lease liabilities | Group 2023 £ | Group 2022 £ |
| Cost |  |  |
| At start of year | 5,713 | 7,015 |
| Additions | - | - |
| Lease payments | (2,623) | (2,874) |
| Interest charge | 54 | 106 |
| Foreign currency exchange adjustments | (500) | 1,466 |
| At 30 September | 2,644 | 5,713 |

|  |  |  |  |
| --- | --- | --- | --- |
| Minimum lease payments £ | Interest £ | Present value £ |  |
| No later than one year | 2,644 | - | 2,644 |
| Later than one year and no later than 5 years | - | - | - |
| Later than five years | - | - | - |
| Total lease liabilities | 2,644 |  |  |
| Current liabilities | 2,644 |  |  |
| Non-current liabilities | - |  |  |

The right of use assets and related lease liabilities are for the lease of water rights for use in conjunction with the CS Project in Nevada, USA. Total cash flow outflow amount is £4,689. This lease expires on 5 December 2024 but may be renewed with consent from the Lessor.

18. Capital management

The Group's capital requirements are dictated by its project and overhead funding requirements from time to time. Capital requirements are reviewed by the Board on a regular basis.

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns, to increase the value of the assets of the business and to provide an adequate return to shareholders in the future when exploration assets are taken into production.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure the possibilities open to the Group in future include issuing new shares, consolidating shares, returning capital to shareholders, taking on debt and selling assets.

19. Financial instruments

At 30 September 2023, the Group's and Company's financial assets consisted of receivables due within one year, other investments and cash and cash equivalents. At the same date, the Group and Company had no financial liabilities other than trade and other payables due within one year and had no agreed borrowing facilities as at this date. There is no material difference between the carrying and fair values of the Group's and Company's financial assets and liabilities.

The carrying amounts for each category of financial instrument held at 30 September 2023, as defined in IFRS9, are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |  |
| Financial assets at amortised cost | 304,898 | 174,877 | 245,433 | 108,238 |
| Financial assets at fair value through other comprehensive income | 11,192 | 5,625 | 20,075 | 11,250 |
| Financial Liabilities at amortised cost | 435,663 | 393,923 | 118,728 | 66,061 |

Risk management

The principal risks faced by the Group and Company resulting from financial instruments are liquidity risk, foreign currency risk and, to a lesser extent, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks as summarised below. The policies have remained unchanged from previous periods as the risks are assessed not to have changed.

Liquidity risk

The Group holds cash balances in Sterling, US Dollars, Australian Dollars and others to provide funding for exploration and evaluation activity, whilst the Company holds cash balances in Sterling, US Dollars, Australian Dollars and small amounts in other currencies.

The Company is dependent on equity fundraising through private placings which the directors regard as the most cost-effective method of fundraising. The directors monitor cash flow in the context of their expectations for the business to ensure sufficient liquidity is available to meet foreseeable needs.

Currency risk

The Group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. The Group is exposed to transactional foreign exchange risk and takes profits and losses as they arise as, in the opinion of the directors, the cost of hedging against fluctuations would be greater than the related benefit from doing so. Fluctuations in the exchange rate may have a material effect on reported loss or equity.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Bank balances were held in the following denominations: | Group 2023 £ | Company 2023 £ | Group 2022 £ | Company 2022 £ |
| United Kingdom Sterling | 158,988 | 158,988 | 49,959 | 49,959 |
| Australian Dollar | 4,302 | 635 | 8,588 | 4,381 |
| United States Dollar | 14,599 | 1,010 | 37,501 | 19,226 |
| Other | 78 | 78 | 78 | 78 |

Interest rate risk

The Company finances operations through equity fundraising. The Company currently has borrowings in the form of convertible securities in respect of which fees are payable on conversion where the market price of the Company's ordinary shares is less than the par value.

Fluctuating interest rates have the potential to affect the loss and equity of the Group and the Company insofar as they affect the interest paid on financial instruments held for the benefit of the Group. The directors do not consider the effects to be material to the reported loss or equity of the Group or the Company presented in the financial statements.

Credit risk

The Company has exposure to credit risk through receivables such as VAT refunds, invoices issued to related parties and its joint arrangements for management charges. The amounts outstanding from time to time are not material other than for VAT refunds which are considered by the directors to be low risk.

The Company has exposure to credit risk in respect of its cash deposits with NatWest bank and this exposure is considered by the directors to be low risk.

20. Provision for liabilities

|  |  |  |
| --- | --- | --- |
| Group | 2023 £ | 2022 £ |
| Reclamation Liability At start of year | 32,079 | 26,665 |
| Additions | - | 2,915 |
| Reduction/reversal | - | (3,479) |
| Interest | 255 | 409 |
| Exchange adjustments | (2,809) | 5,569 |
| At 30 September | 29,525 | 32,079 |

The Group makes provision for future reclamation costs relating to exploration projects. Provisions are calculated based upon internal estimates and expected costs based upon past experience and expert guidance where appropriate.

Reclamation liabilities are covered by reclamation bonds and reclamation takes place when exploration on a particular project or project area terminates or when the Company seeks repayment of a particular reclamation bond. Estimates of reclamation liability are made using regularly updated government exploration cost estimation software and the risk associated with such estimates is judged by the directors to be low.

21. Contingent assets

The Company has the following contingent assets:

Golden Metal Resources 2% Net Smelter Return Royalty, received as part of the consideration for the disposal of the Stonewall and Garfield exploration projects in June 2021.

No values have been assigned to these contingent assets on the basis that realisation is uncertain and considered to be unpredictable.

22. Other income

Lease Option agreement with Kinross

In October 2021, the Company entered into a lease/option agreement with Kinross Gold U.S.A., Inc. ("Kinross") granting Kinross a Lease and Option to purchase the Company's 25 Jackson Wash mining claims in Nevada, USA. Under the terms of the Agreement, a lease payment was made to the Company of US$5,000 in October 2023. If the option is exercised, the Company will retain a 2.5% Net Smelter Return Royalty.

Sale Option agreement with Tolsa

In June 2022, the Company granted Tolsa USA, Inc. ("Tolsa") an option to purchase the Pioche Sepiolite Project. This option was extended in December 2022 and Tolsa paid a US$50,000 extension fee to the Company.

23. Convertible Loan note

On 29 November 2022, the Company raised £280,000 through a share placing of 80,000,000 new ordinary shares and the issue of a £200,000 convertible security (the "First Convertible Security). The agreement, with US institutional investor Towards Net Zero LLC ("TNZ"), allowed the Company to issue a further convertible security within 6 months of the Closing Date, 6 December 2022, to raise a further £200,000 subject to certain conditions precedent.

On 5 June 2023, the conditions precedent were met, and the Company issued a further £200,000 convertible security (the "Second Convertible Security).

The convertible securities balance at 30 September 2023 totalled £300,000 having been reduced by £100,000 as follows:

a) On 6 April 2023, the Company announced that it had received a Conversion Notice from TNZ in respect of £25,000 of the First Convertible Security. As a result, the Company issued a total of 35,714,286 new ordinary shares at a price of 0.1 pence per share. This included 10,714,286 Fee Shares and 25,000,000 Conversion Shares.

b) On 4 July 2023, the Company announced that it had received a further Conversion Notice from TNZ in respect of £25,000 of the First Convertible Security. As a result, the Company issued a total of 35,714,286 new ordinary shares at a price of 0.1 pence per share. This included 10,714,286 Fee Shares and 25,000,000 Conversion Shares.

c) On 11 August 2023, the Company announced that it had received a further Conversion Notice from TNZ in respect of £50,000 of the Second Convertible Security. As a result, the Company issued a total of 71,428,571 new ordinary shares at a price of 0.1 pence per share. This included 21,428,571 Fee Shares and 50,000,000 Conversion Shares.

The convertible securities are free of interest.

24. Events after the year-end

Capital Restructure

At a General Meeting on 22 November 2023, the shareholders approved the sub-division of the Company's ordinary share capital, whereby each existing Ordinary Share with a nominal value of 0.1p was subdivided into 1 new Ordinary Share of 0.001p and 1 Deferred Share of 0.099p each, and the subsequent buy back and cancellation of the Deferred Shares. The Sub-Division was completed on 23November 2023. The Deferred Shares had no significant rights attached to them and carried no right to vote or to participate in distribution of surplus assets and were not admitted to trading on the AIM market of the London Stock Exchange plc. The Deferred Shares effectively carried no value and the Buy Back and Cancellation of the Deferred Shares was completed on 29November 2023 and was funded by an issue of 10,000 ordinary shares at 0.07 pence made for that specific purpose.

Pioche Project

By an agreement dated 27 December 2023, the Company agreed with Tolsa USA, Inc. to extend the term of the Option Agreement to 28 December 2024 in exchange for a payment of a further option fee of US$100,000 by 15 January 2024 and an increase in the Option Exercise Price from US$1.25million to US$1.4million.

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**Notes**

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**Load-Date:** January 24, 2024

**End of Document**



[***Audited Results to 31 December 2022***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6B5B-DDB1-JCXB-20MJ-00000-00&context=1516831)

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Asian Energy Impact Trust PLC

22 January 2024

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22 January 2024

Asian Energy Impact Trust plc

(the "Company" or "AEIT")

AUDITED RESULTS TO 31 DECEMBER 2022

Asian Energy Impact Trust plc, the renewable energy investment trust providing direct access to sustainable energy infrastructure in fast-growing and emerging economies in Asia, announces its audited results for the period from 1 November 2021 to 31 December 2022 ("2022 Annual Report").

Following this announcement, the 2022 Annual Report will need to be appropriately electronically tagged in compliance with DTR 4.1 and uploaded to the National Storage Mechanism ("NSM"). Uploading to the NSM is a necessary step before the Company may apply to the FCA for a restoration of the listing. The Company is working on the electronic tagging of the accounts, following which it will apply to the FCA for the restoration of the listing and will make a further announcement in due course.

FINANCIAL HIGHLIGHTS

|  |  |
| --- | --- |
| As at 31 December 2022 (audited) |  |
| GAAP Measures |  |
| Net assets - US$ million | 86.6 |
| Fair value of investment portfolio - US$ million | 11.5 |
| Cash held at AEIT - US$ million | 115.8 |
| Dividends declared in respect of the period - cents per share | 2.5 |
| Alternative Performance Measures |  |
| NAV per share - cents | 49.3 |
| NAV total return per share | -49.2 |
| Gearing (as a % of Adjusted GAV) | 27.0% |
| Ongoing charges ratio | 2.50% |

IMPACT HIGHLIGHTS

|  |  |
| --- | --- |
| As at 31 December 2022 (audited) |  |
| Alternative Performance Measures |  |
| Total installed capacity | 132MW |
| Renewable energy generated in the period | 85,199 MWh |
| Estimated tonnes of carbon avoided from generated electricity | 62,770 tCO2e |
| Jobs supported (full time equivalents) | 148 |
| Investments qualifying as sustainable in line with the EU Taxonomy | 100% |

key points

· Net assets at 31 December 2022 of US$86.6 million (NAV of 49.3 cents per share), underpinned by a robust independent valuation process. Since IPO, the NAV per share decreased from 98.0 cents to 49.3 cents, principally as a result of a very substantial write down in the portfolio valuation at the period end and the recording of an onerous contract provision in respect of the commitment to acquire the remaining 57% interest in SolarArise India Projects Private Limited ("SolarArise").

· As at 31 December 2022, the Company had invested, or committed to invest, US$99.9 million, equivalent to 55% of total capital raised. The Board has suspended acquisitions of, or commitments to, new investments pending the outcome of the Board's ***strategic*** review of the options for the Company's future, which is expected to be completed before the end of Q1 2024.

·As at 31 December 2022, the Company had cash balances of US$115.8 million. During the 12 months ended 31 December 2023 the Company: acquired the remaining 57% of SolarArise for US$38.5 million and 99.8% of Viet Solar System Company Limited for US$3.1 million; funded the construction of the 200MW solar project that forms part of the Rewa Ultra Mega Solar Park (the "RUMS project"), via a US$20 million loan; paid post period dividends of US$4.4 million; and paid recurring and exceptional running costs of the Company. As at 31 December 2023, the Company had cash reserves of US$41.4 million and its wholly owned UK subsidiary, AEIT Holdings Limited, had cash reserves of US$1.7 million.

·The annualised ongoing charges ratio was 2.5% for the period ended 31 December 2022. In view of the Company's substantially reduced size, the Board is reviewing, with the Transitional Investment Manager, the Company's cost base to assess where it may be possible to make cost savings.

· ​As at 31 December 2022, gearing in AEIT's investment portfolio represented 27.0% of the Adjusted GAV, increasing to 46% including committed acquisitions.

·The future of the Company relies heavily on the outcome of the current ***strategic*** review of the options for the future of the Company. While the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the going concern basis of accounting has been adopted in preparing the 2022 Annual Report and Financial Statements, the result of the ***strategic*** review is not known at this time and potential outcomes could include a managed wind down of the Company. As a result, there remains a material uncertainty surrounding the Company's future and in respect of going concern.

·The Company has also published its 2023 Interim Report today. Details are available through the published interim results RNS and on the Company's website, [*www.asianenergyimpact.com*](https://url.avanan.click/v2/___http:/www.asianenergyimpact.com___.YXAxZTpzaG9yZWNhcDphOm86Mjc3YWRiNjllOGU4MmM0MzgwMDBmYzRkOTRjMTYzMjc6NjpkYjBjOjc3Y2IwN2Y2Yjc1OWRmZjJkMmIyMGZmZjVmOTE3ZjJiMjQ3YWNmYzc4MjQ1ZWVkNTRjZTNiYmU0N2JlMWIwMzY6cDpU).

UPDATE ON THE RUMS PROJECT

Construction of the RUMS project has commenced. On the recommendation of the Transitional Investment Manager, the Company has appointed Fichtner as the owner's technical advisor to the RUMS project, providing boots on the ground to oversee the construction of the asset on a day-to-day basis. An official extension has been granted to the deadline for the scheduled commercial operation date to 5 February 2024. The third of five shipments of panels have arrived on site. Although risks remain on timing and the overall cost due to the size and tight timelines of the project, it is currently expected to be commissioned before 31 March 2024.

Q4 2022 FACTSHEET

The Company's factsheet for the quarter ended 31 December 2022 will be available shortly on its website, [*www.asianenergyimpact.com*](https://url.avanan.click/v2/___http:/www.asianenergyimpact.com___.YXAxZTpzaG9yZWNhcDphOm86Mjc3YWRiNjllOGU4MmM0MzgwMDBmYzRkOTRjMTYzMjc6NjpkYjBjOjc3Y2IwN2Y2Yjc1OWRmZjJkMmIyMGZmZjVmOTE3ZjJiMjQ3YWNmYzc4MjQ1ZWVkNTRjZTNiYmU0N2JlMWIwMzY6cDpU).

Sue Inglis, Chair of Asian Energy Impact Trust plc, said:"I would like to thank shareholders for their patience over the past year. It would be disingenuous to say the period since IPO has not been without disappointment and challenges. However, the Board is encouraged by the Company's progress following Octopus Energy Generation's appointment last November and we firmly believe in the investment opportunity to deliver an impact-led renewable investment strategy in Asia. However, the future of the Company will be determined by the outcome of the ***strategic*** review, on which shareholders will get a vote. In the meantime, a key priority is to look for ways to recover value from existing investments and our transitional investment manager is providing the active management to do that as we undertake the ***strategic*** review."

Enquiries

|  |  |
| --- | --- |
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About Asian Energy Impact Trust plc

Asian Energy Impact Trust plc listed on the premium segment of the main market of the London Stock Exchange in December 2021 and was awarded the Green Economy Mark upon admission. The Company is an Article 9 fund under the EU Sustainable Finance Disclosure Regulation.

With effect from 1 November 2023, the Company appointed Octopus Energy Generation as its transitional investment manager until 30 April 2024 (the "Transitional Investment Management Period"). The Transitional Investment Management Period will allow the Board with its advisers to complete the ***strategic*** review of options for the Company's future.

Further information on the Company can be found on its website at [*www.asianenergyimpact.com*](https://url.avanan.click/v2/___http:/www.asianenergyimpact.com___.YXAxZTpzaG9yZWNhcDphOm86Mjc3YWRiNjllOGU4MmM0MzgwMDBmYzRkOTRjMTYzMjc6NjpkYjBjOjc3Y2IwN2Y2Yjc1OWRmZjJkMmIyMGZmZjVmOTE3ZjJiMjQ3YWNmYzc4MjQ1ZWVkNTRjZTNiYmU0N2JlMWIwMzY6cDpU).

About Octopus Energy Generation

Octopus Energy Generation ("OEGEN") is driving the renewable energy agenda by building green power for the future. Its London-based, leading specialist renewable energy fund management team invests in renewable energy assets and broader projects helping the energy transition, across operational, construction and development stages. The team was set up in 2010 based on the belief that investors can play a vital role in accelerating the shift to a future powered by renewable energy. It has a 13-year track record with approximately £6 billion of assets under management (AUM) (as of September 2023) across 16 countries and total 3.2GW. These renewable projects generate enough green energy to power 2.3 million homes every year, the equivalent of taking over 1.2 million petrol cars off the road. Octopus Energy Generation is the trading name of Octopus Renewables Limited.

Further details can be found at  [*www.octopusenergygeneration.com*](https://url.avanan.click/v2/___http:/www.octopusenergygeneration.com/___.YXAxZTpzaG9yZWNhcDphOm86YWU5MjAzMTY0ODg2OGJjYzQ1NDUwNTU1OGVmZTc0ZmY6NjoyOTI1OmQyNWZmZDNlNzk1MmRhMGYxNTFmYzFkZjgyMmE2OWRiODBjZGQ5MmZmYTg2YTBjNzBjY2JmZGExZDhiNDM1N2M6cDpU).

Overview

About the Company

Asian Energy Impact Trust plc ("AEIT" or the "Company", formerly ThomasLloyd Energy Impact Trust plc) is a closed-ended investment company incorporated in England and Wales. The Company's ordinary shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market of the London Stock Exchange on 14 December 2021.

The Company has a triple return investment objective which consists of: (i) providing shareholders with attractive dividend growth and prospects for long-term capital appreciation (the financial return); (ii) protecting natural resources and the environment (the environmental return); and (iii) delivering economic and social progress, helping build resilient communities and supporting purposeful activity (the social return).

The Company seeks to achieve its investment objective by investing in a diversified portfolio of unlisted sustainable energy infrastructure assets in the areas of renewable energy power generation, transmission infrastructure, energy storage and sustainable fuel production ("Sustainable Energy Infrastructure Assets"), with a geographic focus on fast-growing and emerging economies in Asia.

The Board is undertaking a ***strategic*** review of the options for the Company's future, which is expected to be concluded by the end of the first quarter of 2024. At the date of this Annual Report, based on the information currently available, the most likely outcomes of the ***strategic*** review are a proposal for either the relaunch of the Company, potentially with a new investment objective, investment policy, target returns and/or Investment Manager but maintaining the impact-led, Asian focus, or a managed wind-down and subsequent winding-up of the Company. The outcome of the ***strategic*** review will be subject to shareholder approval.

This Annual Report and the Company's website may contain certain 'forward-looking statements' with respect to the Company's financial condition, results of its operations and business, and certain plans, strategies, objectives, goals and expectations with respect to these items and the markets in which the Company invests. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'aims', 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'targets', 'objective', 'could', 'may', 'should', 'will' or 'would' or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely. There are a number of such factors that could cause the Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and financing strategy to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in the economies and markets in which the Company operates; changes in the legal, regulatory and competition frameworks in which the Company operates; changes in the markets from which the Company raises finance; the impact of legal or other proceedings against or which affect the Company; changes in accounting practices and interpretation of accounting standards under IFRS; and changes in power prices and interest, exchange and discount rates. Any forward-looking statements made in this Annual Report or the Company's website, or made subsequently, which are attributable to the Company, or persons acting on its behalf (including the Investment Manager), are expressly qualified in their entirety by the factors referred to above. Each forward-looking statement speaks only as of the date it is made. Except as required by its legal or statutory obligations, the Company does not intend to update any forward-looking statements. Nothing in this Annual Report or the Company's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

2022 Performance Highlights

As at 31 December 2022

Financial

|  |  |  |  |
| --- | --- | --- | --- |
| Capital raised to date US$180.9m | Net asset value ("NAV") US$86.6m | Gross asset value ("GAV")23 US$127.3m | NAV per share1 3 49.3 cents |
| Dividend per share4 2.5 cents | NAV total return per sharesince IPO3 (49.2)% | Cash held at AEIT US$115.8m | Fair value of investment portfolio US$11.5m |
| Adjusted gross asset value ("Adjusted GAV")3 5 US$173.3m | Market capitalisation3 US$207.3m | Net operational asset value3 6 US$23.5m | Gearing ratio3 7 27% |

Impact8

|  |  |  |
| --- | --- | --- |
| Total installed capacity 132 MW | Renewable energy generated intheperiod 85,199 MWh | Estimated tonnes of carbon avoided from generated electricity 62,770 tCO2e |
| GHG intensity of investee companiestCO2e/USDm 35.9 | Jobs supported (full time equivalents) 148 | Investments qualifying as sustainable (EU Taxonomy) 100% |

1 Calculated on the basis of 175,684,705 ordinary shares in issue.

2 GAV a measure of the value of the assets of the Company, being the sum of all investments held in the investment portfolio at the balance sheet date together with any cash and cash equivalents.

3 An alternative performance measure ("APM").

4 Total dividends declared in relation to the period from IPO to 31 December 2022.

5 Adjusted GAV is GAV plus proportionate share of asset level debt.

6 The value of the Company's operational portfolio excluding construction assets.

7 Group debt and non-Group investment debt (calculated on a proportionate basis) as a % of Adjusted GAV.

8 These metrics have been proportioned to account for AEIT's share of the SolarArise and NISPI assets during the reporting period.

Investment Portfolio

As at 31 December 2022

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Plant or site | Technology | Country | Revenue type | Total renewable energy generating capacity on a 100% basis (MWp) | Total renewable energy generating capacity based on economic share (MWp) | Average remaining life of asset modelled (years) | Economic ownership | Economic ownership - committed |
| NISPI | 80 | 32 |  |  |  |  |  |  |
| Islasol IA | Solar | Philippines | Wholesale electricity market | 18 | 7 | 18.5 | 40% | 40% |
| Islasol IB | Solar | Philippines | Wholesale electricity market | 14 | 6 | 18.5 | 40% | 40% |
| Islasol II | Solar | Philippines | Wholesale electricity market | 48 | 19 | 18.5 | 40% | 40% |
| SolarArise9 | 433 | 186 |  |  |  |  |  |  |
| Telangana I | Solar | India | 25 year fixed price PPA | 12 | 5 | 18.5 | 43% | 100% |
| Telangana II | Solar | India | 25 year fixed price PPA | 12 | 5 | 18.5 | 43% | 100% |
| Karnataka I | Solar | India | 25 year fixed price PPA | 40 | 17 | 19.5 | 43% | 100% |
| Karnataka II | Solar | India | 25 year fixed price PPA | 27 | 12 | 20.0 | 43% | 100% |
| Maharashtra | Solar | India | 25 year fixed price PPA | 67 | 29 | 21.5 | 43% | 100% |
| Uttar Pradesh | Solar | India | 25 year fixed price PPA | 75 | 32 | 23.0 | 43% | 100% |
| Total operating generating capacity | 233 | 100 |  |  |  |  |  |  |
| Madhya Pradesh10 | Solar | India | 25 year fixed price PPA | 200 | 86 | n/a | 43% | 100% |
| Total 'ready to build' generating capacity | 200 | 86 |  |  |  |  |  |  |
| VSS11 | 6 | 0 |  |  |  |  |  |  |
| Mo Cay | Solar | Vietnam | 20 year PPA | 2 | n/a | 17.0 | n/a | 99.8% |
| Hoang Thong | Solar | Vietnam | 20 year PPA | 4 | n/a | 17.0 | n/a | 99.8% |
| Total generating capacity including committed assets | 319 | 132 |  |  |  |  |  |  |
| Total 'ready to build' capacity | 200 | 86 |  |  |  |  |  |  |

9 Represents the acquisition of the 43% economic interest in SolarArise, completed on 19 August 2022, and the remaining 57% economic interest, committed to be acquired on 20 June 2022, and which completed on 13 January 2023.

10 A construction-ready project (the "RUMS project"). As at 31 December 2022 the project was not proceedable. Post the period end, a decision has been taken to proceed and it is expected to commission before 31 March 2024.

11 A committed acquisition at 31 December 2022, which completed on 31 May 2023.

***Strategic*** Report

Chair's Statement

With thanks to shareholders for their patience, I present the Annual Report for Asian Energy Impact Trust plc (formerly ThomasLloyd Energy Impact Trust plc) for the period ended 31 December 2022, our first Annual Report since IPO in December 2021.

For much of the period, the Board was encouraged by the Company's progress:

· the Company's IPO was achieved despite an extremely challenging fundraising environment;

· a few days later, we completed the acquisition of our first seed asset, a 40% economic interest in Negros Island Solar Power Inc ("NISPI"), the 80 MW Philippines investment platform with three operating solar plants;

· a category 5 Typhoon Rai struck the Philippines almost simultaneously with completion of the NISPI acquisition and, although damage across the Philippines was significant, NISPI's solar plants proved resilient and were undamaged;

· although completion of our other seed asset, a 43% economic interest in SolarArise India Projects Private Limited ("SolarArise"), an Indian investment platform with six operating solar plants (233 MW) and one construction-ready solar plant (200 MW), did not occur until August 2022, the delay enabled us to secure changes to the acquisition terms, including a reduction in the acquisition price and a 16% increase in the price at which the consideration shares were issued, thereby reducing the number of consideration shares issued;

· in June 2022 we committed to acquire the remaining 57% economic interest in SolarArise;

· in November 2022, the Company expanded its activities, making its first investment in Vietnam and entering into a ***strategic*** partnership providing the Company with right of first refusal on additional Vietnamese investment opportunities;

· in November 2022, we also increased the size of the Company through a further fund raise; and

· we appeared to have a substantial, diversified pipeline of exciting new investment opportunities.

Overall, the Company seemed to be making good progress in achieving its triple return investment objective, including our impact objectives.

However, the pace of deployment of the net IPO proceeds was slower than expected; with less than 75% of the proceeds deployed within 12 months of the IPO, triggering the requirement to propose a Continuation Resolution at the 2023 Annual General Meeting.

Post the period end, we faced challenges with regard to receiving the information we were seeking from the Investment Manager in connection with the preparation of the 2022 annual report and financial statements. In addition, the Audit and Risk Committee challenged key inputs into the 31 December 2022 portfolio valuation proposed by the Investment Manager, in particular with regard to the forward price curve being used in the NISPI valuation and the valuation of the RUMS project, SolarArise's construction-ready asset. Matters came to a head in April 2023 when the Investment Manager provided the Audit and Risk Committee with material new information on the RUMS project, which brought into question its commercial viability and the potential liabilities that would arise if the project was abandoned. The resulting material uncertainty in the Company's financial position led to the temporary suspension of the listing of, and trading in, the Company shares on 25 April 2023. This was all against the backdrop of substantial changes to the investment environment over the period. London-listed renewable energy investment companies continue to trade at material discounts to NAV and there was a more challenging macroeconomic environment with high inflation, rising interest rates and later falling power prices.

Events since the temporary share suspension have been well-documented through our frequent shareholder updates, including the termination of the appointment of our original Investment Manager and the appointment of a new transitional Investment Manager with effect from 1 November 2023. The Board is encouraged by the Company's progress following the Transitional Investment Manager's appointment and is pleased to report that it has quickly established an open and robust working relationship with the Transitional Investment Manager and the Board is now receiving the full and timely information it expects from its Investment Manager.

The Board is bitterly disappointed that, after what seemed a very promising start for the Company, this promise has not been fulfilled, with the NAV per share having fallen by approximately 50% since IPO, principally as a result of a very substantial write down in the portfolio valuation. We regret the shareholder experience over the past year and the actions taken by the Board in response are detailed in this report.

In light of the significant delay in the publishing this Annual Report, events up to the signing date are also presented and considered as post period events.

Impact

The Company was launched in response to investor interest in an impact led investment trust focused solely on fast-growing emerging economies in Asia where greenhouse gas emissions ("GHG") continue to grow rapidly. At IPO, the Company was the first, and it continues to be the only, London-listed renewable energy investment company focused on Asia, being the region with the most urgent need for investment in sustainable energy infrastructure and where capital invested can have the greatest impact.

Our investment portfolio is constructed to address the climate change mitigation priorities set out in our target countries' Nationally Determined Contributions under the Paris Agreement on Climate Change by avoiding GHG emissions. Ourinvestments also support those countries' efforts to achieve the United Nations Sustainable Development Goals ("UNSDGs"), whilst having a positive impact in the communities around our assets.

The Company is classified as an Article 9 fund under the EU Sustainable Finance Disclosure Regulation ("SFDR") and will make a minimum of 95%12 sustainable investments with an environmental objective under the EU Taxonomy. I am pleased to report that 100%13 of investments made to date are aligned with the EU Taxonomy.

12 Excludes cash not yet invested.

13 This calculation excludes cash held by the Company.

IPO and subsequent placing

On 14 December 2021, the Company's shares were listed in the premium listing category of the FCA's Official List and admitted to trading on the London Stock Exchange's main market, raising gross cash proceeds of US$115.4 million from a diversified institutional and retail investor base, as well as the UK Government's FCDO.

In the November 2022 placing, we raised US$35.3 million of additional capital from both existing and new investors in support of a strong deployment pipeline. When combined with IPO proceeds and the seed asset consideration share capital issued, total capital raised to date is US$181 million.

Investment activity

At the time of the IPO, we had committed to acquire interests in portfolios of assets in India, being a 43% economic interest in SolarArise, and the Philippines, being a 40% economic interest in NISPI, for a combination of new ordinary shares to be issued by the Company and cash.

We completed the acquisition of the interest in NISPI, the 80 MW Philippines investment platform with three operating solar plants, for a cash consideration of US$25.4 million on 17 December 2021. NISPI's solar plants export electricity to the grid at the wholesale electricity spot market ("WESM") price.

SolarArise is a 433 MW Indian investment platform with six operating solar plants totalling 233 MW and one construction-ready 200 MW solar plant. The completion of the acquisition of the 43% economic interest in SolarArise was for a consideration of US$30.2 million, settled through the issue of 26.0 million ordinary shares at US$1.16035 per share. In addition, cash of US$2.7 million was paid by SolarArise to the Indian tax authorities on behalf of the sellers. Post the period end (on 13 January 2023), the acquisition of the remaining 57% of SolarArise was completed for a cash consideration of US$38.5 million and, at the date of this Annual Report, the Company owns 100% of SolarArise for a total consideration of US$71.4 million.

On 1 November 2022, the Company committed to acquire Viet Solar System Company Limited ("VSS") a privately-owned company which holds 6.12 MW of rooftop solar assets for US$3.1 million. This acquisition completed on 31 May 2023 and represents a 99.8% interest in VSS.

As at 31 December 2022, the Company had invested, or had committed to invest US$99.9 million, 55% of total capital raised. Following the temporary share suspension, the Board suspended acquisitions of, or commitments to, new investments. The Board will not make any acquisitions or commitments to new investments pending the outcome of the Board's ***strategic*** review of the options for the Company's future.

Portfolio performance

Since acquisition, our proportion of generation from the investment portfolio was 85,199 MWh, 17% below budget. Irradiance was 7% below expectations and, therefore, excluding the impact of irradiance, performance was 10% below expectations. NISPI generation was impacted by outages resulting from Typhoon Rai (known as Typhoon Odette in the Philippines) in December 2022 and curtailment from damage to the Negros-Cebu subsea cable. The curtailment was resolved in October 2022 after which the assets performed in line with the weather-adjusted budget. In India, three of the solar plants were impacted by a particularly heavy monsoon season, with one additional plant experiencing poor on-site air quality, leading to lower generation. In relation to the poor air quality, the Transitional Investment Manager is working with the on-site asset managers to increase cleaning frequency of the panels to improve generation, whilst also investigating the source and legality of the cause of the increased pollution.

During the period, in May 2022, the construction of the 200 MW RUMS project in Madhya Pradesh, India, which was originally scheduled for completion in the first half of 2023, was formally postponed due to a delay in the infrastructure construction directed by the solar park owner. Post the period end, the disclosure of economic unviability meant that the Board took the decision not to continue with construction of the project as the resulting liabilities from not proceeding were less than the negative value associated with proceeding. More recently in October 2023, the Board revisited this decision in light of an improved position presented by the Former Investment Manager, following a substantial decline in solar module prices in May and June 2023, and the Board has since decided to proceed with the project. As this investment could have resulted in the portfolio breaching the single country limit in the Company's investment policy (50% of GAV), achange to the investment policy was proposed and approved by shareholders in October 2023. The RUMS project is expected to be commissioned before 31 March 2024, and, as a new source of renewable energy, will make a significant contribution towards achieving our impact objectives.

Results

The NAV of the Company as at 31 December 2022 was US$86.6 million. Since IPO, the NAV per share decreased from 98.0 cents to 49.3 cents, principally as a result of a very substantial write down in the portfolio valuation at the period end. Significant deficiencies in how assets have been valued historically alongside overly aggressive assumption sets have materialised through the preparation of the 31 December 2022 portfolio valuation. This is coupled with less controllable movements in value due to FX depreciation and downwards pressure on WESM pricing. The asset valuations now presented as at 31 December 2022 are based on what could and should have been known at that time.

The Company had a cash balance of US$115.9 million at the period end, of which US$41.6 million was committed to the acquisition of the 57% economic interest in SolarArise and the 99.8% economic interest in VSS. At the same date, the Company had no gearing and gearing on a 'look-through' basis to its underlying investments was 27% of Adjusted GAV.

The Company made a loss for the period of US$88.8 million. This was largely driven by the material decrease in the fair value of investments seen over the period and the recognition of a US$38.5 million onerous contract provision with respect to the 57% SolarArise acquisition. The Company received no investment income during the period.

The annualised ongoing charges ratio was 2.5% at the period end. In view of the Company's substantially reduced size, we are reviewing, with the Transitional Investment Manager, the Company's cost base to assess where it may be possible to make cost savings.

The Directors declared a fourth interim dividend of 1.18 cents per share which was paid on 23 May 2023 to shareholders on the register at close of business on 21 April 2023. In respect of the period under review, the Company paid total dividends of 2.5 cents per share, equivalent to a 2.5% dividend yield on the IPO price of US$1.00 per share. All dividends were paid out of the Company's distributable capital reserves. EBITDA from the Company's operational assets over the period, excluding the costs within the SolarArise holding company, was US$4.9 million14 compared to the aggregate cost of dividends paid to shareholders in respect of the period of US$4.0 million.

14 EBITDA generated from dates in which the underlying assets were owned, pro-rated for economic ownership.

Post-period end developments

As mentioned earlier, the post-period end events which have had a very significant impact on the Company have been well-documented through our frequent updates to shareholders, so I am not repeating them in this statement. However, adetailed summary, including a full outline, of recent events can be found within this Annual Report.

The Board and the Transitional Investment Manager have worked hard to make meaningful improvements to the Company's governance structure across its portfolio companies and improve the transparency of information provided to the Board.

In light of the poor operational performance, the Board has commissioned an independent technical advisor to undertake full updated technical due diligence across all assets in the portfolio and we expect to report the outcome by the end of January 2024.

Upstreaming cash back to the UK from the underlying assets is problematic under the current structures. A key priority for 2024 will be to undertake capital restructurings to mitigate the current issues.

Despite the tumultuous times since the temporary share suspension, support from the majority of our shareholders for the actions that the Board has taken post the period end has continued to prevail and shareholders have repeatedly indicated their support for the Company's investment philosophy of being an impact-led, renewables-focused investor in emerging Asian markets. On behalf of the Board, I thank shareholders for their continued support of the Board throughout the numerous General Meetings held in 2023 and also for their levels of engagement with the Board since the temporary share suspension.

Restoration of the listing

Following the announcement of the financial results for 2022 this Annual Report needs to be appropriately electronically tagged in compliance with DTR 4.1, before it can be uploaded to the NSM. Uploading to the NSM is a necessary step before the Company may apply to the FCA for a restoration of the listing. The Company is working on the electronic tagging of the Annual Report, following which it will apply to the FCA for the restoration of the listing and will make a further announcement in due course.

Status of ***strategic*** review

The ***strategic*** review of the options for the Company's future is reaching an advanced stage. At the date of this Annual Report, based on the information currently available, the most likely outcome of the ***strategic*** review remains a proposal for either the relaunch of the Company (potentially with a new investment objective, investment policy, target returns and/or Investment Manager but maintaining the impact-led, Asian focus) or a managed wind-down.

Having analysed with our advisers the initial proposals received for a relaunch of the Company, the Board will be inviting a shorter list of potential investment managers to submit final proposals. Any proposal to relaunch the Company would need to offer a compelling investment proposition for both existing and prospective investors to enable the Company to scale up its size significantly over time as, at its current size, the Company will not have a viable long-term future.

Any managed wind-down proposal would seek to achieve an optimal balance between maximising shareholder value and timely return of cash to shareholders, before a formal winding up once substantially all of the Company's assets have been realised.

The Board will continue to consult shareholders at appropriate stages of the ***strategic*** review and expects to conclude the ***strategic*** review by the end of the first quarter of 2024. The Board does not intend to declare a dividend in respect of the quarter ended 31 December 2023 prior to completion of the ***strategic*** review.

Outlook

The financial results for 2022 are clearly very disappointing for the Board and for shareholders. Despite the results, my Board colleagues and I continue to firmly believe in the investment opportunity to deliver an impact-led renewable energy investment strategy in the fast growing and emerging markets in Asia and that the investment philosophy of the Company remains sound:

· Investing in sustainable energy solutions in emerging Asia can have a far higher environmental impact than investing in renewable energy in Europe and North America due to the higher carbon intensity.

· Asia is home to more than half the world's population and its GHG emissions attributable to energy are predominantly being generated from fossil fuels.

· Demand for energy is rising faster in Asia than any other region with population growth, urbanisation and rising standards of living and consumption driving demand for energy.

· The fastest-growing major power generation markets globally are in emerging and developing Asia.

· Investment in sustainable energy infrastructure also enables a substantial social impact, by supporting direct job creation and catalysing economic activity.

As an example, India is now ranked the sixth most attractive market for renewable energy investment and deployment opportunities15 and has the fastest rate of renewable electricity growth of any major economy, with solar leading the transition. Government policies, incentives and targets continue to underpin the region as attractive for investment. In addition, the private sector, commercial and industrial (C&I) companies in particular, are increasingly turning to renewable PPAs as they seek lower-cost electricity whilst reducing emissions. Storage technologies in this market are becoming increasingly important to address intermittency.

15 Renewable Energy Country Attractiveness Index 61.

Vietnam also offers an attractive market, and the focus is turning to offshore wind where a production target of 7 GW by 2030 has been set, alongside the onshore wind target of 16 GW, with the sector's growth expected to reach 65 GW by 204516.

16 [*https://www.evwind.es/2023/03/17/vietnam-looks-to-offshore-wind-power-in-transition-to-renewable-energy/90797*](https://www.evwind.es/2023/03/17/vietnam-looks-to-offshore-wind-power-in-transition-to-renewable-energy/90797).

Notwithstanding the investment opportunity, the future of the Company will be determined by the outcome of the ***strategic*** review. In particular, a relaunch would rely heavily on shareholders continuing to support that option and their willingness to participate, alongside new investors, in future fundraising growth, without which the Company would not have a viable long-term future. Having voted against the resolution to wind up the Company at the general meeting held on 19December 2023, shareholders have provided the Board with the additional time needed to complete the ***strategic*** review, which we will continue to work tirelessly to conclude at the earliest opportunity.

Irrespective of the outcome of the ***strategic*** review, a key short-term priority is to look for ways to recover value from existing investments and there are opportunities for optimising value through more efficient structuring and asset level improvement initiatives.

Sue Inglis

Chair

22 January 2024

Our Operating Model

AEIT was incorporated as a public company limited by shares and carries on business as an investment trust within the meaning of section 1158 of the Corporation Tax Act 2010. The Company's shares were admitted to trading on the premium segment of the main market of the London Stock Exchange on 14 December 2021.

The Company invests in Sustainable Energy Infrastructure Assets, with a geographic focus on fast-growing and emerging economies in Asia. Assets within the investment portfolio are held through locally incorporated holding companies or special purpose vehicles ("SPVs").

At 31 December 2022, the Company owned directly nine solar SPVs with 313 MW of operational capacity and one 200 MW construction-ready asset (the "RUMS project"). Based on information now available and knowable as at 31 December 2022, the valuation of proceeding with the RUMS project was estimated to be negative US$33.3 million based on 100% ownership, whereas the liabilities associated with aborting the project were estimated to be in the region of US$14.1-US$33.2 million, with the lower end assuming 100% success in implementing a mitigation strategy. As such, as at 31December 2022, the least value destructive option for shareholders was to abort the RUMS project. Subsequent to the period end, investments were made in Vietnam through the Company's UK intermediate holding company, AEIT Holdings Limited ("AEIT Holdings").

External debt financing is only at locally incorporated holding company or SPV levels. As at 31 December 2022, this comprised outstanding principal amounts of US$45.9 million17 in the Indian solar portfolio, representing a leverage ratio of 27%.18

17 Pro-rated for 43% economic ownership.

18 See APM calculation

The Company has a 31 December financial year end and plans to announce half-year results in September and full-year results in March. The Company also announces quarterly NAVs as at 31 March and 30 September in May and November respectively. The Company currently pays dividends quarterly, targeting payments in March, June, September and December each year.

The Company has an independent board of non-executive directors and has appointed Adepa Asset Management S.A as its Alternative Investment Fund Manager ("AIFM") to provide portfolio and risk management services to the Company. The AIFM has delegated the provision of portfolio management services to the Investment Manager. For the period from IPO to 31 October 2023, the Investment Manager was ThomasLloyd Global Asset Management (Americas) LLC (the "Former Investment Manager"). From 1 November 2023 Octopus Renewables Limited, trading as Octopus Energy Generation ("OEGEN" or "Octopus Energy Generation"), was appointed as a transitional Investment Manager (the "Transitional Investment Manager") for the Company and assumed all day-to-day portfolio management responsibilities for the Company from this date. OEGEN has been appointed for an initial six-month term until 30 April 2024.

As an investment trust, the Company does not have any employees and is reliant on third-party service providers for its operational requirements. With the exception of NISPI which has employees from the third-party asset manager, the SPVs do not have any direct employees and services are provided through third-party providers. The AEIT Management Engagement Committee ("MEC") reviews the service levels and performance of the Company's key service providers at least annually, as described in the 'Management Engagement Committee Report' section in the Governance Report. In the period, the MEC identified the top priorities for improving the performance of the Former Investment Manager during 2023, included improving the robustness of the Investment Manager's internal processes, significantly enhancing the quality, transparency and timeliness of management and other information and continuing to add strength in depth to the teams responsible for the Company. Post the period end, a decision was taken to terminate the appointment of the Former Investment Manager and Octopus Energy Generation was appointed as the Transitional Investment Manager from 1 November 2023.

Figure 1: AEIT Operating Model and Group Structure

·

|  |  |  |  |
| --- | --- | --- | --- |
| Shareholders |  |  |  |
| Independent Board of Directors | Asian Energy Impact Trust Plc, | Company Service Providers |  |
| Listed on the LSE Main Market | · Brokers: Shore Capital and Peel Hunt · Fund Administrator & Company Secretary: JTC UK · Depository: Indos · Registrar: Computershare · External Auditor: Deloitte · Independent Valuation Expert: PwC · PR Advisor: Camarco · Tax Advisors: PwC · VAT Advisor: PKF · Legal: Stephenson Harwood |  |  |
| AIFM: Adepa Asset Management Former Investment Manager: ThomasLloyd Group Transitional Investment Manager: Octopus Energy Generation |  |  |  |
| AEIT Holdings Ltd |  |  |  |
| VSS\* | Negros Island Solar Power Inc. | SolarArise India Projects Private Ltd\*\* | Investment Portfolio Service Providers · External asset managers · Operations & maintenance ('O&M') contractors · Engineering procurement and construction ('EPC') contractors · Technical advisors · Tax and structuring advisors · Local legal advisors · External auditors |
| VSS SPVs | Portfolio Investments Held in SPVs | India SPVs |  |
| Debt Providers- Asset Level Debt |  |  |  |

\* At 31 December 2022, the Company had committed to buying a 99.8% interest in VSS, a Vietnamese rooftop solar platform for US$3.1 million. This completed on 31 May 2023.

\*\* In January 2023, the company completed its acquisition of the remaining 57% economic interest in SolarArise. On completion, the Company owns 100% of SolarArise.

Objectives and KPIs

The Company has a triple return investment objective which consists of: (i) financial return; (ii) environmental return; and (iii) social return.

|  |  |  |
| --- | --- | --- |
| Objective | KPI | Performance commentary |
| Financial return19 · Target annual dividend yield (based on the IPO price) of 2-3% for 2022, 5-6% for 2023 and at least 7% for 2024, with the aim of progressively increasing the nominal target thereafter · Target 10-12% NAV total return per annum (based on the IPO price) once the investment portfolio is fully operational on a fully invested and geared basis · Over the medium term (from IPO), target annual dividends fully covered by EBITDA from the operational assets that results from the MWh of clean energy generated; in the short term, the Directors may determine to pay all or part of any dividend from capital reserves | 2.5 cents per share dividend paid in respect of the period from IPO to 31December 2022, equivalent to a yield of 2.5% based on the IPO price NAV per share of 49.3 cents at 31December 2022, a-49.2% return based on the opening post-IPO NAV EBITDA from the Company's operational assets over the period, excluding the costs within the SolarArise holding company, was US$4.9 million20 compared to the aggregate cost of dividends paid to shareholders in respect of the period of US$4.0 million. 85,199 MWh clean energy generated | Financial performance throughout 2022 was disappointing. The key contributors to the poor performance was the slow deployment of the net IPO proceeds and the material decline in the Company's investment portfolio valuation. The Board have made some active changes to key service providers during the course of 2023 and is exploring ways to optimise value throughout the investment portfolio and to reduce costs at the Company level. |
| Environmental return · Protecting natural resources and the environment with significant greenhouse gas avoidance | 62,770 tCO2e of GHG emissions avoided21 132 MW installed operational capacity (AEIT's share) 133 MW commitments to additional capacity22 100% EU Taxonomy alignment | The 132 MW of installed capacity avoids GHG emissions through the generation of clean energy. The 62,770 tonnes of GHG emissions avoided is equivalent to avoiding the amount of emissions associated with 34,427 cars on the road in the UK23. As at 31 December 2022, AEIT had commitments to acquire an additional 57% of SolarArise and an 99.8% interest in VSS. On completion of those acquisitions in 2023, AEIT's total operational capacity to 271 MW (pro-rata share based on ownership). 100% of investments substantially contribute to climate change mitigation in line with the EU Taxonomy criteria. |
| Social return · Delivering economic and social progress, helping build resilient communities and supporting purposeful activity - aligned with the UN Sustainable Development Goals | 148 FTEs Employment directly supported full time equivalent jobs24 4 SDGs contributed to | The portfolio provided social returns through the creation and support of quality jobs. As at 31 December 2022, the portfolio directly supported 148 full time equivalent jobs, helping to ensure the Just Transition. Investments made purposeful contributions to SDGs 7, 8, 13, 15 |

19 The Board is continuing undertaking a ***strategic*** review of the options for the Company's future. The outcome of the ***strategic*** review is likely to result in changes to the Company's target financial return. For further information on the ***strategic*** review, see Chair's Statement.

20 EBITDA generated from dates in which the underlying assets were owned, pro-rated for economic ownership.

21 Carbon avoided is calculated using the International Financial Institution's approach for harmonised GHG accounting.

22 The construction-ready RUMS project has been excluded as this project was not proceedable as at 31 December 2022.

23 Equivalent cars is calculated using a factor for displaced cars derived from the UK government GHG Conversion Factors for Company Reporting.

24 Total FTE jobs supported as at 31 December 2022 through AEIT's proportional share of the NISPI and SolarArise portfolios.

Investment Strategy and Policy25

25 The Board is continuing undertaking a ***strategic*** review of the options for the Company's future, and it is expected that the outcome of the ***strategic*** review will result in changes to the Company's investment strategy and policy. For further information on the ***strategic*** review, see Chair's Statement.

The Company seeks to achieve its investment objective by investing directly, predominantly via equity and equity-like instruments, in a diversified portfolio of unlisted sustainable energy infrastructure assets in the areas of renewable energy power generation, transmission infrastructure, energy storage and sustainable fuel production ("Sustainable Energy Infrastructure Assets"), with a geographic focus on the fast-growing and emerging economies in Asia.

The Company aims to adopt a socially and environmentally responsible investment approach that is geared towards sustainable business values and which reduces investment risk through diversification across countries, sectors and technologies.

Investment restrictions

The Investment Manager will ensure that the Company's portfolio is diversified, so as to ensure a sufficient diversification of investment risk, while also taking into account ESG criteria in making its investment decisions.

The following specific investment restrictions apply to the Company:

· the Company will only invest in Sustainable Energy Infrastructure Assets situated in the fast-growing and emerging countries in Asia;

· in relation to: (i) the Company's investments in Sustainable Energy Infrastructure Assets situated in any single country; (ii) the Company's investment in any single Sustainable Energy Infrastructure Asset; and (iii) the Company's investments in Sustainable Energy Infrastructure Assets under contract with any single governmental or quasi-governmental offtaker, the relevant investment restriction will vary depending on the Company's NAV, as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| % of Company's GAV |  |  |  |
| Exposure | Exposure |  |  |
| to single | to single |  |  |
| Sustainable | governmental |  |  |
| Energy | or quasi- |  |  |
| Exposure to | Infrastructure | governmental |  |
| Company's NAV | single country | Asset | offtaker |
| Up to and including US$1 billion | 50% | 25% | 25% |
| Above US$1 billion and up to and including US$3 billion | 40% | 20% | 20% |
| Above US$3 billion | 30% | 15% | 15% |

· due to the exceptional circumstances of avoiding the greater value destruction associated with abandoning the project rather than proceeding with construction, assessment of the single country limit will exclude any funds invested in the RUMS project up to completion of commissioning. The Company's assessment of the single country limit as set out in the table above will otherwise apply and, from the point of making the decision to commit to construct the RUMS project, no further Sustainable Energy Infrastructure Assets shall be acquired, or projects committed to, with exposure to India until the Company is in compliance with that limit;

· the Company's investments in Sustainable Energy Infrastructure Assets under contract with any single private offtaker will not exceed 20% of GAV for investment grade offtakers and 10% of GAV for non-investment grade offtakers;

· the Company will only invest in countries, which the Investment Manager considers as having a stable political system, a transparent and enforceable legal system and which recognise the rights of foreign investors;

· the Company will only invest in operational assets, or in construction phase assets where: (i) an offtake agreement has been entered into; (ii) the land on which the Sustainable Energy Infrastructure Asset is situated, is identified or contractually secured where appropriate; and (iii) all relevant permits have been granted;

· the Company will only invest in technologies, such as solar panels, wind turbines, boilers and steam turbine generators, the commercial use of which has already been proven;

· the Company will only hold investments that are denominated in currencies which are freely transferable;

· the Company will not invest in other externally managed investment companies or collective investment schemes; and

· the Company will not typically provide funding for development or pre-construction projects and any such funding will, in any event, not exceed 5% of the GAV in aggregate and 2.5% of GAV per development or pre-construction project and would only be undertaken when supported by customary security.

The investment restrictions and limits set out above will be measured at the time of the relevant investment. These investment restrictions and limits apply to the Group (comprising the Company and its proportionate interest in investments, intermediate holding companies and project SPVs) as a whole on a look-through basis. Where the Company holds its interest in Sustainable Energy Infrastructure Assets through a project SPV, the investment restrictions and limits will apply directly to the underlying Sustainable Energy Infrastructure Asset as if it was held directly by the Company, save where the relevant project SPV is part of a co-obligor group with other project SPVs in which case any co-obligor group will be assessed on an aggregated basis as set out below under 'Gearing'.

The Company will not be required to dispose of any investment or to rebalance the investment portfolio as a result of a change in the respective valuations of its assets. However, in such circumstances, the Investment Manager will take such steps as it considers appropriate to enable the Company to comply with its investment restrictions, unless the Investment Manager reasonably believes that doing so would be prejudicial to the interests of the Company and its shareholders as awhole.

Gearing

Subject to the limits set out below, the Company will maintain gearing at a level which the Directors and the Investment Manager consider to be appropriate in order to enhance returns and to provide flexibility to make investments and for cash management purposes.

Gearing will not be employed at the level of the Company and will generally be employed at the level of the relevant project SPV or intermediate holding company. The level of long-term gearing to be employed in relation to any project SPV or intermediate holding company will be assessed so that it is commensurate with the terms of the offtake agreement for the underlying Sustainable Energy Infrastructure Asset. Gearing, save for construction projects where the guarantee of the intermediate holding company is required, will generally be structured as non-recourse finance, typically at the level of the relevant project SPV or intermediate holding company, including but not limited to bank borrowings, public bond issuance or private placement borrowings, provided that aggregate borrowings across all project SPVs and intermediate holding companies will not exceed 65% of the sum of: (i) the Company's GAV; (ii) the aggregate borrowings of the Company's intermediate holding companies; and (iii) the Company's proportionate share of borrowings at the level of its Sustainable Energy Infrastructure Assets (the "Adjusted GAV"), with the Company targeting below 50% in the medium term. This limit will be measured based on the Adjusted GAV at the time any project SPV or intermediate holding company enters into the relevant facility.

Although co-obligor guarantee arrangements between multiple SPVs will normally be avoided, any such arrangements will be considered as bringing the SPVs concerned into a single asset and, therefore, subject to the single Sustainable Energy Infrastructure Asset restriction referred to in the table above at the time that such arrangement is entered into.

No financing arrangements on a cross border basis between the Company's subsidiaries will be entered into, so keeping the Company's various pools of assets and liabilities insulated within their own geographies.

The Company expects all borrowings to be denominated in the currency of the relevant Sustainable Energy Infrastructure Asset or US Dollars to help offset any foreign currency exposure. In addition, borrowings will typically be amortising over the term of the associated offtake agreement.

For the avoidance of doubt, any investments by the Company in project SPVs or intermediate holding companies which are structured as debt will not be considered gearing for these purposes and, therefore, will not be subject to the restrictions set out above.

Cash management policy

Whilst it is the intention of the Company to be fully or near fully invested or contractually committed in normal market conditions, the Company may in its absolute discretion decide to hold cash on deposit or invest in cash equivalent investments, which may include short-term investments in money market funds and tradeable debt securities ("Cash and Cash Equivalents"). There is no restriction on the amount of Cash and Cash Equivalents that the Company may hold and there may be times when it is appropriate for the Company to have significant holdings of Cash and Cash Equivalents instead of being fully or near fully invested or contractually committed. No financial transactions are permitted with counterparties with a credit rating of less than BBB- from Standard & Poor's or Baa3 from Moody's.

Changes to investment policy

No material change will be made to the Company's investment policy without the prior approval of shareholders by ordinary resolution and the prior approval of the FCA. Any changes to the Company's investment policy are also required to be notified to HMRC in advance of the filing date for the accounting period in which the investment policy is amended (together with details of why the change does not impact the Company's status as an investment trust).

Timeline of Key Events since IPO

|  |  |
| --- | --- |
| Date | Event |
| 14 December 2021 | Completion of IPO, raising gross proceeds of US$115.4 million, admission to trading on the London Stock Exchange and contractual commitments to acquire a 40% economic interest in Negros Island Solar Power Inc. ('NISPI') and a 43% economic interest in SolarArise India Projects Private Limited ('SolarArise'). |
| 17 December 2021 | Completion of the acquisition of the 40% economic interest in NISPI and its three solar power projects in the Philippines, totalling 80 MW for a cash consideration of US$25.4 million. |
| 20 June 2022 | Contractual commitment to acquire the remaining 57% economic interest in SolarArise which owns six operating and one construction-ready solar power projects in India, for a cash consideration of US$38.5 million. |
| 19 August 2022 | Completion of the acquisition of the 43% economic interest in SolarArise for a consideration of US$30.2 million, settled through the issue of 26.0 million ordinary shares at US$1.16035 per share. In addition, cash of US$2.7 million was paid to the Indian tax authorities on behalf of the sellers. |
| 1 November 2022 | Expansion into Vietnam following a contractual commitment to acquire 99.8% economic interest in Viet Solar System Company Limited ('VSS'), which holds 6 MW of rooftop solar assets, for US$4.6million (being the total value of the investment, including debt, and represented a net US$3.1 million equity investment). |
| 8 November 2022 | Confirmation that AEIT classifies under Article 9 of the EU SFDR, with investments substantially contributing to climate mitigation under the EU Green Taxonomy. |
| 18 November 2022 | Admission to trading of 34.3 million new ordinary shares issued following a subsequent placing that raised gross proceeds of US$35.3 million. |
| Material events post period end |  |
| 13 January 2023 | Completion of the acquisition of the remaining 57% economic interest in SolarArise. |
| 25 April 2023 | Temporary share suspension at the Company's request due to a material uncertainty regarding the fair value of its assets and liabilities, in particular with regard to the RUMS project. |
| 31 May 2023 | Decision not to proceed with construction of the RUMS project, predominantly due to high solar panel prices. Completion of the acquisition of the 99.8% economic interest in VSS and its two solar power projects. |
| 30 June 2023 | Annual General Meeting held. Alongside the standard annual resolutions to re-elect the Board which were passed, a Continuation Resolution was proposed as 75% of the net IPO proceeds had not been deployed within 12 months of admission to trading. |
| 12 July 2023 | Company announced that the final portfolio valuation as at 31 December 2022 could reflect a material downward movement that would be in addition to the costs written off and potential abandonment liabilities associated with not proceeding with the RUMS project. |
| 1 August 2023 | The Company's only development project (the 'TT8 Project'), a 150 MW DC solar PV project, held by a special purpose vehicle of SolarArise, signed a power purchase agreement with Maharashtra State Electricity Distribution Company Limited. |
| 15 August 2023 | Company announced receipt of new information under protections of its whistleblowing policy revealing that ThomasLloyd Global Asset Management (Americas) LLC was aware of material information relating to the RUMS project by August 2022 and, therefore, it appeared that key information had been withheld from the Board, and misleading information given to it, over a protracted period of time. |
| 24 August 2023 | Shareholders representing 58% of the votes cast (and a majority of the issued share capital) voted against the Continuation Resolution in line with the Board's recommendation. As a result, the Board was required to bring forward proposals for the reconstruction, reorganisation or winding-up of the Company for shareholder approval within four months. ***Strategic*** review of options for the Company's future commenced. |
| 15 September 2023 | Company served notice terminating ThomasLloyd Global Asset Management (Americas) LLC's appointment as Investment Manager with effect from 31 October 2023. |
| 25 September 2023 | Shareholders representing approximately 54% of the Company's total issued share capital supported the current Board and the resolutions to replace the current Board were not passed. |
| 11 October 2023 | Decision to proceed with the RUMS project due to it being the least value destructive option for shareholders. |
| 27 October 2023 | Company changed its name to Asian Energy Impact Trust plc. |
| 31 October 2023 | Shareholders representing over 91% of the issued share capital voted in favour of changes to the Company's investment policy (to avoid any potential breach of the single country limit as a consequence of proceeding with the RUMS project and make clarificatory changes to the gearing policy), in line with the Board's recommendation. Termination of the Former Investment Manager's appointment effective. |
| 1 November 2023 | Octopus Energy Generation appointed as Transitional Investment Manager. AEIT launched a new corporate website |
| 13 December 2023 | Unaudited NAV as at 30 September 2023 announced of US$88.5 million (50.4 cents per share). Company announced that moving forward with the development of the TT8 Project whilst the ***strategic*** review is underway may not be the best option for the Company. |
| 19 December 2023 | Shareholders representing 83% of the votes cast (and 69% of the issued share capital) voted against a resolution to wind up the Company, in line with the Board's recommendation. |

Post Period Updates

The material uncertainty surrounding the investment portfolio valuation as at 31 December 2022 and the subsequent events that followed throughout 2023, including the temporary share suspension effective from 7.30am on 25 April 2023 have had adverse consequences for the Company and its shareholders. A summary of the key events is set out below.

Temporary share suspension

On 25 April 2023 the Company announced a temporary suspension in the listing of, and trading in, the Company's shares (the "temporary share suspension"). The temporary share suspension was at the Company's request due to a material uncertainty regarding the fair value of its assets and liabilities, in particular with regard to the 200 MW construction-ready RUMS project, which was acquired as part of the SolarArise portfolio. Further work was required to assess the quantum of the liabilities and commercial viability of the project. Due to this, the Company was unable to finalise the accounts withinfour months after the accounting period end date, as required by the FCA's Disclosure Guidance and TransparencyRules.

Decision not to proceed with the RUMS project

Following the temporary share suspension, the Board appointed independent advisors to undertake detailed reviews of the liabilities associated with abandoning the RUMS project and the Company's options for the project (including proceeding with constructing it or abandoning it). In parallel, the Former Investment Manager re-evaluated the options for the RUMS project, including the funding requirement in the event of proceeding with construction. Based on the reviews undertaken at that time, and the information provided to the Board on 31 May 2023 by the Former Investment Manager, the Board concluded that it would not be in the interests of shareholders to proceed with the construction of the RUMS project. Aswell as being commercially unviable, predominantly due to the high solar panel prices at that time, proceeding would breach the Company's investment policy restrictions.

Re-evaluation of 31 December 2022 portfolio valuation proposed by the Former Investment Manager

Due to the ongoing material uncertainties regarding the Company's financial position and in support of progressing the audit and annual report and accounts for the period ended 31 December 2022, the Board also appointed, in May 2023, PricewaterhouseCoopers LLP ("PwC") to undertake a detailed review of the key assumptions included in the financial models and the valuation methodology of the operational assets within the portfolio, namely the SolarArise portfolio and NISPI, as at 31 December 2022 proposed by the Former Investment Manager. On 12 July 2023, the Board announced it had received a draft report from PwC and that the Board anticipated the final portfolio valuation as at 31 December 2022 could reflect a material downward movement that would be in addition to the costs written off and potential abandonment liabilities associated with not proceeding with the RUMS project.

2023 Annual General Meeting

At the Annual General Meeting held on 30 June 2023, alongside the standard annual resolutions to re-elect the Board which were passed, a Continuation Resolution was proposed as 75% of the net IPO proceeds had not been deployed within 12 months of admission to trading. If the Continuation Resolution did not pass, the Directors would be required by the Company's Articles of Association to put forward proposals for the reconstruction, reorganisation or winding up of the Company to shareholders for their approval within four months of the date of the meeting at which the Continuation Resolution was proposed. Given the uncertainty of the Company's financial situation, the Board recommended that shareholders abstain from voting on the Continuation Resolution and adjourned the AGM ahead of the shareholder vote on the Continuation Resolution.

General meetings requisitioned by entities and funds affiliated with the Former Investment Manager

On 11 July 2023, the Company received a notice from certain entities and funds affiliated with the Former Investment Manager (the "Requisitioners"), which held 14.8% of the Company's issued share capital, requisitioning a general meeting of the Company's shareholders to vote on, amongst other things, the Continuation Resolution.

On 31 July 2023 in the notices for the requisitioned general meeting and adjourned Annual General Meeting (the "August Meetings"), the Board recommended shareholders to vote against the Continuation Resolutions to be proposed at those meetings as shareholders would be unable to form a considered view of the Company as, at that time, (i) its valuation was uncertain, (ii) its principal construction asset was believed to be commercially unviable and the non-completion liabilities were expected to be substantial, (iii) the audit of its financial statements for the period ended 31 December 2022 and associated annual report and accounts could not be completed, (iv) its shares were suspended from listing and (v) there was no clear strategy for the future of the Company.

Prior to the August Meetings a second notice from the Requisitioners was received by the Company requisitioning a further general meeting to consider ordinary resolutions that the current Board be removed from office as directors of the Company and replaced with new directors nominated by the Requisitioners with immediate effect.

Ahead of the August Meetings that were held on 24 August 2023, the Board continued to provide updates to shareholders on material new information in support of its recommendation to vote against the Continuation Resolutions. At the August Meetings, shareholders representing 58% of the votes cast (and a majority of the issued share capital) voted against the Continuation Resolutions in line with the Board's recommendation. The Board immediately commenced an evaluation of the options for the Company's future in view of its obligation, under the Company's Articles of Association to put proposals to shareholders for the reconstruction, reorganisation or winding-up of the Company, by 24December 2023.

The second requisitioned general meeting was held on 25 September 2023. Shareholders representing approximately 54% of the Company's total issued share capital supported the current Board and the resolutions to replace the current Board were not passed.

Change of Investment Manager

As the Continuation Resolutions were not passed at the August Meetings, the Company was entitled to terminate its investment management agreement with the Former Investment Manager summarily at any time and without further payment in respect of the Former Investment Manager's initial five-year term of appointment. Due to the deteriorated relationship with the Former Investment Manager and concerns on the quality, validity and timeliness of information provided by it to the Board, the Board determined it would be in the best interests of shareholders to terminate the Former Investment Manager's appointment as the Investment Manager. Following a competitive tender process, the Board announced on 28 September 2023 that it had agreed heads of terms to appoint Octopus Energy Generation as the Transitional Investment Manager for an initial term expiring on 30 April 2024. Following completion of the customary take-on and regulatory procedures, Octopus Energy Generation's appointment with immediate effect was subsequently confirmed on 1 November 2023.

Decision to proceed with the RUMS project due to changed circumstances

On 11 October 2023 the Board announced its decision to proceed with the RUMS project due to it having become the least value destructive option for shareholders. This was based on the advice received from the Former Investment Manager that:

· panel prices had fallen by 30% which meant that the negative NPV was significantly less than at 31 December 2022;

· aborting the RUMS project would: (i) crystallise an immediate write off of US$8.9 million of costs incurred in respect of the project as at 30 September 2023; (ii) result in the encashment of US$1.2 million of performance bank guarantees; (iii) potentially indirectly expose SolarArise to abandonment liabilities (net of the performance bank guarantees) of up to US$32.3 million and likely protracted associated litigation; and (iv) lead to reputational damage that could adversely impact the value of the SolarArise platform; and

· whilst the RUMS project was clearly not value accretive, proceeding to construct it would: (i) allow SolarArise to better manage its liabilities in respect of the RUMS project, providing greater certainty compared to a very uncertain process of aborting it, both in terms of the value of any potential abandonment liabilities and the expected timeline for settlement; and (ii) add a further 200 MW of capacity to the SolarArise platform and, once operational as part of a wider portfolio, may facilitate a more attractive exit of SolarArise in any future liquidity event.

To proceed with the RUMS project, the Board put forward a resolution to amend the single country limit in the Company's investment policy to avoid any potential breach of that limit as a consequence of proceeding with the RUMS project (and also to make clarificatory changes to the gearing policy), which was passed at a general meeting held on 31October 2023.

Change of name and new corporate website

On 27 October 2023, the Company changed its name to Asian Energy Impact Trust plc. The Company launched a new corporate website, [*www.asianenergyimpact.com*](http://www.asianenergyimpact.com), on 1 November 2023.

Unaudited NAV as at 30 September 2023

On 13 December 2023, the Board announced the unaudited NAV as at 30 September 2023 in order to provide investors with the most recent financial information at the earliest possible time.

Unaudited net assets as at 30 September 2023 were US$88.5 million (NAV of 50.4 cents per share), a marginal increase on the net assets (and NAV per share) as at 31 December 2022.

The unaudited NAV as at 30 September 2023 (relative to 31 December 2022) reflects an uplift the portfolio valuation resulting from the negative NPV of proceeding with the RUMS project as at 30 September, being materially lower than costs of not proceeding with it reflected in the 31 December 2022 portfolio valuation, which was largely offset by a further material reduction in the Philippines wholesale electricity spot market over the period and additional non-recurring professional fees incurred since the temporary share suspension.

At 30 September 2023, the Company had cash balances of US$63.6 million and held US$1.7 million in its UK subsidiary, AEIT Holdings. The Company has invested a further US$20.0 million in SolarArise to provide funding required for constructing the RUMS project.

As at 30 September 2023, gearing in AEIT's investment portfolio represented 54.6% of the Adjusted GAV.

Winding-up proposal

In accordance with its obligation to put forward proposals for the reconstruction, reorganisation or winding-up of the Company to shareholders for their approval within four months of the Continuation Resolutions not having been passed, the Board convened a further general meeting on 19 December 2023 to consider a resolution to wind-up of the Company and appoint liquidators. The Board had considered possible options for a reconstruction or reorganisation of the Company but, given, in particular, the concentrated and illiquid nature of the Company's portfolio and the current size of the Company, the Board concluded that a reorganisation or reconstruction was not viable or in the best interests of shareholders as a whole. Accordingly, in order to comply with its obligation under the Articles, the Board's only option was to put a winding up proposal, but recommended shareholders to vote against the resolution principally for the following reasons: (i) if the resolution was passed, it was expected that the listing of the Company's shares would be permanently suspended; and (ii) if the resolution was not passed (in-line with the Board's voting recommendation), the Board would have the additional time needed to complete the ***strategic*** review of the options for the Company's future and shareholders would have the opportunity to vote on the outcome of the ***strategic*** review. Shareholders representing 83% of the votes cast (and 69% of the issued share capital) voted against the winding-up resolution, in line with the Board's recommendation.

Investments

|  |  |  |
| --- | --- | --- |
| No. of individual assets purchased in the period26 10 | Net operational asset value27 US$ 23.5m | Adjusted GAV US$ 173.3m |

26 Includes the 200 MW construction project in Rewa Ultra Mega Solar Park (the "RUMS project") in India.

27 The value of the Company's operational investment portfolio excluding construction assets.

At the time of the IPO, the Company had committed to acquire interests in portfolios of assets in India, being a 43% economic interest in SolarArise India Projects Private Limited ("SolarArise"), and the Philippines, being a 40% economic interest in Negros Island Solar Power Inc ("NISPI"), for a combination of cash and new ordinary shares to be issued by the Company.

Summary of deployment

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| AEIT proportion of |  |  |  |  |  |
| Acquisition price | Total operational | AEIT proportion on | construction-ready |  |  |
| Investment | Proportion | paid (US$ million) | capacity | completion | capacity |
| SolarArise | 43.0% | 32.929 | 233 MW | 100 MW | 86 MW |
| 57.0%28 | 38.5 | 133 MW | 114 MW |  |  |
| NISPI | 40.0% | 25.4 | 80 MW | 32 MW | n/a |
| VSS²? | 99.8% | 3.1 | 6 MW | 6 MW | n/a |
| Totals | 99.9 | 319 MW | 271 MW | 200 MW |  |

28 Completed post the period end.

29 Includes payment of US$2.7 million to Indian tax authorities on behalf of the sellers.

The acquisition of NISPI, the 80 MW Philippines investment platform with three operating solar plants, completed on 17December 2021 for a cash consideration of US$25.4 million. The sites are in the Central Visayas region, located across two sites on Negros, the fourth largest island of the Philippines. The 40% economic interest in NISPI was acquired from an associate of the Former Investment Manager and the remaining 60% is owned by Ayala Clean Energy Inc. Nogearing is employed within the portfolio. The three solar power plants currently generate revenue through the sale of power to the grid at the WESM price. This means in-year performance and its value is at risk to wholesale energy market price movements in both the short term and long term within the Philippines.

The seed asset acquisition in India reflected a 43% economic interest in SolarArise, the 433 MW Indian investment platform with six operating solar plants totalling 233 MW and one 200 MW construction-ready solar plant (the "RUMS project". All operating assets benefit from long-term fixed price power purchase agreements with central government agencies such as Solar Energy Corporation of India Ltd. ("SECI") or state government electricity utilities. The acquisition of the 43% economic interest was acquired from associates of the Former Investment Manager and completed in August 2022 following an amendment to the sale and purchase agreement to update the fair value to a more recent date, being 30 June 2022. Due to the strengthening of the US Dollar, this reduced the purchase consideration from US$34.6 million as outlined in the IPO prospectus to US$32.9 million. Completion comprised of consideration of US$30.2 million, settled through the issue of 26.0 million ordinary shares at US$1.16035 per share and cash of US$2.7 million that was paid by SolarArise to the Indian tax authorities on behalf of the sellers.

On 20 June 2022 the Company committed to acquire the remaining 57% economic interest in SolarArise from the remaining shareholders including the founders of SolarArise. The commitment was made for a cash consideration of US$38.5 million, reflecting a 5.2% discount to the acquisition price of the 43% economic interest agreed in November 2021 primarily due to the strengthening of the US Dollar. This acquisition completed post the period end on 13 January 2023 and at the date of this Annual Report the Company owns 100% of SolarArise. At at 31 December 2022, the 200 MW construction-ready asset was not commercially viable to proceed, with the potential liabilities associated with aborting the project being less than the negative NPV to the Company from constructing the project. Post the period end, the viability of the project improved, principally due to panel prices having fallen by 30% which meant that the negative NPV resulting from construction was significantly less than the potential abandonment liabilities, and a decision was made in October 2023 to proceed with construction.

On 1 November 2022, the Company, through its subsidiary AEIT Holdings Limited ("AEIT Holdings"), made its first investment in Vietnam through a contractual agreement to acquire Viet Solar System Company Limited ("VSS"), a privately-owned company which holds 6.12 MW of rooftop solar assets for US$3.1 million. The gross value of the assets was US$4.6 million including external debt. The acquisition completed on 31 May 2023 and represents a 99.8% economic interest in VSS. This acquisition was the start of a new local partnership with Solar Electric Vietnam ("SEV"), an engineering, procurement and construction provider and renewable energy developer in Vietnam. Additionally, AEIT Holdings entered into an investment agreement for an additional US$25.4 million of uncommitted funding for other renewable energy pipeline assets once such assets have been identified and to be acquired on agreeable terms. Nofurther assets have been acquired post the period end through this arrangement.

200 MW construction-ready RUMS project

The RUMS project is held by a wholly-owned special purpose subsidiary, Talettutayi Solar Projects Nine Private Limited ("TT9") of SolarArise.

Background

TT9 successfully bid for the RUMS project in a reverse auction conducted on 19 July 2021 and received the letter of award on 1 September 2021. Power purchase agreements ("PPAs") were signed on 25 November 2021 with Rewa Ultra Mega Solar Limited ("RUMSL"), the operator of the solar park of which the RUMS project forms part, and M.P. Power Management Company Limited and Indian Railways, with a fixed rate tariff of INR 2.339 per kWh for 25 years. Theoriginal deadline for the scheduled commercial operating date ("SCOD") was 25 June 2023, but in September 2022 this was extended to 8 September 2023 due to a delay by RUMSL in getting the initial tariff and other related approvals from the state regulatory agencies. The original bid projections were for an overall project cash cost of INR 5,880 million (US$78.4 million) funded by debt of INR 4,700 million (US$62.7 million) and equity of INR 1,180 million (US$15.7 million) with an IRR of 13.5%. It was expected that the equity financing required for the construction of the RUMS project would be funded entirely from existing cash resources within SolarArise and ongoing operating cash flow from its operational solar portfolio.

Increased cost estimates leading to temporary share suspension

During April 2023 it was disclosed to the Board that the cost of the RUMS project and the attendant equity funding requirement had gone up significantly thereby calling into question its economic viability. The cost increase had arisen principally due to increases in module costs, the cost of the EPC contract, goods and services tax and adverse movements in exchange rates in comparison to the costs in the original bid assumptions. For example, the RUMS project was originally bid with a module cost of US$24.2 cents per watt peak ('c/Wp') but prices rose significantly during 2022, in particular due to supply chain issues in the market and following the implementation of basic customs duty of 40% on imported solar modules and 25% on imported solar cells from 1 April 2022. This caused prices to rise to a peak of approximately US$40 c/Wp, but had fallen to approximately US$29 c/Wp by December 2022.

Later in April 2023, the Board was further advised by the Former Investment Manager that potentially significant non-completion liabilities would arise in TT9 in the event that it did not proceed with the construction of the RUMS project. Having received information that ***suggested*** the RUMS project may no longer be commercially viable and that there were potentially significant non-completion liabilities, the Company immediately sought the temporary share suspension to undertake further work to clarify the position and complete its 2022 audit and Annual Report.

Valuation of RUMS project

As at 30 September 2022, the fair value of the RUMS project included within the valuation of SolarArise prepared by the Former Investment Manager was US$4.9 million (US$2.1 million for the 43% interest owned at that date). Thisrepresented the fair value of the project cashflows of US$14.1 million offset by the assumed equity funding required of US$9.2 million.

In the days following the temporary share suspension, the Board and Former Investment Manager commenced a number of important workstreams including taking advice regarding potential liabilities in the event that the RUMS project was not constructed in accordance with the contractual documentation and on the valuation of the RUMS project.

Based on information now available and knowable as at 31 December 2022, the valuation of proceeding with the construction project was estimated to be negative US$33.3 million based on 100% ownership, whereas the potential liabilities associated with aborting the project were estimated to be US$14.1-US$33.2 million, with the lower end assuming 100% success in implementing a mitigation strategy. As there is significant subjectivity in determining the specific abort case liabilities to include in the valuation, it has been determined that a market participant would view the SolarArise portfolio in its entirety and that an appropriate assumption would be to write the SolarArise portfolio down to zero as the potential abort liabilities would have exceeded the value of SolarArise (before providing for such liabilities). This results in applying an abort liability of US$12.0 million for the 43% ownership. Including the abort liabilities in the valuation of SolarArise as at 31 December 2022 also gives rise to an onerous contract for the commitment to purchase the remaining 57% as the committed price to pay was less than the value of the contract.

Latest updates

Falling solar module prices resulted in the Former Investment Manager continuing to re-evaluate the project and the Board appointed an Indian-based independent financial advisor to complete a commercial assessment of the RUMS project. The EPC provider was identified with high-level commercials agreed and JA Solar was selected as the preferred solar panel provider with an agreed price of US$15.5 c/Wp (US$22.3 c/Wp including import duties). Updating the model with the declining panel prices and other assumption changes reduced the overall negative NPV of the project to approximately US$13 million. Based on advice from the Former Investment Manager, on 11 October 2023, the Board agreed to provide funding of US$20 million by way of an INR-denominated external commercial borrowings loan from the Company to SolarArise to enable construction of the RUMS project to proceed.

The Transitional Investment Manager has since refined the RUMS project model and the published valuation as at 30September 2023 is a negative NPV of US$14.6 million.

Construction of the RUMS project has commenced. On the recommendation of the Transitional Investment Manager, theCompany has appointed Fichtner as the owner's technical advisor to the RUMS project, providing boots on the ground to oversee the construction of the asset on a day-to-day basis. An official extension has been granted to the deadline for theSCOD to 5 February 2024. As at early January 2024, the third of five shipments of panels have arrived on site. Althoughrisks remain due to the size and tight timelines of the project, it is currently expected to be commissioned before 31 March 2024.

Portfolio Breakdown

The following charts are representative of the pro-rata share of the assets owned as at 31 December 2022.

Geographical diversification - as a % of generating capacity (MWp)

Asset phase - as a % of generating capacity (MWp)

Revenue structure - as a % of generating capacity (MWp)

Portfolio Performance

During 2022, the investment portfolio's electricity generation was 85,199 MWh. This reflects the proportionate share of the electricity generated by investments from the date of acquisition and therefore takes into account 40% of NISPI from 1January 2022 and 43% of SolarArise from 19 August 2022.

Across the investment portfolio, electricity generation was 17% below budget, driven by lower irradiation, poor weather and low air quality in India and grid curtailment in the Philippines.

|  |  |  |
| --- | --- | --- |
| Output generated by underlying operating assets30 85,199 MWh | Revenue generated by underlying operating assets30 US$7.8m | EBITDA generated by underlying operating assets30 US$4.9m |

30 Pro-rated for economic ownership and from the 1 January 2022 for NISPI and 19 August 2022 for SolarArise (the date of investment). These are not IFRS measures and are KPIs used to monitor the performance of the underlying assets.

Philippines

The Philippines portfolio comprises NISPI, an investee company with three operating solar plants with a total capacity of 80 MW situated on the island of Negros. All three solar plants export electricity to the grid at the wholesale electricity spot market ("WESM") price.

Generation during 2022 was 19% lower than budget due to grid curtailment stemming from the effects of Typhoon Rai (December 2021) and the damaged Negros-Cebu subsea cable. The damaged subsea cable was restored in October 2022. In the final two months of 2022, the portfolio generated 6% below budget which was in line with the variance in irradiation observed in the period.

Although generation was lower than expected, WESM prices continued to increase throughout the year with an average of 7.79 PHP per kWh achieved by NISPI, in comparison to a budgeted price in the investment case of 7.74 PHP per kWh in 2022 and 4.81 PHP per kWh achieved in 2021. The steep trend upwards was driven by global energy market instability and increased demand as the nation-wide lockdowns were released and economic activity resumed, alongside rising fossil fuel prices. Whilst higher prices were achieved during the year compared to the prior years, the current valuation of the NISPI investment is based on modelled future cash flows and is highly dependent on assumed operational performance and the price that is assumed longer term to be achieved. In the December 2022 valuation, the valuation methodology has been updated to utilise leading market forecasters for the future WESM price curves. Prior periods utilised the Former Investment Manager's in-house power price curve based on historical prices achieved, indexed for future prices subject to the price ***cap***. The updated methodology utilises independent third-party advisor curves and these curves are depicting a significant downwards trend in future energy prices in the short to medium term, before levelling off in the long term.

Energy prices are driven by commodity prices, in particular delivered coal and liquefied natural gas, which are expected to fall from the heightened prices seen during global events such as the pandemic and the start of the Russia-Ukraine conflict. Further, at the end of 2022 and into early 2023, commodity prices showed sharp declines. Future budgets will be set utilising the independent forecasted prices and performance reported against these models. Further detail can be found in the Portfolio Valuation section.

At 31 December 2022, on a 100% basis, NISPI had PHP 538 million of cash reserves, equivalent to US$9.7 million and generated EBITDA of PHP 378 million, equivalent to US$6.8 million during 2022. NISPI has no debt.

India

As at 31 December 2022, the Indian portfolio comprised a 43% economic interest in SolarArise, an Indian platform with interests in six operating solar plants and the 200 MW construction-ready RUMS project, situated across five states in India and with a total potential capacity of 433 MW. All plants are or will export electricity under 25-year fixed-price government PPAs.

In comparison to budget for the full year of 2022, energy generation declined by 14% driven by lower irradiation, heavy rains during monsoon season resulting in floods at two of the sites (Telangana I and Telangana II) and air quality issues at Maharashtra. During the period of ownership from 19 August 2022, generation was 15% under budget. The Transitional Investment Manager is working closely with the asset management team on the ground to put in place mitigating actions to prevent the effects of flooding, test pollution levels in comparison to legislation and increase cleaning cycles at Maharashtra.

At 31 December 2022, excluding the amounts paid out to shareholders for the 57% acquisition in January 2023, on a 100% basis, SolarArise had INR 653 million of cash reserves, equivalent to US$7.9 million of which approximately US$5.1million had been generated from operations during the period of ownership. At 31 December 2022, SolarArise had approximately US$106.8 million of borrowings.

Portfolio Valuation

Valuation process

Regular valuations are undertaken for the Company's portfolio of assets. The process follows International Private Equity Valuation Guidelines, typically using a discounted cashflow ("DCF") methodology. The DCF methodology is deemed the most appropriate valuation basis where a detailed projection of likely future cash flows is possible. Due to the asset class, availability of market data and the ability to project the asset's performance over the forecast horizon, a DCF valuation is typically the basis upon which renewable assets are traded in the market. In a DCF analysis, the fair value of the investee companies is the present value of the expected future cash flows, based on a range of operating assumptions for revenues, costs, leverage and any distributions, before applying an appropriate discount rate. Key macro-economic and fiscal assumptions for the portfolio valuation are set out in note 9 to the Financial Statements. The assets held in the Company's UK subsidiary, AEIT Holdings, substantially comprise working capital balances and therefore the Directors consider the fair value of AEIT Holdings to be equal to its book value.

Following the material uncertainty surrounding the portfolio valuation as at 31 December 2022, detailed in the Post Period Updates section, the Board, Transitional Investment Manager and AIFM have made a number of changes to the valuation process which have been implemented to arrive at the 31 December 2022 valuation presented in this Annual Report.

In addition to the above, an updated valuation policy reflecting the change in assumption methodologies and review process has been adopted.

In accordance with the Company's valuation policy, the investment portfolio at 31 December 2022 has been valued by the Transitional Investment Manager. PwC was engaged as an independent valuation expert to provide a private independent opinion on the reasonableness of the valuations which were prepared by the Transitional Investment Manager, and adopted by the Board and AIFM when they approved the 31 December 2022 valuations.

Changes in relation to operational assets

PwC was appointed to assist the Company with a detailed review of the key assumptions included in the financial models and the valuation methodology for the Company's operational assets in India and the Philippines which had been prepared by the Former Investment Manager for the purpose of the 31 December 2022 valuation. As previously announced, following this review, the Company identified several areas for concern, including assumptions regarding revenues, operating costs, tax projections and cash extraction which were either inaccurate or considered to be unrealistically optimistic.

Following the PwC review, the operational asset models have been re-worked by the Transitional Investment Manager.

· This included updating the basis of the macro-economic assumptions in the models, utilising leading third-party market forecasters for power prices in the Philippines and a number of other material changes based on the Transitional Investment Manager's experience.

· The SolarArise holding company model was revised to accurately reflect asset management costs, cash extraction and tax assumptions in respect of SolarArise.

Changes in relation to the RUMS project

A commercial assessment of the construction-ready RUMS project was undertaken by an Indian-based independent financial adviser alongside a new model being built by an external specialist modelling firm which was reviewed by a model audit company, under the supervision of the Former Investment Manager.

While the model audit review was never finalised, a draft report was prepared. The outstanding issues noted in the draft report were reviewed and updated by the Transitional Investment Manager in new model in determining the appropriate valuation for the RUMS project.

Portfolio valuation as at 31 December 2022

The fair value of the Company's investment portfolio as at 31 December 2022 was USS11.5 million. The movements from IPO are detailed in the bridge below and exclude the onerous contract provision.

Fair value of investments from IPO to 31 December 2022

The basis of assumptions used by the Transitional Investment Manager in the 31 December 2022 portfolio valuations are outlined in the 'Portfolio Valuation' section.

31 The Company has received advice that abort liabilities associated with the RUMS project are restricted to the level of the SolarArise holding company and therefore the value of SolarArise can not fall below US$nil.

Basis of assumptions

Economic assumptions

The main economic assumptions used in the portfolio valuation as at 31 December 2022 are inflation forecasts, interest rates, foreign exchange rates and power price forecasts.

· Inflation forecasts: Our approach is to blend two inflation forecasts from reputable third-party sources.

· Interest rates: Interest rate forecasts are only relevant for the Indian portfolio of assets. As existing facility agreements are in place, we have assumed the rates as at 31 December 2022 are the long-term rates.

· Foreign exchange rate: Underlying valuations are calculated in local currency and converted back to US Dollars at the spot rate at the relevant valuation date.

· Power price forecasts: All assets in the SolarArise portfolio have long-term fixed price power purchase agreements and therefore market forecasts are not required. The NISPI portfolio generates revenue through the sale of power to the grid at the wholesale electricity spot market ("WESM") price and is fully exposed to volatility in WESM price curves. In determining the forecast for the WESM prices, our approach is to blend at least two wholesale energy price curves as prepared by market advisors that are reputable in the relevant market. By blending two or more forecasts, if there are any differences in methodology or assumptions this provides a hedge against the different market eventualities that the advisors reflect and minimises the risk of using a single curve which is too prudent or too optimistic. Prior period valuations relied on the Former Investment Manager's in-house assumptions which were not based on independent market forecasts and were materially higher than independent market forecasters' forecasted prices utilised in the 31 December 2022 valuations, particularly in the long term.

Discount rates

To determine the reasonable ranges, the applicable cost of equity for the solar market was estimated considering data points from transactional and other valuation benchmarks, disclosures in broker reports, other public disclosures and broader market experience of investors in the market. The Transitional Investment Manager compared the range to its own risk-adjusted discount rate analysis and determined the appropriate discount rates to apply.

Generation

Each asset's valuation assumes a 'P50' level of electricity output based on yield assessments prepared by technical advisors. The P50 output is the estimated annual amount of electricity generation that has a 50% probability of being exceeded-both in any single year and over the long-term and a 50% probability of being underachieved. P50 is the market standard assumption to utilise in valuation models. There is observed historical underperformance of the Company's operational assets when compared with the level of generation assumed at the time of acquisition. A technical advisor has been appointed to provide updated P50 yield assessments which are expected to be lower than these original assumptions. In lieu of receiving these, an estimated reduction has been applied for the 31 December 2022 valuations.

Adjustments to modelling methodology and timing of cash extraction

There are three elements to these adjustments.

· Asset management costs at the SolarArise holding company level: The ongoing asset management costs associated with the SPVs are charged at the holding company, rather than at the underlying SPV level. Previously, these costs were excluded from the valuation. For 31 December 2022, there has been a change in the SolarArise holding company valuation methodology which now uses a discounted cash flow methodology to reflect the ongoing liabilities and asset management fees required to operate the underlying assets which are paid from the holding company.

· Taxes at the SPV and SolarArise holding company levels: Tax inputs have been corrected within the models to align with the underlying tax returns.

· Cash extraction: Prior to 31 December 2022, the capital position of the underlying assets was not modelled appropriately and, in particular, negative distributable reserves at NISPI and SolarArise were not taken into account in the valuations. Correcting for the actual capital position of the assets had a negative impact on the valuations. Partially mitigating the impact of this modelling change, the valuations include an assumption that NISPI, the SolarArise holding company and each of the SolarArise SPVs will undertake a number of actions including capital reductions within a reasonable timeframe and within the boundaries of permissible cash extraction to eliminate some of the cash traps in the future. There remains a risk that these mitigations may take longer than forecast or may not be achievable. Conversely, more radical restructuring options are being looked into by the Transitional Investment Manager, which could lead to further valuation optimisations.

Carbon credits

For the SolarArise portfolio, carbon credit revenue was previously included in the base case. These revenues are now treated as an upside as opposed to a base case assumption and, therefore, have been removed.

Other adjustments

This refers to the balance of valuation movements in the period excluding the factors noted above including the inclusion of actual performance figures during the period. In addition, a number of other assumptions that were either inaccurate, or incongruent with standard market practice for the Company's assets, have been adjusted. These include updating lease and other operational costs to reflect contractual terms and inclusion of capex for inverter replacements.

Valuation approach for SolarArise

SolarArise has been valued as a total portfolio and this includes the six operational assets, the liabilities associated with the construction-ready RUMS project that was commercially not viable to proceed as at 31 December 2022, and the costs, assets and liabilities of the holding company, all based on a 43% ownership share. As the liabilities associated with abandoning the RUMS project represented a broad range of possible outcomes, the worst of which would be greater than the value of the assets held, it has been determined that the fair value of the SolarArise portfolio as at 31 December 2022 was US$nil31. This represents abort liabilities for the RUMS project of US$12.0 million for the 43% ownership.

The RUMS project

The total bridge movement of the RUMS project reflects the cash put in since IPO from the SolarArise holding company and the negative valuation of US$12.0 million at 31 December 2022.

Valuation sensitivities

The sensitivities are based on owning 43% of SolarArise and 40% of NISPI as at 31 December 2022. For each of the sensitivities shown, it is assumed that potential changes occur independently with no effect on any other assumption. The sensitivity movements are presented both on a cents per share basis and as a percentage of the Company 's NAV. For SolarArise, the sensitivities in the chart below are calculated on its operational portfolio, excluding the RUMS project. As the total value of SolarArise (including the RUMS project) as at 31 December 2022 is US$nil, the downsides shown below are not reflective of the actual impact on the Company (as the value of SolarArise can not fall below US$nil).

Discount rate: A range of discount rates are applied in calculating the fair value of investments, considering the location, technology and lifecycle stage of each asset as well as leverage and the split of fixed to variable revenues. A 100bps increase or decrease in the levered cost of equity for each portfolio has been applied.

Generation: The sensitivity assumes a 10% increase or decrease in total forecast generation relative to the base case for each year of the asset life.

Power price curve: The sensitivity assumes a 25% increase or decrease in power prices relative to the base case for each year of the asset life (excluding any period covered by a PPA).

Inflation: The sensitivity assumes a 1% increase or decrease in inflation relative to the base case for each year of the asset life. Where revenue or cost items have a contractually defined indexation profile, this has not been sensitised.

RUMS project abort liabilities: As at 31 December 2022, the least value destructive option was to abort the RUMS project. Third-party advisors were engaged to review the range of abort liabilities that could arise. The potential outcomes ranged from a worst case liability of US$33.2 million to a mitigated case of US$14.1 million on a 100% basis. The sensitivity shows the impact on Company value by adopting the ends of these ranges vs. the assumed abort estimation of US$27.8 million.

Cash extraction: As at 31 December 2022, NISPI, the SolarArise holding company and each of the SolarArise SPVs had significant negative distributable reserve balances, prohibiting the payment of dividends. The valuations have been updated to reflect this but assume that some measures to eliminate cash traps within a reasonable timeframe are implemented, for example, capital reductions. The sensitivity assumes that such measures to eliminate cash traps are delayed by c. 12 months at both NISPI and SolarArise.

FX rate: Investments are held in the currency of the territory in which the asset is located. At 31 December 2022, the Company was impacted by the US Dollar strengthening against both the Philippine Peso and the Indian Rupee over the period. A flat decrease or increase of 10% in the relevant rate over the remaining asset life of each plant has been applied to the final values as at 31 December 2022.

Financial Review

The Financial Statements of the Company for the period from 1 November 2021 to 31 December 2022 are set out in this report. The Financial Statements have been prepared in accordance with United Kingdom adopted international accounting standards and the applicable legal requirements of the Companies Act 2006.

Basis of accounting

The Company applies IFRS 10 and Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 28, which state that investment entities should measure all their subsidiaries, joint ventures and associates that are themselves investment entities at fair value. The primary impact of this application, in comparison to consolidating subsidiaries, is that the cash balances, the working capital balances and borrowings in its subsidiaries are presented as part of the Company's fair value of investments.

The comparative period is the period from incorporation on 6 September 2021, to 31 October 2021, being the Company's first accounting period. On 16 November 2021, the Company extended its accounting period to 31 December 2022. The Company did not commence its operating activities until the listing of its ordinary shares on the London Stock Exchange on 14 December 2021, and therefore, there is no profit or loss up to this date.

Results for the period ended 31 December 2022

|  |  |
| --- | --- |
| US$m |  |
| Net asset value | 86.6 |
| Fair value of Company's investments | 11.5 |
| Net assets per share (cents) | 49.3 |
| Movement on fair value of investments | (47.0) |
| Onerous contract provision with respect to 57% acquisition of SolarArise | (38.5) |
| Loss for the period | (88.8) |

Net assets

The net asset value as at 31 December 2022 was US$86.6 million or 49.3 cents per ordinary share. The fair value of the Company's investment portfolio as at 31 December 2022 was USS11.5 million.

The valuation of the underlying portfolio has decreased significantly due to a detailed review of all modelled assumptions affecting the valuations.

Net asset value bridge - IPO to 31 December 2022

Notes to the NAV bridge

· IPO cash proceeds: US$115.4 million raised at IPO (before associated listing expenses), resulting in the issue of 115.4 million shares.

· Consideration shares issued on SolarArise 43% acquisition: In August 2022, AEIT completed the acquisition of 43% of SolarArise. Completion comprised of consideration of US$30.2 million, settled through the issue of 26.0 million ordinary shares at US$1.16035 per share and cash of US$2.7 million that was paid by SolarArise to the Indian tax authorities on behalf of the sellers.

· Gross proceeds received in subsequent placing: The number of shares subsequently increased from 141.4 million to 175.7 million during Q4 2022 pursuant the placing of shares for cash that closed on 16 November 2022 raising gross proceeds of US$35.3 million.

· Change In fair value of investments: The change of -US$47.0 million represents the decrease in fair value of the underlying investments relative to their acquisition prices. This is outlined further in note 9 to the Financial Statements. The fair value of the Company's investments held on the balance sheet as at 31 December 2022 only includes the fair value of NISPI. Given the likely value of the crystallised abort liabilities on the RUMS project has been assumed that a market participant would look at the SolarArise platform in its entirety and would write the value of SolarArise as a whole down to US$nil. This represents a total abort liability of US$27.8 million (100% basis).

· Onerous contract provision: At 31 December 2022, the Company had a commitment to purchase the remaining 57% of SolarArise. This transaction completed in January 2023 for a total consideration of US$38.5 million. Based on the 31 December 2022 valuation of SolarArise, the value of 57% of SolarArise was significantly lower than the consideration payable, and effectively US$nil, and therefore, an onerous contract has been recognised in the Company's balance sheet. See note 13 to the Financial Statements for further information.

· Other Company-level costs: This relates to the Company-level costs incurred in the period of US$3.5 million, offset by FX gains of US$1.7 million. Included in these costs are exceptional costs incurred following the temporary share suspension of US$1.2 million, relating to the 31 December 2022 valuations and the finalisation of the 2022 audit. See note 4 to the Financial Statements.

Income

In accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued in July 2022 by the Association of Investment Companies ("AIC"), the statement of comprehensive income differentiates between the 'revenue' account and the 'capital' account, and the sum of both items equals the Company's profit for the year. Items classified as capital in nature either relate directly to the Company's investment portfolio or are costs deemed attributable to the long-term capital growth of the Company.

In the period ended 31 December 2022, the Company's total revenue was negative US$85.5 million comprising of the movement of fair value of investments (US$47.0 million) and an onerous contract provision recognised in respect of the purchase price of the remaining 57% of SolarArise (US$38.5 million). The operating expenses included in the statement of comprehensive income for the year were US$3.3 million. These comprise US$1.4 million Former Investment Manager fees and US$3.5 million operating expenses offset by US$1.7 million net foreign exchange gains in the period. The details on how the Former Investment Manager's fees were charged are as set out in note 19 to the Financial Statements.

Ongoing charges

The ongoing charges ratio ("OCR") is a measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running the Company. It has been calculated and disclosed in accordance with the AIC methodology, as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted NAV in the year. For the period ended 31 December 2022, the OCR was 2.5%. The OCR is an APM.

Financing

The Company does not have any debt. However it is permitted to have debt within its underlying investments. Per the Company's investment policy, gearing should not exceed 65% of the Adjusted GAV, with the Company targeting gearing of below 50% in the medium term. External debt financing is only at the level of the Indian solar portfolio and, as at 31December 2022, this comprised outstanding principal amounts of US$45.9 million (pro rated for economic ownership), representing a leverage ratio of 27%, increasing to 46% on a committed basis (including 100% of SolarArise).

Dividends

During the period, interim dividends totalling US$1.9 million were paid (0.44 cents per share paid in respect of the period from IPO to 31 March 2022 in June 2022, 0.44 cents per share paid in respect of the quarter to 30 June 2022 in September 2022 and 0.44 cents per share paid in respect of the quarter to 30 September 2022 in December 2022).

Post the period end, a further interim dividend of 1.18 cents per share was declared in respect of the quarter to 31December 2022 and paid in May 2023, and therefore dividends of 2.5 cents per share were paid in respect of the period under review.

Impact Report

Impact highlights32

Providing financial returns through clean energy generation

|  |  |  |
| --- | --- | --- |
| Installed operational capacity - MW 100 - SolarArise 32 - NISPI | Clean energy generated - MWh 85,199 | EU Taxonomy alignment33 100% |
| Providing environmental returns through GHG emission avoidance |  |  |
| GHG emissions avoided - tCO2e 62,770 | Equivalent UK cars taken off the road - No. 34,427 |  |
| Providing environmental returns through GHG emission avoidance |  |  |
| Employment directly supported full time equivalent ("FTE") jobs - No. 148 |  |  |

Contributing to UN SDGs

32 These metrics have been proportioned to account for AEIT's share of the SolarArise and NISPI assets during the reporting period.

33 This calculation excludes cash held by the Company.

Impact and ESG approach

Objective

The Company delivers on climate change mitigation through its investments. Nowhere is it more urgent to invest in renewable energy solutions that provide an alternative to polluting fossil fuels and coal than in Asia. The Company's investments in sustainable energy target these rapidly growing and emerging economies where greenhouse gas emissions ("GHGs") continue to grow rapidly. The investee companies within the investment portfolio address the climate change mitigation priorities set out in those countries' Nationally Determined Contributions ("NDCs") under the Paris Agreement on Climate Change, and efforts to achieve the United Nations Sustainable Development Goals ("UN SDGs"). The investment strategy finances renewable energy generation and avoids GHG emissions, while having a positive impact in the communities in which it invests.

As a result of this inherently green contribution, the Company was awarded the Green Economy Mark by the London Stock Exchange in December 2021. In 2022 AEIT was also classified as an Article 9 financial product with a sustainable objective under the EU Sustainable Finance Disclosure Regulation ("SFDR").

2022 highlighted the challenges of realising global ambitions to rapidly transition to the low-carbon and resilient economic trajectories that climate science shows to be both imperative and overdue. Despite geopolitical shocks, such as the war in Ukraine that forced a new focus on energy security at all costs and commodity price volatility, there was significant momentum around climate action in the Company's target markets.

|  |  |
| --- | --- |
| Country | Commitments to renewable energy transition in 2021 and 2022 |
| Bangladesh | Updated NDC targets in 2021 to lower GHG emissions by 7% by 2030, largely through renewable energy.34 |
| Indonesia | US$10 billion in public finance and US$10 billion in private finance from the Just Energy Transition Partnership with the US, Japan and European countries over the next five years (from 2022), to peak power sector emissions by 2030 and to increase carbon emission reduction targets by 25%.35 |
| Vietnam | Just Energy Transition Partnership to mobilise US$15 billion in public and private finance.36 |
| Philippines | 35% renewable energy by 2030, and 50% by 2040. In 2021, committed to a 75% emissions reduction by 2030, and moratorium on new coal power.37 |
| India | New NDCs, strengthening its 2030 emissions intensity target to 45% below 2005 levels, and 50% of electricity from non-fossil fuel energy sources and net zero emissions by 2070.38 |

Approach

The Company integrates environmental, social and governance ("ESG") risk management into its due diligence and management systems and applies a triple-return approach that considers social and environmental objectives alongside the financial returns of the Company.

|  |  |  |
| --- | --- | --- |
| Financial return39 | Environmental return | Social return |
| Providing shareholders with attractive dividend growth and prospects for long-term capital appreciation. | Protecting natural resources and the environment. | Delivering economic and social progress, through job creation and contribution to UN SDGs. |

The Investment Manager supports investee companies in monitoring and reporting on mandatory Principle Adverse Impact ("PAI") indicators established under the SFDR framework, and a range of additional ESG-related indicators, as part of its approach to active investment management.

The Company uses a set of key performance indicators ("KPIs") that aims to balance economic, environmental and social considerations, aligning the triple-return approach to the impact areas of generating clean energy, avoiding emissions and supporting quality jobs. The KPIs are listed below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Impact Area | Metric | Unit | Definition | Definition framework |
| Financial return: Generating clean energy | Installed operational capacity | MW | Total amount of energy the portfolio can transmit as of the end of the reporting period | IRIS+. Energy Capacity (PD3764). |
| New energy capacity added | MW | Amount of new energy capacity connected to the grid during the reporting period | IRIS+. Energy Capacity Added (PI9448) |  |
| Energy generated for sale | MWh | Amount of energy generated and sold to offtaker(s) during the reporting period | IRIS+. Energy Generated for Sale: Renewable (PI5842) |  |
| Environmental return: Avoiding emissions | Avoided emissions | tCO2e | Avoided emissions from renewable energy generation estimated using standardised grid emission factor per MWh. | IFI Joint Methodology for Renewable Energy Accounting approach |
| Social return: Quality Jobs | Jobs in directly financed companies | Number of FTE jobs | Number of full-time equivalent employees working for enterprises financed or supported by the organisation as of the end of the reporting period, aligned with HIPSO Direct Jobs Supported (Operations and Maintenance) | IRIS+. Jobs in Directly Supported/ Financed Enterprises. (PI4874) |

34 [*https://www.global-climatescope.org/markets/bd/*](https://www.global-climatescope.org/markets/bd/).

35 [*https://www.reuters.com/business/cop/us-japan-partners-mobilise-20-bln-move-indonesia-away-coal-power-2022-11-15/*](https://www.reuters.com/business/cop/us-japan-partners-mobilise-20-bln-move-indonesia-away-coal-power-2022-11-15/).

36 [*https://www.reuters.com/business/energy/g7-vietnam-reach-155-bln-climate-deal-cut-coal-use-sources-2022-12-14/*](https://www.reuters.com/business/energy/g7-vietnam-reach-155-bln-climate-deal-cut-coal-use-sources-2022-12-14/).

37 [*https://www.reuters.com/business/environment/philippines-raises-carbon-emission-reduction-target-75-by-2030-2021-04-16/*](https://www.reuters.com/business/environment/philippines-raises-carbon-emission-reduction-target-75-by-2030-2021-04-16/).

38 [*https://climateactiontracker.org/countries/india/targets/#:~:text=Target%20Overview,capacity%20to%2050%25%20by%202030*](https://climateactiontracker.org/countries/india/targets/#:~:text=Target%20Overview,capacity%20to%2050%25%20by%202030).

39 The Board is continuing undertaking a ***strategic*** review of the options for the Company's future. The outcome of the ***strategic*** review is likely to result in changes to the Company's target financial return. For further information on the ***strategic*** review, see Chair's Statement.

Beyond the Company contributions to these selected impact KPIs, investments support a range of positive contributions in the communities where the Company operates assets, including through ancillary corporate social responsibility efforts. These additional sustainability contributions are also monitored and highlighted in this impact report.

Financial return: generating clean energy

The financial return target, in particular yield through dividends, is contributed to through the generation of clean energy and the operational performance of assets. Put simply, with all other things being equal, the more green energy an asset produces, the better the financial returns for investors through receiving revenue for the electricity that is sold. In this respect, there is no trade-off between financial returns and positive impact through avoided emissions.

In looking through the impact lens, financial returns are generated though the installed operational capacity and the resulting clean energy generated, and these returns are sustainable through the alignment to the EU Taxonomy.

The following KPIs are proportionally based on 43% ownership of SolarArise from 19 August 2022 and 40% ownership of NISPI.

|  |  |  |
| --- | --- | --- |
| Installed operational capacity - MW 100 - SolarArise 32 - NISPI | Clean energy generated - MWh 85,199 | EU Taxonomy alignment 100% |

In 2022 the investment portfolio comprised interests in 313 MW of installed operational capacity. The proportional share of this was 132 MW of generating capacity which generated 85,199 MWh of clean renewable energy in the Philippines and India in 2022. This clean energy generation is equivalent to providing 41,954 people in the Philippines and 52,080 people in India with clean electricity. This directly supports the Philippines' and India's NDCs, helping to address their climate mitigation priorities.

Equivalent number of people provided with clean electricity

|  |  |
| --- | --- |
| 41,954 in the Philippines40 | 52,080 in India41 |

Considering post period completions on the remaining 57% equity share in SolarArise (including the decision in October 2023 to proceed with the RUMS project) and a 99.8% equity share in VSS, the generation potential of the operational AEIT portfolio increases to an estimated 704,757 MWh/year in 2024.

Potential MWh contribution of AEIT's operational portfolio following post period completions

40 On the basis of: IEA 2020. Average per capita electricity consumption in Philippines (0.84 MWh).

41 On the basis of: IEA 2020. Average per capita electricity consumption in India (0.96 MWh).

The Company aims for 100% alignment of sustainable investments with the EU Taxonomy. In some cases, bringing infrastructure assets into alignment with the full requirements of technical screening criteria may be part of the value addition of the acquisition. Investee companies may also make substantial contributions to other environmental objectives of the EU Taxonomy. To ensure no significant harm to biodiversity and ecosystems, environmental screening is conducted for all investments. Physical climate risk and vulnerability assessments have been completed for all investee company sites by an external consultant. Investee companies will continue to develop longer term climate change risk management plans as part of their ongoing ESG management approach.

As at 31 December 2022 100% of existing investments made a significant contribution to climate change mitigation and were aligned with the EU Taxonomy.

This analysis was conducted by the Former Investment Manager, and reviewed by the ESG Committee and Transitional Investment Manager, drawing on publicly available information and proprietary data sets, and information provided directly by investee companies. Where necessary, inputs from third-party technical advisors may be reflected.

Improving the resilience of the investment portfolio is another way to ensure long-term financial returns. Climate change is a daily lived reality at the renewable energy sites operated by investee companies, which are located in some of the most climate vulnerable regions of the world. The Company's efforts to assess climate risk and develop scenarios for its investment portfolio are discussed as part of its 'Task Force on Climate- Related Financial Disclosures' in this Annual Report.

The EU Taxonomy

The EU Taxonomy was published in 2020, the culmination of an extensive effort to develop a shared framework for defining environmentally sustainable activities across the European Union. The EU Taxonomy specifies six environmental objectives:

· climate change mitigation;

· climate change adaption;

· protecting marine and water resources;

· transitioning to a circular economy; preventing pollution;

· protecting and restoring biodiversity and ecosystems

The EU Taxonomy is a critical element of the EU's Sustainable Finance Action Plan, and has a central role in the EU SFDR which requires definition of the extent to which investments with an environmentally sustainable objective will meet EU Taxonomy requirements.

Environmental return: avoiding emissions

Through investments in renewable energy, the Company protects natural resources and the environment, directly avoiding greenhouse gas emissions.

The following KPIs are proportional based on 43% ownership of SolarArise from 19 August 2022 and 40% ownership of NISPI.

|  |  |  |
| --- | --- | --- |
| Avoided emissions-tCO2e42 40,928 - SolarArise 21,842 - NISPI | Equivalent cars taken off the road in the UK43 34,427 | GHG intensity of investee companies - tCO2e/US$m 35.87 |

The total 85,199 MWh of clean energy generated resulted in a total of 62,770 tonnes of avoided CO2 emissions. This is equivalent to 34,427 cars taken off the road in the UK for a year.

Considering post period completions on the remaining 57% equity share in SolarArise (including the decision in October 2023 to proceed with the RUMS project) and a 99.8% equity share in VSS, the potential contribution of AEIT's operational portfolio to carbon avoided emissions increases substantially to 568,164 tCO2e/year in 202444.

Potential tCO2e avoided emissions and impact from AEIT's operational portfolio following post period completions

The Former Investment Manager engaged with its investee companies to measure their GHG emissions. Some GHG emissions will inevitably be associated with investments even though they help avoid emissions that would otherwise result if the same electricity was produced using fossil fuels.

2022 carbon footprint

During the reporting period, the Former Investment Manager engaged with an external advisor to help calculate the first GHG emissions footprint and this has been reviewed by the Transitional Investment Manager and recommended by the ESG Committee for approval by the Board. The Company has quantified and reported its carbon footprint using guidance from the Partnership for Carbon Accounting Financials' ("PCAF") 2022 'Global GHG Accounting and Reporting Standard for the Financial Industry' ('Financed Emissions Standard'). The PCAF 'Financed Emissions Standard' was developed with the purpose of providing financial institutions with transparent, harmonised methodologies to measure and report emissions in conformance with the requirements of the 'Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard'. The Company has consolidated its approach for carbon accounting using guidance from the operational control approach for unlisted equity. Additionally, for SolarArise, the Company received a carbon footprint for the whole 2022 calendar year. As such, SolarArise's emissions have been proportioned to AEIT's stake and pro-rated from 19 August 2022, the date of investment and the pro-rated share of NISPI's emissions are considered. More detail on how different activities were allocated to different scopes is laid out below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Scope | Portfolio ('financed') emissions (tCO2e) | Company emissions (tCO2e) | Total emissions (tCO2e) | Percentage of total (%) |
| 1 - Direct emissions | 22.98 | 0.00 | 22.98 | 1 |
| 2 - Indirect emissions | 191.49 | 0.00 | 191.49 | 7 |
| 3 - Indirect emissions | 1,909.10 | 490.71 | 2,399.81 | 92 |
| Carbon footprint - Scope 1, 2, 3 | 2,123.57 | 490.71 | 2,614.29 | 100 |

42 Carbon avoided is calculated using the International Financial Institution's approach for harmonised GHG accounting.

43 Equivalent cars is calculated using a factor for displaced cars derived from the UK government GHG Conversion Factors for Company reporting.

44 These calculations are based on the operational asset's 'generation potential', which is based on the operational asset's 'P50' yield assumptions for the next available full operational year (including asset degradation that occurs naturally over the asset's lifetime and the 'hair cut' included in the 31December 2022 valuation models).

Scope 1 emissions are primarily associated with on-site fuel combustion. In 2022, Scope 1 emissions accounted for the smallest proportion of the investment portfolio's carbon footprint. This figure reflects limited use of on-site combustion due to the 2022 portfolio consisting solely of operational solar assets. Scope 2 emissions are associated with imported electricity to the solar portfolio, and accounted for 7% of its total emissions. The Company, as a legal entity, has no direct employees, owned or leased real estate, or direct assets, and therefore the Company has no Scope 1 or 2 emissions.

Scope 3 emissions account for the majority of emissions, making up 92% of the total carbon footprint. These emissions are associated with activities that are indirectly associated with the Company and its portfolio investments. The Company's emissions relate to AEIT's purchased goods and services (for example the emissions relating to the Company's legal services and the Former Investment Manager's services) and AEIT's Board travel. In line with the PCAF methodology, all of the portfolio Scope 3 emissions for these various activities are captured by the GHG Protocol's Scope 3 Category 15 - Investments, also known as 'financed emissions'. The majority of financed emissions are related to purchased goods and services, fuel- and energy-related activities (not included in Scope 1 and 2), travel and waste.

In 2022, the carbon intensity was 19.76 tCO2e/MW capacity. This includes Scope 1, 2 and 3 of the whole of AEIT's emissions. Absolute emissions will continue to grow as the Company invests into more assets, with the relative proportion of Scope 1 emissions likely to increase as construction assets are added to the portfolio. The weighted average carbon intensity ("WACI") in 2022, which represents the emissions intensity per million US Dollars of revenue generated, was calculated to 35.87 tCO2e/ US$m revenue.

Data quality

The Company recognises the challenges in measuring its GHG emissions for its sites and activities. In particular:

· quality and availability of data collected for conversion calculations can significantly impact the accuracy of the final emissions output; and

· availability and specificity of emissions factors used to convert data into related emissions can also impact the validity of final emissions output.

In 2022, the Former Investment Manager received a combination of physical activity-based data and spend-based data for Scope 1 and 2 activities and spend data only for Scope 3 activities. Spend-based emissions factors are typically derived on industry average greenhouse gas emissions, and therefore are less specific than activity-based emissions factors. In addition, spend-based emissions factors for the Philippines were not available, and therefore the external advisor calculated the majority of the NISPI portfolio's emissions using its default French emission factors. Given that the majority of emissions were calculated via spend-based emissions factors and that there was a lack of appropriate emissions factors for the geographic locations of the investment portfolio, the Transitional Investment Manager has low confidence in the precision of these emission calculations.

Supply chain visibility and quantification, and the availability of appropriate emissions factors are considerable challenges facing companies seeking to calculate and report on their carbon footprint. Given the difficulties in capturing and calculating the carbon footprint, the Transitional Investment Manager will continue to develop and refine its methodology, working with asset management service providers to reduce reliance on spend data and with carbon consultants to improve the specificity of emissions factors.

Social return: quality jobs

The Company aims to contribute to delivering economic and social progress and help build resilient communities through supporting jobs and contributing to the UN SDGs.

|  |  |
| --- | --- |
| Employment - directly supported full time equivalent jobs 148 | Number of UN SDGs contributed to 4 - SDGs 7, 8, 13, 15 |

As at 31 December 2022, the investment portfolio (proportioned by share) supported 5 FTE salaried jobs at its investee companies and 143 FTE contractor positions. While the FTE employee numbers remained largely stable throughout 2022, contractor numbers at SolarArise reduced in Q4 2022 as scheduled maintenance work concluded.

|  |  |
| --- | --- |
| FTE employee opportunities supported 5 | FTE contractor employment opportunities supported 143 |

Considering the post-period completion on the remaining 57% equity share in SolarArise (which was a committed investment before the end of the period), the potential contribution of the portfolio to total supported jobs increases substantially to 28745.

The vast majority of both direct and contractor jobs were occupied by men. Gender pay-gap analysis was not possible in most cases given no female employees at the investee companies. A substantial gender pay gap was reported at one investee company, with the average daily gross pay for men being 51% higher than women. Attracting and retaining diverse talent, including female employees, remains a challenge. No targets have been set in the reporting period.

No major health and safety incidents resulting in lost working time were reported on any of the investee company sites in 2022. This may have resulted from the proactive efforts to promote health and safety understanding, including mandatory health and safety training for contractors and other workers at operating solar sites.

Adherence with global standards and guidelines on human rights and good governance, such as the UN Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, are key to the Company's commitments. All investee companies in the investment portfolio established grievance mechanisms through which any stakeholder could raise concerns about their project implementation frameworks. In 2022 no complaints related to adherence with these frameworks were reported to the Former Investment Manager. The Transitional Investment Manager will continue to work closely with investee companies to identify and action areas where implementation of these frameworks can be further enhanced, make information about the functioning of these mechanisms more readily available, and establish appropriate policies to promote respect for human rights in all activities, including with their suppliers.

Our commitment to enhance impact opportunities is reflected by the partnerships NISPI has made with the Philippines Department of Environment and a local organisation in Negros. This collaboration is introducing stingless bees in Mt.Kanla-on Natural Park to support honey production and boost biodiversity. Meanwhile, NISPI's Agrovoltaics program combines food ***agriculture*** with solar plants, yielding peanuts and allowing goats to graze for additional income. Future collaborations with community-focused NGOs are planned to maximise ***agricultural*** potential and benefit the local community.

45 This calculation excludes potential jobs created during the construction phase of RUMS project and estimates the number of jobs supported by considering a 40% share of jobs supported at NISPI during Q4 2022 and a 100% share of jobs supported at SolarArise during at 31 December 2022.

Contribution to UN SDGs

Through its investments and additional impact activities, the Company made active contributions to four UN SDGs as outlined below.

AEIT contribution to UN SDG targets

Affordable and clean energy

7.2: Reducing India's and the Philippines' reliance on fossil fuels through renewable energy generation by AEIT's assets.

Decent work and economic growth

8.5: Achieve productive employment and decent work, illustrated by the 148 jobs supported by the portfolio and the additional income generated for locals through the robotics program at NISPI.

8.8: Protecting labour rights and promoting safe and secure working environments for all workers through policies and grievance mechanisms and health and safety training.

Take urgent action to combat climate change and its impacts

13.1: Strengthening resilience of portfolio to climate-related hazards through climate risk analysis and monitoring.

13.2: Contributing to national strategies to increase share of renewable energy to the grid in the fight against climate change

Life on land

15.5: Reduce the degradation of natural habitats and loss of biodiversity, protecting and preventing impacts to threatened species and other local flora and fauna through the implementation of environmental screening and monitoring at AEIT's assets and the delivery of additional initiatives such as the introduction of bees in Mt. Kanla-on National Park.

Risk and Risk Management

Risk appetite

The Board is ultimately responsible for defining the level and type of risk that the Company considers appropriate, ensuring it remains in line with the Company's investment objective and investment policy that sets out the key components of its risk appetite. The Company's risk appetite is considered in light of the emerging and principal risks that the Company faces, including having regard to, amongst other things, the level of exposure to power prices, gearing and financing risk and operational risk.

Risk management

The Company's risk management framework is overseen by the Audit and Risk Committee, comprising independent non-executive Directors.

The Company's risk management policies and procedures do not aim to eliminate risk completely, as this is neither possible nor commercially viable. Rather, they seek to reduce the likelihood of occurrence, and ensure that the Company is adequately prepared to deal with risks and minimise their impact if they materialise.

Procedures to identify principal or emerging risks:

The purpose of the risk management framework and policies adopted by the Company is to identify risks and enable the Board to respond to risks with mitigating actions to reduce the potential impacts should the risk materialise. The Board regularly reviews the Company's risk matrix, with a focus on ensuring appropriate controls are in place to mitigate each risk. The risk management framework was implemented at IPO and has been in place for the period under review and continues to be in operation.

The following is a description of the procedures for identifying principal risks that each service provider highlights to the Board on a regular basis.

● Alternative Investment Fund Manager: The Company has appointed Adepa Asset Management S.A to be the Alternative Investment Fund Manager of the Company (the "AIFM") for the purposes of UK AIFM Directive. Accordingly, the AIFM is responsible for exercising the risk management function in respect of the Company. As part of this the AIFM has put in place a Risk Management Policy which includes stress testing procedures and risk limits. As part of this risk management function, the AIFM maintains a register of identified risks including emerging risks likely to impact the Company. This is updated quarterly following discussions with the Investment Manager and presented to the Board for review and challenge.

● Investment Manager: Portfolio Management has been delegated by the AIFM to the Investment Manager. The Investment Manager provides a report to the Board at least quarterly on asset level risks, industry trends, insight to future challenges in the renewable sector including the regulatory, political and economic changes likely to impact the renewables sector.

● Brokers: Brokers provide regular updates to the Board on Company performance, advice specific to the Company's sector, competitors and the investment company market whilst working with the Board and Investment Manager to communicate with shareholders.

● Company Secretary and Auditors: Brief the Board on forthcoming legislation/regulatory change that might impact on the Company. The Auditor also has specific briefings at least annually.

Procedures for oversight:

The Audit and Risk Committee undertakes a quarterly review of the Company's risk matrix and a formal review of the risk procedures and controls in place at the AIFM and other key service providers to ensure that emerging (as well as known) risks are adequately identified and, so far as practicable, mitigated.

The Board has completed a robust assessment of the company's emerging and principal risks, including:

(a) a description of its principal risks;

(b) what procedures are in place to identify emerging risks; and

(c) an explanation of how these are being managed or mitigated.

Following the issues that came to light during the audit of the 2022 Annual Report and Financial Statements, the Audit and Risk Committee has reflected on risks that have subsequently crystallised and the steps it has taken and changes it has made as a result. These are detailed in the table below:

|  |  |  |
| --- | --- | --- |
| Crystallised risk | Impact of crystallisation | Steps taken/changes made |
| Valuation process | · Temporary share suspension due to a material uncertainty regarding the fair value of the Company's assets · Identified errors and inaccuracies in the prior period valuations | · A detailed review of the key assumptions included in the financial models and the valuation methodology for the Company's operational assets in India and the Philippines which had been prepared by the Former Investment Manager carried out by an independent third-party, PwC · Inaccurate or aggressive valuation assumptions identified by the Company following this review have been updated in line with best practice and market standards · Introduction of a SolarArise holding company model to accurately reflect asset management costs, Indian tax liabilities and cash repatriation out of India · Replacement of the Former Investment Manager effective 31 October 2023 by the Transitional Investment Manager · Replacement of the former independent valuer · Appointment of PwC as an independent valuation expert to provide a private independent opinion on the reasonableness of the valuations that are prepared by the Transitional Investment Manager in respect of the 31December 2022 and subsequent valuations · Commenced a review of value optimisation strategies with Transitional Investment Manager |
| Asset valuations | · Large decreases in the NAV when subsequent valuations carried out using less aggressive assumptions in line with best practice and market standards | · Replacement of the Former Investment Manager effective 31 October 2023 by the Transitional Investment Manager ? Updated valuation process as detailed above · The Transitional Investment Manager has additional controls in place for any conflicted transactions |
| Reliance on third-party service providers (Company and asset level) | · Valuations based on inaccurate or aggressive assumptions subsequently being updated in line with best practice and market standards, leading to a large decline in the NAV · Inherited asset structures that do not optimise cash extraction by AEIT, thus requiring reorganisation · Asset management contracts have not been formalised · Reports from whistleblowers of key information being withheld from the Board, particularly with regard to the cost and funding of the proposed construction of the RUMS project and the potential penalties that would result from aborting it | · Replacement of the Former Investment Manager effective 31 October 2023 by the Transitional Investment Manager. The Transitional Investment Manager has a comprehensive due diligence process that should flag pre-construction risks at the point at which commitments were made · The Transitional Investment Manager is currently undertaking a review of governance procedures across all of the investment portfolio to propose potential improvements to the Board · The former independent valuer has been stepped down and PwC have been appointed as the independent valuation expert to provide a private independent opinion on the reasonableness of the valuations that are prepared by the Transitional Investment Manager in respect of the 31 December 2022 and subsequent valuations · The Board, which had embedded itself in the detail of the Company's activities, has ensured, in so far as possible, that the new service providers have been given the appropriate handover and information to carry out their duties · Getting in place appropriate asset management agreements is a priority for the Transitional Investment Manager · Changes made to SPV governance to ensure that the Board is aware of all commitments made in the underlying investments prior to signing |
| Construction risk | · Changes in macro-economic factors from the commitment date to the construction commencement date, such as the increase in solar panel prices (and EPC costs) and the changes in FX rates · Commitments made without the Board being made aware of all associated risks of the project | · Appointment of independent legal advisors to review potential abandonment liabilities associated with the RUMS project and determine probability of crystallisation · Appointment of an independent India-based financial adviser to advise the Board on the options for the RUMS project, including proceeding with construction and aborting it, and the associated risks of each option · Appointment of an independent technical advisor, Fichtner, to oversee the RUMS project and provide independent reports to the Transitional Investment Manager and the Board |
| Generation | · Operational assets acquired underperformed against P50 technical assumptions | · Appointment of independent technical advisor, Sgurr, to conduct refreshed due diligence on the P50 technical assumptions to validate or update modelled assumptions in 31 December 2023 and subsequent valuations · Pending receipt of the Sgurr report, a reduction has been applied to the P50 yield assessments used for the 31 December 2022, 30 June 2023 and 30 September 2023 valuations to reflect observed historical underperformance of the operational assets when compared with the level of generation assumed at the time of acquisition |

Principal risks and uncertainties

The Board has defined principal risks that have the potential to materially impact the Company's business model, reputation or financial standing. The Board considers the following to be the principal risks faced by the Company along with the potential impact of these risks and the steps taken to mitigate them.

External economic, political and climate risk factors for the Company - external risks that could impact the income and value of the Company's investments

|  |  |  |
| --- | --- | --- |
| Risk | Potential impact | Mitigation |
| Foreign currency | The Company's functional currency is US Dollars (USD), but the Company's investments are based in countries whose local currency is not USD. Therefore, changes in foreign currency exchange rates may affect the value of the investments due to adverse changes in currencies or dividend income from the investment portfolio may be less than expected when received in US Dollars. | While the Company does not hedge translational risk on the valuation of the investment portfolio, the Company may hedge revenues which are to be received by the Company in currencies other than the USDollar and used to fund dividend payments to shareholders. The Investment Manager monitors foreign exchange exposures using short and long-term cash flow forecasts. The Company's portfolio concentrations and currency holdings are monitored regularly by the Board, AIFM and Investment Manager. |
| Interest rates | While most borrowing arrangements are on fixed rate terms, the timing of entering into such agreements when interest rates are increasing, may lead to reduced project returns and a lower valuation of the investment portfolio. Where rates are variable, rising rates could lead to adverse debt-cover ratios. Refinancing of such borrowings may also be at higher interest rates than expected resulting in lower returns and decreased revenue flows to AEIT. Macro level changes in interest rates may affect the valuation of the investment portfolio by impacting the valuation discount rates and could also impact returns on any cash deposits. | The Company seeks to maintain a leverage ratio of below 65% of Adjusted GAV. The Company seeks to limit its exposure to interest rate volatility and therefore the investee companies fix the finance costs at the date of signing. Interest rate assumptions are reviewed and monitored regularly by the AIFM and Investment Manager in the valuation process. Debt cover ratios are monitored monthly at the investee company level. |
| Inflation | The expenditure of the Company's investments are frequently partially index-linked and therefore any discrepancy with the Company's inflation expectations could impact positively or negatively on the Company's cash flows. The India portfolio currently has a non-index linked fixed price revenue stream over the life of the asset presenting the risk that high-cost inflation could cannibalise returns. | Inflation assumptions are reviewed and monitored regularly by the AIFM and Investment Manager in the valuation process. |
| Tax | Changes to the existing rates and rules could have an adverse effect on the valuation of the investment portfolio and levels of dividends paid to shareholders. | The Company considers tax matters at the point of investment and actively considers forthcoming changes in the jurisdictions in which it operates and has tax advisors to ensure it is abreast of any upcoming changes to tax legislation and rates, and can implement necessary changes. Investment in multiple jurisdictions diversifies exposure to individual country regulations and hence risk. During the period, the Board commissioned additional tax advice, particularly in relation to SolarArise. |
| Reputation | Events over the course of 2023, namely the temporary share suspension, the decline in the Company's NAV and public allegations raised by the Board and Former Investment Manager can impact the Company's reputation and ultimately have an adverse effect on shareholder returns. | Since the temporary share suspension, the Board has worked tirelessly to finalise the December 2022 valuations, complete the 2022 Annual Report and work with the Auditor to finalise the 2022 financial audit as soon as practicable. In doing so, the Board has appointed external advisors to perform detailed reviews; has actively and transparently engaged with shareholders notifying them of issues as soon as they arise and has made positive changes to improve the Company's future and outlook. |
| Government policy or regulatory changes | Relevant government support for the transition to clean affordable energy in the countries in which the investment portfolio is situated may change or decrease. Changes to government policy may lead to changes in tax incentives, auction processes for PPAs, and other contracting and pricing mechanisms for renewable energy, which could lead to opportunities being commercially unviable or unattractive which may lead to lower returns or slower deployment of capital. | The Company aims to hold a diversified investment portfolio, and a diversified set of electricity sale arrangements within target countries, so that it is unlikely that all assets will be affected equally by any single potential change in regulation or policy. Country level investment strategies have assessed government commitments to scaling up low carbon energy and taking ambitious action on climate change, and the Investment Manager and investee companies monitor policy developments closely. Additionally, the investment portfolio does not benefit from any revenue subsidies. |
| Climate change Further detail can be found in the TCFD disclosures | Climate-related risks relate to transition risks and physical risks. The prominent transition risk relates to oversupply of renewable energy over time, which may cause downward pressure on long-term power price forecasts setting lower capture prices, including the risks associated with periods of negative power prices and power price volatility in markets This could ultimately lead to a shortfall in anticipated revenues to the Company. The prominent physical risks relate to long-term changes to weather patterns, which could cause a material adverse change to an asset's energy yield from that expected at the time of investment. Physical risks associated with acute and chronic temperature change could lead to flooding, storms and typhoons, and high winds. This could damage equipment and force operational downtime resulting in reduced revenue capability and profitability of the portfolio of assets. | Climate risk assessments are undertaken for each asset in the portfolio as part of the investment process and screening for EU Taxonomy alignment. There is growing demand for consistent, comparable, reliable, and clear climate related financial disclosure from many participants in financial markets. The Board, AIFM and Investment Manager have included TCFD as part of the Company's Annual Report which provides a detailed analysis of risks and opportunities associated with climate change. |

Internal risk factors for the Company - internal risks that could impact target returns and result in Company objectives not being met over the longer term.

|  |  |  |
| --- | --- | --- |
| Risk | Potential impact | Mitigation |
| Availability of pipeline investments | A deterioration of the investment pipeline may impact the ability to commit and deploy capital into suitable opportunities in the expected time frame. Competition in the infrastructure market remains strong which could limit the ability of the Company to acquire assets in line with target returns, or incur abort costs where transactions are unsuccessful. Both deployment risks could ultimately impact shareholder returns. | The Board and Investment Manager oversee the investment pipeline and abort exposure and frequently monitor its progress in relation to Company targets. There will be no further investment acquisitions until the ***strategic*** review has concluded. |
| Investment restrictions | Failure to comply with the investment restrictions may arise due to foreign currency movements, construction over-spend, asset allocation or failure to deploy capital in a timely manner. Breaches of investment restrictions may result in lower returns than expected, lower dividend income or reputational damage. | The Board monitors compliance through information provided by the Investment Manager, Company Secretary and AIFM on a quarterly basis or prior to commitment of capital. The assessment of potential or actual breaches to investment restrictions forms part of the Board's risk management framework. The decision to proceed with the RUMS project may result in a breach of the single country limit and as a mitigation measure shareholder and FCA approval was sought, and received, to amend the investment policy. |
| Conflicts of interest | The appointments of the AIFM and Investment Manager are on a non-exclusive basis and each of the AIFM and Investment Manager manages other accounts, vehicles and funds pursuing similar investment strategies to that of the Company. This has the potential to give rise to conflicts of interest. Asset transfers between funds managed by the Investment Manager give rise to potential conflicts of interest. There are possibilities for the Board to have conflicts of interest. | The AIFM and Investment Manager have clear conflicts of interest and allocation policies in place. Transactions where there may be potential conflicts of interest follow these policies. Conflict of interest policies are also in place at the Board and Company levels. The Board, AIFM and Investment Manager are responsible for establishing and regularly reviewing procedures to identify, manage, monitor and disclose conflicts of interest relating to the activities of the Company. |
| Reliance on Company level third-party service providers (crystallised risk post period) | The Company has no employees and therefore it has contractually delegated to third-party service providers the day-to-day management of the Company. A deterioration in the performance of any of the key service providers including the Investment Manager, AIFM and Administrator could have an impact on the Company's performance and there is a risk that the Company may not be able to find appropriate replacements should the engagement with the service providers be terminated. In particular, the Company relies on the experience and recommendations of the Investment Manager for the achievement of its investment objective. | All third-party service providers are subject to ongoing oversight by the Board and AIFM and the performance of the key service providers is reviewed on a regular basis. The Board's Management Engagement Committee (the "MEC") performs a formal review process at least once a year to consider the ongoing performance of the Investment Manager and other service providers and makes a recommendation on the continuing appointments. As explained under 'Procedures for oversight', following the reliance on third-party service provider risk crystallised post-period, changes have been made to further mitigate the crystallisation of this risk in the future. |
| Valuations process (crystallised risk post period) | The valuation of the investment portfolio is dependent on financial models which utilise certain key drivers and assumptions: principally discount and local inflation rates, near and long-term electricity price outlooks and the amount of electricity generated and sold. Some assumptions and projections are based on the experience and judgement of the Investment Manager. Actual results may vary significantly from the projections and assumptions which may reduce the valuations and profitability of the Company leading to reduced returns to shareholders. Errors may occur in financial models. | It is Company policy to include sign off by an independent third-party on the quarterly valuations provided by the Investment Manager. Valuations are reviewed by the Audit and Risk Committee and approved by the AIFM and Board before adoption in the quarterly results. As explained under 'Procedures for oversight', following the valuation process risk crystallised at the period end, changes have been made to further mitigate the crystallisation of this risk, at the time of both acquisitions of investments and subsequent valuations, in the future. |
| Environmental, Social and Governance ('ESG') Policy | Material ESG risks may arise such as health and safety, human rights, bribery, corruption and environmental damage that may impact shareholder returns. If the Company fails to adhere to its public commitments and policies as stated in its SFDR pre-contractual disclosures and its Triple Return commitment, this could result in shareholder dissatisfaction and adversely affect the reputation of the Company. | The Board has put in place an ESG Committee to specifically review and monitor ESG-related polices, processes and risks. ESG risk consideration is embedded in the investment cycle. Ongoing operational and construction ESG risk management is reviewed periodically by the Investment Manager, who works closely with asset managers on ESG and impact standards and reporting. |
| Cyber security | Attempts may be made to access the IT systems and data used by the Investment Manager, Administrator and other service providers through a cyber-attack or malicious breaches of confidentiality that could impact the Company's reputation or result in financial loss. | Cyber security policies and procedures implemented by key service providers are reported to the Board and AIFM periodically to ensure conformity. Thorough third-party due diligence is carried out on all suppliers engaged to service the Company. All providers have processes in place to identify cyber security risks and apply and monitor appropriate risk plans. |
| Compliance with relevant laws, regulations and rules | Failure to comply with any relevant laws, regulations and rules, including section 1158 of the Corporation Tax Act 2010, the rules of the FCA, (including the Listing Rules and the Prospectus Regulation Rules), the Companies Act 2006, the UK Market Abuse Regulation, AIFMD, Accounting Standards and the General Data Protection Regulation, could result in financial penalties, loss of investment trust status, legal proceedings against the Company and/or its Directors or reputational damage. | The Board monitors compliance with relevant laws, regulations and rules and associated information provided by the Company Secretary, AIFM and Investment Manager on a quarterly basis and the assessment of associated risks forms part of the Board's risk management framework. All parties are appropriately qualified professionals and ensure that they keep informed with any developments or updates to relevant laws, regulations and rules. |

Risk factors for the investment portfolio - risks that could adversely impact the portfolio's performance and, as a result, the ability to achieve the Company's objectives and target returns over the longer term.

|  |  |  |
| --- | --- | --- |
| Risk | Potential impact | Mitigation |
| Power prices | Revenues of certain investee companies in the investment portfolio are wholly dependent on the wholesale electricity market price achieved and therefore such revenue is subject to volatility. The income and value of the Company's investments may be adversely impacted by changes in the prevailing market prices of electricity and/or prices achievable for offtaker contracts. There is a risk that the actual prices received vary significantly from the model assumptions, leading to a shortfall in anticipated revenues to the Company and dividends payable to shareholders. | The Investment Manager will seek to acquire assets which have a PPA in place, or obtain a PPA to ensure visibility of revenue streams. It is targeted that more than 75% of an investee company's revenue, on an aggregated basis, will be secured by a mid to long-term PPA therefore minimising the impact of declining energy prices. Model assumptions are based on quarterly reports from a number of independent established market consultants to inform on the electricity prices over the longer term. A new policy has been adopted by the Company, effective for the 31 December 2022 and subsequent valuations, to blend at least two wholesale electricity spot market price curves as prepared by market advisors that are reputable in these markets. |
| Capital structure | The ability to extract cash efficiently from the underlying investee companies is imperative to maximise the value of the Company's Investment portfolio. The risk that cash extraction is delayed/trapped due to inefficient capital structures can decrease the value of the underlying investments. | The Transitional Investment Manager has ensured that the underlying valuation models reflect the current capital structure of the underlying investments. Assumptions have been made within the underlying valuation models with regard to capital restructuring and the timing required to put these into effect. The sensitivity of delays in this timing are shown in note 9. |
| Credit risk | Some investee companies may have one offtaker therefore increasing the concentration of credit risk. Late or non-payment of sales invoices issued by the investee companies may lead to lower cash flows and revenues received by the Company. | Prior to taking part in the auction process for a PPA, the Investment Manager diligences and assesses the credit risk of an offtaker to conclude on credit worthiness. Where possible, late interest payment terms will be included in offtake agreements. The Investment Manager ensures asset managers monitor outstanding balances and actively chase non-payments. |
| Construction (crystallised risk at the period end) | Construction projects carry the risk of over-spend, supply chain risk, delays or disruptions to construction milestones, connection failures, changes in market conditions and/ or inability of contractors to perform their contractual commitments, all of which could impact Company performance. These include, but are not limited to: - increase in prices of component parts (for example solar panels) - legislative changes impacting the construction timeline or construction cost - inaccurate assessment of aborting projects post-commitment | Where an investment is made in a construction phase asset, it must have an offtake agreement in place; the land for the construction must be identified or contractually-secured where appropriate; and all relevant permits must have been granted. The Investment Manager carries out due diligence on any external third-party construction contractors prior to engaging. Its ESG due diligence processes also support efforts to anticipate and manage construction related risks. Construction of the RUMS project has seen a number of these risks being crystallised. The Company has appointed an independent technical advisor, Fichtner, to oversee the construction going forward. |
| Generation | The volume of solar irradiation available on a given day is out of the Company's control and this is a risk on the performance of the assets. Inconsistent irradiation may have a significant effect on performance of the investment portfolio if actual electricity generation is significantly different from the assumptions made in the commercial model. This may negatively impact project returns or expected dividend income. Additionally, the investment portfolio may be subject to the risk of interruption in grid connection or irregularities in overall power supply infrastructure. Circumstances may arise that adversely affect the performance of the relevant renewable energy asset. These include health and safety, grid connection, material damage or degradation, equipment failures and environmental risks. | The Company utilised technical consultants prior to acquisition to advise on the assumptions which should be made regarding volume and its impact on performance for each investment and to minimise downtime. The Investment Manager works with investee companies to stay informed of grid and supporting infrastructure maintenance arrangements, and liaises with relevant operators to seek to anticipate and minimise interruptions. The investee companies have in place insurance to cover certain losses and damage. The Company will seek to diversify the renewable energy technologies it invests in to achieve a consistent generation profile across the investment portfolio. The Board has appointed an independent technical advisor, Sgurr, to review the technical assumptions associated with each asset in the portfolio. |
| Reliance on asset level third-party service providers | The performance of some investee companies may be dependent on external O&M service providers and/or asset managers in remote locations and relies upon them performing their duties with the required skill or level of care. | Prior to entering into a service contract, the Investment Manager carries out due diligence on third-party suppliers to assess reputation, experience and breadth of the local team. The Investment Manager seeks to include service level metrics in O&M agreements with minimum production, overall plant performance metrics and health and safety targets at a minimum. It is now understood that asset management agreements are outstanding on some portfolio assets and this is a priority for the Transitional Investment Manager. |
| Cyber security | Attempts may be made to access the IT systems and data used by the third-party asset managers through a cyber-attack or phishing attempts that could result in financial loss. | Processes in place and training for the Transitional Investment Manager to mitigate risks associated with receiving emails from bad actors. Third-party due diligence is carried out on asset managers engaged to manage investment portfolio. |

Further financial risks are detailed in note 18 to the Financial Statements.

Emerging risks

The Board is of the opinion that these are the principal risks, but mindful of their obligations under the changes made to the AIC Code of Corporate Governance issued in February 2019, the Board has also considered emerging risks which may impact the forthcoming six-month period. These include:

Internal risk factors for the Company - risks that impact target returns and result in Company objectives not being met over the longer term.

|  |  |  |
| --- | --- | --- |
| Risk | Potential impact | Mitigation |
| Changes in key service providers | Post the period end the Board has appointed OEGEN as Transitional Investment Manager for an initial six-month period. There is a risk that these service providers fail to get up to speed on the Company's affairs as quickly as required and are not able to deliver to the targets they have been set by the Board. | The Board has embedded itself in the detail of the Company's activities and ensured in so far as possible, that the new service providers have been given the appropriate handover and information to carry out their duties. Both PwC and the Transitional Investment Manager are experienced in their relevant fields and were appointed on the basis of their experience, track record and depth of knowledge. |
| ***Strategic*** review | At the General Meeting held on 19 December 2023, shareholders voted against the proposal for the winding-up of the Company and appointment of liquidators. Consequently, the Board is continuing with its ***strategic*** review of the options for the Company's future, which is expected to be concluded by the end of the first quarter of 2024. At this stage, based on the information currently available, the most likely outcome of the ***strategic*** review is a proposal for either the relaunch of the Company, potentially with a new investment objective, investment policy, target returns and/or Investment Manager but maintaining the impact-led, Asian focus, or a managed wind-down and subsequent winding-up of the Company. In either of the expected scenarios, as a consequence of the Company's current size, the Company is likely to have a higher ongoing charges ratio than its renewable energy investment company peers. The outcome of the ***strategic*** review will be subject to shareholder approval. Until such time as shareholders have approved proposals for the Company's future, the Company's future will remain uncertain, and this could adversely affect the price at which the shares trade once the temporary share suspension has been lifted. | Irrespective of the outcome of the ***strategic*** review, the Board and Transitional Investment Manager are focussed on, in particular: · developing plans to maximise the value of the current investment portfolio by developing remediation plans to address asset-specific performance issues and optimisation plans for the capital structures within the investment portfolio; and · having regard to the increase in the Company's ongoing charges ratio as a result of its substantially reduced size, undertaking a review of all of the Company's costs with the objective of making cost savings where appropriate. Any recommendation to relaunch the Company will be subject to the Board, with its advisers, having completed a thorough analysis of the recommended proposal, with a particular focus on the proposed investment strategy, the proposed Investment Manager's relevant investment experience and track record and marketing capabilities and resources available to the Company, prospective returns risks and risk management and whether, overall, the proposal offers a compelling investment proposition for both existing and prospective investors to enable the Company to scale up its size significantly over time. Any recommended proposal for a managed wind-down will seek to achieve an appropriate balance between optimising shareholder value and timely return of capital to shareholders. |

Task Force on Climate-Related Financial Disclosures

Compliance statement

The Company has complied with the requirements of LR 9.8.6(8)R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures except for quantitative information around climate risks and opportunities alongside transition plans as required by TCFD Strategy principle (b), and accurate Scope 3 emission data as required under Metrics and Targets principle (b). The Company will work to provide this information as soon as practically possible.

Kristine Damkjaer

ESG Committee Chair

22 January 2024

Governance

a) Describe the Board's oversight of climate-related risks and opportunities

Addressing climate change through investment in renewable energy in fast growing and emerging economies in Asia is the essence of the investment strategy. The Board has established a delegated ESG Committee to review and monitor ESG-related matters, which include climate-related risks. The ESG Committee meets at least two times a year and reports back to the Board to provide recommendations for how sustainability should be considered within the Company Strategy. The Committee understands climate change issues and sought support from external advisors to supplement its work.

The Company embeds climate change within its triple return investment strategy through investments into assets that support the transition to a low carbon economy, or which mitigate the effects of climate change. The Board have considered climate change as an integral component of the investment objective and have defined the Company as an Article 9 Fund under the SFDR, targeting 95% of investments to be aligned with the EU Taxonomy's Climate Change Mitigation criteria. In 2022, as part of the Company's annual EU Taxonomy alignment assessment, the Board instructed the Former Investment Manager to appoint an external advisor to undertake climate change assessments on AEIT's portfolio to identify climate related risks and potential mitigation strategies. These reports have been reviewed by the ESG Committee as part of preparing this report.

The Audit and Risk committee ("ARC") also considers climate change as part of its oversight of investment processes. The ESG Committee and ARC work closely to oversee climate-related disclosures and agree remedial measures. Climate change risk is included within the Company's risk register.

b) Describe management's role in assessing and managing climate-related risks and opportunities

The Former Investment Manager had an ESG Monitoring and Stewardship Committee and considered climate change as part of its remit. Climate risk assessments were completed for prospective investments reports were shared with the Former Investment Manager, and opportunities to build resilience around investments were considered. The Transitional Investment Manager will continue to assess climate risks and consider opportunities for mitigation for existing and prospective investments.

Strategy

The Company aims to finance climate action by investing in sustainable energy and the business model is expressly designed to accelerate the low-carbon transition in Asian emerging economies, both benefitting from and reinforcing efforts to act on climate change. As highlighted in the 'Impact Report' section of this Annual Report, the investment portfolio has contributed to climate change mitigation. The Company invests in some of the most climate-vulnerable countries in the world, and is seeking to assess and manage climate risk, and foster resilience through its investment strategy.

a) Describe the impact of climate-related risks and opportunities the organisation has identified over the short, medium and long term

The Former Investment Manager coordinated a transition risk analysis, with external specialist support using an independent sustainability advisor's Climate Risk and Impacts Solutions Platform, based on transition scenarios from the International Energy Agency (the "IEA") and aligned with Intergovernmental Panel on Climate Change (IPCC) scenarios under three time-horizons: 2025, 2030 and 2040. These time-horizons have been selected to reflect the asset lives. The IEA Announced Pledges Scenarios ("APS") was used as the low-carbon scenario, and assumes that all climate commitments made by governments around the world will be met in full and on time. APS assumes global warming will reach 1.70C by 2100. The IEA Stated Policies Scenario (STEPS) was used as the business-as-usual carbon scenario which reflects current sector-by-sector and country by country assessment of the existing policies that are in place. STEPS assumes global warming will reach 2.5⁰C by 2100. The transition assessment considered transition indicators including eight opportunity indicators (carbon price, national decarbonisation plans, per capita emissions, annual investment in renewables, solar PV power generation, biomass power generation, battery storage capacity, reputation) and one risk indicator (increase in critical metals demand). The choice of these indicators was driven by the IEA model used to support the transition risk assessment.

Physical climate risk analysis was performed for each of the investee company sites using the external specialist's proprietary physical risk screening tool. Using the IPCC's 2021 Sixth Assessment Report scenarios, a low and high greenhouse gas emissions scenario (SSP1-2.6 and SSP5-8.5) were selected under three time-horizons: baseline, 2030 and 2050. On this basis, four key hazards were identified: tropical cyclones, water stress & drought, wildfire weather, and extreme heat, which are expected to increase in the medium (2030) and long (2050) term. A potential impact from these hazard types could include increased costs for energy and water resources. The combined conditions of high temperature, high wind speed and low humidity may also increase the risk of wildfires.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The tables below are a summary of the key material risks and opportunities that are likely to affect portfolio investments, the investment strategy and financial planning in the short, medium and long term. Risks included are those that the Investment Manager estimate to be potentially significant (e.g. significant revenue decrease, costs increases NAV decrease, increased cost of capital).

Climate-related risks

|  |  |  |
| --- | --- | --- |
| Time horizon | Risk type | Impact |
| Short-term (2025) | Policy change and power price volatility: Climate and sustainable energy policies are evolving and dynamic in core target markets. These changes are monitored closely as increased efforts to increase energy supply and the share of renewables in the grid could present itself as a competition risk. Increased competition for investments may lead to a reduction in financial returns of new projects. In countries with dynamic markets, there is a risk of renewable energy cannibalisation. | Financial planning |
| Grid capacity limitations: The capacity of local grids in target economies to accommodate large increases in intermittent energy supply is a concern, given current technical specifications and management capacities. This may impact the project's ability to sell its maximum energy generation potential. | Strategy, financial planning |  |
| Supply chain risk: More copper for grids, silicon for solar panels and lithium for battery storage is required to transition to low-emissions power systems. Rapidly growing critical mineral demand for clean energy technologies is resulting in supply chain competition, increases in costs, and supply chain sustainability risk management issues. | Strategy, financial planning |  |
| Medium-term (2030) | Climate-related hazards: Risks associated with tropical cyclones are already high, and factored into asset design in most cases, but may increase. High wind speeds can cause physical damage to sites, equipment, and vehicles and can lead to increased expenditure for reparations. Extreme heat could cause a health and safety risk for personnel and could overheat electrical equipment. Flooding can also lead to physical damage of the assets that will require additional expenditure for reparations and lost revenue during the reparations period. | Portfolio investments, financial planning |
| Construction risk: Climate-related physical risks may also affect construction projects, including inaccurate assessment of the opportunity, and changes in market conditions linked to climate-related disruptions. | Portfolio investments |  |
| Technology obsolescence risk: As more resources and scientific research are dedicated to achieving net zero goals, new technologies may emerge that could replace current renewables or environmental infrastructure technologies. | Strategy |  |
| Price uncertainty: A faster than forecast transition to a global renewable energy supply would increase the penetration of zero marginal cost electricity leading to 'price cannibalisation' and could result in generating assets without long-term PPAs selling their power for less than forecast at investment. | Financial planning |  |
| Long-term (2050) | Climate-related physical risks: As climate change worsens, portfolio investments could face a higher likelihood of experiencing extreme weather events, both chronic (for example, altered rainfall patterns, wildfires, and extreme heat) and acute (for example, more frequent and severe tropical cyclones, storms, heat waves, droughts, and floods), potentially resulting in more physical damage to on-site infrastructure and off-site transmission and distribution systems. | Portfolio investments |

Climate-related opportunities

|  |  |  |
| --- | --- | --- |
| Time horizon | Opportunity type | Impact |
| Short-term (2025) | National decarbonisation plans: Target governments remain committed to climate action and increasing the share of renewable energy in the energy mix. Governments in target countries continue to offer incentives to invest in the focus technologies, notably solar energy, but also in wind. | Strategy |
| Demand for renewable energy: There is a growing demand for renewable energy, and pressure on businesses and corporations to decarbonise and purchase renewable energy through both regulatory and climate-related commitments is growing. The investment strategy targets fast growing economies in Asia, with expanding populations. This increased demand creates short-term opportunities to sell renewable energy at a premium. An increase in public support for decarbonisation is also poised to increase demand for impact-focused investment in public markets. Growing demand for baseload renewable energy power creates new opportunities for pipeline portfolio technologies, such as biopower. | Financial planning, strategy |  |
| Integration of new energy technologies including those that address intermittency issues: Energy storage technologies, such as lithium-ion batteries, are becoming more widely adopted and efficient, making it possible to store solar energy for later use. This presents short-term opportunities to provide more reliable and consistent solar supply. | Portfolio investments |  |
| Medium-term (2030) | Technological advancements: Can further reduce the levelised cost of energy, and create attractive new pipeline opportunities. For example, the use of higher-efficiency solar cells can increase the energy output of solar panels, while reducing the cost per unit of energy produced. | Financial planning |
| Carbon pricing and taxation: Could help direct capital towards renewable technologies and away from carbon-intensive sources | Strategy |  |
| Long-term (2050) | Continued commitment to decarbonisation and technology innovation: As the viability and cost effectiveness of low-carbon sustainable energy solutions become mainstream in emerging Asia, so will the business model. These may provide opportunities to broaden investment mandate, including by taking on different approaches and technologies. | Strategy |

c) Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario

Overall, the Company is well positioned to take advantage of the investment opportunities that arise from this transition over the short-, medium- and long-term. The speed and efficiency of the transition will have a notable effect on the performance of the Company. If global temperature change is to be limited to a 2°C increase from pre-industrial levels by 2100, it is expected there will need to be significant intervention from governments, regulators, and the market. Given the investment mandate, there is a direct correlation between the transition to a low-carbon future and the size of the investment opportunity over the long-term. If temperatures increase beyond 2°C, the physical effects of climate change will be more severe, creating additional risks for the assets acquired. Climate-related risks and opportunities on balance provide more opportunities to the Company than risks to the Company is likely to benefit from an APS scenario more than the STEPS scenario pathway.

Risk management

a) Describe the organisation's processes for identifying and assessing climate-related risks

Addressing climate change is the central mandate of the Company. With the support of an independent sustainability advisor and its software and proprietary tools, the Former Investment Manager completed an exercise whereby climate-related risks and opportunities to the Company were identified and assessed. This was reviewed by the ESG Committee. All principal risks are integrated into the Company's risk register and management frameworks.

b) Describe the organisation's processes for managing climate-related risks

There are a number of risk mitigation strategies the Company can utilise to mitigate climate-related risk:

· Diversify the investment portfolio across technologies, geographies and development stage

· Carry out diligence and analysis to understand latest trends and dynamics and status of policy, using external experts where appropriate

· Work with policy makers and regulators to educate and influence policy and frameworks that accelerate the transition to a clean energy future, and actively engage with stakeholders and communities to mitigate resistance to renewable energy assets.

· Actively manage and engage with investee companies on climate-related issues, risks and opportunities, encouraging asset-level adaptation plans that mitigate most material risks (for example, ensuring effective insurance cover, diversified supply chains, and equipment spares)

For example, while the NISPI facilities were not damaged by Super Typhoon Rai in December 2021 and continuing rain tested the adequacy of the site drainage system. In response, increased maintenance of the drainage system was introduced to avoid potential flooding. This paid off during the 2022 typhoon season in Negros, when, despite severe rains., NISPI's sites were not disrupted.

Site managers at the SolarArise facilities across India are also taking precautionary approaches: when severe rains or flooding are envisaged, plants can be shut-down to avoid costly damage that would result in long-term service disruptions. Major drainage works are also being undertaken at flood-vulnerable sites, to adapt to increasingly strong rains, alongside proactive measures to re-wire the plants to make them more flood resistant.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

In 2022, the Former Investment Manager completed comprehensive physical climate risk assessments for all AEIT's infrastructure assets to capture any potential climate-related risks not already considered in existing risk-management frameworks. These assessments were carried out with the external specialist in line with EU Taxonomy Do No Significant Harm requirements, using its proprietary assessment and data tool. The tool has been developed using best-in-class open-source climate data and was used to extract data on relevant natural hazards that may have an impact under present day climate conditions, as well as in the future climate scenario.

Further monitoring of how severe weather events may affect the operations of AEIT's investee companies, and opportunities to reduce service interruptions will continue to build portfolio resilience against climate change and help manage risks going forward.

Metrics and targets

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities

The Company continues to develop its framework for assessing climate-related risks and opportunities.

Opportunity metrics:

The investment strategy is aligned to climate mitigation. Therefore, the metrics presented below measure the contribution made through generating clean energy and driving a transition to net zero. These metrics measure the scale of the climate-related opportunities the Company has taken advantage of. The following KPIs track this contribution:

· installed operational capacity: MW

· clean energy generated: MWh

· EU Taxonomy alignment: %; and

· GHG emissions avoided: tCO2e

Risk metrics:

In 2022, the Former Investment Manager undertook a review of 100% of infrastructure assets which were screened for physical and transition-related climate change risks. Portfolio diversification is also a core metric to monitor climate-related risk.

· 100% infrastructure assets screened for climate-related risks.

· Portfolio diversification

b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks

Efforts to measure and manage the Company's GHG footprint complement the focus on avoiding GHG emissions by investing in sustainable energy in fast growing and carbon intensive economies in Asia where demand for energy continues to soar, as well as its adherence with the highest standards of good practice for financial products with a sustainability objective under the EU Sustainable Finance Disclosure Regulation. The transition risks associated with future constraints on emissions, whilst not expected to be a high risk for a low-carbon portfolio, can also be monitored through carbon measurement.

The Former Investment Manager worked with all investee companies and an external advisor, to account for GHG emissions. The external advisor is a certified B-Corporation offering support and a software solution that estimates the GHG emissions associated with financial expenditures. Disclosure of Scope 1, 2 and 3 emissions can be found in the Impact Report.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The Transitional Investment Manager has set a climate-related risk management target to maintain the investment portfolio's current status of 100% of infrastructure assets screened for climate-related risks.

2022 was the first year of operation for AEIT. The metrics set out in the Impact Report set an initial GHG footprint for the Company. Most investee companies are poised to grow their renewable energy asset base. As a result, at this stage, quantitative GHG emission reduction targets which would address any risks in relation to future constraints on emissions are not being specified. As the infrastructure investment portfolio becomes more established, the Company will explore the viability and value addition of setting portfolio level targets given these risks are not expected to be high for the portfolio. This is expected to occur in 2024. In the meantime the Transitional Investment Manager has set a qualitative target to continue to work with investee companies to improve key elements of GHG measurement related to operations and maintenance service providers.

A climate-related opportunity management target has already been set as part of AEIT's SFDR disclosures. AEIT has a target of 100% alignment of sustainable investments with the EU Taxonomy.

Key TCFD catch ups and progress throughout 2022

Target

|  |  |  |
| --- | --- | --- |
| 1. 100% of infrastructure assets screened for climate-related risks. | 2. Improve key elements of GHG measurement related to operations and maintenance service providers. | 3. 100% alignment of sustainable investments with the EU taxonomy alignment. |

Achieved in 2022

|  |  |  |
| --- | --- | --- |
| 1. 100% | 2. First carbon footprinting exercise completed with guidance from an external advisor. Large proportion of data based on spend data. | 3. 100%46 |

46 This calculation excludes cash held that is committed and is awaiting deployment.

Stakeholder Engagement

The Board is aware of the need to foster the Company's business relationships with suppliers, customers and other key stakeholders through its stakeholder management activities as described below. The Board believes that positive relationships with each of the Company's stakeholders are important to support the Company's long-term success.

| **Key stakeholders** | **How we engage** | **Key communication** |
| --- | --- | --- |
| Shareholders of AEIT The Board looks to attract long-term investors in the Company and, in doing so, it has sought out regular opportunities to communicate with shareholders. | The Board communicates with shareholders through the following ways: · Dialogue with shareholders · Regular market announcements · Dedicated website, providing information on strategy, performance and investment portfolio · The Board receives shareholder feedback after meetings and agrees actions with the Investment Manager · Material communications to shareholders, such as NAV announcements, the Annual and Interim Reports and significant business events · Regular discussions with and briefings for investors and analysts on evolution of KPIs and reporting metrics | Following positive feedback from shareholders to participate in a further fund raise by the Company, which led to the subsequent placing in November 2022 Since the temporary share suspension, the Board has worked determinedly with the Auditor to finalise the 2022 Annual Report and Accounts and the audit as soon as practicable. In doing so, the Board has actively and transparently engaged with shareholders, discussing with them issues as soon as they rise and has made other positive changes to improve the Company's future and outlook. The next key milestone will be the completion of the ***strategic*** review and the Board will continue to engage proactively with shareholders, taking their feedback into account in reaching a conclusion on the best option for the Company's future. |
| Service providers, including the Investment Manager, AIFM, Administrator and Company Secretarial and other corporate service providers Building trusted relationships through an on-going two way communication and aligned objectives for growth and development | The Board receives regular reports from the Investment Manager and maintains ongoing dialogue between scheduled meetings. Representatives of the Investment Manager attend Board and Committee meetings. To build and maintain strong working relationships, the Company's key service providers are invited to attend quarterly Board meetings to present their respective reports. This enables the Board to exercise effective oversight of the Company's activities. The Board also has in place a Management Engagement Committee that meets annually to review service provider performance. Further information on the Management Engagement Committee can be found in the Management Engagement Committee Report. The Company's Auditor is invited to attend all of the Audit and Risk Committee meetings and attends at least one meeting per year. The Chair of the Audit and Risk Committee maintains regular contact with the Auditor, Investment Manager and Administrator to oversee the audit process. The Board spends time engaging with the Company's key service providers outside of scheduled Board meetings to develop its working relationship with those service providers and ensure the smooth operational function of the Company. | From the IPO, the Board had endeavoured to use its collective skills, knowledge and experience to work collaboratively with and support the Former Investment Manager, taking into account the Former Investment Manager's lack of prior experience of managing a London-listed investment company, and engaged frequently with members of the Former Investment Manager's team responsible for the Company, including communicating the Board's expectations. For further information, see the 'Annual evaluation of the Investment Manager' in the Management Engagement Committee Report and 'Evaluation of the Board post temporary share suspension' in the Nomination Committee Report. From 1 November 2023, the Company has appointed a transitional Investment Manager with clear objectives for its initial term that runs until April 2024. A key milestone was reached following the announcement of the 30 September 2023 NAV on 13December 2023 following a robust valuation process. The Board was heavily involved in this process and ensured all parties were made aware of the history of the investments. The Board has maintained constant communication with the Company's Auditor following the temporary share suspension, making it aware of the steps taken to rectify historic issues and updated timelines for signing off the 2022 Annual Report and Accounts and completing the audit. |
| Asset service providers to the investee companies Building trusted partnerships through shared learnings and an ongoing dialogue and aligned objectives for growth and development | The Investment Manager actively manages asset level service providers, including third-party asset managers, operations and maintenance ('O&M') contractors, construction managers, owners engineers, suppliers, HSE (Health, Safety, and Environment) contractors and Landowners. Communications with service providers are managed across a variety of platforms to ensure focus on day-to-day operational performance of the assets. The Investment Manager undertakes quarterly meetings with external asset managers to review performance against service provisions, weekly calls with all operators and formal annual contract reviews. The Investment Manager's whistleblowing framework allows employees supported by the investee companies to confidentially raise any concerns or issues. | A key focus for the Transitional Investment Manager is reviewing all contractual and governance provisions of the local asset managers to ensure they are working within delegated authority frameworks. Updated technical due diligence is currently being conducted across all operational sites and the Transitional Investment Manager will feed these findings back to the Board and through to the valuations once available. |
| Local communities Making a meaningful contribution in the communities where we invest advances AEIT impact objective. | Social responsibility engagement by investee companies is highlighted in the Impact Report. ***Strategic*** priorities for investee company community engagement are agreed on a rolling basis. Support of investment entity senior management continuing active dialogue with key stakeholders within the community. Active maintenance of grievance mechanisms at investee companies that enable communities to engage around any complaints. | The Company received no complaints through the grievance mechanisms and a key focus of the Transitional Investment Manager will be to review the existing impact initiatives on sites which benefit the local communities to see if there are any more opportunities for enhancement. |

Section 172(1) statement

The Company provides disclosure relevant to the requirements of section 172(1) (a - f) throughout the ***Strategic*** Report. Asan externally managed investment trust, the Company has no employees, however, the Directors assess the impact that the Company's activities and the delivery of its investment objective has on its stakeholders as an investor in clean energy generation. These stakeholders can be the employees of the investee companies within the investment portfolio, co-shareholders, local communities and the end customers or investors.

The Directors confirm that they have acted in good faith to promote the success of the Company for the benefit of shareholders as a whole and have considered and addressed the references within section 172(1) as below:

|  |  |  |
| --- | --- | --- |
| S172(1) reference | Reference |  |
| a. | the likely consequences of any decision in the long term, | Refer to 'Chair's Statement', 'Our operating model', 'Objectives and KPIs' and 'Post Period Updates' sections of the ***Strategic*** Report |
| b. | the interests of the company's employees, | The Company does not have any direct employees. However, the Board has widened the assessment to include employees of the investee companies within the investment portfolio (for example, through collecting people-related KPIs such as gender pay gap and diversity statistics). |
| c. | the need to foster the company's business relationships with suppliers, customers and others, | Refer to the 'Stakeholder Engagement' section of the ***Strategic*** Report. |
| d. | the impact of the company's operations on the community and the environment, | Refer to the 'Environmental return' and 'Social return' sections of the Impact Report. |
| e. | the desirability of the company maintaining a reputation for high standards of business conduct, and | Refer to the first table in this 'Stakeholder Engagement' section of the ***Strategic*** Report and the Report of the Management Engagement Committee in the Governance Report. |
| f. | the need to act fairly as between members of the company. | Refer to the Impact Report and the first table in this 'Stakeholder Engagement' section of the ***Strategic*** Report and the 'Corporate Governance Report' section of the Governance Report. |

The Board reviews ongoing progress, issues and any updates as part of the quarterly Board meetings through updates from the Investment Manager and the Brokers. The Investment Manager provides updates on relationships with stakeholders such as co-shareholders, O&M providers and EPC contractors, where relevant. The Brokers provide updates on communications with shareholders and the Management Engagement Committee reviews the Company's relationships with key suppliers. The Company's risk review framework also facilitates the identification of items relevant to the section 172(1) statement. During the annual review of the strategy, objectives and processes, the Board assesses the longer -term factors relating to the Company's decisions and the implications for the communities and environments in which we invest and operate.

Non-financial Information Statement

|  |  |
| --- | --- |
| Non-financial information area | Reference |
| Environmental matters (including the impact of the Company's business on the environment) | See 'Environmental return' section of the Impact Report. |
| The Company's employees | As a closed-ended investment company, the Company has no direct employees. Information on indirect employees can be found in the 'Social return' section of the Impact Report. |
| Community issues | See 'Social return' section of the Impact Report. |
| Social matters | See 'Social return' section of the Impact Report. |
| Respect for human rights | See 'Social return' section of the Impact Report. |
| Anti-corruption and anti-bribery matters | See 'Anti-bribery, anti-corruption and tax evasion' section of the Directors' Report |

This ***Strategic*** Report has been approved by the Board of Directors and signed on its behalf by:

Sue Inglis Chair

22 January 2024

Governance

Board of Directors

Sue Inglis

Chair

Date of appointment

18 October 2021

Committee membership

A E M N R

Relevant skills and experience

Sue is an experienced lawyer and corporate financier with comprehensive investment company sector knowledge and technical expertise from more than 30 years advising listed investment companies and financial institutions. Her executive roles included Managing Director - Corporate Finance in the investment companies team at Cantor Fitzgerald Europe and investment companies and financial institutions teams at Canaccord Genuity. Sue was a partner and head of the funds and financial services group at Shepherd & Wedderburn, a leading Scottish law firm. In 1999 she was a founding partner of Intelli Corporate Finance, an advisory boutique firm focusing on the asset management and investment company sectors, which was acquired by Canaccord Genuity in 2009.

Sue retired as an executive in 2018 to pursue a career as a non-executive director, focusing on investment companies. Sue has previously served on the boards of several listed investment companies, including NextEnergy Solar Fund Limited, and was chair of The Bankers Investment Trust PLC.

Current external appointments

Listed companies: Sue is the senior independent director of Baillie Gifford US Growth Trust PLC and Seraphim Space Investment Trust PLC. She is also the senior independent director and chair of the audit committee of CT Global Managed Portfolio Trust PLC.

Other significant appointments: None.

Mukesh Rajani

Senior Independent Director

Date of appointment

18 October 2021

Committee membership

A E M N R

Relevant skills and experience

Mukesh is an experienced advisory, tax, structuring and audit professional with more than 40 years of experience. Heworked at PricewaterhouseCoopers ('PwC') for 35 years, where he was a partner for 25 years. During his time at PwC, Mukesh advised leading UK and international organisations on a broad range of complex business issues including market assessment, entry strategy, regulatory requirements, partner selection, mergers, acquisitions, disposals, business reorganisations, capital markets, tax structuring, tax litigation and complex cross-border matters. He was a member of PwC's Emerging Markets Group and established and led PwC's India Business Group for more than 20 years.

Mukesh was previously an independent non-executive director and chair of the audit committee of the UK India Business Council, an advocacy and ***strategic*** advisory business on a mission to build economic prosperity in the UK and India.

Mukesh is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current external appointments

Listed companies: None.

Other significant appointments: None.

Kirstine Damkjaer

Director

Date of appointment

18 October 2021

Committee membership

A E M N R

Relevant skills and experience

Kirstine is a chair and non-executive director at several companies in Africa, Denmark and the UK. She has over 25 years of international investment and asset management experience from positions as non-executive director, CEO of EKF the Danish Export Credit Agency, Chief Investment Officer and Global Head of Equity at the International Finance Corporation and Principal with the World Bank Pension Plan and Endowment.

Kirstine has worked across multiple sectors with a strong focus on the sustainability and climate investment agendas. Kirstine is a graduate of the University of Aarhus, Denmark and a Chartered Financial Analyst (CFA), and has attended trainings at Stanford, IMD, INSEAD and Copenhagen Business School.

Current external appointments

Listed companies: None.

Other significant appointments: Kirstine is non-executive chair at Formuepleje. She is also a non-executive director at Africa Finance Corporation, PensionDanmark, ResourceDanmark and Bladt Industries.

Clifford Tompsett

Director

Date of appointment

18 October 2021

Committee membership

A E M N R

Relevant skills and experience

Clifford is an experienced advisory, transaction and audit professional having spent his whole career at PricewaterhouseCoopers ('PwC'), including the last 26 years as a partner. He has deep experience and knowledge of work in emerging markets and across a range of sectors and the execution of complex transactions, including mergers and acquisitions. He created, built and led PwC's Global IPO Centre based in London and with hubs in Hong Kong and New York.

Clifford has previously served as an independent non-executive director and the chair of the audit committee of three Nasdaq listed purpose acquisition companies: Kismet Acquisition One Corp, which completed the US$1.9 billion acquisition of Nexters Inc. an international game development company in 2021, Kismet Acquisition Three Corp, and Quadro Acquisition One Corp. He is also a former senior independent director and chair of the audit and risk committee of Cello Health plc, the AIM-listed global healthcare advisory company.

Clifford is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current external appointments

Listed companies: None

Other significant appointments: Clifford is an independent non-executive director and chair of the audit committee of REED Global Limited (the recruitment company).

Committee membership

A Audit and Risk Committee

E ESG Committee

M Management Engagement Committee

N Nomination Committee

R Remuneration Committee

Committee Chair

Directors' Report

The Directors present their report for the financial period from 1 November 2021 to 31 December 2022.

Information contained elsewhere in this Annual Report

The information listed in the table below is incorporated into this Report by reference.

|  |  |
| --- | --- |
| Information | Section |
| Business review | ***Strategic*** Report |
| Financial results | Financial Statements |
| Related party transactions | Financial Statements - note 19 |
| Dividends | Financial Statements - note 7 |
| Principal risks and uncertainties | ***Strategic*** Report - Principal Risks and Uncertainties |
| Financial risk management | Financial Statements - note 18 |
| Post-balance sheet events | ***Strategic*** Report - Post Period Updates |
| Financial Statements - note 22 |  |
| Likely future developments in the Company's business | Chair's Statement - '***Strategic*** Review', 'Outlook' |
| Corporate governance statement | Corporate Governance - Corporate Governance Report |
| S.172 Companies Act 2006 statement | ***Strategic*** Report - 'S.172(1) statement' |
| Directors | Board of Directors |
| Directors' terms of appointment | Corporate Governance - Corporate Givernance Report |
| Directors' remuneration | Corporate Governance - Directors' Remuneration Report |
| Directors' indemnities | Corporate Governance - Directors' Remuneration Report |
| Directors' interests in shares | Corporate Governance - Directors' Remuneration Report |

Principal activity

The Company is an investment company as defined in section 833 of the Companies Act 2006 and operates as an investment trust in accordance with sections 1158 and 1159 of the Corporation Tax Act 2010. It invests in a diversified portfolio of sustainable energy infrastructure assets in fast-growing markets in Asia with the current objectives47 of:

47 The Board is undertaking a ***strategic*** review of the options for the Company's future, and it is expected that the outcome of the ***strategic*** review will result in changes to the Company's investment strategy and policy. For further information on the ***strategic*** review, see page [●].

· providing shareholders with attractive dividend growth and prospects for long-term capital appreciation;

· protecting natural resources and the environment; and

· delivering economic and social progress, helping build resilient communities and supporting purposeful activity.

The Company's operating activities commenced on 14 December 2021 when the Company's ordinary shares were admitted to trading on the London Stock Exchange's Main Market.

Investment trust status

The Company has been approved as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 with effect from 14 December 2021. The Company had to meet relevant eligibility conditions to obtain approval as an investment trust and must comply with ongoing requirements to maintain its investment trust status, including, but not limited to, retaining no more than 15% of its eligible investment income.

The Directors are of the opinion that the Company conducted its affairs during the financial period under review, and has continued to conduct its affairs since 31 December 2022, in compliance with the Investment Trust (Approved Company) (Tax) Regulations 2011. The Directors intend to continue to conduct the affairs of the Company to enable it to continue to qualify as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010.

Appointment and replacement of Directors

The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association, which require that all Directors shall be subject to re-appointment at the first AGM after appointment and re-appointment annually thereafter. At the AGM of the Company held on 30 June 2023, the re-appointment of all Directors was approved by shareholders.

Capital structure, rights and restrictions

At 1 November 2021, the Company's issued share capital comprised one ordinary share of US$0.01 and 5,000,000 redeemable preference shares of £0.01 each. No shares were held in treasury.

On 14 December 2021, 115,393,126 ordinary shares of US$0.01 each were issued for cash at US$1.00 per share pursuant to the IPO (gross proceeds: US$115.4 million). The shares were issued to institutional and retail investors, as well as the UK Government's FCDO.

On 22 March 2022, the Company effected a court approved capital reduction process which included the cancellation of the preference shares and the related reduction of an amount receivable from related parties of US$66,000 and the reduction of the share premium reserve and related transfer to the special distributable reserve of US$112.0 million. Thespecial distributable reserve is distributable and may be used, where the Board considers it appropriate, by the Company for the purposes of paying dividends to shareholders and, in particular, augmenting or smoothing payments of dividends to shareholders.

Prior to the IPO, the Company agreed to acquire a 43% economic interest in SolarArise from ThomasLloyd Cleantech Infrastructure Holding GmbH, ThomasLloyd SICAV - Sustainable Infrastructure Income Fund and ThomasLloyd Cleantech Infrastructure Fund SICAV, with the consideration to be settled in ordinary shares of US$.0.01 each. On19August 2022, 26,014,349 ordinary shares were issued in settlement of the consideration due on completion of that acquisition, based on an issue price of US$1.16035 per share (gross consideration: US$30.2 million). The issue price represented a discount of 2.5% to the Company's closing share price of US$1.190 on 12 August 2022 (the date on which the issue price was fixed) and a premium of 16.2% to the unaudited NAV per share as at 30 June 2022.

On 18 November 2022, 34,277,228 ordinary shares of US$0.01 each were issued for cash at US$1.03 per share pursuant to a non-pre-emptive placing (gross proceeds: US$35.3 million). The placing price represented a premium of 2.5% to the Company's closing share price of US$1.005 on 7 November 2022 (the date on which the placing price was fixed) and a premium of 2.2% to the unaudited NAV per share as at 30 September 2022. The shares were issued to institutional investors.

No ordinary shares have been issued since 18 November 2022. No shares were bought back or held in treasury during the financial period under review or since 31 December 2022.

At 31 December 2022 (and the date of this Report), the Company's issued share capital comprised 175,684,705 ordinary shares and no shares were held in treasury. The total number of voting rights of the Company at 31 December 2022 (and the date of this Report) was, therefore, 175,684,705. All of the issued ordinary shares have been admitted to trading on the premium segment of the main market of the London Stock Exchange.

Shareholders are entitled to all dividends paid by the Company. On a winding up, provided the Company has satisfied all its liabilities, shareholders are entitled to the surplus assets of the Company. Shareholders are entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each ordinary share held.

There are:

· no restrictions on the transfer of securities in the Company except:

· where the Company is legally entitled to impose such restrictions, such as restrictions on transfers by Directors and persons closely associated with them during closed periods;

· where the Company's Articles of Association allow the Board to decline to register a transfer of shares or otherwise impose a restriction on shares to prevent the Company breaching any law or regulation; or

· pursuant to a lock-up agreement between the Company and the Former Investment Manager's related entities restricting the transfer of the 26,014,349 ordinary shares issued pursuant to the acquisition of the 43% economic interest in SolarArise, which prohibits the transfer of such shares prior to 19 August 2023 except with the prior approval of the Company;48

48 This restriction has since expired.

· no restrictions on exercising voting rights save where the Company is legally entitled to impose such restrictions, such as if, having been served with a notice under section 793 of the Companies Act 2006, a shareholder fails to disclose details of any past or present beneficial interest;

· no agreements between holders of securities regarding their transfer or voting rights which are known to the Company; and

· no special rights with regard to control attached to securities in the Company.

Temporary share suspension

Following the material uncertainty regarding the fair value of the Company's investment portfolio as at 31 December 2022, the Company requested the FCA to suspend the listing of its ordinary shares (with a corresponding request made to the London Stock Exchange for a suspension of trading) with effect from 7.30 a.m. on 25 April 2023, with reference to the FCA's Listing Rule 5.1.2G(3). Following the announcement of the financial results for 2022 the results need to be appropriately electronically tagged in compliance with DTR 4.1, before they can be uploaded to the NSM. Uploading to the NSM is a necessary step before the Company may apply to the FCA for a restoration of the listing. The Company is working on the electronic tagging of the accounts, following which it will apply to the FCA for the restoration of the listing and will make a further announcement in due course.

Share issue and buy-back authorities

By way of special resolutions passed on 11 November 2021, the Directors currently have a general authority to allot shares with an aggregate nominal value of up to US$8.2 billion for cash on a non-pre-emptive basis. This authority will expire on 10 November 2026. Unless specifically authorised by shareholders, no issue of ordinary shares on a non-pre-emptive basis will be made at a price less than the prevailing NAV per ordinary share at the time of issue.

By way of a special resolution passed on 24 August 2023, the Company was granted authority to make market purchases up to 14.99% of its issued share capital. The Company has not bought back any shares under this authority, which expires at the conclusion of the 2024 AGM. The Company may cancel bought-back shares or hold bought-back shares in treasury and then sell such shares for cash. Shares will only be re-sold from treasury at a premium to the NAV per share. The share issue and buy-back authorities provide the Company with additional flexibility in the management of its capital base.

Major interests in shares

As at 31 December 2022 and 21 January 2024 (the latest practicable date prior to the publication of this Annual Report), the Company was aware of the following interests in 3% or more of the voting rights in the Company's issued share capital.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 31 December 2022 | 21 January 2024 |  |  |  |
| Investor | No. of shares | % of voting rights | No. of shares | % of voting rights |
| Secretary of State for Foreign, Commonwealth and Development Affairs | 32,321,899 | 18.4 | 32,321,899 | 18.4 |
| Brevan Howard Investment Products Limited | 29,708,737 | 16.9 | 29,708,737 | 16.9 |
| ThomasLloyd Global Asset Management | 26,004,420 | 14.8 | 26,004,420 | 14.8 |
| AllianceBernstein | 17,214,584 | 9.8 | 17,214,584 | 9.8 |
| Credit Suisse Private Banking | 9,500,000 | 5.4 | 11,500,000 | 6.6 |
| Liontrust Sustainable Investments | 8,770,802 | 5.0 | 8,770,802 | 5.0 |
| Schroder Investment Management | 8,135,810 | 4.6 | 8,135,810 | 4.6 |
| Privium Fund Management | 6,800,000 | 3.9 | 6,800,000 | 3.9 |
| Charles Stanley | 6,236,487 | 3.6 | 3,871,958 | 2.2 |
| WH Ireland | 5,872,412 | 3.3 | 5,872,412 | 3.2 |

Going concern

The Company has undertaken an evaluation of its cashflow forecasts and going concern position to 31 March 2025, including downside scenarios. This evaluation demonstrated that the Company has sufficient cash to meet all of its liabilities within the going concern assessment period, which is a period of at least 12 months from the date the Financial Statements were authorised for issue.

In reaching this conclusion, the Directors considered the Company's net assets as at 31 December 2022 of US$86.6 million, its cash reserves at that date of US$115.8 million, consequences of the share suspension and its recurring operating expenditure requirements, both to date and into the future. During the 12 months ended 31 December 2023, the Company paid out all of its commitments as disclosed in note 21 to the Financial Statements, being US$38.5 million to acquire 57% of SolarArise in January 2023 and US$3.1 million to acquire 99.8% of VSS in May 2023, funded the construction of the RUMS project via a US$20.0 million loan, paid dividends to its shareholders of US$4.4 million and paid the costs of the Company. As at 31 December 2023 the Company had cash reserves of US$41.4 million and AEIT Holdings had cash reserves of US$1.7 million. This cash position has been used in assessing the Company's going concern position and cash flow forecasts.

The Company continues to meet its day-to-day liquidity needs through its cash resources. Assumed future cash inflows over the going concern period include the receipt of dividend and interest income from its underlying investments and the main cash outflows are the ongoing running costs of the Company and the payment of dividends to its shareholders. A key priority for 2024 for the Board and Transitional Investment Manager is to undertake capital restructuring to facilitate the repatriation of cash out of the underlying investment portfolio. A downside scenario that was modelled within the cash flows in the going concern assessment assumed this repatriation is delayed until after the end of the going concern period (i.e. no dividend or interest income is received from the Company's investments during that period). Even in this scenario, the Company has sufficient cash reserves to continue as a going concern. The cash flow forecasts in the downside scenario also assume no further investment commitments during the going concern period. The Company had no outstanding investment commitments at 31 December 2023 and at the date of signing this Annual Report.

The future of the Company relies heavily on the outcome of the current ***strategic*** review of the options for the future of the Company which is expected to be to conclude by the end of the first quarter of 2024. At the date of this Annual Report, based on the information currently available, the most likely outcomes of the ***strategic*** review remain a proposal for either the relaunch of the Company (potentially with a new investment objective, investment policy, target returns and/or Investment Manager but maintaining the impact-led, Asian focus) or a managed wind-down. Shareholders will have the opportunity to vote on the outcome of the ***strategic*** review.

The Board does not intend to declare a dividend in respect of the quarter ended 31 December 2023, nor does it intend to make any further acquisitions or commitments prior to completion of, the ***strategic*** review.

While the Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the going concern basis of accounting has been adopted in preparing the Financial Statements, the outcome of the ***strategic*** review as set out above is not within the control of the Board and is therefore uncertain, and will solely be down to a vote of the shareholders, who may vote for a managed wind up of the Company. In light of this shareholder vote and that shareholders may vote for a managed wind up of the Company, this constitutes a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Viability statement

In accordance with the UK Corporate Governance Code and the AIC Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required for the going concern assessment.

The Board has assessed the viability of the Company for the period to 31 January 2026. This is a period of approximately two years from when the 2022 Annual Report and Accounts were approved. In reviewing the Company's viability, the Directors are mindful of the ongoing work surrounding the ***strategic*** review referred to under 'Going concern' above and the subsequent shareholder vote on the outcome of the ***strategic*** review, which remains outside of the Directors' control and therefore gives rise to a material uncertainty surrounding the going concern of the Company (all of which are set out in the going concern disclosures on also on this page).

At the date of this Annual Report, based on the information currently available, the most likely outcome of the ***strategic*** review remains a proposal for either the relaunch of the Company (potentially with a new investment objective, investment policy, target returns and/or Investment Manager but maintaining the impact-led, Asian focus) or a managed wind-down.

Having analysed with the Company's advisers the initial proposals received for a relaunch of the Company, the Board will be inviting a shorter list of potential investment managers to submit final proposals. Any proposal to relaunch the Company would need to offer a compelling investment proposition for both existing and prospective investors to enable the Company to scale up its size significantly over time as, at its current size, the Company may not have a viable long-term future. The Board is of the opinion that the ongoing workstreams associated with a relaunch of the Company, such as establishing an investment pipeline, making further investments and fundraising will take up to two years and for this reason a period of two years has been selected for this viability statement.

Any managed wind-down proposal would seek to achieve an optimal balance between maximising shareholder value and timely return of cash to shareholders, before a formal winding up once substantially all of the Company's assets have been realised. The Board also expects this process to take up to two years.

The Board, therefore, believes that this period, being approximately two years from the signing of the Financial Statements, is an appropriate time horizon over which to assess the viability of the Company.

In their assessment of the prospects of the Company over the Period, the Directors considered each of the principal risks and uncertainties and are hopeful that proposals to relaunch the Company, along with key changes to the Company's third-party service providers, will aid the future success of the Company. In assessing the Company's prospects, the Directors have reviewed cash flow forecasts to 31 January 2026 which assume no further investment commitments and that all ongoing costs will be met by the Company's cash resources of US$41.4 million at 31December 2023. The cash flow forecasts for the viability assessment assume that dividend or interest income will be received from the Company's underlying investments, but, even in the scenario that the Company receives no dividend or interest income from its underlying investments over the Period, the Company will still have sufficient cash to meet all its liabilities over the period.

In assessing the viability of the Company, the Board concludes that:

o In the event that shareholders vote in favour of a managed wind down, the Company has the resources to complete this without the need for further capital and will be able to meet its liabilities as they fall due.

o However, if the shareholders vote in favour of continuation of the Company, further funding will be needed in order to fund future investments and meet other liabilities as they fall due.

Dividend policy

The Company pays dividends on a quarterly basis. The Company may, where the Directors consider it appropriate, use the special distributable reserve created by the cancellation of its share premium account to pay dividends. Distributions made by the Company may take either the form of dividend income or of 'qualifying interest income' which may be designated as interest distributions for UK tax purposes.

All dividends are paid as interim dividends. As the Company does not pay final dividends, shareholders are not provided the opportunity to vote on the payment of a final dividend. Accordingly, in line with good corporate governance practice, the Board will ask shareholders to approve the Company's dividend policy at each AGM.

In light of the ***strategic*** review, the dividend policy of the Company remains uncertain. The Board does not intend to declare a dividend in respect of the quarter ended 31 December 2023 prior to completion of the ***strategic*** review.

Streamlined energy and carbon reporting

As an investment company with all its activities outsourced to third parties, the Company does not have any physical assets, property, employees or operations of its own and, therefore, the Company's own direct environmental impact is minimal. In relation to the Streamlined Energy and Carbon Reporting ("SECRˮ), implemented by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018, for the financial period ended 31 December 2022 the Company is considered to be a low energy user (<40,000 KWh) and, therefore, falls below the threshold to produce an energy and carbon report.

The energy and emissions metrics for the investment portfolio for the year ended 31 December 2022 are disclosed in the Impact Report.

Modern slavery

The Company is committed to maintaining the highest standards of ethical behaviour and expects the same of its business partners. The use of slavery and human trafficking is unacceptable and entirely incompatible with its ethics as a business. The Company believes that all efforts should be made to eliminate it from its supply chains.

The majority of services supplied to or on behalf of the Company are from the financial services, energy and construction industries and other services associated with those industries. As such, the Company believes there to be a low risk profile of anyone supplying it directly with services being involved in slavery and/or human trafficking. The most significant area of risk for the Company is in relation to its investee companies in relation to sourcing solar panels as there is widely known evidence to ***suggest*** that a large proportion of the current global polysilicon supply chain is at high risk of forced labour violations. Polysilicon is the raw material required to create most solar panels. The Company has put in place supplier due diligence processes and traceability requirements to reduce this risk.

Anti-bribery, anti-corruption and tax evasion

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company is committed to ensuring that the Company and its subsidiaries and investment entities, and anyone contracting with the Company and its subsidiaries and investment entities (including by the Investment Manager and other key service providers), comply with the requirements of the UKBribery Act 2010 or equivalent legislation in other jurisdictions.

The Company does not tolerate tax evasion in any of its forms in its subsidiaries and investment entities. The Company complies with the relevant UK law and regulation in relation to the prevention of facilitation of tax evasion and supports efforts to eliminate the facilitation of tax evasion worldwide. It also works to make sure its business partners share this commitment.

Donations and contributions

No political or charitable donations were made during the financial period under review.

Amendment to the Company's Articles

The Company's Articles of Association may only be amended by a special resolution passed by shareholders.

Listing Rule 9.8.4

The FCA's Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard other than in accordance with Listing Rule 9.8.4(7) (details of an allotment for cash of equity securities made during the financial period), the information on which is detailed under 'Capital structure, rights and restrictions.

Disclosure of information to the Auditor

Having made enquiries of key service providers, each of the Directors holding office at the date of this Report confirms that:

· as far as they are aware, there is no relevant audit information of which the Auditor is unaware; and

· they have taken all the steps a Director might reasonably be expected to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Auditor

The Company's Auditor, Deloitte LLP, was appointed prior to AEIT's IPO and is willing to continue in office. Resolutions to re-appoint Deloitte LLP and authorise the Board to determine the Auditor's remuneration will be proposed at the forthcoming Accounts General Meeting.

Accounts General Meeting

As the Company was required to hold its 2023 AGM before this Annual Report was available, a general meeting of the Company will be convened at which resolutions of a financial nature typically considered at an AGM will be proposed. Thenotice of the Accounts General Meeting and details of the resolutions to be proposed will be contained in a separate circular to shareholders.

Approval

This Directors' Report was approved by the Board and signed on its behalf by:

Sue Inglis Chair

22 January 2024

Corporate Governance Report

This Corporate Governance Report forms part of the Directors' Report.

The Company became a member of the AIC with effect from 14 December 2021 following completion of its IPO. As such, the Board has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Codeˮ). The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to shareholders.

The AIC Code is available on the AIC website ([*www.theaic.co.uk*](http://www.theaic.co.uk)) and the UK Corporate Governance Code can be found on the Financial Reporting Council's website ([*www.frc.org.uk*](http://www.frc.org.uk)). The AIC Code includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Compliance with the AIC Code

Throughout the period ended 31 December 2022, the Company complied with the principles and provisions of the AIC Code except that the Chair of the Company is a member of the Audit Committee and is also Chair of the Nomination Committee. Given the size of the Board of which all members are independent non-executive Directors and the knowledge and experience of the Chair, the Directors consider that this is appropriate.

Division of responsibilities

The Board has overall responsibility for the Company's activities. However, the Company has delegated or outsourced various matters to its standing Committees and key service providers, most notably the AIFM, Investment Manager and Administrator, all of which operate within clearly defined terms of reference or agreements that set out their roles, responsibilities and authorities.

Board

The Board provides overall leadership and is collectively responsible for the long-term sustainable success of the Company, generating value for shareholders, contributing to the fight against climate change and benefitting the communities in which our assets are located. Accordingly, the Board's principal responsibilities include:

· determining the Company's ***strategic*** objectives and risk appetite;

· ensuring that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders, within a framework of high standards of corporate governance and effective risk management and internal controls;

· business conduct and implementation of its key investment, financial, operational and compliance policies, ensuring they are aligned with AEIT's purpose and strategy and the Board's culture and values and that any necessary corrective action is taken;

· scrutinising the performance of the Investment Manager, Administrator and other key service providers and holding them to account;

· reviewing the proposed valuations of AEIT's investments;

· ensuring effective engagement with, and encouraging participation from, shareholders and other key stakeholders; and

· providing ***strategic*** guidance and offering specialist advice, whilst providing constructive and effective challenge, especially with regard to portfolio management.

Matters not delegated or outsourced to Committees and key service providers are reserved for consideration and approval by the Board (including those matters listed in a formal schedule of reserved matters approved by the Board), thus enabling the Board to maintain full and effective control over ***strategic*** issues and all operational matters of a material nature. The reserved matters include:

· approving AEIT's long-term objectives and any matters of a ***strategic*** nature, including any changes to the investment objective, policy and restrictions (including those which may need to be submitted to shareholders for approval) and target returns;

· the appointment and removal of key service providers and any material amendments to the Company's agreements with them;

· approving any other material contracts and agreements entered into, varied or terminated;

· approving any transactions with related parties;

· approving Annual and Interim Reports and quarterly NAV and other financial announcements;

· approving the Company's operating budget;

· setting the Company's dividend policy and approving dividends;

· approving the raising of new capital;

· approving prospectuses, circulars and other shareholder communications;

· Board appointments and removals; and

· the Company's corporate governance arrangements.

The primary focus at Board meetings is a review of investments and associated matters (such as performance against budget and KPIs, compliance with investment restrictions, investment pipeline, investment strategy, projected cash flows, gearing and currency hedging), financial analyses, share price premium/discount, investor relations and marketing, industry, legal and regulatory (including corporate governance) developments and other matters of an operational nature.

Chair

The Chair is Sue Inglis. Her primary role as Chair is to provide leadership to the Board. The principal responsibilities of the Chair include:

· ensuring the overall effectiveness of the Board in directing the Company;

· taking a leading role in setting the Company's ***strategic*** objectives in conjunction, and through regular interaction with, the Investment Manager;

· facilitating open, honest and constructive debate among Directors and the effective contribution of all Directors;

· ensuring the Company is meeting its responsibilities to shareholders and other stakeholders; and

· engaging with shareholders to ensure that the Board has a clear understanding of their views.

Full details of the role and responsibilities of the Chair are available on the Company's website.

Senior Independent Director

The Senior Independent Director is Mukesh Rajani. His primary responsibilities as such are to serve as a sounding board for the Chair, act as an intermediary for other Directors and be available to respond to shareholders' concerns if they cannot be resolved through the normal channels of communication (i.e. through the Chair). The Senior Independent Director leads the annual evaluation of the Chair.

Board Committees

The Board has five standing Committees, being the Audit and Risk Committee, ESG Committee, Management Engagement Committee, Nomination Committee and Remuneration Committee: Given its size and the diverse range of skills and experience of the Directors, the Board has considered it appropriate for all Directors to serve on all standing Committees.

Details of the principal responsibilities of the Committees are included in their respective reports on pages [●] to [●] and the terms of reference of each Committee are available on the Company's website. The Committees review their terms of reference at least annually, with any proposed changes recommended to the Board for approval. Committee Chairs attend AGMs to answer any questions on each of their Committee's activities.

The Board may also establish additional Committees from time to time to take operational responsibility on specific matters. These Committees ensure that key matters are dealt with efficiently and in a timely manner.

AIFM

The Company is classified as an Alternative Investment Fund under the EU Alternative Investment Fund Managers' Directive as incorporated into UK law (the "AIFMD") and is, therefore, required to have an AIFM. The Company's AIFM is Adepa Asset Management S.A.

The AIFM's responsibilities include:

· portfolio management (which it has delegated to the Investment Manager);

· monitoring and ensuring compliance with the Company's investment policy;

· risk management;

· approval of quarterly portfolio valuations and NAVs; and

· ensuring compliance with AIFMD regulations and reporting.

The AIFM is entitled to an annual management fee, subject to a minimum fee of US$75.000 per annum, at the following rates, based on the NAV and payable quarterly in arrears:

|  |  |
| --- | --- |
| NAV | Fee rate |
| Up to US$200 million | 0.055% |
| Between US&200-400 million | 0.045% |
| Between US&400-1,000 million | 0.035% |
| Above US$1 billion | 0.025% |

The AIFM is also entitled to annual risk management fee and AIFMD reporting fees of EUR14,500. The AIFM's appointment is terminable by either party on not less than six months' notice in writing.

Investment Manager

The AIFM, with the agreement of the Company, has delegated the portfolio management of the Company to the Investment Manager. The Investment Management Agreement between the AIFM, Company and Investment Manager (the "IMA") sets out the matters in respect of which the Investment Manager has authority and responsibility, subject to the overall control and supervision of the Board. These include:

· having full discretion in relation to AEIT's portfolio management activities in accordance with AEIT's investment policy and any other restrictions imposed in the IMA or by the Board from time to time;

· managing cash not yet invested by the Company or otherwise applied in respect of its operating expenses; and

· promoting the Company and investor relations.

In advance of Board meetings, the Investment Manager provides regular reports, which include operating updates on the Company's investments, cash flow forecasts and other relevant information. Senior representatives of the Investment Manager attend Board meetings. The Investment Manager is responsible for keeping the Board informed, in a timely manner, of any material developments arising from its portfolio management activities or other relevant matters, including interactions with shareholders and other key stakeholders.

For the period from IPO to 31 October 2023, the Investment Manager was ThomasLloyd Global Asset Management (Americas) LLC (the "Former Investment Manager"). Under the relevant IMA, the Former Investment Manager was entitled to a management fee, details of which are included in note 19 to the Financial Statements. On 15 September 2023, following the failure of the Continuation Resolution at both the requisitioned general meeting and the adjourned annual general meeting held on 24 August 2023, the Board served notice on the Former Investment Manager terminating the IMA with effect from 31 October 2023. From 1 November 2023, Octopus Energy Generation ("OEGEN") was appointed as Transitional Investment Manager to cover an initial period through to 30 April 2024. For this initial term, the Company will pay OEGEN a management fee of US$1.35 million. At the end of the term, at the discretion of the Board, there is scope for OEGEN to earn an additional management fee of up to US$0.55 million for its services during the transitional period.

The Board, together with its advisors, is currently conducting a ***strategic*** review of the options for the Company's future, including the appointment of an Investment Manager for the period post 30 April 2024.

Administrator/Company Secretary

The Company has appointed JTC UK Ltd as the Company's Administrator to provide fund accounting, company secretarial and other administrative services. The Administrator's responsibilities include:

· undertaking the day-to-day financial and administration functions of the Company, including calculation of the NAV and maintenance of the Company's accounting and statutory records;

· providing the company secretarial functions required by the Companies Act 2006;

· ensuring that the Company complies with applicable laws, rules and regulations, including laws and regulations applicable to investment trusts, the FCA rules applicable to listed investment companies and the London Stock Exchange rules;

· advising on all governance matters;

· supporting the Board and its Committees to ensure that they have the policies, processes and information they need to function effectively and efficiently and to enable the Directors to discharge their responsibilities; and

· ensuring that Board and Committee procedures are followed.

In advance of Board meetings, the Administrator provides regular reports, which include operational information, details of any breaches or complaints and relevant legal and regulatory, corporate governance and other technical updates. TheAdministrator is responsible for keeping the Board informed, in a timely manner, of any material developments regarding matters within the scope of its role and responsibilities.

Board and Committee meetings

Regular Board and Committee meetings are scheduled throughout the year. In addition, valuation meetings are held in advance of each scheduled Audit and Risk Committee meeting to review preliminary quarterly valuations of the Company's investments. Ad hoc Board and Committee meetings are also held between scheduled meetings in preparation for or to follow-up after scheduled meetings, to consider investment proposals and to deal with any other matters arising between scheduled meetings. Typically, all Directors attend valuation and ad hoc meetings, although this is not always feasible or necessary and any Director who is unable to attend a meeting can communicate their views ahead of the meeting.

Attendance at scheduled meetings

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Board | Audit and Risk Committee | ESG Committee | Management Engagement Committee | Nomination Committee | Remuneration Committee |  |
| No. of scheduled meetings held | 5 | 4 | 2 | 1 | 1 | 1 |
| Sue Inglis | 5 | 4 | 2 | 1 | 1 | 1 |
| Mukesh Rajani | 5 | 4 | 2 | 1 | 1 | 1 |
| Clifford Tompsett | 5 | 4 | 2 | 1 | 1 | 1 |
| Kirstine Damkjaer | 5 | 4 | 2 | 1 | 1 | 1 |

Board composition and succession

Board composition and independence

The Board consists of four non-executive Directors, all of whom were appointed prior to the Company's IPO and are (and were on appointment) independent of the Investment Manager. The Chair and each of the other Directors is (and was on appointment) also independent when assessed against the circumstances set out in provision 13 of the AIC Code. Theindependence of the Directors is reviewed at least annually by the Nomination Committee.

The current Board was selected to bring a breadth of skills, knowledge and experience relevant to the Company's structure and strategy. Details of the Directors, including their skills and experience, are set out on pages [●] and [●].

The composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company without any one individual or small group dominating the decision making. The strong and diverse mix of experienced individuals on the current Board enables high calibre debate and constructive challenge. TheBoard is able to use the skills, knowledge and experience of the individual Directors to their maximum potential and make decisions that are in the best long-term interests of the Company. In particular, the Board uses the Directors' skills, knowledge and experience to review information provided by the Company's key service providers, make enquiries, raise challenges and request additional information as required. However, as the Directors are all non-executive, the effective operation of the Board is heavily dependent on receiving accurate, transparent and timely information (including in response to the Board's requests for information) from the Company's key service providers and, in particular, the AIFM, Investment Manager and Administrator.

The Board's tenure, succession and diversity policies seek to ensure that the Board continues to be well-balanced and refreshed regularly by the appointment of new Directors with the necessary skills, knowledge, experience and personal qualities and who can bring fresh perspectives. The Board will review the appropriateness of its composition in light of the outcome of the current ***strategic*** review of the options for the Company's future and, if necessary, make changes to ensure that the Board has the necessary skills, knowledge and experience to implement the outcome of the ***strategic*** review.

Board diversity

Given the small size of the Board, that it comprises only non-executive Directors and the Company's specialist nature as an externally managed investment company, setting specific diversity targets may provide challenges when recruiting new Directors. The Board does not consider, therefore, it appropriate to set specific diversity targets. However, the Directors acknowledge that diversity in its broadest sense is important to ensure that the Company can draw on a broad range of backgrounds, skills, experience and perspectives to achieve effective stewardship of the Company and the long-term sustainable success of the Company. As explained under 'Appointments to the Board' below, an integral part of the process for recruiting new Directors will include, therefore, the consideration of diversity generally, taking into account gender, social and ethnic backgrounds and cognitive and personal strengths, as well as skills, knowledge and experience.

The FCA's Listing Rules now require companies to report on whether they have met the following targets on board diversity:

· at least 40% of the individuals on the board are women;

· at least one of the senior board positions (in the case of the Company, these are the Chair and Senior Independent Director) is held by a woman; and

· at least one director is of an ethnic minority background.

As shown in the tables below, at 31 December 2022 (and at the date of this Report), the Company met all of these diversity targets.

|  |  |  |  |
| --- | --- | --- | --- |
| No. of senior |  |  |  |
| Gender diversity | No. of Board positions | % of Board | positions on Board |
| Male | 2 | 50 | 1 |
| Female | 2 | 50 | 1 |

|  |  |  |  |
| --- | --- | --- | --- |
| No. of senior |  |  |  |
| Ethnic diversity | No. of Board positions | % of Board | positions on Board |
| White British or other (including minority - white groups) | 3 | 75 | 1 |
| Asian/Asian British | 1 | 25 | 1 |

As an externally managed investment company with solely non-executive Directors, the Company does not have a chief executive or a chief financial officer (both being 'senior positions' under the relevant FCA Listing Rule) and has no employees. Accordingly, there are no disclosures about executive management positions to be included. The information in the tables above was provided by individual Directors in response to a request from the Administrator.

Appointments to the Board

The Nomination Committee reviews at least annually the composition and effectiveness of the Board and its Committees with the objective of ensuring that these have the appropriate balance of skills, knowledge and experience required to meet the current and future opportunities and challenges facing the Company and succession plans are implemented in an orderly manner. The Nomination Committee makes recommendations to the Board when it considers that a new Director should be recruited.

Once a decision has been taken by the Board to recruit a new Director, the Nomination Committee will oversee the recruitment process. At the outset, the Nomination Committee will review the current balance and diversity of the Board, taking into account gender, social and ethnic backgrounds and cognitive and personal strengths, and identify any specific skills, knowledge, experience and personal qualities that are required to ensure the continued effective operation of the Board. The Nomination Committee will then set objective selection criteria to ensure a formal rigorous and transparent appointment process and protect against potential discrimination. The Nomination Committee intends to use non-executive director recruitment consultants and/or open advertising when recruiting new Directors. The Nomination Committee will seek to ensure that longlists of candidates should include diverse candidates, taking into account gender, social and ethnic backgrounds, with the appropriate skills, knowledge experience and personal qualities. Following the creation of a shortlist of candidates, the decision-making process will be based on merit, with due consideration of the objective selection criteria identified.

When considering new appointments, the Nomination Committee will also take into account other demands on the candidates' time. In advance of joining the Board, successful candidates will be asked to disclose any existing significant commitments with an indication of the time involved and to confirm that they are able to allocate sufficient time to the business of the Company and that there are no situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests.

Directors are not appointed for any specific term and are subject to annual re-appointment at AGMs.

Directors' appointments are reviewed by the Nomination Committee ahead of their submission for election or re-election, with submission being contingent on a satisfactory performance evaluation. A Director may resign, and the Company may terminate a Director's appointment at any time, by not less than one month's notice in writing. The Articles of Association permit a Director to be removed without prior notice in certain circumstances. Directors are not entitled to any compensation payments for loss of office.

At the time of appointment, a new Director receives a letter of appointment that sets out their duties and obligations. Copies of the letters of appointment of the current Directors are available for inspection at the Company's registered office and at each AGM.

Induction and professional development

Any new Directors will receive an induction on joining the Board covering the Company's strategy, policies, operational structure and governance, which will be coordinated by the Administrator. In addition, new Directors will be briefed fully about the Company's strategy and portfolio by the Investment Manager.

The Administrator is charged with assisting in the ongoing training and development of all Directors, including providing the Directors with details of the Company's regulatory and statutory obligations (and changes thereto). Directors are able to receive training or additional information on any specific subject pertinent to their role as a Director that they request or require. The Directors are encouraged to participate generally in industry events and to attend any other relevant seminars and conferences, if necessary at the Company's expense. Directors' individual training requirements are considered as part of the annual evaluation process.

Information and support

To enable the Board to function effectively and the Directors to discharge their responsibilities, the Directors are regularly updated on investment, financial, investor and other stakeholder engagement and other matters. In addition to periodic reporting at scheduled Board and Committee meetings, the Directors receive, and may request, ad hoc information from the Investment Manager, Administrator and other key service providers. As the Directors are all non-executive, the effective functioning of the Board is heavily dependent on receiving accurate, transparent and timely information (including in response to the Board's requests for information) from the Company's key service providers and, in particular, the AIFM, Investment Manager and Administrator.

The Directors have access to the advice and services of the Administrator. In addition, there is a procedure in place for Directors to take independent professional advice at the Company's expense should this be required to aid them in their duties. No such independent professional advice was sought during the financial period under review.

Time commitment

All Directors are aware of the need to allocate sufficient time to the Company in order to discharge their responsibilities effectively. Directors must obtain prior approval from the Board when they take on any additional external appointments and it is their responsibility to ensure that such appointments will not prevent them meeting their required time commitments to the Company.

Where a significant additional external appointment is approved by the Board, the reasons for permitting the appointment will be explained in the next Annual Report. No such appointments were approved during the financial period under review.

Conflicts of interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests ('conflict situations'). As permitted by the Companies Act 2006, the Company's Articles of Association allow the Directors to authorise conflict situations, where appropriate.

The Board has a procedure in place to deal with conflict situations. As part of this process, Directors must submit any actual or potential conflict situations they may have to the Board for approval as soon as possible. In deciding whether to approve a conflict situation, the Board will act in a way it considers, in good faith, will be most likely to promote the Company's success, taking into consideration whether the Director's ability to act in accordance with their wider duties is affected. The Administrator maintains the register of approved conflict situations (which also includes a list of other external positions held), which is tabled and considered at each Board meeting. Directors have a duty to keep the Board updated about any changes to their approved conflict situations. In certain circumstances the conflicted Director may be required to absent themself from discussions or decisions on the matter on which they are conflicted (in which event, the Director will not be counted when determining whether the meeting is quorate). No such circumstances arose during the financial period under review. Neither the Chair nor any of the other Directors has, or has had, any potential conflicts of interest of the nature listed in provisions 6 and 12 of the AIC Code.

Election and re-election by shareholders

Directors are required to stand for re-appointment at the first AGM following their appointment and annual re-appointment at each subsequent AGM. A Director who retires at an AGM may, if willing to continue to act, be reappointed at that meeting.

Having considered their effectiveness, demonstration of commitment to the role, attendance at meetings and contribution to the Board's and its Committees' deliberations, the Board approved the nomination for re-appointment of all the Directors at the annual general meeting held on 30 June 2023, and this was subsequently approved by shareholders.

Board tenure

The Board's policy on Director, including Chair, tenure is that a Director should normally serve no longer than nine years but, where it is in the best interests of the Company, its shareholders and other stakeholders, a Director may serve for a limited time beyond that.

The Board believes that the continuity of knowledge and experience of its Directors is important and that a suitable balance requires to be struck with the need for refreshing of the skills and experience of the Board. The Board believes that some limited flexibility in its approach to Director, including Chair, tenure will enable it to manage succession planning more effectively.

Succession planning

The Nomination Committee is responsible for succession planning and its approach to succession planning is explained in the Nomination Committee Report.

Annual performance evaluations

Board, Committees, Chair and individual Directors

Details on the 2022 formal evaluations of the Board, its standing Committees, the Chair and individual Directors, conducted by the Nomination Committee, are included in the Nomination Committee Report. Having considered them, the Board accepted all of the Nomination Committee's recommendations.

Investment Manager

The performance of the Investment Manager is considered at every Board meeting, with a formal evaluation by the Management Engagement Committee at least once each year.

Details on the 2022 formal evaluation of the Investment Manage are included 'in the Management Engagement Report.

AIFM, Administrator and other key service providers

The performance of the Administrator and other key service providers is monitored by the Board and its standing Committees on an ongoing basis and formally evaluated by the Management Engagement Committee (or, in the case of the Auditor, the Audit and Risk Committee) at least annually. Information on the 2022 formal evaluations is included in the Management Engagement Committee Report and Audit and Rick Committee Report.

Directors' remuneration

The Directors' Remuneration Report includes the Directors' remuneration policy and details of the remuneration of each Director.

Principal risks

The Company's principal and emerging risks, together with details of how the Board seek to manage and mitigate them, are set out in the ***Strategic*** Report. The Company's financial instrument risks are discussed in note 18 to the Financial Statements.

Internal controls

The Board is responsible for maintaining the Company's systems of risk management and internal controls (such as financial, operational and compliance controls). The AIC Code requires the Board to review the effectiveness of the Company's systems of risk management and internal controls at least annually.

Although the Board has contractually delegated services that the Company requires to external third parties, it remains fully informed of the internal control framework established by each relevant service provider. Any changes or amendments to the internal control frameworks of the third-party providers, along with commentary on the effectiveness of financial controls are discussed at the Audit and Risk Committee.

The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports from the relevant key service providers.

During the finalisation of the 2022 audit, a number of failings and weaknesses in the valuation process became apparent to the Board, and more than just judgemental macroeconomic factors, and ultimately led to a material fall in the valuation of the investment portfolio as at 31 December 2022. These failings and the steps the Board has taken to address them are outlined in the Audit and Risk Committee Report. Also refer to the 'Risk and Risk Management' section for details of the risks crystallised in the period.

Internal audit function

The Audit and Risk Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company as an externally managed investment company with external service providers.

Relations with investors and other stakeholders

The Board is mindful of the importance of engaging with AEIT's shareholders, as well as with the AIFM, Investment Manager, Administrator and other key stakeholders. Details of our engagement with all of the Company's key stakeholders and how we had regard to those stakeholders in our decision-making processes during the financial period under review are set out in the ***Strategic*** Report.

The Board recognises that relationships with suppliers are enhanced by prompt payment and the Administrator, in conjunction with the Investment Manager, ensures payments are processed on a timely basis.

Approval

This Corporate Governance Report was approved by the Board and signed on its behalf by:

Sue Inglis Chair

22 January 2024

Audit and Risk Committee Report

I present the Audit and Risk Committee Report for the financial period ended 31 December 2022, which sets out the Committee's responsibilities and its work and focus during, and with respect to, the financial period.

The issues surrounding the finalisation of the 31 December 2022 portfolio valuation, the 2022 Annual Report and Accounts and subsequent audit have been extremely disappointing. In addition to the principal responsibilities outlined below, the Audit and Risk Committee has overseen some significant changes to the valuation process, including the replacement of the Former Investment Manager and of the previous independent valuer and the introduction of a reasonableness opinion from an independent valuation expert. This brought a fresh and independent view to the valuations which the Committee determined was required.

Committee's principal responsibilities

· Monitoring and, as appropriate, challenging the integrity of AEIT's Financial Statements, including its Annual and Interim Reports and any other formal announcements relating to its financial performance.

· Reviewing the valuation of AEIT's investments prepared by the Investment Manager and reported on by the independent valuation expert.

· Reviewing the content of the Annual Report, including the Financial Statements, and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides shareholders with sufficient information to assess the Company's performance, business model and strategy.

· Assessing AEIT's principal and emerging risks, including those that would threaten its business model, future performance, solvency or liquidity and reputation, and how they are managed and mitigated.

· Working with the ESG Committee, ensuring the effective integration of ESG-related risks into AEIT's risk management framework.

· Keeping under review the adequacy and effectiveness of AEIT's risk management and internal control systems.

· Considering the ongoing assessment of AEIT as a going concern and assessment of its longer-term viability.

· Managing the relationship with the Auditor, including reviewing the Auditor's remuneration, independence and performance.

· Considering annually whether there is a need for AEIT to have its own internal audit function.

· Reporting to the Board on how the Committee has discharged its responsibilities and making recommendations as appropriate.

The Committee consists of all the Directors and is chaired by Clifford Tompsett. The Chair of the Board is a member of the Audit and Risk Committee. The Board believes that Sue Inglis' knowledge and experience is of significant benefit to the Committee.

The AIC Code requires the Committee to have at least one member with recent and relevant financial experience. Two of the Committee members are qualified accountants (of which the Committee Chair is one), one member has a relevant investment background and one member is a former investment banker with extensive experience of listed closed-ended funds. The Board is satisfied, therefore, that the Committee has sufficient recent and relevant financial and sector experience to discharge its responsibilities.

The Audit and Risk Committee's authority and duties are clearly defined within its written terms of reference which are available on the Company's website. The terms of reference include all matters indicated by the FCA's Disclosure Guidance and Transparency Rule 7.1 and the AIC Code. The terms of reference are reviewed at least annually.

The Committee operates to a forward-planned agenda linked to the Company's financial calendar. It has four scheduled meetings each year and meets at such other times as may be required. The Committee met six times during the financial period ended 31 December 2022. Since the period end, the Committee has met ● times.

Representatives of the Company Secretary, Investment Manager, independent valuation expert and Auditor are invited to attend Committee meetings and the Chair may invite other external specialists as and when deemed appropriate.

At least once a year the Committee meets with the Auditor without any representative of the Investment Manager or Administrator being present. During the period the Committee met privately with the Auditor once. The Auditor was also present at all Committee meetings where there was a review of the Financial Statements or formal announcements relating to financial performance. The Committee Chair also maintains regular contact with the Auditor outside the formal Committee meeting schedule.

Financial statement and significant reporting matters

As part of its monitoring of the integrity of the Financial Statements and NAV publications, the Committee reviews whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made. The Committee considered the following significant judgements and other areas of audit focus in respect of the Financial Statements for the period ended 31 December 2022. These areas have been identified as being significant by virtue of their materiality.

In this section we disclose the key chronology of events that led to the temporary share suspension in addition to the final judgements and assumptions adopted in finalising the December 2022 Annual Report and Accounts and how the Committee challenged and concluded on each key judgement and significant reporting matters.

Valuation of investments

The valuation of the Company's investments relies on a number of key assumptions. The key assumptions (which are set out in notes 2 and 9 to the Financial Statements) include future power prices, renewable energy generation, discount rates, inflation rates and the timing of dividends given some of the investments have capital structures which make the payment of dividends more difficult. Sensitivities of the key inputs used within the models are detailed in note 9. In addition, there is significant subjectivity and estimation uncertainty in determining the fair value of the Company's investment in SolarArise and the valuation of the RUMS project. Further detail on the RUMS project is set out in notes 2 and 9 to the Financial Statements.

This report sets out the issues associated with the valuation of the Company's investment portfolio and how the Committee challenged the key assumptions set out above.

The period leading up to 17 April 2023 Audit and Risk Committee meeting

During 2022, the Committee held a number of ad hoc meetings with the Former Investment Manager, the Company's previous independent valuer and the AIFM to review and challenge the integrity of the Former Investment Manager's valuation models. In particular, the Committee queried the use of 'in-house' wholesale electricity spot market ("WESM") price curves that were prepared by the Former Investment Manager in the NISPI valuation when it is market standard to use an independent source. The Committee also had questions over the tax provisioning and financial modelling, particularly with regard to SolarArise. In response to the Committee's challenges, the following actions were taken by the Former Investment Manager in arriving at the initial draft 31 December 2022 valuations:

· the appointment of a third-party model audit firm to review the integrity of the valuation models including tax assumptions; and

· the appointment a leading independent power consultant to provide forecast WESM price curves for wholesale market prices in the Philippines (these curves were received in early February 2023 and reported low, base and high case WESM forecasts).

In late February 2023, initial draft valuations prepared by the Company's former independent valuer, together with presentations prepared by the Former Investment Manager, were circulated for a valuation co-ordination meeting held on 2 March 2023 (the "March Meeting"). A number of significant matters were discussed and challenged at the March Meeting and in the period leading up to the Committee meeting held on 17 April 2023 (the "April Meeting"), including the following:

· NISPI: At the March Meeting, the Former Investment Manager proposed a valuation of US$32.1 million for the 40% interest in NISPI. The power price forecast in this NISPI valuation applied a 75% weighting to the Former Investment Manager's in-house forecast and a 25% weighting to the high case of the independent power consultant's forecast. The valuation materials also disclosed that, if the independent base case power price curve had been used only, the valuation would have been reduced to US$14.5 million (a decrease of US$17.6 million (55%) to the original valuation proposed).

The Committee was unable to get comfortable the WESM prices used in this initial valuation, reiterating that using an independent source is best practice and market standard. The valuation was subsequently updated to US$26.8 million reflecting 100% of the independent power consultant's high case power curve. The adoption of the high case power curve referenced above had resulted in a US$10.2 million valuation reduction but this had been offset by the Former Investment Manager changing other assumptions in its model which increased the valuation by US$5.0 million, including updating generation forecasts (US$2.6 million), accelerated cash extraction (US$1.4 million) and a reduction in the discount rate (US$1.0 million). The Former Investment Manager also provided the Committee with a report highlighting the differing judgements made by the independent power consultant to its own assumptions and judgements used in its 'in-house' price forecasts. Examples of these differing judgements included the timing and implications of falling commodity prices, the ability of the grid to meet demand and the availability of alternative energy sources to meet demand, particularly the speed of renewables uptake in the Philippine market. In addition, analysis prepared by the Former Investment Manager showed that the high case independent forecast tracked most closely to historic WESM market prices achieved by NISPI and that the base case projection was significantly below historic prices. As such, the Former Investment Manager advised the Committee that, based on its experience and knowledge in the market, using the high case independent forecast would be a reasonable balanced assumption in light of the subjectivity surrounding the wider macroeconomic factors driving the forecast WESM price curves and this was supported by the independent valuer.

· SolarArise: At the March Meeting, the Former Investment Manager proposed a valuation of US$30.5 million for the 43% interest in SolarArise. This included a valuation of the RUMS project at cost (US$2.1 million) rather than using a DCF valuation as had been used in prior period valuations. Despite being requested by the Committee, the Former Investment Manager did not provide the Committee with a copy of the RUMS project model to justify that the project returns supported the costs incurred to date. This remained an outstanding issue and the Committee was unable to sign off on the valuation of the RUMS project at that time.

Other matters discussed at the March Meeting and subsequently included:

o Asset performance: Reports provided by the Former Investment Manager showed that generation of SolarArise's assets was underperforming budget, but the Committee was told these performance issues were largely due to one-off events (like flooding, etc.) and that the overall generation profiles adopted were consistent with the initial P50 generation forecasts obtained at the time that each asset was commissioned.

o Adequacy of tax provisions: Questions were raised by the Committee on the completeness of tax provisions and the modelling of tax within the valuations. Members of the Committee were involved in detailed discussions with the Auditor about this and an audit adjustment was proposed to deal with this issue.

o Cash extraction: The Former Investment Manager had made the Committee aware that cash extraction in SolarArise's assets had some challenges but had previously advised that the requirement to model these intricacies was not required as the impact was not deemed to be material after potentially available mitigations were modelled.

The Committee was guided by the Former Investment Manager's knowledge and experience in the Indian market and the draft report from the independent valuer and was conscious that an independent third-party model review was underway to justify the Former Investment Manager's conclusions and identify any potential additional issues which may need to be included within the valuations.

· Third-party model review: At the time of the April Meeting the third-party model review had not been completed. Draft reports from the third-party model audit firm subsequently received showed that there remained a number of substantive unanswered questions, particularly in the areas of taxation, distributable reserves and the ability to extract cash from the underlying SPVs to SolarArise and from SolarArise and NISPI to the Company. This work by the third-party model audit firm was never completed and was superseded by the valuation work carried out by PricewaterhouseCoopers LLP ("PwC") and the Transitional Investment Manager and the updated valuation process as discussed below.

The 17 April 2023 Audit and Risk Committee meeting and subsequent temporary share suspension

In the draft financial statements circulated in advance of the 17 April 2023 meeting the RUMS project was carried at cost, but still with no explanation of the economic viability of the project. Furthermore, on the morning of, and 10 minutes prior to, the April Meeting a presentation on the RUMS project was emailed by the Former Investment Manager to the Committee which disclosed that the cost of the RUMS project and the equity funding requirement had gone up significantly, thereby calling into question its economic viability. These cost increases had arisen principally due to increases in module costs, the estimated cost of the EPC contract, goods and services tax and adverse movements in exchange rates in comparison to the costs in the original bid assumptions and those used in the prior valuations. On 21 April 2023, the Board was further advised by the Former Investment Manager that potentially significant non-completion liabilities would arise in the event that the SPV did not proceed with the construction of the RUMS project.

The Board and Auditor agreed over the weekend of 22/23 April 2023 that there would not be sufficient time before 30 April 2023 (the date by which AEIT was required to publish its 2022 Annual Report to avoid a suspension of the listing of its shares) to assess the impact of the new information presented with regard to the RUMS project on the SolarArise valuation and the Company's Financial Statements for the financial period ended 31 December 2022, nor for the financial implications to be thoroughly audited by Deloitte LLP such that the quality of the 2022 Financial Statements and audit process could be maintained. Over the same weekend and having taken advice from the Company's professional advisors, the Board concluded that the new information created a material uncertainty regarding the fair value of the Company's assets and liabilities and, following discussion with the FCA, the listing of, and trading in the Company's shares was suspended on 25 April 2023.

The period post the temporary share suspension up to the appointment of OEGEN as Transitional Investment Manager

It was against this background and the failure of the Former Investment Manager to satisfactorily answer the Board's and Auditor's outstanding questions on the valuations that the Board and AIFM appointed PwC to complete a detailed review of the key assumptions included in the financial models and the valuation methodology of the Company's operational assets in India and the Philippines which had been prepared by the Former Investment Manager to assist them with the finalisation of the valuations of the Company's investment portfolio as at 31 December 2022.

As announced by the Company in July 2023, following this review, the Company identified several areas for concern, including material errors and inconsistencies, more than just judgemental macroeconomic factors, inaccurately shown within the valuations. Examples included unrealistically optimistic revenue and operating cost assumptions, inaccurate tax calculations and a failure to properly consider limitations on cash extraction. The announcement also stated that the portfolio valuation could reflect a downward movement relative to the 30 September 2022 valuation (and the draft valuations as at 31 December 2022 provided by the Former Investment Manager) and that this downward movement could be material.

A copy of the PwC report was provided to the Former Investment Manager on 22 July 2023. However, other than some clarificatory questions received on 15 August 2023, no response was received from the Former Investment Manager in relation to the findings.

Following discussions with a range of stakeholders, it was concluded that the appointment of a transitional Investment Manager was appropriate, and also would be the most effective way to finalise the 31 December 2022 and 30 June 2023 valuations, 2022 audit and Annual Report and Accounts and 2023 Interim Report and ensure the temporary share suspension could be lifted as soon as possible.

Finalisation of the 31 December 2022 investment valuations

Following the appointment of OEGEN, all of the items highlighted in PwC's report have been addressed and adjusted in the investment valuations (as at 31 December 2022 and in subsequent valuation periods). The key assumptions used and the approach taken by the Transitional Investment Manager in the 31 December 2022 valuations are outlined on pages X to X and in notes 2 and 9 of the Financial Statements. In particular, the Committee reviewed the following material judgements and key sources of estimation uncertainty:

· Macro-economic assumptions: OEGEN confirmed that it is best practice and common amongst market participants to utilise third-party forecasts prepared by independent and reputable providers when formulating macro-economic assumptions used in financial models and that it had done so with regard to inflation, FX and power prices (see below). The Committee reviewed these assumptions, understood the methodology applied, the source of the forecasts and whether they were independent and was satisfied with the assumptions adopted.

· WESM pricing: OEGEN's approach is to blend at least two WESM price curves as prepared by market advisors that are reputable in the relevant markets. By blending two or more forecasts, if there are any differences in methodology or assumptions, this provides a hedge against the different market eventualities that the advisors reflect and minimises the risk of using a single curve which is too prudent or too optimistic. OEGEN appointed, with the agreement of the Committee, two new independent forecasters to provide forecast price curves for WESM. The Committee was satisfied with this approach and noted that these price curves were materially similar to the independent forecasts previously received.

· Discount rates: Discount rate ranges are based on the applicable cost of equity for the solar market considering data points from transactional and other valuation benchmarks, disclosures in broker reports, other public disclosures and broader market experience of investors in the market. OEGEN compared the range to its own risk-adjusted discount rate analysis and determined the appropriate discount rates to apply. The Committee was satisfied with this approach and was mindful that these rates were also in the ranges of the independent valuation expert and the Auditor.

· Generation profile: Given that there is an observed historical underperformance of the Company's operational assets when compared with the level of P50 generation assumed at the time of acquisition, OEGEN has applied a 'haircut' to the original P50 generation profiles to align the generation profile in the valuation models to current performance. The Committee was satisfied with this approach and was mindful that a technical advisor has been appointed to provide updated P50 yield assessments. It was agreed amongst OEGEN and the Committee that, once received, the revised P50 generation profiles would be used in future valuation periods (without the need for a 'haircut').

· Cash extraction: Given the current structure of the investments is not optimal for cash extraction, OEGEN's DCF models assume a degree of capital restructuring for each investment to enable cash to be extracted more efficiently. The Committee reviewed the cash extraction methods and assumptions in the underlying models and was satisfied with the plans to restructure each asset to extract cash and the judgements adopted in the timing on when cash can be received from each investment.

· SolarArise holding company: Previously the costs, tax and cash extraction limitations of the holding company were omitted from the SolarArise valuation. These have now been valued using a DCF model and included in the total SolarArise valuation. This approach was discussed with the independent valuation expert, PwC, and the Committee was satisfied with this.

· Fair value of the RUMS project: As at 31 December 2022, the DCF valuation of proceeding with the RUMS project was a negative NPV of US$33.3 million (predominantly due to significantly higher assumed module prices than those previously assumed as well as the higher than budgeted interest rate as per the facility agreement with Tata Cleantech Capital Limited signed on 2 November 2022) whereas the expected liabilities from aborting the project were between US$14.1 million (assuming 100% success of a mitigation strategy) and US$33.2 million. Therefore, as at 31 December 2022, the valuation of SolarArise assumes that the RUMS project would be aborted, and any costs paid into the project would be written off to US$nil. As a significant judgement was required on the likely value of the crystalised abort liabilities as at 31 December 2022, it has been assumed that a market participant would look at the SolarArise platform in its entirety and consider the potential abort liabilities such that they would write the value of SolarArise as a whole down to US$nil. This represents total abort liabilities of US$27.8 million (on a 100% basis). This judgement was discussed with the independent valuation expert, and the Company's Auditor and the Committee was satisfied with this. The Committee also considered advice that the Company had received detailing that the abort liabilities associated with the RUMS project were restricted to the level of the SolarArise holding company and not the Company itself and therefore the value of SolarArise to the Company could not be negative. As disclosed in note 22 to the Financial Statements, post period end a decision was taken to proceed with the RUMS project in light of a substantial fall in panel prices and improvement in certain macro-economic factors.

PwC was engaged as the independent valuation expert to provide a private independent opinion on the reasonableness of the 31 December 2022 valuations of SolarArise and NISPI prepared by the Transitional Investment Manager.

In its assessment of the material judgements and key sources of estimation uncertainty in the valuations, the Committee also considered the views of the Company's independent valuation expert, PwC, and the work and conclusions of Deloitte LLP as external auditor. The Committee was satisfied with the basis of assumptions and valuation approach adopted by the Transitional Investment Manager and recommended to the Board that the final valuations as at 31 December 2022 were within a reasonable range and should be approved.

Onerous contract provision

As at 31 December 2022, the Company owned 43% of SolarArise which has been valued at US$nil as set out above. However, given that it had also made a commitment at the balance sheet date to purchase the remaining 57%, an onerous contract provision of US$38.5 million has also been recognised. The onerous contract provision has been valued based on the difference between the agreed acquisition price of US$38.5 million and the value of the 57% interest using the fair value ascribed to the 43% investment of US$nil. The Committee considered the papers prepared by the Transitional Investment Manager on the valuation and recording of the onerous contract provision and the work of Deloitte LLP, the independent Auditor.

Going concern and viability statement

The Committee reviewed the Company's financial resources and concluded that the continued use of the going concern basis was appropriate but, given the ***strategic*** review and the options available to shareholders, including the potential for shareholders to vote for a managed wind up, that a material uncertainty existed in respect of going concern. The Committee considered the going concern papers prepared by the Transitional Investment Manager, the disclosures presented and the work of the Auditor, Deloitte LLP, and concluded that adopting the going concern basis of accounting, but with a material uncertainty, was appropriate. The Committee also considered and reviewed the Company's viability statement and considered the period of two years and why it is an appropriate period to use. The full going concern disclosure and viability statement are included in the Directors' Report.

Other key activities during, and in respect of, the financial period ended, 31 December 2022

Financial reports and NAV announcement

The Committee reviewed the Company's accounting policies and critical estimates and judgements. In addition, the Committee considered the format and content of the Interim Reports for the periods ended 31 March 2022 and 30 June 2022 and the announcement of the NAV and trading update as at 30 September 2022 before recommending their approval to the Board.

The Committee also received and discussed with the Auditor its report on the results of its interim review of the Interim Report for period ended 31 March 2022 and status updates and its initial report and results for the financial period ended 31 December 2022.

Fair, balanced and understandable

The Committee has concluded that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's financial position, performance, business model and strategy. The Committee has reported its conclusions to the Board of Directors. The Committee reached this conclusion through a process of review of this Annual Report and enquiries of the various parties involved in the production of the Annual Report and ensuring that there is sufficient balance of the events of the past eight months following the suspension of trading in the Company's shares.

Risk management and internal controls

The Committee oversaw the establishment of the Company's risk management and internal controls framework. The Committee continued to monitor the effectiveness of the framework during the financial period, making refinements as required. Improvements made to the control environment following the crystalised risks in, and following, the period are detailed in the Risk and Risk Management section. The Committee will continue to assess how improvements can continue to be made to the Company's overall control environment.

Under the AIC Code, the Board is required to establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term ***strategic*** objectives. A principal role of the Committee is to assist the Board in this regard. Details of the Company's risk management and internal control framework are set out in the Risk and Risk Management section. TheCompany's principal and emerging risks, together with details of how the Board seeks to manage and mitigate them, are also set out in that section.

The Board relies on the accuracy and transparency of the information provided by its key third-party service providers in order to make its decisions, in particular the experience and knowledge of the Investment Manager in making decisions surrounding valuations and investments.

The Committee has taken steps to make improvements to the Company's overall control environment. The appointment of the Transitional Investment Manager, the redesign of the Company's valuation process to include a private independent opinion on the reasonableness of the valuations prepared by the Transitional Investment Manager by PwC as the independent valuation expert, and the willingness of the Board to seek third-party advice to clarify outstanding issues such as the potential abort liabilities associated with the RUMS project are all examples of (and/or enhancements to) the Company's control framework designed to mitigate the impact of these risks from re-occurring. The Board is also working closely with the Transitional Investment Manager to review the controls surrounding investment acquisitions, which include improved governance within the underlying investee companies. The Committee will continue to assess the Company's control environment and further improvements that can be made, particularly around the investment valuation process.

Internal audit

The Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company as an externally managed investment company with external service providers. The Board is of the opinion that the appointment of the Transitional Investment Manager and the changes made to the risk framework are sufficient and do not warrant the need for an internal audit function. However, the Board and the Committee will continue to keep this under review.

Effectiveness of the audit

To form a view on audit quality and the effectiveness of Deloitte LLP as Auditor, the Committee reviewed and considered:

· the Auditor's fulfilment of the agreed audit plan and variations from it;

· discussions or reports highlighting the major issues that arose during the course of the audit;

· feedback from the Transitional Investment Manager evaluating the performance of the audit team, including the robustness of the audit, the level of challenge offered by the audit team, the skills, experience and overall quality of the audit team, the timeliness of delivering the tasks required for the audit and reporting to the Committee and the overall quality of the service;

· the updated discussions through 2023 and additional reporting required to close off the audit; and

· the Committee's own observations and interactions with the Auditor.

The Committee also considered the Auditor's technical competence, its understanding of the Company's business and whether it demonstrated an appropriate level of diligence, professional scepticism and challenge. Following this review, the Committee was satisfied that Deloitte LLP had carried out its duties in a diligent and professional manner and provided a high level of service.

Independence of the Auditor

The Committee is satisfied that there are no issues in respect of the independence of the Auditor.

The Committee has put a policy in place on the supply of any non-audit services provided by the Auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if such services are compatible with the 'white list' of permissible services under the Revised Ethical Standards 2019 of the FRC and that the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the Auditor from remaining objective and independent.

Details of fees paid to the Auditor are shown in note 4 to the Financial Statements. The Committee considered and agreed the audit fee during the period. Total fees paid for non-audit services were US$489,000, of which US$282,000 related to the Auditor's role as reporting accountant for the IPO, US$164,000 related to tax structuring services delivered prior to the IPO and US$43,000 related to the review of the Interim Report for the period ended 31 March 2022. Non-audit work as a percentage of total fees paid was 52% and, excluding IPO-related services, was 5%. In the opinion of the Board, none of the non-audit services provided caused any concern as to the Auditor's independence or objectivity. TheCommittee also considered if there were any other factors impacting the Auditors' independence and objectivity and concluded that there were none.

Deloitte LLP confirmed that all its partners and staff involved with the audit were independent of any links to the Company and that these individuals had complied with Deloitte LLP's ethics and independence policies and procedures which are fully consistent with the Financial Reporting Council's Ethical Standards.

Tenure and reappointment of the Auditor

This is the second financial period that Deloitte LLP has audited the financial statements of the Company. Thereappointment of the Auditor is subject to annual shareholder approval. There are no contractual obligations restricting the choice of Auditor and the Company will put the audit services contract out to tender at least every 10 years. In accordance with professional guidelines, the statutory auditor will be ***rotated*** at least every five years. The current statutory auditor, Daryl Winstone, has completed his second year in the role. The Company hastherefore complied with the Statutory Audit Services Order 2014 for the financial year under review.

Having satisfied itself as to the effectiveness and independence of Deloitte LLP as the Company's Auditor, the Committee recommended to the Board that Deloitte LLP be reappointed as Auditor for the year ended 31 December 2023. Accordingly, a resolution proposing the reappointment of Deloitte LLP as the Auditor will be put to shareholders at the forthcoming Accounts General Meeting.

The Committee will continue to monitor the performance of the Auditor on an annual basis and will consider its independence and objectivity, taking account of appropriate guidelines. In addition, the Committee Chair will continue to maintain regular contact with the lead audit partner outside the formal Committee meeting schedule, not only to discuss formal agenda items for upcoming meetings, but also to review any other significant matters.

Whistleblowing

The Committee reviewed the whistleblowing policy in place for each of the Investment Manager and the Administrator and was satisfied the relevant staff could raise concerns, in confidence, about possible improprieties relating to financial reporting or other matters that may affect the Company.

On 15 August 2023, the Company announced that new information had come to light under the protections of the Company's whistleblowing policy revealing that the Former Investment Manager was aware of material information relating to the RUMS project by August 2022. Based on the information provided by the whistleblowers to the Company, it appears, therefore, that key information was withheld from the Board, and misleading information given to it, over a protracted period of time. The investment management agreement between the AIFM, the Company and the Former Investment Manager was subsequently terminated with effect from 31 October 2023. From 1 November 2023, Octopus Energy Generation were appointed as a transitional Investment Manager to cover the period through to 30 April 2024.

Approval

This Audit and Risk Committee Report was approved by the Audit and Risk Committee and signed on its behalf by:

Clifford Tompsett Audit and Risk Committee Chair

22 January 2024

ESG Committee Report

I present the ESG Committee Report for the financial period ended 31 December 2022.

Committee's principal responsibilities

Reviewing reports from, and overseeing AEIT's ESG and impact activities undertaken by the Investment Manager, including:

· development, maintenance, and implementation of AEIT's ESG and impact strategy and KPIs;

· reviewing external insights which will inform the ESG and impact strategy;

· monitoring performance in relation to ESG matters, impact objectives, and KPIs;

· effective management and governance of ESG and impact matters (including policies, procedures, processes, resourcing and management) by the Investment Manager;

· supporting compliance with relevant legal and regulatory requirements, industry standards and guidelines relating to ESG and impact matters; and

· ESG and impact reporting and disclosures.

· reporting to the Board on how the Committee has discharged its responsibilities and making recommendations as appropriate.

The Committee consists of all the Directors and is chaired by Kirstine Damkjaer.

The Committee's authority and duties are clearly defined within its written terms of reference which are available on the Company's website. The terms of reference are reviewed at least annually.

During the financial period under review, the Committee met three times, including two scheduled meetings.

Principal activities during the financial period

KPIs and reporting

In conjunction with the Former Investment Manager, the Committee set the Company's initial KPIs. The Committee oversaw the reporting on ESG matters in the Company's Interim Reports for the period ended 31 March 2022 and 30June 2022. For this Annual Report, the Transitional Investment Manager has reviewed the KPI data previously prepared by the Former Investment Manager and updated it for the Committee to review.

Impact and ESG Action Plan 2022

The Committee reviewed the Impact and ESG Action Plan 2022 prepared by the Former Investment Manager and assessed the Former Investment Manager's internal resources, with a particular focus on the key priorities, allocation of responsibilities between the Company and the Former Investment Manager and the resources available to the Former Investment Manager to implement the plan. Subsequently the Former Investment Manager undertook a review to refresh and further refine its internal processes, including to respond to new regulatory developments such as those reflected in the regulatory technical standards of the EU Sustainable Finance Disclosure Regulation ("SFDR"), as well as global industry good practices, with support from an external independent globally-renowned sustainability consultancy.

Article 9 classification

The Committee oversaw the process that enabled the Company to disclose, in November 2022, that it classifies under Article 9 of the EU SFDR as a financial product that has sustainable investment as its objective.

Committee evaluation

An evaluation of the Committee formed part of the annual Board evaluation process completed in December 2022. It was concluded that the Committee, as a whole, had the appropriate skills, knowledge and experience to carry out its responsibilities.

Approval

This Report is approved on behalf of the ESG Committee by:

Kirstine Damkjaer ESG Committee Chair

22 January 2024

Management Engagement Committee Report

I present the Management Engagement Committee Report for the financial period ended 31 December 2022.

Committee's principal responsibilities

· Evaluating the performance and appropriateness of the continuing appointment of the Investment Manager.

· Reviewing the level and method of the Investment Manager's remuneration.

· Reviewing the terms of the Investment Management Agreement, including considering whether they remain appropriate, are fair, comply with all regulatory requirements and conform with market and industry practice.

· Considering the merit of obtaining an independent appraisal of the Investment Manager's services.

· Evaluating the performance of the AIFM, Administrator and other key service providers (except for the Auditor) and considering whether their fees are reasonable and competitive.

· Assessing whether the culture, policies and practices of the Investment Manager, Administrator and other key service providers are consistent with good risk management, compliance and regulatory frameworks.

· Reporting to the Board on how the Committee has discharged its responsibilities and making recommendations as appropriate.

The Committee consists of all the Directors and is currently chaired by Mukesh Rajani.

The Committee's authority and duties are clearly defined within its written terms of reference which are available on the Company's website. The terms of reference are reviewed at least annually.

The Committee has one scheduled meeting each year and meets at such other times as may be required. It met once during the financial period ended 31 December 2022.

The activities of the Committee are complemented by the Board's and its Committees' ongoing oversight of, and engagement with, the Investment Manager, Administrator and other key service providers.

Principal activities during the financial period

Annual evaluation of the Investment Manager

The Investment Manager during the period under review was ThomasLloyd Global Asset Management (Americas) LLC (the Former Investment Manager).

The Committee met in December 2022 for the purpose of the formal annual evaluation of the Former Investment Manager's performance and to review the terms of the Investment Management and Distribution Agreement (the "IMA"), including the fee and notice provisions. The Committee reviewed a detailed questionnaire completed by the Former Investment Manager, which included sections on the Former Investment Manager's systems, controls and policies. In addition, the Committee reviewed the results of an in-depth questionnaire completed by the Directors evaluating the performance of the Former Investment Manager. The feedback from the questionnaires completed in connection with the annual Board evaluation, to the extent relevant to the evaluation of the Investment Manager, was also considered. Areas of focus of the Committee's review included:

· execution of the investment strategy, including pace of deployment of capital, and investment results achieved to date;

· the quality, experience and continuity of the Former Investment Manager's team involved in managing all aspects of the Company's business, considering, in particular, the Investment Manager's plans for additional senior recruitments;

· the Former Investment Manager's engagement with the Board and other key stakeholders, including investors;

· the Former Investment Manager's investor relations and marketing activities on behalf of AEIT;

· the Investment Manager's compliance with contractual arrangements and duties, including compliance with AEIT's investment policy;

· the level and method of the Former Investment Manager's remuneration (details of which are included in note 19 to the Financial Statements) and the period of notice required to terminate the Former Investment Manager's appointment, having regard to those of comparable listed investment companies; and

· the Former Investment Manager's culture and strategy and goals for developing its business.

The Committee noted that the information flow and reporting to the Board and its Committees needed significant enhancement in quality, transparency and timeliness and that the Chair and Committee Chairs would continue to collaborate with the Former Investment Manager to achieve this.

The Committee also noted that the pace of deployment of capital was slower than expected at the time of the IPO. The Committee had concerns about the level of strength and depth of the Former Investment Manager's teams responsible for the Company but was encouraged by the additional resources being added to strengthen its investment team. This was expected to improve the overall performance of the Former Investment Manager and, in particular, improve the pace of capital deployment and build further its in-house asset management capabilities, facilitating optimisation of the performance of the Company's operating assets.

The Committee identified the top priorities for improving the performance of the Former Investment Manager during 2023, including improving the robustness of the Former Investment Manager's internal processes, significantly enhancing the quality, transparency and timeliness of management and other information and continuing to add strength in depth to the teams responsible for the Company.

Having completed the review, feedback was given to the Former Investment Manager, including areas requiring significant improvement.

Based on its review, the Committee was generally satisfied with the performance of, and services provided by, the Former Investment Manager subject to the Former Investment Manager demonstrating positive progress with regard to the areas requiring significant improvement.

However, following the events that led to the delay in the 2022 audit and specifically the issues surrounding the investment portfolio valuations (discussed further in the Audit and Risk Committee Report) and information the Board received in August 2023 revealing that the Former Investment Manager had withheld key information from the Board, the Board served notice on ThomasLloyd Global Asset Management (Americas) LLC to terminate the IMA, with effect from 31 October 2023. Following a competitive tender process, Octopus Energy Generation was appointed as the transitional Investment Manager to cover the period from 1 November 2023 to 30 April 2024.

Annual evaluation of other key service providers

At its meeting in December 2022, the Committee also undertook the formal annual evaluation of the Administrator's and other key service providers' performance and reviewed their respective remuneration. The Committee reviewed a detailed questionnaire completed by the other key service providers, which included sections on their systems, controls and policies. In most instances, relationships with the other key service providers are managed by the Investment Manager and/ or the Administrator on behalf of the Board and the Committee considered feedback received from the Former Investment Manager and the Administrator regarding the levels of service provided by, and relationships with, the other key service providers. There were no material issues to report as a result of the evaluation.

The Committee was satisfied with the levels of service provided by the Administrator and other key service providers and that the fees were fair and competitive. The Committee concluded that, in its opinion, the continuing appointments of the Administrator and other key service providers on the terms agreed remained appropriate and in the interests of the Company and recommended this to the Board. The Board agreed with the Committee's recommendations and approved the continuing appointments of the other key service providers on the terms agreed.

Committee evaluation

An evaluation of the Committee formed part of the annual Board evaluation process completed in December 2022. It was concluded that the Committee members had the appropriate skills and experience to assess the performance and terms of engagement of the Investment Manager, Administrator and other key service providers.

Approval

This Report is approved on behalf of the Management Engagement Committee by:

Mukesh Rajani

Management Engagement Committee Chair

22 January 2024

Nomination Committee Report

I present the Nomination Committee Report for the financial period ended 31 December 2022.

Committee's principal responsibilities

· Developing and reviewing periodically policies on diversity and Board tenure.

· Reviewing the structure, size and composition of the Board and its Committees.

· Undertaking an annual performance evaluation of the Board, its Committees, the Chair and each of the other Directors.

· Reviewing the time required from the Directors and their outside commitments.

· Ensuring plans are in place for orderly succession to the Board.

· Identifying, evaluating and recommending candidates for new Board appointments.

· Reporting to the Board on how the Committee has discharged its responsibilities and making recommendations as appropriate.

The Committee consists of all the Directors and is chaired by Sue Inglis. The Board considers that given the size of the Board and that all members are non-executive it is appropriate that all Directors sit on this Committee. Individual Directors are not involved in decisions connected with their own appointments.

The Committee's authority and duties are clearly defined within its written terms of reference which are available on the Company's website. The terms of reference are reviewed at least annually.

The Committee has one scheduled meeting each year, with additional meetings as required. The Committee met once during the year, in December 2022.

Principal activities during the financial period

Annual evaluation of the Board, Committees and Directors

The Committee ensures that there is a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chair and each of the other Directors.

For the 2022 evaluation, the Committee opted to undertake an internal performance evaluation process, assisted by the Administrator. This involved the Directors completing in-depth questionnaires prepared by the Administrator. The questionnaires included a comprehensive assessment of various areas, including:

· overall strategy of the Company;

· oversight of investment and operating activities;

· risk management;

· shareholder accountability;

· support and relationship with key stakeholders;

· Board and Committee compositions, processes and effectiveness;

· corporate governance and regulatory compliance;

· Board skills, knowledge, experience and diversity;

· each Director's independence, commitment and contribution; and

· performance of the Chair.

The feedback from the completed questionnaires was collated by the Administrator and then considered by the Committee. The Committee also sought the views of the Former Investment Manager as part of the evaluation process. The performance evaluation of the Board Chair was led by the Senior Independent Director.

Following a robust review, the Committee concluded that:

· each Director continued to be independent of the Former Investment Manager and no circumstances had been identified that were likely to, or could appear to, impair their independent judgement;

· the skills, knowledge and experience of each Director were a significant benefit to the Board;

· each Director had demonstrated their ability to commit the time required to discharge their responsibilities fully and effectively;

· the Directors (individually and collectively) had been operating effectively;

· as all Directors had been in office for less than two years, there were no issues with respect to long tenure;

· the Board and each of its Committees had a good balance of relevant skills, knowledge, experience and diversity and their structures, sizes and compositions were appropriate at this stage in the Company's life and, accordingly, no changes were expected to be required for at least the next 12 months;

· the Committees continued to support the Board in fulfilling its duties;

· the reporting and information flow from the Former Investment Manager to the Directors required significant improvement to enhance the effectiveness of the Board and its Committees and it was noted that the Chair and Committee Chairs would continue to collaborate with the Investment Manager to achieve this;

· to develop the understanding of ESG matters of the Board as a whole, the Chair of the ESG Committee, in conjunction with the Investment Manager, should develop an ESG education programme for the Directors; and

· the proposed election of each Director at the 2023 AGM should be recommended by the Board.

The Committee made recommendations to the Board based on the outcome of its deliberations.

Diversity and Board tenure policies

The Committee reviewed the policies on diversity and Board tenure and recommended them to the Board for approval (see 'Board diversity' and 'Board tenure' respectively for details of these policies, as approved by the Board).

Succession planning

The Committee considered succession planning and, in particular, whether a detailed succession plan was required. It concluded that, as the Company is in an early stage of its life and all Directors have served less than two years, a detailed succession plan is not required at this time.

The tenure of all Directors, including the Chair, is expected not to exceed nine years unless exceptional circumstances warrant, such as to allow for phased retirements of the current Directors, all of whom were appointed at the time of the IPO. The Committee intends, in due course, to develop a detailed succession plan that seeks to achieve an appropriate balance between preservation of knowledge and experience and bringing in fresh ideas and perspectives. Accordingly, the Committee expects that the detailed succession plan will:

· preserve continuity by phasing the retirement of the original Directors so that they do not all retire at once after serving nine years; and

· take into account the current and future opportunities and challenges facing the Company and the skills, knowledge, experience and diversity needed on the Board in the future.

The Committee will consider succession planning, including the need for a detailed succession plan, at least annually.

Committee evaluation

As noted earlier in this Report, an evaluation of the Committee formed part of the annual performance evaluation process. The conclusion from the process was that the Committee was operating effectively with the right balance of membership and skills.

Evaluation of the Board post temporary share suspension

At its scheduled meeting held in November 2023, the Committee reviewed the performance the Board since its last scheduled meeting and also revisited the performance of the Board over the preceding period from IPO.

It was noted that the Board had endeavoured to use its collective skills, knowledge and experience to work collaboratively with the Former Investment Manager from the outset, taking into account the Former Investment Manager's lack of previous experience of managing a London-listed investment company. The Committee agreed that members of the Former Investment Manager's senior management team had seemed to struggle with the Board's oversight and requests for information. Having considered the interaction between the Board and Former Investment Manager during 2022, the Committee concluded that the collaborative approach adopted by the Board had not adversely affected the Board's ability to request information from and challenge the Former Investment Manager and, in particular, that the Board had been asking the correct questions on material matters. However, the Committee noted that, as the Directors are all non-executive, the Board is heavily dependent on receiving accurate, transparent and timely information (Including in response to the Board's requests for information) from the Company's key service providers and, in particular, the Investment Manager. It was also noted that the Chair and Audit and Risk Committee Chair had met with the Chief Executive Office and Chief Financial Officer of the Former Investment Manager at its head office in December 2022 to address what, at that time, appeared to be 'teething issues' in providing the information required by the Board and to agree a 'reset' on how the Former Investment Manager would work with the Board going forward, to ensure the Board was receiving accurate and transparent information in a timely manner, which the Former Investment Manager had supported. Finally, it was noted that the Board only became aware, when it received information under the protections of the Company's whistleblowing policy in August 2023, that key information was withheld from the Board, and misleading information given to it, over a protracted period of time (and as early as August 2022), which related to matters in respect of which the Board had repeatedly made enquiries of the Investment Manager.

The Committee noted that the key events following the temporary share suspension and the subsequent breakdown in relationship with the senior management team of the Former Investment Manager had required the Board to take a more day-to-day hands-on approach in order to find a resolution and act in the best interests of shareholders. This has required each of the Directors to call upon their wide-ranging skills, knowledge and experience to, in particular (and with the assistance of external advisers reporting directly to the Board), investigate in detail the Company's underlying investments and their respective valuations and the Company's consequential financial position, develop a strategy to enable the temporary share suspension to be lifted, undertake a ***strategic*** review of the options and communicate with shareholders and other stakeholders in a detailed, transparent and timely manner.

After a robust discussion, the Committee concluded that, whilst, with the benefit of hindsight, there were some matters that the Board could have handled differently, those were not material and would not have led to a different outcome or avoided the temporary share suspension. Furthermore, the Committee agreed that the Company had benefited from the skills, knowledge and experience of each Director throughout. The Committee also agreed, and recommended to the Board, that the composition of the Board should be reviewed once the outcome of the ***strategic*** review of the options for the Company's to ensure that, in particular, the Board has the necessary skills, knowledge and experience to implement the outcome of the ***strategic*** review.

Approval

This Report is approved on behalf of the Nomination Committee by:

Sue Inglis

Nomination Committee Chair

22 January 2024

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the financial period ended 31 December 2022, which has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. By law, the Company's Auditor is required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is given in the Independent Auditor's Report.

Remuneration committee

Committee's principal responsibilities

· Determining the Directors' remuneration policy and reviewing its ongoing appropriateness and relevance.

· Setting the Directors' remuneration, including any ad hoc payments to Directors in relation to duties undertaken over and above normal business.

· Reporting to the Board on how the Committee has discharged its responsibilities and making recommendations as appropriate.

The Committee consists of all the Directors and is chaired by Mukesh Rajani. The Board considers that given the size of the Board and that all members are non-executive it is appropriate that all Directors sit on this Committee. The Chair of the Board is eligible to serve on the Committee as, on appointment, she was (and remains) independent. Individual Directors are not involved in decisions connected with their own remuneration.

The Committee's authority and duties are clearly defined within its written terms of reference, which are available on the Company's website. The terms of reference are reviewed by the Committee at least annually.

The Committee has one scheduled meeting each year, and meets at such other times as the Committee Chair shall require. The Committee met once during the year, in December 2022

Directors' remuneration policy

It is the Company's policy that the level of Directors' remuneration should be sufficient to attract and retain Directors with the skills, knowledge and experience necessary for the effective stewardship of the Company and reflect the expected contribution of the Board, as a whole, to the long-term sustainable success of the Company. In addition, the Directors' remuneration should be fair and reasonable in relation to the remuneration of directors of comparable listed investment companies of similar size and complexity as the Company. The duties and responsibilities of, and time expected to be spent on the Company's business by, individual Directors should also be taken into account.

Director's fees are determined within the limit set out in the Company's Articles of Association. Within that limit, it is the responsibility of the Board as a whole to determine and approve the Directors' remuneration, following a recommendation from the Remuneration Committee.

There are no performance conditions attaching to the Directors' remuneration as the Board does not consider such arrangements necessary or appropriate for non-executive Directors. Accordingly, the Directors' remuneration is wholly in the form of fixed annual fees, which are payable in cash quarterly in arrears. Annual fees are pro-rated where a change takes place during a financial year. The Directors' fee rates are reviewed by the Remuneration Committee at least annually, but reviews will not necessarily result in a change to the rates.

As permitted by the Company's Articles, Directors may be paid additional ad hoc fees where they undertake any special or material additional duties or services outside their ordinary duties as a Director which require a meaningful time commitment (details of any additional fees paid and the associated work undertaken will be disclosed in the Directors' Remuneration Report in the next Annual Report).

The Directors are entitled to the reimbursement of reasonable fees and expenses incurred by them in the performance of their duties. Where expenses are recognised as a taxable benefit, a Director may receive the grossed-up costs of that expense as a benefit.

Directors have no entitlement to pensions or pension-related benefits, medical or life insurance schemes, share options or long-term incentive schemes.

The Directors do not have a service contract. Each Director has signed a letter of appointment with the Company. The letters of appointment provide for a minimum period of one month's notice of termination by either party. On termination, a Director shall only be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred to that date.

The Board is committed to ongoing investor engagement and any feedback received from investors will be taken into account when reviewing the Directors' remuneration policy and Directors' fees.

Subject to this policy being approved by shareholders at the Accounts General Meeting, it is intended that the policy will continue in force until the 2026 AGM.

Annual report on Directors' remuneration (audited information)

For the financial period ended 31 December 2022, the Directors' fees were £40,000 per annum for each Director with an additional £10,000 per annum for being the Chair of the Board or a Board Committee. Following the Remuneration Committee's annual review of Directors' remuneration, for the financial year ended 31 December 2023, the Director's remuneration has been set at £50,000 per annum, with the remuneration for the Chair of the Board set at £65,000 per annum and for the Chair of the Audit and Risk Committee at £55,000 per annum.

The following table shows, in respect of each Director, all remuneration earned during the financial period ended 31 December 2022 and the remuneration that was set for the year ending 31 December 2023. Directors' fees are paid in sterling, as presented below, and, for the purpose of the Financial Statements converted into US Dollars at the exchange rate applicable at the time of payment.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2022 | 2022 | 2022 | 2023 |  |  |
| Director | Role | Fee (£)49 | Benefits (£)50 | Total (£)49 | Fee (£) |
| Sue Inglis | Chair, Nomination Committee Chair | 52,692 | - | 52,692 | 65,000 |
| Kirstine Damkjaer | ESG Committee Chair | 52,692 | 2,163 | 54,855 | 50,000 |
| Mukesh Rajani | Senior Independent Director, Management Engagement Chair, Remuneration Committee Chair | 52,692 | - | 52,692 | 50,000 |
| Clifford Tompsett | Audit and Risk Committee Chair | 52,692 | - | 52,692 | 55,000 |
| Total | 210,768 | 2,163 | 212,931 | 220,000 |  |

None of the Directors received any additional ad hoc fees during the financial period ended 31 December 2022.

49 The 2022 financial period commended on 1 November 2021 and ended on 31 December 2022. The Directors were appointed on 18 October 2021 but were only entitled to fees from 14 December 2021, when the Company's IPO completed.

50 Reimbursement of travelling and accommodation expenses to attend Board meetings.

Directors' liability insurance and indemnification

The Company maintains appropriate directors' and officers' liability insurance in respect of legal action against the Directors on an ongoing basis.

In addition, as permitted by the Company's Articles of Association, the Company has indemnified each Director in respect of costs which they may incur relating to the defence of any proceedings brought or threatened against them arising out their position as a Director but subject to applicable law and other exclusions and limitations, including the indemnity not applying if they are convicted or a court judgement is given against.

Company performance

The following chart shows the Company's shareholder return (with reference to its share price, including dividends reinvested) and, for comparison purposes, the total return of the FTSE All-Share Index (in US Dollar terms, including dividends reinvested), with both rebased to 100 at 14 December 2021 (the date the Company's IPO completed). As the Company does not have a specific benchmark index, the Remuneration Committee has deemed the FTSE All-Share Index (in US Dollar terms) to be the most appropriate comparator for the Company's performance for the purpose of this Annual Report as it is a publicly available broad equity index which focuses on smaller companies and is, therefore, more relevant than most other publicly available indices. The choice of the FTSE All-Share Index is also in line with our peer group.

Company's performance since IPO

While the above graph can be a helpful benchmark, as well as its performance return target, the Company also has a number of impact targets which it holds in equal regard. Both performance and impact targets are considered when setting Directors' remuneration.

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the aggregate Directors' remuneration paid during the financial period ended 31 December 2022 compared with the distributions to shareholders by way of dividends during that financial period. During the financial period under review, no ordinary shares were bought back by the Company and there were no other distributions, payments or other uses of the Company's net return or cash flow deemed to assist in the understanding of the relevant importance of spend on pay.

|  |  |
| --- | --- |
| 2022 |  |
| US$'000 |  |
| Total Directors' remuneration | 256 |
| Dividends paid | 1,901 |

Directors' interests in shares (audited information)

There are no requirements for the Directors to own shares in the Company.

The interests of the Directors in the Company's ordinary shares at 31 December 2022, all of which are beneficial, are shown in the table below. There have been no changes to the Directors' interests between 31 December 2022 and the date of this Report.

|  |  |
| --- | --- |
| 31 December 2022 |  |
| Director | No. of shares |
| Sue Inglis | 65,000 |
| Kirstine Damkjaer | - |
| Mukesh Rajani | 33,000 |
| Clifford Tompsett | 33,000 |

Shareholder resolutions

The Directors' Remuneration Report is put to an advisory shareholder vote on an annual basis.

The Directors' remuneration policy is subject to shareholder approval every three years (or sooner if a material alteration to the policy is proposed).

Ordinarily, such resolutions would be put to shareholders at the AGM. However, as the Company was required to hold its 2023 AGM before this Annual Report was available, ordinary resolutions will be put to shareholders at the forthcoming Accounts General Meeting to approve the Directors' Remuneration Report and the Directors' remuneration policy. As the Directors' remuneration policy has not been approved previously by shareholders, it is subject to the relevant resolution being passed at the Accounts General Meeting and, if approved, will become effective on the passing of the resolution.

Remuneration Committee's principal activities during the financial period

Review of Directors' remuneration policy

The Committee reviewed the Directors' remuneration policy and recommended it to the Board for approval by shareholders, which will be sought at the Accounts General Meeting.

Review of Directors' remuneration

The Committee reviewed the level at which the Directors' fees should be set for the year ended 31 December 2023. Having been provided with a detailed schedule of directors' fees paid by comparable listed investment companies, which had been prepared by the Administrator, the Committee agreed that it was not necessary to obtain advice from an independent remuneration consultant.

Subsequent to the period end, the Committee concluded that, for the year ended 31 December 2023, the standard Director's remuneration should be set at £50,000 per annum. In recognition of their role, responsibilities and additional time commitments, the remuneration for the Chair of the Board was set at £65,000 per annum and for the Chair of the Audit and Risk Committee, set at £55,000 per annum.

Committee evaluation

An evaluation of the Committee was undertaken as part of the overall Board evaluation completed in December 2022. The evaluation concluded that there was a good balance of skills amongst the members of the Committee, enabling the Committee to operate effectively.

Approval

This Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Mukesh Rajani

Remuneration Committee Chair

22 January 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, including the Financial Statements, in accordance with applicable law and regulations, including the FCA's Listing Rules and Disclosure Guidance and Transparency Rules.

UK company law requires the Directors to prepare Financial Statements for each financial year. Under UK company law:

· the Directors are required to prepare Financial Statements in accordance with UK-adopted international accounting standards ("IFRS"); and

· the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Financial Statements, the Directors are required to:

· select suitable accounting policies and then apply them consistently;

· state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the Financial Statements;

· make judgements and accounting estimates that are reasonable and prudent; and

· prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Annual Report, including the Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report, including the Financial Statements, are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Responsibility statement

Each of the Directors confirms that, to the best of their knowledge:

· the Financial Statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

· the ***Strategic*** Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces; and

· the Annual Report, including the Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board and is signed on its behalf by:

Sue Inglis

Chair

22 January 2024

Independent Auditor's Report to the Members of Asian Energy Impact Trust Plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Asian Energy Impact Trust plc (the "Company"):

· give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the period then ended;

· have been properly prepared in accordance with United Kingdom adopted international accounting standards; and

· have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

· the statement of comprehensive income;

· the statement of financial position;

· the statement of changes in equity;

· the statement of cash flows; and

· the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty related to going concern

We draw your attention to note 2 in the financial statements, which indicates that the outcome of the ***strategic*** review is outside the control of the Board and is therefore uncertain and will be solely down to a vote of the shareholders who may vote for a managed wind up of the Company.

As stated in note 2, these events or conditions along with the other matters set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

· We obtained an understanding of the relevant controls that the Company has established regarding the drafting, review and approval of the going concern model and going concern assessment;

· We challenged the Directors on the assumptions made in the cash flow model used to prepare the going concern forecasts. This includes checking the accuracy of the going concern model;

· We assessed the risks to the forecasts and whether the sensitivities run were appropriate to reflect these risks. This includes performing a sensitivity analysis to consider specific scenarios, including a reduction in dividend income from investments and associated cashflows;

· We reviewed the future commitments of the Company and assessed the Company's ability to fulfil these commitments;

· We challenged the appropriateness of the Company's disclosures within note 2 of the financial statements over the going concern basis and the material uncertainty arising with reference to, our knowledge and understanding of the assumptions taken by the Directors, the options available to shareholders within the ***strategic*** review.

In relation to the reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

· the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting; and

· the Directors' identification in the financial statements of the material uncertainty related to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

4. Summary of our audit approach

|  |  |
| --- | --- |
| Key audit matters | The key audit matters that we identified in the current year were: · Going concern (see material uncertainty related to going concern section); · The valuation of the company's 40% investment in Negros Island Solar Power inc in the Philippines ("NISPI") and the 43% investment in SolarArise (India), each of which are held at fair value through profit and loss, including the valuation of termination penalties relating to the Rewa Ultra Solar Park ("RUMS") construction asset in SolarArise and the subsequent impact on valuing the company's 43% investment in SolarArise; and · The valuation and recoding of the onerous contract provision for the Company's commitment to acquire a further 57% in SolarArise. |
| Materiality | Overall materiality was set at US$1.7 million, determined based on 2% of net assets. |
| Scoping | We perform a full scope audit on the Company's financial statements, with a particular focus on the fair value of the Company's 40% investment in NISPI in the Philippines and the 43% investment in SolarArise in India and the recording of the onerous contract provision. All audit work is performed by the same audit team. |
| Significant changes in our approach | This is the first year we have audited the Company as a listed entity and the first year that the Company has held investments. On 25 April 2023, the Company announced a temporary share suspension. This was due to the Board identifying a material uncertainty regarding the fair value of the Company's investment in SolarArise with a specific focus on the valuation and viability of a 200 MW construction asset being Rewa Ultra Mega Solar Park (the "RUMS project") initially acquired as part of the SolarArise investment. The uncertainty identified related to the feasibility of completing construction of this asset. This was principally due to the high cost of solar panels and the resulting impact on the assets returns and the termination penalties payable should construction not proceed. Subsequent to year end, following a decline in the price of solar panels, the Board decided to proceed with construction of the asset although those events and conditions did not exist at the balance sheet date. In addition, linked to the events summarised above, the Board decided to terminate the investment management agreement with the former investment manager and from 1st November 2023, Octopus Renewables Limited (trading as Octopus Energy Generation) were appointed as the transitional investment manager. The Board have also launched a ***strategic*** review which will allow shareholders to vote on the future of the Company which will either lead to (a) a relaunch of the Company with a new investment objective, investment policy and target returns; or (b) a managed wind-down. The above matter(s) have increased the risk associated with the audit. In response to these risks, we updated our risk assessment and audit planning and: · Identified additional key audit matters in respect of (1) The valuation of termination penalties relating to the RUMS construction asset in SolarArise and the subsequent impact on valuing the Company's 43% investment in SolarArise (2) The recording and valuation of the onerous contract provision for the Company's commitment to acquire a further 57% in SolarArise; and (3) a material uncertainty relating to going concern; and · Reduced performance materiality from 70% to 50% of materiality to increase the extent of audit procedures across key balances. |

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1. The valuation of the Company's 40% investment in NISPI (Philippines) and the 43% investment in SolarArise (India), each of which are held at fair value through profit or loss

|  |  |
| --- | --- |
| Key audit matter description | The Company's principal activity is to invest in a diversified investment portfolio of sustainable energy infrastructure assets in fast-growing and emerging economies in Asia. As at 31 December 2022, the company held two investments being a 40% interest in NISPI and a 43% interest SolarArise. The Company acquired NISPI for US$28.3 million and SolarArise for US$32.8 million. At31December 2022, the Company had also agreed to acquire the further 57% interest in SolarArise for a consideration of US$38.5 million. The acquisition completed on 13 January 2023. These investments are measured at fair value through profit and loss and at 31 December 2022 were valued at US$11.5 million (NISPI) and US$nil (SolarArise) respectively. The valuation of US$nil ascribed to SolarArise is principally due to the termination penalties associated with RUMS construction asset. The Company engaged an independent valuation firm to review the valuation of each investment prepared by the transitional investment manager, Octopus Energy Generation. As described in the significant accounting policies in note 2 and note 9 (investments at fair value through profit or loss), the fair value of each investment is determined using a discounted cash flow methodology, which corresponds to the income approach under IFRS13 'Fair value measurement'. The fair value of each investment is based on a number of significant assumptions, the most critical of which are: · The forecast power prices adopted in valuing NISPI, as the asset has not entered into a power purchase arrangement ("PPA") and consequently sells its output on the Philippines spot market (the wholesale energy spot market ("WESM")). SolarArise has fixed price PPA's and consequently power price risk is limited. The directors engaged a range of third party providers to provide power price forecasts to aid them in their selection of power price forecasts for NISPI. This assumption is not relevant to SolarArise as it has fixed price power purchase arrangements. · The discount rate used in valuing the investment in both NISPI and SolarArise. · The termination penalties associated with the RUMS construction asset within SolarArise. Other key assumptions include forecast energy generation, the timing of dividends and the availability of distributable reserves and inflation. The Company's 43% investment in SolarArise has been valued at US$nil as the potential termination penalties relating to the RUMS construction asset (at 43% interest) are higher than the value ascribed to the remaining assets within SolarArise. The Company has identified the valuation of investments as a key source of estimation uncertainty (Fair value estimation for investments at fair value), with further details provided in note 2 and note 9 to the financial statements. This includes the value ascribed to any termination penalties associated with the RUMS project in SolarArise. Note 9 also provides disclosure on the sensitivity of the valuation of investments to a change in the above assumptions. The significant assumptions adopted in valuing each investment is also referred to within the Audit and Risk Committee report. Given the inherent subjectivity in the above assumptions, and the risk of bias in the assumptions adopted, in particular the discount rate and forward power prices, we identified a risk of fraud in the adoption of the discount rate (NISPI and SolarArise) and forward power prices (NISPI only) and the valuation of the termination penalties associated with the RUMS project in SolarArise. |
| How the scope of our audit responded to the key audit matter | Procedures to address the risk around future power prices and the discount rates adopted included: · obtaining an understanding of relevant controls established around the valuation of investments and the selection of key assumptions; · agreeing the power prices adopted in valuing NISPI to the external forecasts obtained by the Directors and Investment Manager (Octopus Energy Generation), assessing whether the forecasts adopted were within a reasonable range and whether there was bias in the forecasts adopted. We also assessed the competence, capability and objectivity of the providers of those forecasts; · with the assistance of our internal valuation specialist, we calculated an independent discount rate range for each investment. We assessed whether the discount rate adopted by the Directors fell within this range. Where additional risk premia were added to the discount rate, we assessed whether these were reasonable taking into account the specific risk characteristics. Procedures to address the risk around the termination penalties in valuing 'RUMS' in SolarArise included: · Reviewing the legal advice obtained regarding the termination penalties associated with the RUMS construction asset in SolarArise. We confirmed the penalties by reference to the relevant agreements and assessed the judgements around those termination penalties in valuing the Company's investment in SolarArise. Procedures to address other aspects of the valuation included: · assessed the competence, capability and objectivity of the Company's independent valuation expert. We also met with them to understand their scope of work, the process undertaken (including quality control procedures) and the overall methodology and assumptions applied; · we agreed the generation forecasts to the technical reports for each asset and assessed the historical generation levels of each asset; · we benchmarked the inflation rate adopted to external forecasts. · for SolarArise, where there are fixed price PPA's, we agreed the price per Mwh to those PPA's; · we recomputed each valuation and tested the mechanical accuracy of the valuation model; and · we assessed the appropriateness of the disclosures made in the financial statements including the key assumptions, sensitivities applied and challenging whether these reflect a reasonable possible range. |
| Key observations | We considered the valuation ascribed to NISPI of US$11.5 million to be within an acceptable range. We considered the value ascribed to SolarArise of US$nil to be within an acceptable range. This takes into consideration the range of termination penalties associated with the RUMS construction asset. |

5.2. The recording and valuation of the onerous contract provision for the Company's commitment to acquire a further 57% in SolarArise

|  |  |
| --- | --- |
| Key audit matter description | At December 2022, and as set out in the key audit matter in section 5.1 above, the value ascribed to the Company's 43% investment in SolarArise was US$nil. The Company in 2022 agreed to acquire the remaining 57% of SolarArise for US$38.5 million. This transaction completed on 13 January 2023. Given the value ascribed to the 43% stake (US$nil), the Directors have concluded that an onerous contract existed at the balance sheet date relating to the agreement to acquire the remaining 57%. This is because the acquisition was for an agreed price of $38.5m, but the fair value of the additional investment is $nil, consistent with the investment of 43% already owned as noted in section 5.1 above. Given the size of the provision and its impact on the financial statements, we have identified this as a key audit matter. A fraud risk has also been identified in respect of this provision given the judgements involved in valuing the 57% investment and therefore the value of the onerous contract provision. There is also an identified risk around potential fraud around the recording of this onerous contract provision. Further details on the onerous contract provision can be found in Note 13 to the financial statements. |
| How the scope of our audit responded to the key audit matter | · We evaluated the onerous contract provision by agreeing the consideration to the transaction agreements. · We assessed the fair value ascribed to the 43% interest (see the separate key audit matter in section 5.1 above) which was used to compute the value of the onerous contract provision ascribed to the 57% commitment. · We recomputed the value of the onerous contract provision. · We assessed the appropriateness of the disclosures made in the financial statements. |
| Key observations | Based on our work performed, we agree with the recording and valuation of the onerous contract provision for US$38.5 million. |

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

|  |  |
| --- | --- |
| Materiality | US$1.7 million. For the audit of the income statement, materiality was limited to US$0.85 million. |
| Basis for determining materiality | 2% of net assets as at 31 December 2022. We applied a lower materiality of 50% of overall materiality to specific balances in the income statement. |
| Rationale for the benchmark applied | We have considered the users of the financial statements when selecting the appropriate benchmark. The Company's investment objective is to achieve long-term capital appreciation from its investments. We therefore evaluated the Company's net assets as the most appropriate benchmark as it is one of the principal considerations for members of the Company in assessing financial performance and represents total shareholders' interest. Our procedures on the income statement (excluding fair value and exchange rate movements) were performed to a lower level of materiality for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the users' assessment of the financial performance of the Company. |

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was initially set at 70% of materiality but following the events which led to the suspension of shares (see section 4 above) we decided to reduce performance materiality to 50% of materiality (i.e., approximately US$0.85m). In determining performance materiality, we considered the following factors:

· the increased inherent risks following the announcement and impact of the share suspension in April 2023;

· the complexity of the Company and the risks associated with the valuation of the Company's two investments and onerous contract provision; and

· the quality of the control environment and that were not able to rely on controls.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of US$88,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. In September 2022 and November 2023, we visited the NISPI operations in the Philippines and Solarise operations in India respectively, visiting the assets or meeting with local management to further our understanding of the asset and the dynamics of the local energy market. This visit and the knowledge gained was factored into our risk assessment and our audit plan.

7.2. Our consideration of the control environment

We obtained an understanding of the control environment and the relevant controls to address key aspects of the financial statements, in particular controls over the valuation of investments. Following the temporary share suspension announced in April 2023, the Board appointed a new investment manager (Octopus Energy Generation) to manage the investment portfolio and to complete the Annual Report and Accounts. As set out in the Audit and Risk Committee report and the Risk Management section, deficiencies were identified by the Board in the overall control environment including controls around the acquisition of and valuation of investments and in assessing and valuing the RUMS construction obligations within SolarArise.

As disclosed within the same sections referenced above, the Board has taken steps to improve the overall control environment including (amongst others) appointing a new investment manager, undertaking a detailed review of the key assumptions in valuing each of the Company's investments in conjunction with an independent third-party, taking legal advice in respect of the position of the RUMS construction asset and enhancing due diligence on potential acquisitions.

Given the matters noted above we were unable to rely on controls for the purpose of our audit.

7.3. Our consideration of climate-related risks

Climate change and the transition to a low carbon economy ("climate change") were considered in our audit where they have the potential to directly or indirectly impact key judgements and estimates within the financial statements, including the valuation of investments.

The Directors have disclosed their climate risk considerations (and opportunities) on pages 42 to 45. This is consistent with our evaluation of the climate-related risks facing the company. We assessed these disclosures by performing inquiries with the former and current investment manager and independent industry research, and we did not identify any climate related material risks of misstatement. We also considered whether information included in the climate related disclosures in the annual report were materially consistent with our understanding of the business and the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [*www.frc.org*](http://www.frc.org). uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered ***capable*** of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are ***capable*** of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

· the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;

· results of our enquiries of the investment manager (both the former investment manager and the new investment manager), the directors and the Audit and Risk committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;

· any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:

o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;

o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

· the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of investments held at fair value principally (i) the valuation of the Company's 40% investment in NISPI and the 43% investment in SolarArise. This includes the valuation of termination penalties relating to the RUMs construction asset in SolarArise and the related impact on valuing the Company's 43% investment in in SolarArise; and (ii) the valuation and recording of the onerous contract provision for the Company's commitment to acquire a further 57% in SolarArise. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, the Investment Trust SORP and UK tax legislation, given the Company's qualification as an investment trust.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified (i) the valuation of the Company's 40% investment in NISPI and the 43% investment in SolarArise, each of which are held at fair value including the valuation of termination penalties relating to the RUMs construction asset in SolarArise and the related impact on valuing the Company's 43% investment in in SolarArise; and (ii) the recording and valuation of the onerous contract provision for the Company's commitment to acquire a further 57% in SolarArise as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

· reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

· enquiring of the former and new investment manager and the Audit and Risk Committee concerning actual and potential litigation and claims;

· performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

· reading minutes of meetings of those charged with governance;

· in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

· the information given in the ***strategic*** report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

· the ***strategic*** report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the ***strategic*** report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

· the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;

· the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate;

· the directors' statement on fair, balanced and understandable;

· the board's confirmation that it has carried out a robust assessment of the emerging and principal risks;

· the section of the annual report that describes the review of effectiveness of risk management and internal control systems; and

· the section describing the work of the audit and risk committee.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

· we have not received all the information and explanations we require for our audit; or

· adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

· the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by board of directors on 28 October 2021 to audit the financial statements for the period ending 31 October 2021 and subsequent financial periods.

The comparative period for the Company is the period from incorporation on 6 September 2021 to 31 October 2021, being the Company's first accounting date. During the year the Company extended its accounting period to 31 December 2022. This is the first year of our audit of the Company as a listed entity (second in total including the short comparative period in the prior year). The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 31 October 2021 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daryl Winstone FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

22 January 2024

Financial Statements

Statement of Comprehensive Income

For the period from 1 November 2021 to 31 December 2022

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Revenue | Capital | Total |  |  |
| Notes | US$'000s | US$'000s | US$'000s |  |
| Investment income | - | - | - |  |
| Movement in fair value of investments | 9 | - | (46,993) | (46,993) |
| Onerous contract provision | 13 | - | (38,500) | (38,500) |
| Total revenue | - | (85,493) | (85,493) |  |
| Investment management fees | 3e | (712) | (712) | (1,424) |
| Administration and professional fees | 4 | (3,240) | (296) | (3,536) |
| Net foreign exchange gains | 5 | 1,669 | - | 1,669 |
| Loss before taxation | (2,283) | (86,501) | (88,784) |  |
| Taxation | 6 | - | - | - |
| Loss for the period | (2,283) | (86,501) | (88,784) |  |
| Loss per ordinary share (cents) - basic and diluted | 8 | (1.98) | (75.14) | (77.13) |

The total column of the above statement of comprehensive income is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

There are no items of other comprehensive income in the current period, other than the profit/(loss) for the period, and therefore no separate income statement has been presented.

The Company was incorporated on 6 September 2021 and did not commence its operating activities until the listing of its ordinary shares on the London Stock Exchange on 14 December 2021. The Company prepared its first set of statutory financial statements prior to the IPO, for the period from incorporation, on 6 September 2021, to 31 October 2021. As there was no activity in the prior period, comparative revenue or capital profit or loss has not been presented.

The accompanying notes are an integral part of these Financial Statements.

Statement of Financial Position

|  |  |  |  |
| --- | --- | --- | --- |
| As at | As at |  |  |
| 31 December 2022 | 31 October 2021 |  |  |
| Notes | US$'000s | US$'000s |  |
| Non-current assets |  |  |  |
| Investments at fair value through profit or loss | 9 | 11,491 | - |
| Current assets |  |  |  |
| Trade and other receivables | 10 | 633 | 66 |
| Cash and cash equivalents | 11 | 115,819 | - |
| 116,452 | 66 |  |  |
| Current liabilities: amounts falling due within one year |  |  |  |
| Trade and other payables | 12 | (2,863) | - |
| Onerous contract provision | 13 | (38,500) | - |
| (41,363) | - |  |  |
| Net current assets | 75,089 | 66 |  |
| Net assets | 86,580 | 66 |  |
| Capital and reserves: equity |  |  |  |
| Ordinary share capital | 14 | 1,757 | - |
| Preference share capital | 14 | - | 66 |
| Share premium | 14 | 63,518 | - |
| Special distributable reserve | 15 | 110,089 | - |
| Revenue reserve | 3i | (2,283) | - |
| Capital reserve | 3i | (86,501) | - |
| Shareholders' funds | 86,580 | 66 |  |
| Net assets per share (cents) | 16 | 49.28 | n/a |

The Financial Statements were approved by the Board of Directors and authorised for issue on 22 January 2024 and were signed on its behalf by:

Sue Inglis Clifford Tompsett

Chair of the Board Director

The accompanying notes are an integral part of these Financial Statements.

Incorporated in England and Wales with registered number 13605841

Statement of Changes in Equity

For the period from 1 November 2021 to 31 December 2022

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Notes | Share capital US$'000s | Preference shares US$'000s | Share premium US$'000s | Special distributable reserve US$'000s | Capital reserve US$'000s | Revenue reserve US$'000s | Total US$'000s |  |
| Opening equity as at 6 September 2021 | - | - | - | - | - | - | - |  |
| Shares issued in period | 14 | - | 66 | - | - | - | - | 66 |
| At 31 October 2021 | - | 66 | - | - | - | - | 66 |  |
| Shares issues in the period | 14 | 1,757 | - | 179,128 | - | - | - | 180,885 |
| Share issue costs | 14 | - | - | (3,618) | - | - | - | (3,618) |
| Transfer to special distributable reserve | 15 | - | - | (111,992) | 111,992 | - | - | - |
| Cancellation of share capital | 14 | - | (66) | - | - | - | - | (66) |
| Loss and comprehensive income for the period | - | - | - | (86,501) | (2,283) | (88,784) |  |  |
| Dividends paid | 7 | - | - | (1,903) | - | - | (1,903) |  |
| Closing equity as at 31 December 2022 | 1,757 | - | 63,518 | 110,089 | (86,501) | (2,283) | 86,580 |  |

The accompanying notes are an integral part of these Financial Statements.

Statement of Cash Flows

|  |  |  |  |
| --- | --- | --- | --- |
| Notes | For the period from 1 November 2021 to 31 December 2022 US$'000s | From incorporation to 31 October 2021 US$'000s |  |
| Operating activities cash flows |  |  |  |
| Loss before taxation | (88,784) | - |  |
| Adjustments for: |  |  |  |
| Movement in fair value of investments | 9 | 46,993 | - |
| Increase in provisions | 13 | 38,500 | - |
| Foreign exchange gains | (1,669) | - |  |
| Operating cash flow before movements in working capital | (4,960) | - |  |
| Changes in working capital: |  |  |  |
| Increase in trade and other receivables | 10 | (633) | - |
| Increase in trade and other payables | 12 | 2,863 | - |
| Net cash flow used in operating activities | (2,730) | - |  |
| Investing activities cash flows |  |  |  |
| Acquisition of investments | 9 | (28,298) | - |
| Net cash flow used in investing activities | (28,298) | - |  |
| Financing activities cash flows |  |  |  |
| Dividends paid to shareholders | 7 | (1,903) | - |
| Proceeds from issue of share capital during the period | 14 | 150,699 | - |
| Costs in relation to issue of shares | 14 | (3,618) | - |
| Net cash flow from financing activities | 145,178 | - |  |
| Cash and cash equivalents at start of period | - | - |  |
| Net increase in cash and cash equivalents | 114,150 | - |  |
| Foreign exchange gains on cash or cash equivalents | 1,669 | - |  |
| Cash and cash equivalents at end of period | 11 | 115,819 | - |

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

For the period from 1 November 2021 to 31 December 2022

1. General information

Asian Energy Impact Trust plc ("AEIT" or the "Company") is a public company limited by shares incorporated in England and Wales on 6 September 2021 with registered number 13605841. The Company changed its name from ThomasLloyd Energy Impact Trust plc on 27th October 2023. The Company is a closed-ended investment company with an indefinite life. The Company commenced its operations on 14 December 2021 when the Company's ordinary shares were admitted to trading on premium segment of the London Stock Exchange's Main Market (the "IPO"). The Directors intend, at all times, to conduct the affairs of the Company as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010, as amended.

The registered office and principal place of business of the Company is The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF, United Kingdom.

The Company's principal activity is to invest in a diversified investment portfolio of sustainable energy infrastructure assets in fast-growing and emerging economies in Asia. The Company has a 'Triple Return' investment objective which consists of: (i) providing shareholders with attractive dividend growth and prospects for long-term capital appreciation (thefinancial return); (ii) protecting natural resources and the environment (the environmental return); and (iii) delivering economic and social progress, helping build resilient communities and supporting purposeful activity (the social return). The Company seeks to achieve its investment objective by delivering on its principal activity.

The audited financial statements of the Company (the "Financial Statements") are for the period from 1 November 2021 to 31 December 2022 and comprise only the results of the Company as the Company is determined to be an investment entity and, therefore its subsidiaries are measured at fair value and are not consolidated (see note 2). On 16 November 2021, the Company extended its accounting period to 31 December 2022. The comparative period is the period from 6September 2021 to 31 October 2021, being the period from incorporation to the Company's first accounting date.

The Company has appointed Adepa Asset Management S.A to be the alternative investment fund manager of the Company (the "AIFM") for the purposes of Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers. Accordingly, the AIFM is responsible for the portfolio management of the Company and for exercising the risk management function in respect of the Company. The AIFM, with the agreement of the Company, has delegated the portfolio management of the Company to the Investment Manager. For the period from IPO to 31 October 2023, the Investment Manager was ThomasLloyd Global Asset Management (Americas) LLC (the "Former Investment Manager"). Under the relevant investment management agreement between the AIFM, Company and Former Investment Manager (the "IMA") the Former Investment Manager was entitled to a management fee, details of which are included in note 19 to the Financial Statements. On 15 September 2023, the Board served notice on the Former Investment Manager terminating the IMA with effect from 31 October 2023. From 1 November 2023, Octopus Energy Generation ("OEGEN") was appointed as Transitional Investment Manager to cover an initial period through to 30 April 2024. For this initial term, the Company will pay OEGEN a management fee of US$1.35 million. At the end of the term, at the discretion of the Board, there is scope for OEGEN to earn an additional management fee of up to US$0.55 million for its services during the transitional period.

JTC Limited (the "Administrator") provides administrative and company secretarial services to the Company under the terms of the Administration Agreement between the Company and the Administrator.

2. Basis of preparation

The Financial Statements have been prepared in accordance with United Kingdom adopted international accounting standards and the applicable legal requirements of the Companies Act 2006.

The Financial Statements have also been prepared as far as is relevant and applicable to the Company in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued in July 2022 by the Association of Investment Companies ("AIC"). In line with the AIC SORP, the statement of comprehensive income differentiates between the 'revenue' account and the 'capital' account, and the sum of both items equals the Company's profit for the year. Items classified as capital in nature either relate directly to the Company's investment portfolio or are costs deemed attributable to the long-term capital growth of the Company.

The Financial Statements are prepared on the historical cost basis but as the Company qualifies as an investment entity under the amendments to IFRS10, all investments in subsidiaries, associates and joint ventures are measured at fair value through profit or loss. They have been prepared on the basis of the accounting policies, significant judgements, key assumptions and estimates as set out in notes 2 and 3. These policies are consistently applied.

The Financial Statements are presented in US Dollar ('US$'), which is the Company's functional currency and are rounded to the nearest thousand, unless otherwise stated. On 14 December 2021, the date of the IPO, the Company changed its functional and presentation currency to the US Dollar from the Great British Pound ('GBP'), with the change in functional currency being applied prospectively.

Going concern

The Company has undertaken an evaluation of its cashflow forecasts and going concern position to 31March 2025, including downside scenarios. This evaluation demonstrated that the Company has sufficient cash to meet all of its liabilities within the going concern assessment period, which is a period of at least 12 months from the date the Financial Statements were authorised for issue.

In reaching this conclusion, the Directors considered the Company's net assets as at 31 December 2022 of US$86.6million, its cash reserves at that date of US$115.8 million, consequences of the share suspension and its recurring operating expenditure requirements, both to date and into the future. During the 12 months ended 31 December 2023, the Company paid out all of its commitments as disclosed in note 21 to the Financial Statements, being US$38.5 million to acquire 57%of SolarArise in January 2023 and US$3.1 million to acquire 99.8% of VSS in May 2023, funded the construction of the RUMS project via a US$20.0 million loan, paid dividends to its shareholders of US$4.4 million and paid the costs of the Company. As at 31 December 2023 the Company had cash reserves of US$41.4 million and AEIT Holdings had cash reserves of US$1.7 million. This cash position has been used in assessing the Company's going concern position and cash flow forecasts.

The Company continues to meet its day-to-day liquidity needs through its cash resources. Assumed future cash inflows over the going concern period include the receipt of dividend and interest income from its underlying investments and the main cash outflows are the ongoing running costs of the Company and the payment of dividends to its shareholders. A key priority for 2024 for the Board and Transitional Investment Manager is to undertake capital restructuring to facilitate the repatriation of cash out of the underlying investment portfolio. A downside scenario that was modelled within the cash flows in the going concern assessment assumed this repatriation is delayed until after the end of the going concern period (i.e. no dividend or interest income is received from the Company's investments during that period). Even in this scenario, the Company has sufficient cash reserves to continue as a going concern. The cash flow forecasts in the downside scenario also assume no further investment commitments during the going concern period. The Company had no outstanding investment commitments at 31 December 2023 and at the date of signing this Annual Report.

The future of the Company relies heavily on the outcome of the current ***strategic*** review of the options for the future of the Company which is expected to be to conclude by the end of the first quarter of 2024. At the date of this Annual Report, based on the information currently available, the most likely outcomes of the ***strategic*** review remain a proposal for either the relaunch of the Company (potentially with a new investment objective, investment policy, target returns and/or Investment Manager but maintaining the impact-led, Asian focus) or a managed wind-down. Shareholders will have the opportunity to vote on the outcome of the ***strategic*** review.

The Board does not intend to declare a dividend in respect of the quarter ended 31 December 2023, nor does it intend to make any further acquisitions or commitments prior to completion of, the ***strategic*** review.

While the Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the going concern basis of accounting has been adopted in preparing the Financial Statements, the outcome of the ***strategic*** review as set out above is not within the control of the Board and is therefore uncertain, and will solely be down to a vote of the shareholders, who may vote for a managed wind up of the Company. In light of this shareholder vote and that shareholders may vote for a managed wind up of the Company, this constitutes a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Critical accounting judgements, estimates and assumptions

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed regularly on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant estimates, judgements and assumptions for the period are set out as follows:

Key sources of estimation uncertainty: fair value estimation for investments at fair value

The Company's investments at fair value are not traded in active markets. As such, the fair value of these investments is calculated using discounted cash flow ("DCF") models based on valuation methods and techniques generally recognised as standard in the industry, specifically taking into account the International Private Equity and Venture Capital Valuation Guidelines, which includes recommendations and best practice.

The discounted cash flow models use observable data, to the extent practicable. However, the key inputs require management to make estimates. The key assumptions used in the DCF models at 31 December 2022 that the Directors believe would have a material impact on the fair value of the investments should they change are set out in note 9. The key unobservable inputs, and therefore the key sources of estimation uncertainty, are future power prices, renewable energy generation, discount rates, inflation rates and the timing of dividends given some of the investments have capital structures which make the realisation of dividends more difficult. Sensitivities of the key inputs used in the DCF models are detailed in note 9.

As at 31 December 2022, the Company held an investment in SolarArise which owns 6 operational solar farms and 1under construction asset in India. The asset under construction is termed the RUMS project.

In preparing the December 2022 valuation of SolarArise, the Board identified a risk that the fair value of the RUMS project was negative. At the balance sheet date, the valuation of proceeding with the project was estimated to be negative US$33.3 million on a 100% basis. The Board has considered ways to mitigate this exposure including aborting the project and not proceeding with construction. However, termination penalties could arise if the project were aborted which are estimated to be up to US$33.4 million (on a 100% basis).

There is therefore significant subjectivity and estimation uncertainty in determining the fair value of the Company's investment in SolarArise and the valuation of the RUMS project. In determining the fair value of SolarArise, it has been determined that a market participant would view the SolarArise portfolio in its entirety and that an appropriate assumption would be to write the SolarArise portfolio down to zero. This reflects a fair value (pre RUMS abort liability) of US$12.0 million for the 43% ownership held at the balance sheet date and the fact that it has been assessed that there is a remote risk of further liabilities falling on the Company such that the valuation cannot go below US$nil. The sensitivity of this key input is detailed in note 9. Including the abort liabilities in the valuation of SolarArise as at 31 December 2022 also gives rise to an onerous contract for the commitment to purchase the remaining 57% of SolarArise. This is because on acquisition, the remaining 57% stake acquired in January 2023 for US$38.5 million would be written down to US$nil. Please see note 13 for further details. Post period end solar module prices have fallen as China came out of lockdowns and opened up supply through 2023. This is the primary reason why the overall negative NPV of the project has fallen to approximately US$13million as at 1 September 2023, and based on advice from the Former Investment Manager, on 11 October 2023, the Board agreed to provide funding of US$20 million by way of an INR denominated external commercial borrowings loan from the Company to SolarArise to enable construction of the RUMS project to proceed on the basis that proceeding with the project was now the a less disadvantageous option rather than paying termination penalties. This loan was provided on 18 October 2023. The Transitional Investment Manager subsequently values the RUMS project at a negative NPV of US$14.6 million as at 30 September 2023. See note 22 for further details.

Further considerations on currency risks, interest rate risks, power price risks, credit risks, and liquidity risks are detailed in note 18.

Critical accounting judgement: equity and loan investments

The Company considers the equity and loan investments to share the same investment characteristics and risks and they are therefore treated as a single unit of account for fair value purposes (IFRS 13) and a single class for financial instrument disclosure purposes (IFRS 9). As a result, the evaluation of the performance of the Company's investments is done for the entire portfolio on a fair value basis, as is the reporting to the key management personnel and to the investors. In this case, all equity, derivatives and debt investments form part of the same portfolio for which the performance is evaluated on a fair value basis together and reported to the key management personnel in its entirety.

Critical accounting judgement: basis of non-consolidation

The Company has adopted the amendments to IFRS 10 which states that investment entities should measure all of their subsidiaries that are themselves investment entities at fair value (in accordance with IFRS 9 Financial Instruments: Recognition and Measurement, and IFRS 13 Fair Value Measurement).

Under the definition of an investment entity, the Company should satisfy all three of the following tests:

(i) the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;

(ii) the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(iii) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

In assessing whether the Company meet the definition of an investment entity set out in IFRS 10 the Directors note that:

(i) the Company has multiple investors and obtains funds from a diverse group of shareholders who would otherwise not have access individually to invest in renewable energy infrastructure investments due to high barriers to entry and capital requirements;

(ii) the Company intends to hold its investments for the remainder of their useful lives for the purpose of capital appreciation and investment income in line with the Company's stated strategy and the Directors believe the Company is able to generate returns to the investors during that period51; and

(iii) the Company measures and evaluates the performance of all of its investments on a fair value basis which is the most relevant for investors in the Company. Management use fair value information as a primary measurement to evaluate the performance of all of the investments and in decision making.

51 Directors will be putting forward proposals for the reconstruction and reorganisation of the Company to shareholders. Included within these proposals will be a managed wind-down of the Company. Shareholders will be given the option to vote on their preferred proposal.

The Directors are of the opinion that the Company meets all the typical characteristics of an investment entity and therefore meets the definition set out in IFRS 10. The Directors are satisfied that investment entity accounting treatment appropriately reflects the Company's activities as an investment trust.

Critical accounting judgement: functional currency

The Directors consider that the US Dollar is the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions that impact the Company.

The Company's ordinary share capital is issued in US Dollars. The primary activity of the Company is to invest in unlisted debt and equity securities issued by companies involved in the construction or operation of sustainable renewable energy infrastructure assets in fast-growing and emerging economies in Asia. Although these unlisted debt and equity securities are held in their local currencies, the fair value associated with each investment held is converted into US Dollars at the prevailing spot exchange rate at the valuation date for presentation within the Company's results. The US Dollar is the currency in which the Company measures its performance and reports its results, as well as the principal currency in which it receives subscriptions from its investors.

The functional currency assessment also considers the cost structure of the Company and the currencies in which it may pay dividends and receive income. The majority of operating expenses are denominated in US Dollars and the Company announces dividend payments in US Dollars (although it may also settle in currencies other than US Dollars). It is expected that the Company will receive dividend income in currencies other than US Dollars, although it may enter into a hedging programme to mitigate against future volatility in those currencies in comparison to US Dollars.

The functional currency assessment is reviewed periodically in light of investments made and to be made.

Key sources of estimation uncertainty: contingent consideration in relation to NISPI

The sale and purchase agreement to acquire the 40% economic interest in NISPI included an additional contingent cash consideration of up to US$22.0 million that was dependent upon NISPI being awarded a Green Auction PPA prior to 1 June 2023. In assessing the fair value of this contingent consideration at 31 December 2022, the Investment Manager and Directors have considered a number of external factors, including macro-economic, political and operational.

NISPI did not participate in a Green Auction during 2022 as it was not eligible to participate. At 31 December 2022, the wholesale power prices were higher than expected Green Auction solar prices and it was expected that this will prevail through 1 June 2023. Consequently, the likelihood that NISPI would participate in such an auction prior to 1 June 2023 was assessed as being remote. As such, the contingency is fair valued at US$nil at 31 December 2022.

Post the period end it has been confirmed that NISPI was not awarded a Green Auction PPA by 1 June 2023 and no further consideration is payable.

New and amended standards and interpretations

Effective from 1 November 2021 to January 2022

The Company applied the following amendments for the first time for its annual reporting period commencing 1 November 2021:

· onerous contracts - Cost of Fulfilling a Contract - Amendments to IAS 37; and

· annual improvements to IFRS Standards 2018-2020.

The amendments listed above did not have any impact on the amounts recognised in the current or prior period and are not expected to significantly affect the current or future periods. The Company has considered the above amendments in valuing the onerous contract provision as detailed in note 13.

Effective on or after 1 January 2023

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are effective for annual periods beginning on or after 1 January 2023 that have not been early adopted in preparing these Financial Statements. These standards, amendments and interpretations are not expected to have a material impact on the Company in the current or future reporting periods, or on foreseeable future transactions.

The new standards, amendments to existing standards and interpretations that have been published and will be applied to the Company in future periods, subject to UK endorsement, include:

· disclosure of accounting policies and materiality judgements - Amendments to IAS 1 and IFRS Practice Statement2, effective 1 January 2023;

· non-current liabilities with covenants - Amendments to IAS 1, effective 1 January 2024;

· definition of accounting estimates - Amendments to IAS 8, effective 1 January 2023; and

· deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12, effective 1January 2023.

These are not likely to have a material impact on the Company's Financial Statements going forward.

3. Significant accounting policies

a) Financial instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the instrument expire or the asset is transferred, and the transfer qualifies for derecognition in accordance with IFRS 9 Financial Instruments.

Financial assets

As an investment entity, the Company is required to measure its investments in its wholly owned direct subsidiaries, joint ventures and associates at FVTPL. As explained in note 2, the Company has made a judgement to fair value both the equity and debt investment in its subsidiary together. Subsequent to initial recognition, the Company measures its investments on a combined basis at fair value in accordance with IFRS 9 Financial Instruments:

Recognition and Measurement and IFRS 13 Fair Value Measurement

Trade receivables, loans and other receivables that are non-derivative financial assets and that have fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortised cost. These assets are measured at amortised cost using the effective interest method, less allowance for expected credit losses. The Company has assessed IFRS 9's expected credit loss model and does not consider there to be any material impact on these Financial Statements.

Trade receivables, loans and other receivables are included in current assets, except where maturities are greater than 12months after the year end date in which case they are classified as non-current assets.

Regular purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Financial assets at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred within the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value.

Gains and losses arising from changes in the fair value of the 'financial assets at FVTPL' category are presented in the Statement of Comprehensive Income within investment income in the period in which they arise.

Income from financial assets at FVTPL is recognised in the Statement of Comprehensive Income within investment income when the Company's right to receive payments is established.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

The Company's financial liabilities include trade and other payables and other short-term monetary liabilities which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Recognition and Measurement and IFRS 13 Fair Value Measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest rate method.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. Direct issue costs are charged against the value of ordinary share premium.

b) Taxation

Investment trusts which have approval under section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains. The Company has successfully applied and has been granted approval as an Investment Trust by HMRC.

Irrecoverable withholding tax is recognised on any overseas income on an accrual basis using the applicable rate of taxation for the country of origin.

The underlying intermediate holding companies and project companies in which the Company invests provide for and pay taxation at the appropriate rates in the countries in which they operate. This is taken into account when assessing the value of the subsidiaries, joint ventures and associates.

c) Segmental reporting

The Board is of the opinion that the Company is engaged in a single segment of business, being investment in renewable energy infrastructure assets to generate investment returns whilst preserving capital. The financial information used by the Board to manage the Company presents the business as a single segment.

d) Investment income

Investment income comprises interest income and dividend income received from the Company's subsidiaries. Interest income is recognised in the Statement of Comprehensive Income using the effective interest method. Dividend income is recognised when the Company's entitlement to receive payment is established.

e) Expenses

All expenses are accounted for on an accrual basis. In accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ('SORP') issued in July 2022 by the Association of Investment Companies ('AIC'), the statement of comprehensive income differentiates between the 'revenue' account and the 'capital' account, and the sum of both items equals the Company's profit for the year/period. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, expenses directly attributable to the long-term capital growth of the Company are presented as capital items. See below for specific examples:

· Investment management fees: As per the Company's investment objective, it is expected that income returns will make up 50% of the Company's long-term return. Therefore, based on the estimated split of future returns (which cannot be guaranteed), 50% of the investment management fee is charged as a capital item within the Statement of Comprehensive Income.

· Transaction costs: Transaction costs incurred on completed transactions are charged as capital items within the Statement of Comprehensive Income.

f) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency using the exchange rate prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income. Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income.

g) Cash and cash equivalents

Cash and cash equivalents includes deposits held with banks and other short-term deposits with original maturities of three months or less.

h) Dividends payable

Final dividends payable to equity shareholders are recognised in the Financial Statements when they have been approved by shareholders and become a liability of the Company. Interim dividends payable are recognised in the period in which they are paid.

i) Reserves

The Company's capital is represented by the ordinary shares, share premium, the special distributable reserve, retained losses and other comprehensive income.

· Share premium: Share premium includes the premium above nominal value received by the Company on issuing shares, net of issue costs, to the extent not subsequently cancelled and transferred to another reserve.

· Special distributable reserve: This reserve is distributable and may be used, where the Board considers it appropriate, by the Company for the purposes of paying dividends to shareholders (and, in particular, augmenting or smoothing payments of dividends to shareholders) or buying back shares. There is no guarantee that the Board will make use of this reserve for such purposes. See note 15 for further information.

· Retained losses: Retained losses are split between revenue and capital reserves as follows:

· Revenue reserve: This reserve reflects all income and costs which are recognised in the revenue column of the statement of comprehensive income. This reserve is distributable by way of dividend.

· Capital reserve: This reserve includes gains and losses on disposal of investments and changes in fair values of investments, foreign exchange differences determined to be of a capital nature and the capital element of the management fee. Any associated tax relief is also credited to this reserve. This reserve is distributable by way of dividend.

j) Onerous contract provision

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company or its subsidiaries has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Company's onerous contract relates to the agreed acquisition of a further 57% in SolarArise where the fair value of that 57% stake at the balance sheet date has been determined to be less than the agreed consideration payable. Please refer to note 13 for further detail. As the onerous contract is linked to the fair value of the investment portfolio, the income statement charge arising from the onerous contract has been recognised in revenue.

4. Administration and professional fees

|  |  |  |  |
| --- | --- | --- | --- |
| For the period ended 31 December 2022 |  |  |  |
| Revenue | Capital | Total |  |
| US$'000 | US$'000 | US$'000 |  |
| Administration fees | 146 | - | 146 |
| AIFM fees | 94 | - | 94 |
| Legal and professional fees | 693 | - | 693 |
| Transaction costs | - | 296 | 296 |
| Compliance and regulatory fees | 157 | - | 157 |
| Directors' fees | 267 | - | 267 |
| Valuation fees | 842 | - | 842 |
| Company's audit and non-audit fees: |  |  |  |
| - in respect of audit services | 445 | - | 445 |
| - in respect of non-audit related services | 207 | - | 207 |
| Other operating expenses | 389 | - | 389 |
| 3,240 | 296 | 3,536 |  |

Analysed as:

|  |  |
| --- | --- |
| For the period ended 31 December 2022 |  |
| Total |  |
| US$'000 |  |
| Ongoing and recurring costs of the Company | 1,508 |
| Exceptional costs incurred to finalise the December 2022 valuations and 2022 audit | 1,192 |
| Other one-off costs | 836 |
| Total | 3,536 |

Fees payable to the Company's Auditor during the period were:

|  |  |
| --- | --- |
| For the period ended 31 December 2022 |  |
| Total |  |
| US$'000 |  |
| Fees payable to the Company's Auditor for the audit of the Company's Financial Statements | 445 |
| Fees payable to the Company's Auditor for other services: |  |
| Audit-related services | 43 |
| Non-audit related services | 446 |
| Total | 934 |

The audit-related services provided relate to the review of the interim financial statements. During the period, the Company's Auditor was also paid £215,000 (US$282,000 equivalent) for its role as reporting accountant and £136,000 (US$164,000 equivalent) for tax structuring advice in connection with the IPO. The reporting accountant fee was recognised directly in equity as a cost associated with the initial capital raising of the Company.

In addition to the fees disclosed above, US$3,350 is payable to the Company's Auditor in respect of audit services provided to the Company's unconsolidated subsidiary, AEIT Holdings, that is not included in the Company's expenses above.

The Company has no employees. Full detail on Directors' fees is provided in note 19. Directors' fees in the table above include employer social security contributions of US$11,000. In the period from incorporation to 31 October 2021 and from 1 November 2021 until the date of IPO, Directors' fees were US$nil.

5. Net foreign exchange gains

Net foreign exchange gains primarily relate to foreign exchange gains realised on the Company's IPO proceeds that have not yet been deployed.

6. Taxation

(a) Analysis of charge in the period

|  |  |  |  |
| --- | --- | --- | --- |
| For the period ended 31 December 2022 |  |  |  |
| Revenue | Capital | Total |  |
| US$'000 | US$'000 | US$'000 |  |
| Corporation tax | - | - | - |
| Tax charge for the period | - | - | - |

(b) Factors affecting total tax charge for the period

The effective UK corporation tax rate applicable to the Company for the period is 19%. The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The differences are explained below:

|  |  |  |  |
| --- | --- | --- | --- |
| Revenue | Capital | Total |  |
| US$'000 | US$'000 | US$'000 |  |
| Loss before taxation | (2,283) | (86,501) | (88,784) |
| Corporation tax at 19% | (434) | (16,435) | (16,869) |
| Effects of: |  |  |  |
| Non-deductible capital losses | - | 16,244 | 16,244 |
| Unutilised losses carried forward | 434 | 191 | 625 |
| Total tax charge for the period | - | - | - |

The Directors are of the opinion that the Company has complied with the requirements for maintaining investment trust status for the purposes of section 1158 of the Corporation Tax Act 2010. This allows certain capital profits of the Company to be exempt from UK tax. Additionally, the Company may designate dividends payable wholly or partly as interest distributions for UK tax purposes. Interest distributions are treated as tax deductions against taxable income of the Company so that investors do not suffer double taxation on their returns.

The Financial Statements do not directly include the tax charges for any of the Company's subsidiaries as these are held at fair value. Each of these companies are subject to taxes in the countries in which they operate.

The Company has an unrecognised deferred tax asset of US$0.8 million based on the excess unutilised operating expenses of US$3.3 million at the prospective UK corporation tax rate of 25%. A deferred tax asset has not been recognised in respect of these operating expenses and will be recoverable only to the extent that the Company has sufficient future taxable revenue.

7. Dividends

The dividends reflected in the Financial Statements for the period are as follows:

|  |  |  |
| --- | --- | --- |
| For the period ended 31 December 2022 |  |  |
| Cents per ordinary share | Total US$'000 |  |
| Q1 2022 dividend - paid on 24 June 2022 | 0.44 | 508 |
| Q2 2022 dividend - paid on 30 September 2022 | 0.44 | 622 |
| Q3 2022 dividend - paid on 2 December 2022 | 0.44 | 773 |
| Total | 1.32 | 1,903 |

The dividends relating to the period ended 31 December 2022, which is the basis on which the requirements of section 115952 of the Corporation Tax Act 2010 are detailed below:

52 The requirement for an investment trust to pay out 85% of profits generated in the year as dividends.

|  |  |  |
| --- | --- | --- |
| For the period ended 31 December 2022 |  |  |
| Cents per ordinary share | Total US$'000 |  |
| Q1 2022 dividend - paid on 24 June 2022 | 0.44 | 508 |
| Q2 2022 dividend - paid on 30 September 2022 | 0.44 | 622 |
| Q3 2022 dividend - paid on 2 December 2022 | 0.44 | 773 |
| Q4 2022 dividend - paid on 23 May 2023 | 1.18 | 2,073 |
| Total | 2.50 | 3,976 |

As disclosed in note 22, the Company declared its dividend for the fourth quarter on 13 April 2023 of 1.18 cents per share in respect of the three-month period from 1 October 2022 to 31 December 2022. The dividend totalling US$2.1 million was paid on 23 May 2023.

See note 22 for details on additional dividends declared since the period end.

8. Earnings per ordinary share

Earnings per ordinary share is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period:

|  |  |  |  |
| --- | --- | --- | --- |
| For the period ended 31 December 2022 |  |  |  |
| Revenue | Capital | Total |  |
| Loss attributable to the equity holders of the Company (US$'000) | (2,283) | (86,501) | (88,784) |
| Weighted average number of ordinary shares in issue (000s) | 115,177 | 115,177 | 115,177 |
| Earnings per ordinary share (cents) - basic and diluted | (1.98) | (75.14) | (77.13) |

9. Investments at fair value through profit or loss

As set out in note 2, the Company accounts for its interest in its wholly owned direct subsidiaries as an investment at fair value through profit or loss.

|  |  |
| --- | --- |
| 31 December 2022 |  |
| US$'000 |  |
| Philippines | 11,491 |
| India | - |
| AEIT Holdings | - |
| Total investments at FVTPL | 11,491 |
| Movements in the period: |  |
| Acquisition of assets - cash settled | 28,298 |
| Acquisition of assets - consideration shares | 30,186 |
| Discount rate unwind | 2,833 |
| Changes to inflation | 2,789 |
| Change in FX | (3,391) |
| Estimated termination penalties for RUMS project | (14,071) |
| Adjustments to modelling methodology and timing of cash extraction | (12,410) |
| Decrease in power prices (WESM) | (9,036) |
| Changes to generation profile | (3,328) |
| Increase in discount rates | (826) |
| Removal of carbon credit revenues (SolarArise) | (2,033) |
| Other movements in fair value of investments | (7,520) |
| Fair value of Company's investments as at 31 December 2022 | 11,491 |

Fair value of the investment portfolio

The Transitional Investment Manager has carried out a fair market valuation of the investments as at 31 December 2022. These valuations have been reviewed by the Company's independent valuation expert.

The Directors have satisfied themselves as to the methodology used, the discount rates applied and the valuation. Allinvestments are in renewable energy assets and are valued using a discounted cash flow methodology.

The key assumptions used in the DCF models at 31 December 2022 that the Directors believe would have a material impact on the fair value of the investments should they change are set out in the table below. The key unobservable inputs, and therefore the key sources of estimation uncertainty, are future power prices, renewable energy generation, discount rates and inflation rates. The table below also includes other assumptions that the Transitional Investment Manager consider to be key to the valuation of each investment, such as the ability to extract cash from each of the investments and the timing of dividend payments.

|  |  |  |  |
| --- | --- | --- | --- |
| Key assumption | Philippines | India | Description |
| Power prices | Forecast WESM53 prices, are based on a blend of two wholesale energy price curves as prepared by independent market advisors that are reputable in these markets. | Fixed price PPA | All assets in the Indian portfolio have long-term fixed price power purchase agreements and therefore market forecasts are not required. The Philippine portfolio generates revenue through the sale of power to the grid at the wholesale electricity market price and is fully exposed to volatility in wholesale energy price curves. |
| Energy generation | P50 | P50 | Electricity output is based on specifically commissioned yield assessments prepared by technical advisors. Each asset's valuation assumes a 'P50' level of electricity output, which is the estimated annual amount of electricity generation that has a 50% probability of being exceeded-both in any single year and over the long-term- and a 50% probability of being underachieved. The P50 provides an expected level of generation over the long-term. A 3-5% 'haircut' has been applied to the current P50 yields in the models based on historical underperformance. |
| Discount rate | 12% | 12% for operational assets; 12.5% for construction assets | The discount rate used in each DCF model reflects the current market assessment of the time value of money and the risks specific to each investment. Key inputs to the discount rates have been reviewed by PwC, the independent valuation expert. |
| FX rate | US$1:PHP 55.616 | US$1:INR 82.67 | Underlying valuations are calculated in local currency and converted back to USD at the spot rate at the relevant valuation date. |
| Inflation | CPI trends downwards to a long-term inflation rate assumption of 3%. The Bangko Sentral ng Pilipinas (central bank of the Philippines) target inflation range is 2% to 4%. | India CPI forecasts trend downwards in the near term to a long-term inflation rate assumption of 4.2%. This is in line with the Reserve Bank of India target inflation range of 2% to 6%. | Inflation assumptions used in the model are a blend of a leading market forecaster with International Monetary Fund (IMF) CPI forecasts for all invested markets as at 31December 2022. |
| Capital structure | Philippines: Capital reduction effective on 30 June 2023 | India: Capital reduction effective on 31 December 2023 | The current structure of each of these investments is not optimal for cash extraction. The DCF models assume a degree of capital restructuring for each investment to enable cash to be extracted more efficiently. Any delay to these restructuring plans may delay the ability of the Company to extract cash out of its underlying investments. |

53 Philippine Wholesale Electricity Spot Market.

RUMS project

Within the SolarArise portfolio is a 200 MW asset under construction (the "RUMS project") held through a separate subsidiary. As at 31 December 2022, SolarArise had spent US$6.8 million on the RUMS project. In valuing the SolarArise portfolio, the RUMS project was initially held at US$6.8 million i.e. cost.

At 31 December 2022 the price of solar panels to complete construction of the asset were high, primarily due to lockdowns in China which limited global solar panel supply. The DCF valuation of proceeding with the RUMS project as at 31 December 2022 was therefore a negative NPV of US$33.3 million (100% basis) whereas the potential liabilities from aborting the project were between US$14.1million and US$33.2 million, with termination penalties potentially being levied on SolarArise. Therefore the valuation of SolarArise at 31 December 2022 assumes that the RUMS project would be aborted, any costs paid into the project would be written off to US $nil and that termination penalties would be levied on the rest of the SolarArise investment. There is significant judgement in determining the likely value of the crystallised abort liabilities but in valuing SolarArise at 31 December 2022, it has been assumed that a market participant would look at the SolarArise platform in its entirety and consider either the termination liabilities or the negative NPV of proceeding with the RUMS project in valuing the investment and therefore the fair value of the SolarArise investment as a whole has been written down to US$nil as the risk of further liabilities being levied on the Company is deemed to be remote such that the valuation cannot go below US$nil. This represents total abort liabilities of US$27.8 million (100%basis). As at 31 December 2022, the Company owned 43% of SolarArise. However, given that it had also made a commitment to purchase the remaining 57%, an onerous contract provision has also been recognised for the 57% commitment - see note 13.

Post period end, following a decrease in panel prices and re-evaluation of the project, the Board decided that proceeding with the project represented the least value destructive option for the Company. As at 30 September 2023, the valuation of the RUMS project is a negative NPV of US$14.6 million. This excludes the paid in capital to date of US$10.1 million. See note 22 for further information.

AEIT Holdings

On 5 May 2022, the Company incorporated a wholly owned subsidiary, AEIT Holdings, a private company, limited by ordinary shares. AEIT Holdings' principal activity is to act as an investment holding company and it is intended that the Company will acquire its future investments directly through AEIT Holdings. It is expected that the Company will finance AEIT Holdings through a mix of equity and long-term debt. At 31 December 2022, AEIT Holdings did not hold any investments and is therefore held at a fair value of US$nil.

Valuation sensitivities

The following table presents the results and impact of the sensitivity analysis completed on the key inputs used in the DCF models. The sensitivities assume that the relevant input is changed over the entire useful life of each of the underlying renewable energy investments, while all other variables remain constant. All sensitivities have been calculated independently of each other. Each of these sensitivities have been assessed as reasonably possible based on actual changes seen over the year.

The Directors have assessed the sensitivity applied to each of the significant unobservable inputs and believe that each sensitivity represents a reasonable possible long-term movement in the significant unobservable input to which it relates, notwithstanding the significant short-term movements that have occurred in the period in relation to Philippine wholesale power prices, foreign exchange, inflation rates and government bonds yields due to the recent energy market disruption caused by the ongoing Ukraine-Russia war.

While the Directors believe the changes in inputs calculated to be within a reasonable expected range based on their understanding of market transactions, this is not intended to imply the likelihood of change or that possible changes in value would be restricted to the range considered. For SolarArise, the sensitivities in the chart below are calculated on its operational portfolio, excluding the RUMS project. As the total value of SolarArise (including the RUMS project) as at 31December 2022 is US$nil, the downsides shown below are not reflective of the actual impact on the Company (as the value of SolarArise can not fall below US$nil.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Impact of sensitivity |  |  |  |  |  |
| Significant unobservable input | Relationship to fair value | Fair value increase | Fair value (decrease) | NAV per share increase | NAV per share (decrease) |
| Power prices | Power price sensitivities have only been applied to investments whose underlying assets are exposed to merchant prices (i.e.revenue streams which are not tied to a fixed-price PPA). An increase in forecasted power prices used for these revenue streams would result in an increase in fair value.) | US$6.8 million | US$(6.5) million | 3.9 cents | (3.7) cents |
| Sensitivity: +/- 25% |  |  |  |  |  |
| Renewable energy generation | An increase in generation would result in an increase in fair value. | US$6.5 million | US$(6.6) million | 3.7 cents | (3.8) cents |
| Sensitivity: +/- 10% |  |  |  |  |  |
| Discount rate | A decrease in the discount rate used would result in an increase in fair value. | US$1.4 million | US$(1.3) million | 0.8 cents | (1.1) cents |
| Sensitivity: -/+ 1% |  |  |  |  |  |
| Foreign exchange rate | Deflation of the local currencies in which the investments are held against the US Dollar would result in an increase in fair value. | US$1.0 million | US$(1.0) million | 0.6 cents | (0.6) cents |
| Sensitivity: -/+ 10% |  |  |  |  |  |
| Cost inflation | A decrease in the inflation rate used would result in an increase in fair value. | US$0.6 million | US$(0.6) million | 0.3 cents | (0.3) cents |
| Sensitivity: -/+ 1% |  |  |  |  |  |
| Cash extraction | As at 31 December 2022, NISPI, the SolarArise holding company and each of the SolarArise SPVs has significant negative distributable reserve balances, prohibiting the payment of dividends. The updated valuations have been updated to reflect this but assume that some measures to eliminate cash traps within a reasonable timeframe are implemented for example, capital reductions. The sensitivity assumes that such measures to eliminate cash traps are delayed by c. 12 months at both NISPI and SolarArise. | - | US$(1.2) million | - | (0.7) cents |
| Sensitivity: Delay to assumed capital reductions +12 months |  |  |  |  |  |
| RUMS termination liabilities | As at 31 December 2022, the least value destructive option was to abort the RUMS project. Advice was sought on the range of liabilities that could arise. The potential outcomes ranged from a worst case liability of US$14.1 million to a mitigated case of US$6.1 million on a 43% basis. The sensitivity shows the impact on Company value by adopting the ends of these ranges vs. the concluded abort estimation of $12.0 million. | US$5.9 million | US$(2.4) million | 3.3 cents | (1.4) cents |
| Sensitivity: Third party advisors worst case / mitigated case |  |  |  |  |  |

10. Trade and other receivables

|  |  |  |
| --- | --- | --- |
| 31 December 2022 | 31 October 2022 |  |
| US$'000 | US$'000 |  |
| VAT receivable | 541 | - |
| Prepayments | 92 | - |
| Amounts receivable from related parties | - | 66 |
| Total | 633 | 66 |

Amounts receivable from related parties in the prior year related to the ordinary share and preference shares issued on incorporation, payable by the initial parent company, ThomasLloyd Cleantech Infrastructure Holding GmbH. InMarch2022, the preference shares were cancelled (see note 14).

11. Cash and cash equivalents

The cash and cash equivalents were held in the following currencies at the period end:

|  |  |  |
| --- | --- | --- |
| 31 December 2022 | 31 October 2022 |  |
| US$'000 | US$'000 |  |
| US$ | 109,024 | - |
| GBP | 6,742 | - |
| Euro | 53 | - |
| Total | 115,819 | - |

12. Trade and other payables

|  |  |  |
| --- | --- | --- |
| 31 December 2022 | 31 October 2022 |  |
| US$'000 | US$'000 |  |
| Trade payables | 350 | - |
| Accrued expenses | 2,367 | - |
| Amounts payable to related parties | 146 | - |
| Total | 2,863 | - |

Amounts payable to related parties are management fees accrued and payable to the previous Former Investment Manager. See note 19 for further information.

13. Provisions

|  |  |  |
| --- | --- | --- |
| 31 December 2022 | 31 October 2022 |  |
| US$'000 | US$'000 |  |
| Opening balance | - | - |
| Additions in the period |  |  |
| Onerous contract provision | 38,500 | - |
| Amounts utilised in the period | - | - |
| Balance at the end of the period | 38,500 | - |

On 20 June 2022 the Company made a commitment to purchase the remaining 57% of SolarArise for a total consideration of US$38.5 million. The Company has identified an onerous contract and recognised a provision of US$38.5million in respect of this commitment as the fair value of the 57% investment is lower than the consideration paid to acquire this 57% investment, primarily due to termination penalties relating to the RUMS project. Completion of the purchase of 57% of SolarArise occurred on 13 January 2023. See note 9 for further details on how the fair value of SolarArise was determined.

14. Share capital

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Allotted, issued and fully paid: | Number of ordinary shares | Share capital US$'000 | Share premium US$'000 | Number of preference shares | Preference share capital US$'000 |
| At incorporation (6 September 2021) | 1 | - | - | - | - |
| Issues of shares (18 October 2021) | 1 | - | - | 50,000 | 66 |
| Cancellation of shares (18 October 2021) | (1) | - | - | - | - |
| At 31 October 2021 | 1 | - | - | 50,000 | 66 |
| Issue of shares at IPO (14 December 2021) | 115,393,127 | 1,154 | 114,239 | - | - |
| Cancellation of preference shares (22March 2022) | - | - | - | (50,000) | (66) |
| Subsequent issue of shares (16 August 2022) | 26,014,349 | 260 | 29,926 | - | - |
| Subsequent issue of shares (16 November 2022) | 34,277,228 | 343 | 34,963 | - | - |
| Share issue costs | - | - | (3,618) | - | - |
| Transfer to special distributable reserve | - | - | (111,992) | - | - |
| Closing balance 31 December 2022 | 175,684,705 | 1,757 | 63,518 | - | - |

The Company was incorporated on 6 September 2021 with share capital of £0.01, being one ordinary share of £0.01.

On 18 October 2021, the Company issued US$0.01 of ordinary share capital, being one ordinary share of US$0.01 and preference share capital of £50,000, being 5,000,000 preference shares of £0.01. On this date, the Company cancelled the one ordinary share of £0.01.

On 14 December 2021, at IPO, the Company issued 115,393,127 ordinary shares of US$0.01 each, at a price of US$1.00per ordinary share, raising gross proceeds of US$115.4 million.

On 22 March 2022, the Company effected a capital reduction process which included the cancellation of the 50,000 preference shares and the related reduction of an amount receivable from related parties of US$66,000 and the reduction of the share premium reserve and related transfer to the special distributable reserve of US$111,992,000.

On 16 August 2022, the Company issued 26,014,349 ordinary shares of US$0.01 each in consideration for the 43% economic interest in SolarArise. SolarArise forms part of the seed assets of the IPO, with the consideration shares forming part of the gross IPO proceeds. The shares were issued at a price of US$1.16035 per share that was based on the 10-day average share price prior to allotment of the shares.

On 16 November 2022, pursuant to the subsequent placing programme, the Company issued 34,277,228 ordinary shares of US$0.01 each at a price of US$1.030 per ordinary share, raising gross proceeds of US$35.3 million. The shares were subsequently issued on 18 November 2022.

Expenses incurred of US$3.6 million were determined to be directly attributable to the equity transactions and that would have otherwise been avoided if the shares had not been issued. These expenses include broker fees and commissions, sponsor fees, amounts paid to lawyers, accountants and other professional advisors in relation to the IPO and the subsequent placing programme. Such expenses have been recognised directly in share premium.

15. Special distributable reserve

In March 2022, the Company was granted court approval for a capital reduction process to cancel US$112.0 million of share premium which was transferred to the special distributable reserve. During 2022, the Company paid dividends of US$1.9 million from this reserve. At 31 December 2022, the special distributable reserve was US$110.1 million and is fully distributable.

16. Net asset value per ordinary share

|  |  |
| --- | --- |
| As at 31 December 2022 |  |
| Total shareholders' equity (US$'000) | 86,580 |
| Number of ordinary shares in issue (000) | 175,685 |
| Net asset value per Ordinary Share (cents) | 49.28 |

17. Financial instruments by category

The table below sets out the classifications of the carrying amounts of the Company's financial assets and financial liabilities into categories of financial instruments. There are no non-recurring fair value measurements.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31 December 2022 |  |  |  |  |
| Financial assets at amortised cost US$'000 | Financial assets at fair value through profit or loss US$'000 | Financial liabilities at amortised cost US$'000 | Total US$'000 |  |
| Non-current assets |  |  |  |  |
| Investments at fair value through profit or loss | - | 11,491 | - | 11,491 |
| Current assets |  |  |  |  |
| Cash and cash equivalents | 115,819 | - | - | 115,819 |
| Total assets | 115,819 | 11,491 | - | 127,310 |
| Current liabilities |  |  |  |  |
| Trade and other payables | - | - | (350) | (350) |
| Total liabilities | - | - | (350) | (350) |
| Net assets | 115,819 | 11,491 | (350) | 126,960 |

Financial instruments are held at carrying value as an approximation to fair value unless stated otherwise.

IFRS 13 requires the Company to classify its investments in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 13 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy under IFRS 13 are as follows:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: fair value measurements are those derived from valuation techniques that include inputs to the asset or liability that are not based on observable market data (unobservable inputs)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31 December 2022 |  |  |  |  |
| Level 1 | Level 2 | Level 3 | Total |  |
| US$'000 | US$'000 | US$'000 | US$'000 |  |
| Financial assets |  |  |  |  |
| Investments at fair value through profit or loss | - | - | 11,491 | 11,491 |
| Total financial assets | - | - | 11,491 | 11,491 |

There were no Level 1 or Level 2 assets during the period. There were no transfers between Level 1 and 2, Level 1 and 3 or Level 2 and 3 during the period.

Reconciliation of level 3 fair value measurement of financial assets and liabilities

An analysis of the movement between opening to closing balances of the investments at fair value through profit or loss (all classified as Level 3) is given in note 9.

The fair value of the investments at fair value through profit or loss includes the use of Level 3 inputs. Refer to note 9 for details on the valuation methodology.

18. Financial risk management

The Company is exposed to certain risks through the ordinary course of business and its financial risk management objective is to minimise the effect of these risks on its operations. The management of risks is the responsibility of the Board. The Investment Manager and AIFM report to the Board on a quarterly basis and provide information to the Board which allows it to monitor and manage financial risks relating to the Company's operations.

The exposure to each financial risk considered potentially material to the Company, how it arises and the policy for managing it is summarised below.

(i) Currency risk

The Company operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the US Dollar, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions and recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk and not foreign currency risk. However, the Investment Manager monitors the exposure on all foreign currency-denominated assets and liabilities.

Whilst the Company will not pursue long-term currency hedging, the Board intends to substantially hedge future dividend payments to shareholders where those payments are funded by non-US Dollar-denominated dividend income. This hedging programme may cover up to a rolling two-year period. At 31 December 2022, the Company had not entered into any foreign exchange hedging transactions for the purpose of managing its exposure to foreign exchange movements (both monetary and non-monetary).

In relation to local currency debt facilities held at the investment portfolio level, these are and should be in the same currency as the offtake agreement, which provides a natural hedge to mitigate the currency risk. The Investment Manager also includes prevailing assumptions on annualised currency depreciation in its financial projections, so that its financial models contain anticipated changes in currency value. As at 31 December 2022, the SolarArise portfolio held debt of US$106.8 million on a 100% basis (US$45.9 million on a 43% basis).

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Company, the Investment Manager factors that into its investment portfolio decisions. While the Company has direct exposure to foreign exchange rate changes on the price of non-US Dollar-denominated investments, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain of its investments and, therefore, the sensitivity analysis below may not necessarily indicate the total effect on the Company's net assets of future movements in foreign exchange rates.

The table below summarise the Company's assets and liabilities, both monetary and non-monetary, denominated in the currencies the Company is exposed to, expressed in US$'000s.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| US$ | GBP | PHP | INR | Other | Total |  |
| Assets |  |  |  |  |  |  |
| Investments at fair value through profit or loss | - | - | 11,491 | - | - | 11,491 |
| Trade and other receivables | - | 633 | - | - | - | 633 |
| Cash and cash equivalents | 109,024 | 6,742 | - | - | 53 | 115,819 |
| Liabilities |  |  |  |  |  |  |
| Trade and other payables | (593) | (2,270) | - | - | - | (2,863) |
| Onerous contract provision | - | - | - | (38,500) | - | (38,500) |
| Net assets | 108,431 | 5,105 | 11,491 | (38,500) | 53 | 86,580 |
| % of NAV | 125% | 6% | 13% | (43%) | 0% | 100% |

(ii) Interest rate risk

The Company's interest and non-interest bearing assets and liabilities (both monetary and non-monetary) as at 31December 2022 are summarised below:

|  |  |  |  |
| --- | --- | --- | --- |
| Non-interest |  |  |  |
| Interest bearing | bearing | Total |  |
| US$'000 | US$'000 | US$'000 |  |
| Assets |  |  |  |
| Cash and cash equivalents | - | 115,819 | 115,819 |
| Trade and other receivables | - | 633 | 633 |
| Investments at fair value through profit or loss | - | 11,491 | 11,491 |
| Total assets | - | 127,943 | 127,943 |
| Liabilities |  |  |  |
| Trade and other payables | - | (2,863) | (2,863) |
| Onerous contract provision | (38,500) | (38,500) |  |
| Total liabilities | - | (41,363) | (41,363) |

(iii) Power price risk

The Company is also exposed to power price risk on its investments, primarily being future power prices. Wholesale electricity prices tend to be volatile and are impacted by a variety of factors, including market demand, the electricity generation mix in a specific market and fluctuations in the market prices of certain commodities. Whilst SolarArise benefits from fixed priced PPAs, NISPI's revenues are based on the wholesale electricity spot market price in the Philippines. TheInvestment Manager continually monitors the wholesale electricity spot market price and forecasts and aims to put in place mitigating strategies, such as securing fixed PPA contracts, to reduce the exposure of the Company to this risk. However none were entered into either in the year or subsequent to the balance sheet date. Thevaluation sensitivity of the investment portfolio to power prices is shown in note 9.

The Company's policy is to manage price risk arising from investments through diversification of its investment portfolio and selection of investments in renewable energy assets and other financial instruments within the specified limits set out in the Company's investment policy, or otherwise set by the Board.

(iv) Credit risks

The Company is exposed to third-party credit risk in several instances and the possibility that a counterparty with which the Company or its underlying investment entities contract may fail to perform their obligations under a commitment that it has entered into with the Company or its underlying investment entities, in the manner anticipated by the Company.

Credit risk arises where capital commitments are being made and is managed by diversifying exposures among a portfolio of counterparties and through applying credit limits to those counterparties with a lower credit standing.

Counterparty credit risk exposure limits are determined based on the credit rating of the counterparty. Counterparties are assessed and monitored on the basis of their ratings from Standard & Poor's and/or Moody's. No financial transactions are permitted with counterparties with a credit rating of less than BBB- from Standard & Poor's or Baa3 from Moody's, unless specifically approved by the Board.

Credit risk also arises from cash and other assets that are required to be held in custody by banks and other financial institutions. Cash held with banks and other financial institutions will not be treated as client money subject to the rules of the FCA and may be used by the bank in the ordinary course of its own business. The Company will, therefore, be subject to the creditworthiness of the bank or other financial institution. In the event of insolvency of a bank or other financial institution, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all. To mitigate this risk, cash and bank deposits are only held with major financial institutions with high credit ratings assigned by international credit rating agencies.

The Company has assessed the expected credit loss model in IFRS 9 and does not consider any material impact on these Financial Statements. No balances are past due or impaired.

(v) Liquidity risks

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The objective of liquidity management is, therefore, to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding.

At 31 December 2022, the Company's financial liabilities were trade payables. The Company also held an onerous commitment for $38.5m to acquire the remaining 57% interest in SolarArise and a contingent liability in relation to contingent consideration payable under the NISPI sale and purchase agreement. As detailed in note 21 the fair value of this contingent liability was determined to be US$nil at 31 December 2022 and the risk surrounding this contingent liability has fallen away post the period end. The Company intends to hold sufficient cash to meet its working capital needs over a horizon of at least the next 12 months from the signing of these Financial Statements. The Company held cash and cash equivalents of US$115.8 million at 31 December 2022, with total financial liabilities of US$0.35 million. The Company also had non-financial liabilities, including amounts payable under an onerous contract provision, of US$41.0 million.

Cash flow forecasts are prepared by the Investment Manager on a quarterly basis for a rolling six-month period to assist in the ongoing analysis of short-term cash flow, and for at least 12 months to cover the Company's going concern assessment. The Directors monitor forecast and actual cash flows from operating, financing and investing activities to consider payment of trade and other payables, payment of dividends or the funding of additional investing activities. TheCompany also ensures that it maintains adequate cash reserves by monitoring the forecast and actual cash flows.

The following table shows the maturity analysis of financial assets and liabilities held at 31 December 2022.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Less than 1 year | 1-5 years | More than 5years | Total |  |
| US$'000 | US$'000 | US$'000 | US$'000 |  |
| Assets |  |  |  |  |
| Investments at fair value through profit or loss | - | - | 11,491 | 11,491 |
| Cash and cash equivalents | 115,819 | - | - | 115,819 |
| Liabilities |  |  |  |  |
| Trade and other payables | (350) | - | - | (350) |
| 115,469 | - | 11,491 | 126,960 |  |

Investments at fair value through profit and loss have been presented as more than 5 years on account that they are held as long term investments.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the capital return to shareholders. The capital structure of the Company at 31 December 2022 consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves, including accumulated losses. TheBoard continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Company is not subject to any external capital requirements.

The Company does not have any debt, however is permitted to have debt within its underlying investments. Per the Company's investment policy, gearing should not exceed 65% of the Adjusted GAV, with the Company targeting gearing of below 50% in the medium term. External debt financing is only at the level of the Indian solar portfolio and as at 31December 2022, this comprised outstanding principal amounts of US$45.9 million (pro rated for economic ownership), representing a leverage ratio of 27% increasing to 46% on a committed basis (including 100% of SolarArise).

19. Related party transactions

AIFM

The Company is classified as an Alternative Investment Fund under the EU Alternative Investment Fund Managers' Directive as incorporated into UK law (the 'AIFMD') and is, therefore, required to have an AIFM. The Company's AIFM is Adepa Asset Management S.A.

The AIFM is entitled to an annual management fee at the following rates, based on the NAV and payable quarterly in arrears:

|  |  |
| --- | --- |
| Fee based on NAV |  |
| Up to US$200 million | 0.055% |
| Between US&200-400 million | 0.045% |
| Between US&400-1,000 million | 0.035% |
| Above US$1 billion | 0.025% |

The AIFM is also entitled to an annual risk management fee of EUR14,500.

For the period from IPO to 31 December 2022, the AIFM was entitled to management fees of US$94,000. Of this total, US$38,000 remained outstanding at the balance sheet date and was included in payables.

Investment Manager

The AIFM, with the agreement of the Company, has delegated the portfolio management of the Company to the Investment Manager. For the period from IPO to 31 October 2023, the Investment Manager was ThomasLloyd Global Asset Management (Americas) LLC (the "Former Investment Manager").

Management fees are payable quarterly in arrears and are calculated at the following rates, based on the NAV on the last business day of the relevant quarter:

|  |  |
| --- | --- |
| Fee based on NAV |  |
| Up to US$700 million | 1.3% |
| US$700 million to US$2.0 billion | 1.1% |
| Over US$2.0 billion | 1.0% |

For the period from IPO to 31 December 2022, the Former Investment Manager was entitled to management fees of US$1.4 million. Of this total, US$0.15 million remained outstanding at the balance sheet date and was included in amounts payable to related parties.

The Investment Management Agreement between the AIFM, Company and Former Investment Manager (the "IMA") was terminated post period end with effect from 31 October 2023. From 1 November 2023, Octopus Energy Generation were appointed as Transitional Investment Manager to cover an initial period through to 30 April 2024.

Transactions with the Former Investment Manager

Acquisition of SolarArise

The Company acquired its 43% economic interest in SolarArise from ThomasLloyd SICAV, ThomasLloyd Cleantech Infrastructure Fund SICAV and ThomasLloyd Cleantech Infrastructure Holding GmbH, all related parties of the Former Investment Manager. The acquisition agreement signed in November 2021 was amended prior to completion in August 2022 to provide for the consideration to be changed from a fixed number of ordinary shares to a variable number of shares based on an average 10-day share price prior to date of allotment, to update the fair value to that at 30 June 2022 as opined on by an independent third-party and to provide for the number of ordinary shares to be issued as consideration to be net of withholding tax of US$2.7 million, which was required to be withheld and remitted by the Company to the tax authorities on behalf of the sellers.

At November 2021, the consideration payable was US$34.6 million, which was to be settled by the issue of 34,606,872 ordinary shares in the Company (equivalent to an issue price of US$1.00 per share). Following these amendments, completion of the acquisition of the 43% economic interest in SolarArise was for a consideration of US$30.2 million, settled through the issue of 26,014,349 ordinary shares at US$1.16035 per share. In addition, cash of US$2.7 million was paid to the Indian tax authorities on behalf of the sellers.

As at 31 December 2022 the Company's investment in SolarArise was valued at US$nil. See note 9 for further information.

Acquisition of NISPI

The Company acquired its 40% economic interest in NISPI from ThomasLloyd CTI Asia Holdings Pte Ltd, which is a related party of the Former Investment Manager and shares an ultimate beneficial owner with the Former Investment Manager. Under the acquisition agreement, the Company paid an initial cash consideration of US$25.4 million and may have led to paying an additional contingent cash consideration of up to US$22.0 million if the Company, prior to June 2023, was awarded a power purchase agreement pursuant to a Green Auction carried out by the Department of Energy of the Philippines. If such contingent consideration was payable, the consideration would have been settled 10 business days after the Green Auction purchase price agreement is awarded. On 10 June 2022, the Company and ThomasLloyd CTI Asia Holdings Pte Ltd agreed to extend the date for payment of any contingent consideration to the earlier of (i)31December 2026 and (ii) 10 business days after a further capital raise by the Company, the purpose of which includes funding payment of contingent consideration (or, if the updated valuation has not been received prior to such fundraise, 10business days after the updated valuation has been received).

NISPI was not awarded a PPA under a Green Auction prior to June 2023 and therefore no further consideration is payable for the acquisition of NISPI.

Directors

The Company has four non-executive Directors. Total Directors' fees of US$255,000, with associated payroll taxes of US$11,000, have been incurred in respect of the period since IPO. Total expenses of US$6,000 were also paid to the Directors in the period, of which US$1,000 was outstanding at 31 December 2022.

The Directors had the following shareholdings in the Company, all of which were beneficially owned.

|  |  |  |
| --- | --- | --- |
| Ordinary shares held | Ordinary shares held |  |
| as at date of this | as at 31 December |  |
| report | 2022 |  |
| Sue Inglis | 65,000 | 65,000 |
| Kirstine Damkjaer | - | - |
| Mukesh Rajani | 33,000 | 33,000 |
| Clifford Tompsett | 33,000 | 33,000 |

20. Subsidiaries, joint ventures and associates

As a result of applying Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), no subsidiaries have been consolidated in these Financial Statements. The Company does not control each of the subsidiaries listed below and therefore the transfer of dividends is dependent on there being suitable distributable reserves, and the approval of co-shareholders. For those subsidiaries with external debt, all debt agreements are complied with. See note 21 to the Financial statements fro further information on the Company's commitments with respect to these subsidiaries. TheCompany's subsidiaries are listed below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Place of | Registered | Ownership |  |  |
| Name | Category | business | Office\* | interest |
| AEIT Holdings Limited | Intermediate Holdings | UK | A | 100% |
| Negros Island Solar Power Inc. ('NISPI') | Project company | Philippines | B | 34%54 |
| SolarArise India Projects Private Ltd ('SolarArise') | Intermediate Holdings | India | C | 43% |
| Talettutayi Solar Projects Private Limited | Project company | India | D | 43% |
| Talettutayi Solar Projects One Private Limited | Project company | India | D | 43% |
| Talettutayi Solar Projects Two Private Limited | Project company | India | D | 43% |
| Talettutayi Solar Projects Four Private Limited | Project company | India | D | 43% |
| Talettutayi Solar Projects Five Private Limited | Project company | India | D | 43% |
| Talettutayi Solar Projects Six Private Limited | Project company | India | D | 43% |
| Talettutayi Solar Projects Eight Private Limited | Project company | India | D | 43% |
| Talettutayi Solar Projects Nine Private Limited | Project company | India | D | 43% |
| Talettutayi Solar Projects Ten Private Limited | Project company | India | D | 43% |

\*Registered offices:

A - The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF, United Kingdom.

B - Emerald Arcade, F.e. Ledesma 8t., San Carlos, Negros Island, Philippines.

C - A-39, LGF, Lajpat Nagar, Part-1 New Delhi-110024, India.

D - Unit No. 1004, 10th Floor, BPTP Park Centra, Sector 30, NH-8, Gurugram-122001, Haryana, India.

As at 31 December 2022, investments into AEIT Holdings, NISPI and SolarArise were held directly. All other investments were held indirectly.

54 The Company's economic interest in NISPI is 40%.

21. Guarantees, contingent liabilities and other commitments

NISPI - contingent consideration

The sale and purchase agreement for the acquisition of the 40% economic interest in NISPI provided for an initial cash consideration of US$25.4 million and potentially an additional contingent cash consideration of up to US$22.0 million. Thiscontingent cash consideration was dependent upon NISPI being awarded a PPA, prior to June 2023, by the Philippine's Department of Energy under their Green Auction process. As 31 December 2023 any payment was considered remote and therefore was fair valued at US$nil.

NISPI was not awarded a PPA under a Green Auction prior to June 2023 and therefore this contingent liability no longer exists at the date of signing these Financial Statements.

AEIT Holdings - funding

At the balance sheet date, the Company committed to provide US$5.0 million of funding to AEIT Holdings to acquire a 99.8% interest in VSS, a privately-owned company which holds 6.12 MWp of rooftop solar assets. The funding was provided through the issue of shares by AEIT Holdings to the Company for cash. The funding was provided on 20 April 2023 and the acquisition of VSS completed on 31 May 2023 for US$3.1 million.

SolarArise - acquisition of additional 57% economic stake

On 20 June 2022 the Company made a commitment to purchase the remaining 57% of SolarArise for a total consideration of US$38.5 million. The Company has identified an onerous contract and recognised a provision of US$38.5million in respect of this commitment. This provision represents the Company's best estimate of the fair value of 57% of SolarArise (which was US$nil after factoring in the liabilities associated with the RUMS project) less the consideration payable as of 31 December 2022. Completion of the purchase of 57% of SolarArise occurred on 13 January 2023. See note 13 for further information.

22. Post period end events

There have been no reportable events after the balance sheet date, other than as described below:

On 13 January 2023, the Company completed its acquisition of the remaining 57% in SolarArise for US$38.5 million. Atthe period end, the Company had an onerous contract provision in respect of this commitment. See note 13 for further information.

The Company declared its fourth interim dividend of 1.18 cents per ordinary share on 13 April 2023 in respect of the period from 1 October 2022 to 31 December 2022. The dividend was paid on 22 May 2023.

On 20 April 2023, the Company increased its investment in AEIT Holdings by US$5.0 million. US$3.1 million of this amount was used by AEIT Holdings to acquire Viet Solar System Company Limited ("VSS"), a privately-owned company which holds 6.12 MW of rooftop solar assets. The acquisition completed on 31 May 2023 and represents a 99.8% interest in VSS.

On 25 April 2023 the Company announced a temporary share suspension. This was due to a material uncertainty regarding the fair value of its assets and liabilities, in particular with regard to the 200 MW construction-ready asset in Rewa Ultra Mega Solar Park, the "RUMS project" acquired as part of the SolarArise portfolio.

On 6 June 2023 the Company declared an interim dividend for the period from 1 January 2023 to 31 March 2023 of 0.44cents per ordinary share. The dividend was paid on 19 July 2023 to shareholders on the register on 16 June 2023.

On 10 August 2023 the Company declared an interim dividend for the period from 1 April 2023 to 30 June 2023 of 0.44cents per ordinary share. The dividend was paid on 11 September 2023 to shareholders on the register on 18 August 2023.

On 15 September 2023, the Board served notice on the Former Investment Manager terminating the IMA with effect from 31 October 2023. From 1 November 2023, Octopus Energy Generation "OEGEN" was appointed as Transitional Investment Manager to cover an initial period through to 30 April 2024. For this initial term, the Company will pay OEGEN a management fee of US$1.35 million. At the end of the term, at the discretion of the Board, there is scope for OEGEN to earn an additional management fee of up to US$0.55 million for its services during the initial period.

On 11 October 2023 the Board announced its decision to proceed with the RUMS project due to it being the least value destructive option for shareholders. This was based on the advice received from the Former Investment Manager. To proceed with the RUMS project, the Board put forward an amendment to the Company's investment policy with regard to the single country limit which was passed on 31 October 2023.

On 27 October 2023, the Company changed its name to Asian Energy Impact Trust plc. with a new corporate website launched on 1 November 2023 [*www.asianenergyimpact.com*](http://www.asianenergyimpact.com).

On 8 November 2023 the Company declared an interim dividend for the period from 1 July 2023 to 30 September 2023 of 0.44 cents per ordinary share. The dividend was paid on 11 December 2023 to shareholders on the register on 17November 2023.

On 13 December 2023, the Company announced its unaudited NAV as at 30 September 2023 is US$88.5 million (50.4cents per share) and as at 30 September 2023, the Company had cash balances of US$63.6 million and held US$1.7 million in its UK subsidiary, AEIT Holdings. As at 30 September 2023, the value of the SolarArise portfolio increased from US$nil as at 31 December 2022 to US$11.3 million and included a negative NPV associated with completing the RUMS project of US$14.6 million. The improvement in valuation associated with completing the RUMS project is due to a reduction in the price of solar panels through 2023, primarily due to China opening up from lockdowns and therefore an increase in solar panel supply.

Other information

Alternative Performance Measures

In reporting financial information, the Company presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRS. The Company believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the Company. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. The APMs presented in this report are shown below:

NAV per share

A measure of the value of the Company attributable to each share, at the reporting date. The calculation of NAV per share is shown in note 16 to the Financial Statements.

NAV total return

A measure of success of the Company's investment strategy. The NAV total return per share includes both income and capital returns by taking into account any increase or decrease in the NAV per share over the reporting period and assuming that dividends paid to shareholders during the reporting period are reinvested at the NAV per share on the ex-dividend date.

|  |  |  |
| --- | --- | --- |
| 31 December 2022 | NAV |  |
| NAV per share at IPO (14 December 2021) - cents | a | 98.00 |
| NAV per share at 31 December 2022 - cents | b | 49.28 |
| Benefits of reinvesting dividends - cents55 | d | (0.78) |
| Dividends paid in the year - cents | c | 1.32 |
| Total return | (b+c+d)÷a)-1 | -49.2% |

55 Calculated by taking the dividend per share and assuming it is reinvested at the prevailing NAV/share price on the dividend payment date.

GAV, Adjusted GAV and Gearing

GAV is measure of the total size of the Company and is the total value of the assets of the Company, being the aggregate of aggregate of the fair value of its investment portfolio and any cash and cash equivalents. Leverage is not employed at the Company level but may be employed within investment portfolio. Adjusted GAV is a measure of the total size of the Company, including, on a look through basis, its proportionate share of any leverage within its investment portfolio, and forms the basis on which the gearing restriction in the Company's investment policy is calculated. Gearing is a measure of the potential financial risk to which the Company is exposed and is its proportionate share of any leverage within its investment portfolio expressed as a percentage of Adjusted GAV. This excludes the onerous contract relating to the commitment to acquire a further 57% of SolarArise.

|  |  |  |
| --- | --- | --- |
| As at |  |  |
| 31 December 2022 |  |  |
| US$ million |  |  |
| Value of investment portfolio | a | 11.5 |
| Cash and cash equivalents of the Company | b | 115.8 |
| GAV | a + b = c | 127.3 |
| Debt in underlying SPVs56 | d | 45.9 |
| Adjusted GAV | c + d = e | 173.3 |
| Gearing | (d÷e) | 27% |

56 Debt held at SolarArise and disclosed here on a 43% basis.

Net operational asset value

The value of the Company's operational asset investments, excluding construction projects. Provides a measure of the value of the investment portfolio that is revenue generating and will make a positive contribution to the Company's dividend cover.

|  |  |  |
| --- | --- | --- |
| As at |  |  |
| 31 December 2022 |  |  |
| US$ million |  |  |
| Value of investment portfolio | a | 11.5 |
| Abort liabilities recognised in respect of the RUMS project | b | (12.0) |
| Net operational asset value | a-b | 23.5 |

Market capitalisation

Market capitalisation is a measure of the value of the Company as determined by the stock market and is the total value of all outstanding shares at the prevailing market price.

|  |  |  |
| --- | --- | --- |
| As at |  |  |
| 31 December 2022 |  |  |
| US$ million |  |  |
| Share price (US$ per share) | a | 1.18 |
| Shares in issue at period end | b | 175,685 |
| Market capitalisation | a+b | 207.3 |

Ongoing charges ratio

The ongoing charges ratio is a measure of the recurring annual costs of running the Company based on historical data. It is calculated using the AIC methodology and is the Company's recurring operating expenses for the last 12 months expressed as a percentage of the average published net assets for that period. Recurring operating expenses exclude the costs of buying and selling investments, any non-recurring costs and the costs of issuing shares.

|  |  |  |
| --- | --- | --- |
| Period ended 31 December 2022 | US$ million |  |
| Reported NAV |  |  |
| Q1 2022 | a | 106.2 |
| Q2 2022 | b | 115.2 |
| Q3 2022 | c | 142.5 |
| Q4 2022 | d | 86.6 |
| Average NAV | (a+b+c+d)/4 = e | 112.7 |
| Total expenses | f | 3.3 |
| less transaction costs | g | (0.3) |
| less non-audit related services | h | (0.2) |
| less other non-recurring expenses | i | (1.5) |
| add realised FX gains | j | 1.7 |
| Annualised expenses | (f+g+h+i+j)/12.5\*12 =k | 2.9 |
| Ongoing charges ratio | (k÷e) | 2.50% |

% of sustainable investments including cash

The proportion of the Company's sustainability-related investments after classifying the Company's cash as 'unsustainable'. This is disclosed in the SFDR periodic disclosures.

|  |  |  |
| --- | --- | --- |
| As at |  |  |
| 31 December 2022 |  |  |
| US$ million |  |  |
| Fair value of investments | a | 11.5 |
| Net assets of the Company | b | 86.6 |
| Onerous contract provision | c | 38.5 |
| Adjusted net assets of the Company | b+c =d | 125.1 |
| % of sustainable investments | (a÷d) | 9.2% |
| Committed for 57% of SolarArise | e | 38.5 |
| Committed for 99.8% of VSS | f | 3.1 |
| Total commitments | e+f =g | 41.6 |
| % of sustainable investments (including commitments) | (a+g)÷d | 42.4% |

Excluding cash, 100% of the Company's investments are sustainable.

SFDR Principle Adverse Impacts Statement (Unaudited)

SFDR Principle Adverse Impacts Statement for financial products (Article 7 of SFDR)

Financial market participant: Asian Energy Impact Trust plc

Summary

Asian Energy Impact Trust plc (AEIT) LEI 254900V23329JCBR9G82 through its Investment Manager during the period, ThomasLloyd Global Asset Management (Americas) LLC, considered principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of AEIT.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022. The indicators presented are based on data directly provided by investee companies and reviewed by the Investment Manager. This statement considers the operational assets within the SolarArise and excludes the RUMS project. Including the RUMS project results in the SolarArise being valued at zero due to material negative value of that project. Without this exclusion, all data pertaining to SolarArise, would not have been considered due to the mathematical calculations. Excluding the RUMS project ensures that SolarArise reflects a non zero value and PAIs are more reflective of the assets. To complete a comprehensive assessment of Scope 2 and 3 assessments, software solutions that apply emissions factors to financial expenditures were used. On climate and environment related indicators: the GHG emissions associated with the AEIT portfolio are a small fraction of the avoided emissions associated with the clean energy generation it has financed, even when all three scopes are accounted for. AEIT will continue to work with investee companies to explore opportunities to further reduce this footprint, in order to improve carbon footprint, carbon intensity, and reduce non-renewable energy consumption PAIs wherever possible. Portfolio emissions or intensity targets are not yet proposed. No investments had negative impacts on biodiversity sensitive areas, and emissions to water and hazardous waste were small across the portfolio. On social and employee issues, respect for human rights, anti-corruption and anti-bribery matters, no major issues related to the UN Global Compact or OECD Guidelines for Multinational Enterprises were reported, and grievance mechanisms were in place. Further engagement with investee companies will strengthen the practical implementation of existing policies and effectiveness of grievance mechanisms. The data presented in this first PAI statement for AEIT has been reviewed by the Board.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Indicators applicable to investments in investee companies (AEIT investment portfolio including commitment to SolarArise) |  |  |  |  |  |
| Adverse sustainability indicator | Metric | Impact 2022 (First year of reporting) | Explanation | Actions taken, and actions planned and targets set for the next reference period |  |
| Climate and other environment-related indicators |  |  |  |  |  |
| Greenhouse gas (GHG) emissions | 1. GHG emissions | Scope 1 GHG Emissions | 23.0 tCO2e | The Investment Manager used an external advisor, a CDP certified software to support GHG accounting, and to complete its GHG footprint. The figures presented represent a best first effort to capture the scope 3 emissions of investee companies more completely by applying emissions factors to financial expenditures. Through the process a number of areas were identified where more work is needed to collect more granular data on critical scope 3 emissions, in addition to priorities for GHG management. Nevertheless, the emissions associated with the AEIT portfolio are substantially smaller than the emissions avoided associated with the clean energy generation it has financed. | The current portfolio footprint is relatively small. 2022 is the first year of operation for AEIT. Next steps include engagement with investee companies to identify and implement measures to further reduce GHG emissions. At this stage, GHG emission reduction targets are not being set. |
| Scope 2 GHG Emissions | 68.2 tCO2e |  |  |  |  |
| Scope 3 GHG Emissions | 598.7 tCO2e |  |  |  |  |
| Total GHG Emissions | 689.9 tCO2e |  |  |  |  |
| 2. Carbon footprint | Carbon footprint | 22,2tCO2e/EUR m |  |  |  |
| 3. GHG intensity of investee companies | GHG intensity of investee companies | 213.6 tCO2e/EUR m revenue |  |  |  |
| 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | 0 | The Investment Manager's ESG policies excluded investment in coal or nuclear fired power, and oil and gas projects. |  |  |
| 5. Share of non-renewable energy | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | a) 100% (all consumption from non-renewable sources) b) 0% (all production from renewable sources) | The investment portfolio is focused on renewable energy production. However, some non-renewable energy is used through diesel generator sets for backup power and purchasing electricity from the grid to support overnight functions for the solar portfolio. Taking a conservative approach, energy purchased from the grid has been treated as non-renewable for the purposes of these metrics. | The Investment Manager will continue to work with companies to explore opportunities to reduce their consumption of non-renewable energy and improve energy efficiency. |  |
| 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | 0.075GWh/ EURm | Renewable energy generation is allocated to the NACE sector "electricity, gas, steam and air conditioning supply" (NACE code D/35) classified in total as high impact climate sector. For the purposes of this PAI indicator regulation 2022/1288 does not differentiate between renewable energy generation and other forms of energy generation which have a high climate impact. |  |  |
| Biodiversity | 7. Activities negatively affecting biodiversity - sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity- sensitive areas where activities of those investee companies negatively affect those areas | 0% | None. | To ensure no significant harm to biodiversity and ecosystems, environmental screening is conducted for all investments. |
| Water | 8. Emissions to Water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 0.002 tonnes | As the current portfolio comprises entirely of solar plants, these emissions are not associated with their operations. | The Investment Manager will continue to monitor this critical issue. |
| Waste | 9. Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 0.04 tonnes | The Investment Manager understood that the small quantity of hazardous waste reported were in relation to solar panels that were replaced at one investee company site. These solar panels were safely disposed of through a designated waste disposal agent authorised by government authorities. | The Investment Manager will continue to explore opportunities to reduce the production of hazardous waste and promote circular economy approaches. |
| Indicators for Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters |  |  |  |  |  |
| Social and employee matters | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0% | No violations have been reported. | Further engagement with investee companies will strengthen their implementation of the OECD Guidelines for Multinational Enterprises and the effectiveness of grievance mechanisms. |
| 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0% | All investee companies have grievance mechanisms in place through which any stakeholder can raise concerns about their project implementation frameworks, and complaints lodged through these mechanisms are reported to the Investment Manager. | The Investment Manager will continue to work closely with the investee companies to identify and action areas where implementation of these frameworks can be further enhanced, make information about the functioning of these mechanisms more readily available, and establish appropriate policies to promote respect for human rights in all activities, including with their suppliers. |  |
| 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | 37% | Gender pay-gap analysis was not possible in most cases given no female employees at the investee company. A substantial gender pay gap was reported at one of AEIT's investee companies, with the average daily gross pay for men being 51% higher as women. | The Investment Manager will continue to monitor and encourage investee companies to consider diversity and equality in their operating priorities, local culture and needs. |  |
| 13. Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 74% | SolarArise board diversity had 50/50 representation. However, NISPI did not have a board in place during the period and so the calculation assumes 100% male representation for NISPI. | The Investment Manager will look to advocate for gender equality across investee company governance. |  |
| 14. Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0% | Not applicable due to exclusion. | Not applicable. These sectors are excluded. |  |
| Additional climate and other environment-related Indicators |  |  |  |  |  |
| 6. Water usage | (a) Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies (b) percentage of water recycled and reused by investee companies | (a) 751.7 m3/ EUR m (b) 0% | Water consumption at investee companies fluctuated over the course of 2022, with less consumption during rainy periods, and substantially higher consumption during periods of high pollution that result in a greater need for solar panel cleaning. Water recycling and reuse was not measured during the period and so the Investment Manager assumed 0%. | Efforts to improve water consumption efficiency reflecting the level of water scarcity at site level are needed at all sites. The Investment Manager will continue to engage with investee companies to explore site appropriate responses. The Investment Manager will encourage the measurement of water recycling and reuse. |  |
| Additional social and employee, respect for human rights, anti-corruption and anti-bribery matters indicator |  |  |  |  |  |
| 3. Number of days lost to injuries, accidents, fatalities or illness | Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average | 0 | Investee companies reported no workdays lost to health and safety related issues. | Continued vigilance in monitoring incidents at managed sites is needed, and sustained efforts to maintain high health and safety standards are required. |  |

SFDR Periodic Disclosure

Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Asian Energy Investment Trust plc

Legal entity identifier: 254900V23329JCBR9G82

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852 establishing a list of environmentally sustainable economic activities. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

|  |  |
| --- | --- |
| Sustainable investment objective |  |
| Does this financial product have a sustainable investment objective? |  |
| ??QYes | ??£No |
| Q It made sustainable investments with an environmental objective: 100% Q in economic activities that qualify as environmentally sustainable under the EU Taxonomy £ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | £ It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of 0% of sustainable investments £ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy £ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy £ with a social objective |
| £ It made sustainable investments with a social objective: 0% | £ It promoted E/S characteristics, but did not make any sustainable investments |

To what extent was the sustainable investment objective of this financial product met?

Asian Energy Infrastructure Trust Plc (AEIT) is a renewable energy investment trust providing direct access to sustainable energy infrastructure in fast-growing and emerging economies in Asia. In line with AEIT's triple return objectives, which aim to provide financial, environmental and social returns, the investments support the environmental objective of climate change mitigation as set out in Article 9 of the EU Taxonomy by generating, transmitting, storing, distributing or using renewable energy. AEIT's investments in sustainable energy target countries where greenhouse gas (GHG) emissions are growing rapidly. The investments address the climate change mitigation priorities set out in those countries' Nationally Determined Contributions under the Paris Agreement on Climate Change, as well as their efforts to achieve the Sustainable Development Goals (SDGs), by avoiding GHG emissions and having a positive effect on the communities in which they work. In the period ended 31 December 2022, investments were made in 80 MW of operating solar capacity on Negros Province in the Philippines and 233 MW of operating solar capacity in India. AEIT's share of the operational capacity was 32 MW and 100 MW respectively.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

How did the sustainability indicators perform?

AEIT's investments substantially contributed to climate change mitigation as reflected in the technical screening criteria listed in section 4 Annex 1 regulation 2021/2139. The construction and operation of new renewable energy infrastructure in Asia helped improve energy access and security, create jobs, and avoid GHG emissions. These positive impacts were measured using the following key performance indicators, which align with SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action):

|  |  |
| --- | --- |
| Installed renewable capacity - MW | 132 |
| Renewable energy generated - MWh | 85,199 |
| CO2 emissions avoided - tCO2e | 62,770 |

Note: Figures are based on AEITʹs proportional share of the investment portfolio as at 31 December 2022. The Portfolio therefore comprised a 40% interest in NISPI and a 43% interest in SolarArise.

... and compared to previous periods?

Not applicable: this was the first complete year of AEIT operation, with the first investment made in December 2021.

How did the sustainable investments not cause significant harm to any sustainable investment objective?

Environmental, social and governance (ESG) considerations are integral to AEITʹs investment objective, and AEITʹs investment manager during the period (the 'Investment Manager') had environmental and social policies that drew on the International Finance Corporationʹs environmental and social performance standards. These policies provide a framework that help identify and manage potential significant harm to any environmental or social objectives, including water; biodiversity and ecosystems; circular economy; pollution prevention.

How were the indicators for adverse impacts on sustainability factors taken into account?

Data related to the mandatory indicators for Principle Adverse Impacts listed under Table 1 Annex 1 of regulation 2022/1288 have been collected. These indicators are also monitored continuously over the life of an investment. AEITʹs 2022 Annual Report includes its Annual PAI Statement completed using Annex I of regulation 2022/1288.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

No major controversies or violations were reported during the period. The Investment Manager will continue to engage with investee companies to strengthen implementation frameworks, and enhance the practical effectiveness of established grievance mechanisms.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti‐ corruption and anti‐bribery matters.

How did this financial product consider principal adverse impacts on sustainability factors?

The issues addressed by the PAIs were expressly covered by the Investment Managerʹs Sustainability Policies and management frameworks, and social and environmental issues were considered during due diligence phases of the investment process and KPIs were monitored post-acquisition. Specifically, in 2022 the Investment Manager worked with the investee companies to carry out greenhouse gas accounting including to capture Scope 3 emissions. AEITʹs 2022 Annual Report includes its Annual PAI Statement containing information on the mandatory PAI indicators in Table 1 Annex 1 regulation 2022/1288 for the AEIT investments collected using best efforts.

What were the top investments of this financial product?

|  |  |  |  |
| --- | --- | --- | --- |
| Largest investments | Sector | % Assets | Country |
| SolarArise | Energy | 100% | India |
| NISPI | Energy | 0% | Philippines |

Note: Figures are based on AEITʹs investment portfolio at 31 December 2022.

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is: Jan 1 - December 31 2022.

Asset allocation describes the share of investments in specific assets.

What was the proportion of sustainability-related investments?

100%

AEIT invests in sustainable energy solutions and infrastructure assets that align with the EU Green Taxonomy environmental objective of climate change mitigation. In 2022, 100% of AEIT investments were used to meet its sustainable investment objective, in accordance with the binding elements of the investment strategy. This calculation excludes cash held that is committed and is awaiting deployment.

Given AEIT held a significant proportion of cash during the period, AEIT decided to also disclose the proportion of sustainability-related investments including and classifying AEIT's cash as 'unsustainable'. This is calculated to be only 9.2%57.

57 Refer to the APM for detailed calculations.

Considering the undeployed cash which was committed but not yet invested to the SolarArise Portfolio and VSS Portfolio as sustainable investments, this percentage increases to 42.4%. The remaining cash was being held for future investments, that are expected to also meet the sustainable investment criteria as per the Investment Strategy's mandate.

What was the asset allocation?

100% of the sustainable investments were held indirectly through Special Purpose Vehicles and intermediate entities.

|  |  |  |  |
| --- | --- | --- | --- |
| Investments | #1 Sustainable 100% | Environmental | Taxonomy-aligned 100% |
| #2 Not sustainable |  |  |  |

#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

In which economic sectors were the investments made?

Energy - Electricity generation using solar photovoltaic technology

To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of:

· turnover reflecting the share of revenue from green activities of investee companies

· capital expenditure (Capex) showing the green investments made by investee companies, e.g. for a transition to a green economy.

· operational expenditure (OpEx) reflecting green operational activities of investee companies.

To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

100%

All investments made by AEIT in 2022 were in companies that exclusively generate solar photovoltaic electricity, thereby meeting the substantial contribution criteria of the technical screening criteria of the EU Taxonomy in section 4.1 Annex 1 of regulation 2021/2139 (electricity generation using solar photovoltaic technology). The MWh produced have been reported above and detailed in AEIT's Annual Report. To ensure no significant harm to biodiversity and ecosystems, environmental screening was conducted for all investments prior to acquisition, reflecting the Investment Manager's ESGpolicies and national law. New physical climate risk and vulnerability assessments were completed for all existing investments in collaboration using a leading third-party sustainability advisory. Investee companies have sought to use durable equipment. Where panel or critical equipment replacement was required, as was the case at one of our investee companies, the process was prudently managed to minimise the number of components that had to be disposed of, and managed through authorised specialist service providers through a process regulated by the relevant national government.

The alignment of existing investments with EU Taxonomy was not subject to an assurance provided by an auditor. Such alignment was substantiated by in-house experts, on the basis of inputs from third-party technical advisors, publicly available information, information provided directly by investee companies, as well as third-party data sources.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EUTaxonomy58

58 Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ('climate change mitigation') and do no significant harm to any EU Taxonomy objective - see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

£ Yes

£ In fossil gas

£ In nuclear energy

Q No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. Asthere is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments including sovereign bonds\*

Climate change mitigation

2. Taxonomy-alignment of investments excluding sovereign bonds\*

Climate change mitigation

Note: AEIT does not make any investments in Fossil gas or Nuclear.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

What was the share of investments made in transitional and enabling activities?

0%

How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?

Not Applicable.

What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

0%

What was the share of socially sustainable investments?

Not applicable for Article 9 SFDR classification purposes. All AEIT investments aim to have a positive effect on the communities in which they work and support social development. In 2022, AEIT investments directly supported 148 full time equivalent jobs, including 5 full time salaried employee positions.

What investments were included under 'not sustainable', what was their purpose and were there any minimum environmental or social safeguards?

No investments were included under not sustainable.

What actions have been taken to attain the sustainable investment objective during the reference period?

The sustainability objectives achieved are the direct result of implementation of the binding elements of our investment strategy. AEIT invests in a diversified portfolio of sustainable energy infrastructure assets in fast-growing and emerging economies in Asia. The investments meet the AEIT's aim of building a diversified portfolio of assets in the areas of renewable energy generation. The 2022 portfolio consists entirely of solar photovoltaic electricity generation. TheInvestment Manager has worked with the investee companies to monitor progress towards attainment of these sustainability objectives using the key performance indicators specified above, which align with SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action). Avoided emissions were calculated using the standards of the International Financial Institutions Joint Standards for GHG Accounting for Grid Connected Renewable Energy Projects. The avoided emissions attributable to the AEIT portfolio on this basis substantially exceeded the Scope 1, 2 and 3 emissions associated with operating these assets as reported in AEIT's Annual PAI Statement which is annexed to its 2022 Annual Report. The sustainability indicators presented in this disclosure and in the Annual Report have been reviewed by the Board.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.

How did this financial product perform compared to the reference sustainable benchmark?

Not Applicable.

How did the reference benchmark differ from a broad market index?

Not Applicable as AEIT does not use any reference benchmarks.

How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?

Not Applicable.

How did this financial product perform compared with the reference benchmark?

Not Applicable.

How did this financial product perform compared with the broad market index?

Not Applicable.

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**Notes**

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[***Russia-Ukraine war – live: Kyiv launches multiple attacks across frontline***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:68D9-J3T1-JBNF-W053-00000-00&context=1516831)

The Independent (United Kingdom)

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**Section:** EUROPE,WORLD; Version:32

**Length:** 15269 words

**Byline:** Eleanor Noyce,Andy Gregory and Maroosha Muzaffar

**Highlight:** Wagner chief Yevgeny Prigozhin says Ukraine has retaken part of Berkhivka, a settlement north of Bakhmut

**Body**

[*Ukraine*](https://www.independent.co.uk/topic/ukraine) has launched attacks at a number of points across the frontline with [*Russia*](https://www.independent.co.uk/topic/russia) ’s forces – ***suggesting*** its long-waited counteroffensive could finally be kicking into gear.

So far though it is unclear whether the strikes represented the start of the long-heralded move against [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) ’s invasion, and Ukrainian officials made no mention of any broad, significant new campaign or sidestepped questions on the matter.

Ukrainian deputy defence minister Hanna Maliar said the nation’s forces were “shifting to offensive actions” in some areas but sought to play them down as “local attacks”.

On Monday, [*Moscow*](https://www.independent.co.uk/topic/moscow) claimed to have [*repelled a major Ukrainian offensive*](https://www.independent.co.uk/news/russia-ap-vladimir-putin-valery-gerasimov-donetsk-b2351456.html%22 title=%22Russia claims it thwarted Ukrainian attacks in provinces annexed by Moscow) in the south of the [*Donetsk*](https://www.independent.co.uk/topic/donetsk) region but the chief of private army [*Wagner admitted Russian forces had lost ground*](https://www.independent.co.uk/voices/russian-ukraine-war-front-war-collapse-b2349775.html%22 title=%22The drone attack on Moscow imperils Putin like never before) around [*Bakhmut*](https://www.independent.co.uk/topic/bakhmut) further north.

Wagner captured Bakhmut last month after the longest battle of the war and handed its positions there to regular Russian troops, but [*Kyiv*](https://www.independent.co.uk/topic/kyiv) has since been attacking Russian-held areas to the north and south of the city.

Key Points

Russia claims 250 Ukrainian soldiers killed in thwarted offensive Wagner leader says ground lost – despite Moscow’s claims of thwarting attack [*UK’s James Cleverly meets Volodymyr Zelensky in Kyiv*](https://www.independent.co.uk/news/uk/james-cleverly-ukraine-volodymyr-zelensky-kyiv-nato-b2351737.html) We are ready for counteroffensive, Zelensky tells Vladimir Putin Mercenary boss Prigozhin accuses Moscow of trying to kill his troops

Ukraine launches attacks across frontline

Ukraine has launched attacks at a number of points across the frontline with Russian forces – ***suggesting*** that its long-waited counteroffensive is finally kicking into gear.

Officials in Kyiv were coy about the surge in military action, allowing the fog of war to cloud whether it marked the start of its push to reclaim land that Russia has occupied.

Ukrainian deputy defence minister Hanna Maliar said that the nation’s forces were “shifting to offensive actions” in some areas but sought to play them down as “local attacks” – but there is no denying the surge in military activity.

Moscow seemed keen to ***suggest*** that it had repelled a “major offensive” at five points across the region of Donetsk.

Although its claims were undermined by other Russian sources and military bloggers, who ***suggested*** that Ukrainian forces had made advances around the city of Bakhmut in northern Donetsk and villages in the west of the region.

Ukrainian officials dismissed as fanciful claims from Russia’s Defence Ministry that it had killed hundreds of Ukrainian troops as well as destroyed a number of military vehicles around Donetsk.

Russia launches new wave of overnight strikes on Kyiv

Ukrainian authorities say the air defence systems downed more than 20 cruise missiles during overnight Russian air strikes on Kyiv.

“All were shot down, there were no hits,” Serhiy Popko, head of Kyiv’s military administration, said on Telegram.

Officials said there were no casualties.

However, falling debris from the attacks hit road surfaces and damaged power lines to the trolley system in Kyiv’s Desnianskyi district, the military said.

Ukrainian reporter touts arrival of ‘day of all days’, as counteroffensive speculation grows

Illia Ponomarenko, a defence reporter with the Kyiv Independent, has ***suggested*** that today “could be the beginning of the day of all days”, adding: “Let’s wait, pray, and see.”

Ukraine’s probing Russian defenses in so many important frontline spots… this could be the beginning of the day of all days. Let’s wait, pray, and see.History is happening.— Illia Ponomarenko (@IAPonomarenko) [*June 5, 2023*](https://twitter.com/IAPonomarenko/status/1665790880949608450?ref_src=twsrc%5Etfw) Kyiv has received no formal complaints about weapons in Belgorod attacks, says minister 02:19 , Andy Gregory Ukraine has received no formal complaints about attacks on Russian territory, Kyiv’s foreign minister has said – despite US and Belgian officials declaring an investigation into the possible use of Western weapons there.Speaking about recent raids into the region of Belgorod conducted by anti-Kremlin Russian volunteer militias, Dmytro Kuleba cast the violence as an internal Russian matter and said it was none of his business.U.S. and Belgian officials earlier said they were investigating the possible use of Western weapons by the militias inside Russian territory, something which the Kremlin could view as an escalation in the war.Mr Kuleba, however, said his ministry had not received any formal complaints regarding the events in Belgorod.“Usually when you want to express your concern with something, you send a note, and we haven’t received anything,” he told Reuters in an interview in Kyiv.Ukraine’s foreign minister eyes Nato membership01:18 , Andy Gregory Ukraine’s looming counteroffensive will give the country the victory it needs to join Nato, the country’s foreign minister has said.Membership of the military alliance would “probably” only be possible for Ukraine after the end of active hostilities, Dmytro Kuleba told Reuters in an interview in Kyiv.The minister, who has been in post since March 2020, said Nato membership was the next big target on Ukraine’s agenda after some of its allies agreed to train Ukrainian pilots on the F-16 fighter jets coveted and lobbied for by Kyiv.“We (already) unlocked all weapons ... There is nothing big left to fight for.”“Nato membership cannot stop this war, but Nato membership will stop further wars. This is why the best way to ensure security in the region is to come to the moment when Ukraine becomes a member of Nato,” he said.Ukraine has enough weapons to launch counteroffensive, says foreign ministerTuesday 6 June 2023 00:13 , Andy Gregory Ukraine has enough weapons to begin its counter-offensive against Russia, Kyiv’s foreign minister Dmytro Kuleba has said.Ukraine has for months feted a vast upcoming assault to retake its territory from Russia, using tanks, armoured cars and artillery donated by Western allies.Mr Kuleba did not say whether the counter-offensive had started when asked by Reuters, saying that the most important thing was not when it started, but that it ended in Ukrainian victory.The minister said that while Ukraine now had enough arms to begin its counter-offensive, it would still need continued deliveries from its allies to sustain the effort.“When you go on the counter-offensive, it’s one thing to have enough weapons to begin it, but another thing to ensure sustainability of supplies in order to be able to continue as long as is needed,” he told the news agency.He added that he was “pretty confident” that Kyiv’s partners would continue to supply arms until Kyiv reached its goals, but acknowledged they would face difficulties around production capacity.Watch: Ukrainian government sends cryptic message to RussiaMonday 5 June 2023 23:26 , Andy GregoryZelensky hails ‘news we have been waiting for’ in BakhmutMonday 5 June 2023 22:17 , Andy Gregory Ukrainian president Volodymyr Zelensky has welcomed what he called “the news we have been waiting for” from troops fighting in and around Bakhmut.“I am grateful to each soldier, to all our defenders, men and women, who have given us today the news we have been waiting for. Fine job, soldiers in the Bakhmut sector!” Mr Zelensky said in his nightly video address, giving no further details.He said Russia was reacting “hysterically” to any action undertaken by Ukrainian forces and singled out two units who “skillfully, decisively and effectively defend our positions, destroy the occupiers and, most importantly, move forward”.Russia’s military said it had thwarted a major offensive against its forces in eastern Ukraine, but Ukrainian officials dismissed any notion that an anticipated major counter-offensive had begun. They reported some gains along front lines.Russia now controls at least 18% of internationally recognised Ukrainian territoryMonday 5 June 2023 21:15 , Sam Rkaina Russia now controls at least 18% of internationally recognised Ukrainian territory and has claimed four more regions of Ukraine as Russian territory after annexing Crimea in 2014.For months, Ukraine has been preparing a fightback which officials in Kyiv and CIA Director William Burns have said will pierce Putin’s hubris.Ukrainian President Volodymyr Zelenskiy told the Wall Street Journal in an interview published on Saturday that he was ready to launch it, but tempered a forecast of success with a warning that it could take some time and come at a heavy cost.The success or failure of the counteroffensive, expected to be waged with billions of dollars worth of advanced Western weaponry, is likely to influence the shape of future Western diplomatic and military support for Ukraine.Putin sent troops into Ukraine on Feb. 24 last year in what the Kremlin expected to be a swift operation, but its forces suffered a series of defeats and had to move back and regroup in swathes of the country’s east.For months, tens of thousands of Russian troops have been digging in along a front line that stretches for around 600 miles (1,000 km), bracing for a Ukrainian attack expected to try to cut Russia’s so-called land bridge to the Crimean Peninsula.Russia releases footage of strikes on Ukraine armoured vehiclesMonday 5 June 2023 19:21 , Sam Rkaina Russia’s defence ministry released video of what it said showed several Ukrainian armoured vehicles in a field blowing up after being hit.Reuters was able to confirm the location of two clips near Velyka Novosilka, a village west of Vuhledar in the southern part of Donetsk province, by the road layout, terrain, trees and other foliage that matched satellite imagery of the area. Reuters could not independently verify the other clips or the date the videos were filmed.“There is a tough fight going on,” wrote prominent Russian military blogger Semyon Pegov, who blogs under the name War Gonzo, saying Ukrainian forces were attacking in the area.The defence ministry said Russian forces killed 250 Ukrainian soldiers and destroyed 16 tanks, three infantry fighting vehicles and 21 armoured combat vehicles. Reuters was not able to verify the figures. The daily report from Ukraine’s General Staff said only that there were 29 combat clashes in Donetsk and Luhansk provinces of eastern Ukraine.Ukraine needs to keep Russia guessing to stay one step ahead of Pinocchio Putin’s propaganda machineMonday 5 June 2023 18:33 , Sam Rkaina Whether or not the attacks on Russian lines in the eastern region of [*Donetsk*](https://www.independent.co.uk/topic/donetsk) end up being seen as the start of [*Ukraine*](https://www.independent.co.uk/topic/ukraine) ’s long-awaited counteroffensive, the information war around them is in full swing.For [*Russia*](https://www.independent.co.uk/topic/russia) ’s defence ministry, its troops repelled a “major offensive” in Donetsk, killing 250 members of the Ukrainian forces and destroying a number of tanks and armoured vehicles at five points across the region’s frontline. Moscow was bullish, as it always is – but Russia’s community of military bloggers was more circumspect.[*Click here for the full story.*](https://www.independent.co.uk/news/world/europe/ukraine-war-russia-putin-donetsk-b2351802.html) James Cleverly meets Volodymyr Zelensky in KyivMonday 5 June 2023 17:15 , Eleanor Noyce Foreign secretary James Cleverly has met Ukrainian president Volodymyr Zelensky in Kyiv.The meeting in the war-torn nation’s capital came amid signs the expected Ukrainian counter-offensive against the Russian invasion may have started.In a video posted to Mr Zelensky’s Facebook page, Mr Cleverly is heard saying that the UK “will continue backing you and your country until you are victorious”.The Ukrainian president thanks the UK for the “big support” it has given his country.He wrote on Facebook: “During the meeting, we discussed important topical issues: Ukraine‘s expectations from the Nato Summit in Vilnius, promotion of the Ukrainian peace formula and preparation of the global summit on its implementation, as well as the London international conference on the reconstruction of Ukraine.“We are very grateful for the support that the UK has provided and continues to provide to Ukraine.”Kyiv has long called for Ukraine to be admitted to Nato, but allies are divided about when and how any accession might happen as the war with Russia continues.Prime minister Rishi Sunak last week said Ukraine‘s “rightful place” is in Nato, at a gathering of European leaders in Moldova ahead of the key meeting of Nato leaders in Lithuania in July.Sophie Wingate reports:[*James Cleverly meets Volodymyr Zelensky in Kyiv*](https://www.independent.co.uk/news/uk/james-cleverly-ukraine-volodymyr-zelensky-kyiv-nato-b2351737.html) Ukraine has enough weapons for counter-offensive, says foreign ministerMonday 5 June 2023 17:01 , Eleanor Noyce Ukraine has enough weapons for its counter-offensive against Russia, and the operation will give the country the victory it needs to join NATO, foreign minister Dmytro Kuleba told Reuters on Monday.Membership of the military alliance would “probably” only be possible for Ukraine after the end of active hostilities, Kuleba said in an interview in Kyiv.He did not say whether the counter-offensive had started when asked.At Normandy D-Day celebrations, echoes of Ukraine's looming fightMonday 5 June 2023 16:45 , Eleanor Noyce While U.S. military officers here caution against too direct a comparison between the 1944 D-Day landings and [*Ukraine*](https://www.independent.co.uk/topic/ukraine) ‘s upcoming counteroffensive, the echoes of what [*Kyiv*](https://www.independent.co.uk/topic/kyiv) faces today are a dominant theme of this year’s commemorations of the young U.S. soldiers who died on the Normandy beaches nearly 80 years ago.For days the villages and towns surrounding Omaha and Utah beaches have held parades, memorial events, flyovers and parachute demonstrations to build up to the annual celebration of D-Day, the launch of Operation Overlord. The June 6, 1944 invasion marked the beginning of the Allies’ massive ground invasion which would eventually lead to Germany’s surrender and the end of World War II in Europe.The celebration is taking place as Ukraine prepares to launch its own counteroffensive against Russia — an impending fight for which many of those same allied forces have now provided billions of dollars in weapons and training to Kyiv’s soldiers to best prepare them to win.Tara Copp reports:[*At Normandy D-Day celebrations, echoes of Ukraine's looming fight*](https://www.independent.co.uk/news/ukraine-ap-normandy-mark-milley-kyiv-b2351714.html) James Cleverly: ‘Ukraine will win this war and can count on our support'Monday 5 June 2023 16:40 , Eleanor Noyce Ukraine can count on UK support, James Cleverly said during his second visit to Kyiv.The Foreign Secretary met with Ukrainian President Volodymyr Zelensky Zelensky and foreign minister Dmytro Kuleba to discuss how the UK can continue to best support Ukraine, from the battlefield to banking guarantees, according to the Foreign, Commonwealth and Development Office.The visit comes amid preparations for the Ukraine recovery conference in London later in June, which will focus on boosting the nation’s economy.Mr Cleverly said: “As Ukraine continues its sustained fightback against Russia, I was able to see for myself the true horrors and devastation of what Russia has wreaked on this sovereign state.“Forcibly deporting children, razing cities like Bakhmut, Izium and Mariupol to the ground and committing atrocities are not the acts of a responsible international state. They are the actions of a hostile regime that is in violation of the UN Charter.“Ukraine will win this war and can count on our support.”Downing Street says James Cleverly is visiting Ukraine to underline UK’s ‘unwavering support’Monday 5 June 2023 16:36 , Eleanor Noyce Downing Street has said it will not get into “speculation” about the military state of affairs in Ukraine but said James Cleverly is visiting to underline the UK’s “unwavering support” for the country.“The Foreign Secretary is visiting ahead of the Ukraine Recovery Conference which is happening later this month,” the Prime Minister’s official spokesman said.“And obviously underlining the UK’s unwavering support.“He’s had meetings with President Zelensky and the foreign minister as well.”Russia says it holds back Ukrainian attacks in southern Donetsk regionMonday 5 June 2023 16:20 , Eleanor Noyce Russia’s Defence Ministry said on Monday that it was holding back attacks by Ukrainian forces in the south of the Donetsk region, near the settlements of Novodonetske and Oktyabrske.“The enemy offensive is successfully being held back by the actions of the units, artillery fire and air strikes of the Eastern Group of Forces,” the ministry said.Ukraine says Russia still violating terms of Black Sea grain dealMonday 5 June 2023 16:17 , Eleanor Noyce Ukraine‘s restoration ministry said on Monday Russia had resumed the registration of ships under a deal allowing safe Black Sea grain exports but was violating the terms by not inspecting vessels in the right order.It said in a statement that Russia had registered two vessels that declared their participation in the deal the same day, adding: “This goes against accepted vessel inspection rules which require that those that are longest-standing are inspected first.”Russia’s TASS news agency had earlier on Monday reported that ship inspections had resumed.Kyiv dismisses Russian reports of Ukrainian counteroffensiveMonday 5 June 2023 15:55 , Eleanor Noyce Russian reports that Ukraine has begun a counteroffensive are meant to distract attention from losses Russian forces are taking around the eastern city of Bakhmut, Ukrainian deputy defence minister Hanna Maliar said on Monday.Moscow said it had thwarted a major Ukrainian assault involving six mechanised and two tank battalions in the south of Ukraine‘s Donetsk region.In a post on the Telegram messaging app, Hanna Maliar said Ukrainian forces were “shifting to offensive actions” in some areas along the front line but dismissed ***suggestions*** that this was part of a major operation.“Why are the Russians actively releasing information about a counteroffensive? Because they need to divert attention from the defeat in the Bakhmut direction,” she wrote.Russia’s private Wagner militia captured Bakhmut last month after the longest battle of the war and handed its positions there to regular Russian troops.Since then, Ukraine has continued to attack areas north and south of the city. Wagner leader Yevgeny Prigozhin said on Monday that Kyiv’s troops had retaken part of a village near the ruined city.Maliar said the area around Bakhmut remained the “epicentre” of fighting and that the Ukrainian military was “moving along a fairly wide front”.Zelensky meets UK foreign secretary in Kyiv, thanks Britain for supportMonday 5 June 2023 15:35 , Eleanor Noyce Ukrainian president Volodymyr Zelensky met British foreign secretary James Cleverly in Kyiv on Monday, and discussed preparations for a NATO summit and Ukraine‘s formula for ending Russia’s invasion.“We are very grateful for the support that the UK has provided and continues to provide to Ukraine,” Zelensky said on Telegram under a video showing them meeting.Zelensky aide labels Russian news reports a ‘separate virtual meta-universe'Monday 5 June 2023 15:15 , Eleanor Noyce A senior aide to President Volodymyr Zelensky has warned against trusting Russian reports on the fighting in Ukraine.“Russian news reports have long since become a separate virtual meta-universe,” presidential adviser Mykhailo Podolyak tweeted.Ukraine has in recent weeks sought to weaken Russian positions but its plans have been shrouded in secrecy as it prepares to launch a counteroffensive.Ukraine‘s military said earlier on Monday it had no information about a major offensive which Russia said Kyiv had launched at five points along the front line in the Ukrainian region of Donetsk.Moscow said on Monday it had thwarted a major Ukrainian assault involving six mechanised and two tank battalions in the south of Ukraine‘s Donetsk region.“We do not have such information and we do not comment on any kind of fake,” a spokesperson for the Ukrainian armed forces’ general staff said in response to a question from Reuters.Kremlin: fake Putin address broadcast on Russian radio stations after 'hack'Monday 5 June 2023 14:45 , Eleanor Noyce The Kremlin said a purported radio address by President Vladimir Putin heard on Monday on Russian stations in regions bordering Ukraine was fake and the result of a hack, Russian news agencies reported.The state-owned news agency RIA said a number of radio stations had carried the hoax address.“All of these messages are an utter fake,” it cited Kremlin spokesman Dmitry Peskov as saying.Independent Russian media reported that the announcement had told residents of the Rostov, Belgorod and Voronezh regions, all of which adjoin Ukraine, that Kyiv’s forces had crossed the border with Russia.They cited the address as saying, wrongly, that martial law had been declared in border regions and a nationwide military mobilisation had begun for Russia’s war with Ukraine, and that residents should evacuate deeper into Russia.Kyiv denies sending any troops into Russian territory, and says the sporadic ground incursions that have occurred in the last three months, for which Moscow blames Ukraine, have been the work of Russian partisans.In a statement posted on Telegram, the Voronezh regional government confirmed that a hack had taken place, and said local radio stations were under the control of law enforcement agencies and local authorities.Russia is evading sanctions by ‘buying back’ military supplies from India and MyanmarMonday 5 June 2023 14:15 , Eleanor Noyce[*Russia*](https://www.independent.co.uk/topic/russia) could be buying back military supplies previously exported to [*Myanmar*](https://www.independent.co.uk/topic/myanmar) and [*India*](https://www.independent.co.uk/topic/india) , showed customs clearance data assessed in a [*Nikkei*](https://www.independent.co.uk/topic/nikkei) analysis.The [*report*](https://asia.nikkei.com/Politics/Ukraine-war/Russia-buying-back-arms-parts-exported-to-Myanmar-and-India) cited records of Russian repurchases of parts for tanks and missiles exported previously to Myanmar and India, likely in a bid to reimport the components to improve older weapons expected to be used in Ukraine.From India, Russia’s Machine-Building Design Bureau (NPK KBM) looking after the country’s missile production, purchased six components for night-vision sight for ground-to-air missiles for $150,000 (£120,757) in August and November last year, the report showed.The order was placed with India’s defence ministry.Arpan Rai reports:[*Russia is evading sanctions by ‘buying back’ military supplies from India and Myanmar*](https://www.independent.co.uk/news/world/europe/russia-sanctions-military-supplies-india-myanmar-b2351610.html) Biden set for critical talks on Ukraine this week with Denmark's Frederiksen, UK's SunakMonday 5 June 2023 13:55 , Eleanor Noyce President [*Joe Biden*](https://www.independent.co.uk/topic/joe-biden) is welcoming [*Denmark*](https://www.independent.co.uk/topic/denmark) and Britain’s prime ministers this week to Washington for talks that will focus heavily on what lays ahead in the war in [*Ukraine*](https://www.independent.co.uk/topic/ukraine) —including the recently-launched effort to train, and eventually equip, Ukraine with American-made F-16s fighter jets.Britain and Denmark are playing a pivotal role in the nascent joint international plan that Biden recently endorsed after months of resisting calls from Ukrainian President Volodymyr Zelenskyy for U.S. aircraft.Biden’s separate meetings with the leaders of two key NATO allies — he’ll huddle with Denmark’s Mette Frederiksen on Monday and the UK’s Rishi Sunak on Thursday — come at a crucial period in the 15-month war as Ukraine readies to launch a counteroffensive. Aamer Madhani reports:[*Biden set for critical talks on Ukraine this week with Denmark's Frederiksen, UK's Sunak*](https://www.independent.co.uk/news/world/americas/us-politics/joe-biden-ap-ukraine-nato-denmark-b2351351.html) US, India agree roadmap for defence industry cooperationMonday 5 June 2023 13:37 , Eleanor Noyce India and the United States have concluded a roadmap for defence industry cooperation for the next few years, the Indian government said on Monday, a move expected to bolster New Delhi’s defence manufacturing ambitions.Washington is working to deepen ties with India and sees stronger military-to-military and technology ties with the world’s largest democracy as a key counterweight to China’s dominance in the region.The roadmap was finalised at a meeting between visiting U.S. Defence Secretary Lloyd Austin and Indian Defence Minister Rajnath Singh.The agreement comes weeks before Indian Prime Minister Narendra Modi visits Washington on 22 June for an official state visit and holds talks with President Joe Biden.The roadmap is considered significant as Washington maintains strict controls over what domestic military technology can be shared or sold to other countries.Talks between Singh and Austin had a “particular focus on identifying ways to strengthen industrial cooperation”, the Indian Defence Ministry statement said.“Both sides will identify opportunities for co-development of new technologies and co-production of existing and new systems and facilitate increased collaboration between defence start-up ecosystems of the two countries,” it said.“Towards these objectives, they concluded a roadmap for U.S.-India Defence Industrial Cooperation which shall guide the policy direction for the next few years.”India, the world’s largest arms importer, depends on Russia for nearly half its military supplies, but has also increasingly diversified its sources to buy from the U.S., France and Israel, among others.Gold miner Polymetal eyes sale of Russian arm after bosses cut tiesMonday 5 June 2023 13:20 , Eleanor Noyce Anglo-Russian gold and silver miner Polymetal International could be eyeing up a sale of its Russian subsidiary following the resignation of its top two bosses and being targeted by US sanctions.The London-listed firm, which primarily operates in Russia, said it is considering “all possible options” regarding divesting the Russian arm.Shares in the company have dived since President [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) led an invasion of [*Ukraine*](https://www.independent.co.uk/topic/ukraine) in February last year.Prior to the war breaking out, shares in the business were trading at around 1,100p. They have since lost more than 80% of their value and are now worth about 180p.Polymetal’s chief executive, Vitaly Nesis, and chief financial officer, Maxim Nazimok, cut ties with the Russian arm of the business completely, the company said.Anna Wise has the full story:[*Gold miner Polymetal eyes sale of Russian arm after bosses cut ties*](https://www.independent.co.uk/business/gold-miner-polymetal-eyes-sale-of-russian-arm-after-bosses-cut-ties-b2351579.html) Russia says it repels big attack in Ukraine but Russian mercenary leader says some ground lostMonday 5 June 2023 13:20 , Eleanor Noyce Moscow said on Monday it had thwarted a major Ukrainian offensive in the south of Ukraine‘s Donetsk region but Russia’s main mercenary leader said Russian forces had lost ground around Bakhmut further north.Asked whether the attacks represented the start of Ukraine‘s long-heralded counter-offensive against Russia’s invasion, Oleksiy Danilov, Secretary of Ukraine‘s Security and Defence Council, told Reuters: “The war continues. Until complete victory.”Russia’s defence ministry said Ukraine had attacked on Sunday morning with six mechanised and two tank battalions in southern Donetsk, where Moscow has long suspected Ukraine would seek to drive a wedge through Russian-controlled territory.“On the morning of June 4, the enemy launched a large-scale offensive in five sectors of the front in the South Donetsk direction,” the defence ministry said in a statement posted on Telegram at 1.30 a.m Moscow time (22.30 GMT).“The enemy’s goal was to break through our defences in the most vulnerable, in its opinion, sector of the front,” it said. “The enemy did not achieve its tasks, it had no success.”Asked to comment, a Ukrainian military spokesperson said: “We do not have such information and we do not comment on any kind of fake.”Ukrainian military chaplains complete training with British ArmyMonday 5 June 2023 13:04 , Eleanor Noyce Ukrainian military chaplains have completed training with the [*British Army*](https://www.independent.co.uk/topic/british-army) before heading back to the war-ravaged country to give frontline troops a “spiritual umbrella”.The two-week programme run by the Royal Army Chaplains’ Department (RAChD) saw an initial group of 10 Ukrainians train at a camp in south-west England.The participants learned how to deliver pastoral care, spiritual support and moral guidance to soldiers on the battlefield.Lieutenant Dmytro Povorotnyi, a priest from Dnipro in central Ukraine, was one of the officers who took part.“Once when [*Russia*](https://www.independent.co.uk/topic/russia) bombed Dnipro, my granddaughter who is four years old put her toys under the stairs and covered them with an umbrella,” said Lt Povorotnyi, who decided to become a military chaplain after the occupation of [*Crimea*](https://www.independent.co.uk/topic/crimea) in 2014.Lauren Shirreff reports:[*Ukrainian military chaplains complete training with British Army*](https://www.independent.co.uk/news/uk/british-army-russia-crimea-lviv-god-b2351523.html) Russia says it sees 'no prospects' for further grain deal renewalMonday 5 June 2023 12:47 , Eleanor Noyce Russia’s foreign ministry said on Monday that it saw no prospects for extending the Black Sea grain export deal, which is set to expire in mid-July, Russian news agencies reported.TASS news agency quoted the foreign ministry as saying that it was continuing consultations with the United Nations over the deal, and that ship inspections had resumed.UK Ministry of Defence issues intelligence updateMonday 5 June 2023 12:29 , Eleanor Noyce The UK Ministry of Defence has issued an intelligence update on Ukraine.A new map -released on Twitter on Monday morning -details the locations of Russian attacks and troops. “Over the course of May 2023, Russia launched over 300 Iranian Shahed series one way attack uncrewed aerial vehicles (OWA-UAVs) against Ukraine: its most intense use of this weapon system to date”, a statement released by the MoD early on Monday morning read.“Russia is probably launching so many OWA-UAVs in an attempt to force Ukraine to fire stocks of valuable, advanced air defence missiles.“Russia is unlikely to have been notably successful: Ukraine has neutralised at least 90% of the incoming OWA-UAVs mostly using its older and cheaper air defence weapons and with electronic jamming.“Russia has also likely been attempting to locate and strike Ukrainian forces well behind the front line. However, Russia remains very ineffective at hitting such dynamic targets at range because of its poor targeting processes.”The illegal and unprovoked invasion of Ukraine is continuing. The map below is the latest Defence Intelligence update on the situation in Ukraine – 05 June 2023. Find out more about the UK government's response: [*https://t.co/fntGJL5SvM*](https://t.co/fntGJL5SvM) [*#StandWithUkraine*](https://twitter.com/hashtag/StandWithUkraine?src=hash&ref_src=twsrc%5Etfw) [*pic.twitter.com/PpArQfcsEA*](https://t.co/PpArQfcsEA) — Ministry of Defence (@DefenceHQ) [*June 5, 2023*](https://twitter.com/DefenceHQ/status/1665661321059106818?ref_src=twsrc%5Etfw) Latest Defence Intelligence update on the situation in Ukraine -05 June 2023.Find out more about Defence Intelligence's use of language: [*https://t.co/ZBWyk4tK0H*](https://t.co/ZBWyk4tK0H) [*#StandWithUkraine*](https://twitter.com/hashtag/StandWithUkraine?src=hash&ref_src=twsrc%5Etfw) [*pic.twitter.com/E0RATcLPZ4*](https://t.co/E0RATcLPZ4) — Ministry of Defence (@DefenceHQ) [*June 5, 2023*](https://twitter.com/DefenceHQ/status/1665595205309833219?ref_src=twsrc%5Etfw) ‘There are still discussions ongoing’: European Commission comments on possible extension to Ukrainian food import banMonday 5 June 2023 12:17 , Eleanor Noyce Poland’s ***agriculture*** minister has received a draft regulation from the European Commission extending a ban on imports of some Ukrainian food products until 15 September, he said on Monday.The EU on 2 May set restrictions on sales of Ukrainian wheat, maize, rapeseed and sunflower seed within five countries -Bulgaria, Hungary, Poland, Romania and Slovakia -to ease the excess supply of the grains within those countries, while allowing transit through them for export elsewhere.Those restrictions are due to expire on Monday. A European Commission spokesperson said no decision had yet been taken.“There are still discussions ongoing and we will communicate when there is a decision, which will probably be later today,” the spokesperson said.The EU liberalised all imports from Ukraine for an initial 12 months from June 2022 to help Kyiv’s efforts to fend off Russia’s invasion. Last month it agreed to extend the tariff suspension for a further year.The five countries saw a huge rise in imports from Ukraine following the suspension of tariffs.UK PM says Wallace "widely-respected" when asked about NATO prospectsMonday 5 June 2023 12:05 , Eleanor Noyce British Prime Minister Rishi Sunak said the country’s defence minister Ben Wallace was “widely-respected” when asked about his candidacy to lead NATO, adding that the UK had always been a strong contributor to the transatlantic military alliance.Wallace said in May that he would like to be NATO’s next secretary-general. His current boss, Sunak, told reporters on Monday that conversations about NATO’s next leader were happening amongst world leaders.“I would say Ben is widely-respected amongst his colleagues around the world, particularly for the role he’s played in Ukraine,” Sunak said.“Britain has always been a leading contributor to NATO... And we will always continue to be a strong contributor, a participant in NATO.”Russia says it repelled Ukrainians trying to enter Belgorod region on SundayMonday 5 June 2023 12:01 , Eleanor Noyce Russia’s Defence Ministry said on Monday that it had repelled a Ukrainian attempt to cross into the Belgorod region in southern Russia on Sunday, Russian news agencies reported.It said that “more than 10” Ukrainian fighters had been killed by air and artillery strikes, the RIA news agency reported. Reuters was not able to independently verify the account.A pro-Ukraine group of Russian partisans said on Sunday that it had captured several soldiers during a cross-border raid into the Belgorod region and would hand them over to Ukrainian authorities. The governor of Belgorod, Vyacheslav Gladkov, reported fighting in the town of Novaya Tavolzhanka with what he called “Ukrainian saboteurs”.In pictures: Ukrainian military vehicle hit during combat in UkraineMonday 5 June 2023 11:50 , Eleanor Noyce These photos taken from a video released by the Russian Defense Ministry Press Service on Monday 5 June show a Ukrainian military vehicle being hit during combat in Ukraine. The Russian Defense Ministry said the Russian military fended off an attempt by Ukraine to launch an attack in the southern part of the Donetsk region on Sunday.EU Commission says Mercosur trade deal a priority as it seeks new alliesMonday 5 June 2023 11:40 , Eleanor Noyce The European Commission said that concluding the Mercosur-EU agreement is a priority, adding that Latin America and Europe should work on reducing “excessive dependency” on third countries, according to a document seen by Reuters on Monday.Brussels is launching a political and economic offensive on Latin America to secure priority access to the region’s resources -especially raw materials -identifying the region as a potential close ally in the face of “increasing geopolitical challenges”, mainly the product of the Ukraine invasion by Russia.In a communication to be presented on 7 June and seen in advance by Reuters, EU foreign policy chief Josep Borrell sets out a roadmap for concluding a number of free trade and partnership agreements with Latin American countries as soon as possible, as well as for boosting bilateral relations with Mexico and Brazil.Ukraine addresses Russian statements regarding major offensive in the east: ‘We do not have such information'Monday 5 June 2023 11:19 , Eleanor Noyce Ukraine‘s military said on Monday it had no information about a major offensive which Russia said Kyiv had launched at five points along the front line in the Ukrainian region of Donetsk.“We do not have such information and we do not comment on any kind of fake,” a spokesperson for the Ukrainian armed forces’ general staff said in response to a question from Reuters.Belgium investigating whether arms destined to defend Ukraine ended up in Russia fightingMonday 5 June 2023 11:12 , Eleanor Noyce[*Belgium*](https://www.independent.co.uk/topic/belgium) is investigating whether weapons it sent to help [*Ukraine*](https://www.independent.co.uk/topic/ukraine) defend its territory were used in fighting just over the border following a news report that said equipment produced by a Belgian company turned up around [*Russia*](https://www.independent.co.uk/topic/russia) ‘s Belgorod region.Belgian Prime Minister Alexander De Croo warned Monday against jumping to any hasty conclusions since shipments over decades and different regions can make arms turn up in unexpected places.“Defense and information services started a probe to be absolutely sure what happened there,” De Croo told Belgian broadcaster VRT.The [*Washington Post*](https://www.independent.co.uk/topic/washington-post) published extensive reporting over the weekend saying that arms from some NATO member countries, including the United States, Poland, Czechia and Belgium, had appeared in Belgorod, which borders Ukraine.Read the full story:[*Belgium investigating whether arms destined to defend Ukraine ended up in Russia fighting*](https://www.independent.co.uk/news/ukraine-ap-belgium-russia-brussels-b2351501.html) Russia’s Prigozhin labels Ukraine’s reclamation of settlement north of Bakhmut a ‘disgrace’Monday 5 June 2023 10:59 , Eleanor Noyce Russian mercenary leader Yevgeny Prigozhin said on Monday that Ukrainian forces had retaken part of the settlement of Berkhivka, north of Bakhmut in eastern Ukraine, calling it a “disgrace”.Prigozhin’s private Wagner militia captured Bakhmut last month after the longest battle of the war and handed its positions there to regular Russian troops. Ukrainian forces have continued to attack areas close to the city.“Now part of the settlement of Berkhivka has already been lost, the troops are quietly running away. Disgrace!” Prigozhin said in an audio message published by his press service.He urged Defence Minister Sergei Shoigu and the chief of the general staff, Valery Gerasimov, to come to the front to rally the troops.“Come on, you can do it!” he said. “And if you can’t, you’ll die heroes.”Prigozhin has waged a public feud with Shoigu and Gerasimov for months, frequently accusing them of failing to provide sufficient ammunition and support for Wagner in the field, and so causing it to suffer needlessly heavy losses.Ukraine may lose 20% of winter grain yield if poor weather persistsMonday 5 June 2023 10:50 , Eleanor Noyce Most of Ukraine‘s winter grain crops are in good condition but grain yields could fall by 20% if current dry and hot weather persists, APK-Inform consultancy quoted ***agricultural*** scientists as saying on Monday.Ukraine is a major grain grower and exporter but its production has fallen sharply since Russia invaded the country in February last year.Grain output decreased to around 53 million tonnes in 2022 from a record 86 million tonnes in 2021. The government has said that in 2023 the harvest could decline to 44.5 million tonnes.Winter wheat dominates the Ukrainian winter grain harvest and accounts for 95% of the country’s overall wheat production.“In general, weather conditions for most of the spring period were sufficiently favourable for growth and development of winter cereal crops,” Ukraine‘s national academy of ***agricultural*** science said in a report.“However, in case of continuation of dry weather in the period of grain filling, especially on the background of high air temperatures... the share of lost yields can be from 15% to 20%,” it said, giving no exact forecast of the harvest.Scientists noted that crops which were sown very late were particularly at risk.The Ukrainian ***agriculture*** minister told Reuters on Friday that the ministry forecast the 2023 winter grain crop at around 18 million tonnes, or 20% less than in 2022.Kremlin calls US statement on nuclear arms control 'positive'Monday 5 June 2023 10:41 , Eleanor Noyce The Kremlin said on Monday that a statement by United States national security adviser Jake Sullivan calling for bilateral arms control discussions was “positive”, and that Russia remained open for dialogue.Sullivan said on Friday that the United States would abide by the nuclear weapons limits set in the New START treaty, the last remaining nuclear arms reduction pact between the two Cold War rivals, until its 2026 expiry if Russia did the same.President Vladimir Putin suspended Moscow’s participation in the treaty in February.“This is an important and positive statement by Mr Sullivan. Of course, we expect it to be de facto confirmed by steps through diplomatic channels, and then the proposed formats for dialogue can be considered,” Kremlin spokesman Dmitry Peskov said.Signed by then-U.S. president Barack Obama and his Russian counterpart Dmitry Medvedev in 2010, the New START treaty ***caps*** the number of ***strategic*** nuclear warheads that the United States and Russia can deploy.It came into force in 2011 and was extended in 2021 for five more years after Joe Biden took office as U.S. president.Under the agreement, Moscow and Washington are committed to deploying no more than 1,550 ***strategic*** nuclear warheads and a maximum of 700 long-range missiles and bombers.When operating as intended, the pact allows both U.S. and Russian inspectors to ensure that the other side is complying with the treaty.Russia's most famous icon handed over from museum to church despite protestsMonday 5 June 2023 10:30 , Eleanor Noyce Russian Orthodox believers celebrated Trinity Sunday with Russia’s most famous icon transferred from a museum to Moscow‘s main cathedral despite the keepers’ vociferous protests.The Trinity icon by Andrei Rublev, which was kept in Moscow’s Tretyakov Gallery since the 1920s, was moved to Christ the Savior Cathedral before the holiday on President Vladimir Putin‘s personal order.Putin’s abrupt decision to hand over the 15th-century icon to the church came despite a strong opposition from the Tretyakov keepers, who warned that the icon was too fragile to move and requires constant care to avoid a drastic deterioraton in its condition.[*Russia's most famous icon handed over from museum to church despite protests*](https://www.independent.co.uk/news/vladimir-putin-ap-russia-moscow-russian-orthodox-b2351183.html) Poland receives draft EU regulation extending ban on Ukrainian food importsMonday 5 June 2023 10:20 , Eleanor Noyce Poland’s ***agriculture*** minister has received a draft regulation from the European Commission extending a ban on Ukrainian grain imports until 15 September, he said on Monday.The EU on 2 May set restrictions until 5 June on imports of Ukrainian wheat, maize, rapeseed and sunflower seed to ease the excess supply of the grains in Bulgaria, Hungary, Poland, Romania and Slovakia.Those countries had complained that cheaper Ukrainian grain was making domestic production unprofitable and had asked the EU to extend the ban.“We have received from the EC a draft of a new regulation banning the import of 4 products to the 5 countries,” Robert Telus wrote on Twitter. “The effective date provided for in the draft is 15 September this year.”“It’s a draft but I hope it will come into force from tomorrow,” he added.Ukrainian wheat, maize, rapeseed and sunflower seed can be sold to any other country in the 27-nation bloc.The EU had earlier liberalised all imports from Ukraine to help Kyiv’s efforts to fend off Russia’s invasion. The five countries became transit routes for Ukrainian grain that could not be exported through its Black Sea ports because of the war.Ukrainian President Volodymyr Zelensky on Thursday called for the unconditional removal of all export restrictions on Ukrainian ***agricultural*** products at talks with European Commission President Ursula von der Leyen.Russia's Prigozhin says Ukraine has retaken part of settlement north of BakhmutMonday 5 June 2023 10:15 , Eleanor Noyce Russian mercenary leader Yevgeny Prigozhin said on Monday that Ukrainian forces had retaken part of the settlement of Berkhivka, north of Bakhmut in eastern Ukraine, calling it a “disgrace”.Prigozhin’s private Wagner army captured Bakhmut last month after the longest battle of the war and handed its positions there to regular Russian troops.Papal envoy heads to Ukraine to 'listen carefully' to possible peace plansMonday 5 June 2023 10:10 , Eleanor Noyce Italian Cardinal Matteo Zuppi, tasked by Pope Francis to carry out a peace mission to try to help end the war in Ukraine, headed to Kyiv on Monday for a two-day trip to sound out government authorities.The Vatican announced his visit, which many observers see as an uphill effort, in a short statement. It said the main purpose was “to listen carefully to Ukrainian authorities on the possible ways to reach a just peace and support humanitarian gestures that may help ease tensions”.It was not clear if Zuppi, who is archbishop of Bologna and head of the Italian Bishops Conference, would meet President Volodymyr Zelensky.Zelensky met the pope at the Vatican on 13 May and later appeared cool to the prospects of any papal initiative that would put Ukraine on an equal footing with Russia, which invaded its neighbour on 24 Feb 2022.Zuppi, 67, told reporters last month that he did not foresee a mediation in the strict sense of the word but that he was ready to “do anything” to help ease tensions.“We can’t watch a war without at least saying that we are close to the victims and seeking in every way possible to alleviate the consequences,” he said.At the meeting in May, Zelensky asked the pope to back Kyiv’s peace plan, which Zelensky has repeatedly said is not open to negotiation.Russia claims it thwarted Ukrainian attacks in provinces annexed by MoscowMonday 5 June 2023 10:00 , Eleanor Noyce[*Russian*](https://www.independent.co.uk/topic/russia) officials said their forces thwarted large Ukrainian attacks in two provinces of Ukraine illegally annexed by Moscow. Ukraine did not confirm the attacks, making it unclear whether they marked the start of an anticipated counteroffensive.Russia’s Defense Ministry said in a rare early morning video released Monday that its forces pushed back a “large scale” assault Sunday at five points in southern Ukraine’s [*Donetsk*](https://www.independent.co.uk/topic/donetsk) province, one of four regions that President [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) claimed as Russian territory last fall but is only partially controlled by Moscow.“The enemy’s goal was to break through our defenses in the most vulnerable, in its opinion, sector of the front,” Defense Ministry spokesman Igor Konashenkov said. “The enemy did not achieve its tasks. It had no success.”Konashenkov said 250 Ukrainian personnel were killed, and 16 Ukrainian tanks, three infantry fighting vehicles and 21 armoured combat vehicles were destroyed.Susie Blann has more:[*Russia claims it thwarted Ukrainian attacks in provinces annexed by Moscow*](https://www.independent.co.uk/news/russia-ap-vladimir-putin-valery-gerasimov-donetsk-b2351456.html) Saudi Arabia welcomes Venezuelan leader Maduro, reaching out to yet another US foeMonday 5 June 2023 09:45 , Eleanor Noyce[*Saudi Arabia*](https://www.independent.co.uk/topic/saudi-arabia) has welcomed Venzuelan President [*Nicolas Maduro*](https://www.independent.co.uk/topic/nicolas-maduro) on an official visit, reaching out to yet another U.S. foe as the oil-rich kingdom engages in a flurry of diplomacy.Maduro arrived late Sunday in the Red Sea city of [*Jeddah*](https://www.independent.co.uk/topic/jeddah) , where he was greeted by Saudi officials, according to the state-run Saudi Press Agency.Last month, the Saudis welcomed Ukraine’s President Volodymyr Zelenskyy, a close Western ally, to an Arab League summit. But days later, they hosted a senior Russian official who is under Western sanctions.The Saudis say they are pursuing their own national interests in a world increasingly defined by great power competition. Experts say the diplomatic surge is aimed at shoring up regional stability and improving the kingdom’s image as it seeks international investment for massive development projects.Read more:[*Saudi Arabia welcomes Venezuelan leader Maduro, reaching out to yet another US foe*](https://www.independent.co.uk/news/world/americas/nicolas-maduro-ap-saudi-arabia-venezuelan-dubai-b2351455.html) Belgium investigating whether its weapons were used in Russia, PM saysMonday 5 June 2023 09:34 , Eleanor Noyce Belgium will ask Ukraine for clarification on reports that rifles made in Belgium had been used by pro-Ukrainian forces to fight Russian troops inside Russia’s western border, Belgian Prime Minister Alexander De Croo said on Monday.The Washington Post on Saturday reported that anti-Kremlin fighters who launched a cross-border attack from Ukraine into the Russian Belgorod region last month used tactical vehicles originally given to Ukraine by the United States and Poland and carried rifles made in Belgium and the Czech Republic.“Our defence ministry and its intelligence agencies have started an investigation and are asking for information to determine what has happened exactly,” De Croo said on Belgium’s Radio 1.“European weapons are delivered to Ukraine under the condition that they are used on Ukrainian territory with the purpose of defending that territory. And we have strict controls in place to see that this is the case,” he said.De Croo declined to comment on possible consequences if the reports were confirmed.“We must not get ahead of ourselves here,” the prime minister said. “But we are analysing the situation and we would take this very seriously.”Poland receives draft EU regulation extending ban on Ukrainian food importsMonday 5 June 2023 09:29 , Eleanor Noyce Poland’s ***agriculture*** minister has received a draft regulation from the European Commission extending a ban on Ukrainian grain imports until September 15, he said on Monday.“We have received from the EC a draft of a new regulation banning the import of 4 products to the 5 countries,” Robert Telus wrote on Twitter. “The effective date provided for in the draft is September 15 this year.”Russia begins Baltic Sea drills one day after NATOMonday 5 June 2023 09:21 , Eleanor Noyce Russia said on Monday it began holding naval drills in the Baltic Sea, one day after NATO member states kicked off their annual Baltic drills.On the NATO side, 6,000 personnel, 50 ships and more than 45 aircraft are taking part, with Finland participating for the first time as an alliance member, the United States Navy said.The Russian military said up to 40 ships and boats, 25 aircraft and around 3,500 personnel will take part in its exercises, which are scheduled to last until June 15.Moscow also began drills in the Sea of Japan and far eastern Sea of Okhotsk on Monday, which will involve over 60 warships and support vessels from its Pacific Fleet.He fled Ukraine under the barrel of a gun. Now his invention could turn the tide of Putin’s warMonday 5 June 2023 09:15 , Eleanor Noyce An aerospace engineer and entrepreneur who left the USSR as a child has created “robot” planes that he says could “change the world” and hopes they’ll be used in the war to help his birthplace.Gene Avakyan knows what it’s like to grow up during times of tension, having been born in Kyiv, Ukraine, before leaving the country when he was just nine years old – fleeing in the middle of the night and made to walk a gauntlet of “soldiers with AK-47s” just to get on a train.Gene Avakyan knows what it’s like to grow up during times of tension, Robert Waugh writes:[*He fled Ukraine under the barrel of a gun. Now his invention could derail Putin’s war*](https://www.independent.co.uk/news/world/europe/ukraine-war-update-military-news-putin-b2351121.html) Papal peace envoy Zuppi to visit Kyiv on June 5-6, Vatican saysMonday 5 June 2023 09:00 , Eleanor Noyce Italian Cardinal Matteo Zuppi, tasked by Pope Francis to carry out a peace mission to try to help end the war in Ukraine, will visit Kyiv on Monday and Tuesday, the Vatican said in a statement.“This is an initiative whose main purpose is to listen in depth to the Ukrainian authorities on the possible ways to reach a just peace and support gestures of humanity that may help ease tensions,” it said.Since the war started in February 2022, Francis and the Vatican have tried to offer themselves as a possible peace brokers, but to date, their efforts have not been successful.Zuppi hails from the Sant’ Egidio Community, a Rome-based peace and justice group, which in 1992 brokered a deal that ended the civil war in Mozambique that had killed about a million people and displaced about four million.The pope made him a cardinal in 2019 and he was elected head of the Italian Episcopal Conference last year.Biden set for critical talks on Ukraine this week with Denmark's Frederiksen, UK's SunakMonday 5 June 2023 08:45 , Eleanor Noyce President [*Joe Biden*](https://www.independent.co.uk/topic/joe-biden) is welcoming [*Denmark*](https://www.independent.co.uk/topic/denmark) and Britain’s prime ministers this week to Washington for talks that will focus heavily on what lays ahead in the war in [*Ukraine*](https://www.independent.co.uk/topic/ukraine) —including the recently-launched effort to train, and eventually equip, Ukraine with American-made F-16s fighter jetsBritain and Denmark are playing a pivotal role in the nascent joint international plan that Biden recently endorsed after months of resisting calls from Ukrainian President Volodymyr Zelenskyy for U.S. aircraftBiden’s separate meetings with the leaders of two key NATO allies — he’ll huddle with Denmark’s Mette Frederiksen on Monday and the UK’s Rishi Sunak on Thursday — come at a crucial period in the 15-month war as Ukraine readies to launch a counteroffensive. It’s also a moment when the U.S. and Europe are looking to demonstrate to Moscow that the Western-alliance remains strong and focused on cementing a longer-term commitment to Ukraine with no end to the conflict in sight.Aamer Madhani writes:[*Biden set for critical talks on Ukraine this week with Denmark's Frederiksen, UK's Sunak*](https://www.independent.co.uk/news/world/americas/us-politics/joe-biden-ap-ukraine-nato-denmark-b2351351.html) Two drones fall on highway in Russia's Kaluga region -governorMonday 5 June 2023 08:30 , Eleanor Noyce Two drones fell on a highway in Russia‘s Kaluga region that borders with the Moscow region to its north, with the local governor saying on Monday there was no detonation of explosives.“The area has been cordoned off,” the governor of the region, Vladislav Shapsha, said on the Telegram messaging app.Based on the information provided by Shapsha, the drones fell some 280km-300km (174 miles-186 miles) from Moscow.Last week, Russia said Ukrainian drones struck wealthy districts of Moscow, which Kyiv denied.Russia’s Baltic Fleet starts naval drills in Baltic SeaMonday 5 June 2023 08:20 , Eleanor Noyce Russia‘s Baltic Fleet started naval exercises in the Baltic Sea on Monday, the Russian military’s press service said.Around 3,500 soldiers and up to 40 ships and boats will take part in the drills, which are scheduled to last until June 15, the military said.US defense secretary discusses upgrading ties with India to counter ChinaMonday 5 June 2023 08:16 , Eleanor Noyce U.S. Defense Secretary [*Lloyd Austin*](https://www.independent.co.uk/topic/lloyd-austin) on Monday discussed upgrading partnership with [*India*](https://www.independent.co.uk/topic/india) , a major arms buyer, as both countries grapple with China’s economic rise and increased belligerence, officials said.Austin met with India’s Defense Minister [*Rajnath Singh*](https://www.independent.co.uk/topic/rajnath-singh) , with both sides emphasizing technology partnerships including defense, clean energy and space. India is working to promote its domestic defense industry by acquiring technology and reducing reliance on imports, particularly from Russia, its largest supplier of military hardware despite the ongoing war in Ukraine.“I’m returning to India to meet with key leaders for discussions about strengthening our Major Defense Partnership. Together, we’re advancing a shared vision for a free and open Indo-Pacific,” Austin tweeted after his arrival in New Delhi on Sunday.Ashok Sharma reports:[*US defense secretary discusses upgrading ties with India to counter China*](https://www.independent.co.uk/news/lloyd-austin-ap-india-china-rajnath-singh-b2351422.html) Heavy fighting reported in battlefield areas controlled by RussiaMonday 5 June 2023 07:52 , Arpan Rai Heavy fighting has been reported this morning by some prominent Russian military bloggers, including Semyon Pegov, who blogs under the name War Gonzo.Ukrainian forces are attacking near Velyka Novosilka in the Donetsk region, the military blogger said, adding that “there is a tough fight going on”.Other Russian military bloggers reported also heavy fighting today morning near Bakhmut, nearby Soledar and Vuhledar in the Donetsk region. Russia buying back military supplies from Myanmar and India – reportMonday 5 June 2023 07:21 , Arpan Rai Russia is likely buying back military supplies previously exported to Myanmar and India, customs clearance data assessed by Nikkei analysis shows.The [*report*](https://asia.nikkei.com/Politics/Ukraine-war/Russia-buying-back-arms-parts-exported-to-Myanmar-and-India) cites records of Russian repurchases of parts for tanks and missiles exported previously to Myanmar and India, likely in a bid to reimport the components to improve older weapons expected to be used in Ukraine.From India, Russia’s Machine-Building Design Bureau (NPK KBM) looking after the country’s missile production purchased six components for night-vision sight for ground-to-air missiles for $150,000 (£120,757) in August and November last year, the report shows.The order was placed with the Indian Ministry of Defence. While Russia likely reimported the parts for repairs, no records have been found of the items being sent back to India this year till March, the report added.Russia possesses around 5,000 tanks, as per the annual report by the British think tank The International Institute for ***Strategic*** Studies in its 2023 edition of “The Military Balance”.Russia firing Iranian Shaheds to exhaust valuable air defence missiles, says UK MoDMonday 5 June 2023 07:02 , Arpan Rai Russia is likely launching hundreds of uncrewed aerial vehicles (UAVs) like Iranian Shahed drones in an attempt to force Ukraine to fire stocks of valuable, advanced air defence missiles, the British defence ministry said today.In just the month of May, Russia launched over 300 Iranian Shahed series one way attack uncrewed aerial vehicles (OWA-UAVs) against Ukraine, marking “its most intense use of this weapon system to date”, the ministry said in its latest intelligence update.It added that Russia is unlikely to have been notably successful. “Ukraine has neutralised at least 90 per cent of the incoming OWA-UAVs mostly using its older and cheaper air defence weapons and with electronic jamming,” the ministry said. “Russia has also likely been attempting to locate and strike Ukrainian forces well behind the front line. However, Russia remains very ineffective at hitting such dynamic targets at range because of its poor targeting processes,” it added. Ukrainian troops continue moving forward near Bakhmut, says top commanderMonday 5 June 2023 06:49 , Arpan Rai The Ukrainian forces are advancing near Bakhmut, the commander of Ukraine‘s ground forces, Oleksandr Syrskyi, said today.He added that Ukrainian forces were successful in destroying a Russian position near the city.“We continue moving forward,” Syrskyi said on the Telegram messaging app.Russia publishes video of bombing tanks and military ammunition in DonetskMonday 5 June 2023 06:23 , Arpan Rai The Russian defence ministry shared grainy aerial footage today of an military offensive in Ukraine’s Donetsk where it claims to have killed 250 soldiers and blown up enemy tanks.In the 34-second video, a blurry view shows tanks moving in columns across swathes of green fields before being targeted by blasts.A huge explosion is also seen after an isolated tank is destroyed in the video.“Footage of the destruction of military equipment of the Armed Forces of Ukraine, which took part in an attempted offensive in the South-Donetsk direction,” the ministry posted on its official Telegram channel.The Independent has not verified the authenticity of the video shared by the Russian defence ministry.Officials in Kyiv have not commented on Russia’s claims of thwarting a major offensive.Ukrainian president says at least 500 children killed by warMonday 5 June 2023 06:00 , Joe Middleton Ukrainian President Volodymyr Zelenskyy said Sunday that Russia‘s war, now in its 16th month, has killed at least 500 Ukrainian children.Zelenskyy provided the number hours after rescue workers found the body of a 2-year-old girl who died in one of the latest Russian strikes.The president said in a statement that “Russian weapons and hatred, which continue to take and destroy the lives of Ukrainian children every day,” killed the hundreds who had perished since Russia’s full-scale invasion of Ukraine started on Feb. 24, 2022.[*Ukrainian president says at least 500 children killed by war*](https://www.independent.co.uk/news/russia-ap-kyiv-vitali-klitschko-b2351152.html) Two drones drop on Russian highway, says regional governorMonday 5 June 2023 05:58 , Arpan Rai Two drones fell on a highway in Russia’s Kaluga region today, governor Vladislav Shapsha, said on the Telegram messaging app.“There was no detonation, the area has been cordoned off,” the governor said. The region borders the Moscow region to its north.Russia evading sanctions on weapons, says ZelenskyMonday 5 June 2023 05:33 , Arpan Rai Volodymyr Zelensky has accused Russia of using a network of suppliers to evade international sanctions designed to prevent it from making missiles and other weapons.The Ukrainian president said unnamed countries and companies were aiding Russia in acquiring military technology, with an emphasis on producing missiles.“Unfortunately, the terrorist state manages to use the technologies of the world through a network of suppliers, manages to bypass international sanctions,” Mr Zelensky said.He added that Ukraine was well aware of all of Russia’s efforts to evade sanctions and will seek to ensure that “there are no products of the free world in Russian missiles”.Energy facility on fire in Russia’s Belgorod after drone attackMonday 5 June 2023 05:06 , Arpan Rai An energy facility was ablaze in Russia’s Belgorod region in the early hours today after a drone attack, the region’s governor said.“In the Belgorod region, one of the energy facilities is on fire. The preliminary cause of the fire was an explosive device dropped from a drone,” Vyacheslav Gladkov said on the Telegram app. “There were no casualties.”Homecoming on film: Award-winning Mariupol documentary screened for 1st time in UkraineMonday 5 June 2023 05:00 , Joe Middleton The award-winning film “20 Days in Mariupol” made its premiere in Ukraine on Saturday, seen for the first time by some of the Ukrainian medics and first responders who were chronicled in the documentary about how Russian forces bombed and blasted their way into the southeastern port city last year.Repeated standing ovations in a packed Kyiv cinema, mixed with tears and hugs, greeted those Ukrainian civil servants who toiled nearly non-stop in and around a Mariupol hospital that was a centerpiece of the film about the city early on in Russia’s full-scale invasion of Ukraine on Feb. 24, 2022.For some, the screening served as an unsettling flashback to their own brush with death in the city — a fate inescapable for untold numbers of other victims of Russia’s invasion, including toddlers, infants and expectant mothers whose final moments were caught on video shown in the film.[*Homecoming on film: Award-winning Mariupol documentary screened for 1st time in Ukraine*](https://www.independent.co.uk/news/mariupol-ap-ukraine-kyiv-russia-b2351029.html) Ukraine war: What we know on day 466Monday 5 June 2023 04:25 , Arpan Rai Heavy battles continue to grind in parts of eastern and southern Ukraine where Russia has been stationed for more than 15 months after it launched a full-scale invasion of the country. -Russia now controls at least 18 per cent of what is internationally recognised to be Ukrainian territory, and has claimed four regions of Ukraine as Russian territory.-Russia’s defence ministry said it killed 250 of Ukraine’s forces after attacking them in southern Donetsk with six mechanised and two tank battalions on Sunday. Moscow has long suspected Ukraine would seek to drive a wedge through Russian-controlled territory.-Ukraine has sought “silence” – an information control on its counteroffensive – ahead of the long-expected counterattack to reclaim territory that Russia has taken control over in the 15-month long war its been waging on its neighbour.-An energy facility was ablze in Russia’s Belgorod region after a drone attack struck the building in the early hours today, regional governor said.-Tens of thousands of Russian troops continue digging trenches along a front line which stretches for around 600 miles (1,000km), bracing for a Ukrainian attack which is expected to try to cut Russia’s so-called land bridge to the Crimean peninsula, which Russia annexed in 2014.Russia says 250 Ukrainian soldiers killed in thwarted major offensiveMonday 5 June 2023 04:02 , Arpan Rai The Russian defence ministry has said hundreds of Ukrainian troops have been killed after a major battlefield offensive against Russian forces was thwarted in Donetsk region.“On the morning of 4 June, the enemy launched a large-scale offensive in five sectors of the front in the South Donetsk direction,” the ministry said today.It added that “the enemy’s goal was to break through our defences in the most vulnerable, in its opinion, sector of the front” but Ukraine “did not achieve its tasks, it had no success.”The ministry shared a video claiming to show several Ukrainian armoured vehicles in a field blowing up after being hit.At least 250 Ukrainian troops were killed, 16 tanks and infantry vehicles were destroyed, and 21 armoured combat vehicles were damaged in the skirmish, the ministry said.Officials in Kyiv have not commented on the Russian defence ministry’s claims so far.It in not clear whether the attack represented the start of a long-expected Ukrainian counteroffensive to recapture some of the territory taken by Russian forces after the invasion of February 2022.He fled Ukraine under the barrel of a gun. Now his invention could turn the tide of Putin’s warMonday 5 June 2023 04:00 , Joe Middleton Gene Avakyan knows what it’s like to grow up during times of tension,Robert Waugh writes.[*He fled Ukraine under the barrel of a gun. Now his invention could derail Putin’s war*](https://www.independent.co.uk/news/world/europe/ukraine-war-update-military-news-putin-b2351121.html) Ukraine: Rescue workers search rubble of residential building after airstrike kills two-year-oldMonday 5 June 2023 03:00 , Joe Middleton Rescue workers have been filmed searching rubble after a deadly airstrike hit a residential area in Ukraine.A two-year-old girl was killed, and 22 other people injured, when the airstrike landed in Dnipro on June 3, Dnipropetrovsk governor Sergey Lysak said.According to Ukrainian President Volodymyr Zelensky, the airstrike landed “between two two-storey residential buildings”.While sharing footage of the rescue efforts, Volodymyr Zelensky said: “There are people under the rubble. All services are working.”[*Ukraine: Rescue workers search rubble of building after airstrike kills two-year-old*](https://www.independent.co.uk/tv/news/ukraine-russia-airstrike-child-rescue-b2351143.html) A US family adopted a six-year-old from Ukraine. Now they say she was an adult dwarf who tried to kill themMonday 5 June 2023 02:00 , Joe Middleton Michael and Kristine Barnett, of Indiana, decided in 2010 to open their home to a disabled six-year-old from Ukraine — or so they thought. What followed was a rapid cascade of suspicion and allegations that led to the demise of their marriage, criminal charges against each of them and an unbelievable tale that questions the innocence of all involved, writesSheila Flynn.[*Six-year-old saved by adoption or murderous adult imposter: Who is Natalia Grace?*](https://www.independent.co.uk/news/world/americas/curious-case-natalia-grace-barnett-jail-b2351084.html) Supporters of Russian opposition leader Navalny hold demonstrations to mark his 47th birthdayMonday 5 June 2023 01:00 , Joe Middleton Imprisoned opposition leader Alexei Navalny voiced hope for better future in Russia as his supporters held pickets and demonstrations to mark his 47th birthday on SundayNavalny is serving a nine-year sentence for fraud and contempt of court, charges he says were trumped up to punish his work to expose official corruption and organizing anti-Kremlin protests.He is facing a new trial on extremism charges that could keep him in prison for decades. Kremlin critics view the case as another Russian government attempt to isolate President Vladimir Putin‘s most prominent foe.[*Supporters of Russian opposition leader Navalny hold demonstrations to mark his 47th birthday*](https://www.independent.co.uk/news/world/americas/us-politics/alexei-navalny-ap-moscow-vladimir-putin-police-b2351175.html) Ukraine releases cinematic trailer as counter offensive beginsSunday 4 June 2023 22:18 , Joe MiddletonInside the penal colonies: A glimpse at life for political prisoners swept up in Russia's crackdownsSunday 4 June 2023 21:00 , Martha Mchardy When [*Alexei Navalny*](https://www.independent.co.uk/topic/alexei-navalny) turns 47 on Sunday, he’ll wake up in a bare concrete cell with hardly any natural light.He won’t be able to see or talk to any of his loved ones. Phone calls and visits are banned for those in “punishment isolation” cells, a 2-by-3-meter (6 1/2-by-10-foot) space. Guards usually blast patriotic songs and speeches by President [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) at him.“Guess who is the champion of listening to Putin’s speeches? Who listens to them for hours and falls asleep to them?” Navalny said recently in a typically sardonic social media post via his attorneys from Penal Colony No. 6 in the Vladimir region east of Moscow.[*Inside the penal colonies: A glimpse at life for political prisoners swept up in Russia's crackdowns*](https://www.independent.co.uk/news/alexei-navalny-ap-vladimir-putin-vladimir-karamurza-russia-b2350771.html) How Dmitry Medvedev went from being Russia’s president to Vladimir Putin’s attack dogSunday 4 June 2023 20:30 , Martha Mchardy When Dmitry Medvedev gave back the top spot in the Kremlin to Vladimir Putin in 2012, many observers hoped that the more liberal of the two men would continue to use his position to gently steer Russia in the direction of democratic reforms.What they did not expect was how, a decade on, Medvedev has become Moscow’s primary mouthpiece for [*nuclear sabre-rattling*](https://www.independent.co.uk/news/world/americas/us-politics/vladimir-putin-ap-ukraine-moscow-kremlin-b2177488.html) , as well as death threats to the leaders of Western nations, following his mentor’s full-scale invasion of Ukraine.A law graduate and then assistant professor at St Petersburg State University in the 1990s, Medvedev entered politics as a consultant to Putin during his time as an official in the St Petersburg city administration, before leading Putin’s first presidential election campaign. Arpan Raireports:[*How Dmitry Medvedev went from being Russia’s president to Vladimir Putin’s attack dog*](https://www.independent.co.uk/news/world/europe/dmitry-medvedev-who-is-putin-ukraine-russia-war-b2349524.html) ICYMI: Pictures show aftermath of Dnipro missile strike that killed oneSunday 4 June 2023 20:00 , Martha MchardyKremlin foe Navalny’s demands in prison: moonshine, a balalaika and a pet kangaroo -all deniedSunday 4 June 2023 19:30 , Martha Mchardy Imprisoned Russian opposition leader [*Alexei Navalny*](https://www.independent.co.uk/topic/alexei-navalny) released excerpts of his correspondence with prison administrators Friday, detailing his sarcastic demands for things like a bottle of moonshine, a balalaika and even a kangaroo. His requests were denied.Responses from prison officials, posted on his social media account apparently by his team, came after he has spent almost 180 days in solitary confinement since last summer at Penal Colony No. 6 in the [*Vladimir*](https://www.independent.co.uk/topic/vladimir) region east of [*Moscow*](https://www.independent.co.uk/topic/moscow). Navalny, 46, is serving a nine-year sentence after being convicted of fraud and contempt of court — charges he says were trumped up for his efforts to expose official corruption and organizing anti-[*Kremlin*](https://www.independent.co.uk/topic/kremlin) protests. He was arrested in January 2021 upon returning to Moscow after recuperating in Germany from nerve-agent poisoning that he blamed on the Kremlin.Read the full story:[*Kremlin foe Navalny's demands in prison: moonshine, a balalaika and a pet kangaroo --all denied*](https://www.independent.co.uk/news/alexei-navalny-ap-moscow-kremlin-vladimir-b2350494.html) ICYMI: Rescue workers search rubble of residential building after airstrike kills two-year-oldSunday 4 June 2023 19:00 , Martha Mchardy Rescue workers have been filmed searching rubble after a deadly [*airstrike*](https://www.independent.co.uk/topic/airstrike) hit a residential area in [*Ukraine*](https://www.independent.co.uk/topic/ukraine). A two-year-old girl was killed, and 22 other people injured, when the airstrike landed in Dnipro on June 3, Dnipropetrovsk governor Sergey Lysak said.According to Ukrainian President [*Volodymyr Zelensky*](https://www.independent.co.uk/topic/volodymyr-zelensky) , the airstrike landed “between two two-storey residential buildings”.While sharing footage of the rescue efforts, Volodymyr Zelensky said: “There are people under the rubble. All services are working.”[*Ukraine: Rescue workers search rubble of building after airstrike kills two-year-old*](https://www.independent.co.uk/tv/news/ukraine-russia-airstrike-child-rescue-b2351143.html) He fled Ukraine under the barrel of a gun. Now his invention could turn the tide of Putin’s warSunday 4 June 2023 18:30 , Martha Mchardy An aerospace engineer and entrepreneur who left the USSR as a child has created “robot” planes that he says could “change the world” and hopes they’ll be used in the war to help his birthplace.Gene Avakyan knows what it’s like to grow up during times of tension, having been born in Kyiv, Ukraine, before leaving the country when he was just nine years old – fleeing in the middle of the night and made to walk a gauntlet of “soldiers with AK-47s” just to get on a train.Since then, his life has changed dramatically, with the 52-year-old falling in love with aviation and space travel as a teenager, and dedicating his time to developing new technologies in this area. Robert Waugh reports:[*He fled Ukraine under the barrel of a gun. Now his invention could derail Putin’s war*](https://www.independent.co.uk/news/world/europe/ukraine-war-update-military-news-putin-b2351121.html) Supporters of Russian opposition leader Navalny hold demonstrations to mark his 47th birthdaySunday 4 June 2023 18:00 , Martha Mchardy Imprisoned opposition leader [*Alexei Navalny*](https://www.independent.co.uk/topic/alexei-navalny) voiced hope for better future in Russia as his supporters held pickets and demonstrations to mark his 47th birthday on SundayNavalny is serving a nine-year sentence for fraud and contempt of court, charges he says were trumped up to punish his work to expose official corruption and organizing anti-Kremlin protests.He is facing a new trial on extremism charges that could keep him in prison for decades. Kremlin critics view the case as another Russian government attempt to isolate President [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) ‘s most prominent foe.Read the full story:[*Supporters of Russian opposition leader Navalny hold demonstrations to mark his 47th birthday*](https://www.independent.co.uk/news/world/americas/us-politics/alexei-navalny-ap-moscow-vladimir-putin-police-b2351175.html) Russia's most famous icon handed over from museum to church despite protestsSunday 4 June 2023 17:30 , Martha Mchardy[*Russian*](https://www.independent.co.uk/topic/russia) Orthodox believers celebrated Trinity Sunday with Russia’s most famous icon transferred from a museum to [*Moscow*](https://www.independent.co.uk/topic/moscow) ‘s main cathedral despite the keepers’ vociferous protests.The Trinity icon by Andrei Rublev, which was kept in Moscow’s Tretyakov Gallery since the 1920s, was moved to Christ the Savior Cathedral before the holiday on President [*Vladimir Putin*](https://www.independent.co.uk/topic/vladimir-putin) ‘s personal order.Putin’s abrupt decision to hand over the 15th-century icon to the church came despite a strong opposition from the Tretyakov keepers, who warned that the icon was too fragile to move and requires constant care to avoid a drastic deterioraton in its condition.Read the full story:[*Russia's most famous icon handed over from museum to church despite protests*](https://www.independent.co.uk/news/vladimir-putin-ap-russia-moscow-russian-orthodox-b2351183.html) Russian forces repel incursion by Ukrainian saboteurs -Interfax cites ministrySunday 4 June 2023 17:00 , Martha Mchardy Russian forces used artillery to repel a cross-border incursion by a group of pro-Ukrainian “saboteurs” on Sunday, Interfax news agency reported, citing Russia’s defence ministry.Earlier, the governor of Belgorod, a Russian region bordering Ukraine, had reported fighting in the border town of Novaya Tavolzhanka.‘A threat to our children is a threat to all children,’ says Ukrainian first ladySunday 4 June 2023 16:54 , Martha Mchardy Ukrainian first lady Olena Zelenska visited Kharkiv today to commemorate Ukrainian children killed since Russia’s invasion of Ukraine.In a written statement she said: “The world must realize, if it hasn’t realized yet: a threat to our children is a threat to all children. Childhood has no borders. “It is difficult to open monuments to those killed. Especially if these killed are children. “I remember a photo of a father holding the hand of his son who was killed at a bus stop here in Kharkiv,” she went on.“Parents hold their children’s hand when they learn to walk. Parents hold their children’s hand when they take them to kindergarten or school for the first time. And the most terrible thing is when parents hold the hands of the children who have been killed.”It comes as her husband, Ukrainian president Volodymyr Zelensky said today at least 500 Ukrainian children have died since the Russian invasion of Ukraine, while 1,005 have been injured.Over 19,500 Ukrainian children have been abducted by Russian authorities, the Kyiv Independent reported.Watch: Rescuers search rubble following deadly strike on Dnipro that left one deadSunday 4 June 2023 16:45 , Martha MchardyLatest pictures from the war in UkraineSunday 4 June 2023 16:14 , Martha MchardyRussian governor says he is ready to meet group keeping soldiers captiveSunday 4 June 2023 15:40 , Martha Mchardy The governor of Russia’s Belgorod region said on Sunday that he was willing to meet a pro-Ukraine group of Russian fighters keeping two Russian soldiers captive.In a joint statement with the Russian Volunteer Corps, the Freedom of Russia Legion said earlier it was willing to hand over the soldiers in exchange for a meeting with the governor.“Most likely they killed them, as hard as it is for me to say. But if they are alive, from 5-6 p.m -Shebekino checkpoint. I guarantee safety,” governor Vyacheslav Gladkov said.Ukraine has previously denied any involvement with the Freedom of Russia Legion.However, the group has claimed it cooperates with the Ukrainian armed forces and operates under Ukrainian command.Russian governor says ‘Ukrainian saboteurs’ fighting in border townSunday 4 June 2023 15:27 , Martha Mchardy The governor of Russia’s Belgorod region said on Sunday that fighting with a ‘Ukrainian saboteur group’ was taking place in the town of Novaya Tavolzhanka, near the Ukrainian border.Protests, poisoning and prison: A look at the life of Kremlin opposition leader Alexei NavalnySunday 4 June 2023 15:05 , Martha Mchardy In a span of a decade, [*Alexei Navalny*](https://www.independent.co.uk/topic/alexei-navalny) has gone from the Kremlin’s biggest foe to Russia’s most prominent political prisoner.Already serving two convictions that have landed him in prison for at least nine years, he faces a new trial that could keep him behind for two more decades.Navalny turns 47 today in prison, where he has been repeatedly locked up in solitary confinement.A look at Navalny’s life, political activism and the charges he has faced through the years:Read the full story:[*Protests, poisoning and prison: A look at the life of Kremlin opposition leader Alexei Navalny*](https://www.independent.co.uk/news/world/americas/us-politics/alexei-navalny-ap-russia-moscow-vladimir-putin-b2350780.html) Ukraine’s military urges ‘silence’ ahead of expected counteroffensiveSunday 4 June 2023 14:22 , Martha Mchardy The Ukrainian military on Sunday renewed its plea for operational silence around a long-awaited counteroffensive against Russian forces, the latest in a stream of messages by Kyiv as it prepares for the assault.Anticipation has mounted around what is expected to be a broad attack by Ukrainian forces to retake Russian-occupied territory in the east and south.But Ukrainian officials have repeatedly discouraged public speculation over the operation, saying it could help the enemy.Authorities in recent days have also cracked down on citizens sharing images or footage of air defence systems shooting down Russian missiles.“Plans love silence. There will be no announcement of the start,” the ministry said in a video posted to official Telegram channels, apparently referring to the counteroffensive.Плани люблять тишу Оголошення про початок не буде — Міністерство оборони України [*pic.twitter.com/QafSNfZM08*](https://t.co/QafSNfZM08) — Defence intelligence of Ukraine (@DI\_Ukraine) [*June 4, 2023*](https://twitter.com/DI_Ukraine/status/1665318760650080256?ref_src=twsrc%5Etfw) The sleekly-produced footage featured masked and well-armed front-line troops holding their fingers against their lips, gesturing for silence amid the distant rumble of artillery and gunfire.It ended with images of soaring F-16 fighter jets -long coveted by Kyiv as it seeks to boost its air defence against Russian missiles and drones.Kyiv’s Western allies in recent months have provided weapons, armour and ammunition for the counteroffensive, which military experts have said could prove difficult against dug-in Russian forces.In an interview published on Saturday, Ukrainian president Volodymyr Zelensky said Kyiv was prepared for the operation but avoided making any predictions.“To be honest, it can go a variety of ways, completely different,” he told the Wall Street Journal. “But we are going to do it, and we are ready.”Other senior officials, including defence minister Oleksii Reznikov, have similarly sought to tamp down expectations.In some cases, however, the military has also fed the anticipation. Social media outreach by Kyiv has often been intended to intimidate the Kremlin.Last week, it posted a flashy video depicting troops preparing for battle and reciting a rousing blessing, which was later aired as a recruiting clip.Kremlin: Western long-range missiles to Ukraine will fuel 'spiralling tension'Sunday 4 June 2023 14:19 , Martha Mchardy The Kremlin said on Sunday that any supply of long-range missiles to Kyiv by France and Germany would lead to a further round of “spiralling tension” in the Ukraine conflict.Britain last month became the first country to supply Ukraine with long-range cruise missiles.Ukraine has asked Germany for Taurus cruise missiles, which have a range of 500 km (311 miles), while President Emmanuel Macron has said France will give Ukraine missiles with a range allowing it to carry out its long-anticipated counteroffensive.“We are already starting to see discussions about deliveries from France and Germany of missiles with a range of 500 km or more,” Kremlin spokesman Dmitry Peskov told a reporter from the Rossiya-1 TV channel.“This is a completely different weapon which will lead to, let’s say, another round of spiralling tension,” he said.Russia has repeatedly criticised Western countries for supplying Ukraine with weapons and has warned that NATO members have effectively become direct parties to the conflict.Moscow has made clear it sees such weapons supplied by the West as legitimate targets in what it calls its “special military operation” in Ukraine, now in its 16th month.Ukraine says it needs more weapons, including long-range missiles, to defend itself against Russian attacks and re-capture its occupied territory.Peskov also reiterated that Russia would continue its operations in Ukraine until the “job is done... There is no alternative”.Moscow says it had to act in Ukraine to protect its own security and push back against what it says is a hostile and aggressive West bent on the destruction of Russia.A US family adopted a six-year-old from Ukraine. Now they say she was an adult dwarf who tried to kill themSunday 4 June 2023 14:05 , Martha Mchardy Michael and Kristine Barnett, of Indiana, decided in 2010 to open their home to a disabled six-year-old from Ukraine — or so they thought. What followed was a rapid cascade of suspicion and allegations that led to the demise of their marriage, criminal charges against each of them and an unbelievable tale that questions the innocence of all involved, writesSheila Flynn.[*Six-year-old saved by adoption or murderous adult imposter: Who is Natalia Grace?*](https://www.independent.co.uk/news/world/americas/curious-case-natalia-grace-barnett-jail-b2351084.html) Homecoming on film: Award-winning Mariupol documentary screened for 1st time in UkraineSunday 4 June 2023 13:35 , Martha Mchardy The award-winning film “20 Days in Mariupol” made its premiere in Ukraine on Saturday, seen for the first time by some of the Ukrainian medics and first responders who were chronicled in the documentary about how [*Russian*](https://www.independent.co.uk/topic/russia) forces bombed and blasted their way into the southeastern port city last year.Repeated standing ovations in a packed [*Kyiv*](https://www.independent.co.uk/topic/kyiv) cinema, mixed with tears and hugs, greeted those Ukrainian civil servants who toiled nearly non-stop in and around a [*Mariupol*](https://www.independent.co.uk/topic/mariupol) hospital that was a centerpiece of the film about the city early on in Russia’s full-scale invasion of Ukraine on Feb. 24, 2022.For some, the screening served as an unsettling flashback to their own brush with death in the city — a fate inescapable for untold numbers of other victims of Russia’s invasion, including toddlers, infants and expectant mothers whose final moments were caught on video shown in the film.Read the full story:[*Homecoming on film: Award-winning Mariupol documentary screened for 1st time in Ukraine*](https://www.independent.co.uk/news/mariupol-ap-ukraine-kyiv-russia-b2351029.html) Circumstances of death of 2-year-old gril killed by Russian missile strikes in Dnipro revealedSunday 4 June 2023 13:02 , Martha Mchardy The circumstances of the death of a two-year-old girl killed by Russian missile strikes in Dnipro have been revealed.The city’s governor Serhiy Lysak said the two-year-old, who has been named as Lisa, was at home with her mother when Russian artillery struck the garden of their house.The girl’s father, who returned home from work to find his house destroyed, “screamed wildly” when he found his wife and daughter under the rubble, the governor said.“It is difficult to imagine what the girl’s father felt,” he added.The girl’s mother was taken to intensive care, but the two-year-old died at the scene.“Generation after generation will hate the aggressor for everything he has done. We will not forgive,” the governor said.At least 22 people were injured, including five children, after a Russian rocket attack hit the Ukrainian city of Dnipro on Saturday night. Pro-Ukraine Russian fighters say they have two Russian soldiers captiveSunday 4 June 2023 12:25 , Martha Mchardy A group of pro-Ukraine Russian fighters said on Sunday they had taken two Russian soldiers captive amid fighting in Russia’s Belgorod region and offered to exchange them during a personal meeting with the regional governor.The joint statement by the Freedom of Russia Legion and the Russian Volunteer Corps was posted on the former’s Telegram channel.Ukraine has previously denied any involvement with the Freedom of Russia Legion.However, the group has claimed it cooperates with the Ukrainian armed forces and operates under Ukrainian command.The claims have not been independently verified.‘Paranoid’ Russian officials outlaw blue and yellow colours in public, says UK Ministry of DefenceSunday 4 June 2023 12:19 , Martha Mchardy “Paranoid” Russian officials have effectively outlawed the wearing of blue and yellow, the colours of the Ukrainian flag, in public, the UK Ministry of Defence has said.In an intelligence update posted on Twitter, the UK defence ministry said some Russian officials have outlawed the colours because they “might evidence discreet support for Ukraine.”The ministry said the clampdown “highlights uncertainty within a paranoid Russian officialdom of what is and is deemed permissible within an increasingly totalitarian system.”“Some local Russian security officials are likely interpreting Russia’s draconian wartime legislation to mean that public display of blue and yellow items is outlawed because it might evidence discreet support for Ukraine,” the update said.In May, a care home worker was reportedly arrested after wearing a blue and yellow jacket to work, the Ministiry of Defence said.Meanwhile, in recent days, Russian National Guard troops arrested a 22 year old man in Volkhov near St Petersburg for displaying what was eventually determined to be the blue and yellow flag of Russia’s own Aerospace Forces.The Ministry of Defence said Russia’s ultra-nationalist, pro-war Liberal Democratic party, whose own branding features yellow on a blue background, had criticised the arrests.Latest Defence Intelligence update on the situation in Ukraine -04 June 2023.Find out more about Defence Intelligence's use of language: [*https://t.co/YVnIr3Aa9L*](https://t.co/YVnIr3Aa9L) [*#StandWithUkraine*](https://twitter.com/hashtag/StandWithUkraine?src=hash&ref_src=twsrc%5Etfw) [*pic.twitter.com/mFQnDGX5A3*](https://t.co/mFQnDGX5A3) — Ministry of Defence (@DefenceHQ) [*June 4, 2023*](https://twitter.com/DefenceHQ/status/1665236216193613824?ref_src=twsrc%5Etfw)

At least 500 children killed during war, says Zelensky

At least 500 Ukrainian children have died since the Russian invasion of Ukraine, president Zelensky has said.

The president said in a statement that “Russian weapons and hatred, which continue to take and destroy the lives of Ukrainian children every day”, killed the hundreds who had perished since Russia’s full-scale invasion of Ukraine started on February 24, 2022.

“Many of them could have become famous scholars, artists, sports champions, contributing to Ukraine’s history,” he said.

Mr Zelensky said it was impossible to establish the exact number of children who were casualties due to the ongoing hostilities and because some areas are under Russian occupation.

“We must hold out and win this war!” the Ukrainian president said. “All of Ukraine, all our people, all our children, must be free from the Russian terror.”

Rescuers found the two-year-old’s body early on Sunday while combing through the rubble of an apartment building in the suburbs of the central city of Dnipro.

The regional governor, Serhiy Lysak, said five children were among 22 people injured by Saturday’s attack, which damaged two residential buildings.

Russia says Ukraine shelled market area in town of Shebekino

The governor of Russia’s Belgorod region said on Sunday that Ukrainian forces shelled a market area in the town of Shebekino, about 7 km (4 miles) from the Ukrainian border, but that no one was injured.

He said the shelling had caused fires to break out near the town’s market, a private area and a grain depot.

The reports have not been independently verified.

“Emergency services are on the scene,” governor Vyacheslav Gladkov wrote on the Telegram messaging app.

Russian forces 'may not hold on to Bakhmut,' says military analyst

Vladimir Putin’s troops “may not hold on to Bakhmut,” a military analyst has said.

Michael Kofman of the Center for Naval Analyses, a U.S. research group, said Russian forces will “find it difficult to defend” Bakhmut now Wagner mercenary fighters are withdrawing from the city.

“And so they may not hold on to Bakhmut, and the whole thing may have ended up being for nothing for them down the line,” he told the War on the Rocks podcast in an interview on Tuesday.

Russian forces declared victory in the eastern Ukrainian city of Bakhmut last month after a nine-month battle with Ukrainian forces.

However, Ukrainian deputy defence minister Hanna Maliar has warned that “the battle for the Bakhmut area hasn’t stopped,” she said. “It is ongoing, just taking different forms.”

Maliar said artillery shelling still goes on in Bakhmut at levels similar to those at the height of the battle to take the city.

It comes as Wagner Group chief Yevgeny Prigozhin said his men would withdraw from the city, after a dispute with the Kremlin over a lack of ammunition received from Putin’s government, and a loss of over 20,000 of his men.

They will be replaced by Russian forces.

Russia had envisioned the capture of Bakhmut as partial fulfilment of its ambition to seize control of the eastern Donbas region, Ukraine’s industrial heartland. Now, its forces have been compelled to regroup, ***rotate*** fighters and rearm just to hold the city.

Watch: Rescuers search rubble following deadly strike on Dnipro

Ukraine minister in ‘disbelief’ at closed Kyiv bomb shelters

A senior Ukrainian government official expressed “disbelief” on Sunday after learning that nearly half of Kyiv bomb shelters inspected during an initial audit were closed or unfit for use.

President Volodymyr Zelensky ordered an inspection of all Ukrainian shelters on Friday, a day after three people were killed in Kyiv when they were unable to access one during a Russian air strike.

Oleksandr Kamyshin, Ukraine’s minister of ***strategic*** industries, said that out of 1,078 shelters examined on the first day, 359 were unprepared and another 122 locked, while 597 were found to be usable.

“I greeted with disbelief that fact that half were open and considered ready,” he wrote on the Telegram messaging app.

“Yesterday, when we selectively checked the shelters in the Obolon district with our mayor, the absolute majority of the shelters were closed.”

Kamyshin said the inspections, taking place with the Kremlin’s full-scale invasion of Ukraine now in its 17th month, would continue.

Russia has stepped up regular attacks on Kyiv since early May, especially at night, in what officials say is an attempt to damage morale ahead of a long-expected Ukrainian counteroffensive to reclaim Russian-occupied territory.

Thursday’s deaths caused a public outcry and a promise of a harsh response by Zelensky, which appeared aimed at Kyiv mayor Vitali Klitschko, who has clashed with the president before.

Klitschko acknowledged at a local committee meeting on Friday that he bore some responsibility but said others were also to blame, particularly allies of the president who had been appointed to lead the city’s districts.

In pictures: Aftermath of Dnipro air strikes as girl, 2, dies and 22 injured

Click [*here*](https://www.independent.co.uk/news/world/europe/russian-ukraine-war-putin-counteroffensive-latest-b2351361.html) to read the full blog on The Independent's website

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[***Meeting with war correspondents***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:68GD-KF21-F0YC-N138-00000-00&context=1516831)

Impact News Service

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**Length:** 16598 words

**Body**

Moscow: Presidential Executive Office of Russia has issued the following news release:

ThePresident met with war correspondents attheKremlin.

Yevgeny Poddubny:Good afternoon, Mr President.

Thank you very much forfinding thetime tomeet with us.

President ofRussia Vladimir Putin: Iam very happy tosee you all.

Yevgeny Poddubny:Our previous meetings have all taken place inanatmosphere oftrust. Our conversations have always been sharp andfrank, andwe are very grateful toyou forthis.

Vladimir Putin: Ifeel you won ’ t be able todo that if thecameras are on; everyone wants tofire up theaudience when theTV cameras are on.

Yevgeny Poddubny: No, we will keep things inhand.

We are hoping this talk will also be honest andopen, andwe are all counting onthis.

Vladimir Putin: It will be onmypart, Ipromise.

Yevgeny Poddubny: Onour part – aswell.

Vladimir Putin: Excellent, this is what it will be.

Yevgeny Poddubny: You have said more than once that all thegoals that you set personally forthespecial military operation will be achieved. Thespecial military operation has lasted afairly long time. Thesituation is changing, theposition is changing, andprobably thegoals andtasks ofthespecial military operation are changing aswell. Can you tell us how they have changed if atall?

Vladimir Putin: No, they are changing inaccordance with thecurrent situation but ofcourse overall we are not changing anything. Our goals are fundamental forus.

All ofyou here are very seasoned professionals, especially people like you who have been under fire formore than ayear. Your mentality changes. Iknow this from myown experience even though Ihaven ’ t crawled under flying bullets like you have, Ihave known this since thetime Iflew inahelicopter with tracer fire around us. You know, all this changes your mentality. So, what is thepoint ofour actions? We will have totake two steps from thecentre ofthefield. After all, we wanted andstill want tohave thebest possible relations with all our neighbours after thecollapse oftheSoviet Union. This is what we are doing. We have accepted that what happened, happened, andnow we must live with it.

Andyou know, I ’ ve already said that, no secret here, we did offer every option toour Western partners, asIused tocall them, we thought we were one ofthem, we wanted tobe inthefamily ofso-called civilised nations. Ireached out toNATO ***suggesting*** that we look into that possibility, but we were quickly shown thedoor; they didn't even bother toconsider it. Ialso ***suggested*** creating ashared missile defence system.

We are aware that theevents ofthe1990s – early 2000s stem from abitter historical legacy intheCaucasus, forinstance. Who were we fighting there? Mostly, Al-Qaeda. Andwhat did our “partners” do? They supported them byproviding financial, information, political andeven military support. They did not give adamn about thefact that they were helping Al-Qaeda aslong asthey were able torock our boat. Everything they did fit theparadigm ofrocking Russia. We left no stone unturned inour efforts andfinally agreed that NATO would not be expanded. We came up with every option we could. Still no. Why? It is just because thecountry is too big: no one needs acountry that big andwith such great potential inEurope. Everyone tries their hand atgradually breaking Russia into pieces.

Ukraine is part oftheeffort todestabilise Russia. Byandlarge, this should have been kept inmind when decisions were made onbreaking theSoviet Union up. But then, apparently, it was expected that our profound relations would be decisive. But due toanumber ofhistorical, economic andpolitical circumstances thesituation took adifferent path. We tried everything onthis path aswell. Infact, we have, fordecades, if not fed, but sustained their economy – you are aware ofthis, since Ihave written andtalked about it – with cheap energy, other things, loans andso on. Tono avail. How did it end eventually? They started killing our supporters inthestreets andeventually staged acoup d ’ etat.

Look, this is not thefirst coup. How did Yushchenko come topower inUkraine? Was it asaresult ofalegitimate procedure? Do you want me toshow you how he came topower? We are aware ofit. They came up with athird round ofelections. What was that about? This was not enshrined intheConstitution. It was acoup, but atleast arelatively peaceful one. Andwe did communicate with them. Iwent there andthey came tous, no problem. But eventually, they pushed it toabloody coup. That is, it became obvious that we were not given any chance tobuild normal relations with our neighbours andthefraternal Ukrainian people. Not asingle chance.

Then they pulled themselves together, andevents immediately started unfolding inthesoutheast, inDonbass – after thecoup d ’ état, they realised that we would not be able tojust leave Crimea – we simply could not leave it, this was impossible, it would have been abetrayal onour part. But we didn ’ t touch Donbass. Yes, our volunteers were there, but theRussian state had nothing todo with it atall – Iassure you ofthis – none atall. I ’ m perfectly open andhonest – we had nothing todo with it, our involvement was zero. Yes, there were people from Russia there. They tried tosupport thelocal population andso on.

Eventually, we were compelled toact indefence ofthese people. We were simply compelled todo this. Nine years! We genuinely tried toagree – difficult asit was – onsomehow keeping Ukraine ’ s southeast aspart ofthecountry, we were sincerely working forthis. Now we know that our so called partners simply cheated us – they swindled us, aspeople say. They never planned tofulfil any oftheagreements, asit turned out, andso it all came tothecurrent situation.

Moreover, they put bastards like Bandera onapedestal. They don ’ t want communism. Fine, who wants that today? They are throwing thefounder ofUkraine – Lenin – off his pedestal. Okay, this is up tothem, but they are putting Bandera up there instead, andhe is afascist. Iam totally surprised athow aperson with Jewish blood, thehead ofthestate ofUkraine, can support neo-Nazis. It simply beats me. After they basically annihilated thecivilian Jewish population, Bandera andhis supporters have been elevated totherank ofnational heroes. Now they are marching with those posters. So, we will never accept historically what is happening there.

We continuously raised this issue during our negotiations, including inIstanbul. Andinresponse, we were asked, “We don ’ t have anything todo with neo-Nazis, what do you want from us?” We atleast want certain restrictions tobe introduced into thelaw. Incidentally, onthewhole, we also agreed onthis during that round oftalks – before our troops moved away from Kiev because afterwards they threw all our agreements away.

Demilitarisation. We are dealing with this gradually, methodically. What are theArmed Forces ofUkraine fighting with? Do they produce Leopards orBradleys ortheF-16s they haven ’ t received yet? They don ’ t produce athing. TheUkrainian defence industry will soon cease toexist altogether. What do they produce? Ammunition is delivered, equipment is delivered andweapons are delivered – everything is delivered. You won't live long like that, you won't last. So, theissue ofdemilitarisation is raised invery practical terms.

Thesame applies toprotecting people inDonbass. Yes, unfortunately, theshelling continues, andeverything else too. But overall we will be working towards this methodically andwe will resolve this. Iam sure we will resolve it.

So, byandlarge, our principles andthus, our goals have not changed since thebeginning oftheoperation. There has been no change.

Dmitry Kulko: Good afternoon, Mr President.

Dmitry Kulko, Channel One.

Ukraine ’ s counteroffensive is underway. You provided your comment onthesituation five days into thecounteroffensive. Some time has passed since then. You receive operational updates every day and, aswe can see, not only from thespecial military operation command, but you make direct phone calls tothefront line aswell.

Vladimir Putin: Yes.

Dmitry Kulko: Is there anything you can add toyour previous assessments?

Vladimir Putin: Yes. This is alarge-scale counteroffensive, which uses, asIrecently said publicly, reserves that had been stockpiled tothis end. It started onJune4. It continues tothis day andright now aswe speak.

Ilistened tothemost recent report about thelatest developments. There was anattack intheShakhtersky direction this morning. Up to100 troops, four tanks andtwo armoured vehicles [from theUkrainian side]. IntheVremevsky direction, there are several tanks andarmoured vehicles aswell. Theattack is proceeding inseveral directions. Several tanks andarmoured vehicles have been destroyed, andUkraine suffered military personnel losses. They failed toreach thefront line.

Overall, though, this is alarge-scale offensive: they started out ontheVremevsky ledge, intheShakhtersky andZaporozhye directions. It began precisely with theuse ofstrategic reserves andcontinues aswe speak: right now, with us gathered here anddiscussing it, there is abattle going oninseveral combat areas.

What can Isay? Theenemy was not successful inany sector. They suffered big losses. Good thing forus. Iwill not give thenumber ofpersonnel losses. Iwill let theDefence Ministry do it after it runs thenumbers, but thestructure oflosses is unfavourable forthem aswell. What Imean tosay is that ofall personnel losses – andthey are approaching anumber that can be called catastrophic – thestructure ofthese losses is unfavourable forthem. Because aswe know, losses can be sanitary orirretrievable. Usually, Iam afraid Imay be off alittle, but irretrievable losses are around 25 percent, maximum 30 percent while their losses are almost 50/50. This is myfirst point.

Second, if we look atirretrievable losses, clearly, thedefending side suffers fewer losses, but this ratio of1 to10 is inour favour. Our losses are one-tenth ofthelosses oftheUkrainian forces.

Thesituation is even more serious with armour. During this period, they lost over 160 tanks andmore than 360 armoured vehicles ofdifferent types. This is only what we are seeing. There are also losses that we don ’ t see. They are inflicted bylong-range precision weapons atmasses ofpersonnel andequipment. So, inreality Ukraine has sustained heavier losses. Bymycalculations, these losses are about 25 ormaybe 30 percent oftheequipment supplied from abroad. It seems tome they would agree with this if they count objectively. But, asfar asIknow from open Western sources, it seems that this is what they say.

So, theoffensive is on, andIhave described thelatest results.

Asforour losses – let theDefence Ministry talk about other indicators andpersonnel – Isaid they lost over 160 tanks andwe lost 54 tanks, some ofwhich can be restored andrepaired.

Dmitry Kulko: Thank you.

Yekaterina Agranovich:Good afternoon,

Agranovich Yekaterina, blogger.

Ihave aquestion about theKakhovka Hydroelectric Power Plant. Atragedy has occurred andwe still have toevaluate theenvironmental andsocial consequences. But here ’ s myquestion: who is toblame forthis inyour opinion? Will they be punished? Andathird question: what assistance can people from theaffected territories expect?

Vladimir Putin: It is clear who is toblame – Ukraine was working atthis.

You know, Iam not going tosay things that Iam not one hundred percent sure of, but byandlarge, we did not record any big explosion just before thedestruction. Atany rate, this is what was reported tome. But they had targeted theKakhovka HPP with HIMARS many times. That ’ s thewhole point. Maybe, they placed munitions there – Idon ’ t know right now, ormaybe they undermined thestructure with something minor andit triggered thebreak.

But asfar aswe are concerned, we are not interested inthis now because there are arduous consequences fortheterritories that we control andthat belong toRussia. This is thefirst point.

Now thesecond point. Unfortunately, Iwill say astrange thing now but nevertheless, this unfortunately ruined their counteroffensive inthis direction. Why unfortunately? Because it would have been better forus if they had launched their offensive there – better forus because it would have been abad offensive position forthem. But that didn ’ t happen because oftheflooding.

TheEmergencies Ministry is working very actively there; themilitary is working actively, andthelocal authorities are working. Irecently talked with Acting Head oftheKherson Region [Vladimir] Saldo, andhe says, “Iwill tell you honestly, we are surprised. We have never seen such well-coordinated work. ” Let this be true, although there are certainly problems.

There are people who refuse toleave, tobe evacuated. Tobe honest, this happens here too. Iremember aflood ontheLena when people were sitting ontheir roofs andrefused toleave because they were afraid toleave thehouse, they were afraid that it would be plundered, etc. This is how things go. There may be other considerations ofadifferent nature. Inany case, everything that can be done is being done: theEmergencies Ministry is working very actively, andagain, thelocal authorities, theHealthcare Ministry andtheFederal Medical-Biological Agency have also joined theeffort.

Now we must approach theissue ofenvironmental safety andsanitary safety very seriously, because cattle burial sites andcemeteries are underwater. This is aserious problem, but it is solvable. We will need touse thechemical protection troops: theMinister has already reported tome, he gave thecommand. Together, byjoining forces, Ithink we will be able tosolve all theproblems, including with water supply.

Today Ispoke with Marat Khusnullin. He says we will have todeal with water availability there, build new wells, etc. But thework is already underway. Asthewater levels decline, andit is already gradually dropping, everything will be resolved astheproblems appear. Ofcourse, much livestock andwild animals died, unfortunately. We will need toorganise all this, toclean up thearea.

Asforthepeople, everyone will receive assistance inaccordance with Russian law andstandards. All these conditions are known, they are envisaged inour laws. Everything will be done inthesame way asforany other citizen oftheRussian Federation, forevery household. Ihave already told Minister [ofEmergencies] Alexander Kurenkov totake anactive role inassessing property damage, both movable andimmovable. So, we are doing everything we can.

Yekaterina Agranovich:Thank you.

Alexander Kots:Mr President, myname is Alexander Kots, Komsomolskaya Pravda.

Thequestion may be unpleasant, but people often ask us about it.

Vladimir Putin:There are no unpleasant questions here.

Alexander Kots:Our readers andviewers often ask us thesame question – about theenemy ’ s activity inour rear.

Hardly aweek passes without news ofdrones either trying tohit orhitting infrastructure facilities. Surely, there is anacute issue regarding our border area, especially theBelgorod Region.

Myquestion literally goes like this: how does it happen that enemy drones reach theKremlin? And, having started toliberate Donbass, why are we now forced toevacuate our population from theborder areas, which are already being entered byPolish mercenaries, andthePolish language is heard onour territory?

Vladimir Putin:Polish mercenaries are indeed fighting there – you are absolutely right, Iagree with you – andthey are suffering more loss. Infact, they are trying tohide them, but their losses are serious. It is apity that they hide this from their population too. Mercenaries are being recruited – right inPoland, andinother countries, bytheway. They are sustaining losses. That ’ s first.

Second, concerning drones. You probably know, andyour colleagues also know, atone time we had asituation atKhmeimim when drones flew inand, unfortunately, dropped several grenades, andwe lost personnel there. But we rather quickly learned todeal with this, invarious ways, with various means. It is sometimes difficult, but it is asolvable task.

Apparently, thesame is true here: our relevant agencies need tomake thenecessary decisions, because thetraditional air defence system, asyou surely know, is calibrated formissiles, forlarge aircraft. Asarule, thedrones you are talking about, andyou are also aware ofthis, they are made ofmodern lightweight materials, made ofwood, andit is quite difficult todetect them. But they are being detected. Although, it is necessary tocarry out corresponding work, detect them intime, andso on. Andthis, ofcourse, is being done, andwill be done forsure, asfar asMoscow andother major centres are concerned, Ihave no doubts about it whatsoever.

Andyes, we must properly organise this work. Andofcourse, it would be better if this had been done inatimely manner andattheproper level. Nevertheless, this work is being carried out, and, Irepeat once again, Iam sure that these tasks will be solved.

Asforborder areas, there is aproblem, andit is connected – andIthink you understand this too – mainly with adesire todivert our forces andresources tothis side, towithdraw part oftheunits from those areas that are considered themost important andcritical from thepoint ofview ofpossible offensive bythearmed forces ofUkraine. We do not need todo this, but ofcourse we must protect our citizens.

What can be said here? Ofcourse, we need tostrengthen theborder, andif any ofyou work there, you surely can see that this process is moving quite quickly, andthis task ofstrengthening theborders will also be solved. But thepossibility ofshelling our territory from theterritory ofUkraine certainly remains. Andthere are several solutions here.

First, increasing effectiveness andcounter-battery combat; but this does not mean that there will be no missiles flying atour territory. Andif this continues, then we will apparently have toconsider theissue – andIsay this very carefully – inorder tocreate some kind ofbuffer zone ontheterritory ofUkraine atsuch adistance from which it would be impossible toreach our territory. But this is aseparate issue, Iam not saying that we will start this work tomorrow. We have tosee how thesituation develops.

But ingeneral, nothing like that is happening intheBelgorod Region oranywhere else; both border guards andtheArmed Forces are now working there. Ofcourse, there is nothing good inthis: infact, it was possible toassume that theenemy would behave this way and, probably, toprepare better. Iagree. But theproblem will be solved, either this way ortheway Imentioned.

Yevgeny Poddubny:Mr President, Iam Yevgeny Poddubny, VGTRK (All-Russian State Television andRadio Broadcasting Company). Incontinuation ofAlexander ’ s topic.

Vladimir Putin:Yes, Yevgeny, please.

Yevgeny Poddubny:Theenemy ’ s special services agents are openly working onour territory, openly inthesense ofnot even denying that they are hunting leaders ofpublic opinion inRussia: themurder ofDaria Dugina, themurder ofVladlen Tatarsky, theassassination attempt onZakhar Prilepin. Asamatter offact, it is clear that theUkrainian special services are conducting terrorist, sabotage activities inRussia.

How will theRussian state fight theenemy ’ s agents andtheenemy ’ s special services operating ontheterritory ofRussia?

Vladimir Putin:Your question is very similar towhat Alexander has asked, because these activities are essentially equivalent. We must fight, andwe are fighting, we are, andsome results ofthis work are becoming public, andthepublic is familiar with it: thedetention ofagents andspecial services officers ofaneighbouring state. Thework is ongoing.

But Iwant topoint out that we, unlike Ukraine ’ s current authorities, cannot employ terrorist methods: we still have astate, acountry, while it is aregime there. They operate, infact, asaregime based onterror: they have avery tough counterintelligence regime, martial law. Idon ’ t think we need todo that now. We just need toimprove andexpand thework oflaw enforcement agencies andspecial services. Andingeneral, it seems tome that thetasks inthis regard are also solvable.

You have analysed thetragedies you have mentioned andyou see what has happened. Someone brought something in, thecar was not looked at, there was no inspection.

Dasha, agood person, was killed, andit is anenormous tragedy. Was she amilitant orsomething like that, did she fight with aweapon inhand? She was just anintellectual who expressed her point ofview, her position. But, unfortunately, no one thought about security, andthey just planted anexplosive device under thebottom ofthecar, andthat was it. Bytheway, this once again reaffirms theterrorist nature ofthecurrent regime inKiev. We need tothink about that. With regard tothose people who might be thetargets ofthese terrorists, ofcourse, both law enforcement agencies andthese people themselves must think about this andensure security.

But ingeneral, introducing some kind ofspecial regime ormartial law across thecountry does not make any sense; there is no such need today. We need towork more carefully onsome issues. Onthis, Iagree with you.

Maxim Dolgov:Mr President, Iam Maxim Dolgov, Readovka.

During theshelling, people can lose all their belongings: houses, property andso on. It is very important that our border regions, such asKursk, Bryansk andBelgorod, help our people promptly andquickly. But thequestion is, will theregions have enough ofthis assistance?

Vladimir Putin:Andwe keep count: we are inalmost constant contact with theleaders ofthese regions, andItalk tothem. They formulate their needs, put them onpaper andsend them back tous.

Just this morning Ispoke with Mr Mishustin; we discussed anumber ofissues forquite some time, including, bytheway, this issue, andwith Marat Khusnullin, too. We are sending theBelgorod Region – Imay be alittle off – but basically, Ibelieve, 3.8 billion rubles have been sent toassist people. Andsome ofthese funds, Ibelieve, 1.3 billion orso, or1.8 billion, have already been sent totheBelgorod Region. So this is afact.

Thank you forbringing this toour attention. Ofcourse, people need help, andwe will provide targeted assistance: foreach family, foreach household; we will definitely do this. This also applies tonew housing, rebuilding lost buildings, andofcourse we have enough funds forthis. Thefunding will come; it is already coming from theGovernment Reserve Fund. It has been set aside.

Mikhail Dolgov:Thank you.

Andrei Rudenko:Mr President, Andrei Rudenko, Rossiya TV channel.

Today, themedical sector ofDonbass is under alot ofpressure. Hospitals are accepting not only civilians, but also military personnel. But atthesame time, there is ahuge shortage ofboth personnel andmedical equipment; there are not enough MRI orCT machines. Today, appointments forthese diagnostic procedures can only be made four months inadvance, that is, if aperson needs this scan today, they have towait four months. Can this be solved inthese territories?

Vladimir Putin:Ofcourse, it is possible andnecessary.

After all, these CT scanners andMRI machines are missing not because ofour operation, but because they were never available there inthefirst place. Do you understand? It had just never happened. IntheDonetsk Republic, asfar asIremember, when we discussed this with theHealthcare Ministry, with Tatyana Golikova, there were two MRI machines intotal.

Andrei Rudenko:Two MRI machines, 1.5 Tesla.

Vladimir Putin:You see, Iremember this. Andone scanner is being assembled. IntheKherson Region, there are no scanners atall. If they need toscan apatient, they have togo toCrimea. Well, inCrimea there were none foralong time too. Now everything is better, more equipment is appearing there. There is still too little andnot enough, but, nonetheless.

We have adopted aprogramme, Ibelieve until 2030, with considerable funds set aside under it. This is onrecord; we will not cut anything. Some Russian regions, that have taken thenew territories under their patronage, are helping inmany ways. Andthis help is sizeable, Ithink theregions are donating over 17 billion. There are also other funds from federal sources. So, we will be doing everything we can.

This includes aprogramme forrestoring preschool facilities. Ithink, 1,300 buildings must be restored. About 1,400 schools are tobe restored orbuilt. Medical facilities too. All that has been included intherespective development programmes forthese regions. We will certainly bring them up totheaverage level inRussia. This also includes wages; we have already introduced higher pay forsome job categories, andthis will be carried on.

Ofcourse, Iknow that you are definitely right when you point this out. One ofthemost pressing issues is lack ofcapacity at[medical] facilities. This is exacerbated because they are admitting those who have been wounded inthecourse ofcombat action – both civilians andservice personnel. Atsome point certain healthcare facilities were absolutely overcrowded.

Let me reiterate: we will be stepping up efforts within this programme until 2030, including healthcare. Again, this includes wages. Inthis area we will need – no, we will definitely do it – raise them totheRussian average andtothecountry ’ s standards. Forexample, some employees, including inhealthcare, must be paid theaverage wage like therest ofRussia. We will be moving towards this step bystep.

Andrei Rudenko: Mr President, hospitals have become targets forUkraine ’ s armed forces, thestrikes don ’ t stop. Doctors constantly risk their lives. It would be good togrant them thestatus ofSMO participants aswell asother categories ofpeople who are working towards this, Imean towards victory.

Vladimir Putin: We have tocarefully look into this. Those who have been fighting since 2014… We need balanced social justice; it is one thing when aperson is onthefrontline, andit is adifferent matter when they runs these risks but are not onthefrontline.

But you are certainly right that this aspect ofrisk must be taken into account interms ofsalary. We will think about this byall means.

Andrei Rudenko: Thank you very much.

Vladimir Putin: Thank you forthequestion – it ’ s avery sensitive matter. Iunderstand.

Yekaterina Agranovich: Ihave one more question.

Vladimir Putin: Please go ahead.

Yekaterina Agranovich: TheWest constantly accuses us ofdestroying andstealing everything, from monuments tochildren, inUkraine.

Vladimir Putin: Monuments? What monuments? They are theones who tear down monuments. We could build apark ofthemonuments that were destroyed inUkraine.

Do many people subscribe toyour blog?

Yekaterina Agranovich:Relatively speaking, yes, but fewer than toRudenko ’ s blog.

Vladimir Putin: All right, it does not really matter. ***Suggest*** sending all themonuments toRussia. InOdessa, they demolished amonument toCatherine theGreat, thefounder ofthecity. We would gladly take it.

Yekaterina Agranovich: Myquestion is about something abit different. Thebottom line is that they themselves engage inkidnapping andannihilation all over theworld. However, theexport-oriented Western picture ofwhat life is like there andhow things work there, is idealised. People inRussia andUkraine fall forthis propaganda. This issue is particularly acute inthenew territories, because foreight years, since 2014, people there have been constantly surrounded byUkrainian flags andthings looked nice andgood, andthey constantly exerted influence onthem. So, when we liberate these territories, many people disagree, andeveryone has theopportunity toexpress their disagreement. If you go online you will see them freely uploading videos from, forexample, cities intheZaporozhye Region showing how they are longing forUkraine now that they have tolive under occupation.

Here is myquestion. How do we plan toinfluence theminds ofchildren, teenagers andadults? Clearly, Russia is afree country where we all freely express our opinions. But incombat conditions, this becomes, first andforemost, amatter ofsecurity.

Vladimir Putin: You are right. Ofcourse, with hostilities ongoing, we should put limits oncertain things. However, we must not forget that what you just said is, ofcourse, toalarge extent, thework oftheopposite side, theopposing side. Theinformation space is abattlefield, acrucial battlefield.

So, if someone uploads orwrites something andprovides anaddress, this is one thing. However, if there is no address andit is not clear who is writing orspeaking, this is acompletely different story. You andIare well aware that you can post things online using well-known technical means, andyou can make it look like millions ofpeople have seen these videos andcommented onthem when infact there is just one person behind it who simply uses modern technology toreplicate it endlessly. But, ofcourse, there certainly are people who have acertain frame ofmind, andthey can express their point ofview.

What can we do tooppose this? Ithink this audience will know what Imean. This can andshould be countered not so much byrestrictions oradministrative orlaw enforcement constraints, but byeffective work intheinformation environment onour part. AndIam really counting onyour help.

Alexander Sladkov: Mr President, Alexander Sladkov, VGTRK TV company.

Ihave four questions foryou. Thefirst one is about ***rotation***.

Vladimir Putin: Who is themoderator?

Alexander Sladkov: Mr President, Iam themoderator.

Vladimir Putin: You are too close – ontheline ofcontact.

Alexander Sladkov: Iam close tothedecision-making centre.

Vladimir Putin: No, you are close totheline ofcontact, andit looks like what was coming from Ukrainian territory got into your system.

Alexander Sladkov: We got drunk onit.

Vladimir Putin: Oh, yes. That spirit ofthelack offreedom. Andyou are abusing your position asmoderator.

Alexander Sladkov: Iconfess, Iam.

Vladimir Putin: Go ahead.

Alexander Sladkov: First, thepainful question about ***rotation***.

We have sent our mobilised troops tothefront. We trained them andsent them there. They are fighting now with dignity andgiving all they have tothis fighting. Their wives, mothers andfamilies are wondering how long they will be away. Until victory? When is victory? Adifficult path lies ahead ofus. Do you not think thetime will come when they will have tobe ***rotated*** andreplaced? Andbytheway, many are sure these people will mostly return totheSMO zone, because they are committed tofighting totheend. But when there is no limit insight, it is very hard tomaintain psychological stability. Iam talking about families now.

Mysecond question is about contract soldiers that we are recruiting now. General Yevgeny Burdinsky is doing anexcellent job. He is atrue professional, deputy chief oftheGeneral Staff. But we are living inthe21stcentury. Is it not time forus tochange thesystem ormake it anintegrated one? We are waiting forthepeople torespond totheoffer. We invite them but is it not time forus togo tothepeople who can help us andmake aplan based onmilitary specialties where we know thenumber ofmachine gunners, grenade launcher operators, drivers, signallers orintelligence officers, so that we stop taking people inen masse under acontract but take only theones we need.

Mythird question is about conscripts. Inconnection with theevents where conscripts acted asdignified members oftheArmed Forces intheBelgorod Region andrepelled enemy attacks, their families are wondering what their status is. Iam aware that acertain federal law is planned tobe adopted, but will conscripts continue toparticipate inhostilities?

Andthefourth question is about mobilisation. Will there be another round ofmobilisation?

That concludes myquestions.

Vladimir Putin: These are indeed very serious questions, therefore we must talk about them, ofcourse. First ofall, themobilised soldiers, therotation, when they should be replaced, when it will end.

You know, Iwill just turn tothelaw: thelaw does not specify theduration. We have toproceed from theavailability ofpersonnel, from thesituation onthefrontline, from theprogress ofthespecial military operation itself.

You know that infact, andalso atmysuggestion, we took adecision onregular leaves.

Alexander Sladkov: Yes, twice ayear. You announced that inyour Address totheFederal Assembly.

Vladimir Putin: Theservice members took theleave. Amusingly, some people doubted whether they would return: practically everyone returns with very few exceptions, due toillness orunexpected family circumstances. But overall, over 90 percent, 99 percent go back.

Alexander Sladkov: Yes, that ’ s true.

Vladimir Putin: This is thefirst part oftheanswer tothis question.

Thesecond one – andIstarted with it: ofcourse, we will have togradually bring people back home, andtheDefence Ministry is certainly discussing this relevant issue. It will depend onhow thefourth question you asked will be decided, whether new waves ofmobilisation are needed andso on. Iam getting toit.

Contract soldiers. Italked toMr Burdinsky recently, thework is generally moving forward, it is really going very well. He is incharge ofrecruiting contract soldiers. One ofthedeputy defence ministers is incharge oftraining.

Alexander Sladkov: Yevkurov.

Vladimir Putin: Yes. He is incharge oftraining, which is all set. Idon ’ t know if you have been there. If not, you can go.

Alexander Sladkov: Ofcourse, we have.

Vladimir Putin: Things are getting better andbetter there now. There are probably still some problems, but theequipment is coming tothem, they are working. There is no limit toperfection. Naturally, there are always problems wherever one looks, but overall, thesituation is changing forthebetter. Do technologies need replacing? Perhaps, this must be considered. What is thepoint? Thepoint is that – you are right, you are absolutely right – we must have targeted recruitment.

Now, regarding conscripts. Asbefore, we will not send them tothespecial military operation zone that passes through Novorossiya andDonbass. Thesame is true now. Although, ofcourse, these territories belong totheRussian Federation, thespecial military operation is ongoing there, and, astheDefence Ministry reports tome, there is no need tosend them there. That said, they are traditionally deployed intheBelgorod andKursk regions. They are ensuring security there, they are present inthese locations, andincase ofathreat, they must fulfil their sacred duty tothehomeland anddefend theFatherland.

Imust say that Italked toabattalion commander that fought intheBelgorod area. Iasked him how many ofhis soldiers were mobilised andhow many were conscripted. He said they were all conscripts andhe had no mobilised soldiers atall. He is abattalion commander. Iasked him how they acted. He said they were brilliant – nobody flinched, not even one. That said, there was abrief moment when Lieutenant-General Lapin was fighting with his service weapon together with his soldiers.

Alexander Sladkov:We watched this scene with alarm.

Vladimir Putin: Yes, yes but these guys were doing thebest they could.

So, Ithink Ianswered your question. Ofcourse, they will stay there aswell asonother territories oftheRussian Federation. TheDefence Ministry is not planning tosend them into thezone ofhostilities, andthere is no need forthat now.

Indicatively, this battalion commander – Iwas very pleased totalk with him, Ithink his name is Nikitin – spoke so confidently andwarmly about his soldiers. He spoke very well about them. He said: “Nobody flinched atall. They were very focused anddid agood job. ”

Now about theneed foradditional mobilisation. Iam not following this closely but some ofour public figures claim that there is anurgent need tomobilise amillion oreven 2 million. This depends onwhat we want. But attheend oftheGreat patriotic War, how many…

Alexander Sladkov: Ten.

Vladimir Putin:No, maybe there were ten million during thewar overall but Ithink attheend ofthewar we had 5 million inour Armed Forces. Imay be wrong – Idon ’ t remember how many exactly.

Iremember some things precisely – sorry toget side-tracked – but theRSFSR accounted forabout 70 percent, or69 percent ofall losses during theGreat Patriotic War – this is close enough, but Idigress. Thenumber does not matter but they were many. It depends onthegoal.

Look, our troops were outside Kiev. First, we reached anagreement, which turned out tobe agood agreement about how toresolve thecurrent situation peacefully. Even though they tossed it, nevertheless, we used this time toget where we are now which is practically all ofNovorossiya andasignificant portion oftheDonetsk People's Republic with access totheSea of​​Azov andMariupol. Andalmost all oftheLugansk People's Republic, with afew exceptions.

Do we need togo back there ornot? Why am Iasking this rhetorical question? Clearly, you do not have ananswer toit, only Ican answer that. But depending onour goals, we must decide onmobilisation, but there is no need forthat today. This is myfirst point.

Second, thething that Iwill say attheend aspart ofmyanswer toyour question, Iam not sure Imentioned it before. Since January, when we began concluding contracts with contract soldiers, we have recruited over 150,000 ofthem and, together with volunteers, this number adds up to156,000. Themobilisation gave us 300,000 recruits aswe know. Now, people are coming voluntarily oftheir own free will. Infact, work began inFebruary with 156,000 people andcontinues tothis day with 9,500 contracts signed over thepast week alone.

Alexander Sladkov: Half acorps.

Vladimir Putin: 9,500 people. Given this, theDefence Ministry says there is no need formobilisation.

Things that are happening took even me bysurprise: after all, 156,000 people volunteered. You know, aswe say, Russians saddle slow, but ride fast. People are volunteering todefend theFatherland.

Alexander Sladkov: Thank you.

Anatoly Borodkin: Mr President, Anatoly Borodkin, Zvezda TV channel.

You said earlier that Western countries are flooding theKiev regime with themost advanced weapons systems.

Vladimir Putin: They are.

Anatoly Borodkin: Inthis regard, Ihave aquestion: what are we going todo toexpand our defence industry inorder toprevent, first, alag interms ofquantity and, above all, toovertake theenemy substantially andtoprovide our Armed Forces with sufficient numbers ofmodern weapons systems. We are aware that aCoordinating Council has been created. Bytheway, what do you think about its performance?

Frankly, so far, it appears that we have problems. Thesupply chain that goes from thedefence order, manufacturing application andmass industrial production toshipping products tothefrontline is sagging. What needs tobe done tomake it work asquickly aspossible?

Vladimir Putin: You know, this is afundamental question, absolutely fundamental. When we say – Isaid it, andyou repeated it – that theWest is flooding Ukraine with weapons, this is afact, nobody is hiding this; onthecontrary, they are proud ofit. Bytheway, there are some problems here because, toadegree, they are violating certain aspects ofinternational law bysupplying weapons toanarea ofconflict. Yes, yes, yes, they prefer not topay attention tothis, but they are doing it. Never mind, they will keep doing it anyway, andit makes absolutely no sense toreproach them because they have their own geopolitical goals concerning Russia, which they will never attain, never. They must realize that, after all. But Ithink theawareness ofthis will come tothem little bylittle.

Regarding weapons andMIC development. You see, we would have had no capability if we hadn ’ t unveiled andstarted implementing theMIC upgrade programme about eight years ago – you might recall when it happened. You remember, yes, many ofthose here must have taken note ofit. It was probably about eight years ago, maybe even earlier; we launched aprogramme toupgrade themilitary industrial complex. We allocated very large funds atthetime, andpiece bypiece began toupgrade our enterprises, build new ones, deploy modern equipment andso on. Thereby, avery significant back-log was created.

Ofcourse, during thespecial military operation it has become clear, that we do not have enough ofmany things. This includes high-precision munitions, communications systems…

Anatoly Borodkin: UAVs.

Vladimir Putin: Yes, andaerial vehicles, drones andso on. We do have them but unfortunately, thenumbers are not sufficient. Even now, asIspeak with themen onthefrontline, they say that they need ZALA drones, counterbattery assets, andmore ofthem, smaller andmore effective. Although our big drones are fairly effective, there are not enough ofthem andthey are harder tooperate.

Isaid now that intheareas where theUkrainian army is trying toattack, several tanks have already been destroyed, Ithink with kamikaze drones. They are used very effectively, probably more effectively than theenemy ’ s drones, but we do not have enough ofthem. We do not have enough Orlan drones, andtheir quality must be improved, although they perform their function. That is, we need alot ofthings. We need modern anti-tank weapons aswell asmodern tanks.

TheТ-90 Breakthrough is thebest tank intheworld by100 percent. It is now possible tosay theT-90 Breakthrough is thebest tank intheworld – assoon asit takes its position, there is nothing anyone else can do. It strikes longer andmore precisely, andit is better protected. One commander told me – unfortunately thetank man died – but theT-90 Breakthrough was blown up byaland mine. Apparently, it was thrown up, andthis man was wounded init – not byashell; he was simply thrown around inside, andthat was it. Thetank remained inworking order. That is, there is enough ofeverything… No, onthecontrary, not enough ofeverything but alot ofthegroundwork has been done. Now thetask is tobuild it up.

Imentioned thegroundwork, andIshould talk about what is happening now. During theyear, we increased theproduction ofour main weapons by2.7 times. Asforthemanufacture ofthemost in-demand weapons, we increased this byten times. Ten times! Some industrial companies work intwo shifts andsome inthree. They practically work day andnight anddo avery good job.

Aswe say insuch cases, Iwould like touse this opportunity tothank our labourers andengineers that are working day andnight. Many ofthem go tothefrontline toadjust equipment right inthezone ofhostilities anddo avery good job.

So, when we are talking about one ofour main goals – demilitarisation – this is exactly how it is being achieved. They have less andless oftheir own equipment – almost nothing is left ofit. They have some old Soviet plants where they try torepair hardware but thenumber is constantly decreasing because when we get information onwhat is taking place andwhere, we try todeal with it. Meanwhile, our production is growing andthequality is improving. Thespecifications – therange andprecision – are being improved. If we did not have this special military operation we probably would not have understood how toupgrade our defence industry tomake our army thebest intheworld. But we will do this.

Anatoly Borodkin: Thank you.

Irina Kuksenkova: Good afternoon, Mr President,

Irina Kuksenkova, Channel One.

Ihave aquestion onanissue that is worrying me – rehabilitation – because this is what Iam involved with. This is no less important than combat orsupplying thetroops. Honestly, Iknow this forsure.

Thank you very much forcreating theDefenders oftheFatherland Fund. Now it is hard toeven imagine how toresolve this host ofissues without it. Themen that gave up their health fortheinterests ofour country should not feel any offense orinjustice.

Theproblem is that our regions are different not only intheir budgets but even intheir capacity fororganisation, whereas assistance must be equally effective inall regions. But they vary andso this assistance also varies. What do you think about this?

Vladimir Putin: It ’ s asensitive issue, Iunderstand. Andthat ’ s good. Someone said there would be different questions including very sensitive ones, andwhat you said about that was right. But they are all important issues. This one is also very important, Iunderstand.

Ihad thetheidea ofestablishing theDefenders oftheFatherland foundation after meeting mothers andwives ofthelads who are fighting andsome ofwhom, regrettably, have already given their lives fortheir homeland. Imet with them inNovo-Ogaryovo several months ago. Some women, amother ofawounded soldier, said: It is hard onme, honest, because it is adeep wound, andit is hard onme. Then they said: We need some sort ofastate support system. That ’ s how this idea emerged – toset up afoundation forthesupport ofthedefenders, theSMO participants. Ihope thefoundation is being launched andis working more andmore actively. It is very good that it employs people who are, inone way oranother, connected with thespecial military operation – either family members orformer participants, there are such people aswell.

Iwould like tosay inthis connection that first, thestate guarantees are thesame foreveryone. Andeveryone earns thesame amount – 196,000 atthebeginning andlater all thethings related tomonetary allowance. Social guarantees with various payments from government sources are thesame foreveryone, too.

But you have apoint – when it comes topayments bytheregions, they are voluntary social payments made bytheregions, nobody makes them do it, they are doing it extra. This circumstance has aneffect here, which you mentioned: regions have different approaches – they are trying, some ofthem arrange extra payments, some help families. Forexample, free school meals forchildren, priority admittance tocolleges, which is ageneral rule inRussia; they do much forfamilies inthepre-school institutions.

Yes, there is aproblem here asevery region has its own approach. It is pretty hard tomake it uniform because it is theregions ’ prerogative. Yet we have toconsider this, Iunderstand.

Irina Kuksenkova: Theissue is not financing, not wealth but thefact that some approach this inanorganised way andput their heart into it. Asanexample, we handle rehabilitation, introduce amputees toParalympic sport intheTula Region. Iknow forsure that it is well organised there, Isee it. We finished arotation just afew days ago, andit brought everything into focus. Meanwhile, Isee that insome other regions there are issues. How can we build this organisation so that people take it seriously, with feeling?

Vladimir Putin: You know what Iwas just thinking? Iwas thinking we need totake thebest practices andrecommend them toother regions. We can ’ t force them, andthere is no need forthat. Ijust firmly believe that heads oftheregions, governors, do things differently than their neighbours not because they are opposed but because they are simply unaware, they don ’ t have theinformation. Andit should be disseminated.

Give us this information – Iam serious – andwe will try, no, we will do it via thePresidential Executive Office andplenipotentiary envoys, we will introduce this across thecountry.

Irina Kuksenkova: Thank you.

Vladimir Putin: Thank you very much. It is very important.

Semyon Pegov: Mr. President, Semyon Pegov, WarGonzo project.

Though Iam not amoderator, but Iam red-headed andbold, Iwill ask you two questions.

Vladimir Putin: But not all redheads are bold. (Laughter).

Semyon Pegov: Well, this is not about me.

Mr President, first question. Aswe know, atall times personnel is key toeverything, especially inthearmy, especially during thewar.

Vladimir Putin:Stalin said so, didn't he?

Semyon Pegov: Ithink so.

Unfortunately, theexisting bureaucratic system is set up insuch away that those who are good atserving ontheparquet floor andare able toplay up totheir superiors intime are theones who rise up thecareer ladder. But now there are new Rokossovskys being forged atthefront, new talented guys. Bytheway, abig hello toyou from theDonbass commanders, from Somali, from OBTF [separate battalion tactical formation] Kaskad, from Sparta, but this is not only about them.

There are alot oftalented people now, good daring guys, but thesystem prevents them from rising thetop. How can we resolve this issue so that we get new gems inour military affairs andintheart ofwar? Andthere are some, believe me.

Thesecond issue, also asensitive one, concerns payments tothewounded, aswell as, unfortunately, forthedeaths ofservicemen. Some questions are being resolved byTurchak's working group onaperson toperson basis, but there is, forexample, thequestion ofpayments fortheequipment that has been destroyed. Ipersonally do not know anyone – theguys will not let me tell alie – Ido not know asingle soldier who has received apayment foratank that has been destroyed, orforadestroyed fortification. Although it has all been announced, everyone knows it andtheguys are even kidding around with each other: why was it promised, but it has not happened. Andagain: theguys will not let me lie – this really is true.

Thank you.

Vladimir Putin: It is more acall toaction that aquestion.

Asforstaffing, this is thefirst part ofthestory. It is avery important question. Before thespecial military operation, ofcourse, asinany government agency, there were alot ofcarpet knights. You know, before thepandemic, there was only one situation inhealthcare, but assoon asthepandemic started, there were people who could be equated with military personnel, although they were civilians. We know when people fearlessly entered these dangerous zones not knowing how this would end forthem. Thesame is inthearmy environment: thespecial military operation was initiated andthey quickly began torealise that carpet knights, andthere are more than enough ofthem inany army intheworld under peacetime conditions everywhere, are ineffective, toput it mildly.

Ontheother hand, andyou are absolutely right here, Mr Pegov, there started appearing people who seemed tobe intheshadows – they were not visible andnot heard, but it turned out that they were very effective andingreat demand. Unfortunately, such people are thefirst togo, because they do not spare themselves – that is thetrouble.

Nevertheless, we must certainly… Ihope that this does happen andwill continue tohappen. We have towatch it. Iwill tell you why: because we are ofthesame mind onthis issue. Ifully share this position, completely andutterly. Such people should be sought out – sought out andhelped torise tothetop, trained, promoted andtrusted more.

Thelatest example is thebest one. Asyou know, Ivisited ahospital yesterday, andIpresented orders topeople, including anofficer who commanded quite well onthebattlefield during hostilities. Iawarded him aHero ofRussia Star. We had avery candid conversation when Ispoke with him onthetelephone. They brought theyoung fellow from thebattlefield tothehospital, andthey had not yet had time tooperate onhim. They simply anaesthetised his legs because he had sustained two wounds, including inthetibia. He spoke with me inarather robust manner, andIasked him how thebattle proceeded.

Irecalled this yesterday, Ibelieve that this is important, andIwill mention this once again. Iasked him: “Yury, they told me that you had been killed. ” He replied: “Comrade Supreme Commander inChief, Iam not dead, Iam alive. ” Isaid: “Now Ican see that you are alive. They told me that soldiers had carried you from thebattlefield. ” He replied: “No, it was Iwho carried them. ” Isaid: “How did you manage todo that with your wound?” He said: “Yes, Isustained two wounds intheleg. ” Yesterday, he told me that thefirst one was abullet wound, andashell splinter hit him later on, when their unit was redeploying. Bytheway, Isaid: ”How long have you been serving?” He said: “Eight years. ” Isaid: “How old are you?” “Iam 24 years old. ” Isaid: “Wait abit, when did you join thearmy?” He said: ”Ienlisted at18. ” Isaid: “Then it is six years. ” He said: “Sorry, Igot it wrong because Iam feeling jittery. ” (Laughter) Isaid: ”Isee, you are aJunior Lieutenant. ” “Yes, Iam. ” “Are you acompany commander?” “Yes. ” You know, Irecalled this yesterday, andIasked him totell me how thebattle proceeded. “First, there was anartillery barrage, andno one flinched. All soldiers manned their positions, andtanks moved insome time later. Isaid: “How did your soldiers act?” “Everyone stayed put, all ofthem engaged theenemy, andarmoured vehicles andinfantry units supported us. ”

So, how does this differ from theGreat Patriotic War? It does not. Thesituation is exactly thesame. People get killed andwounded, they struggle andfight; everything is thesame.

Iasked him: “So, you are aJunior Lieutenant, andyou command acompany. Asfar asIunderstand, you were aSergeant not so long ago. ” “Yes,” he said. Incidentally, sergeants are now fighting quite well. This category ofjunior commander has improved inthepast 12-plus months, andthey are putting up quite afight. Isaid: “Are you aJunior Lieutenant today?” “Yes. ” Itold him: “Iam promoting you toFirst Lieutenant. ” Yesterday, Itold him that he should enrol atanacademy, ofcourse, we need tolook forthese young men everywhere.

They are smart, well-educated, well-balanced andbrave, andthey want toserve thefatherland inthemost direct andnoble sense oftheword. His guys are absolutely thesame. You know, Iasked him: “Did you take casualties?” He said: “Unfortunately, yes. ” “How many did you lose?” “Ten killed andten wounded. ” Theguys from his unit were standing next tohim yesterday.

Ofcourse, we need tolook forpeople like that. There are many ofthem, you are absolutely right. TheDefence Minister andtheChief ofGeneral Staff completely share myposition, Ihave mentioned this issue many times, andthey say: “Ofcourse, we must do this. ” You are right insaying that, just like inany ministry, they have amulti-layered bureaucracy. Certainly, we need tocreate social mobility mechanisms, including those that locate such people andelevate them totherequired level inthearmy andsociety.

Iwill think about this, andIsuggest that you think about it aswell: there is nothing special about this. We are not discussing any specialised issues linked with military science; this amounts topurely administrative decisions. If you have any ideas, feel free tosuggest them. All right? This is quite correct.

About thepayments. Yes, indeed, there, Ido not remember exactly, but, inmyopinion, 300 thousand foranaircraft, 100 thousand foratank should be paid additionally. Thefact that they do not pay – this is surprising tome.

Semyon Pegov: Unfortunately, this is anabsolute fact – theguys will tell you thetruth.

Vladimir Putin: Iam not disputing what you said, Ithink thefact is asit is. Iwill definitely be returning tothis right away, today, intalks with theDefence Ministry – absolutely, 100 percent.

Bytheway, theguys are working very courageously, very effectively. Iwas just saying when we started theconversation that theattack is coming from two directions. Several tanks were hit bytheaviation, thehelicopters are working very well. Bytheway, huge thanks tothepilots. Heroes, real heroes! Fighting effectively, really great. Andseveral armoured vehicles andatank were hit byinfantry using modern anti-tank weapons, which are also inshartage. Cornets work perfectly, but we need more ofthem. We'll make more.

So Iwill certainly check it.

Semyon Pegov: Thank you, Mr President.

Vladimir Putin: Thank you forpointing it out.

Anything else, please?

Ilya Lyadvin: Good afternoon, Mr President.

Ilya Lyadvin, NTV.

Thesubject ofpayments tocontract employees was already touched upon literally aquestion ago. But nevertheless, we would like toexpand theregional case abit, forexample Chuvashia pays 50 [thousand rubles], Chelyabinsk pays 50, but there are small extra payments forchildren, but Transbaikal pays 150 – 200, Buryatia 200. There is apoint: don't you think there is agap, so tosay, intheregions' level ofcapabilities, so that someone can pay 200?

Vladimir Putin: AsIsaid, Ms Kuksenkova asked me earlier, andIhave already answered her question. Asforthefederal payments, they are thesame foreveryone, no matter where aperson joined theArmed Forces from.

Ilya Lyadvin: Yes, they are equal.

Vladimir Putin: Asfortheregional payments, they are regionally voluntary – theregion does this additionally, andwe can't give direct instructions here. We can recommend that they choose some common standard.

You are absolutely right, ofcourse: there is aman who is fighting, maybe standing next toanother inatrench, covering thewounded, orcarrying them off thebattlefield, but one gets aslightly higher bonus from theregion andtheother alower one – this certainly looks unseemly.

Irepeat: this does not apply tofederal agencies – these are purely regional payments, not obligatory atall. Regions could pay nothing atall, but they do it voluntarily. But, ofcourse, it is better tohave some kind ofcommon approach here.

Iagree, you are right. We will work with thegovernors.

Ilya Lyadvin: Just maybe some kind ofgeneral programme so that it really is atthelegislative level, perhaps.

Vladimir Putin: Mr Lyadvin, we are acountry governed bytherule oflaw, unlike Ukraine. This is not ajoke, this is not irony. What am Isaying? Regions have certain rights, regions have certain responsibilities, theFederation has certain rights. TheFederation, paradoxically asit may sound, cannot inthis case give direct instructions inaccordance with thedistribution ofpowers. But we can recommend, andIam sure that thegovernors will respond, but Iwould like tosee anincrease, not adecrease. We will work onit.

You are right, Ifully support you – fully, believe me. Iknow this problem – Ihave mentioned it many times before atvarious levels, but it is not easy toachieve anequalisation. We will try todo it.

Ilya Lyadvin: Thank you.

Yury Podolyaka:Mr President, Iam Yury Podolyaka, blogger.

Iwould like toreturn toanissue that has already been raised: ontherepletion ofthearmy with advanced weapons systems.

Unfortunately, it so happened that before thespecial operation we did not know that alot ofspecial equipment andweapons would be needed, andtoday much ofthis equipment is being homemade. Iam raising funds with thePopular Front, andwe are now raising funds forelectronic warfare, andIwill tell you right away: almost – no, not almost – all theequipment that will be purchased with this money will be, infact, cobbled together.

What is theproblem? They prove effective atthefront, thesoldiers say “yes, this is what we need,” but our bureaucratic system does not allow them tobe quickly introduced andused serially. That is, theopportunities that we have are scanty, we can perhaps buy thousands ortens ofthousands, but we need hundreds ofthousands, unfortunately.

Perhaps we can do this via theMinistry ofIndustry andTrade ortheDefence Ministry, orfast-track these procedures forthespecial military operation. This would immediately dramatically improve theefficiency andsecurity ofour soldiers. Just forexample: anindividual drone analyser will save thousands ofsoldiers ’ lives. It is not difficult tointroduce it, it is not complicated, andwe will buy thousands ofthem, but tens ofthousands are needed. Andour Defence Ministry cannot do this because there are bureaucratic structures that take months tosort out, andthis all affects thelives ofour soldiers.

It would be great tosolve this problem if possible. Thank you.

Thesecond point later, if Imay. If Imay ask asecond question.

Vladimir Putin:Please wait asecond. Theproblem is well-known, Ithink Anatoly Borodkin spoke about thework ofthemilitary-industrial sector. You have just given me asuggestion that Ican add inanswer tohis question.

Asyou know, inaddition tothefact that we have made agood start intheupgrade ofthemilitary-industrial complex, andbesides thefact that now theproduction ofthemost demanded products is growing quite quickly – they have already increased tenfold – there is another very big advantage, frankly unexpected even forme. We have dozens, hundreds ofprivate enterprises that have never had anything todo with themilitary-industrial complex that have joined inthis work: small andmedium-sized enterprises. Iwill not list them now, because Iam afraid that we will attract unnecessary attention tothese enterprises.

You know, they made, forexample, pipes – andit turns out that you can do something else besides pipes. Andso, it is surprisingly simple inmany areas. Andonthewhole, this means agood level ofdevelopment ofreal production ingeneral. Yes, yes, we have many problems inmicroelectronics, but, asit turned out, they were able topick up speed very quickly andbegan todevelop.

Nevertheless, we have not solved all theproblems, andhere Mr Podolyaka is absolutely right. Believe me, Ihave already said what you have just said ahundred times. Iwill come back tothis again andIwill try tofix it again.

You see, if there are any ideas how tobypass these unnecessary bureaucratic procedures inorder toraise everything tothetop, then when Istart pushing something, theanswer is that, you know, we have tocheck how effective it is, is it really so? Well, what do you say against it, do you see?

Yury Podolyaka:Soldiers atthefront say it is effective. Andyou know, avery good reason that thesoldiers give, which will be simply deadly forsuch officials, is: well, if it is ineffective, give us aneffective one.

So, while our Ministry, forexample, cannot give them effective equipment, let them have these ones, which forsome reason they consider ineffective. If thesoldiers think so.

Vladimir Putin:Mr Podolyaka, thesimplest thing is: give me what you have inmind, andIwill try…

Yury Podolyaka:Yes, all right, thank you. Iwill submit separately.

Vladimir Putin:That would be thebest thing.

Yury Podolyaka:Excellent, then Iwill do that.

Vladimir Putin:Then you andIwill work out aplan onhow toovercome these bureaucratic…

Yury Podolyaka:Good. Thank you.

Ilya Ushenin: Mr President, Iam Ilya Ushenin from NTV.

Ihave aquestion about thenotorious red lines. Clearly, intheSMO zone, we are atwar not just with theKiev regime, but with theso-called collective West aswell. NATO countries are constantly moving andcrossing our red lines. We express our concern andkeep saying that this is unacceptable, but never come up with actual answers.

Are we going tokeep moving our red lines?

Vladimir Putin: Listen, is thespecial military operation itself not aresponse tothem crossing these lines? This is thefirst andthemost important point. We said many times “Do not do this, let's do that, we are ready fortalks. ” Intheend, they prompted us totry touse force toend thewar that they started in2014. They keep telling us, “You started thewar, Putin is theaggressor. ” No, they are theaggressors, they started this war, andwe are trying tostop it, but we are compelled todo so with theuse oftheArmed Forces. Is this not theanswer totheir crossing thered lines? This is myfirst point.

Second, not everything may be covered bythemedia, although there is nothing tobe ashamed of. Are strikes onUkraine ’ s energy system not ananswer tothem crossing thered lines? Andthedestruction oftheheadquarters ofthemain intelligence directorate ofthearmed forces ofUkraine outside Kiev, almost within Kiev ’ s city limits, is it not theanswer? It is.

We will continue towork selectively. We will not do what these halfwits are doing when they target civilian sites andresidential areas. Ofcourse, we will not do this. We will continue toprovide selective responses.

Sergei Zenin: Mr Putin, since we have people inour midst who are responsible foryour life andhealth, andsince this is not alive broadcast, Iwill first do some manipulations andthen say acouple ofwords.

Vladimir Putin: Okay.

Sergei Zenin: Ihave apresent foryou.

Vladimir Putin: Ashaman.

Sergei Zenin: It is pure andunadulterated alcohol. Thebest antiseptic there is. You have tobring something along when people invite you over, so here is thepresent. Here is what it is about. Theperson who gave it tome lives far from our border andfar from thefront line thanks toour troops. This is theso-called, not theso-called, but theactually liberated territory, thevillage ofTimonovo not far from Svatovo. He came across some coins inhis backyard.

Vladimir Putin: Coins?

Sergei Zenin: Right, coins, ajar ofcoins. There are coins from thetime ofemperors Alexander andNicholas, andempress Catherine theGreat. This is acoin dating back tothetimes ofEmperor Nicholas. Theperson who gave it tome said, “Look, what kind ofUkraine are they talking about?” He found this coin inhis backyard.

Itold you this story because there is animportant twist toit. He has ason Nikolai, who, ofhis own accord, hearing distant explosions dug trenches around thevillage, small but deep enough foragrown man. He did it all alone with ashovel. He placed anti-tank hedgehogs there, some kind ofmake-believe machine guns andwalks around with amachine gun fashioned from aplank, theones we made when we were children. Imyself used tomake such machine guns. He made one himself out ofapiece ofwood andknocked inanail tomake it look like asight. He pretends he is guarding thevillage. He dreams ofjoining theRussian Guard cadet school. Let's help him, please.

Vladimir Putin: Let us. How old is he?

Sergei Zenin: He can join this year. He is nearly 12.

Vladimir Putin: Iwill discuss this with Mr Zolotov today, Ipromise. Give me his details.

Sergei Zenin: Thank you very much. Excellent, this is great news.

Vladimir Putin: Thank you foryour efforts topromote thepersonnel that theFatherland needs. God bless.

Sergei Zenin: Iwill give his details toyou later.

Vladimir Putin: Good.

Sergei Zenin: Now that we have lightened up theatmosphere, Iwould like tomove ontotwo rather acute andimportant issues.

Vladimir Putin: With regard to“what Ukraine are they talking about,” Ukraine, such asit may be, does exist andwe must treat it with respect. However, this does not mean that this is areason forus being treated without respect. That is what it is about.

If some ofthepeople residing inthese territories believe that they want tolive inaseparate andindependent state, their preference must be treated with respect. Theonly question is why they should live atour expense andinour historical territories? If they want tolive inour historical territories, then they should influence their political leadership so that it establishes proper relations with Russia andno one poses athreat tous from these territories. This is theissue. This is what theissue is all about.

Ihad multiple arguments with Belarus, Lukashenko. Clearly, thepresident ofacountry, inthis case Belarus, defends his interests ashe sees fit, inaconsistent andtough manner. We had disputes. But did it ever occur toanyone tostart aconflict with Belarus? No one would ever have thought about starting aconflict with Ukraine if we had normal relations aspersons. There is not even aneed foraUnion State. But what they did there was they created ananti-Russia. They created it asabasis underlying their own existence. They created theanti-Russia andbegan tostrengthen it. This is theproblem.

There is aNATO issue aswell. After all, when Ukraine gained independence, theDeclaration ofIndependence explicitly stated that Ukraine was aneutral state. Who was it that, in2008, when things were just fine with no Crimean events insight, suddenly said they wanted tojoin NATO, andNATO opened its doors tothem, declaring atthesummit inBucharest that NATO ’ s doors were open toUkraine?

Not only did they cheat everyone when they said NATO would not expand totheeast, but they planned tohave our historical territories with aRussian-speaking population join NATO. This is totally out ofline, is it not? It is. They are aware that they are creating athreat tous, but they are still working tothis end despite our attempts toestablish proper relations. This is theproblem.

Asforthose who want tofeel Ukrainian andlive inanindependent state, forGod ’ s sake, do what you want. It is necessary totreat this with respect, but then don ’ t create athreat forus.

Anatoly Sobchak was right inwhat he said inhis time. People from various political circles have different attitudes towards him, but he was aclever man. Iam one hundred percent sure about this because Iworked with him foralong time. He said with good reason, “If you want toleave, leave, but take only what you brought here. ” Meanwhile, in1645 or1654, Ukraine did not exist atall. There are letters kept inthearchives. People wrote toWarsaw: “We, theRussian Orthodox people, demand that our rights be observed. ” Thesame people also wrote toMoscow: “We, theRussian Orthodox people, ask you toaccept us into Russian Tsardom. ” Do you understand this?

Yes, gradually they began tobuild up lands whereas we were giving it away. Forsome reason, Vladimir Lenin decided togive up theentire Black Sea Region. Why onearth did he do this? Instrictly historical terms, these are Russian lands. Ofcourse, there was nothing linked with Ukraine there, nothing atall. Ukraine really only appeared in1922, andthis fact was sealed intheConstitution. Huge Russian territories were given away there – just fornothing. And, asImentioned, Ihave read papers andletters from thearchives. They made adecision atfirst, Ithink atthecongress oraPolitbureau meeting about one republic. What was thename? Ithink, theKrivoy Rog Republic, right?

Remark: TheDonetsk Republic.

Vladimir Putin: TheDonetsk-Krivoy Rog Republic. Yes, it was supposed tobe part oftheRSFSR. Then theBolsheviks came from these lands andsaid, “Why are you leaving us with these villagers?” That is, with thepeasants that were considered petty bourgeois. Then again, they resumed thediscussion onwhere totransfer Donbass, this Donetsk-Krivoy Rog Republic. Thepeople who came from Donbass said: “Why? It has already been decided that we are part ofRussia?” They wrote “Mother Russia. ” Lenin told them, “It is necessary toreconsider this decision. ” So they reconsidered it ontheir own terms.

Did they go crazy altogether? Who asked thepeople about this? Was there some referendum oraplebiscite? What was it all about? Okay, they first transferred some territory there andthen they separated it. I ’ m not sure, but Idon ’ t think this ever happened inhistory before. Okay, now we have tolive inthis paradigm. But ontop ofthat, they started creating an“anti-Russia” there, creating threats tous. But people do not want tolive like that, tolive there. They are reaching out towards us. So, what are we supposed todo? Dump these people orwhat? So, this is theresult we have.

AsforUkraine, what Ukraine are you talking about? There was nothing atall there, there was no Ukraine. Ukraine appeared in1922, asIsaid. Now thegrateful descendants are smashing monuments toLenin, thefounder ofUkraine.

Sergei Zenin: These people were waiting forus, andthey consider it Russia.

Vladimir Putin:Yes, ofcourse.

Sergei Zenin: Mr President, please allow me toask you two questions. They are fairly pressing because many people atthefront are waiting foranswers tothem. Both concern theso-called private military companies that are supposedly banned inour country de jure but still exist de facto onthefrontline. They fight with varying success but sometimes with very good results.

What should be done toget rid ofthis judicial orlegal vacuum andreturn them tothelegal field? You know, we are talking not only with commanders but also with soldiers, andthere is some kind ofresentment.

Vladimir Putin: Yes, Iunderstand. You are absolutely right inthis respect. Iasked both State Duma deputies andtheDefence Ministry tobring everything inline with common sense, theestablished practice andthelaw.

Ofcourse, we should not put people inafalse position. First, no matter who they are andinwhat capacity they happen tobe onthefrontline, all ofthem are defenders oftheFatherland, andthehomeland must respond infull totheir readiness torisk orgive their lives fortheFatherland. All ofthem must be inanequal position. But toachieve this, it is necessary tointroduce relevant amendments tothelaw. Work onthis is now underway.

Tomyknowledge, theDefence Ministry is now signing contracts with all those willing tocontinue their service inthespecial military operation zone. This is theonly way ofproviding them with social guarantees because if there is no contract with thestate, no contract with theDefence Ministry, there are no legal grounds forreceiving social guarantees from thestate. This must be done assoon aspossible.

There are some nuances. Iwon ’ t go into details now, but it is possible tomake adjustments tothelaw aswell. Byandlarge, only private security structures are close tothese volunteer formations inthelegal sense. But that said, there are many things that must be regulated additionally.

Tosum up, thefirst order ofbusiness is tosign contracts with all volunteer formations – otherwise, there will be no social guarantees onbehalf ofthestate. And, second, certain amendments must be made tothelaw. Both measures will be carried out.

Sergei Zenin: One more question about PMCs. It is avery strange situation. Ontheone hand, these people are often true heroes. Ontheother, when they return tocivilian life, they behave differently. There are situations where people – it is no secret that there are people who got there from prison – go back totheir old ways, commit offences, sometimes serious crimes. These guys cast aspersions ontheothers who are still fighting andshedding blood. They themselves shed blood, too, but go back totheir old lives.

How do we separate thegood from thebad inthis particular situation? They are thesame PMC fighters.

Vladimir Putin: Remember, Sholokhov ’ s Makar Nagulnov [inthenovel Virgin Soil Upturned] used tosay: he was agood Communist, andeverything was fine, but then, pardon me mylanguage, he went rogue andbecame anenemy oftherevolution. Here, unfortunately, things work thesame way.

Aman is fighting – honour andpraise tohim, andthestate must fulfill its obligations tothese people, which we are doing. With regard tosocial guarantees, it is important tosign contracts with thestate, this is anobvious necessity, otherwise there are no obligations onthepart ofthestate andthere will be injustice with regard tothepeople onthefrontline. They receive it immediately. Ido sign pardon orders after all.

Indeed, repeated crimes are afact oflife. But then aperson must be held accountable tothefull extent ofthelaw, no matter what. It was like that during theGreat Patriotic War: if aperson fought onthefront, they were honoured andpraised, but if they broke thelaw, they were brought tojustice just like anyone else.

Here is what topay attention to. Look, overall, leaving thespecial military operation aside, therepeat crime rate among those who have served their sentences andreturned tonormal life is up to40 percent insome cases. Among SMO participants, this percentage is only 0.4 percent.

Sergei Zenin: Thepercentage is very small.

Vladimir Putin: Yes, indeed.

Sergei Zenin: But it ’ s still afly intheointment.

Vladimir Putin: Well, this is life. It is acomplex anddiverse thing. There is nothing you can do about it. It dictates its stern laws tous.

Toreiterate, recidivism is ten times lower than ingeneral. This is inevitable, but thenegative consequences are minimal.

Dmitry Kulko: Mr President, afollow-up onthecounter-offensive.

Vladimir Putin: Go ahead.

Dmitry Kulko: Sooner orlater, theUkrainian counter-offensive will get bogged down, orrather, our troops will force it tobog down with their heroic efforts. Clearly, no matter what losses Ukraine suffers, theWestern countries will continue tosupply weapons toit.

Vladimir Putin: This is debatable.

Dmitry Kulko: Inany case, thequestion is what will happen next? Will we gear up torepel another offensive orare we going toadvance? If so, how far are we willing togo this time? Is it toRussia ’ s new borders, orasfar aswe will be able togo?

Vladimir Putin: Mr Kulko, Ican only say this face toface. (Laughter) Well, everything will depend onthepotential that is left attheend ofthis so-called counter-offensive. This is thekey question.

Ithink that, being aware – Isay this with good reason – ofthecatastrophic losses, theleadership, whatever it may be it has ahead onits shoulders, should think about what todo next. We will wait andsee what thesituation is like andtake further steps based onthis understanding. Our plans may vary depending onthesituation when we deem it necessary tomove.

Dmitry Kulko: Mr President, our troops are burning NATO equipment, but still with regard tofuture weapon supplies…

Vladimir Putin: That includes NATO equipment. Like Isaid earlier, losses include over 160 tanks and360 infantry fighting vehicles. This is not all NATO equipment. It also includes Soviet-made armoured vehicles. Aswe anticipated, Bradleys andLeopards burn just fine. You may have seen theammunition inside thetanks blow up andeverything fly inall directions. Like Isaid: 25 – 30 percent ofthesupplied equipment has been destroyed.

Dmitry Kulko: Mr President, now, two countries are about tosupply shells with depleted uranium. TheUS media reported today that, following theUK, theUnited States will supply them aswell. We saw inSerbia how they contaminate soil andcripple people. It turns out that Ukraine will contaminate theterritory oftheRussian Federation with this ammunition.

Given this, are we not being forced toact proactively? How are we going torespond tothese challenges?

Vladimir Putin: There is no need toact preemptively. We have alot ofammo with depleted uranium. If they use it, we reserve theright touse it aswell. We have it instock. We just do not use it.

Alexander Sladkov:This is interesting.

Vladimir Putin:No, tobe honest, there is nothing interesting orgood here. If we need to, we can do this; Ican say that we are ***capable*** ofdoing this. But there is no need forus todo this today.

Do you know what else is going onthere? Ihave talked about this; it ’ s no longer asecret. TheUkrainian army fires 5,000 to6,000 large-calibre (155-mm) shells aday, andthis number has probably increased bynow. TheUnited States manufactures just 15,000 shells per month, while theUkrainian army spends 5,000 to6,000 shells aday.

TheUnited States is planning tomanufacture more shells. All this information is from open sources, andthere is nothing secret about it. First, they talked about 75,000 shells, andnow there are plans tomanufacture even more. Idon ’ t know, but they are planning tomanufacture about 75,000 next year, inlate 2024. However, if they spend 5,000 to6,000 shells aday… Ibelieve they are now using even more because this is typical ofoffensive operations, using more ammunition.

They simply have no shells, but they have depleted-uranium shells inwarehouses. It appears that they have now decided touse these shells forthetime being. They have swept thewarehouses clean, andonly South Korea andIsrael have these shells left. But these shells are US property, not Israel ’ s orSouth Korea ’ s. They can ship those shells from there toUkraine. However, this will also run out soon. Apparently, they still have depleted-uranium shells atwarehouses, andthis is thesimplest option, because toexpand production costs alot ofmoney andeffort.

They are forcing theEuropeans toexpand production intheCzech Republic andelsewhere. Inany case, these countries have parliaments. They can build anew plant, but what happens next? What can they do with it? Europe has its own problems inhealthcare, transport, education, there are many problems there, andthey are forcing theEuropeans tobuild amunitions plant.

This is why nothing is simple, considering thefact that theeconomic problems are snowballing. According totheIMF, theFederal Republic ofGermany, themain driving force oftheEuropean economy, is facing anincipient recession – its GDP is expected todrop by0.7 percent this year. Bytheway, Russia ’ s GDP is expected toincrease byatleast 1.5 percent oreven 2 percent this year. But themain driving force oftheEuropean economy is ina0.7-percent slump andanupcoming recession. Inflation is ontherise there. InRussia, inflation stands at2.3 percent, andtheCentral Bank predicts that it will reach about 5 percent inlate 2023. Well, this is good; very low inflation is not very good forRussia, but this level will be quite acceptable. Their inflation levels are over 7 percent, that is, about 7.5 percent. Idon ’ t remember exactly, but theEurozone is posting 5 percent inflation, and, tothebest ofmyknowledge, theFederal Republic ofGermany is at7.4 percent. Unemployment continues toincrease, andit has become quite exorbitant insouthern Europe. Russia has minimal unemployment, anall-time low.

So, it is not so easy toproduce everything there, andeven more difficult toexpand production andbuild new facilities. This will come inhandy forus, because Russia has aspecial situation. We must build up our armaments; we will have to, andwe will accumulate ***strategic*** reserves inwarehouses. Andwhere will they keep them? Why thehell would theCzech Republic want some kind ofstrategic reserve? What will they do with it? Where will they put it? It ’ s not so simple. Well, if they want to, let them.

But then, theAmericans behave very pragmatically, andeverything they do is intheir own interests alone; they do not care about theinterests oftheir allies. They have no allies; they only have vassals. Andtheir vassals are beginning torealise what role they are destined for. Infact, they do not really like all this, atthelevel ofpublic consciousness. Some ofmyfriends say thesituation there is like intheSoviet Union. Isay, “What do you mean?” It ’ s like atwork: atacompany, intheoffice everyone sits anddiscusses Russia, but when they go home, everything is quite different inthekitchen. Probably, people who say this sympathise with us andthey probably exaggerate abit. But that ’ s thetrend.

So, asregards depleted uranium shells, it can be explained like this: there are simply no other shells left. Andwhen they say they will start producing this orthat: well, please go ahead. Things are not so simple during arecession. Andthen, there are also opposition parties that are using thesituation; they are rocking politics there, analysing thereal situation intheeconomy. Thesafety margins oftheEuropean andtheAmerican economies are very large. This is obvious andunderstandable. They are high-tech, thestructure oftheeconomy is very developed, andit is powerful; but still there are many problems.

Ithink this is what dictated thedesire tosupply shells with depleted uranium. Thecheapest approach is todo nothing. There are such shells inwarehouses, they can send them toUkraine, andthat ’ s it. Andthey do not care what happens there. They behave like this everywhere. Remember what they did inYugoslavia? Andwhat did they do inSyria orIraq? They did thesame thing: they do not care. They have nothing but their own interests, andtheinterests oftheir allies do not interest them atall.

Speaking oftheeconomy, they made alot ofdecisions andlured companies totheUnited States from Europe. Everyone understands this, everyone sees it, but they cannot do anything about it. They have taken away theorder fornuclear submarines from theFrench. Andwhat did they do inresponse? Nothing. Moreover, we know, they whispered intheAmericans ’ ear: we must make some public statements, publicly quarrel with you – andthen we will quietly crawl away, please do not be angry with us. That ’ s all. They are not asdecisive aswe here inRussia. There is no passion there, these are fading nations; that ’ s thewhole problem. But we have it. We will fight forour interests, andwe will achieve our goals.

Dmitry Kulko:Thank you.

Dmitry Steshin: Dmitry Steshin, Komsomolskaya Pravda.

Mr President, ajournalist onthefrontline doesn ’ t always ask questions – he is often asked questions because he kind ofrepresents theworld ingeneral.

Since October, fighters have been asking me questions about theso-called grain deal. Icouldn ’ t explain many things about it. Isimply understood that it was astrong irritant andablank spot forthem. Itold them that this deal was also based onour interests – grain exports totheWest andtheinterests ofthepoorest countries that were supposed toreceive this grain. But Irealise that our interests inthis deal are not being observed. Plus, there are concerns that weapons will be brought invia thesecurity corridors andthese corridors will be used forattacking theBlack Sea Fleet, andso on.

Infact, Iam redirecting this question toyou. Do we need this deal? And, if our interests are not being considered, maybe it should be severed?

Vladimir Putin:Frankly, this is asurprise question forme. Idid not expect tohear it. But probably those who are fighting onthefrontline don ’ t understand why we let Ukraine ship this grain. Iunderstand, andIagree.

You see, we are doing this not forthesake ofUkraine but forthesake offriendly countries inAfrica andLatin America because this grain should primarily be sent totheworld ’ s poorest states. That said, we were promised that our grain would not be subjected toreprisals, if Imay say so, that there would be no obstacles toexporting it. Unfortunately, we were cheated once again.

Nothing was done tofacilitate our grain supplies toexternal markets. Iam referring tochartering vessels, their insurance, payments, including connecting Rosselkhozbank toSWIFT. There were many terms that theWesterners were supposed tofulfil under UN guidance, but nothing was done.

Nevertheless, we have extended these agreements several times – andI ’ d like torepeat it again – intheinterests offriendly countries. It is obvious toeveryone that it is also inour interests tomaintain good, trustworthy andstable relations with thepart oftheworld that does not support theaggressive anti-Russia actions oftheWest andits satellites inUkraine. This is our interest – tomaintain good relations.

Incidentally, Idon ’ t know whether this was announced ornot but theleaders ofseveral African states are expected tovisit Russia soon – inthenear future. We agreed todiscuss current issues andwill certainly talk about thegrain deal. We are primarily motivated bythese considerations.

But it turns out that, asIhave said many times, only alittle over 3 percent ofthetotal volume ofUkrainian grain went tothepoorest countries. Thefigure fluctuates alittle: 3.2 to3.4 percent, because it changes alittle depending onwhere thenext dry cargo ship with grain goes, but ingeneral it is somewhere around 3.5 percent. More than 40 percent goes totheprosperous countries intheEuropean Union. They are themain recipients ofUkrainian grain: it is cheaper, they get it, andthey feel good, andUkraine got paid forit. Today, Icould be wrong, but it seems tome that this is themain source offoreign exchange revenue forUkraine now.

Everything else has practically collapsed there. Iam not talking about industry, but everything is stopping there. Ido not know what they still produce there. There used tobe ***agricultural*** production andthemetallurgical industry, thepipes. Themetals sector is almost stopped since there is no electricity there. Machinery manufacturing has stopped. Shipbuilding collapsed long ago, even before thespecial military operation. Theaviation industry collapsed before thespecial military operation. Engine production has collapsed.

Themain sources ofrevenue were themetallurgical industry, which no longer exists, andtheagricultural products they export, inparticular grain. We understand this, but we deliberately went forit, Irepeat, tosupport developing countries, our friends, andinorder toachieve thelifting ofsanctions onour ***agricultural*** sector. We were deceived once again, asIsaid. This is thefirst thing.

Second, regarding theAfrican countries, they get almost nothing, too. This is why we are now thinking about how we can get out ofthis grain deal. Moreover, thecorridors forthese cargo ships are constantly used bytheenemy tolaunch naval drones.

Idon ’ t know if theMinistry ofDefence released this information ornot: just yesterday, ortheday before yesterday, our ship, which was guarding theTurkStream, thegas pipeline that runs toTurkey, was attacked byfour semi-submersible drones. Three ofthem were destroyed, andthefourth lost its way andwas finished off later. Immediately after that, four more drones appeared. Atthat same time, we saw anunmanned aerial vehicle belonging toUS ***strategic*** intelligence hovering high above, intheneutral zone. Apparently, it was correcting themovements ofthese drones.

TheUnited States is getting more andmore involved inthis conflict, almost directly involved, provoking serious international security crises. Correcting themovements ofdrones that are attacking our warships is avery serious risk. This is very serious, andthey should know that we know about it. We will think about what todo with this inthefuture. Ingeneral, this is how it is.

So, asfar asthegrain deal is concerned, we think about terminating our participation init. This is thefirst thing.

Andsecond, we will be ready todeliver theamount ofgrain that thepoorest countries received – Irepeat, it was alittle over three percent – free ofcharge. But this needs tobe discussed, including when our friends from theAfrican states arrive: soon, very soon. Iwould like tohear their opinion aswell onhow toproceed.

Dmitry Steshin:Thank you very much.

Murad Gazdiyev: Mr President,

Murad Gazdiyev, RT TV Channel.

First, our Editor-in-Chief Margarita Simonyan asked me togive you her letter. She has done alot tomake our meetings possible – both officially andunofficially.

Mr President, Ihave several questions. Considering that you said you are not going toreveal all your plans, Istill have aquestion onapeace settlement. Everyone – besides Russia andUkraine – has their own view ofhow tosettle this conflict.

Vladimir Putin: Why? You are wrong here. Why did you say “besides Russia andUkraine”? We also have one. Moreover, we reached anagreement inIstanbul. Idon ’ t remember his name andmay be mistaken, but Ithink Mr Arakhamia headed Ukraine ’ s negotiating team inIstanbul. He even initialed this document.

Murad Gazdiyev:But Iam saying that besides Russia andUkraine, other countries also have their own view ofhow tosettle this conflict.

Vladimir Putin: Oh, pardon me, Iapologise. Yes.

Murad Gazdiyev: TheUnited States, theEuropeans – but it ’ s like theUS, Saudi Arabia andeven African countries have expressed willingness tomediate tohelp settle this conflict. Obviously, apart from peace, they are also pursuing some oftheir own interests.

Now myquestion, Mr President. Which ofthese versions are you leaning toward? Are you leaning toward any ofthem atall? Is there anyone tonegotiate with anddoes it make sense to?

Vladimir Putin: First, we have never refused – asIsaid athousand times – toparticipate inany talks that may lead toapeace settlement. We have always said so. Moreover, during thetalks inIstanbul, we initialed this document. We argued foralong time, butted heads there andso on, but thedocument was very thick andit was initialed byMedinsky onour side andbythehead oftheir negotiating team – Ithink his name is Arakhamia but Idon ’ t remember exactly. We actually did this but they simply threw it away later andthat ’ s it. This is thefirst point.

Second, you said theEuropeans have their approach andtheAmericans also have their approach. But, you know, it ’ s like inevery joke about theEuropeans versus theAmericans. Point one – theAmericans are always right. Point two – if theAmericans are not right, see point one. So, that ’ s why there isn ’ t anyone totalk toespecially.

Overall, theWestern approach boils down tostanding with Ukraine andits interests, we are aware ofthat. Speaking ofUkraine ’ s interests, there is point three: if theinterests ofUkraine are not insync with point two, see point one, because ultimately it is about theUnited States ’ interests. We know that they hold thekey tosolving issues. If they genuinely want toend today's conflict via negotiations, they only need tomake one decision which is tostop supplying weapons andequipment. That ’ s it. Ukraine itself does not manufacture anything. Tomorrow, they will want tohold talks that are not formal, but substantive, andnot toconfront us with ultimatums, but toreturn towhat was agreed upon, say, inIstanbul.

Ukraine's security issues are spelled out ingreat detail there. Infact, much ofwhat is written there makes us wonder whether we should agree toit. Toreiterate, it was initialed byboth sides.

Therefore, if they want toget back toit, we are ready totalk tothem. But fornow, they want todefeat Russia andtoachieve success intheir counteroffensive operation. Ijust reported toyou about thestatus ofthis counteroffensive operation.

Murad Gazdiev: Mr President, you are saying they just need tostop theflow ofweapons going toUkraine, but they do not. They do theopposite: first there were tanks, now it is depleted uranium.

Vladimir Putin: There is no depleted uranium yet.

Murad Gazdiev: There is coming from theUK. We have already seen articles invarious neo-conservative organisations – there was awidely covered one that insisted onmaking tactical nuclear weapons available toUkraine. Thequestion is: is theUnited States not afraid toendlessly escalate thesituation andraise thestakes?

Vladimir Putin: They pretend not tobe. Infact, there are many people there who think clearly andare unwilling tolead theworld into athird world war inwhich there will be no winners; even theUnited States will not come out ofit asawinner.

Irina Kuksenkova: If Imay, Ihave one more question about space, orrather, about space reconnaissance.

Vladimir Putin: It is time towrap up.

Irina Kuksenkova: Yes, ofcourse. According toopen data, up to100 military satellites are out there working fortheenemy. They can see our troops andmovements. Our space group is not asstrong.

Vladimir Putin: Yes.

IrinaKuksenkova: What can we do about it andhow should it be dealt with? This is asystemic issue, correct? Will it take years toimprove things?

Vladimir Putin: Ofcourse, it is not asecret. Without adoubt, we should have been engaging inspace activities inadifferent manner inprevious years. But we did not plan – Ithink this is clear – we did not plan either theevents inCrimea, ortheevents that are taking place now.

Ihave said onnumerous occasions, including atthis meeting, that we have been trying toend this armed conflict. Regrettably, we were forced totake miliary action, but we did not begin it. These are long-term projects that are planned foryears ahead andsubsequently implemented inaccordance with theplans we made five toseven years ago. But today we are adjusting our actions. Asyou know, we have launched aspacecraft recently. We will increase this group.

Incidentally, Russia has thefifth largest satellite group intheworld. Overall, it is agood group.

Irina Kuksenkova:We are fighting against thefirst one.

Vladimir Putin:Yes, ofcourse. We must adjust this work accordingly. We will certainly do this. But until then we need something totake its place. What might this be? Different-purpose unmanned aerial vehicles. Our colleague has rightly said that we must increase thenumber ofdifferent drones, including strike andreconnaissance ones, which takes time.

Iagree with you, you are right, we must do this.

Dmitry Zimenkin:Dmitry Zimenkin, Izvestia andRen TV.

Iam grateful toMr Sladkov forgiving us this chance andtoyou forlistening tous. Ithink that theissue raised inthetrenches andbythesoldiers ’ wives is important. It has todo with thestatus ofparticipants inthemilitary operations.

Here are three examples. TheBelgorod Region, border guards andthemobile warfare department, who repel theenemy onslaught, even though it was adiversionary attack, do this together with conscripted servicemen before thearrival ofDefence Ministry forces.

Vladimir Putin:They do.

Dmitry Zimenkin:TheLugansk police who fought intheKharkov Region last year, andtheir colleagues from theKaskad tactical group who are fighting intheDonetsk People ’ s Republic now, do not have this status either.

Ireceived aphone call from afield medic today. He has been working behind theline forfour months.

Vladimir Putin:Behind theline?

Dmitry Zimenkin:Yes, behind theline, which means that he is fighting. He has moved 70 men from thebattlefield andhas had four concussions. Ihear that he began stammering after thefourth one. He serves inUnit 31135 but is allegedly not fighting. He cannot even receive anorder forthis reason.

Vladimir Putin:Idon ’ t see why not.

Dmitry Zimenkin:He said they are not regarded astaking part inthehostilities. Idon ’ t know what theproblem is. That ’ s what he told me personally.

Remark:They are not regarded asparticipants.

Dmitry Zimenkin:Exactly.

Alexander Kots:They are not registered asfighting inthespecial military operation zone but asserving intheir permanent deployment areas.

Remark:Thesame goes fortheborder guards.

Dmitry Zimenkin:This aspect must be clarified. Ithink it ’ s not fair, andthepoint atissue is not theadditional payment, which is not that big.

Vladimir Putin:Good. Mr Zimenkin, Ihave heard about such problems. Ihave taken note ofthem.

Iam aware ofthem, andMr Bortnikov andMr Kolokoltsev have been asking these questions. But it is thefirst time that Ihave heard this about military medics. Iwill certainly take alook atthis problem. It must be atechnical problem insome places. If amilitary medic is actually working behind theline, Ido not understand what is happening. Iwill look into it. Where exactly is he working?

Dmitry Zimenkin:He is registered intheBelgorod Region, but he worked near Svatovo. Our crew took thefootage.

Vladimir Putin:Write this down forme, please.

Dmitry Zimenkin:Iwill do this right now.

Vladimir Putin:Ineed aconcrete example.

Asfortheother categories ofmilitary personnel, especially border guards andpartly thepolice, this issue must certainly be addressed.

Iunderstand this andagree with you, andtheheads ofthese agencies have raised this matter aswell. Ihave issued instructions totheSecurity Council, which is preparing proposals.

Murad Gazdiev: Andafew words about thesituation – not intheliberated territories, not inthenew regions, but inRussia proper.

Our fighters often manage toread thenews, even atthefrontline. Toput it mildly, they are outraged tohear ofanother scandal where acivil servant orauniversity professor almost openly tries tosway young people toapro-Ukraine position. That is, byandlarge, these people have no caution, they aren ’ t afraid offines.

All right, Iknow, andyou have been very clear that we will not act like theUkrainian regime: abag over thehead andtheperson disappears forever. But, given that we are not like them, we are fighting against this, is it not abetrayal ofour values tojust leave thesituation asit is?

Vladimir Putin: Leaving it like this verges onbetrayal. That's thefirst point.

Second. Ithink it was Semyon Pegov who spoke here about theneed topromote thefighters, especially those who have proven themselves well onthebattlefield, topromote them tohigher ranks intheArmed Forces, but not only that. They can be promoted tolaw enforcement orspecial services. We need tolook forsuch people – interms oftheir consciousness andtheir understanding ofjustice – andentrust them with investigating therogues you mentioned.

Inthesame vein, we appointed theInvestigative Committee ofChechnya toinvestigate thepublic destruction oftheQuran. And, asstated bytheMinister ofJustice, [Nikita Zhuravel, who burned theQuran outside amosque inVolgograd] will serve his sentence inapenitentiary institution inone oftheRussian regions with apredominantly Muslim population.

Astotherogues you mentioned, we need todevise something similar. You were absolutely right toraise this question. I'll think about it.

Murad Gazdiev: Thank you very much.

Vladimir Putin: Thank you very much foryour question.

Murad Gazdiev: If Imay, Iwill give theletter tomycomrades from theFederal Guard Service.

Vladimir Putin: Yes, ofcourse.

Thank you very much.

**Load-Date:** June 16, 2023

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[***Everest Global Plc - Final Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:68T4-3TD1-DXP3-R3KX-00000-00&context=1516831)

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Everest Global plc

(“Everest” or the “Company”)

Final Results

The Board of Everest is pleased to announce its final results for the year ended 31 October 2022.

Overview

Following from 2021 and the withdrawal by Comarco from the marine and port transaction, on 3 October 2022 the Company (Anglo African ***Agriculture*** Plc) entered into a transaction which saw the purchase of 65% of the outstanding convertible loan notes by Golden Nice International Limited. The remainder of the convertible loan notes (35%) were converted by the note holders to shares in the Company. In addition, Golden Nice International Limited invested £650,000 in the Company to recapitalise it by the subscription of 13 million new ordinary shares. The company then changed its name to Everest Global Plc at this time. In addition, both Andrew Monk and Matt Bonner resigned from the Board and Simon Grant-Rennick and I were appointed to the Board. Robert Scott remains on the Board. I would like to thank both Andrew Monk and Matt Bonner for their services to the company.

As mentioned in the previous Annual Financial Statements the Company’s subsidiary, Dynamic Intertrade (Pty) Limited (“Dynamic”), on its own could not sustain a London Stock Exchange listing. During the period under review the Company and VSA NEX Investments Limited (“VSA NEX”) entered into certain related party arrangements in relation to Dynamic. At the time the arrangements were entered into VSA NEX was a 100% subsidiary of VSA Capital. Also at the time the arrangements were entered into Andrew Monk was a director of the Company, VSA Capital and VSA NEX and is deemed to have significant influence over VSA Capital and VSA NEX. Pursuant to the arrangements, VSA NEX subscribed for such number of new shares in the capital of Dynamic resulting in VSA NEX holding 49% of the enlarged issued share capital of Dynamic for a consideration of ZAR10,982; the Company agreed to assign certain debts owing by Dynamic, amounting to £4.2 million which had been fully impaired in prior years, to the Company and certain other parties to VSA NEX in consideration for VSA NEX paying to the Company £100,001 and agreeing to fund Dynamic so as to enable Dynamic to carry on its business in the ordinary course until such time as the Company ceases to hold any further shares in Dynamic. This assignment agreement resulted in VSA NEX having a non-controlling interest in Dynamic and as such its share of the current year profits amounted to £522, its share of accumulated losses prior to acquisition amounted to £2,305,905. Additionally, the assignment of the loans resulted in the Group incurring a finance charge on consolidation of £3.1 million. VSA NEX has signed a subordination agreement in relation to the loans due by Dynamic to VSA NEX with an expiry date of 31 October 2023. Should VSA NEX choose to request the repayment of the loans due by Dynamic this will severely impact the Company's ability to continue as a going concern. Upon consolidation of the VSA NEX loans, the borrowings have increased by

£4.1 million. Under a put and call option agreement the Company granted to VSA NEX the option to acquire 11,430 shares in Dynamic Intertrade, being the remaining 51% of Dynamic held by the Company, subject to the satisfaction of certain conditions and subject to certain time restrictions for £1. At 31 October 2022 Dynamic was still controlled by Everest Global and has been consolidated in the group financial statements

The Company’s present primary operations and source of revenue remains it 51% holding in Dynamic, our Cape Town based spice blender and trader. The Company was still loss making for the year under review but has since improved its performance during the six-months ended April 2023. Group turnover increased by 20.98% (2021: a reduction of 20.8%). Group operating losses amounted to £1,152,170 (2021: £515,660) for the current year. The total Group comprehensive loss for the year amounted to £4,570,562 (2021: £584,633), including the finance charge on consolidation referred to above, amounting to £3,131,890.

The Company will now be actively looking at new opportunities to bolster its current operating assets and will no doubt in the near future seeks to raise more funds and acquire more assets. As announced on the 4th July 2023, the Company announced that it had invested £200,000 by way of a loan into Precious Link (UK) Limited, a wine retailer, located within the Southeast of England. The Board believe that Precious Link operates in a complementary sector and that the loan could assist the Company in expanding its activities into the wider food and beverage sector.

Post year end our previous auditor resigned as they were no longer in a position to audit Public Interest Entity (“PIE”) companies and due to capacity constraints with many other auditors there was a delay in appointing a PIE registered auditor. As a result, the Company could not complete their statutory audit, publication of results or statutory filing at Companies House on time. As such, trading in the Company’s ordinary shares and its listing on the Official List of the Financial Conduct Authority was suspended pending the publication of the Company’s audited results for the year ended 31 October 2022.  The Company was granted an extension of its filing obligations by Companies House.

On the 24th of January 2023, the Company announced a subscription for 12,726,000 new Ordinary Shares. The Company raised net proceeds totalling £699,930 at a subscription price of 5.5 pence per share.

COVID-19 which had a devastating effect on the world economy and social fabric, has now been declared by the head of the UN World Health Organization (WHO) as no longer a public health emergency, however stressing that it does not mean the disease is no longer a global threat. As a result the Company will not report on initiatives or effects of COVID-19 in its Annual Financial Statements.

The financial information set out below does not constitute the Company's statutory accounts for the years ended 31 October 2021 or 2022 within the meaning of Section 434 of the Companies Act 2006, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered in due course. The auditor’s report on the statutory accounts for the years ended 31 October 2021 were unqualified and the auditor’s report on the statutory accounts for the years ended 31 October 2022 contained a qualification in respect of inventory as the auditor was appointed after the year end and therefore could not attend the stock take.

The audit report also includes a material uncertainty in relation to going concern.  Excerpts of the basis for the qualification in respect of inventory and the material uncertainty are as follows with the full audit report and related notes being set out in the body of this announcement:

Basis for qualified opinion

The Group recorded closing inventory of £175,875. We were appointed after the balance sheet date and were unable to arrange attendance at the year-end counting of inventory. We were therefore unable to verify the closing value of inventory and the associated impact on cost of sales.

Material uncertainty related to going concern

We draw attention to note 2a in the financial statements, which indicates events or conditions identified that may cast significant doubt over the Company’s ability to continue as a going concern. As stated in note 2a, these events or conditions, along with other matters set forth in note 2a, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The announcement has been prepared on the basis of the accounting policies as stated in the financial statements for the year ended 31 October 2022. The information included in this announcement is based on the Company's financial statements which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company will publish full financial statements that comply with IFRS on its website in due course.

The annual report and accounts for the year ended 31 October 2022 will be posted to shareholders in due course. An announcement will be made regarding the posting of these documents as appropriate.

Once published, hard copies will be available to shareholders upon request to the Company Secretary at 48 Chancery Lane, London WC2A 1JF, and soft copies will be available for download and inspection from the Company's website at[*http://www.everestglobalplc.com*](http://www.everestglobalplc.com).

The annual report and accounts for the year ended 31 October 2022 will be made available from the FCA's National Storage Mechanism at [*http://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism*](http://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism) in due course, following which, the temporary suspension of the Company’s listing on the Official List of the FCA of its ordinary shares of 2 pence each will be lifted and trading on the Main Market of the London Stock Exchange will recommence.

A further announcement will be made in due course

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018).

The Directors of the Company take responsibility for the contents of this announcement.

For further information please contact the following:

Caution regarding forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identiﬁed by their use of terms and phrases such as ''believe'', ''could'', "should" ''envisage'', ''estimate'', ''intend'', ''may'', ''plan'', ''potentially'', "expect", ''will'' or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reﬂect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

Overview

The primary objective of the ***strategic*** report is to provide information for the shareholders to help them to assess how the Directors have performed their duty, under section 172 of the Act, to promote the success of the Company and to provide context for the related financial statements as well as assist them in their decision making.

The duty of a director, as set out in section 172 of the Act, is to act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment;

(e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the Company.

As a Board, we must always seek and be open to feedback from anyone affected by our activities. This enables the Board to understand the impact of its decisions on key stakeholders, but also ensures that we are aware of any significant changes in the market or the external environment, including the identification of emerging risks, which can be fed into our strategy discussions and our risk management process. The Board considers our ***strategic*** stakeholders as follows:

Customers

We listened to our customers and endeavoured to supply them with relevant product. This entailed continuous discussions with our existing and potential customers as well as product development.

Suppliers

We have worked with a number of our suppliers for many years, and any loss of our sales or product mix impacts their business. We communicated to them where possible to reduce the impact on their businesses.

Shareholders and Lenders

We have a clear responsibility to engage with shareholders and lenders of our business and their views are an important driver of our strategy. We keep our shareholders regularly informed while lenders receive regular updates on the performance of the organisation.

Staff

During the year under review the Group had 17 (2021-24) staff and Directors. The Company had 3 male Directors. Noting that there was a total of 5 with 3 at any one stage. The subsidiary had 1 female and 3 male directors of which 1 male director was a director of both the Company and Dynamic. The subsidiary had 5 female and 9 male staff excluding managers and directors.

Social, community and human rights issues

The Company and its subsidiary comply with all national and international laws and regulations pertaining to human rights and social interaction. Additionally, the South African subsidiary is ensuring, where possible, with Broad Based Black Economic Empowerment legislation (“BBBEE”) to address the social, community and economic issues within the South African context.

Review of the Group’s Business

Dynamic Intertrade (Pty) Ltd (“Dynamic”) is based in Cape Town, South Africa and is involved in the importation, milling, blending and packaging of products that include herbs, spices, seasonings and confectionary for the domestic market. On 3 October 2023 a new shareholder, the Company and VSA NEX Investments Limited (“VSA NEX”) entered into certain related party arrangements in relation to Dynamic Intertrade (Pty) Ltd (“Dynamic”). VSA NEX was a 100% subsidiary of VSA Capital. At the time the arrangements were entered into Andrew Monk was a director of the Company, VSA Capital and VSA NEX and is deemed to have significant influence over VSA Capital and VSA NEX. Pursuant to the arrangements, VSA NEX subscribed for such number of new shares in the capital of Dynamic resulting in VSA NEX holding 49% of the enlarged issued share capital of Dynamic for a consideration of ZAR10,982; the Company agreed to assign certain debts owing by Dynamic, amounting to £4.2 million which had been fully impaired in prior years, to the Company and certain other parties to VSA NEX in consideration for VSA NEX paying to the Company £100,001 and agreeing to fund Dynamic so as to enable Dynamic to carry on its business in the ordinary course until such time as the Company ceases to hold any further shares in Dynamic. This assignment agreement resulted in VSA NEX having a non-controlling interest in Dynamic and as such its share of the current year profits amounted to £522, its share of accumulated losses prior to acquisition amounted to £2,305,905. Additionally, the assignment of the loans resulted in the Group incurring a finance charge on consolidation of £3.1 million. VSA NEX has signed a subordination agreement in relation to the loans due by Dynamic to VSA NEX with an expiry date of 31 October 2023. Should VSA NEX choose to request the repayment of the loans due by Dynamic this will severely impact the Company's ability to continue as a going concern. Under a put and call option agreement the Company granted to VSA NEX the option to acquire 11,430 shares in Dynamic Intertrade, being the remaining 51% of Dynamic held by the Company, subject to the satisfaction of certain conditions and subject to certain time restrictions for £1. At 31 October 2022, the total amount due by Dynamic to VSA NEX amounted to £4,174,538.

During the year to 31 October 2022, Dynamic recorded an increase of 20.98% in turnover to £1.698 million (2021: decrease of 20.8). In the subsidiary’s functional currency of South African Rand, it recorded turnover of R34.8 million, an increase of R6.4 million from the prior year. The required product mix changed and lower margin commodities saw general price increases which could not be passed on to customers for our core spice lines of commodity paprika and chilli-based products as well as our value-added blended products.

Gross profits for the Group increased by 10.68% to £420,358 (2021: decreased by 10.3% to £379,804) and represents a 24.74% (2021: 27.05%) gross margin.

Group operating losses for the year increased £1,152,170 (2021: £515,660). Total Group comprehensive loss amounted to £4,570,562 (2021: £584,633) after incurring a finance charge consolidation, resulting from the assignment of the loans to VSA NEX, of £3.1 million.

Basic and diluted loss per share from continuing operations for the year was 17.79p (2021:2.66p).

As at 31 October 2022 the Group held £925,814 (2021: £1,109,774) in cash and cash equivalents.

The Company will now be actively looking at new opportunities to bolster its current operating assets and will no doubt in the near future seek to raise more funds and acquire more assets. As announced on 4 July 2023, the Company invested £200,000 by way of a loan into Precious Link (UK) Limited, a wine retailer, located within the Southeast of England. The Board believes that Precious Link operates in a complementary sector and that the loan could assist the Company in expanding its activities into the wider food and beverage sector.

Financing And Capital Structure

During the year under review, the Company issued 3,823,627 new ordinary shares to VSA Capital Limited in settlement of the outstanding fees of £152,945.08.

In addition, the Company issued 13,000,000 new ordinary shares in order to raise £650,000. As part of this transaction the Company also converted £581,951.52 owing to the convertible note holders into 7,373,141 new ordinary shares.

As detailed above, the Company assigned certain debts, amounting to £4,174,538, due by Dynamic to VSA NEX. In prior years these loan were eliminated upon consolidation, however with the loans now being due to VSA NEX, the consolidated values include these loans and represent an increase in borrowings of £4,174,538.

Acquisition Strategy

The Company will be actively looking for new acquisitions to bolster its operations and will as a result in all likelihood seek to raise more capital by way of both debt and equity.

Key Performance Indicators

Principal Risks and Uncertainties

The Directors consider the following risk factors to be of relevance to the Group’s activities. It should be noted that the list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply. The risk factors are summarised below:

i.      Development Risk

The Group’s development will be, in part, dependent on the ability of the Directors to continue to improve the current business, to identify suitable investment opportunities and to implement the Group’s strategy. There is no assurance that the Group will be successful in acquiring suitable investments.

ii.     Sector Risk

The ***agriculture*** and agri-processing sectors are highly competitive markets and many of the competitors will have greater financial and other resources than the Company and as a result may be in a better position to compete for opportunities.

The development of these enterprises involves significant uncertainties and risks including unusual climatic conditions such as drought, improper use of pesticides, availability of labour and seasonality of produce, any one of which could result in security of supply, damage to, or destruction of crops, environmental damage or pollution. Each of these could have a material adverse impact on the business, operations and financial performance of the Group.

The market price of ***agricultural*** products and crops is volatile and affected by numerous factors which are beyond the Group’s control.  These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events, as well as a range of other market forces. Sustained downward movements in ***agricultural*** prices could render less economic, or un-economic, any development or investing activities to be undertaken by the Group. Certain ***agricultural*** projects involve high capital costs and associated risks. Unless such projects enjoy long term returns, their profitability will be uncertain resulting in potentially high investment risk.

 iii.   Political and Regulatory Risk

African countries experience varying degrees of political instability. There can be no assurance that political stability will persist in those countries where the Group may have operations going forward. In the event of political instability or changes in government policies in those countries where the Group may operate, the operations and financial condition of the Group could be adversely affected.

iv.    Environmental Risks and Hazards

All phases of the Group’s operations are subject to environmental regulation in the areas in which it operates. Environmental legislation is evolving in a manner that may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, Directors and employees.

There is no assurance that existing or future environmental regulation will not materially adversely affect the Group’s business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Group holds interests that are unknown to the Group at present. The Board manages this risk by working with environmental consultants and by engaging with the relevant governmental departments and other concerned stakeholders.

v.     Internal Control and Financial Risk Management

The Board has overall responsibility for the Group’s systems of internal control and for reviewing their effectiveness. The Group maintains systems which are designed to provide reasonable but not absolute assurance against material loss and to manage rather than eliminate risk.

The key features of the Group’s systems of internal control are as follows:

Management structure with clearly identified responsibilities;Production of timely and comprehensive historical management information presented to the Board;Detailed budgeting and forecasting;Day to day hands on involvement of the Executive Director and Senior Management; andRegular Board meetings and discussions with the Non-Executive Directors.

The Group’s activities expose it to several financial risks including cash flow risk, liquidity risk and foreign currency risk.

vi.    Environmental Policy

The Group is aware of the potential impact that its subsidiary and associate companies may have on the environment. The Group ensures that it complies with all local regulatory requirements and seeks to implement a best practice approach to managing environmental aspects.

The subsidiary, Dynamic Intertrade operates a Food Safety System Certification (“FSSC”) compliant facility in Cape Town. The FSSC provides a framework for effectively managing the organisation's food safety responsibilities and is fully recognized by the Global Food Safety Initiative and is based on existing ISO Standards.

Health and Safety

The Group’s aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective, the Group provides ongoing training and support to employees and sets demanding standards for workplace safety.

viii.  Financing Risk

The development of the Group’s business may depend upon the Group’s ability to obtain financing primarily through the raising of new equity capital or debt. The Group’s ability to raise further funds may be affected by the success of existing and acquired investments. The Group may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, the Group may be required to reduce the scope of its investments or the anticipated expansion. Further, Shareholders’ holdings of Ordinary Shares may be materially diluted if debt financing is not available.

ix.    Credit Risk

The Directors have reviewed the forecasts prepared by both the Company and Dynamic and believe that Dynamic has adequate resources available to meet its obligations to the Company and its lenders.

x.     Liquidity Risk

The Directors have reviewed the working capital requirements of the Company and Dynamic and believe that, following stress tests and variance analysis on the forecasts, there is sufficient working capital to fund the business while expanding turnover. The Directors further highlight the inherent uncertainties involved in making the assessment that the entity is a going concern.

Capital Risk

The Group manages its capital resources to ensure that entities in the Group will be able to continue as a going concern, while maximising shareholder return.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued share capital and reserves. The availability of new capital will depend on many factors including a positive operating environment, positive stock market conditions, the Group’s track record, and the experience of management. There are no externally imposed capital requirements. The Directors are confident that adequate cash resources exist or will be made available to finance operations and controls over expenditure are carefully managed.

To manage the above risks, management are in regular contact with our customers and are actively exploring new markets and customers in order to diversify these risks.

Shareholders should refer to Note 2 and Note 29 of the accounts for a summary of the Group’s use of financial instruments and its exposure to market risk, credit risk, liquidity risk and cash flow risk.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further details are given in Note 2 to the financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

During the year, the Group raised additional equity funding of £650,000 (2021: £Nil) in gross funding through share subscriptions to fund working capital. In addition, the Company converted £581,951.52 of convertible loan notes into new ordinary shares.

The Directors have prepared cash flow forecasts. These forecasts consider operating cash flows and capital expenditure requirements for the Company and Dynamic, available working capital and forecast expenditure, including overheads and other costs. The Directors are of the opinion that the Group has sufficient working capital and that no additional funding is required. As part of the assignment of certain debts to VSA NEX, VSA NEX have agreed to fund Dynamic so as to enable Dynamic to carry on its business in the ordinary course until such time as the Company ceases to hold any further shares in Dynamic. . VSA NEX has signed a subordination agreement in relation to the loans due by Dynamic to VSA NEX with an expiry date of 31 October 2023. Should VSA NEX choose to request the repayment of the loans due by Dynamic this will severely impact the Company's ability to continue as a going concern. However, post year end the Group did raise £699,930 in additional equity capital. Based upon the Company’s forecast, it has sufficient cash for the foreseeable future.

After careful consideration of the matters set out above, the Directors are of the opinion that the Group will be able to undertake its planned activities for the period to 31 July 2024 from production and from additional funds raising and have prepared the consolidated financial statements on the going concern basis. Nevertheless, due to the uncertainties inherent in meeting its revenue predictions and obtaining additional fund raising there can be no certainty in these respects. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern. For this reason, the Directors believe that there is a material uncertainty relating to the Group’s going concern.

It the intention of the Directors to look for acquisitions to make the Company more sustainable.

The Directors present their Report and Financial Statements for the year ended 31 October 2022.

Principal Activities

The principal activity of the Group in the year was investing and trading in the ***agriculture*** and ancillary sectors in Africa.

Emissions

The Group is not an intensive user of fossil fuels or electricity. During the year Dynamic Intertrade consumed an average of 18,828kwh (2021: 8,418 kwh) per month based on using actual charges levied by the Cape Town City Council. As per the University of Cape Town’s assessment of the South African average of 1.015kg/kwh, the Group contributed 229,325kg (2012: 102,539kg) of carbon emissions during the financial year. Due to the nature of the business, there is limited scope to reduce emissions materially as all power is sourced from the Cape Town City Council. There were no operations in the UK and as such no emissions in the UK.

Investing Policy

The Company was established to invest in or acquire companies engaged in the ***agriculture*** and ancillary sectors in Africa. The Directors intend to use their collective experience to identify appropriate investment opportunities in the production, transportation and trading of food and beverage products and ancillary industries.

Directors

The following Directors have held office in the year:

Robert Scott -  Non-Executive Director

Xin ‘Andy’ Sui (Appointed 3 October 2022) – Chief Executive Officer

Simon Grant-Rennick (Appointed 3 October 2022) – Non-Executive Director

Andrew Monk (Resigned 3 October 2022)

Matthew Bonner (Resigned 3 October 2022)

Xin ‘Andy’ Sui  Chief Executive Officer

Andy Sui has over 11 years of investment banking experience. Andy started his career at Barclays Capital under the trading desk. He eventually became Chief Risk Officer (CRO) at Union Bank of India (UK) managing a balance sheet of over $1 billion asset. Andy is also a Co-Founder of London Capital Homes Ltd managing over 120 residential properties and focusing on UK northern cities property development projects. Andy has a Masters Degree from the London School of Economics (LSE) in Finance and a number of financial market qualifications.

Robert Scott, Executive Director

Robert has principal responsibility as being the director responsible for the overview of the management of Dynamic, the Group’s spice manufacturing business. He has over 30 years’ financial and investment management experience with the last twenty years specifically focussed on, executive management, finance, corporate governance, acquisitions and investor management. Rob is a Chartered Accountant (CA(SA)) by profession. He served as Country Manager for Lonrho and has served as the General Manager of Uramin’s South African operations. He held executive and senior positions with a number of companies across a number of countries in Southern Africa. He has been involved in such broad industries as mining, food manufacturing, hotels, ***agriculture***, shipping, consumer products and construction amongst many other industries. Robert has been a Director of Dynamic for 12 years and is responsible for setting the strategy for Dynamic with management and ensuring implementation. He has an intimate understanding of its day-to-day operations. He has served on a number of other public and private Company boards. Robert began his career and qualified with Deloitte South Africa after obtaining his Certificate of Theory of Accounting (CTA) from the University of Cape Town. Rob’s broad understanding of finance, markets, acquisitions and corporate governance will greatly assist the Group in its growth plans.

Simon Grant-Rennick, Non-Executive Director

Simon graduated from Camborne School of Mines (BSc Hons  Mining Engineering, ACSM) and has been actively involved in the mining and metal trading industry for over 40 years . He has also been active in the ***agriculture*** space in Southern Africa, from the growing of Macadamia nuts to Chillies and Paprika, amongst other crops and game farming with his own game farm Simon has served as Chairman and executive director of various private and public companies in Australia, America and UK (LSE, ASX) over various global industries in ***agriculture***, mining, property and technology.

Directors’ remuneration, shareholding and options

The Directors’ remuneration for the year ended 31 October 2022 is set out in note 8 of the accounts. None of the Directors receive share options, long term incentives, bonus or the like as part of their remuneration packages. Remuneration for all Directors, both executive and non-executive, is £1,000 per month. There are contracts for the new company directors.

Shareholding

As at 31 October 2022, the Directors of the Company held the following shares:

Simon Grant-Rennick and Xin (Andy) Sui do not have any shares in the Company.

Share options and warrants

As at 31 October 2022 the Directors share options and warrants were:

The total warrants outstanding for the directors at 31 October 2022 were 5,900,00 (2021: 7,779,844). There are no outstanding options for the directors as at 31 October 2022 (2021: 421,952). Refer to note 24 for more detail.

Dividends

No dividends will be distributed for the current year (2021 - nil).

Supplier Payment Policy

It is the Group’s payment policy to pay its suppliers in conformance with industry norms. Trade payables are paid in a timely manner within contractual terms, which is generally 30 to 45 days from the date an invoice is received.

Substantial Interests

The Group has been informed of the following shareholdings that represent 3% or more of the 46,162,855 issued Ordinary Shares of the Company as at 31 October 2022:

The Group has been informed of the following shareholdings that represent 3% or more of the issued Ordinary Shares of the Company as at 30th of June 2023:

Auditors

RPG Crouch Chapman LLP (“RPG”), act as auditor to the Company. The appointment of RPG follows the resignation of Jeffreys Henry LLP as auditors to the Company. Section 519 of the Companies Act 2006 (the "Act") requires Jeffreys Henry LLP to send a statement of the reasons for ceasing to hold office. They have stated that in accordance with Section 519 of the Act, they are ceasing to hold office on the grounds that the firm has taken the decision not to register as an auditor eligible to undertake Public Interest Entity (PIE) audits.

There are no circumstances connected with Jeffreys Henry LLP ceasing to hold office as auditor which it considers should be brought to the attention of the Company’s members or creditors. RPG has expressed its willingness to continue in office and a resolution to reappoint them will be proposed at the next Annual General Meeting.

Statement of Directors’ Responsibilities

The Directors are responsible for preparing the Directors’ Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the Company and the Group and of the profit or loss of the Company and the Group for that year. In preparing these financial statements, the Directors are required to:

select suitable accounting policies and then apply them consistently;make judgements and accounting estimates that are reasonable and prudent;state whether the Group and Parent Company financial statements have been prepared in accordance with IFRS as adopted by the United Kingdom, subject to any material departures disclosed and explained in the Financial Statements; andprepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are enough to show and explain the Group and Parent Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group’s website.

Responsibility Statement

The Directors, whose names and functions are set out in this Directors’ Report under the sub-heading ‘Directors’ with registered office located at 48 Chancery Lane, London WC2A 1JF, accept responsibility for the information contained in this annual report and accounts for the period ended 31 October 2022.

To the best of the knowledge of the Directors:

the financial statements are prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Everest Group Plc and the undertakings included in the consolidation taken as a whole; and the management report includes a fair review of the development and performance of the business and the position of Everest Group Plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Everest Group Plc acknowledges that it is responsible for all information drawn up and made public in this report and accounts for the period ended 31 October 2022.

Statement of Disclosure to Auditors

Each person who is a Director at the date of approval of this Annual Report confirms that:

so far as the Directors are aware, there is no relevant audit information of which the Group and Parent Company’s auditors are unaware; each Director has taken all the steps he ought as Director, in order to make himself aware of any relevant audit information and to establish that the Group and Parent Company’s auditors are aware of that information, andeach Director is aware of and concurs with the information included in the ***Strategic*** Report.

Branches Outside the UK

The Group head office is in London and Dynamic Intertrade (Pty) Limited’s office is located in South Africa.

Events after the Reporting Period

Further information on events after the reporting date is set out in note 33.

***Strategic*** Report

In accordance with Section 414C (11) of the Companies Act 2006, the Group chooses to report the review of the business, the outlook and the risk and uncertainties faced by the Company in the ***Strategic*** Report.. The Directors’ assessment of the risks faced by the Group are set out in the ***Strategic*** Report and in Note 30 to the financial statements.

Introduction

The information included in this report is not subject to audit other than where specifically indicated.

Remuneration Committee

The remuneration committee consists of all the Board members. This committee's primary function is to review the performance of Executive Directors and senior employees and set their remuneration and other terms of employment. Simon Grant- Rennick is the Chairman of the committee.

The committee is also responsible for administering any share option schemes and for granting warrants to the existing directors. The table indicates share options held by the current directors, Directors of the subsidiary and former Directors of the Company.

\*\* Director resigned 3 October 2022.

The warrants outstanding as at 31 October 2022 may be exercised by the directors on or before 23 March 2023 at 5p per share.

The Company has one Executive Director. Robert Scott became a Non-Executive Director when Xin ‘Andy’ Sui was appointed as Chief Executive Officer.

The remuneration policy

It is the aim of the committee to remunerate Executive Directors competitively and to reward performance. The remuneration committee determines the Company's policy for the remuneration of executive directors, having regard to the UK Corporate Governance Code 2018.

Service agreements and terms of appointment

The two new Directors have service contracts with the Company.

Directors' interests

The Directors' interests in the share capital of the Company are set out in the Directors’ report.

Directors' emoluments

\* Included in Andrew Monk’s remuneration is £1,923 (2021: £1,966) for National Insurance.

\*\* Director has resigned.

No pension contributions were made by the Company on behalf of its Directors other than for Andrew Monk. Andrew Monk’s pension contribution for 2022 was £330 (2021: £360).

At the year-end a total of £33,587 (2021: £62,126) was outstanding in respect of Directors’ emoluments.

Approval by shareholders

At the next annual general meeting of the Company a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the Board on 26th July 2023.

The Directors recognise the importance of sound corporate governance while taking into account the Group’s size and stage of development. We recognise that we require the Company to:

provide details of a recognised corporate governance code that the Board of Directors has decided to applyexplain how the Company complies with that code, and where it departs from its chosen corporate governance code provide an explanation of the reasons for doing so.

The corporate governance disclosures need to be reviewed annually, and the Company is also required to state the date on which these disclosures were last reviewed. This Corporate Governance Statement sets out how Everest Global Plc seeks to comply with these requirements. The Directors acknowledge that they have overall responsibility for the Company’s system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The close involvement of the Directors in all decisions and actions undertaken by the Company is intended to ensure that the risks to the Company are minimised.

This Corporate Governance Statement forms part of the Directors’ report for the purposes of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

Overview

As Chief Executive Office it is my responsibility to ensure that the Company has both sound corporate governance and an effective Board. The Company is admitted to the Official List of the FCA and to trading on the main market of the London Stock Exchange and its principal activity is as a holding company for its subsidiary, Dynamic Intertrade (Pty) Limited, which in involved in the importation, milling, blending and packaging of products that include herbs, spices, seasonings and confectionary for the domestic market, being South Africa where Dynamic is located.

The Company’s Board has adopted the principles of the Quoted Companies Alliance Corporate Governance Code 2018 Edition (QCA Code). A copy of the QCA Code is publicly available at[*https://www.theqca.com/*](https://www.theqca.com/). The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long term shareholder value, encompassing an efficient, effective and dynamic management framework accompanied by communication to promote confidence and trust. This report follows the structure of these guidelines and explains how we have applied the guidance as well as disclosing any areas of non-compliance. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below.

The sections below set out the ways in which the Group applies the ten principles of the QCA Code in support of the Group’s medium to long-term success and provides reasons for any departures from the QCA Code.

QCA Principles

Establish a strategy and business model which promotes long-term value for shareholders

Everest Global Plc is a holding Company with an operating business on the African continent. The Company currently has a subsidiary in the food sector in South Africa. The Company is actively seeking allied investments is similar sectors that will enhance long term shareholder value.

The Company may exploit a wide range of investment opportunities within the target sectors as they arise and, to this end, the Company has complete flexibility in selecting the specific investment and trading strategies that it sees fit in order to achieve its investment objective. In this regard, the Company may seek to gain Board representation and/or managerial control in its underlying investments if it deems to be the best way of generating value for Shareholders. Opportunities will be chosen through a careful selection process which will appraise both the fundamental factors specific to the opportunity as well as wider economic considerations. Typical factors that will be considered are the strength of management, the quality of the asset base, the investment’s scale and growth potential, the commodity price outlook, any geopolitical concerns, the underlying financial position, future working capital requirements as well as potential exit routes. Investments may be in the form of buy-outs, controlling positions (whether initially or as a result of additional or follow-on investments) or ***strategic*** minority investments. There is no fixed limit on the number of projects or companies into which the Company may invest, nor the proportion of the Company’s gross assets that any investment may represent at any time. No material change will be made to the Company’s investing policy without the approval of Shareholders.

Challenges to delivering strategy, long-term goals and capital appreciation are uncertain in relation to organisational, operational, financial and ***strategic*** risks, all of which are outlined in the ***Strategic*** Report, as well as steps the Board takes to protect the Company by mitigating these risks and secure a long-term future for the Company.

Seek to understand and meet shareholder needs and expectations

The Board recognises the importance of communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors in order to assist it in developing an understanding of the views of its shareholders. The Company also maintains a dialogue with shareholders through formal meetings such as the AGM, which provides an opportunity to meet, listen and present to shareholders, and shareholders are encouraged to attend in order to express their views on the Company’s business activities and performance. Members who have queries regarding the Company’s AGM can contact the Company’s Registrars, Neville Registrars or the Company Secretary. The Board welcomes feedback from key stakeholders and the Chief Executive Officer is the shareholder liaison, who meets shareholders regularly, and informs other Directors of their views and ***suggestions***. Analysts provide the Board with updates on the Company’s business and how strategy is being implemented, as well as to hear views and expectations from shareholders. The views of the shareholders expressed during these meetings are reported to the Board, ensuring that all members of the Board are fully aware of the thoughts and opinions of shareholders. The Company maintains effective contact with its principal shareholders and welcomes communications from its private investors. Information on the Investor Relations section of the Company’s website is kept updated and contains details of relevant developments, Annual and Interim Results, Regulatory News Service announcements, presentations and other key information.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees, regulators and many other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares and updates its ***strategic*** plan regularly together with a detailed rolling budget and financial projections which consider a wide range of key resources including staffing, consultants and utility providers. The Board is kept updated on questions / issues raised by stakeholders and incorporates information and feedback into future decision making. The Group fully abides by the provisions of the 2015 Modern Slavery Act. In accordance with its Code of Business Conduct and Ethics, the Company opposes the crime of slavery in all of its forms, including child labour, servitude, forced or compulsory labour and human trafficking.

All employees within the Group are valued members of the team, and the Board seeks to implement provisions to retain and incentivise all its employees. The Group offers equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. The Directors are in constant contact with employees and seek to provide continual opportunities in which issues can be raised allowing for the provision of feedback. This feedback process helps to ensure that new issues and opportunities that arise may be used to further the success of the Company. The Company complies fully with all employment legislation where it has operations.

Embedded effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms. The Board regularly reviews the risks facing the Company as detailed in the ***Strategic*** Report and seeks to exploit, avoid or mitigate those risks as appropriate. The Board is responsible for the monitoring of financial performance against budget and forecast and the formulation of the Company’s risk appetite including the identification, assessment and monitoring of the Company’s principal risks. Additionally, the Board reviews the mechanisms of internal control and risk management it has implemented on an annual basis and assesses both for effectiveness. On the wider aspects of internal control, relating to operational and compliance controls and risk management, the Board, in setting the control environment, identifies, reviews, and regularly reports on the key areas of business risk facing the Group.

The Group Board and subsidiary Boards maintain close day to day involvement in all of the Group’s activities which enables control to be achieved and maintained. This includes the comprehensive review of both management and technical reports, the monitoring of interest rates, environmental considerations, government and fiscal policy issues, employment and information technology requirements and cash control procedures. In this way, the key risk areas can be monitored effectively, and specialist expertise applied in a timely and productive manner.

The effectiveness of the Group’s system of internal financial controls, for the year to 31 October 2022 and for the period to the date of approval of the financial statements, has been reviewed by the Directors. Whilst they are aware that although no system can provide for absolute assurance against material misstatement or loss, they are satisfied that effective controls are in place. The Group’s internal controls are primarily detailed oversight by the Directors of the transactions of both the Company and the Subsidiary in addition there are monthly management reports detailing actual versus budget which are reviewed by the Directors.

Maintain the Board as a well-functioning, balanced team led by the Chair

The Board recognises the QCA code recommendation for a balance between Executive and Non-Executive Directors and the recommendation that there be at least two Independent Non-Executives. The Board currently comprises of one Executive Director, two Non-Executive Directors, of which, Simon Grant-Rennick, is deemed independent. The Board will take this into account when considering future appointments. It is the Company’s intention to appoint a Chairman when its size warrants it. However, all Directors are encouraged to use their judgement and to challenge matters, whether ***strategic*** or operational, enabling the Board to discharge its duties and responsibilities effectively. The Board maintains that the Board’s composition will be frequently reviewed as the Company develops. The Company is small and as a result has only two committees, an audit and risk committee and a remuneration and nominations committee, all of which comprise the entire Board as its members. The Company does not have a separate nominations committee at this time. The Board does not deem it appropriate to have more committees.

The Group is controlled and led by the Board of Directors with an established schedule of matters reserved for their specific approval. The Board meets regularly throughout the year and is responsible for the overall Group strategy, acquisition and divestment policy, approval of major capital expenditure and consideration of significant financial matters. It reviews the ***strategic*** direction of the Company and its individual subsidiaries, their annual budgets, their progress towards achievement of these budgets and their capital expenditure programmes. The role of the CEO (Chairman once appointed) is to supervise the Board and to ensure its effective control of the business, and that of the Executive Director is to manage the Group on the Board’s behalf. All Board members have access, at all times, to sufficient information about the business, to enable them to fully discharge their duties. Also, procedures exist covering the circumstances under which the Directors may need to obtain independent professional advice. The Board meets regularly and is responsible for formulating, reviewing and approving the Group’s strategy, budgets, performance, major capital expenditure and corporate actions. Detailed biographies of the Board members can be found on the website and summaries can be found in the Directors’ Report.

Throughout the year, there have been seventeen Board meetings, with all meetings being quorate. The Directors of the Company are committed to sound governance of the business and each devotes enough time to ensure this happens.

Directors’ conflict of interest

The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional skills, and notes the range of financial and managerial skills. The Non-Executive Directors maintain ongoing communications with the Executive between formal Board meetings. Biographical details of the Directors can be found on the Company’s website and in the Directors’ Report of this report.

Stephen Clow is the Company Secretary and helps the Company comply with all applicable rules, regulations and obligations governing its operation.  The Company can also draw on the advice of its solicitors and corporate and financial advisors Cairn Financial Advisers LLP (who were appointed post period end). The Directors have access to all advisers, Company Secretary, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company. Board composition is always a factor for consideration in relation to succession planning. The Board will seek to consider any Board imbalances for future nominations, with areas considered including Board independence and gender balance. The Group considers however that at this stage of its development and given the current size of its Board, it is not necessary to establish a formal Nominations Committee. Instead, the appointments to the Board are made by the Board as a whole and this position is reviewed on a regular basis by the Board.

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Directors consider that the Company and Board are not yet of a sufficient size for a full Board evaluation to make commercial and practical sense. In the frequent Board meetings/calls, the Directors can discuss any areas where they feel a change would benefit the Company, and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it expects to expand the Board and with the Board expansion, re-consider the need for Board evaluation. The Board continues to conduct internal and external Board evaluations which consider the balance of skills, experience, independence and knowledge of the Company. The evaluation process, the Board refreshment, use of third-party search companies and succession planning elements are discussed. The Board evaluation of the Executives’ performance is carried out on a regular basis. Given the level of activity and size of the Company, no other evaluation is seen as appropriate. In view of the size of the Board, the responsibility for proposing and considering candidates for appointment to the Board as well as succession planning is retained by the Board. All Directors submit themselves for re-election at the AGM at regular intervals.

Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on their responsibility for producing accurate financial statements. The Board also places great importance on accuracy and honesty and seeks to ensure that this aspect of corporate life flows through all that the Company does. A large part of the Company’s activities is centred upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. Whilst the Company has a small number of employees, the Board maintains that as the Company grows it intends to maintain and develop strong processes which promote ethical values and behaviours across all hierarchies.

The Board has adopted an anti-corruption and bribery policy (Bribery Policy). The Bribery Policy applies to all Directors and employees of the Group, and sets out their responsibilities in observing and upholding a zero-tolerance position on bribery and corruption, as well as providing guidance to those working for the Company on how to recognise and deal with bribery and corruption issues and the potential consequences.

The Board complies with Rules relating to dealings in the Company’s securities by the Directors and other such persons discharging managerial responsibility. To this end, the Company has adopted a code for Directors’ dealings appropriate for a Company whose shares are admitted to trading on the London Stock Exchange and takes all reasonable steps to ensure compliance by the Directors and any relevant employees.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to, and ultimately responsible for, high standards of corporate governance. The Board reviews the Company’s corporate governance arrangements regularly and expect to evolve this over time, in line with the Company’s growth.

The Board would delegate responsibilities to committees and individuals as it sees fit. However due to the size of the Board and Company the Board considers it appropriate that all committees, namely the audit and remuneration committee are populated by the full Board with invitees as and when. The auditors as an example are invited to the audit committee.

The Boards’ principal responsibility is to ensure that the Company and its Board are acting in the best interests of shareholders.

The Executive Director is responsible for the general day-to-day running of the business and developing corporate strategy.

The Executive Director has, through powers delegated by the Board, the responsibility for leadership of the management team in the execution of the Group’s strategies and policies and for the day-to-day management of the business. He is responsible for the general day-to-day running of the business and developing corporate strategy while the Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

All Directors participate in the key areas of decision-making, including the following matters:

StrategyBudgetsPerformanceMajor Capital ExpenditureCorporate Actions

The Board would normally delegate authority to a number of specific Committees to assist in meeting its business objectives, and the Committees, comprising of at least two independent Non-Executive Directors, would meet independently of Board meetings.

However, the current Board structure does not permit this, and the Directors will seek to take this into account when considering future appointments. As a result, matters that would normally be referred to the Nominations Committee are dealt with by the combined Remuneration and Nominations Committee.

The CEO and the Board continue to monitor and evolve the Company’s corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company’s growth and development.

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining effective communication and having constructive dialogue with its stakeholders. The Company intends to have ongoing relationships with both its private and institutional shareholders (through meetings and presentations), and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company’s Annual General Meeting. The Board already discloses the result of General Meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In order to improve transparency, the Board has committed to publishing proxy voting results on its website in the future.

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year results announcements and the Annual General Meeting (AGM). Information on the Investor Relations section of the Group’s website is kept updated and contains details of relevant developments, regulatory announcements, financial reports and shareholder circulars. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company’s corporate website.

Shareholders with a specific enquiry can contact us on the website contact page. The Company uses electronic communications with shareholders in order to maximise efficiency.

Introduction

The Board continues to recognise that an effective governance framework is fundamental in ensuring that the Group’s ability to deliver long term shareholder value. The Group continues to comply with the principles of the QCA Code .

Board composition

It is critical that the Board has the right composition, so it can provide the best possible leadership for the Group and discharge its duties to shareholders. This includes the right balance of skills and experience, ensuring that all Directors have a good working knowledge of the Group’s business and that the Board retains its independence and objectivity.

The Board currently comprises of two Non-Executive Directors, of which one, being Simon Grant-Rennick, is considered to be independent, and one executive director. Xin (Andy) Sui was appointed CEO on 3 October 2022. At that time it was decided that due to the size of the Board and the business a Chairman would not be appointed.

The articles of association require a third, but not greater than a third, of the Directors to retire by ***rotation*** each year.

There are regular Board meetings each year and other meetings are held as required to direct the overall Company strategy and operations. Board meetings follow a formal agenda covering matters specifically reserved for decision by the Board. These cover key areas of the Company's affairs including overall strategy, acquisition policy, approval of budgets, major capital expenditure and significant transactions and financing issues.

The Board has delegated certain responsibilities, within defined terms of reference, to the audit committee and the remuneration committee as described below. The appointment of new Directors is made by the Board as a whole. During the year ended 31 October 2022, there were seventeen Board meetings, two audit committee meeting and no remuneration committee meetings. All meetings were fully attended and quorate.

The Board undertakes an annual evaluation of its own performance and that of its committees and individual Directors, through discussions and one-to-one reviews.

Board effectiveness

The Board is unanimous in its view that the Board appointments have a range of experience, skills and strength of leadership. The Company’s procedures for new Directors include undergoing a full induction process, and will continue with ongoing training, tailored to their knowledge and previous experience. A short biography of all Directors can be found in the Directors’ Report herein.

Shareholder engagement

As CEO, I am responsible for the effective communication between shareholders and the Company and for ensuring the Board understands the views of major shareholders.

I look forward to listening to the views of our shareholders at the Company’s next AGM. Directors regularly meet with a cross section of the Company shareholders to ensure an ongoing dialogue is maintained and report to the Board on feedback received from shareholders. I also make myself available to meet any of our shareholders who wish to discuss matters regarding the Company.

Audit committee

The audit committee is currently headed by Robert Scott, the Chairman of the committee, and comprises Xin (Andy) Sui and Simon Grant-Rennick. The committee's terms of reference are in accordance with the UK Corporate Governance Code. The committee reviews the Company's financial and accounting policies, interim and final results and annual report prior to their submission to the Board, together with management reports on accounting matters and internal control and risk management systems. It reviews the auditor’s management letter and considers any financial or other matters raised by both the auditors and employees.

During the year under review the Company announced the appointment of RPG Crouch Chapman (“RPG”) Jones, as auditor to the Company.  The appointment of RPG will be subject to approval by shareholders at the next Annual General Meeting of the Company. The appointment of RPG follows the resignation of Jeffreys Henry LLP as auditors to the Company. Section 519 of the Companies Act 2006 (the "Act") requires Jeffreys Henry LLP to send a statement of the reasons for ceasing to hold office. They have stated that in accordance with Section 519 of the Act, they are ceasing to hold office on the grounds that the firm has taken the decision not to register as an auditor eligible to undertake Public Interest Entity audits.

There are no circumstances connected with Jeffreys Henry LLP ceasing to hold office as auditor which it considers should be brought to the attention of the Company’s members or creditors.

While searching for a PIE registered auditor the committee approached many auditors to perform the audit however by and large each one had capacity constraints and could not accept the appointment. The Company further notes that it announced on 15 December 2022 that Jones Hunt & Keelings ("JH&K") had been appointed as auditor of the Company however their registration as a Public Interest Entity auditor has not come through and as such, they were not in a position to accept the audit.

Due to delays in appointing a PIE registered auditor, the Company could not complete its statutory audit or publication of results or statutory filing at Companies House on time. As such, trading in the Company’s ordinary shares and its listing on the Official List of the Financial Conduct Authority was suspended pending the publication of these audited results. The Company was granted an extension of its filing obligations by Companies House.

The committee considers the independence of the external auditors and ensures that, before any non-audit services are provided by the external auditors, they will not impair the auditor’s objectivity and independence. During the year, non-audit services totalled £Nil (2021: £Nil).

There is currently no internal audit function within the Group. The Directors consider that this is appropriate of a Group of this size.

The committee has primary responsibility for making recommendations to the Board in respect of the appointment, re-appointment and removal of the external auditors.

Qualified Opinion

We have audited the financial statements of Everest Global Plc (the ‘Company’) and its subsidiaries (the ‘Group’) for the year ended 31 October 2022 which comprise the Group and Company statements of comprehensive income, statements of changes in equity, statements of financial position, statements of cash flows and notes to the financial statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted in the United Kingdom (IFRS).

In our opinion, except for the matter described in the “Basis for qualified opinion” section of our report, the financial statements:

give a true and fair view of the state of the Group’s and of the Company’s affairs as at 31 December 2022 and of the Group’s loss for the year then ended;have been properly prepared in accordance with IFRS; and;have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

The Group recorded closing inventory of £175,875. We were appointed after the balance sheet date and were unable to arrange attendance at the year-end counting of inventory. We were therefore unable to verify the closing value of inventory and the associated impact on cost of sales.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to note 2a in the financial statements, which indicates events or conditions identified that may cast significant doubt over the Company’s ability to continue as a going concern. As stated in note 2a, these events or conditions, along with other matters set forth in note 2a, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the entity’s ability to continue to adopt the going concern basis of accounting included:

Review budgets and cash flows projections up to 31 December 2024; Comparison of budget to past performance; Sensitise cash flows for variations in trading performance and working capital requirements; Consider if there is any other information brought to light during the audit that would impact on the going concern assessment;Review of working capital facilities and assess headroom available in the projections; andReview of adequacy and completeness of disclosures in the financial statements in respect of the going concern assumption.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

In planning our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to issue an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

We performed the audit of the Company and reviewed the work performed by the component auditor in addition to performing our own tests on the Company’s subsidiary.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement we identified (whether or not due to fraud), including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. The matter identified was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The use of the Going Concern basis of accounting was assessed as a key audit matter and has already been covered in the previous section of this report. The other key audit matters identified are listed below.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider gross assets to be the most significant determinant of the Group’s financial performance used by the users of the financial statements. We have based materiality on 1.5% of gross assets for each of the operating components. Overall materiality for the Group was therefore set at £28,000. For each component, the materiality set was lower than the overall group materiality.

 We agreed with the Audit Committee that we would report on all differences in excess of 5% of materiality relating to the Group financial statements. We also report to the Audit Committee on financial statement disclosure matters identified when assessing the overall consistency and presentation of the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

the information given in the ***strategic*** report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; andthe ***strategic*** report and the directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the ***strategic*** report or the directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; orthe parent company financial statements are not in agreement with the accounting records and returns; orcertain disclosures of directors’ remuneration specified by law are not made; orwe have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out in the Directors’ Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group’s and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are ***capable*** of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group operates focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:[*http://www.frc.org.uk/auditorsresponsibilities*](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

Other matters that we are required to address

We were appointed on 12 April 2023 and this is the first year of our engagement as auditors for the Group.

We confirm that we are independent of the Group and have not provided any prohibited non-audit services, as defined by the Ethical Standard issued by the Financial Reporting Council.

Our audit report is consistent with our additional report to the Audit Committee explaining the results of our audit.

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Randall FCA (Senior Statutory Auditor)

For and on behalf of RPG Crouch Chapman LLP

Chartered Accountants

Registered Auditor

5th Floor, 14-16 Dowgate Hill

London

EC4R 2SU

26 July 2023

All amounts relate to continuing operations.

Share capital is the amount subscribed for shares at nominal value.

The share premium has arisen on the issue of shares at a premium to their nominal value.

Share-based payments reserve relate to the charge for share-based payments in accordance with IFRS 2.

Retained earnings represent the cumulative loss of the Group attributable to equity shareholders.

As at 31 October 2022

General Information

Everest Global plc is a company incorporated in the United Kingdom. Details of the registered office, the officers and advisers to the Company are presented on the Directors and Advisers page at the beginning of the annual report. The Company is admitted to the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange’s Main Market for listed securities. The information within these financial statements and accompanying notes has been prepared for the year ended 31 October 2022 with comparatives for the year ended 31 October 2021.

Basis of Preparation and Significant Accounting Policies

The consolidated financial statements of Everest Global Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom (IFRS as adopted by the UK), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention in the Group’s reporting currency of Pound Sterling.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management’s experience and knowledge of current events and actions, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year or in the year of the revision and future year if the revision affects both current and future year.

a.    Going Concern

These consolidated financial statements are prepared on the going concern basis. The going concern basis assumes that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of business. The Group has incurred significant operating losses and negative cash flows from operations as the Group continued to expand its operations during the year under review.

There remains an active and liquid market for the Group’s shares.

As at 31 October 2022 the Group held £925,814 (2021: £1,109,774) in cash and cash equivalents.

During the year, the Group raised additional equity funding of £650,000 (2021: £Nil) in gross funding through share subscriptions to fund working capital. In addition, the Company converted £581,951.52 of convertible loan notes into new ordinary shares. As part of the assignment of certain debts to VSA NEX, VSA NEX have agreed to fund Dynamic so as to enable Dynamic to carry on its business in the ordinary course until such time as the Company ceases to hold any further shares in Dynamic. VSA NEX has signed a subordination agreement in relation to the loans due by Dynamic to VSA NEX with an expiry date of 31 October 2023. Should VSA NEX choose to request the repayment of the loans due by Dynamic this will severely impact the Company's ability to continue as a going concern.

VSA NEX have agreed to subordinate the loans due to themselves. The subordination agreement expires on 31 October 2023. In the event that VSA NEX do not extend their subordination agreement and ask for repayment of their loans, this would cast significant doubt on the Group’s ability to continue as a going concern.

The Directors have prepared cash flow forecasts. These forecasts consider operating cash flows and capital expenditure requirements for the Company and Dynamic, available working capital and forecast expenditure, including overheads and other costs. The Directors are of the opinion that the Group has sufficient working capital and that no additional funding is required. However, post year end the Group did raise £700,000 in additional capital. Based upon the Company’s forecast, it has sufficient cash for the foreseeable future.

After careful consideration of the matters set out above, the Directors are of the opinion that the Group will be able to undertake its planned activities for the period to 31 July 2024 from production and from additional fund raising and have prepared the consolidated financial statements on the going concern basis. Nevertheless, due to the uncertainties inherent in meeting its revenue predictions and obtaining additional fund raising there can be no certainty in these respects. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern. For this reason, the Directors believe that there is a material uncertainty relating to the Group’s going concern.

b. New and Amended Standards Adopted by the Company

The Group has implemented IFRS as adopted by the UK. At the point of transition from IFRS as adopted by the EU the underlying requirements were identical. The following standards, amendments and interpretations are new and effective for the year ended 31 October 2022 and have been adopted. None of the IFRS standards below had a material impact on the financial statements.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 November 2022 and have not been early adopted:

The Directors anticipate that the adoption of these standards and the interpretations in future periods will not have a material impact on the financial statements of the Group.

c.    Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 October each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 “Financial Instruments: Recognition and Measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree’s share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; andassets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Joint Ventures and Associates

A joint venture is a contractual agreement under which two or more parties conduct an economic activity and unanimous approval is required for the financial and operating policies. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Joint ventures and associates are accounted for using the equity method, which involves recognition in the consolidated income statement of EG’s share of the net result of the joint ventures and associates for the year. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group. EG’s interest in a joint venture or associate is carried in the statement of financial position at its share in the net assets of the joint venture or associate together with goodwill paid on acquisition, less any impairment loss. When the share in the losses exceeds the carrying amount of an equity-accounted Company (including any other receivables forming part of the net investment in the Company), the carrying amount is written down to nil and recognition of further losses is discontinued, unless we have incurred legal or constructive obligations relating to the Company in question.

d.    Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred. Depreciation on property, plant and equipment is calculated using the straight-line method to write off their cost over their estimated useful lives at the following annual rates:

Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss in the year in which the asset is derecognised.

e.    Leased assets

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 3 years but may have extension options for an additional 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term as per the table below:

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

the amount of the initial measurement of lease liabilityany lease payments made at or before the commencement date less any lease incentives received any initial direct costs, andrestoration costs.

Payments associated with short term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise moving equipment rented on a day to day basis.

f.     Investments in Subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

g.    Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using specific identification and in the case of work in progress and finished goods, comprises the cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as an expense in the year in which the reversal occurs.

h.    Impairment

Non-derivative financial assets

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at Fair Value through Other Comprehensive Income (“FVOCI”) are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

•       significant financial difficulty of the borrower or issuer;

•       a breach of contract such as a default or being more than 90 days past due;

•       the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

•       it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

•       the disappearance of an active market for a security because of financial difficulties.

A 12 month approach is followed in determining the Expected Credit Loss (“ECL”).

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in Other Comprehensive Income (“OCI”).

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures of recovery of the amounts due.

i.     Financial Instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables and Fair Value through Profit and Loss (“FVTPL”) and Fair Value through OCI (“FVTOCI”) financial assets.

The Group classifies non-derivative financial liabilities into the following category: other financial liabilities.

i.       Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Gains or losses on derecognition of financial liabilities are recognised in profit or loss as a finance charge.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii.      Loans and receivables- Measurement

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

iii.     Assets at FVOCI - Measurement

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the revaluation reserve.

When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

iv.     Non-derivative financial liabilities – Measurement

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

v.      Convertible loan notes and derivative financial instruments

The presentation and measurement of loan notes for accounting purposes is governed by IAS 32 and IFRS 9. These standards require the loan notes to be separated into two components:

•       a derivative liability; and

•       a debt host liability.

This is because the loan notes are convertible into an unknown number of shares, therefore failing the ‘fixed-for-fixed’ criterion under IAS 32. This requires the ‘underlying option component’ of the loan note to be valued first (as an embedded derivative), with the residual of the face value being allocated to the debt host liability (refer financial liabilities policy above).

Compound financial instruments issued by the Group comprise convertible notes denominated in British pounds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

The Group’s financial liabilities include amounts due to a director, trade payables and accrued liabilities. These financial liabilities are classified as FVTPL are stated at fair value with any gains or losses arising on re-measurement recognised in profit or loss. Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs.

j.     Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the year of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting period are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.

k.    Revenue Recognition

Performance obligations and service recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over of goods or services to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

l.     Cost of Sales

Cost of sales consists of all costs of purchase and other directly incurred costs.

Cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the Group from the taxing authorities), if any, and transport, handling and other costs directly attributable to the acquisition of goods. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Cost of conversion primarily consists of hiring charges of subcontractors incurred during conversion.

m.   Finance Income and Finance Costs

The Group’s finance income and finance costs include:

•       interest income;

•       interest expense; and

•       dividend income.

Interest income and expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group’s right to receive payment is established.

The “effective interest rate” is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

•       the gross carrying amount of the financial asset; or

•       the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset, if the asset is no-longer credit-impaired, then the calculation of interest income reverts to the gross basis.

n.    Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

o.    Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

p.    Provisions and Contingencies

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors’ best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

q.    Share Capital

Ordinary shares are classified as equity. Proceeds from issuance of ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital and share premium.

r.     Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains, and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, assets and liabilities of the Group’s foreign operations are translated from South African Rand into the presentation currency of the Group of Pound Sterling at the rate of exchange prevailing at the end of the reporting year, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

The principal exchange rates during the year are set out in the table below:

s.    Employee Benefits

Salaries, annual bonuses, paid annual leave and the cost to the Group of non-monetary benefits are accrued in the year in which employees of the Group render the associated services. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

t.     Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Director who makes ***strategic*** decisions.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the application of the Group’s accounting policies, which are described above, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

a.    Inventory Valuation

Inventory is valued at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitors’ actions in response to severe industry cycles. The Group reviews its inventories in order to identify slow-moving merchandise and uses markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

b.    Impairment of long term Inter-Company Receivables

The Group’s management reviews long-term inter-Company receivables on a regular basis to determine if any provision for impairment is necessary. The policy for the impairment of long-term inter-Company receivables of the Group is based on, where appropriate, the evaluation of collectability, the trading performance of the relevant subsidiary and on management’s judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstanding amounts, including the current and estimated future trading performance of the relevant subsidiary. If the financial conditions of inter-Company debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, a provision for impairment may be required.

c.    Impairment of Receivables

The Group’s management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The policy for the impairment of receivables of the Group is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on management’s judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstanding amounts, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required.

d     Incremental borrowing cost of Right of Use Assets and Lease Liabilities

In assessing the Group’s right of use assets and lease liabilities, the Group has to assess its incremental borrowing costs. As an approximation of the Group’s incremental long term borrowing costs, the Group estimated the borrowing costs associated with similar long term, asset based financing arrangements. The Group based the implied incremental borrowing costs on the South African prime lending rate applicable at the date of commencement of the agreement and added an appropriate lending premium that would be typically applied by lenders. At the year end the estimated incremental borrowing costs used amounted to 8.5% (2021: 8.5%).

e.    Income Taxes

The Group is subject to income taxes in South Africa and the UK. The South African income taxes are administered by South African accountants. Significant judgement is required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the year in which such determination is made.

f.     Share Based Payments

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which considers conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management’s best estimate of future share price behaviour based on past experience, future expectations and benchmarked against peer companies in the industry.

g.    Equity portion of Convertible Loan Notes

The Group provides for the equity portion of convertible loan notes by applying an estimated interest rate in determining the present values of the convertible loan notes and the interest payable thereon over the life of the convertible loan notes.

h.    Depreciation and Amortisation

The Group depreciates property, plant and equipment and amortises the leasehold buildings and land use rights on a straight-line method over the estimated useful lives. The estimated useful lives reflect the Directors’ estimate of the years that the Group intends to derive future economic benefits from the use of the Group’s property, plant and equipment.

Segmental Reporting

In the opinion of the Directors, the Group has one class of business, being the trading of ***agricultural*** materials. The Group’s primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is South Africa. All revenues and costs are derived from the single segment.

RevenueOther IncomePersonnel Expenses and Staff Numbers (Including Directors)Directors’ Remuneration

\* Included in Andrew Monk’s remuneration is £1,923 for National Insurance.

No pension contributions were made by the Company on behalf of its directors other than for Andrew Monk. Included in Andrew Monk’s remuneration are pension contributions amounting to £330 (2021: £360).

At the year-end a total of £33,587 (2021: £62,126) was outstanding in respect of directors’ emoluments.

Expenses - Analysis by NatureImpairments

During the financial year, the recoverability of the investment was evaluated and in management’s estimation, it was considered necessary to impair the goodwill on consolidation, the investment in the subsidiary and the intercompany loans receivable.

Finance Costs

Finance costs represent interest and charges in respect of the discounting of invoices, the interest accrual for the Convertible Loan Notes issued and the interest charged on capitalised right-of use lease liability.

Note 1: These finance charges relate to the disposal of an inter-company loan to VSA NEX. Refer to Note 30 for more information.

Finance IncomeTaxation

The charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

The Company has excess management expenses of £1,043,509 (2021: £1,043,509) available for carry forward against future trading profits. The deferred tax asset in these tax losses at 19.0% of £193,369 (2021: 19.0% of £193,369) has not been recognised due to the uncertainty of recovery.

Loss Per Share

Loss per share data is based on the Group result for the year and the weighted average number of shares in issue.

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year:

Basic and diluted loss per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 31 October 2022 there were 46,162,855 (2021: 21,966,087) shares in issue, 38,363,171 (2021: 14,988,511) outstanding share warrants and 38,363,171 (2021: 897,809) outstanding options, both are potentially dilutive.

Investments

15.1. Investment in Associate

Management have committed to selling its investment in the associate, Dynamic Intertrade Agri (Pty) Ltd. The asset is available for immediate sale to a willing buyer. A buyer for the asset has been identified and a preliminary price of £6,154 has been discussed. It was anticipated that the sale will be concluded within the last financial year ending 31 October 2021, however COVID-19 delayed the process. The investment is still being held for sale to the existing buyer. Accordingly, for the current year the investment is reflected under current assets as held for sale. As part of the process of selling the group’s investment in the associate a fair value exercise was undertaken. Management considered the financial performance of the Company, the price that a willing buyer was prepared to pay for the investment as well as the prevailing market conditions. Based on the above, the directors are of the opinion that the fair value of the Company is £6,154.

As at 31 October 2022, the Company directly and indirectly held the following subsidiary and associate:

15.2. Investment in Subsidiary

Information about the Group’s shareholding in Dynamic Intertrade (Pty) Ltd at the end of the reporting period is as follows:

The Group acquired 100% of Dynamic Intertrade (Pty) Ltd in 2012 from Corestar Holdings Ltd. On 3 October 2022, Dynamic Intertrade issued shares to a VSA NEX Investments Limited such that Everest Global retains 51% interest in Dynamic Intertrade and VSA NEX Investments Limited now holds 49% of Dynamic Intertrade.

The reconciliation of non-controlling interests in note 25 includes an analysis of the profit or loss allocated to non-controlling interests of each subsidiary where the non-controlling interest is material. There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities.

During the year, the Group disposed of a 49 per cent of its interest in Dynamic Intertrade (Pty) Ltd. There were no proceeds on disposal as described above. An amount of £2.903 million (being the proportion share of the carrying amount of net assets in Dynamic Intertrade (Pty) Ltd has been transferred to non-controlling interests (see note 51). There was no gain or loss on disposal of Dynamic Intertrade (Pty) Ltd.

Long Term InterCompany Loans

The loan is unsecured and bears interest at rates linked to LIBOR +2% p.a. As indicated in Note 10, both the capital and the interest elements of the above loan have been fully impaired during the year ended 31 October 2020. The additional loan provided to the subsidiary was impaired during the current year. During the year, the Company assigned certain debts to VSA NEX. VSA NEX has signed a subordination agreement in relation to the loans due by Dynamic to VSA NEX with an expiry date of 31 October 2023.Refer to Note 31 for more information.

Property, Plant and Equipment

The holding Company held no tangible fixed assets at 31 October 2022 and 2021.

Inventories

The Group’s subsidiary Dynamic Intertrade (Pty) Ltd has entered into a funding agreement with Euro 2 Afrisko Ltd whereby Euro 2 Afrisko pay the suppliers directly and this is then repaid by Dynamic to purchase stock from suppliers where deposits are required. This funding is secured by a lien over the inventory and a cession of the debtors

Trade and other receivables

The Group’s subsidiary Dynamic Intertrade (Pty) Ltd has entered into a funding agreement with Euro 2 Afrisko Ltd whereby Euro 2 Afrisko pay the suppliers directly and this is then repaid by Dynamic to purchase stock from suppliers where deposits are required. This funding is secured by a lien over the inventory and a cession of the debtors

The receivables are considered to be held within a held-to-collect business model consistent with the Group’s continuing recognition of the receivables.

As at 31 October 2022 the Group does not have any contract assets nor any contract liabilities arising out of contracts with customers relating to the Group’s right to receive consideration for ***agricultural*** products sold but not billed. Group Trade receivables represent amounts receivable on the sale of ***agricultural*** products and are included after provisions for doubtful debts.

Credit and market risks, and impairment losses

The Group did not impair any of its trade receivables as at 31 October 2022, as all trade receivables generated during the financial year, and outstanding at 31 October 2022 are considered to be recoverable during the ordinary course of business.

Information about the Group’s exposure to credit and market risks and impairment losses for trade receivables is included in Note 30.

The Directors consider that the carrying amount of trade receivables and other receivables approximates their fair value.

Cash and Cash EquivalentsTrade and Other Payables

Trade payables represent amounts due for the purchase of ***agriculture*** materials and administrative expenses. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Included in Other payables is a loan from G Roach: The loan bears interest at the South African prime overdraft rate. The interest will be calculated and paid when the loan is repaid. The loan is repayable as decided upon from time to time.

The related party financial liabilities comprise:

Terms:

M Bonner: The loan bears interest at the South African prime overdraft rate. The interest is calculated and paid quarterly. The loan is repayable as decided upon from time to time.

R Scott: The loan bears interest at the South African prime overdraft rate. The interest is calculated and paid quarterly. The loan is repayable as decided upon from time to time.

Share Capital and Share Premium

Share capital is the amount subscribed for shares at nominal value.

During the 2019 financial year the Company consolidated all existing and issued shares and share options on the basis of 20 existing shares/options for 1 new share/option.

Retained losses represent the cumulative loss of the Group attributable to equity shareholders.

Share-based payments reserve relate to the charge for share-based payments in accordance with IFRS 2.

During the prior year the Company placed these shares and as the number of placing shares comprised more than 20% of the Company’s issued share capital, and although the placing shares has been allotted, admission of the placing shares required publication of a Prospectus within a twelve-month period.

Share Based Payments Reserve

The Company does not have a share-ownership compensation scheme for senior executives of the Company. However senior executives may be granted options to purchase Ordinary Shares in the Company.

Warrants

During the 2019 financial year the Company consolidated all existing and issued shares and share options on the basis of 20 existing shares/options for 1 new share/option.

There are 38,363,171 warrants to subscribe for ordinary shares at 31 October 2022 (2021: 14,988,511).

Warrants were attached to the convertible loan notes issued on 23 March 2021, with an exercise price of 5.0p per ordinary share and expire 12 months from allotment of the Subscription Shares. These warrants will only be issued once the convertible loan notes are converted into shares.

Warrants were attached to the subscription shares on 24 July 2020 a 1-for-1 basis, with an exercise price of 5.0p per ordinary share and expire 12 months from allotment of the subscription shares. Further warrants were attached to any new ordinary shares that are issued as a result of conversion of any loan notes, on a 1-for-1 basis on the same terms as the subscription warrants.

Warrants were attached to the Subscription Shares on 14 September 2018 a 1-for-1 basis, with an exercise price of 20.0p per ordinary share and expire 12 months from allotment of the subscription shares. Further warrants were attached to any new ordinary shares that are issued as a result of conversion of any loan notes, on a 1-for-1 basis on the same terms as the subscription warrants. A maximum of 20,450,222 new ordinary shares could potentially be issued in the event that all subscription warrants and loan note warrants are exercised.

An Investor has subscribed for 13,000,000 new ordinary shares in the Company at a price of 5p per share, representing a capital injection of £650,000 (gross and net) into the Company. The new ordinary shares will be accompanied by 1 for 1 warrants at 5p in the Company’s ordinary shares, equating to 13,000,000 warrants exercisable at any time before 31 December 2024.

The Company has agreed with 35% of the convertible loan note holders to accelerate the conversion of 5,971,000 CLNs and accrued but unpaid interest into 7,373,141 New Ordinary Shares in the Company at a conversion price of 5p. As such, the conversion of 5,971,000 CLNs plus accrued but unpaid interest resulted in the issue of 7,373,141 5p Warrants and 7,373,141 10p Warrants, all of which will expire on 31 December 2024.

The estimated fair value of the options in issue was calculated by applying the Black-Scholes option pricing model.

The assumptions used in the calculation were as follows:

Options

At 31 October 2022 there were nil share options issued to the directors and past directors of the Company. During the current year nil share options were granted (2021: 897,809).

The movement on the share-based payment charge for the year was £nil (2021 - £nil) in respect of the issued options. The details of warrants and options are as follows:

The remuneration committee’s aim is to remunerate executive directors competitively and to reward performance. The remuneration committee determines the Company's policy for the remuneration of executive directors, having regard to the UK Corporate Governance Code and its provisions on directors' remuneration.

The number of options outstanding to the Directors that served in the year, as at 31 October 2022 were as follows:

The estimated fair value of the options in issue was calculated by applying the Black-Scholes option pricing model.

The assumptions used in the calculation were as follows:

The share options outstanding at the year-end had a weighted average remaining contractual life of nil years (2021: 0.5 years).

Non-controlling interests

Summarised financial information in respect of each of the Group’s subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Further information about non-controlling interests is given in note 15.

During the period under review the Company and VSA NEX Investments Limited (“VSA NEX”) entered into certain related party arrangements in relation to Dynamic Intertrade (Pty) Ltd (“Dynamic”). VSA NEX was a 100% subsidiary of VSA Capital. At the time the arrangements were entered into Andrew Monk was a director of the Company, VSA Capital and VSA NEX and is deemed to have significant influence over VSA Capital and VSA NEX. Pursuant to the arrangements, VSA NEX subscribed for such number of new shares in the capital of Dynamic resulting in VSA NEX holding 49% of the enlarged issued share capital of Dynamic for a consideration of ZAR10,982; the Company agreed to assign certain debts owing by Dynamic, amounting to £4.2 million which had been fully impaired in prior years, to the Company and certain other parties to VSA NEX in consideration for VSA NEX paying to the Company £100,001 and agreeing to fund Dynamic so as to enable Dynamic to carry on its business in the ordinary course until such time as the Company ceases to hold any further shares in Dynamic. This assignment agreement resulted in VSA NEX having a non-controlling interest in Dynamic and as such its share of the current year profits amounted to £522, its share of accumulated losses prior to acquisition amounted to £2,305,905. Additionally, the assignment of the loans resulted in the Group incurring a finance charge on consolidation of £3.1 million. VSA NEX has signed a subordination agreement in relation to the loans due by Dynamic to VSA NEX with an expiry date of 31 October 2023. Should VSA NEX choose to request the repayment of the loans due by Dynamic this will severely impact the Company's ability to continue as a going concern. Under a put and call option agreement the Company granted to VSA NEX the option to acquire 11,430 shares in Dynamic Intertrade, being the remaining 51% of Dynamic held by the Company, subject to the satisfaction of certain conditions and subject to certain time restrictions for £1.

Equity portion of convertible loan notes

During the 2021 financial year, on the 23rd of March 2021, the Company converted £383,000 owed to the directors and a Company owned by a director for 7,660,000 convertible loan notes and, simultaneously, issued 4,400,000 convertible loan notes to the value of £220,000 for cash. During the current financial year the Company extended the conversion date of the CLNs to 31 December 2024. The equity portion of the convertible loan notes is presented below.

Convertible loan notes

The loan notes holder will be paid an annual interest rate of 12 per cent in cash, semi-annually, with a term of 24 months. The loan notes will not be admitted to trading on any exchange.

During the 2021 financial year, on the 23rd of March 2021, the Company converted £383,000 owed to the directors and a Company owned by a director for 7,660,000 convertible loan notes and, simultaneously, issued 4,400,000 convertible loan notes to the value of £220,000 for cash.

During the 2020 financial year, as part of the subscription dated 24 July 2020, 3,333,333 additional share warrants were allocated to the capital portion of the convertible loan notes and 750,000 additional share warrants were allocated to the outstanding interest portion of the convertible loan notes, which at the subscription date was £37,500.

The new ordinary shares issued as a result of conversion of all Loan Notes would represent 17,060,000 ordinary shares, or 43.71 per cent of the issued share capital of the Company, as enlarged by the 2018 Fundraising. On 14 September 2018 issued £250,000 of convertible loan notes for 50,000,000 loan notes of 0.50p (the “Loan Notes”) with a conversion price of 0.75p (the “Conversion Price”). The Subscription Price was at the last closing price of 0.50p per ordinary share as at 13 September 2018. Further, the Conversion Price represents a premium of 50.0 per cent to this same closing price. The Subscription included the issue of 50,000,000 Convertible Loan Notes of 0.50p with a conversion price of 0.75p which after the 20:1 share consolidation of 2018 resulted in there being 2,500,000 Convertible Loan Notes of 10.0p with a conversion price of 15.0p.

If the Convertible Loan Notes were converted, up to 17,810,000 new Ordinary Shares will be issued (“Loan Conversion Shares”). Further, Warrants will be attached to any Loan Conversion Shares that are issued on a 1-for-1 basis on the same terms as the Warrants attached to the New Ordinary Shares (“Loan Conversion Warrants”). A maximum of 32,510,222  New Ordinary Shares could potentially be issued in the event that all New Ordinary Shares Warrants and Loan Conversion Warrants are exercised.

The fair value of the liability component, included in non-current liabilities, is calculated using a market interest rate for an equivalent non-convertible loan note at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholder’s equity in Equity portion of convertible loan notes (Note 25).

The carrying amount of the liability component of the convertible loan notes at the balance sheet date are derived as follows:

As part of the of 3 October 2022 investment agreement, the Company has agreed with the CLN holders to accelerate the conversion of 5,971,000 CLNs and accrued but unpaid interest into 7,373,141 New Ordinary Shares in the Company at a conversion price of 5p.

Borrowings

The Group’s subsidiary Dynamic Intertrade (Pty) Ltd has entered into a funding agreement with Euro 2 Afrisko Ltd whereby Euro 2 Afrisko pay the suppliers directly and this is then repaid by Dynamic to purchase stock from suppliers where deposits are required. This funding is secured by a lien over the inventory and a cession of the debtors.

The borrowings are secured by a security agreement from the Company. The loans bear interest at 14% per annum.

During the period under review the Company and VSA NEX Investments Limited (“VSA NEX”) entered into certain related party arrangements in relation to Dynamic Intertrade (Pty) Ltd (“Dynamic”). VSA NEX was a 100% subsidiary of VSA Capital. At the time the arrangements were entered into Andrew Monk was a director of the Company, VSA Capital and VSA NEX and is deemed to have significant influence over VSA Capital and VSA NEX. Pursuant to the arrangements, VSA NEX subscribed for such number of new shares in the capital of Dynamic resulting in VSA NEX holding 49% of the enlarged issued share capital of Dynamic for a consideration of ZAR10,982; the Company agreed to assign certain debts owing by Dynamic, amounting to £4.2 million which had been fully impaired in prior years, to the Company and certain other parties to VSA NEX in consideration for VSA NEX paying to the Company £100,001 and agreeing to fund Dynamic so as to enable Dynamic to carry on its business in the ordinary course until such time as the Company ceases to hold any further shares in Dynamic. This assignment agreement resulted in VSA NEX having a non-controlling interest in Dynamic and as such its share of the current year profits amounted to £522, its share of accumulated losses prior to acquisition amounted to £2,305,905. Additionally, the assignment of the loans resulted in the Group incurring a finance charge on consolidation of £3.1 million. VSA NEX has signed a subordination agreement in relation to the loans due by Dynamic to VSA NEX with an expiry date of 31 October 2023. Should VSA NEX choose to request the repayment of the loans due by Dynamic this will severely impact the Company's ability to continue as a going concern. Under a put and call option agreement the Company granted to VSA NEX the option to acquire 11,430 shares in Dynamic Intertrade, being the remaining 51% of Dynamic held by the Company, subject to the satisfaction of certain conditions and subject to certain time restrictions for £1.

Leases

Right of use assets and lease liability

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 October 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right of-use assets relate to the following types of assets:

On the 3rd of March 2020 a new lease was signed for the Group’s main trading address, 104 Bofors Circle, Epping Industrial 2, Cape Town, South Africa with commencement date of 1 July 2020. On the commencement date, the Group recognised a lease liability and right-of-use asset of £430,973.

Impact on earnings per share

Depreciation on the right-of-use asset amounting to £73,233 (2021: £67,072) and interest on the right-of-use lease liability of £25,995 (2021: £31,468) were charged to the statement of profit and loss for the current year. As a result, the earnings per share decreased by 0.005p.

Notes to the Statement of Cash Flows

Net Debt Reconciliation for the Group

The non-cash transactions of £3,131,890 relates to the finance charges incurred by the Group on assignment of certain debts owed by Dynamic to VSA NEX.

Net Debt Reconciliation for the Company

  Financial Instruments – Fair values and risk management

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Trade and other receivables and trade and other payables classified as held-for-sale are not included in the table below. As at 31 October 2021 the Group did not have any trade and other receivables nor any trade and other payables that were classified as held-for-sale.

The Group has not disclosed the fair values of financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of their fair value.

Financial instruments – Fair values and risk management

B.    Measurement of fair values

i.       Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 3.

Financial instruments measured at fair value

ii.      Transfers between Levels 1 and 2

There were no transfers between Levels 1 and 2 in either the current financial year or in the prior financial year.

C.    Financial Risk Management

The Group has exposure to the following risks arising from financial instruments:

credit risk;liquidity and cash flow risk; andmarket risk.

Risk management framework

The Company’s Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The Group’s audit committee oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group’s audit committee undertake ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’s receivables from customers and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit exposure. There was no impairment loss in the current year nor in the prior year.

Trade receivables

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which its customers operate. Details of concentration of revenue are included in Note 6.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group’s standard payment terms and conditions are offered. The Group’s review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sales limits are established for each customer and are reviewed regularly.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables for which a no allowance is recognised because of collateral.

Expected credit loss assessment for corporate customers as at 31 October 2022 and 31 October 2021

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

The Company had no exposure to credit risk for the year ended 31 October 2021.

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year amounted to nil.

Cash and cash equivalents

As at 31 October 2022, the Group held £925,814 in cash and cash equivalents (2021: £1,109,774) and had a bank overdraft of £nil. The cash and cash equivalents are held with bank and financial institution counterparties which are rated Baa3 to A1+ by Moody’s.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. On the implementation of IFRS 9 the Group did not impair any of its cash and cash equivalents.

Liquidity and cash flow risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

Exposure to liquidity and cash flow risk

The following tables present the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

As noted elsewhere the loan subordination agreement expires on 31 October 2023 but the loan does not have a fixed contract date. If Dynamic Intertrade stays within the group, the directors expect the loans to be repayable greater than 5 years.

The interest payments on the financial liabilities represent the fixed interest rates as per the respective contracts.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities other than trade payables. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Exposure to currency risk

The summary quantitative data about the Group’s exposure to currency risk as reported to the management of the Group is as follows:

The followingsignificant exchange rates in relationto the reporting currency are applicable:

The presentation currency of the Group is British Pound Sterling.

The Group is exposed primarily to movements in USD and ZAR, the currency in which the Group receives most of its funding, against other currencies in which the Group incurs liabilities and expenditure.

Sensitivity analysis

Financial instruments affected by foreign currency risk include cash and cash equivalents, trade other receivables and trade and other payables. The following analysis, required by IFRS 7 Financial Instruments: Disclosures, is intended to illustrate the sensitivity of the Group’s financial instruments (at year end) to changes in market variables, being exchange rates.

The following assumptions were made in calculating the sensitivity analysis:

all income statement sensitivities also impact equity; andtranslation of foreign subsidiaries and operations into the Group’s presentation currency have been excluded from this sensitivity as they have no monetary effect on the results.

Income Statement / Equity

The above sensitivities are calculated with reference to a single moment in time and will change due to a number of factors including:

fluctuating other receivable and trade payable balances;fluctuating cash balances; andchanges in currency mix.

Interest rate risk

The Group has entered into fixed rate agreements for its finance leases and shareholders loans. The Group does not hedge its interest rate exposure by entering into variable interest rate swaps.

Exposure to interest rate risk

The interest rate profile of the Group’s interest-bearing financial instruments as reported to the management of the Group is as per the table below.

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets of financial liabilities at FVTPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Other market price risk

The Group is exposed to equity price risk, which arises from equity securities at FVOCI are held as a long-term investment.

The Group’s investments in equity securities comprise small shareholdings in unlisted companies. The shares are not readily tradable and any monetisation of the shares is dependent on finding a willing buyer.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair value of cash and receivables and liabilities approximates the carrying values disclosed in the financial statements.

Capital management

The Group manages its capital resources to ensure that entities in the Group will be able to continue as a going concern, while maximising shareholder return.

The capital structure of the Group consists of equity attributable to shareholders, comprising issued share capital and reserves. The availability of new capital will depend on many factors including a positive operating environment, positive stock market conditions, the Group’s track record, and the experience of management. There are no externally imposed capital requirements.  The Directors are confident that adequate cash resources exist or will be made available to finance operations but controls over expenditure are carefully managed.

Related Party Transactions

Directors’ fees

Andrew Monk, a non-executive director of the Company, is a director of VSA Capital Limited and that Company provided services amounting to £36,000 (2021: £57,384) to the Company during the year.

During the year ended 31 October 2022 £35,923 was paid to Directors of the Company (2021: £46,966). At the year-end a total of £33,587 (2021: £62,126) was outstanding in respect of directors’ emoluments.

Other related party transactions

Included in trade and other payables are the following related party financial liabilities:

Terms:

M Bonner and R Scott: The loan bears interest at the South African prime overdraft rate. The interest will be calculated and paid when the loan is repaid. The loan is repayable as decided upon from time to time.

Outstanding director’s salaries and related party transactions

Included in trade and other payables are the following outstanding directors’ salaries and fees payable to related parties for other services:

Arrangements with VSA NEX Investments Limited

During the period under review the Company and VSA NEX Investments Limited (“VSA NEX”) entered into certain related party arrangements in relation to Dynamic Intertrade (Pty) Ltd (“Dynamic”) as outlined below. VSA NEX is a 100% subsidiary of VSA Capital. At the time the arrangements were entered into Andrew Monk was a director of the Company, VSA Capital and VSA NEX and is deemed to have significant influence over VSA Capital and VSA NEX.

Disposal of 49% equity interest in Dynamic to VSA NEX

VSA NEX subscribed for such number of new shares in the capital of Dynamic resulting in VSA NEX holding 49% of the enlarged issued share capital of Dynamic for a consideration of ZAR10,982 and therefore became a significant shareholder in Dynamic representing the non-controlling interest disclosed in the group financial statements;

Put and call option for VSA Nex to acquire remaining 51% of Dynamic

At the same time a put and call option agreement was entered into with the Company granting to VSA NEX the option to acquire 11,430 shares in Dynamic Intertrade, which represents the remaining 51% equity interest currently owned by the Company. This is subject to the satisfaction of certain conditions and a time restrictions of 31 December 2023 for a consideration of £1.

Disposal of group loans in Dynamic from the Company to VSA Nex and entry into a loan subordination agreement

Simultaneously with the above subscription and to allow the equity in Dynamic to be issued to VSA NEX, the Company agreed to assign certain debts owing by Dynamic, amounting to £ 4.2 million which had been fully impaired in prior years, to the Company and certain other parties to VSA NEX in consideration for VSA NEX paying to the Company £100,001 and agreeing to fund Dynamic so as to enable Dynamic to carry on its business in the ordinary course until such time as the Company ceases to hold any further shares in Dynamic. This assignment agreement resulted in VSA NEX having a non-controlling interest in Dynamic and as such its share of the current year profits amounted to £522, its share of accumulated losses prior to acquisition amounted to £2,305,905.

Additionally, the assignment of the loans resulted in the Group incurring a finance charge on consolidation of

£3.1 million. VSA NEX has signed a subordination agreement in relation to the loans due by Dynamic to VSA NEX with an expiry date of 31 October 2023. Should VSA NEX choose to request the repayment of the loans due by Dynamic this will severely impact the Company's ability to continue as a going concern.

Controlling Party Note

There is no single controlling party. Significant shareholders are listed in the Directors Report and Business Review.

Events Subsequent to 31 October 2022

Subsequent to year end the Company appointed a new auditor as disclosed previously in this report.

On 24 January 2023, the Company announced the subscription (the "Subscription") for 12,726,000 new Ordinary Shares the Company raised net proceeds totalling £699,930 at 5.5 pence per share representing a premium of 119 per cent to the closing price of 2.51 pence on 20 January 2023, being the business day prior to agreement of the subscription.

On 24 January 2023 the convertible loan note holder converted £300,000 of its debt to 6,000,000 new ordinary shares. In addition, the Company issued an additional 12,726,000 new ordinary shares to two new shareholders for an investment of £699,930 in February 2023.

On the 4th of July 2023, the Company entered into an agreement to provide a loan to Precious Link (UK) Limited (“Precious Link”), a wine retailer, incorporated and registered in England and Wales, located within the Southeast of England. The loan is for a sum of £200,000, is unsecured and attracts interest at 10 per cent. per annum payable monthly in arrears. The loan is repayable on demand by the Company and is repayable on 5 business days’ notice from Precious Link.

On the 20th of July 2023, the Company sold its 46.8% equity stake in Dynamic Intertrade ***Agriculture*** (Pty) Ltd (“DIA”). As such, the investment has been held in the balance sheet of the Group as an asset held for sale since that decision was made. The Company announced that it has now reached agreement with Athena Trading Worldwide Limited, a private company, for the sale of its 46.8% stake in DIA, for a consideration of £15,384.62, payable in cash on completion The contractual completion date is 31 July 2023.

**Load-Date:** July 27, 2023

**End of Document**



[***Human Development Lights the Way to Hope , Secretary-General Tells Security Council in Day-Long Debate on Peace through Development***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69P9-48K1-F0YC-N2VG-00000-00&context=1516831)

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**Body**

New York: The United Nation has issued the following press release:

Noting that the Sustainable Development Goals are “off-track”, the Secretary-General told the Security Council today that no peace is secure without inclusive and sustainable development which leaves no one behind.

Speaking in the debate on the promotion of sustainable peace through common development, Secretary-General António Guterres said: “Human development lights the way to hope — promoting prevention, security, and peace”.He added that advancing peace and sustainable, inclusive development must go hand-in-hand.

Developing countries — particularly least developed countries — are being battered by a “perfect storm of crises”, including crushing debt burdens, evaporating fiscal space, and soaring prices, he said.With 85percent of the Goals missing their mark, he called on the international community to act with greater urgency and ambition.

He proposed a set of concrete actions that the international community can take now — including a Sustainable Development Goals Stimulus of $500billion a year to reduce debt burdens and release resources for long-term, affordable financing from multilateral and private sources.“To secure peace and advance development, we must jettison the self-defeating logic of zero-sum competition, recommit to cooperation, and summon the courage to compromise,” with the Council at the heart of this vital effort.

President of the New Development Bank Dilma Rousseff, briefing the Council, said poverty alone does not explain violence.She emphasized the interconnectedness and mutual reinforcement of development, peace, security and human rights, and underscored the need for technologically inclusive development.The growing concentration of wealth in the hands of the few has increased inequalities in developing countries while also creating poverty and speculation, she said.

Jeffrey Sachs, President of the UN Sustainable Development Solutions Network and Director of the Center for Sustainable Development at Columbia University, said major wars can be addressed through diplomacy rather than violence.By addressing the underlying political and economic factors, the Security Council can establish conditions for peace and sustainable development.It isvested with considerable powers and able to enforce its resolutions if it chooses to do so.

In the ensuing debate, many speakers supported the promotion of development to prevent conflict, while also highlighting that novel and innovative development solutions are needed, as well as reforms to current mechanisms and frameworks and requisite finance.

China ’ s representative, whose delegation holds the Council ’ s ***rotating*** presidency for the month, said “development holds the master key” to solving all problems and is the basis for promoting peace and protecting human rights.He called for mutual respect and common development in support of peace, and on developed countries to fulfil their obligation to provide assistance to developing countries, allowing them to benefit from digital technology, clean energy and artificial intelligence.

The representative of Gabon called for massive investments in development, focusingin particular on education, poverty eradication and youth employment to protect them from networks of violence and exploitation. The international community also should move beyond the multilateral sphere to mobilize the public and private sectors, including civil society, to establish a genuine global pact for socioeconomic development.

Societies which fairly distribute the dividends of development are less likely to see social unrest and discontent, Chile ’ s delegate said.The Council must adopt a sequential approach when it comes to developing peace operation mandates, setting forth long- and medium-term goals involving verification on the ground and implementation strategies.

The representative of the United Arab Emirates pointed to the relationship between vulnerability, climate change and armed conflict, and called onthe Council to embrace innovative approaches to see conflicts through a climate-sensitive lens.“We have a window of opportunity to integrate climate action and development.It is critical to seize this moment. ”She urged a quantum leap in climate financing.

Leaving no one behind has become difficult to achieve, and virtually impossible after the pandemic and various conflicts, said Ecuador ’ s speaker.He urged more attention to the needs of countries in conflict or transition, as well as the complementary work of peacekeeping and special political missions to facilitate access to multilateral financing.Over-indebtedness, due to an unjust financial architecture and limited access to concessional financing, contributes to fragility, he said.

The representative of the Russian Federation said that development issues must first and foremost be dealt with by the Organization ’ s specialized platforms, including the General Assembly, the Economic and Social Council and the Organization ’ s development system.Weighing in, however, he said developed countries are not honouring their Official Development Assistant and climate finance obligations to the Global South yet are eagerly increasing weapons deliveries to conflict zones.

Briefings

ANTÓNIO GUTERRES, Secretary-General of the United Nations, said the vital link between development and sustaining peace has defined the United Nations, which was built on three pillars — peace, development and human rights, from the very start.“Development by itself is not enough to secure peace.But development is essential,” he emphasized, adding that no peace is secure without inclusive and sustainable development that leaves no one behind, as recognized in the 2030Agenda and its 17Sustainable Development Goals.Development gains are often among the first casualties of war; the closer a country is to conflict, the farther it is from sustainable and inclusive development.Nine of the 10countries with the lowest human development indicators have experienced conflicts or violence in the past 10years.“Inequalities and lack of opportunities, decent jobs, and freedom can breed frustration and raise the spectre of violence and instability,” he said, noting weak institutions and corruption, environmental degradation, and violent extremist and terrorist groups, among factors that aggravate insecurities and corrode effective governance.

“Human development lights the way to hope — promoting prevention, security, and peace”, so advancing peace and advancing sustainable, inclusive development must go hand-in-hand, he said.Noting that 85per cent of “SDG” targets are off- track, he called on the international community to act with far greater urgency and ambition.Developing countries — particularly least developed countries — are being battered by a perfect storm of crises, including crushing debt burdens, evaporating fiscal space, and soaring prices.Moreover, escalating climate catastrophe, widening inequalities, and worsening unemployment and poverty, and the lingering effects of the COVID-19 pandemic and unequal recovery, combined, is “a recipe for social strife, political instability, and, ultimately, open conflict,” he warned.“We must do more to support countries in dire straits,” he said, adding that he has been advocating for bold steps to make global institutions — including the international financial architecture — more representative of today ’ s realities, and more responsive to the needs of developing economies.

He proposed a set of concrete actions that the international community can take now – including an “SDG” Stimulus of $500 billion a year to reduce debt burdens and release resources for long-term, affordable financing from multilateral and private sources.“Each and every day, the women and men of the United Nations are bringing to life the link between peace, development and justice in our work around the world,” he said.UN country teams are spearheading efforts to support national priorities for sustainable and inclusive development, while UN peacekeeping operations are assisting Member States as they manage and resolve conflicts.His special envoys and the Organization ’ s special political missions are facilitating political processes and mediating and preventing the eruption of open conflict.He called on Member States to strengthen the Peacebuilding Commission and enhance its effectiveness.The Security Council, in particular, could more systematically seek the Commission ’ s advice on the peacebuilding dimensions of the mandates of peace operations, he emphasized.

“We are proud of our work.But we also know that more must be done to join up humanitarian, peace and development efforts,” he continued.Underlining the Organization ’ s commitment to more firmly link actions for peace with the “SDGs”, he urged more determined action to strengthen prevention, anchored in full respect for all human rights.He also called for “the transformation of gendered and intergenerational power dynamics across the board”, stressing:“It is past time for action to ensure women and young people ’ s meaningful participation and leadership in decision-making, eradicate all forms of violence against women and uphold women ’ s rights. ”The New Agenda for Peace sets out a vision for preventing conflict, sustaining peace and advancing development that “applies to everyone, in all countries, at all times”.“To secure peace and advance development, we must jettison the self-defeating logic of zero-sum competition, recommit to cooperation, and summon the courage to compromise.The Security Council must be at the heart of this vital effort,” he said.

DILMA ROUSSEFF, President of the New Development Bank, said that cooperation among countries that are conducive to dialogue and consensus is a guiding principle for achieving peace and development.She recalled that, in 2011, when she was President of Brazil, she proposed a debate on the interdependence between security and development, emphasizing that reconstruction and revitalization of economy are crucial elements for long-term development.Noting that sustainable peace requires taking into account the causes of the social-economic situation, she said that poverty alone does not explain violence.Not all individuals or groups suffering from poverty resort to aggression, she observed, stating that social, political and economic exclusion can fuel conflicts.

Emphasizing the interconnectedness and mutual reinforcement of development, peace, security and human rights, she underscored the need for technologically inclusive development.The growing concentration of wealth in the hands of the few has increased inequalities in developing countries while also creating poverty and speculation.Noting that the weak regulation of international finance has failed to prevent recurring rises linked to financialization, she said that regulatory measures recommended after the 2008-2009 financial crisis have failed to prevent the occurrence of new speculative bubbles or excessive liquidity problems.Moreover, since the last global financial crisis, globalization has weakened, in addition to being impacted by the COVID-19 pandemic and geopolitical tensions.

“We have a mission to empower the UN and reform the Bretton Woods institutions,” she said, advocating against double standards applied during crises.She recognized that the climate crisis has not been addressed conforming to the decisions made at international environmental forums, noting that the 2030Agenda for Sustainable Development and the Paris Agreement on climate change have never materialized.Stressing that the poorest countries need resources to achieve the Sustainable Development Goals, she unscored the need for consensus between developed and developing countries.She also observed that many countries have not reached the third industrial and technological revolution, emphasizing that the technological gap and digital divide create inequalities.

JEFFREY SACHS, President of the UN Sustainable Development Solutions Network and Director of the Center for Sustainable Development, Columbia University, said today ’ s meeting takes place at a time of major wars in Ukraine, Israel-Palestine, Syria and the Sahel.These wars may seem intractable, but all four could be ended quickly by Security Council agreement.For one thing, major wars are fed from the outside, both with external finances and armaments.The Council could agree to “choke off” these wars by withholding such external means, which would requireagreement among the major Powers.These wars result from economic and political factors, which can be addressed through diplomacy rather than violence.By addressing the underlying political and economic factors, the Council can establish conditions for peace and sustainable development.

He said that the war in Ukraine has two main political causes — the attempt by the North Atlantic Treaty Organization(NATO) to include Ukraine, despite the timely and repeated objections by the Russian Federation, and the East-West ethnic division in Ukraine.The Council could quickly end the war by addressing its underlying political and economic causes.He recommended the Council ’ s establishment of a new peace and development fund to mobilize financing for Ukraine and other war zones leading to recovery and long-term sustainable development.The war in Israel and Palestine could be ended quickly if the Council enforces the many resolutions it passed over several decades, such as those calling for a return to the 1967borders, the end of Israel ’ s settlement activities in the occupied territories, and the two-State solution.The Council should immediately recognize the State of Palestine and welcome it as a full UN member, with East Jerusalem as its capital and with sovereign control over the Islamic holy sites.

The Council could similarly end the war in Syria, which erupted in2011 when several regional Powers and the United States joined forces to topple the Government of Syrian President Bashar Al-Assad, he said.This deeply misguided regime change operation failed, but it triggered a prolonged war with enormous bloodshed and destruction.All fivepermanent Council members are in full agreement that all regime-change attempts are now permanently ended and that the Council intends to work closely with the Syrian Government on reconstruction and development.On the economic side, Syria's best hope is to become closely integrated into the eastern Mediterranean and Middle East region.As for the war in the Sahel, it has similar roots, given that NATO Powers similarly aimed to overthrow the regime of Muammar Qaddafi in2011, which quickly spilled over to the Sahel ’ s impoverished countries.

All five permanent member countries and indeed the whole world have suffered adverse consequences from the continuation of these wars.All countries are paying a price in terms of financial burdens, economic instability, risks of terrorism and risks of wider war.The Security Council is in a position to take decisive actions to end the wars before they escalate into even more dangerous conflicts.It is vested with considerable powers by the UN Charter when it has the resolve of its members.It can introduce peacekeepers and even armies.It can impose economic sanctions on countries that do not comply with Council resolutions.It can provide security guarantees to nations and it can make referrals to the International Criminal Court to stop war crimes.In short, the Council is certainly able to enforce its resolutions if it chooses to do so.For the sake of global peace, let the Council now choose to end these wars.

Statements

ZHANG JUN (China), Council President for November, speaking in his national capacity, said “development holds the master key” to solve all problems and constitutes the basis for promoting peace and protecting human rights.Convening the open debate to advocate for a broader view of security issues, his delegation called for mutual respect and common development to support maintaining international peace.Some countries use democracy and human rights as a pretext to “blatantly interfere” in other States ’ internal affairs and to impose governance models.“We must fully respect each country ’ s right to choose its own development path” and governance model according to national conditions, he said.Externally imposed models are often incompatible with local environments and have generated more problems.He rejected protectionism and attempts by certain developed countries to obstruct cooperation by building barriers.Developed countries have the obligation and responsibility to provide assistance to developing countries, allowing them to benefit from the emerging industries of digital technology, clean energy and artificial intelligence, he added.

MANUEL JOSÉ GONÇALVES, Deputy Minister for Foreign Affairs and Cooperation of Mozambique, said sustainable, inclusive development is the only way to achieve durable and resilient peace.He called for bold measures to put the SDGs on track, lest increasing inequality in and between countries raise the potential for conflict.To ensure peace, he advocated a comprehensive and coordinated approach among Member States with an emphasis on common development.Economic, social and inclusive development should be given the same attention as military matters.

He noted that his country established the Northern Integrated Development Agency to promote the integrated socioeconomic development of the affected provinces of Cabo Delgado, Nampula and Niassa, and improve the quality of life of communities, and promote sustainable peace, social cohesion and resilience to conflicts.He called on Member States to promote development through technology provision, economic investment and development assistance.

LINDA THOMAS-GREENFIELD (United States) said that the promotion and strengthening of human rights are not conflict drivers, as others have said.However, proactive action is necessary, given the difficulties in taking action after conflict has broken out.As conflict is the number-one cause of hunger, which is a driving force of conflict, “it is our job to disrupt that cycle”, noting that in2022, the United States provided over half of the budget of the World Food Programme(WFP) budget.Together with the Group of Seven, it is committed to mobilize $600billion in new investment by2027 through the Partnership for Global Infrastructure and Investment.As the world ’ s major economies mobilize financing for development, responsible and transparent lending must be ensured.The United States has been working with a broad coalition to evolve the multilateral development banks and to expand by hundreds of billions of dollars the availability of safe, sustainable financing, especially for the poorest countries, she added.

NICOLAS DE RIVIÈRE (France) said that in light of the magnitude of international tensions, it is the duty of the Member States to revisit and review their means of action and tackle the root causes of conflict.Noting that the conflicts are intrinsically tied to development, he emphasized that climate change and environmental degradation are additional factors of instability.The New Agenda for Peace offers an opportunity for collective commitment of nations, as it merges developmental support for political processes, respect for human rights and the delivery of peacekeeping operations.France has contributed to this strategy ’ s development, contributing to the mobilization of $16billion for the Great Green Wall project, which aims to combat the effects of climate change, deforestation, food insecurity and poverty, from Senegal to Djibouti.

VANESSA FRAZIER (Malta) said sustainable development is an enabler of conflict prevention and peacebuilding, as it unlocks transformative change in societies, enhances adaptation, mitigation and resilience to current and future shocks.Malta underscores the importance of human rights, democracy, the rule of law and good governance, together with inclusive and sustainable development.It calls for a whole-of-system approach towards peacebuilding and further cooperation between UN bodies, including the Security Council, the General Assembly, and the Economic and Social Council, as well as the Peacebuilding Commission and Human Rights Council.Inclusive development requires the collective recognition of the specific needs of women and girls, in both conflict and post-conflict situations.Malta calls for their full, equal, meaningful, effective and safe participation in all spheres and levels of public and political life.Access to inclusive and quality education and empowerment opportunities also is a critical precondition to eradicating poverty, achieving gender equality and closing the digital gap.

MICHEL XAVIER BIANG (Gabon) highlighted that several epicenters of instability in Africa have become chronic and forgotten, including in the Sahel, Horn of Africa, Great Lakes region and the Lake Chad Basin.He called for massive investments in development, because tackling the root causes of State fragility will bring more benefits than dwelling on the crises ’ symptoms.He echoed the Secretary-General that the best defence against violent conflict is inclusive development that leaves nobody behind.Investments should focus in particular on education, poverty eradication and youth employment to protect them from networks of violence and exploitation.A unified, diversified response is needed to help fragile States extricate themselves from multidimensional crises.In that regard, international financial institutions, such as the African Development Bank, are of paramount importance.The international community also should move beyond the multilateral sphere to mobilize the public and private sectors, including civil society, to establish a genuine global pact for socioeconomic development.

LANA ZAKI NUSSEIBEH (United Arab Emirates) said that investing in development pays the dividends of peace.The relationship between vulnerability, climate change and armed conflict must be addressed and the Council should embrace innovative approaches to see conflicts through a climate-sensitive lens.“We have a window of opportunity to integrate climate action and development.It is critical to seize this moment. ”She also called for ensuring sustainable and equitable access to finance, including via reform of the international financial architecture to ensure that developing countries have access to low-cost, long-term financing.There must also be “a quantum leap” in climate financing, she added.

SÉRGIO FRANÇA DANESE (Brazil) said “underinvestment in prevention and in economic and social development has contrasted with the appalling increase in military expenditure and the reinforcement of approaches that respond to immediate security concerns”.Supporting conflict-affected countries in their journey towards peace and prosperity must be a system-wide commitment by the UN.He warned that the promises of peace are fickle and the relapse into conflict more likely without concrete advances in economic and social development.The international financial institutions must act as partners for the implementation of the SDGs, especially by financing capacity-building initiatives related to peacebuilding and conflict prevention.Instead of demanding austere fiscal policies, they must aim at projects that create conditions for economic and social inclusion and, therefore, bring about sustainable peace, he added.

ISHIKANE KIMIHIRO (Japan) said that providing necessary infrastructure and economic opportunities for all will help reduce grievances and lower social instability.To ensure that people have faith in their Governments, basic services — health, education and security — must be delivered to the public.Moreover, all development initiatives should be inclusive.To that end, Japan, in collaboration with the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Development Programme (UNDP), has launched a multi-stakeholder pledge on the humanitarian, development and peace nexus for the upcoming second Global Refugee Forum.For its part, the Council should encourage cooperation and coordination between peace operations and UN country teams, agencies, funds and programmes, with the Resident Coordinator system supporting host countries in improving capacities of their people and institutions, he said.

ALBANA DAUTLLARI (Albania) said the best way to prevent or resolve conflicts is by staying true to the commitments Member States made to each other for an international rules-based order.Countries that act in ways that violate these commitments, such as infringing on another ’ s sovereignty and territorial integrity, or by trying to pressure another country into acting against its own interest, undermine the security of every nation.Further, such action undermines the international system that upholds peace and security around the world.Respect for human rights and the rights of women are also important factors in promoting development, sustaining peace and preventing conflict.The traditional approach of addressing security challenges in isolation is increasingly impractical in a globalized world.Equitable access to financing, UN peacekeeping operations, special political missions and other UN presences can play an important role in creating conducive conditions for peace and development.

ADRIAN DOMINIK HAURI (Switzerland), highlighting the link between peace, development and human rights, said:“We need trust, dialogue and good faith; and we need to address our differences openly and honestly”.If trust between States is vital for international cooperation, trust between Governments and their populations is integral to the functioning of societies.Low levels of trust indicate weak social cohesion, which is closely linked to high levels of economic inequality.The New Agenda for Peace contains important recommendations for action, he said, adding that the Council should reinforce a holistic approach to fulfilling the conflict prevention mandate envisaged by the United Nations Charter.He also underscored the need to integrate the women, peace and security dimension into the Council ’ s work.

HERNÁN PÉREZ LOOSE (Ecuador) said that prevention is the best tool to maintain peace and security.Leaving no one behind has become difficult to achieve and virtually impossible after the pandemic and various conflicts.He urged more attention to the needs of countries in conflict or transition, as well as the complementary work of peacekeeping and special political missions to facilitate access to multilateral financing.Over-indebtedness, due to an unjust financial architecture and limited access to concessional financing, contributes to fragility.Emerging from conflict is not enough — satisfying a population ’ s needs is also required, which implies public investment in basic services including health, education and infrastructure.Public and private sectors, including civil society, must unite efforts towards institutional transparency and integrity.He called for implementation of the Addis Ababa Action Agenda on Financing for Development, as well as allocation by developed countries of 0.7percent of gross domestic product (GDP) to official development assistance(ODA), and between 0.15to 0.2percent for least developed countries.

JAMES KARIUKI (United Kingdom) said that the United Kingdom is committed to development partnerships founded on mutual respect that support national efforts to reduce poverty and instability.Crucial to this will be standing up for the values of open and inclusive societies and promoting gender equality.Under a new framework launched today, the Government of the United Kingdom will champion action to address conflict and fragility and build resilience.To sustain peace, Member States need to identify and address risk factors, such as horizontal inequality and discrimination, and strengthen protective factors that mitigate risks, he added.As a decades-long international development partner, the United Kingdom has learned that effective prevention efforts engage multiple stakeholders, at all levels, in multi-sector responses.

HAROLD ADLAI AGYEMAN (Ghana) said that embracing inclusive development as the foreguard of the prevention agenda would be an important means for ensuring long-term peace and prosperity for all.Multilateralism remains critical to serve collective and individual national interests, but it and the UN Charter must be applied and respected equally.He called for genuine reform of the international financial system, saying it is not fit for purpose.Full implementation of the SDG stimulus package is needed for progress.Member States should consider ways to fund the UN development system and determine ways the UN can truly act as one in supporting national Government efforts to sustain peace and create inclusive prosperity.The Peacebuilding Commission and the synergy of its actions with those of the Council is important to building peace.He highlighted the advantage of networked multilateralism through strengthening partnerships with regional bodies, such as the African Union.

VASSILY A. NEBENZIA (Russian Federation) said that development issues must first and foremost be dealt with by the Organization ’ s specialized platforms, including the General Assembly, the Economic and Social Council and the Organization ’ s development system.Developed countries are not honouring their ODA and climate finance obligations to the Global South yet are eagerly increasing weapons deliveries to conflict zones, he added.Syria, Afghanistan and countries in Africa face unilateral restrictions and blockades which undermine their ability to attract international financing, technical assistance and capacity-building, he continued, urging the UN to assist these countries in building a network of effective and sustainable development partnerships.The allocation of funds to countries in need is not enough, he said, emphasizingthe need to mobilize vast financial and non-financial resources for Global South countries to implement the 2030Agenda and “to ensure that they can jettison colonial economic models and embark on independent development paths”.

PÉTER SZIJJÁRTÓ, Minister for Foreign Affairs and Trade of Hungary, said his continent has been confronted with serious security-related challenges, pointing to the Ukraine war and Middle East conflict.Hungary is protecting the European Union ’ s external borders on the “most busy” migratory route, he said, adding that the bloc ’ s migratory policy encourages migration and feeds the business model of smugglers.Terrorism and migration are forming an “evil cycle”, he said, highlighting the threat of terrorism in Europe.Observing that the major migratory risk stems from the Sahel region, he reported that Hungary has deployed 200troops to Chad to help that country ’ s regular forces to create stability.Europe should help the African countries “to keep their growing population at home”, he said, urging job creation and appropriate living standards.To that end, Budapest has been carrying out tied aid credit programmes of $40million in the region, also contributing $30million in aid and, every year, 1,425African students receive full-fledged scholarships to study at Hungarian universities.

GERARDO PEÑALVER PORTAL (Cuba) said that international peace and security are consistently threatened by conflicts, acts of aggression, non-conventional wars, embargoes, attempts at regime change and frequent violations of the UN Charter and international law.Cuba is extremely concerned at the serious escalation of violence between Israel and Palestine, he said, reaffirming support for the two-State solution and a guarantee of refugees ’ right of return.Exorbitant resources are being squandered on sophisticated artifacts to kill, whilst States leave commitments to ODA unfulfilled, he said.Further, unilateral coercive measures seriously hinder the efforts of affected countries and prevents them from achieving their SDGs.The international community must firmly reject their imposition and work for their unconditional removal.A sustained and lasting peace requires the eradication of its root causes in conflict, he added.

AHMED MOHAMED EZZAT AHMED ELSHANDAWILY (Egypt) said the only way to prevent conflicts is by implementing the sustainable development agenda.He called for comprehensively addressing development alongside peace and security as two sides of the same coin.As African countries continue to suffer from terrorism and instability, intensifying efforts to advance peace can accelerate national reconciliation and help achieve prosperity.He called for mobilizing resources to create the right conditions for economic development, with foreign investment and job opportunities based on the principle of national ownership.“We need collective action to reform the global financial system and increase financing for development. ”Beyond alleviating debt burdens, he called for combating terrorism, cutting off its financing sources, and confronting extremist ideology.

VATHAYUDH VICHANKAIYAKIJ (Thailand) said that local development needs should be integrated in every step towards peace. The Summit of the Future should help address poverty eradication, the development gap and the digital divide.People-centred approaches are vital in overcoming multi-faceted challenges, he said, adding that inclusivity is an inherent principle in this.Wider and more robust global partnerships are needed to promote sustained peace through development, he said, adding that the Council must engage with other UN bodies, such as the Peacebuilding Commission and the General Assembly, to better incorporate their development expertise into its work, thus ensuring a more holistic approach to mandate delivery.

GIANLUCA GRECO (Italy), associating himself with the statement to be delivered by the European Union, said that anytime a country violates international law, it becomes itself a driver of conflicts and insecurity, hampering development.Member States must untap the potential of the UN toolbox linking the development agenda with peace and security and must support the UN system and its agencies, funds and programmes, politically and financially.As the world ’ s largest global donor and as a promoter of rules-based, effective multilateralism, the European Union has been tirelessly pursuing peace, development and human rights. Italy has just doubled the annual contribution to the Peacebuilding Fund and is committed to ensuring adequate, predictable and sustained financing for peacebuilding, he added.

ALICIA GUADALUPE BUENROSTRO MASSIEU (Mexico) recalled that, in 2021, Mexico ’ s President had asserted in the Council that corruption, exclusion, poverty and inequality impede conflict resolution. A presidential statement in that regard was adopted.She noted that the situation of insecurity in Haiti is not only a consequence of a political crisis but is also related to development. She urged the Council to discharge its mandate to maintain international peace and security.She added that peacekeeping missions must contribute to national development strategies and underscored the need for adopting an integrated and coherent approach, which establishes synergies between political, security and development stakeholders inside and outside the UN system.To tackle multidimensional challenges, it is vital to recognize the need for a “wholesale reform” of international financial institutions, she added.

SEDAT ÖNAL (Türkiye) said that sustainable peace and development requires nurturing inclusive, resilient and accountable institutions as well as a holistic and integrated approach towards poverty reduction, capacity-building, job creation, education, health care, economic opportunity and political participation, among other things.Sustainable peace also requires effectively addressing the root causes of conflicts and instability.Sustainable development is the cornerstone for achieving lasting peace across the globe, but it cannot thrive in the shadows of conflict and insecurity. In this same vein, peace cannot be achieved where sustainable development is absent.More than ever, a world where the benefits of development are shared by all — particularly the least developed countries — is needed, he said.

YOKA BRANDT (Netherlands), also speaking on behalf of Belgium and Luxembourg, said that peace, development and human rights are an “unbreakable triangle”.To achieve the SDGs, she highlighted two vital reforms — the UN development system and the international financial architecture.She firmly supported reforming the Resident Coordinator system in particular to ensure a focus on all sides of the triangle at the country level.She echoed the Secretary-General ’ s remarks that the multilateral system is insufficiently equipped to address today ’ s development challenges and needs to further mobilize capital for SDG and climate financing.Efforts must be stepped up, including by reaching out to non-traditional donors through trilateral cooperation.

TESFAYE YILMA SABO (Ethiopia), describing extreme poverty as the most potent underlying cause of conflict, said that development plans must focus on the local context and national ownership.Countries must do their best to mobilize resources and expand their revenue base.Trade and financing should enable developing countries to convert their natural resources into productive economic assets.International cooperation needs to focus on enabling States to exploit their natural resources, he added.In addition, there is a clear imbalance between the investments made by peacekeeping missions and the resources allocated to national development, with national institutions in host countries having constrained access to international financial, economic and other areas of cooperation.This needs to be addressed, he said.

MARISKA DWIANTI DHANUTIRTO (Indonesia) said that in Gaza, “we are losing on both fronts”.There is no peace and development or hope for its people.“Violence must stop.Aid must be delivered.Civilians must be protected, and livelihoods restored. ”To achieve peace and security, addressing the root causes of conflict must be the priority, and the basic needs of populations addressed.As the capacities of conflict-affected countries must be strengthened, the Council should provide a well-targeted mandate for all peacekeeping operations and special political missions to help them create a strong foundation for long-term and sustained social and economic development.To that end, the inclusive and meaningful participation of all national stakeholders is also needed.

ROBERT KEITH RAE (Canada) said that to succeed, Member States do not need new global initiatives produced by individual countries; rather, they need to implement the foundational documents they have already agreed upon.Sustainable peace and sustainable development cannot be achieved without respecting the human dignity of every individual, he said, adding:“we will not achieve sustainable peace or sustainable development if people continue to be excluded on the basis of their race, colour, sex, language, religion, political or other opinion. ”Everyone should benefit from equal participation in economic, political, social and cultural life, he said, calling for greater financing for developing countries and reform of the international financial architecture.“But we cannot expect to achieve sustainable development when half of the global population is suppressed,” he said, observing that “tyranny is no friend to development”.

CLAUDIO ERNESTO GARRIDO MELO (Chile) said peace and security are crucial components of any prosperous society.However, peace is not simply the absence of armed conflict.States must be ***capable*** to tackle the underlying causes of discord as well as fostering peaceful coexistence of all, as an antidote to despair and marginalization.Development, by offering prospects for a better future, reduces the motivation to participate in violent activities.Moreover, equitable access to resources and opportunities reduces competition and clashes.Societies which fairly distribute the dividends of development are less likely to see social unrest and discontent.Economic and social equity is a solid foundation on which to build a lasting peace.The Council must adopt a sequential approach when it comes to developing peace operation mandates, setting forth long- and medium-term goals involving verification on the ground and implementation strategies.

ANTONIO MANUEL REVILLA LAGDAMEO (Philippines) said that it is important for the Council and development agencies to coordinate closely for economic and social reconstruction.Recognizing the importance of narrowing digital and development divides, he supported UN-led efforts to build robust digital infrastructure and to promote technology transfer.The Philippines has been committed to its role in UN peacekeeping operations since1963 and it intends to increase its footprint in that regards.International collaboration and a rules-based order is crucial to assist conflict-affected countries, enhance capacity-building for development and strengthen resilience to security risks.International financial institutions play a crucial role in providing necessary resources to rebuild post-conflict areas, enhance governance capacities, strengthen justice systems and invest in education and skill development, he added.

BJÖRN OLOF SKOOG, Head of Delegation of the European Union, in its capacity as observer, said development is key, not only for a country ’ s stability, but also for peace and stability among countries. Hence, it is a global imperative.Economic development alone, however, will not be sufficient to ensure stability if human rights are not respected and if people suffer discrimination. Moreover, individuals, in particular women and young people, must also be at the heart of the response as agents of change in resolving conflict, longer-term development impacts and in building sustainable and lasting peace.The European Union believes that achieving the SDGs is key, and together with its member States, collectively provided $92.8billion in2022, which amounts to 43percent of global assistance. Since December2022, the bloc has rolled out the Global Gateway, a strategy for sustainable investments in infrastructure globally. It will contribute directly to progress on a range of interlinked SDGs, notably through investment in transport, energy and digitalization infrastructure, as well as health and education.

He noted that these projects are initiated in full partnership with the countries concerned. Their macrofinancial impact is minimized through grants, blending public and private funds, and innovative financial instruments.Such development projects will not be a game-changer, however, if development finance and debt alleviation are not addressed. At the UN level, there are several tools that link the development agenda with peace and security.The Peacebuilding Commission is one of them. Its ability to convene UN bodies, donors and development banks makes it a suitable forum to discuss how development can promote peacebuilding.At the operational level, the Peacebuilding Fund has proven to be a useful instrument in supporting coordinated efforts across the humanitarian development-peace nexus. However, these key parts of the UN must be adequately resourced.

MICHAEL ALEXANDER GEISLER (Germany), aligning himself with the European Union, said that approaches to address the root causes of conflict must be strengthened and mainstreamed.“Closely interlinking our humanitarian, development and peace efforts is key. ” Noting that Germany is the biggest donor to the Peacebuilding Fund, he said that more funding and investment is needed for the Peacebuilding and Sustaining Peace agenda.All Member States should agree on the introduction of assessed contributions to meet the growing need for Peacebuilding Fund support among conflict-affected countries.The Peacebuilding Commission should be the central UN forum to coordinate and streamline efforts in this field, but more is needed for peace financing and investment.He went on to welcome the Secretary-General ’ s ***suggestion*** to enhance the Commission ’ s role in addressing issues that lie between peace and development.

SAMUEL BOGAR (Slovenia), associating himself with the European Union, said inequality, poverty, social injustice, water scarcity, food insecurity and climate change are the most evident causes of social fragility.Pointing to his country ’ s development cooperation programme in a partner country in Africa, he said that civil society partners, in response to acute food and water insecurity, introduce sustainable ***agricultural*** practices and sustainable access to safe drinking water. As they establish cooperatives and savings schemes for local communities, they use the entry points for social cohesion among the displaced, refugee and host populations through awareness-raising campaigns against sexual and gender-based violence.Coordinated humanitarian assistance, development cooperation and peacebuilding represent a building block for prevention, he said, urging stakeholders — donors and recipients alike — to work together to better align the financial institutions, SDGs and collective security mechanisms.

MICHAEL KIBOINO (Kenya) said that the Council should shift from short-term stabilization approaches and put more focus instead on long-term context-specific solutions.It should also recognize the role and unique needs of women and youth.Peacekeeping and special political missions can partner with host countries to facilitate inclusive community-level reconstruction and serve as a pivot of the peacekeeping, peacebuilding and development nexus.The Council should not only make more use of the Peacebuilding Commission ’ s advice, but also actualize the ambition of multiple funding streams, including voluntary, innovative, and assessed financing.Furthermore, the Council must support countries to curb the illicit exploitation and trade in natural resources that has contributed to underdevelopment and conflict in many African countries, he said.

ANA JIMENEZ DE LA HOZ (Spain), aligning with the European Union in its capacity as observer, said Spain advocates a comprehensive approach to international peace and security. This involves addressing humanitarian assistance, development, human rights, climate action and women ’ s effective and equal participation. Further, international financial institutions play a key role in the promotion of peace and sustainable development.In this regard, Spain favours maximizing the financing capacity of multilateral development banks as well as exploring ways in which the international financial architecture can be made more effective, inclusive, transparent, and ultimately, more democratic.To build peace, a particular emphasis must also be placed on tackling the root causes of conflict, as well as on consolidating institutions and, she reiterated, guaranteeing women ’ s full participation in political, economic and social life.

OMAR HILALE (Morocco) said that investing in development means investing in peace.One of the most effective ways to maintain peace and prevent conflict is to build national capacities, invest in human resources, empower women and youth and consolidate national institutions.International financial institutions have a key tangible role to play in mobilizing resources for conflict-affected countries with very limited budgetary space, he said.Appropriate and predictable financing for mediation efforts is key, but investments have been insufficient in recent years.Under South-South cooperation, Morocco is working tirelessly through many multidimensional partnerships with fellow African countries to advance socioeconomic development on the continent, he said.

YASHAR T. ALIYEV (Azerbaijan) said his country has undertaken efforts to become a key transport hub between Europe and Asia, despite decades of armed conflict with devastating humanitarian and economic impact. Supporting conflict-affected States must remain a critical commitment of the UN. Since his country ’ s war with Armenia ended threeyears ago, Azerbaijan has prioritized the de-mining, rehabilitation and reconstruction of the liberated territories and their reintegration into the country ’ s economy to ensure the safe and dignified return of the displaced population and the high standard of living. It now expects Armenia to “strictly abide by its international obligations, cease and desist from disinformation and misinformation and engage faithfully in efforts to build peace and stability in the region”.

DANGHOANG GIANG (Vietnam) said the Council must take a leading role in resolving conflict and preventing an arms race so that more resources can be channelled to development.It must put a high premium on addressing development-related root causes of conflict through, for example, eradicating hunger and poverty, safeguarding livelihoods and ensuring social cohesion.The UN, and the Council in particular, should take a whole-of-system approach to promoting sustainable peace and development and to breaking the vicious cycle of conflict and poverty. The work of the Council, as well as peacekeeping and special political missions, must align with implementation of the SDGs and international development initiatives.Adequate financing is needed for development challenges in conflict areas, he said, adding that the Council must also address emerging threats to both development and security, including climate change.

HYUN WOO CHO (Republic of Korea), noting his country ’ s transformation from a least developed country to one of the most advanced, said its development of a society that values democracy, freedom and rule of law allowed resilience, despite the challenges of economic growth.While his country has been able to narrow the development gap through foreign investment, technology transfer, and development assistance, narrowing the gap alone will not achieve sustainable peace.The international community must stand united, with the UN at its core, in supporting developing countries to address simultaneously today ’ s complex challenges, namely, development, climate and digital divide gaps. His country will share its experience and provide necessary support in this regard. It also aims to double this year ’ s 21.3percent increase in next year ’ s ODA budget.The Council should pay increased attention to climate change and artificial intelligence and digital technologies as these are directly related to peace and security, not only of fragile States, but also regionally and globally, he added.

HRVOJE URI HRVATINI (Croatia), aligning himself with the European Union, said that addressing root causes requires a holistic approach, working across peace and security, development and human rights.Conflicts can be mitigated or resolved by promoting dialogue and fostering inclusive mediation processes, he noted, underscoring the need for fair and efficient institutions and processes for an environment conducive to achieving Sustainable Development Goals.Synergies between sustaining peace, peacebuilding and sustainable development should be utilized in a systemic manner.“Attaining the 2030Agenda is dependent on our success in sustaining peace as a global public good. We all have a stake in it,” he said, adding that the Peacebuilding Commission is well-placed to bring on national ownership and to support countries in sustaining peace and preventing conflict.

MARTHINUS CHRISTOFFEL JOHANNES VAN SCHALKWYK (South Africa) said countries that experience armed conflict often face challenges in development and are far behind schedule in achieving the SDGs.This is primarily because violence and its drivers reduce a country ’ s abilities to generate domestic revenue and attract international investment.He acknowledged the work by key agencies such as theUnited Nations Development Programme (UNDP)in helping to eradicate poverty, inequality and exclusion, and build resilience. The primary function of peacekeeping operations is to protect civilians, actively prevent conflict, reduce violence, strengthen security and empower national authorities.Additionally, important work is carried out by quick impact projects. South Africa welcomes ongoing discussions around the New Agenda for Peace and the emphasis on the need to revisit the collective security system. It is important that these respond to the needs of all countries, based on trust, solidarity, diversity, but also mutual respect, commitment and honest fulfillment of international agreements.

MATEUS PEDRO LUEMBA (Angola) said that common development is a shared responsibility.Global governance should be restructured through comprehensive reform of the international financial architecture, building modern infrastructure, investing in education and accelerating ***agricultural*** modernization and industrial transformation.It is also important to promote gender equality and youth-inclusive policy to ensure their full participation in society.He added that common development cannot be discussed without proper attention to climate change.Energy transition and food security are essential tools for conflict prevention, he noted.

ZENON NGAY MUKONGO (Democratic Republic of Congo) said that at a time when several regions are on the brink of conflagration, the common development tool must be strengthened for the benefit of peace. Sustainable development contains the solutions to challenges faced by fragile countries. Transnational and global challenges are becoming increasingly complex and interdependent, evolving into a threat that no country can face alone. Efforts to achieve the SDGs are the most eloquent illustrations of “our needs and our focus”. He highlighted the occupation of part of his country, which has claimed the lives of many Congolese with more than 2.5million internally displaced. The country looks to restore peace and urges the Council to take appropriate measures, including allowing the internally displaced to return home and children to go back to school. There should also be synergy between UN development work and regional and subregional organizations, and financing should be made more accessible, especially for the fragile countries.

TIJJANI MUHAMMAD BANDE (Nigeria) said that the root causes of conflicts are a complex mix of factors including poverty, inequality, irregular or forced migration, communal crises, organized crime, natural disasters, and climate change.There is no doubt that struggle over natural resources and their exploitation have been a major contributing factor to tensions and conflicts.Natural resources must be managed responsibly for the benefit of the population to prevent conflicts and enhance conditions necessary for human security, she said.The Council should focus on the exploitation of natural resources as one of the root causes of conflict, including criminalizing illegal exploitation as a crime against humanity. She called for taking a deeper view of this dimension of conflict, adding that the proliferation of small arms and light weapons and its connection with terrorism must be addressed.

MUNIR AKRAM (Pakistan) voiced support for the Peacebuilding Commission ’ s efforts to address the resolution of conflict situations through the promotion of development.“Yet no amount of development can bring peace when peoples are suppressed by foreign occupation and forcibly denied the right to self-determination, as is happening today in Palestine and has been happening also in occupied Jammu and Kashmir,” he said.Pledges and commitments made under the political declaration of the SDG Summit must be implemented, in particular, to expand concessional and grant development finance, re-channel the unused special drawing rights, provide urgent debt relief, and meet climate commitments, among others.The commitments and pledges made on development could be endorsed by the Council to transform them into binding obligations, he added.

JAMAL FARES ALROWAIEI (Bahrain) said that his country ’ s strategy for achieving peace and security in the Middle East is underpinned by the prosperity and security nexus.Spotlighting that Bahrain gives priority to peaceful conflict settlement, he called for putting an end to the unfolding Israeli-Palestinian conflict.Conflict and violence should not have the “upper hand”, he continued, adding that one of the Government of Bahrain ’ s priorities is to propagate the values of tolerance and interfaith dialogue.In that regard, he underscored the need for more investment and stronger international efforts to eliminate hunger and poverty to attain economic stability, adding that Bahrain provides humanitarian aid to several counties affected by conflict and natural disasters.

CHRISTINA MARKUS LASSEN (Denmark), speaking on behalf of the Nordic countries, said that in order to address the underlying drivers of insecurity, promoting the 2030Agenda in its entirety and achieving the SDGs must remain the all-encompassing priority. First, inequalities between countries must be addressed. The global effects of climate change have worsened — and least developed countries carry the heaviest toll. They account for less than 4percent of total global greenhouse gas emissions yet are affected most by climate change. The destructive impact of that phenomenon drives inequality. Among those facing the most serious consequences of climate change are those living in small island developing States. Finding workable solutions is the joint responsibility of all States.The Nordic countries are committed to supporting climate-sensitive efforts for adaptation and mitigation in order to foster greater resilience.

She said that climate-sensitivity also could benefit from strengthened coherence of inter-agency analyses to underpin the work of peacekeeping operations and special political missions.In this regard, the New Agenda for Peace promotes key actions for addressing the link between peace and sustainable development. Delivering effective solutions on prevention, peacebuilding and sustaining peace requires multidimensional engagements. A fundamental requirement for delivering on these agendas is financing and addressing the debt burden which affects countries in transition contexts. The international financial institutions and regional development banks are critical in financing the transition towards sustainable development and peace, she said. The Nordic countries are committed to working with partners to advance their work for inclusion, in particular, of women and youth in the security agenda. Finally, efforts must be redoubled to achieve the full and effective operationalization of the humanitarian-development-peace nexus.

ISSA KONFOUROU (Mali) recalled that the United Nations Multidimensional Integrated Stabilization Mission in Mali(MINUSMA) had failed as the security situation in Mali deteriorated, prompting the Government to request its immediate withdrawal in June2023.MINUSMA was unable to protect the civilian population and property, nor could it help the Government restore authority over its territory.In line with the Malian people ’ s sovereign choice to take their destiny into their own hands, the Government has undertaken significant political and institutional reforms, including the adoption of a new Constitution and building the capacities of Mali ’ s defence and security forces.He regretted that the Secretary-General and Security Council did not react to major developments, including a terrorist attack against Timbuktu on 7October that killed several dozens of people.

JAMES MARTIN LARSEN (Australia) said the opportunity to discuss the relationship between peace and development affords all States the recognition that “for peace and prosperity, we must do better”. The 2030Agenda for Sustainable Development highlights the interconnectedness of the challenges the world is facing; therefore, concrete implementation of the SDGs must be a shared task. He called for a settlement of disputes through mutually agreed frameworks, upholding international law, including the UN Charter, and full respect for human rights. Committed to the New Agenda for Peace, his country plans to remedy the erosion of trust and social cohesion through democratic renewal and strengthening of the social contract, while striving to improve the inclusion of women and youth in political processes.

ALYA AHMED SAIF AL-THANI (Qatar) emphasized that no peace or sustainable development can be achieved under occupation and settler colonialism in any country.Pointing to the Israeli occupation ’ s illegal practices and genocide, war crimes and crimes against humanity perpetrated against Palestinians in Gaza and other occupied Palestinian territory, she said the Council must uphold its moral and legal responsibility by compelling the Israeli occupation to put an end to the escalation and respect international law and international humanitarian law.She noted her country ’ s ongoing bilateral and multilateral efforts, including its ***strategic*** partnership with the United Nations, and called for investment in preventive diplomacy, early warning, mediation, dialogue and preventive efforts to address the root causes of conflict.

MARKOVA CONCEPCIÓN JARAMILLO (Panama) said that her country bears witness to the number of people forced to leave their homes, with more than 474,000 people moving through its territory this year, 20percent of them being minors and breastfeeding women.The most vulnerable members of societies are at greater risk of challenges that cannot be tackled by force.State institutions are the backbone of any society and their ability to be inclusive determines how far a nation will prosper. Stressing that systematic exclusion can turn into a breeding ground for mistrust and resentment, dividing communities and weakening the social fabric, she emphasized the importance of promoting inclusive institutions.The role of the United Nations and the Security Council to that end is crucial as it can promote capacity-building and knowledge sharing, she said.

ZEPHYRIN MANIRATANGA (Burundi) said it is no accident that the first SDG is the eradication of extreme poverty and hunger.Violence carried out by some armed groups stems from a low level of literacy and frustration, caused by poverty and the unequal distribution of economic growth within States.To achieve development, a new generation of special missions is needed which are not limited to humanitarian action. They should establish a direct bridge between peace and development, with a specific focus on national post-conflict programmes. He added that a paradigm shift is needed to unpick the international economic order under which fragile States struggle to relaunch their economies. A new economic and financial order is needed that will provide true added value for community development, he said.

TATIANA BÁRBARA MUÑOZ PONCE (Bolivia) said international peace and security will only be possible if underpinned by social justice, with all humans accessing quality education, health care, housing, basic services and recognition of their dignity.Unequal development has historically resulted from dispossession, occupation or colonization, leading to deeply rooted disparities across countries ’ trajectories.It is inconceivable that thousands are desperately seeking food while billions of dollars are funneled into manufacturing weapons for war.She called for structural reform of the international financial architecture and adjustments to multilateral development banks.States must not fall foul of “hegemonizing processes” and must respect every State ’ s sovereignty for international cooperation to be based on complementarity and reciprocity.She called for sustainable development missions instead of UN peace missions to guarantee basic material conditions necessary for lasting peace.Building peace involves equity and justice across economic, social and environmental dimensions.

JOANNA SYLWIA SKOCZEK (Poland) saidsustainable and inclusive development is both a goal and theworld ’ s most effective form of conflict prevention and maintenance of peace. Peace efforts should therefore be anchored in the principles of the 2030 Agenda, which form the best framework to address major drivers of instability and conflict. “For the peace-development nexus to work, we need long-term strategies that reduce vulnerability and instability, such as efforts aimed at poverty alleviation and risk management,” she said, underscoring the need for increased cooperation among implementing agencies from across the humanitarian, development, disaster risk reduction, and climate sectors. She urged the United Nations and Security Council to be at the forefront of actions to strengthen resilience to international security risks.

JORGE EDUARDO FERREIRA SILVA ARANDA (Portugal) said human-centred approaches to development, which foster economic growth while improving the lives of the citizens, in harmony with nature, can successfully address some of the triggers of violence and war and can provide answers to some of the root causes of ongoing conflicts.“We need to keep connecting the dots between peace and development and human rights,” he said, noting that early warning mechanisms should be combined with data which better allows the identification of opportunities for development, including data on climate-related security risks, as well as existing bottlenecks. Noting his country ’ s 2030 Strategy for Development Cooperation, he said Portugal and Cape Verde have recently signed an agreement to convert debt into climate investment.

MADHU SUDAN RAVINDRAN (India) said that Member States should not lose focus by diluting or cherry picking — in name or substance — from the 2030Agenda for Sustainable Development. Development is not sine qua non for peace or vice versa.“We need to ensure the indivisibility of the Sustainable Development Goals — thus working towards all 17SDGs in unison,” he emphasized, observing that peace is elusive and development is a “distant dream” if “resource crunch” persists.In that regard, India, in different forums — including in its current Group of20 presidency — has worked towards reforming international financial institutions.Also noting that peace seemed elusive when the UN struggled to restrain the “vaccine apartheid” during the pandemic or the rising inflation of food, fuel and fertilizers which unjustly affect the Global South, he added: “without representation the voice of the Global South is lost and forgotten”.

MOHAMED SIAD DOUALEH (Djibouti) said development is central to preventing and reducing conflicts. Aside from the obvious cost in destruction of infrastructure and loss of lives, mass displacement risks a lost generation of youth. Addressing the drivers of conflict is critical to supporting post-conflict countries in rebuilding their institutions, infrastructure and social services to ensure that development goals are not lost. New institutions should provide financing at scale to struggling economies in the developing world, with the ultimate aim of establishing a fairer and more equitable international financial system. Maximum support should be lent to vulnerable and fragile countries as they try to capacitate the State and build institutions that are fit for purpose. Further, to build a more peaceful and prosperous world, the Security Council should find solutions to the deepening gridlock that hampers effectiveness, authority and legitimacy — hugely negative implications for peace and security around the world.

EVANGELOS SEKERIS (Greece) said addressing root causes of conflict is key to achieving sustainable development, including by promoting social justice and political participation as well as protecting human rights.He called for investing in conflict prevention and peacebuilding, in addition to putting women and girls at the centre of security policy.It is more urgent than ever to strategically use official development finance to mobilize more resources and align investment in the SDGs.His delegation “cannot think of a higher priority” than protecting human life, when more than 500,000women die every year from pregnancy-related complications.The peaceful settlement of disputes is a main priority of Greece ’ s candidacy for the Security Council for the 2025to 2026term.

RAFIQUL ALAM MOLLA (Bangladesh) said thatsustaining peace relies heavily on eliminating the root causes of conflict and creating a social and financial system that meets the needs of the people and reduces risks of conflict. The multiple and interlocking crises in the world today are impeding the development initiatives of many developing countries, placing them at an increased risk of relapsing into conflict. Asserting that the ongoing financial crisis has made the situation unbearable for many least-developed and developing countries trying to achieve the SDGs, he called for global solidarity and the adoption of a well-coordinated response that is commensurate with the scale and gravity of the crises.

SERHII DVORNYK (Ukraine), pointing to the Russian Federation ’ s aggression against his country, said the Rapid Damage and Needs Assessment, undertaken jointly by the Government of Ukraine, World Bank, European Commission and United Nations, reported that the direct damage in Ukraine in the 12months prior to February 2023 reached $135billion. Disruptions to economic flows and production, as well as additional expenses associated with the war, amounted to $290billion and reconstruction and recovery needs are estimated at about $411billion. Moreover, the immediate global effects of the war increased food and energy insecurity, disruption of supply chains and inflation.It has also diminished the health and well-being of people around the world.“Countries, waging aggressive wars and thus undermining development prospects for others, cannot serve as sincere contributors to the development pillar on the global level. ”The Russian Federation ’ s aggressive behaviour continues to undermine Ukraine ’ s ability to focus on achieving the SDGs, he said, adding that as soon as a comprehensive, just and lasting peace in Ukraine, based on UN Charter principles, is achieved, “our common efforts on development would be more efficient”.

CARLOS SEGURA (El Salvador) said that Member States must invest in policies and social programmes that promote inclusion and provide resources for peacebuilding.To that end, it is necessary to analyse new connections between peace and sustainable development, taking into consideration specificities and needs of each country, he noted, emphasizing that this should be done periodically, systematically and in coordination with other UN bodies.In its 2022 voluntary national review, El Salvador highlighted significant progress in goals and indicators relating to peace, justice and sound institutions, he recalled, underscoring the need for more predictable and sustainable financing for peacekeeping efforts.However, he expressed concern for persisting challenges in that regard. Furthermore, he spotlighted the importance of women and young people ’ s contribution to achieving sustainable development and bringing about peacebuilding.

JOAQUÍN ALBERTO PÉREZ AYESTARÁN (Venezuela) expressed hope that the Security Council can make progress towards full and effective implementation of its mandate, specifically in the context of the escalating Israel-Palestine conflict. In that regard, it is more urgent than ever to bring about an immediate and lasting ceasefire, with a view to saving as many lives as possible. It is further needed to put an end to the current genocide and provide a political horizon for achieving a two-State solution. The international community should address root causes of political, economic and social imbalances, which create tension as well as fuel and prolong conflicts. States must join together to achieve multilateralism and reverse negative trends that stem from colonialism, the pillaging of natural resources and an unjust global economic, financial and social structure. In addition, developed countries need to fulfil their commitments in the areas of development aid, technology transfer and climate change.

ABDULAZIZ M. ALWASIL (Saudi Arabia) said that the most important challenges to economic and social development are lack of food supply, energy, the environment and climate change.Addressing these priorities requires international cooperation and a just, balanced and unified approach.Saudi Arabia has proposed environmental protection initiatives that respond to the interests of energy producers and consumers, sparing the world of negative effects from unrealistic policies.Such policies exclude key energy sources without caring for their impact on international supply chains, inflation, energy prices, higher unemployment and other negative socioeconomic impacts.Saudi Arabia has launched two green initiatives for the country and the Middle East, with the goal of reducing emissions by 278million tons annually by 2030 and achieving carbon neutrality by 2060, he said.

PETER MOHAN MAITHRI PIERIS (Sri Lanka) said efforts must be made to exploit Member States ’ competencies to achieve peace and security through common development for humanity ’ s good. Highlighting the report by the Interagency Task Force on Financing for Development, which notes that the poorest developing countries pay an average of 14percent of revenue for interest on their debts — nearly four times higher than developing countries — he underlined the importance of reform of the international financial architecture as a priority in pursuing common development. “International assistance through multilateral institutions should be rendered when a nation needs it on its road to recovery and not on the brink of collapse,” he said. Common development efforts can address transnational threats like climate change, terrorism, organized crime and pandemics as well as promote social cohesion by reducing inequalities, eradicating poverty and marginalization.

NACIM GAOUAOUI (Algeria) said that investing in inclusive and sustainable development, especially when focused on targeting the underlying causes of under-development, is the most effective means of conflict prevention. Achieving the SDGs is the best response to conflict and crisis, but effective implementation of the development agenda requires support to Governments and nationally-owned initiatives over the long term.Conflict and political crises that affect Africa are linked to dire social and economic conditions, with the Sahel region one of the most affected in this regard, he said, noting that his delegation looks forward to the high-level independent panel ’ s assessment of the situation in the region and recommendations on ways to foster international engagement and response to the region ’ s complex challenges.

AMARA SHEIKH MOHAMMED SOWA (Sierra Leone) said that reducing inequality within a period of only seven years to deliver on the 2030Agenda is becoming implausible.In this regard, he emphasized the need for developed States to partner with least developed countries and nations in fragile situations to provide development assistance, climate financing and technology transfer.Underlining the imperative for stronger global cooperation to address the rising public debt burden, consideration of debt cancellation, and allocation of Special Drawing Rights to developing countries, he reaffirmed his support for the Drawing Rights Stimulus.While developed countries continue to make advancements in technologies associated with the fourth industrial revolution, countries in the Global South struggle to catch up with first- and second-generation technologies, he observed, adding: “We must now strengthen the unity and solidarity among the countries of the Global South and increase collaboration in the fields of science and technology. ”

OUMAROU GANOU (Burkina Faso) said that cooperation and regional partnerships are key to tackle challenges at the nexus of peace and development.Burkina Faso launched an appeal for international assistance to strengthen its capacity to fight criminals and terrorists, strengthen its border controls and promote regional cooperation for development.Peacekeeping alone cannot create lasting peace if the conditions that resulted in conflict remain unchanged, he said.Political solutions for long-term development are needed, with the goal of equitable and sustainable development.Burkina Faso has also strengthened cooperation with Niger and Mali, other countries hardest hit by terrorism in the central Sahel, to establish a permanent framework for collective defence and mutual assistance, he said.

CECILIA A. M. ADENG (South Sudan) said that her country regards inclusive development as outlined in the 2030Agenda not only as a goal but as a pathway to lasting peace and stability. South Sudan supports the call for implementing short-term humanitarian aid with long-term development investments and underscores the importance of fostering a sense of ownership, nurturing internal development drivers and enhancing resilience to shocks for sustaining peace. She ***suggested*** actions for mitigating the challenges highlighted in the concept note of today ’ s debate to include investment in infrastructure, capacity-building, job creation and conflict-sensitive development. International assistance, digital inclusion, and synergy between peacekeeping and development should also be harnessed, she said.

**Load-Date:** November 22, 2023

**End of Document**



[***Variation Notice: Opes MRF 2013 Limited***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69BX-GHB1-F0YC-N0DM-00000-00&context=1516831)

Impact News Service

October 3, 2023 Tuesday

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**Length:** 20488 words

**Body**

London: The Environment Agency, UK Government has issued the following news release:

Variation and consolidationapplication numberEPR/FB3301CV/V0041OFFICIALOFFICIALNotice of variation and consolidation with introductory noteThe Environmental Permitting (England & Wales) Regulations 2016Opes MRF 2013 LimitedFinmere Quarry Landfill SiteBanbury RoadFinmereBuckinghamshireMK18 4AJVariation application numberEPR/FB3301CV/V004Permit numberEPR/FB3301CVVariation and consolidationapplication numberEPR/FB3301CV/V0042OFFICIALOFFICIALFinmere Quarry Landfill SitePermit number EPR/FB3301CVIntroductory noteThis introductory note does not form a part of the notice.Under the Environmental Permitting (England & Wales) Regulations 2016 (schedule 5, part 1, paragraph 19)a variation may comprise a consolidated permit reflecting the variations and a notice specifying the variationsincluded in that consolidated permit.Schedule 1 of the notice specifies the conditions that have been varied and schedule 2 comprises aconsolidated permit which reflects the variations being made. Only the variations specified in schedule 1 aresubject to a right of appeal.Finmere Quarry Landfill is located approximately 400m south-west of the village of Finmere inBuckinghamshire. The site comprises an area of approximately 140 hectares (ha) and is centred approximatelyat National Grid Reference (NGR) SP 6279 3229. The landfill itself covers an area of approximately 25.3 ha.Finmere Quarry Landfill was originally an active sand and gravel quarry, with void created following mineralextraction being restored by landfilling of non-hazardous wastes.This variation authorises the following changes:Updates to management plansThe following management plans have been updated and are now incorporated into the operating techniquesfor the installation: • Gas Management Plan, dated April 2022 • Surface Water Management Plan, dated August 2022 • Fire Prevention Plan, dated February 2023 (to be incorporated following approval of IC16) • Fugitive Emissions Management Plan (dated November 2021)Leachate managementNew leachate management monitoring infrastructure was proposed as part of the variation application. Thiswill impact on the Leachate Management Plan and therefore an improvement condition requires an update tothe plan following the input of the new infrastructure and subsequent development of a compliance plan. Afurther improvement condition requires implementation of the revised plan.Odour managementAn odour management plan was submitted as part of this variation but has not been approved due as this hasbeen superseded by assessment of the plan through the compliance route on site.New landfill gas flareA second landfill flare has been added to the permit to ensure adequate gas management capacity on site.The schedules specify the changes made to the permit.The status log of a permit sets out the permitting history, including any changes to the permit referencenumber.Variation and consolidationapplication numberEPR/FB3301CV/V0043OFFICIALOFFICIALStatus log of the permitDescriptionDateCommentsApplication BP3235SW (EP ref. EPR/BP3235SW/A001)Duly made 08/11/2004-Additional Information Received16/06/2005Response received 07/07/2005.Permit refused BP3235SW28/10/2005-Permit determined issued as directed by the Planning Inspectorate on 18/07/200823/09/2008PermitVariation application EPR/BP3235SW/V00226/05/2009-Request for further information20/10/2009Response received 17/11/2010Request for further information28/04/2010Response received 17/05/2010Variation EPR/BP3235SW/V002 determined11/11/2010-Variation applicationEPR/BP3235SW/V003Duly made22/08/2011Variation to allow increase in leachate level limit.Additional information received15/08/2011Amended copy of the gas risk assessment (ref: PR/FI/AW/5293/01)Response to Schedule 5 Notice (document ref. R/FI/AW/5293/01/S5)03/11/2011Information received in response to the Schedule 5 Notice dated 19/09/2011Additional information received20/12/2011In response to the request for further information dated 02/12/2011Variation determined EPR/BP3235SW/V00314/05/2012Issued with Consolidated PermitApplication EPR/KB3531RR/T001 (full transfer of permit BP3235SWDuly Made 09/08/2012Application to transfer the permit in full to Opes Industries LtdTransfer determined EPR/KB3531RR07/11/2012Full transfer of permit completeAgency variation EPR/KB3531RR/V002 determined11/01/2013Delete conditions 1.2.1, 1.2.2, 1.2.5 and 1.2.6 Add conditions 1.2.1 – 1.2.6Environment Agency Landfill Sector Review 2015Permit reviewedVariation determined EPR/KB3531RR/V00309/06/2015Varied and consolidated permit issued in modern condition format.Application EPR/FB3301CV/T001 full transfer of permit EPR/KB3531RRDuly made 10/07/2017Application to transfer the permit in full to OPES MRF 2013 Limited.Response to 1st Schedule 504/10/2017Reply to all questionsResponse to 2nd Schedule 505/11/2017Reply to all questionsResponse to 3rd Schedule 524/11/2017Reply to all questionsTransfer determined EPR/FB3301CV05/10/2018Full transfer of permit complete.Notified of change of Registered office18/08/2020Registered office changed to The Mill Pury Hill Business Park, Alderton Road, Towcester, NN12 7LSVariation issued EPR/FB3301CVV00215/09/2020Varied permit issued to Opes MRF 2013 LimitedEPR/FB3301CV/V003-Variation number not usedVariation and consolidationapplication numberEPR/FB3301CV/V0044OFFICIALOFFICIALStatus log of the permitDescriptionDateCommentsApplication variation EPR/FB3301CV/V004Duly made 11/06/2021Variation application to: • add a flare • update site management plans • add additional inert filling areas (this element was withdrawn) • add two new non hazardous landfill cells (this element was withdrawn).Application variation EPR/FB3301CV/V004 Response to Schedule 5 Notice dated 03/09/202108/09/2021Withdrawal of element of the application relating to addition of new inert filling areas.Application variation EPR/FB3301CV/V004 Response to Schedule 5 Notice dated 03/09/202107/01/2022Receipt of updated management plans and risk assessments referenced Appendix A – Appendix O.Further information received EPR/FB3301CV/V00401/04/2022Withdrawal of element of the application relating to the addition of two new non-hazardous cells.Further information received EPR/FB3301CV/V00414/04/2022Receipt of additional information relating to the leachate management including a revised leachate management plan dated April 2022.Further information received23/05/2022Receipt of addition information relating to gas management including a revised landfill gas risk assessment and gas management plan dated April 2022.Further information received06/09/2022Updated Surface Water Management Plan Dated August 2022Variation determined EPR/FB3301CV/V004(Billing reference: JP3609LG)18/09/2023Varied and consolidated permit issued.End of introductory noteVariation and consolidationapplication numberEPR/FB3301CV/V0045OFFICIALOFFICIALNotice of variation and consolidationThe Environmental Permitting (England and Wales) Regulations 2016The Environment Agency in exercise of its powers under regulation 20 of the Environmental Permitting (England and Wales) Regulations 2016 varies and consolidatesPermit numberEPR/FB3301CVIssued toOpes MRF 2013 Limited (“the operator”)whose registered office isThe Mill Pury Hill Business ParkAlderton RoadTowcesterNN12 7LScompany registration number 08729761to operate a regulated facility atFinmere Quarry Landfill SiteBanbury RoadFinmereBuckinghamshireMK18 4AJto the extent set out in the schedules.The notice shall take effect from 18/09/2023NameDateSandra Cavill18/09/2023Authorised on behalf of the Environment AgencyVariation and consolidationapplication numberEPR/FB3301CV/V0046OFFICIALOFFICIALSchedule 1The following conditions were varied as a result of the application made by the operator:Table S1.2 has been updated to reflect the revised operating techniques for the regulated facility.Table S1.3 has been updated to add improvement conditions relating to leachate management and the Fire Prevention Plan, list IC11 as complete and amend the deadlines for completion of IC8 and IC12.Table S3.1 has been updated to reflect change to the improvement condition relevant to the table and to update the table to show which cells are non operational.Table S3.2 has been updated to include reference to the second landfill gas flare.Schedule 2 – consolidated permitConsolidated permit issued as a separate document.Permit numberEPR/FB3301CV 1OFFICIALOFFICIALPermitThe Environmental Permitting (England and Wales) Regulations 2016Permit numberEPR/FB3301CVThis is the consolidated permit referred to in the variation and consolidation notice for application EPR/FB3301CV/V004 authorising,Opes MRF 2013 Limited (“the operator”),whose registered office isThe Mill Pury Hill Business ParkAlderton RoadTowcesterNN12 7LScompany registration number 08729761to operate an installation atFinmere Quarry Landfill SiteBanbury RoadFinmereBuckinghamshireMK18 4AJto the extent authorised by and subject to the conditions of this permit.NameDateSandra Cavill18/09/2023Authorised on behalf of the Environment AgencyPermit numberEPR/FB3301CV 2OFFICIALOFFICIALConditions1 Management1.1 General management1.1.1 The operator shall manage and operate the activities:(a) in accordance with a written management system that identifies and minimises risks of pollution, including those arising from operations, maintenance, accidents, incidents, non-conformances and those drawn to the attention of the operator as a result of complaints; and(b) using sufficient competent persons and resources.1.1.2 Records demonstrating compliance with condition 1.1.1 shall be maintained.1.1.3 Any person having duties that are or may be affected by the matters set out in this permit shall have convenient access to a copy of it kept at or near the place where those duties are carried out.1.1.4 The operator shall comply with the requirements of an approved competence scheme.1.2 Finance1.2.1 The financial provision for meeting the obligations under this permit set out in the deed of trust entered into between (1) Premier Aggregates Limited (2) Mark Anthony Lister and Richard William Porritt and (3) the Environment Agency dated 23rd September 2008, as varied in particular by the supplemental deed entered into between (1) Opes Industries Limited (2) the operator (3) Mark Anthony Lister and Roger John Bennett (4) the Environment Agency and (5) Asher Miller and Henry Lan dated 05th October 2018, as may be varied by deed from time to time, shall be maintained by the operator throughout the subsistence of this permit and the operator shall produce evidence of such provision whenever required by the Environment Agency.1.2.2 The operator shall ensure that the charges it makes for the disposal of waste in the landfill cover all of the following:(a) the costs of setting up and operating the landfill;(b) the costs of the financial provision required by condition 1.2.1; and(c) the estimated costs for the closure and aftercare of the landfill.1.2.3 No activities authorised by this permit shall be commenced in the Inert Landfill area unless the operator has entered into an Agreement with the Environment Agency to secure financial provision for meeting the obligations under this permit and has provided the provision.1.2.4 The operator shall give prior notice to the Environment Agency of its intention to commence operations in the Inert Landfill area.1.2.5 No activities authorised by this permit shall be commenced in Cell 11 unless the operator has entered into an Agreement with the Environment Agency to secure financial provision for meeting the obligations under this permit and has provided the provision.1.2.6 The operator shall give prior notice to the Environment Agency of its intention to commence operations in Cell 11.1.2.7 The financial provision provided under conditions 1.2.3 and 1.2.5 above shall thereafter be maintained by the operator throughout the subsistence of the permit and the operator shall produce evidence of such provision whenever required by the Environment Agency.1.2.8 The operator shall report in writing to the Environment Agency as to the performance of the trust fund in the period of 31 December each year by no later than 28 February in the following year. No laterPermit numberEPR/FB3301CV 3OFFICIALOFFICIALthan 8 weeks after the quarter day following each three yearly anniversary of the agreement made between the operator and the Environment Agency dated 05th October 2018 the operator shall report in writing to the Environment Agency as to the value of the trust fund on that quarter day and as to its performance in the preceding three years.1.3 Energy efficiency1.3.1 For the activities referenced in schedule 1 table S1.1 (A1), the operator shall:(a) take appropriate measures to ensure that energy is used efficiently in the activities;(b) Review and record at least every four years whether there are suitable opportunities to improve the energy efficiency of the activities; and(c) Implement any appropriate measures identified by a review.1.4 Efficient use of raw materials1.4.1 For the following activities referenced in schedule 1, table S1.1 (A1), the operator shall:(a) take appropriate measures to ensure that raw materials and water are used efficiently in the activities;(b) maintain records of raw materials and water used in the activities;(c) review and record at least every four years whether there are suitable alternative materials that could reduce environmental impact or opportunities to improve the efficiency of raw material and water use; and(d) take any further appropriate measures identified by a review.1.5 Avoidance, recovery and disposal of wastes produced by the activities1.5.1 The operator shall:(a) take appropriate measures to ensure that waste produced by the activities is avoided or reduced, or where waste is produced it is recovered wherever practicable or otherwise disposed of in a manner which minimises its impact on the environment;(b) review and record at least every four years whether changes to those measures should be made; and(c) take any further appropriate measures identified by a review.2 Operations2.1 Permitted activities2.1.1 The operator is only authorised to carry out the activities specified in schedule 1 table S1.1 (the “activities”).2.2 The site2.2.1 The activities shall not extend beyond the site, being the land shown edged in green on the site plan at schedule 7 to this permit.2.3 Operating techniquesPermit numberEPR/FB3301CV 4OFFICIALOFFICIAL2.3.1 The activities shall, subject to the conditions of this permit, be operated using the techniques and in the manner described in the documentation specified in schedule 1, table S1.2, unless otherwise agreed in writing by the Environment Agency.2.3.2 If notified by the Environment Agency that the activities are giving rise to pollution, the operator shall submit to the Environment Agency for approval within the period specified, a revision of any plan or other documentation (“plan”) specified in schedule 1, table S1.2 or otherwise required under this permit which identifies and minimises the risks of pollution relevant to that plan , and shall implement the approved revised plan in place of the original from the date of approval, unless otherwise agreed in writing by the Environment Agency.2.4 Improvement programme2.4.1 The operator shall complete the improvements specified in schedule 1 table S1.3 by the date specified in that table unless otherwise agreed in writing by the Environment Agency.2.4.2 Except in the case of an improvement which consists only of a submission to the Environment Agency, the operator shall notify the Environment Agency within 14 days of completion of each improvement.2.5 Pre-operational conditions2.5.1 The activities shall not be brought into operation until the measures specified in schedule 1 table S1.4 have been completed.2.6 Landfill EngineeringNon-hazardous Landfill Engineering2.6.1 No construction of any new cell of the landfill shall commence until the operator has submitted construction proposals and the Environment Agency has confirmed that it is satisfied with the construction proposals.2.6.2 Where the operator proposes to construct any new cell other than the first cell, but proposes no change from the design of the most recently approved cell which could have any impact on the performance of any element of the design, no construction of the new cell shall commence until the operator has submitted a cell layout drawing and the Environment Agency has confirmed that it is satisfied with the cell layout drawing.2.6.3 The construction of a new cell shall take place only in accordance with the approved construction proposals unless:(a) any change to the approved construction proposals would have no impact on the performance of any element of the design; or(b) a change has otherwise been agreed in writing by the Environment Agency.2.6.4 No disposal of waste shall take place in a new cell until the operator has submitted a CQA Validation Report and the Environment Agency has confirmed that it is satisfied with the CQA Validation Report.2.6.5 No construction of landfill infrastructure shall commence until the operator has submitted relevant construction proposals or a written request to use previous construction proposals and the Environment Agency has confirmed that it is satisfied with the construction proposals.2.6.6 The construction of the landfill infrastructure shall take place only in accordance with the approved construction proposals unless:(a) any change to the approved construction proposals would have no impact on the performance of any element of the design; or(b) a change has otherwise been agreed in writing by the Environment Agency.Permit numberEPR/FB3301CV 5OFFICIALOFFICIAL2.6.7 The operator shall submit a CQA Validation Report as soon as practicable following the construction of the relevant landfill infrastructure.2.6.8 Where pollution controls are immediately necessary to prevent an incident or accident, then conditions 2.6.5 and 2.6.6 do not apply and the relevant landfill infrastructure may be constructed, provided that the construction proposals are submitted to the Environment Agency as soon as practicable.2.6.9 For the purposes of conditions 2.6.1,2.6.2, 2.6.4 and 2.6.5, the Environment Agency shall be deemed to be satisfied where it has not, within the period of four weeks from the date of receipt of the relevant construction proposals or CQA Validation Report, either:(a) confirmed whether or not it is satisfied; or(b) informed the operator that it requires further information.2.6.10 Where the Environment Agency has required further information under condition 2.6.9(b), the Environment Agency shall be deemed to be satisfied where it has not, within the period of four weeks from the date of receipt of the further information, either:(a) confirmed whether or not it is satisfied; or(b) informed the operator that it requires further information.Inert Landfill Engineering2.6.11 No construction of landfill infrastructure shall commence until the operator has submitted construction proposals and the Environment Agency has confirmed that it is satisfied with the construction proposals.2.6.12 The construction of a new cell shall take place only in accordance with the approved construction proposals unless:(a) any change to the approved construction proposals would have no impact on the performance of any element of the design; or(b) a change has otherwise been agreed in writing by the Environment Agency.2.6.13 The operator shall submit a CQA Validation Report as soon as practicable following completion of the landfill infrastructure.2.6.14 Where pollution controls are immediately necessary to prevent an incident or accident, then conditions 2.6.12 and 2.6.13 do not apply and the relevant landfill infrastructure may be constructed, provided that the construction proposals are submitted to the Environment Agency as soon as practicable.2.6.15 For the purposes of conditions 2.6.11 and 2.6.12, the Environment Agency shall be deemed to be satisfied where it has not, within the period of four weeks from the date of receipt of the relevant construction proposals or CQA Validation Report, either:(a) confirmed whether or not it is satisfied; or(b) informed the operator that it requires further information.2.6.16 Where the Environment Agency has required further information under condition 2.6.15(b), the Environment Agency shall be deemed to be satisfied where it has not, within the period of four weeks from the date of receipt of the further information, either:(a) confirmed whether or not it is satisfied; or(b) informed the operator that it requires further information2.7 Waste acceptancePermit numberEPR/FB3301CV 6OFFICIALOFFICIAL2.7.1 For the following activities referenced in schedule 1, table S1.1 (A1) wastes shall only be accepted for disposal if:(a) they are listed in schedule 2, table S2.1, and(b) they are non-hazardous waste, and(c) they are not whole used tyres (other than bicycle tyres and tyres with an outside diameter of more than 1400mm), and(d) they are not shredded used tyres, and(e) they are not liquid waste (including waste waters but excluding sludge), and(f) they are not chemical substances from research and development or teaching activities, for example laboratory residues, which are unidentified and/or which are new and whose effects on man and/or the environment are unknown, and(g) all the relevant waste acceptance procedures have been completed, and(h) they fulfil the relevant waste acceptance criteria, and(i) they have not been diluted or mixed solely to meet the relevant waste acceptance criteria, and(j) they are wastes which have been treated, except for: inert wastes for which treatment is not technically feasible; or it is waste other than inert waste and treatment would not reduce its quantity or the hazards which it poses to human health or the environment, and(k) they are wastes with a code beginning with 07 05 and 16 03, they shall exclude waste medicinal products and pharmaceutically active waste materials arising from their manufacture.2.7.2 For the following activities referenced in schedule 1, table S1.1 (A8) wastes shall only be accepted for disposal if:(a) they are listed in schedule 2, table S2.2 and S2.3 and(b) they are inert waste, and(c) they are not liquid waste (including waste waters but excluding sludge), and(d) all the relevant waste acceptance procedures have been completed, and(e) they fulfil the relevant waste acceptance criteria, and(f) they have not been diluted or mixed solely to meet the relevant waste acceptance criteria, and(g) they are wastes which have been treated, except for wastes for which treatment is not technically feasible.2.7.3 Wastes shall only be accepted for restoration where:(a) they are listed in schedule 2, table S2.4 and(b) they are accepted in accordance with a restoration plan approved in writing by the Environment Agency.2.7.4 The operator shall:(a) visually inspect without unloading it, waste that is not in an enclosed container or enclosed vehicle on arrival at the landfill and waste at the point of deposit; and(b) be satisfied that the waste conforms to the requirements of condition 2.7.1 2.7.5 Where the operator has taken samples to establish that the waste is in conformity with the documentation submitted by the holder then the samples taken shall be retained for at least one month and results of any analysis for at least two years.2.7.6 The operator on accepting each delivery of waste shall provide a receipt to the person delivering it.Permit numberEPR/FB3301CV 7OFFICIALOFFICIAL2.7.7 The total quantity of waste that shall be deposited or recovered in the landfill shall be limited by the pre-settlement levels shown on drawing ESID4 for the non-hazardous landfill area and the restoration contours shown on drawing ESID4 for the inert landfill area.2.7.8 The quantity of waste that is deposited or recovered in the landfill in any year shall not exceed the limits in schedule 1 table S1.5 2.7.9 The operator shall maintain and implement a system which ensures that a record is made of the quantity, characteristics, date of delivery and, where practicable, origin of any waste that is received for disposal or recovery and of the identity of the producer, or in the case of municipal waste and multiple collection vehicles, of the collector of such waste. Any information regarded by the operator as commercially confidential shall be clearly identified in the record.2.8 Leachate levels2.8.1 The limits for the level of leachate listed in schedule 3 table S3.1 shall not be exceeded.2.9 Closure and aftercare2.9.1 The operator shall maintain a closure and aftercare management plan.2.10 Landfill gas management2.10.1 The operator shall take appropriate measures, including, but not limited to, those specified in any approved landfill gas management plan, to:(a) collect landfill gas; and(b) control the migration of landfill gas.2.10.2 The operator shall use the collected landfill gas to produce energy. If the collected landfill gas cannot be used to produce energy, the operator shall use appropriate measures to flare or treat the gas in accordance with an approved landfill gas management plan.2.10.3 The operator shall:(a) if notified by the Environment Agency, submit to the Environment Agency for approval within the period specified, a revised landfill gas management plan;(b) implement the revised landfill gas management plan, from the date of approval, unless otherwise agreed in writing by the Environment Agency.3 Emissions and monitoring3.1 Emissions to water, air or land3.1.1 The limits in Schedule 3 shall not be exceeded.3.1.2 There shall be no point source emissions to water, air or land except from the sources and emission points listed in schedule 3 tables S3.2 and S3.3 3.1.3 The limits given in Table S3.2 shall not be exceeded, save that compliance with an emission limit in that table shall include incorporation of the uncertainty allowance stated in Environment Agency guidance LFTGN 05 and LFTGN 08.3.1.4 The operator shall prevent the input of any hazardous substances from the activities into groundwater.3.1.5 The operator shall submit to the Environment Agency a review of the Hydrogeological Risk Assessment:Permit numberEPR/FB3301CV 8OFFICIALOFFICIAL(a) between nine and six months prior to the fourth anniversary of the granting of the permit, and(b) between nine and six months prior to every subsequent six years after the fourth anniversary of the granting of the permit.3.2 Emissions of substances not controlled by emission limits3.2.1 Emissions of substances not controlled by emission limits (excluding odour) shall not cause pollution. The operator shall not be taken to have breached this condition if appropriate measures, including, but not limited to, those specified in any approved emissions management plan, have been taken to prevent or where that is not practicable, to minimise, those emissions.3.2.2 The operator shall:(a) if notified by the Environment Agency that the activities are giving rise to pollution, submit to the Environment Agency for approval within the period specified, an emissions management plan which identifies and minimises the risks of pollution from emissions of substances not controlled by emission limits;(b) implement the approved emissions management plan, from the date of approval, unless otherwise agreed in writing by the Environment Agency.3.2.3 All liquids in containers, whose emission to water or land could cause pollution, shall be provided with secondary containment, unless the operator has used other appropriate measures to prevent or where that is not practicable, to minimise, leakage and spillage from the primary container.3.3 Odour3.3.1 For the following activities referenced in schedule 1, table S1.1 (A1), emissions from the activities shall be free from odour at levels likely to cause pollution outside the site, as perceived by an authorised officer of the Environment Agency, unless the operator has used appropriate measures, including, but not limited to, those specified in any approved odour management plan, to prevent or where that is not practicable to minimise the odour.3.4 Noise and vibration3.4.1 Emissions from the activities shall be free from noise and vibration at levels likely to cause pollution outside the site, as perceived by an authorised officer of the Environment Agency, unless the operator has used appropriate measures, including, but not limited to, those specified in any approved noise and vibration management plan to prevent or where that is not practicable to minimise the noise and vibration.3.4.2 The operator shall:(a) if notified by the Environment Agency that the activities are giving rise to pollution outside the site due to noise and vibration, submit to the Environment Agency for approval within the period specified, a noise and vibration management plan which identifies and minimises the risks of pollution from noise and vibration;(b) implement the approved noise and vibration management plan, from the date of approval, unless otherwise agreed in writing by the Environment Agency.3.5 Monitoring3.5.1 The operator shall, unless otherwise agreed in writing by the Environment Agency, undertake the monitoring and any other actions specified in the following tables in schedule 3 to this permit:(a) Leachate specified in tables S3.1 and S3.9;(b) Point source emissions specified in tables S3.2 and S3.3;Permit numberEPR/FB3301CV 9OFFICIALOFFICIAL(c) Groundwater specified in tables S3.4 and S3.7;(d) Landfill gas specified in tables S3.5, S3.6 and S3.8;(e) Surface water specified in table S3.10; and(f) Ambient air in table S3.11 3.5.2 The operator shall maintain records of all monitoring required by this permit including records of the taking and analysis of samples, instrument measurements (periodic and continual), calibrations, examinations, tests and surveys and any assessment or evaluation made on the basis of such data.3.5.3 A topographical survey of the site referenced to ordnance datum shall be carried out and shall be used to produce a plan of a scale adequate to show the surveyed features of the site:(a) annually, and(b) prior to the disposal of waste in any new cell or new development area of the landfill, and(c) following closure of the landfill or part of the landfill.3.6 Pests3.6.1 For the following activities referenced in schedule 1, table S1.1 (A1), the activities shall not give rise to the presence of pests which are likely to cause pollution, hazard or annoyance outside the boundary of the site. The operator shall not be taken to have breached this condition if appropriate measures, including, but not limited to, those specified in any approved pests management plan, have been taken to prevent or where that is not practicable, to minimise the presence of pests on the site.3.6.2 The operator shall:(a) if notified by the Environment Agency, submit to the Environment Agency for approval within the period specified, a pests management plan which identifies and minimises risks of pollution hazard or annoyance from pests;(b) implement the pests management plan, from the date of approval, unless otherwise agreed in writing by the Environment Agency.4 Information4.1 Records4.1.1 All records required to be made by this permit shall:(a) be legible;(b) be made as soon as reasonably practicable;(c) if amended, be amended in such a way that the original and any subsequent amendments remain legible, or are ***capable*** of retrieval; and(d) be retained, unless otherwise agreed in writing by the Environment Agency, for at least 6 years from the date when the records were made, or in the case of the following records until permit surrender:(i) the results of groundwater monitoring;(ii) sub-surface landfill gas monitoring;(iii) leachate levels, quality and quantities;(iv) landfill gas generation and collection;(v) waste types and quantities;Permit numberEPR/FB3301CV 10OFFICIALOFFICIAL(vi) the specification and as built drawings of the basal, sidewall and capping engineering systems.4.1.2 The operator shall keep on site all records, plans and the management system required to be maintained by this permit, unless otherwise agreed in writing by the Environment Agency.4.2 Reporting4.2.1 The operator shall send reports and notifications required by the permit to the Environment Agency using the contact details supplied in writing by the Environment Agency.4.2.2 A report or reports on the performance of the activities over the previous year (‘the annual report ’ ) shall be submitted to the Environment Agency by 31st January each year or such other date as may be agreed in writing by the Agency, with the exception of 4.2.2(c) that must be provided by the end of February each year. The report(s) shall include as a minimum:(a) a review of the results of the monitoring and assessment carried out in accordance with this permit against the relevant assumptions, parameters and results in the risk assessments submitted in relation to this installation and any agreed amendments thereto. The review will include written descriptions of the improvements made to operational performance during the year, action plans developed and planned improvements for the coming year;(b) the energy consumed at the site, reported in the format set out in schedule 4 table S4.3(c) the annual production/treatment set out in schedule 4 table S4.2;(d) the topographical surveys required by condition 3.5.3 other than those submitted as part of a CQA validation report;(e) the volumetric difference (reported in cubic metres) between the most recent topographical survey and the previous annual topographical survey i.e the additional volume of the landfill void that is occupied by waste;(f) an assessment of the settlement behaviour of the landfill body based on the difference between the most recent topographical survey and previous annual topographical survey for the areas of the landfill which did not receive waste between the surveys;(g) a calculation of the remaining capacity (reported in cubic metres) derived from the pre-settlement contours and the most recent topographical survey;(h) a plan(s) (‘the monitoring and extraction point plan – MEPP ’ ) showing the locations of leachate and landfill gas extraction and all monitoring points.4.2.3 Within 28 days of the end of the reporting period the operator shall, unless otherwise agreed in writing by the Environment Agency, submit reports of the monitoring and assessment carried out in accordance with the conditions of this permit, as follows:(a) in respect of the parameters and emission points specified in schedule 4 table S4.1;(b) using the forms specified in schedule 4 table S4.4 or other reporting format as agreed in writing with the Environment Agency; and(c) giving the information from such results and assessments as may be required by the forms specified in those tables.4.2.4 Within one month of the end of each quarter, the operator shall submit to the Environment Agency using the form made available for the purpose, the information specified on the form relating to the site and the waste accepted and removed from it during the previous quarter.4.2.5 The operator shall, unless notice under this condition has been served within the preceding four years, submit to the Environment Agency, within six months of receipt of a written notice, a report assessing whether there are other appropriate measures that could be taken to prevent, or where that is not practicable, to minimise pollution.Permit numberEPR/FB3301CV 11OFFICIALOFFICIAL4.3 Notifications4.3.1 (a) In the event that the operation of the activities gives rise to an incident or accident which significantly affects or may significantly affect the environment, the operator must immediately—(i) inform the Environment Agency,(ii) take the measures necessary to limit the environmental consequences of such an incident or accident, and(iii) take the measures necessary to prevent further possible incidents or accidents;(b) in the event of a breach of any permit condition the operator must immediately—(i) inform the Environment Agency, and(ii) take the measures necessary to ensure that compliance is restored within the shortest possible time;(c) in the event of a breach of permit condition which poses an immediate danger to human health or threatens to cause an immediate significant adverse effect on the environment, the operator must immediately suspend the operation of the activities or the relevant part of it until compliance with the permit conditions has been restored.4.3.2 Any information provided under condition 4.3.1 (a)(i), or 4.3.1 (b)(i) where the information relates to the breach of a limit specified in the permit, shall be confirmed by sending the information listed in schedule 5 to this permit within the time period specified in that schedule.4.3.3 The Environment Agency shall be notified within 14 days of the occurrence of the following matters, except where such disclosure is prohibited by Stock Exchange rules:Where the operator is a registered company:(a) any change in the operator ’ s trading name, registered name or registered office address; and(b) any steps taken with a view to the operator going into administration, entering into a company voluntary arrangement or being wound up.Where the operator is a corporate body other than a registered company:(a) any change in the operator ’ s name or address; and4.3.4 Where the operator proposes to make a change in the nature or functioning, or an extension of the activities, which may have consequences for the environment and the change is not otherwise the subject of an application for approval under the Regulations or this permit:(a) the Environment Agency shall be notified at least 14 days before making the change; and(b) the notification shall contain a description of the proposed change in operation.4.4 Interpretation4.4.1 In this permit the expressions listed in schedule 6 shall have the meaning given in that schedule.4.4.2 In this permit references to reports and notifications mean written reports and notifications, except where reference is made to notification being made “immediately”, in which case it may be provided by telephone.Permit numberEPR/FB3301CV 12OFFICIALOFFICIALSchedule 1 – Operations Table S1.1 activitiesActivity referenceWFD Annex I and II operations (where applicable)Activity listed in Schedule 1 of the EP RegulationsDescription of specified activityLimits of specified activityA1 – boundary as shown in red on the plan in Schedule 7D5 – Specially engineered landfill and R10 – Land treatment resulting in benefit to ***agriculture*** or ecologySection 5.2 Part A(1) (a), The disposal of waste in a landfill.Landfill for non-hazardous waste and landfill restorationReceipt, handling, storage and disposal of wastes, consisting of the types and quantities specified in conditions 2.7, as an integral part of landfilling.The activity shall not extend beyond the area of land edged in red on the site plan at Schedule 7 to this permit. Directly Associated ActivitiesA2 – boundary as shown in red on the plan in schedule 7D8 – Biological treatment of wasteD9 - Physico-chemical treatment not specified elsewhere in this Annex which results in final compounds or mixtures which are discarded by means of any of the operations numbered D1 to D12Leachate management. Physico-chemical and or biological treatment of leachateStorage and physico chemical and/or biological treatment of leachate in a facility with a capacity of <50 t/dayLeachate arising from the landfill.A3 – boundary as shown in red on the plan in schedule 7R1 - Use principally as a fuel or other means to generate energyLandfill gas utilisationPre-treatment and utilisation of landfill gas for energy recovery in an appliance with a rated thermal input < 50MWTreatment and utilisation of landfill gas arising from the landfill.Permit numberEPR/FB3301CV 13OFFICIALOFFICIALTable S1.1 activitiesActivity referenceWFD Annex I and II operations (where applicable)Activity listed in Schedule 1 of the EP RegulationsDescription of specified activityLimits of specified activityA4 – boundary as shown in red on the plan in schedule 7D10 - Incineration on landLandfill gas flaringFlaring of landfill gas for disposal in an appliance.Landfill gas arising from the landfill.A5 – boundary as shown in red on the plan in schedule 7D6 - Release into a water body except seas / oceansWater discharges to controlled watersDischarges of site drainage from the landfillFrom surface water management system to point of entry to controlled watersA6 – boundary as shown in red on the plan in schedule 7D6 – release to water body except seas / oceansWater discharges to landDischarges of site drainage from the landfillFrom surface water and groundwater management system to point of entry to landA7 – boundary as shown in red on the plan in schedule 7N/AFuel storageStorage of fuel for operation of plant and equipment.Fuel storage tank. Waste operationsA8 - boundary as shown in yellow on the plan in schedule 7D1 – Deposit into or on landLandfill for inert wasteLandfill for inert waste (landfill classification under the landfill directive)Receipt, handling, storage and disposal of wastes, consisting of the types and quantities specified in condition 2.7, as an integral part of landfilling.The activity shall not extend beyond the area of land edged in yellow on the site plan at Schedule 7 to this permit.Permit numberEPR/FB3301CV 14OFFICIALOFFICIALTable S1.2 Operating techniquesDescriptionPartsDate ReceivedApplicationThe response to questions 2.1 to 2.5 given the Application {excluding response to Q2.1.5}08/11/2004Response to request for further information dated 7 July 2005All parts07/07/2005Letter updating the Directly associated activities.All parts30/04/2008Letter detailing CO2 background ref PR/FI/GT/1455/01All parts30/04/2008Letter detailing sampling points ref PR/FI/GT/1455/01All parts08/05/2008Submission in relation to Improvement Condition 7In relation to surface landfill gas monitoring23/09/08 and 29/08/08Submission in relation to Improvement Condition 5bAll parts in relation to the Odour Management Plan17/02/09 by emailSubmission in relation to Improvement Condition 5aAll parts in relation to the Nuisance Risk Assessment23/03/09 by emailApplication to vary permitResponse to questions 2a and 2b given in the Application form part C Document PR/FI/JHW/5291/01/ESID26/05/2009Submission in relation to Improvement Condition 6a and 6bAll parts in relation to the Dust and Particulate Management Plan23/09/09 by emailResponse dated 17 November 2009 to Schedule 5 noticesAll parts17/11/2009Response to Email of the 28th April 2010Email Response17/05/2010Variation Application received by the Environment AgencyAll parts14/06/2011Leachate Management PlansVersion 2 dated December 2012 submitted in accordance with IC2b & LMP Version 4 dated April 2014 and all subsequent approved annual reviews.e-mails dated 13/12/12 and 30/4/14Permit numberEPR/FB3301CV 15OFFICIALOFFICIALTable S1.2 Operating techniquesDescriptionPartsDate ReceivedRevised documents submitted in response to Schedule 5 Notice dated 03/09/2021Excluding all references to non-hazardous waste cells 12 and 13.07/01/2022Landfill gas risk assessment and Landfill Gas Management PlanDated April 202223/05/2022Leachate Management PlanAs approved under improvement condition IC13.As approved under IC13Surface Water Management PlanDated August 202206/09/2022Fire Prevention PlanAs approved under improvement condition IC16As approved under IC16Table S1.3 Improvement programme requirementsReferenceRequirementDateNon-Hazardous LandfillIC8The Operator shall submit a written report for approval, that analyses external landfill gas monitoring data from LFGMBH17 - 28 and derives statistically valid background concentrations of carbon dioxide in the external landfill gas monitoring boreholes. These background concentrations shall be used to derive limits for carbon dioxide.The limits should be based on data collected prior to commencement of filling in cell 10 and 11.3 months prior to commencement of landfilling in the adjacent cellNon-Hazardous LandfillIC11The operator shall collect 12 additional datasets (over 12 months period) representative of seasonal changes in groundwater for Ammoniacal nitrogen, Chloride, Phenols and Nickel as detailed in Table S3.4 for each groundwater monitoring borehole.Based on this monitoring, the operator shall submit a written report to the Environment Agency for approval detailing the proposed compliance limits for these parameters.CompleteIC12The operator shall submit to the Environment Agency in writing for approval a restoration plan for the site which includes acceptance criteria and procedures for wastes for restoration (2.7.3)12/01/2023IC13The operator shall submit an updated detailed leachate management plan in writing for approval, that also includes the following aspects: • Details of additional and/or replacement leachate management and monitoring infrastructure;3 months following permit variation issuePermit numberEPR/FB3301CV 16OFFICIALOFFICIALTable S1.3 Improvement programme requirementsReferenceRequirementDate • A revised plan shall set out how compliance for cell leachate levels will be achieved within 12 months; • Any other improvements that are identified as being necessary to achieve compliance with an associated timeline for their implementation.IC14The operator shall implement the leachate management plan approved under IC13.15 months following permit variation issueIC15The operator shall submit an updated Hydrogeological Risk Assessment in writing for approval, that includes all information available following the completion of IC13.15 months following permit variation issueIC16The operator shall submit an updated Fire Prevention Plan in writing for approval, that addresses the following points. • The site plan should be updated to include:o areas where hazardous materials are stored on the site including location of gas cylinders, process areas, chemicals, oils and fuel tanks.o Hydrants and water supplies.o Areas of natural and unmade ground.o Pollution control features such as drain closure valves and fire water containment systems. • Provide details of the procedures to ensure good stock ***rotation*** for all stored materials and evidence for how the ‘first in, first out ’ principle will be followed. • Provide further details of maximum volumes and sizes for waste piles on site with a maximum height of 4 meters and maximum length or width (whichever is longest) of 20 meters.3 months following permit variation issueTable S1.4 Pre-operational measuresReferencePre-operational MeasuresPO2Non Hazardous Landfill activity, reference A1, Table S1.1 – Cell 11No waste shall be deposited in Cell 11 as shown on drawing ESID4 until the Agency has received written confirmation from the trustees of the trust referred to in condition 1.2.1 that the following sum has been paid into the Trust. The sum being £46,289, adjusted upwards or downwards (as appropriate) to correspond with the movements between January 2008 and March 2015 in the General Index of Retail Prices(All Items) published by the Office for National Statistics.Permit numberEPR/FB3301CV 17OFFICIALOFFICIALTable S1.4 Pre-operational measuresReferencePre-operational MeasuresPO3Inert Landfill Activity reference A8, table S1.1 Before commencement of the inert landfill activity, the operator shall provide a further 12 sets of baseline groundwater data to supplement that supplied in the HRA of May 2009. The schedule and range of groundwater determinands shall be as per Tables S3.4 and S3.7 PO4Inert Landfill, Activity reference A8, table S1.1 Before the commencement of the inert landfill activity, the operator shall calculate, and submit to the Agency for approval, control and trigger levels for down gradient groundwater monitoring boreholes for the parameters listed in Table S3.4Trigger levels shall be calculated / derived from a minimum of 12 data sets, using a methodology to be agreed in writing with the Agency.Once approved, the trigger levels shall be incorporated into Table S3.4 PO5Inert Landfill, Activity reference A8, table S1.1Before the commencement of the inert landfill activity, the operator shall submit to the Agency for approval a report clarifying the direction of groundwater flow both in the Quaternary sand and gravels, and in the bedrock. This should include an assessment of vertical hydraulic gradients derived from the paired shallow and deep boreholes.The report shall include an assessment of whether one or more additional groundwater monitoring boreholes are required to ensure that adequate up-gradient and down-gradient groundwater monitoring is undertaken at the site. The Operator shall review the location of all the existing groundwater monitoring points to assess whether they are in a suitable position. If it is concluded that any new boreholes are necessary, the report shall include details of the proposed borehole location, design, construction and estimated installation timetable.The borehole spacing shall be in accordance with Agency guidance Hydrogeological Risk Assessment dated March 2003. The report shall include justification for the location of groundwater boreholes in that they will enable statistically valid and representative groundwater monitoring data to be obtained.The Operator shall incorporate any newly constructed borehole into the monitoring programme specified in Tables S3.4 and S3.7 Table S1.5 Annual waste input limitsCategoryLimit Tonnes/ YearNon-hazardous waste250,000Inert waste155,000Waste for restoration50,000Permit numberEPR/FB3301CV 18OFFICIALOFFICIALSchedule 2 – List of permitted wastesTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription 01 Wastes resulting from exploration, mining, quarrying, and physical and chemical treatment of minerals 01 01 wastes from mineral excavation01 01 01wastes from mineral metalliferous excavation01 01 02wastes from mineral non-metalliferous excavation 01 03 wastes from physical and chemical processing of metalliferous minerals01 03 06tailings other than those mentioned in 01 03 04 and 01 03 0501 03 08dusty and powdery wastes other than those mentioned in 01 03 0701 03 09red mud from alumina production other than the wastes mentioned in 01 03 07 01 04 wastes from physical and chemical processing of non-metalliferous minerals01 04 08waste gravel and crushed rocks other than those mentioned in 01 04 0701 04 09waste sand and clays01 04 10dusty and powdery wastes other than those mentioned in 01 04 0701 04 11wastes from potash and rock salt processing other than those mentioned in 01 04 0701 04 12tailings and other wastes from washing and cleaning of minerals other than those mentioned in 01 04 07 and 01 04 1101 04 13wastes from stone cutting and sawing other than those mentioned in 01 04 07 01 05 drilling muds and other drilling wastes01 05 04freshwater drilling muds and wastes01 05 07barite-containing drilling muds and wastes other than those mentioned in 01 05 05 and 01 05 0601 05 08chloride-containing drilling muds and wastes other than those mentioned in 01 05 05 and 01 05 06 02 Wastes from ***agriculture***, horticulture, aquaculture, forestry, hunting and fishing, food preparation and processing 02 01 wastes from ***agriculture***, horticulture, aquaculture, forestry, hunting and fishing02 01 01sludges from washing and cleaning02 01 02animal-tissue waste02 01 03plant-tissue waste02 01 04waste plastics (except packaging)02 01 06animal faeces, urine and manure (including spoiled straw), effluent, collected separately and treated off-site02 01 07wastes from forestry02 01 09agrochemical waste other than those mentioned in 02 01 0802 01 10waste metalPermit numberEPR/FB3301CV 19OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription 02 02 wastes from the preparation and processing of meat, fish and other foods of animal origin02 02 01sludges from washing and cleaning02 02 02animal-tissue waste02 02 03materials unsuitable for consumption or processing02 02 04sludges from on-site effluent treatment 02 03 wastes from fruit, vegetables, cereals, edible oils, cocoa, coffee, tea and tobacco preparation and processing; conserve production; yeast and yeast extract production, molasses preparation and fermentation02 03 01sludges from washing, cleaning, peeling, centrifuging and separation02 03 02wastes from preserving agents02 03 03wastes from solvent extraction02 03 04materials unsuitable for consumption or processing02 03 05sludges from on-site effluent treatment 02 04 wastes from sugar processing02 04 01soil from cleaning and washing beet02 04 02off-specification calcium carbonate02 04 03sludges from on-site effluent treatment 02 05 wastes from the dairy products industry02 05 01materials unsuitable for consumption or processing02 05 02sludges from on-site effluent treatment 02 06 wastes from the baking and confectionery industry02 06 01materials unsuitable for consumption or processing02 06 02wastes from preserving agents02 06 03sludges from on-site effluent treatment 02 07 wastes from the production of alcoholic and non-alcoholic beverages (except coffee, tea and cocoa)02 07 01wastes from washing, cleaning and mechanical reduction of raw materials02 07 02wastes from spirits distillation02 07 03wastes from chemical treatment02 07 04materials unsuitable for consumption or processing02 07 05sludges from on-site effluent treatment 03 Wastes from wood processing and the production of panels and furniture, pulp, paper and cardboard 03 01 wastes from wood processing and the production of panels and furniture03 01 01waste bark and corkPermit numberEPR/FB3301CV 20OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription03 01 05sawdust, shavings, cuttings, wood, particle board and veneer other than those mentioned in 03 01 04 03 03 wastes from pulp, paper and cardboard production and processing03 03 01waste bark and wood03 03 02green liquor sludge (from recovery of cooking liquor)03 03 05de-inking sludges from paper recycling03 03 07mechanically separated rejects from pulping of waste paper and cardboard03 03 08wastes from sorting of paper and cardboard destined for recycling03 03 09lime mud waste03 03 10fibre rejects, fibre-, filler- and coating-sludges from mechanical separation03 03 11sludges from on-site effluent treatment other than those mentioned in 03 03 10 04 Wastes from the leather, fur and textile industries 04 01 wastes from the leather and fur industry04 01 01fleshings and lime split wastes04 01 02liming waste04 01 06sludges, in particular from on-site effluent treatment containing chromium04 01 07sludges, in particular from on-site effluent treatment free of chromium04 01 08waste tanned leather (blue sheetings, shavings, cuttings, buffing dust) containing chromium04 01 09wastes from dressing and finishing 04 02 wastes from the textile industry04 02 09wastes from composite materials (impregnated textile, elastomer, plastomer)04 02 10organic matter from natural products (for example grease, wax)04 02 15wastes from finishing other than those mentioned in 04 02 1404 02 17dyestuffs and pigments other than those mentioned in 04 02 1604 02 20sludges from on-site effluent treatment other than those mentioned in 04 02 1904 02 21wastes from unprocessed textile fibres04 02 22wastes from processed textile fibres 05 Wastes from petroleum refining, natural gas purification and pyrolytic treatment of coal 05 01 wastes from petroleum refining05 01 10sludges from on-site effluent treatment other than those mentioned in 05 01 0905 01 13boiler feedwater sludges05 01 14wastes from cooling columns05 01 16sulphur-containing wastes from petroleum desulphurisation05 01 17bitumenPermit numberEPR/FB3301CV 21OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription 05 06 wastes from the pyrolytic treatment of coal05 06 04waste from cooling columns 05 07 wastes from natural gas purification and transportation05 07 02wastes containing sulphur 06 Wastes from inorganic chemical processes 06 03 wastes from the MFSU of salts and their solutions and metallic oxides06 03 14solid salts and solutions other than those mentioned in 06 03 11 and 06 03 1306 03 16metallic oxides other than those mentioned in 06 03 15 06 05 sludges from on-site effluent treatment06 05 03sludges from on-site effluent treatment other than those mentioned in 06 05 02 06 06 wastes from the MFSU of sulphur chemicals, sulphur chemical processes and desulphurisation processes06 06 03wastes containing sulphides other than those mentioned in 06 06 02 06 09 wastes from the MSFU of phosphorous chemicals and phosphorous chemical processes06 09 02phosphorous slag06 09 04calcium-based reaction wastes other than those mentioned in 06 09 03 06 11 wastes from the manufacture of inorganic pigments and opacificiers06 11 01calcium-based reaction wastes from titanium dioxide production 06 13 wastes from inorganic chemical processes not otherwise specified06 13 03carbon black 07 Wastes from organic chemical processes 07 01 wastes from the manufacture, formulation, supply and use (MFSU) of basic organic chemicals07 01 12sludges from on-site effluent treatment other than those mentioned in 07 01 11 07 02 wastes from the MFSU of plastics, synthetic rubber and man-made fibres07 02 12sludges from on-site effluent treatment other than those mentioned in 07 02 1107 02 13waste plastic07 02 15wastes from additives other than those mentioned in 07 02 1407 02 17waste containing silicones other than those mentioned in 07 02 16 07 03 wastes from the MFSU of organic dyes and pigments (except 06 11)07 03 12sludges from on-site effluent treatment other than those mentioned in 07 03 11Permit numberEPR/FB3301CV 22OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription 07 04 wastes from the MFSU of organic plant protection products (except 02 01 08 and 02 01 09), wood preserving agents (except 03 02) and other biocides07 04 12sludges from on-site effluent treatment other than those mentioned in 07 04 11 07 05 wastes from the MFSU of pharmaceuticals07 05 12sludges from on-site effluent treatment other than those mentioned in 07 05 1107 05 14solid wastes other than those mentioned in 07 05 13 07 06 wastes from the MFSU of fats, grease, soaps, detergents, disinfectants and cosmetics07 06 12sludges from on-site effluent treatment other than those mentioned in 07 06 11 07 07 wastes from the MFSU of fine chemicals and chemical products not otherwise specified07 07 12sludges from on-site effluent treatment other than those mentioned in 07 07 11 08 Wastes from the manufacture, formulation, supply and use (MFSU) of coatings (paints, varnishes and vitreous enamels), adhesives, sealants and printing inks 08 01 wastes from MFSU and removal of paint and varnish08 01 12waste paint and varnish other than those mentioned in 08 01 1108 01 14sludges from paint or varnish other than those mentioned in 08 01 1308 01 16aqueous sludges containing paint or varnish other than those mentioned in 08 01 1508 01 18wastes from paint or varnish removal other than those mentioned in 08 01 17 08 02 wastes from MFSU of other coatings (including ceramic materials)08 02 01waste coating powders08 02 02aqueous sludges containing ceramic materials 08 03 wastes from MFSU of printing inks08 03 07aqueous sludges containing ink08 03 13waste ink other than those mentioned in 08 03 1208 03 15ink sludges other than those mentioned in 08 03 1408 03 18waste printing toner other than those mentioned in 08 03 17 08 04 wastes from MFSU of adhesives and sealants (including water proofing products)08 04 10waste adhesives and sealants other than those mentioned in 08 04 0908 04 12adhesive and sealant sludges other than those mentioned in 08 04 1108 04 14aqueous sludges containing adhesives or sealants other than those mentioned in 08 04 13 09 Wastes from the photographic industry 09 01 wastes from the photographic industry09 01 07photographic film and paper containing silver or silver compoundsPermit numberEPR/FB3301CV 23OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription09 01 08photographic film and paper free of silver or silver compounds09 01 10single-use cameras without batteries09 01 12single-use cameras containing batteries other than those mentioned in 09 01 11 10 Wastes from thermal processes 10 01 wastes from power stations and other combustion plants (except 19)10 01 01bottom ash, slag and boiler dust (excluding boiler dust mentioned in 10 01 04)10 01 02coal fly ash10 01 03fly ash from peat and untreated wood10 01 05calcium-based reaction wastes from flue-gas desulphurisation in solid form10 01 07calcium-based reaction wastes from flue-gas desulphurisation in sludge form10 01 15bottom ash, slag and boiler dust from co-incineration other than those mentioned in 10 01 1410 01 17fly ash from co-incineration other than those mentioned in 10 01 1610 01 19wastes from gas cleaning other than those mentioned in 10 01 05, 10 01 07 and 10 01 1810 01 21sludges from on-site effluent treatment other than those mentioned in 10 01 2010 01 23aqueous sludges from boiler cleansing other than those mentioned in 10 01 2210 01 24sands from fluidised beds10 01 25wastes from fuel storage and preparation of coal-fired power plants10 01 26wastes from cooling-water treatment 10 02 wastes from the iron and steel industry10 02 01wastes from the processing of slag10 02 02unprocessed slag10 02 08solid wastes from gas treatment other than those mentioned in 10 02 0710 02 10mill scales10 02 12wastes from cooling-water treatment other than those mentioned in 10 02 1110 02 14sludges and filter cakes from gas treatment other than those mentioned in 10 02 1310 02 15other sludges and filter cakes 10 03 wastes from aluminium thermal metallurgy10 03 02anode scraps10 03 05waste alumina10 03 16skimmings other than those mentioned in 10 03 1510 03 18carbon-containing wastes from anode manufacture other than those mentioned in 10 03 1710 03 20flue-gas dust other than those mentioned in 10 03 1910 03 22other particulates and dust (including ball-mill dust) other than those mentioned in 10 03 2110 03 24solid wastes from gas treatment other than those mentioned in 10 03 23Permit numberEPR/FB3301CV 24OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription10 03 26sludges and filter cakes from gas treatment other than those mentioned in 10 03 2510 03 28wastes from cooling-water treatment other than those mentioned in 10 03 2710 03 30wastes from treatment of salt slags and black drosses other than those mentioned in 10 03 29 10 04 wastes from lead thermal metallurgy10 04 10wastes from cooling-water treatment other than those mentioned in 10 04 09 10 05 wastes from zinc thermal metallurgy10 05 01slags from primary and secondary production10 05 04other particulates and dust10 05 09wastes from cooling-water treatment other than those mentioned in 10 05 0810 05 11dross and skimmings other than those mentioned in 10 05 10 10 06 wastes from copper thermal metallurgy10 06 01slags from primary and secondary production10 06 02dross and skimmings from primary and secondary production10 06 04other particulates and dust10 06 10wastes from cooling-water treatment other than those mentioned in 10 06 09 10 07 wastes from silver, gold and platinum thermal metallurgy10 07 01slags from primary and secondary production10 07 02dross and skimmings from primary and secondary production10 07 03solid wastes from gas treatment10 07 04other particulates and dust10 07 05sludges and filter cakes from gas treatment10 07 08wastes from cooling-water treatment other than those mentioned in 10 07 07 10 08 wastes from other non-ferrous thermal metallurgy10 08 04particulates and dust10 08 09other slags10 08 11dross and skimmings other than those mentioned in 10 08 1010 08 13carbon-containing wastes from anode manufacture other than those mentioned in 10 08 1210 08 14anode scrap10 08 16flue-gas dust other than those mentioned in 10 08 1510 08 18sludges and filter cakes from flue-gas treatment other than those mentioned in 10 08 1710 08 20wastes from cooling-water treatment other than those mentioned in 10 08 19 10 09 wastes from casting of ferrous pieces10 09 03furnace slagPermit numberEPR/FB3301CV 25OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription10 09 06casting cores and moulds which have not undergone pouring other than those mentioned in 10 09 0510 09 08casting cores and moulds which have undergone pouring other than those mentioned in 10 09 0710 09 10flue-gas dust other than those mentioned in 10 09 0910 09 12other particulates other than those mentioned in 10 09 1110 09 14waste binders other than those mentioned in 10 09 1310 09 16waste crack-indicating agent other than those mentioned in 10 09 15 10 10 wastes from casting of non-ferrous pieces10 10 03furnace slag10 10 06casting cores and moulds which have not undergone pouring, other than those mentioned in 10 10 0510 10 08casting cores and moulds which have undergone pouring, other than those mentioned in 10 10 0710 10 10flue-gas dust other than those mentioned in 10 10 0910 10 12other particulates other than those mentioned in 10 10 1110 10 14waste binders other than those mentioned in 10 10 1310 10 16waste crack-indicating agent other than those mentioned in 10 10 15 10 11 wastes from manufacture of glass and glass products10 11 03waste glass-based fibrous materials10 11 05particulates and dust10 11 10waste preparation mixture before thermal processing, other than those mentioned in 10 11 0910 11 12waste glass other than those mentioned in 10 11 1110 11 14glass-polishing and -grinding sludge other than those mentioned in 10 11 1310 11 16solid wastes from flue-gas treatment other than those mentioned in 10 11 1510 11 18sludges and filter cakes from flue-gas treatment other than those mentioned in 10 11 1710 11 20solid wastes from on-site effluent treatment other than those mentioned in 10 11 19 10 12 wastes from manufacture of ceramic goods, bricks, tiles and construction products10 12 01waste preparation mixture before thermal processing10 12 03particulates and dust10 12 05sludges and filter cakes from gas treatment10 12 06discarded moulds10 12 08waste ceramics, bricks, tiles and construction products (after thermal processing)10 12 10solid wastes from gas treatment other than those mentioned in 10 12 0910 12 12wastes from glazing other than those mentioned in 10 12 1110 12 13sludge from on-site effluent treatmentPermit numberEPR/FB3301CV 26OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription 10 13 wastes from manufacture of cement, lime and plaster and articles and products made from them10 13 01waste preparation mixture before thermal processing10 13 04wastes from calcination and hydration of lime10 13 06particulates and dust (except 10 13 12 and 10 13 13)10 13 07sludges and filter cakes from gas treatment10 13 10wastes from asbestos-cement manufacture other than those mentioned in 10 13 0910 13 11wastes from cement-based composite materials other than those mentioned in 10 13 09 and 10 13 1010 13 13solid wastes from gas treatment other than those mentioned in 10 13 1210 13 14waste concrete and concrete sludge 11 Wastes from chemical surface treatment and coating of metals and other materials; non-ferrous hydro-metallurgy 11 01 wastes from chemical surface treatment and coating of metals and other materials (for example galvanic processes, zinc coating processes, pickling processes, etching, phosphating, alkaline degreasing, anodising)11 01 10sludges and filter cakes other than those mentioned in 11 01 0911 01 14degreasing wastes other than those mentioned in 11 01 13 11 02 wastes from non-ferrous hydrometallurgical processes11 02 03wastes from the production of anodes for aqueous electrolytical processes11 02 06wastes from copper hydrometallurgical processes other than those mentioned in 11 02 05 11 05 wastes from hot galvanising processes11 05 01hard zinc11 05 02Zinc ash 12 Wastes from shaping and physical and mechanical surface treatment of metals and plastics 12 01 wastes from shaping and physical and mechanical surface treatment of metals and plastics12 01 01ferrous metal filings and turnings12 01 02ferrous metal dust and particles12 01 03non-ferrous metal filings and turnings12 01 04non-ferrous metal dust and particles12 01 05plastics shavings and turnings12 01 13welding wastes12 01 15machining sludges other than those mentioned in 12 01 1412 01 17waste blasting material other than those mentioned in 12 01 16Permit numberEPR/FB3301CV 27OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription12 01 21spent grinding bodies and grinding materials other than those mentioned in 12 01 20 15 Waste packaging, absorbents, wiping cloths, filter materials and protective clothing not otherwise specified 15 01 packaging (including separately collected municipal packaging waste)15 01 01paper and cardboard packaging15 01 02plastic packaging15 01 03wooden packaging15 01 04metallic packaging15 01 05composite packaging15 01 06mixed packaging15 01 07glass packaging15 01 09textile packaging 15 02 absorbents, filter materials, wipingcloths and protective clothing15 02 03absorbents, filter materials, wiping cloths and protective clothing other than those mentioned in 15 02 02 16 Wastes not otherwise specified in the list 16 01 end-of-life vehicles from different means of transport (including off-road machinery) and wastes from dismantling of end-of-life vehicles and vehicle maintenance (except 13, 14, 16 06 and 16 08)16 01 03end-of-life tyres16 01 12brake pads other than those mentioned in 16 01 1116 01 17ferrous metal16 01 18non-ferrous metal16 01 19plastic16 01 20glass 16 02 wastes from electrical and electronic equipment16 02 14discarded equipment other than those mentioned in 16 02 09 to 16 02 1316 02 16components removed from discarded equipment other than those mentioned in 16 02 15 16 03 off-specification batches and unused products16 03 04inorganic wastes other than those mentioned in 16 03 0316 03 06organic wastes other than those mentioned in 16 03 05 16 08 spent catalysts16 08 01spent catalysts containing gold, silver, rhenium, rhodium, palladium, iridium or platinum (except 16 08 07)16 08 03spent catalysts containing transition metals or transition metal compounds not otherwise specifiedPermit numberEPR/FB3301CV 28OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription 16 11 waste linings and refractories16 11 02carbon-based linings and refractories from metallurgical processes others than those mentioned in 16 11 0116 11 04other linings and refractories from metallurgical processes other than those mentioned in 16 11 0316 11 06linings and refractories from non-metallurgical processes others than those mentioned in 16 11 05 17 Construction and demolition wastes (including excavated soil from contaminated sites) 17 01 concrete, bricks, tiles and ceramics17 01 01concrete17 01 02bricks17 01 03tiles and ceramics17 01 07mixtures of concrete, bricks, tiles and ceramics other than those mentioned in 17 01 06 17 02 wood, glass and plastic17 02 01wood17 02 02glass17 02 03plastic 17 03 bituminous mixtures, coal tar and tarred products17 03 02bituminous mixtures other than those mentioned in 17 03 01 17 04 metals (including their alloys)17 04 01copper, bronze, brass17 04 02aluminium17 04 03lead17 04 04zinc17 04 05iron and steel17 04 06tin17 04 07mixed metals17 04 11cables other than those mentioned in 17 04 10 17 05 soil (including excavated soil from contaminated sites), stones and dredging spoil17 05 04soil and stones other than those mentioned in 17 05 0317 05 06dredging spoil other than those mentioned in 17 05 0517 05 08track ballast other than those mentioned in 17 05 07 17 06 insulation materials and asbestos-containing construction materials17 06 04insulation materials other than those mentioned in 17 06 01 and 17 06 03Permit numberEPR/FB3301CV 29OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription 17 09 other construction and demolition wastes17 09 04mixed construction and demolition wastes other than those mentioned in 17 09 01, 17 09 02 and 17 09 03 18 Wastes from human or animal health care and/or related research (except kitchen and restaurant wastes not arising from immediate health care) 18 02 wastes from research, diagnosis, treatment or prevention of disease involving animals18 02 03wastes whose collection and disposal is not subject to special requirements in order to prevent infection18 02 06chemicals other than those mentioned in 18 02 05 19 Wastes from waste management facilities, off-site waste water treatment plants and the preparation of water intended for human consumption and water for industrial use 19 01 wastes from incineration or pyrolysis of waste19 01 02ferrous materials removed from bottom ash19 01 12bottom ash and slag other than those mentioned in 19 01 1119 01 14fly ash other than those mentioned in 19 01 1319 01 16boiler dust other than those mentioned in 19 01 1519 01 18pyrolysis wastes other than those mentioned in 19 01 1719 01 19sands from fluidised beds 19 02 wastes from physico/chemical treatments of waste (including dechromatation, decyanidation, neutralisation)19 02 03premixed wastes composed only of non-hazardous wastes19 02 06sludges from physico/chemical treatment other than those mentioned in 19 02 0519 02 10combustible wastes other than those mentioned in 19 02 08 and 19 02 09 19 03 stabilised/solidified wastes119 03 05stabilised wastes other than those mentioned in 19 03 0419 03 07solidified wastes other than those mentioned in 19 03 06 19 04 vitrified waste and wastes from vitrification19 04 01vitrified waste 19 05 wastes from aerobic treatment of solid wastes19 05 01non-composted fraction of municipal and similar wastes19 05 02non-composted fraction of animal and vegetable waste19 05 03off-specification compost1 Stabilisation processes change the dangerousness of the constituents in the waste and thus transform hazardous waste into non-hazardous waste. Solidification processes only change the physical state of the waste (e.g liquid into solid) by using additives without changing the chemical properties of the waste.Permit numberEPR/FB3301CV 30OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription 19 06 wastes from anaerobic treatment of waste19 06 04digestate from anaerobic treatment of municipal waste19 06 06digestate from anaerobic treatment of animal and vegetable waste 19 08 wastes from waste water treatment plants not otherwise specified19 08 01screenings19 08 02waste from desanding19 08 05sludges from treatment of urban waste water19 08 12sludges from biological treatment of industrial waste water other than those mentioned in 19 08 1119 08 14sludges from other treatment of industrial waste water other than those mentioned in 19 08 13 19 09 wastes from the preparation of water intended for human consumption or water for industrial use19 09 01solid waste from primary filtration and screenings19 09 02sludges from water clarification19 09 03sludges from decarbonation19 09 04spent activated carbon19 09 05saturated or spent ion exchange resins19 09 06solutions and sludges from regeneration of ion exchangers 19 10 wastes from shredding of metal-containing wastes19 10 01iron and steel waste19 10 02non-ferrous waste19 10 04fluff-light fraction and dust other than those mentioned in 19 10 0319 10 06other fractions other than those mentioned in 19 10 05 19 11 wastes from oil regeneration19 11 06sludges from on-site effluent treatment other than those mentioned in 19 11 05 19 12 wastes from the mechanical treatment of waste (for example sorting, crushing, compacting, pelletising) not otherwise specified19 12 01paper and cardboard19 12 02ferrous metal19 12 03non-ferrous metal19 12 04plastic and rubber19 12 05glass19 12 07wood other than that mentioned in 19 12 0619 12 08textiles19 12 09minerals (for example sand, stones)19 12 10combustible waste (refuse derived fuel)Permit numberEPR/FB3301CV 31OFFICIALOFFICIALTable S2.1 Permitted waste types for disposal at a landfill for non-hazardous wasteWaste codeDescription19 12 12other wastes (including mixtures of materials) from mechanical treatment of wastes other than those mentioned in 19 12 11 19 13 wastes from soil and groundwater remediation19 13 02solid wastes from soil remediation other than those mentioned in 19 13 0119 13 04sludges from soil remediation other than those mentioned in 19 13 0319 13 06sludges from groundwater remediation other than those mentioned in 19 13 05 20 Municipal wastes (household waste and similar commercial, industrial and institutional wastes) including separately collected fractions 20 01 separately collected fractions (except 15 01)20 01 01paper and cardboard20 01 02glass20 01 08biodegradable kitchen and canteen waste20 01 10clothes20 01 11textiles20 01 25edible oil and fat20 01 28paint, inks, adhesives and resins other than those mentioned in 20 01 2720 01 30detergents other than those mentioned in 20 01 2920 01 36discarded electrical and electronic equipment other than those mentioned in 20 01 21, 20 01 23 and 20 01 3520 01 38wood other than that mentioned in 20 01 3720 01 39plastics20 01 40metals20 01 41wastes from chimney sweeping 20 02 garden and park wastes (including cemetery waste)20 02 01biodegradable waste20 02 02soil and stones20 02 03other non-biodegradable wastes 20 03 other municipal wastes20 03 01mixed municipal waste20 03 02waste from markets20 03 03street-cleaning residues20 03 04septic tank sludge20 03 06waste from sewage cleaning20 03 07bulky wastePermit numberEPR/FB3301CV 32OFFICIALOFFICIALTable S2.2 Permitted waste types for disposal at a landfill for inert waste without testingWaste codeDescriptionRestrictionsWaste types 10 Wastes from thermal processes 10 11 wastes from manufacture of glass and glass products10 11 03waste glass-based fibrous materialsonly without organic bindersglass fibres 15 Waste packaging, absorbents, wiping cloths, filter materials and protective clothing not otherwise specified15 01packaging (including separately collected municipal packaging waste)15 01 07glass packagingglass 17 Construction and demolition wastes (including excavated soil from contaminated sites) 17 01 concrete, bricks, tiles and ceramics17 01 01concreteselected C&D waste only (a)reinforced concrete, concrete blocks, breeze blocks and aircrete blocks17 01 02bricksselected C&D waste only (a)bricks17 01 03tiles and ceramicsselected C&D waste only (a)bricks, bricks and mortar, tiles, clayware, pottery, china and refractories17 01 07mixtures of concrete, bricks, tiles and ceramics other than those mentioned in 17 01 06selected C&D waste only (a)reinforced concrete, concrete blocks, breeze blocks and aircrete blocks, bricks, bricks and mortar, tiles, clayware, pottery, china and refractories 17 02 wood, glass and plastic17 02 02glassglass 17 05 soil (including excavated soil from contaminated sites), stones and dredging spoil17 05 04soil and stones other than those mentioned in 17 05 03excluding topsoil, peat; excluding soil and stones from contaminated sitesclay, sand, gravel, sandstone, limestone, crushed stone and stone from demolition 19 Wastes from waste management facilities, off-site waste water treatment plants and the preparation of water intended for human consumption and water for industrial use 19 12 wastes from the mechanical treatment of waste (for example sorting, crushing, compacting, pelletising) not otherwise specified19 12 05glassglass 20 Municipal wastes (household waste and similar commercial, industrial and institutional wastes) including separately collected fractionsPermit numberEPR/FB3301CV 33OFFICIALOFFICIALTable S2.2 Permitted waste types for disposal at a landfill for inert waste without testingWaste codeDescriptionRestrictionsWaste types 20 01 separately collected fractions (except 15 01)20 01 02glass20 02garden and park wastes (including cemetery waste)20 02 02soil and stonesonly from garden and parks waste; excluding top soil, peatclay, sand, gravel, sandstone, limestone, crushed stone, construction stone and stone from demolition(a) Selected construction and demolition waste (C&D waste): with low contents of other types of materials (like metals, plastic, organics, wood, rubber, etc). The origin of the waste must be known.No C&D waste from constructions, polluted with inorganic or organic dangerous substances e.g because of production processes in the construction, soil pollution, storage and usage of pesticides or other dangerous substances etc., unless it is made clear that the demolished construction was not significantly polluted.No C&D waste from constructions, treated, covered or painted with materials, containing dangerous substances in significant amounts.Table S2.3 Permitted waste types that may be accepted after testing provided that they meet the waste acceptance criteria for inert wasteWaste codeDescriptionWaste types that will be accepted (restricted to qualifying materials in accordance with HM Revenue and Customs Notice LFT1) 01 Wastes resulting from exploration, mining, quarrying, and physical and chemical treatment of minerals 01 01 wastes from mineral excavation01 01 02wastes from mineral non-metalliferous excavationclay, sand, gravel, sandstone, limestone, crushed stone 01 03 wastes from physical and chemical processing of metalliferous minerals01 03 08dusty and powdery wastes other than those mentioned in 01 03 07titanium dioxide, calcium carbonate, magnesium carbonate, magnesium oxide, iron oxide, ferric hydroxide, aluminium oxide, aluminium hydroxide and zirconium hydroxide 01 04 wastes from physical and chemical processing of non-metalliferous minerals01 04 08waste gravel and crushed rocks other than those mentioned in 01 04 07clay, sand, gravel, sandstone, limestone, crushed stone, construction stone and stone from demolition01 04 09waste sand and clayssand and clay01 04 10dusty and powdery wastes other than those mentioned in 01 04 07clay, sand, gravel, sandstone, limestone, crushed stone, construction stone and stone from demolition01 04 12tailings and other wastes from washing and cleaning of minerals other than those mentioned in 01 04 07 and 01 04 11clay, sand, gravel, sandstone, limestone, crushed stone, construction stone and stone from demolitionPermit numberEPR/FB3301CV 34OFFICIALOFFICIALTable S2.3 Permitted waste types that may be accepted after testing provided that they meet the waste acceptance criteria for inert wasteWaste codeDescriptionWaste types that will be accepted (restricted to qualifying materials in accordance with HM Revenue and Customs Notice LFT1)01 04 13wastes from stone cutting and sawing other than those mentioned in 01 04 07clay, sand, gravel, sandstone, limestone, crushed stone, construction stone and stone from demolition 10 Wastes from thermal processes 10 11 wastes from manufacture of glass and glass products10 11 12waste glass other than those mentioned in 10 11 11glass and glass fibres 10 12 wastes from manufacture of ceramic goods, bricks, tiles and construction products10 12 01waste preparation mixture before thermal processingbricks, bricks and mortar, tiles, clayware, pottery, china and refractories10 12 03particulates and dustbricks, bricks and mortar, tiles, clayware, pottery, china and refractories10 12 06discarded mouldssand (without organic binders)10 12 08waste ceramics, bricks, tiles and construction products (after thermal processing)bricks, bricks and mortar, tiles, clayware, pottery, china and refractories 16 Wastes not otherwise specified in the list 16 01 end-of-life vehicles from different means of transport (including off-road machinery) and wastes from dismantling of end-of-life vehicles and vehicle maintenance (except 13, 14, 16 06 and 16 08)16 01 20glassglass 17 Construction and demolition wastes (including excavated soil from contaminated sites)17 05soil (including excavated soil from contaminated sites), stones and dredging spoil17 05 08track ballast other than those mentioned in 17 05 07crushed stone 17 09 other construction and demolition wastes17 09 04mixed construction and demolition wastes other than those mentioned in 17 09 01, 17 09 02 and 17 09 03clay, sand, gravel, sandstone, limestone, crushed stone, construction stone, stone from demolition, bricks, bricks and mortar, tiles and clayware 19 Wastes from waste management facilities, off-site waste water treatment plants and the preparation of water intended for human consumption and water for industrial use 19 12 wastes from the mechanical treatment of waste (for example sorting, crushing, compacting, pelletising) not otherwise specified19 12 09minerals (for example sand, stones)clay, sand, gravel, sandstone, limestone, crushed stone, construction stone, stonePermit numberEPR/FB3301CV 35OFFICIALOFFICIALTable S2.3 Permitted waste types that may be accepted after testing provided that they meet the waste acceptance criteria for inert wasteWaste codeDescriptionWaste types that will be accepted (restricted to qualifying materials in accordance with HM Revenue and Customs Notice LFT1)from demolition, bricks, bricks and mortar, tiles and clayware19 12 12other wastes (including mixtures of materials) from mechanical treatment of wastes other than those mentioned in 19 12 11clay, sand, gravel, sandstone, limestone, crushed stone, construction stone, stone from demolition, bricks, bricks and mortar, tiles and clayware 19 13 wastes from soil and groundwater remediation19 13 02solid wastes from soil remediation other than those mentioned in 19 13 01clay, sand, gravel, sandstone, limestone, crushed stone, construction stone, stone from demolition, bricks, bricks and mortar, tiles and claywareTable S2.4 Permitted waste types for restoration that may be accepted after testing provided that they meet the waste acceptance criteria for inert wasteWaste codeDescriptionRestrictionsWaste types 17 Construction and demolition wastes (including excavated soil from contaminated sites) 17 05 soil (including excavated soil from contaminated sites), stones and dredging spoil17 05 04soil and stones other than those mentioned in 17 05 03inert waste onlyclay, sand, gravel, sandstone, limestone, crushed stone and stone from demolition 20 Municipal wastes (household waste and similar commercial, industrial and institutional wastes) including separately collected fractions20 02garden and park wastes (including cemetery waste)20 02 02soil and stonesinert waste onlyclay, sand, gravel, sandstone, limestone, crushed stone, construction stone and stone from demolitionPermit numberEPR/FB3301CV 36OFFICIALOFFICIALSchedule 3 – Emissions and monitoring Table S3.1 Leachate level limits and monitoring requirementsMonitoring point reference/DescriptionLimitMonitoring frequencyMonitoring standard and methodOperational Cells or Phases (Any cells or phases that do not have a final engineered ***cap*** agreed in accordance with the landfill engineering condition, 2.6)Cell 10117.6 m AODMonthlyAs specified in Environment Agency Guidance TGN02 (February 2003) or such other subsequent guidance as may be agreed in writing with the Environment Agency. Or as otherwise agreed with the Agency as part of a leachate monitoring plan.Cell 11Not less than 2m below the lowest level of the perimeter seal / pit edgeNon Operational Cells or Phases (Any cells or phases that have a final engineered ***cap*** agreed in accordance with the landfill engineering condition, 2.6)At the leachate compliance and monitoring points identified in Leachate Management Plan dated April 2022 until superseded by updated Leachate Management Plan agreed under improvement condition IC13Cell 1114.0 m AODMonthlyAs specified in Environment Agency Guidance TGN02 (February 2003) or such other subsequent guidance as may be agreed in writing with the Environment Agency. Or as otherwise agreed with the Agency as part of a leachate monitoring plan.At the leachate compliance and monitoring points identified in the updated Leachate Management Plan dated April 2022 until superseded by updated Leachate Management Plan agreed under improvement condition IC13Cell 2116.8 m AODAt the leachate compliance and monitoring points identified in the updated Leachate Management Plan dated April 2022 until superseded by updated Leachate Management Plan agreed under improvement condition IC13Cell 3114.7 m AODPermit numberEPR/FB3301CV 37OFFICIALOFFICIALTable S3.1 Leachate level limits and monitoring requirementsMonitoring point reference/DescriptionLimitMonitoring frequencyMonitoring standard and methodAt the leachate compliance and monitoring points identified in the updated Leachate Management Plan dated April 2022 until superseded by updated Leachate Management Plan agreed under improvement condition IC13Cell 4118.0 m AODAt the leachate compliance and monitoring points identified in the updated Leachate Management Plan dated April 2022 until superseded by updated Leachate Management Plan agreed under improvement condition IC13Cell 5116.8 m AODAt the leachate compliance and monitoring points identified in the updated Leachate Management Plan dated April 2022 until superseded by updated Leachate Management Plan agreed under improvement condition IC13Cell 6119.2 m AODCell 7Not less than 2m below the lowest level of the perimeter seal / pit edgeAt the leachate compliance and monitoring points identified in the updated Leachate Management Plan dated April 2022 until superseded by updated Leachate Management Plan agreed under improvement condition IC13Cell 8117.1 m AODPermit numberEPR/FB3301CV 38OFFICIALOFFICIALTable S3.1 Leachate level limits and monitoring requirementsMonitoring point reference/DescriptionLimitMonitoring frequencyMonitoring standard and methodAt the leachate compliance and monitoring points identified in the updated Leachate Management Plan dated April 2022 until superseded by updated Leachate Management Plan agreed under improvement condition IC13Cell 9117.6 m AODTable S3.2 Point source emissions to air – emission limits and monitoring requirementsEmission point Ref. & LocationParameterSourceLimit (including unit)Reference PeriodMonitoring FrequencyMonitoring Standard or MethodJenbacher Generator Engine Exhaustand Scania Engine Exhaust (as shown on RPS drawing no. Figure 1)Oxides of NitrogenGas utilisation plant500 mg/m3Hourly meanAnnuallyAs per M2 or such other subsequent guidance as may be agreed in writing with the Environment AgencyCO1400 mg/m3Total VOCs1000 mg/m3Flare Exhausts 1 and 2 (as shown on drawing no. Figure 1)Oxides of NitrogenLandfill Gas Flares150 mg/m3Hourly meanAnnuallyAs per M2 or such other subsequent guidance as may be agreed in writing with the Environment Agency.Monitoring is unnecessary where the flare is active for <10% of the year.CO50 mg/m3Total VOCs10 mg/m3Permit numberEPR/FB3301CV 39OFFICIALOFFICIALTable S3.3 Point source emissions to water (other than sewer) – emission limits and monitoring requirementsEmission point Ref. & LocationParameterSourceLimit (incl unit)Reference PeriodMonitoring FrequencyMonitoring Standard or MethodNon-hazardous landfillSWMP1 Clean Water LagoonAmmoniacal NitrogenPrecipitation and surface water pumped from cells prior to landfilling1.39mg/lSpot SampleQuarterlyAs specified in Environment Agency Guidance TGN02 ‘Monitoring of Landfill Leachate, Groundwater and Surface Water ’ (February 2003), Horizontal Guidance Note H1 – Environmental Risk Assessment for permits, Annex J3, version 2.1, Dec 2011) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Cadmium0.01 mg/lChloride250 mg/lNickel0.05 mg/lPhenols0.03 mg/lMecoprop0.001 mg/lAnnuallyXylenes0.001 mg/lTable S3.4 Groundwater – emission limits and monitoring requirementsMonitoring point referenceParameterLimit (including unit)Reference PeriodMonitoring frequencyMonitoring standard or methodNon-Hazardous LandfillMonitoring boreholes in Sand and Gravels:CMBH 6, 13 & 15Proposed boreholes GWMBH 3, 5 & 6Ammoniacal Nitrogen1.2 mg/lSpot SampleQuarterlyAs specified in Environment Agency Guidance TGN02 ‘Monitoring of Landfill Leachate, Groundwater and Surface Water ’ (February 2003), Horizontal Guidance Note H1 – Environmental Risk Assessment for permits, Annex J3, version 2.1, Dec 2011) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Cadmium0.001 mg/lChloride62 mg/lNickel0.02 mg/lPhenols0.0005 mg/lAnnuallyMecoprop0.0001 mg/lXylenes0.001 mg/lNon-Hazardous LandfillAmmoniacal Nitrogen0.2 mg/lSpot SampleQuarterlyAs specified in Environment Agency Guidance TGN02 ‘Monitoring of Landfill Leachate, Groundwater and Surface Water ’ (February 2003), Horizontal Guidance Note H1 – Cadmium0.001 mg/lPermit numberEPR/FB3301CV 40OFFICIALOFFICIALTable S3.4 Groundwater – emission limits and monitoring requirementsMonitoring point referenceParameterLimit (including unit)Reference PeriodMonitoring frequencyMonitoring standard or methodMonitoring boreholes in limestones:CMBH 2, 3, 9, 14, 16Proposed boreholes GWMBH 4 & 7Chloride54 mg/lEnvironmental Risk Assessment for permits, Annex J3, version 2.1, Dec 2011) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Nickel0.02 mg/lPhenols0.0005 mg/lAnnuallyMecoprop0.0001 mg/lXylenes0.001 mg/lInert LandfillBHs 104, 105, 106, 107, 204, 205, 206, 207Any amendments to the monitoring borehole schedule required in accordance with PO5Ammoniacal Nitrogen(1)Spot SampleQuarterlyAs specified in Environment Agency Guidance TGN02 ‘Monitoring of Landfill Leachate, Groundwater and Surface Water ’ (February 2003), Horizontal Guidance Note H1 – Environmental Risk Assessment for permits, Annex J3, version 2.1, Dec 2011) or such other subsequent guidance as may be agreed in writing with the Environment Agency.ChlorideNickelNote:(1) Determined in accordance with Table S1.4 Pre-Operational Conditions PO3 and PO4.Table S3.5 Landfill gas in external monitoring boreholes – limits and monitoring requirementsMonitoring point Ref. /descriptionParameterLimit (including units)Monitoring frequency \*Monitoring standard or methodNon-Hazardous LandfillCMBH 6, 8, 13, 15,GP3, 4, 7, 8, 9.Methane1 %v/vMonthlyAs per LFTGN03 (version 1.0, 2004) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Record whether the ground is:Oxygenno limitAtmospheric pressureno limitPermit numberEPR/FB3301CV 41OFFICIALOFFICIALTable S3.5 Landfill gas in external monitoring boreholes – limits and monitoring requirementsMonitoring point Ref. /descriptionParameterLimit (including units)Monitoring frequency \*Monitoring standard or methodLFGMBH1-16Differential Pressureno limitwaterloggedfrozensnow coveredNon-Hazardous LandfillCMBH 6, 13, 15,GP7, GP8, GP9.Carbon Dioxide8.1 %v/vMonthlyAs per LFTGN03 (version 1.0, 2004) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Record whether the ground is:waterloggedfrozensnow coveredCMBH 8Carbon Dioxide4.6 %v/vGP3Carbon Dioxide4.1 %v/vGP4Carbon Dioxide4.2 %v/vLFGMBH1Carbon Dioxide9.74 %v/vLFGMBH2Carbon Dioxide4.25 %v/vLFGMBH3Carbon Dioxide5.66 %v/vLFGMBH4Carbon Dioxide1.62 %v/vLFGMBH5Carbon Dioxide5.64 %v/vLFGMBH6Carbon Dioxide3.03 %v/vLFGMBH7Carbon Dioxide14.13 %v/vLFGMBH8Carbon Dioxide5.26 %v/vLFGMBH9Carbon Dioxide7.99 %v/vPermit numberEPR/FB3301CV 42OFFICIALOFFICIALTable S3.5 Landfill gas in external monitoring boreholes – limits and monitoring requirementsMonitoring point Ref. /descriptionParameterLimit (including units)Monitoring frequency \*Monitoring standard or methodLFGMBH10Carbon Dioxide4.07 %v/vLFGMBH11Carbon Dioxide2.05 %v/vAs per LFTGN03 (version 1.0, 2004) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Record whether the ground is:waterloggedfrozensnow coveredLFGMBH12Carbon Dioxide1.08 %v/vLFGMBH13Carbon Dioxide4.93 %v/vLFGMBH14Carbon Dioxide2.76 %v/vLFGMBH15Carbon Dioxide2.00 %v/vLFGMBH16Carbon Dioxide3.76 %v/vNon-Hazardous LandfillLFGMBH17--28Methane1 %v/vMonthlyCarbon DioxideTBA 1Oxygenno limitAtmospheric pressureno limitDifferential Pressureno limitNotes:\* - the limits specified take account of the agreed background concentrations as detailed in letter ref PR/FI/GT/1455/011 – to be agreed in accordance with improvement condition IC 8Permit numberEPR/FB3301CV 43OFFICIALOFFICIALTable S3.6 Landfill gas emissions from capped surfaces for cells that have accepted non hazardous biodegradable waste – monitoring requirementsMonitoring point Ref. /descriptionParameterMonitoring frequencyMonitoring Standard or methodPermanently capped zoneMethane concentrationEvery 12 monthsAs per LFTGN 07 (v2 2010) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Temporarily capped zoneMethane concentrationEvery 12 monthsAs per LFTGN 07 (v2 2010) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Whole siteTotal methane emissionAs agreed with the Environment AgencyAs per LFTGN 07 (v2 2010) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Uncapped areasMethane concentrationEvery 12 monthsAs agreed with the Environment Agency based on the wording of revised LFTGN 07 or landfill sector guidance or such other subsequent guidance as may be agreed in writing with the Environment Agency.Table S3.7 Groundwater – other monitoring requirementsMonitoring Point Ref./DescriptionParameterMonitoring frequencyMonitoring standard or methodUp gradientMEPPWater level, electrical conductivity, chloride, ammoniacal nitrogen, pH,QuarterlyAs specified in Environment Agency Guidance TGN02 ‘Monitoring of Landfill Leachate, Groundwater and Surface Water ’ (February 2003), Horizontal Guidance Note H1 – Environmental Risk Assessment for permits, Annex J3, version 2.1, Dec 2011), or such other subsequent guidance as may be agreed in writing with the Environment Agency.total alkalinity, magnesium,potassium, total sulphates, calcium, sodium, chromium, copper, iron, lead, nickel, zinc, manganeseAnnuallyHazardous substancesAnnually for first six years of operationDown or cross gradientMEPPWater level, electrical conductivity, chloride, ammoniacal nitrogen, pH,QuarterlyAs specified in Environment Agency Guidance TGN02 ‘Monitoring of Landfill Leachate, Groundwater and Surface Water ’ (February 2003), Horizontal Guidance Note H1 – Environmental Risk Assessment for permits, Annex J3, version 2.1, Dec 2011), or such other subsequent guidance as may be agreed in writing with the Environment Agency.total alkalinity, magnesium, potassium, total sulphates,AnnuallyPermit numberEPR/FB3301CV 44OFFICIALOFFICIALcalcium, sodium, chromium, copper, iron, lead, nickel, zinc, manganeseAfter the initial 6 year monitoring period for hazardous substances, if the results of quarterly or annual monitoring ***suggest*** an increase in contamination, the operator shall also undertake a full leachate hazardous substances screen.Hazardous substances detected in leachateAnnually for first six years of operation then every two yearsMEPPBase of monitoring point (mAoD)AnnuallyTable S3.8 Landfill gas – other monitoring requirementsMonitoring Point Ref./DescriptionParameterMonitoring frequencyMonitoring standard or methodOther specificationsIn waste gas monitoring boreholes or sealed leachate wells or sacrificial gas extraction systemMethaneCarbon DioxideOxygenCarbon MonoxideDifferential pressureAtmospheric pressureMonthly until gas extraction commencesCalibrated handheld monitoring instrumentFor cells or phases which have no active gas extraction.Gas extraction system shall be installed and extraction commenced once monitoring shows onset of methane production in waste at a rate that can be sustainably extracted.Once gas extraction has commenced in a particular cell or phase, there is no longer a requirement to carry out this monitoring.Hydrogen sulphideQuarterlyCalibrated handheld monitoring instrument or Tedlar Bag sample in accordance with LFTGN04 (version 3.0: 2010), or other such subsequent guidance as may be agreed in writing with the Environment Agency or a method agreed with the Environment Agency.For cells or phases which have no active gas extraction.Once gas extraction has commenced in a particular cell or phase, there is no longer a requirement to carry out this monitoring.Concentrations of hydrogen sulphide shall be assessed in accordance with the gas and odour management plansPermit numberEPR/FB3301CV 45OFFICIALOFFICIALTable S3.8 Landfill gas – other monitoring requirementsMonitoring Point Ref./DescriptionParameterMonitoring frequencyMonitoring standard or methodOther specificationsGas collection system at well control valve, manifolds (if applicable) and ***strategic*** points on gas systemMethaneCarbon DioxideOxygenCarbon MonoxideAtmospheric pressureGas flow rate or suction% Balance Gas (calculated as the difference between the sum of measured gases and 100%)Monthly or at such other frequency as may be agreed in writing with the Environment Agency.Calibrated handheld monitoring instrumentWhere the oxygen concentration exceeds 5% or the % balance gas is greater than 20% an assessment of air ingress into the system shall be undertaken.Where the concentration of carbon monoxide exceeds 100ppm then further investigation shall be undertakenRecord the ambient air temperature and whether the ground is:waterloggedfrozensnow coveredGas collection system at well control valveHydrogen sulphideSix monthlyCalibrated handheld monitoring instrument or Tedlar Bag sample in accordance with LFTGN04 (version 3.0: 2010), or other such subsequent guidance as may be agreed in writing with the Environment Agency or a method agreed with the Environment Agency.Concentrations of hydrogen sulphide shall be assessed in accordance with the gas and odour management plansInput to flare or LFG Utilisation CompoundTrace gasAnnuallyTrace gas analysis in accordance with LFTGN04 (version 3.0: 2010), or such other subsequent guidance as may be agreed in writing with the Environment Agency.The concentration of trace gas components shall be assessed against the assumptions made in the Landfill gas risk assessment and dispersion modelling.Permit numberEPR/FB3301CV 46OFFICIALOFFICIALTable S3.8 Landfill gas – other monitoring requirementsMonitoring Point Ref./DescriptionParameterMonitoring frequencyMonitoring standard or methodOther specificationsInput to flare or LFG Utilisation CompoundMethaneCarbon DioxideOxygenGas flow rateSuction% Balance Gas (calculated as the difference between the sum of measured gases and 100%)WeeklyWhere the oxygen concentration exceeds 5% or the % balance gas is greater than 20% an assessment of air ingress into the system shall be undertaken.Flare 1 and flare 2 Flare compound as shown on Drawing PR/FI/04-08/14160revATemperatureAs per LFTGN05 (version 2.0: 2010) or such other subsequent guidance as may be agreed in writing with the Environment Agency.As per M2 or such other subsequent guidance as may be agreed in writing with the Environment Agency.Jenbacher and Scania Gas engines, post turboNOx and COQuarterlyIn accordance with Appendix C of LFTGN08 (version 2: 2010) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Where monitoring using hand-held, electrochemical equipment indicates an exceedance of the emissions standards specified in Table S3.2, these shall be used as action levels and the operator shall investigate the cause and take appropriate measures to reduce emissions.Permit numberEPR/FB3301CV 47OFFICIALOFFICIALTable S3.9 Leachate – other monitoring requirementsMonitoring point reference or descriptionParameterMonitoring frequencyMonitoring standard or methodOther specificationsOperational Cells or Phases(Any cell or phases that do not have a final engineered ***cap*** agreed in accordance with condition 2.6)At leachate compliance point as listed in table S3.1 As specified in Environment Agency Guidance TGN02 (February 2003) and Horizontal Guidance Note H1 – Environmental Risk Assessment for permits, Annex J3, version 2.1, Dec 2011) with one sampling point per cell / phase or such other subsequent guidance as may be agreed in writing with the Environment Agency.MEPPpH, EC, total alkalinity, ammoniacal nitrogen, Chloride, COD, BOD, cadmium, chromium, copper, lead, nickel, iron, arsenic, magnesium,potassium, total sulphates, calcium, sodium, zinc, manganeseQuarterlyNoneMEPPHazardous substancesAnnuallyNoneMEPPDepth to base(mAoD)AnnuallyNoneNon Operational Cells or Phases(Any cell or phases that have a final engineered ***cap*** agreed in accordance with condition 2.6)MEPPpH, EC, total alkalinity, ammoniacal nitrogen, Chloride, COD, BOD, cadmium, chromium, copper, lead, nickel, iron, arsenic, magnesium,potassium, total sulphates, calcium, sodium, zinc, manganese,AnnuallyMEPPHazardous substancesOnce every four yearsNoneMEPPDepth to base (mAoD)AnnuallyPermit numberEPR/FB3301CV 48OFFICIALOFFICIALTable S3.10 Surface water – other monitoring requirementsMonitoring Point Ref./DescriptionParameterMonitoring frequencyMonitoring standard or methodOther specificationsMEPPAmmoniacal nitrogenChlorideSuspended SolidsVisual Oil and GreasepHelectrical conductivityMonthlySpot sampleAs specified in Environment Agency Guidance TGN02 ‘Monitoring of Landfill Leachate, Groundwater and Surface Water ’ (February 2003) and Horizontal Guidance Note H1 – Environmental Risk Assessment for permits, (Annex J3, version 2.1, Dec 2011) or such other subsequent guidance as may be agreed in writing with the Environment Agency.Table S3.11 Ambient air – other monitoring requirementsMonitoring Point Ref./DescriptionParameterMonitoring frequencyMonitoring standard or methodOther specificationsMEPPMethaneEvery 2 monthsFlame ionisation detectorLimit 10 ppmvMEPPHydrogen sulphideOn exceedance of methane limitPortable device to be agreed in writingLimit 10 ppbvPermit numberEPR/FB3301CV 49OFFICIALOFFICIALSchedule 4 – ReportingParameters, for which reports shall be made, in accordance with conditions of this permit, are listed below.Table S4.1 Reporting of monitoring dataParameterReporting periodPeriod endsLeachate levelAs specified by schedule 3, table S3.1Every 3 months31 March, 30 June, 30 September, 31 DecemberPoint source emission to airAs specified by schedule 3, table S3.2Every 12 months31 DecemberPoint source emission to water (other than sewer)As specified by schedule 3, table S3.3Every 3 months31 March, 30 June, 30 September, 31 DecemberEmission to groundwaterAs specified by schedule 3, table S3.4Every 3 months31 March, 30 June, 30 September, 31 DecemberLandfill gas in external monitoring boreholesAs specified by schedule 3, table S3.5Every 3 months31 March, 30 June, 30 September, 31 DecemberEmission of landfill gas from capped surfacesAs specified by schedule 3, table S3.6Every 12 months31 DecemberOther groundwater monitoringAs specified by schedule 3, table S3.7Every 3 months31 March, 30 June, 30 September, 31 DecemberOther Landfill gas monitoringAs specified by schedule 3, table S3.8Every 3 months31 March, 30 June, 30 September, 31 DecemberTrace gas monitoringEvery 12 months31 DecemberOther leachate monitoringAs specified by schedule 3, table S3.9Every 12 months31 DecemberOther surface water monitoringAs specified by schedule 3, table S3.10 Every 12 months31 DecemberMeteorological dataLandfill Directive, annex III, section 2Every 12 months31 December\* - where the reporting period is 12 months, you may submit this information as part of the ‘annual report ’ required by condition 4.2.2 Permit numberEPR/FB3301CV 50OFFICIALOFFICIALTable S4.2 Annual production/treatmentLeachate:Disposed of off site;Disposed of to any onsite effluent treatment plant;Recirculated into the waste mass.Cubic metres/yearLandfill gas:combustion in flares;combustion in gas engines;Other methods of gas utilisation.Average methane content entering the landfill gas utilisation or treatment compound (based on the annual average of Table S3.8 monitoring)Methane generation rate (50%ile from a representative model)Normalised cubic metres/year% methane v/vm3 /hrTable S4.3 Performance ParametersParameterFrequency of assessmentAnnual totalUnitEnergy used (including for leachate treatment)AnnuallyMWh of electricity or natural gasTable S4.4 Reporting FormsMedia/parameterReporting FormatDate of FormLeachateForm leachate 1 or other reporting format to be agreed in writing with the Environment Agency23/09/2008AirForm Air 1 or other reporting format to be agreed in writing with the Environment Agency18/09/2023Controlled waterForm Water 1 or other reporting format to be agreed in writing with the Environment Agency23/09/2008GroundwaterForm Groundwater 1 or other reporting format to be agreed in writing with the Environment Agency23/09/2008SewerForm Sewer 1 or other reporting format to be agreed in writing with the Environment Agency23/09/2008Landfill gasForm LFG 1 or other reporting format to be agreed in writing with the Environment Agency23/09/2008Waste ReturnWaste Return Form RATS2E23/09/2008Landfill topographical surveys and interpretationReporting format to be agreed in writing with the Environment Agency23/09/2008OFFICIALOFFICIALSchedule 5 – NotificationThese pages outline the information that the operator must provide.Units of measurement used in information supplied under Part A and B requirements shall be appropriate to the circumstances of the emission. Where appropriate, a comparison should be made of actual emissions and authorised emission limits.If any information is considered commercially confidential, it should be separated from non-confidential information, supplied on a separate sheet and accompanied by an application for commercial confidentiality under the provisions of the EP Regulations.Part APermit NumberName of operatorLocation of FacilityTime and date of the detection(a) Notification requirements for any malfunction, breakdown or failure of equipment or techniques, accident, or emission of a substance not controlled by an emission limit which has caused, is causing or may cause significant pollutionTo be notified within 24 hours of detectionDate and time of the eventReference or description of the location of the eventDescription of where any release into the environment took placeSubstances(s) potentially releasedBest estimate of the quantity or rate of release of substancesMeasures taken, or intended to be taken, to stop any emissionDescription of the failure or accident.(b) Notification requirements for the breach of a limitTo be notified within 24 hours of detection unless otherwise specified belowEmission point reference/ sourceParameter(s)LimitMeasured value and uncertaintyDate and time of monitoringOFFICIALOFFICIAL(b) Notification requirements for the breach of a limitTo be notified within 24 hours of detection unless otherwise specified belowMeasures taken, or intended to be taken, to stop the emissionTime periods for notification following detection of a breach of a limitParameterNotification period(c) Notification requirements for the breach of permit conditions not related to limitsTo be notified within 24 hours of detectionCondition breachedDate, time and duration of breachDetails of the permit breach i.e what happened including impacts observed.Measures taken, or intended to be taken, to restore permit compliance.(d) Notification requirements for the detection of any significant adverse environmental effectTo be notified within 24 hours of detectionDescription of where the effect on the environment was detectedSubstances(s) detectedConcentrations of substances detectedDate of monitoring/samplingPart B – to be submitted as soon as practicableAny more accurate information on the matters for notification under Part A.Measures taken, or intended to be taken, to prevent a recurrence of the incidentMeasures taken, or intended to be taken, to rectify, limit or prevent any pollution of the environment which has been or may be caused by the emissionOFFICIALOFFICIALThe dates of any unauthorised emissions from the facility in the preceding 24 months.Name\*PostSignatureDate\* authorised to sign on behalf of the operatorOFFICIALOFFICIALSchedule 6 – Interpretation“ accident ” means an accident that may result in pollution.“annually” means once every year.“application” means the application for this permit, together with any additional information supplied by the operator as part of the application and any response to a notice served under Schedule 5 to the EP Regulations.“authorised officer” means any person authorised by the Environment Agency under section 108(1) of The Environment Act 1995 to exercise, in accordance with the terms of any such authorisation, any power specified in section 108(4) of that Act.“Background concentration” means such concentration of that substance as is present in: • For emissions to surface water, the surface water quality up-gradient of the site; or • For emissions to sewer, the surface water quality up-gradient of the sewage treatment works discharge; or • For emissions of landfill gas, the ground or air outside the site and not attributable to the site.(a) “Cell layout drawing” means: A drawing or drawings of the proposed new cell that illustrate(s) in sufficient detail:(i) the location of the new cell on the site;(ii) the proposed level (Above Ordnance Datum) of the base of the excavation;(iii) the proposed finished levels of all containment and leachate drainage layers;(iv) the positions of leachate management infrastructure; and(v) the positions of landfill gas infrastructure (if appropriate).(b) A detailed written explanation of any minor design changes from the most recently approved cell that result from the new cell layout. This would include, for example:(i) changes to slope length and gradient within the cell;(ii) new leachate or landfill gas infrastructure construction design;(iii) slope stability issues such as new basal excavation level; and/or(iv) depth of waste.“Construction Proposals” means written information, at a level of detail appropriate to the complexity and pollution risk, on the design, specifications of materials selected, stability assessment (where relevant) and the construction quality assurance (CQA) programme in relation to the New Cell or Landfill Infrastructure.“CQA Validation Report” means the final “as built” construction and engineering details of the New Cell or of the Landfill Infrastructure. It must provide a comprehensive record of the construction and must include, where relevant: • The results of all testing required by the CQA programme - this must include the records of any failed tests with a written explanation, details of the remedial action taken, referenced to the appropriate secondary testing; • Plans showing the location of all tests; • “As-built” plans and sections of the works; • Copies of the site engineer ’ s daily records; • Records of any problems or non-compliances and the solution applied;OFFICIALOFFICIAL • Any other site specific information considered relevant to proving the integrity of the New Cell or Landfill Infrastructure; • Validation by a qualified person that all of the construction has been carried out in accordance with the Construction Proposals.“emissions to land” includes emissions to groundwater.“emissions of substances not controlled by emission limits” means emissions of substances to air, water or land from the activities, either from the emission points specified in schedule 3 or from other localised or diffuse sources, which are not controlled by an emission or background concentration limit.“EP Regulations” means The Environmental Permitting (England and Wales) Regulations SI 2016 No.1154 and words and expressions used in this permit which are also used in the Regulations have the same meanings as in those Regulations.“exceeded” means that a value is above a permitted limit, or where a range of values or a minimum value is set as a permitted limit it means a value outside that range or below the minimum value, whichever is applicable.“groundwater” means all water, which is below the surface of the ground in the saturation zone and in direct contact with the ground or subsoil.“Hazardous waste” has the meaning given in the Hazardous Waste (England and Wales) Regulations 2005.'inert waste' means waste that does not undergo any significant physical, chemical or biological transformations. Inert waste will not dissolve, burn or otherwise physically or chemically react, biodegrade or adversely affect other matter with which it comes into contact in a way likely to give rise to environmental pollution or harm human health. The total leachability and pollutant content of the waste and the ecotoxicity of the leachate must be insignificant, and in particular not endanger the quality of surface water and/or groundwater.“Industrial Emissions Directive” means DIRECTIVE 2010/75/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 November 2010 on industrial emissions, as read in accordance with Schedule 1A to the Environmental Permitting (England and Wales) Regulations 2016.“Landfill Infrastructure” means any specified element of the: • permanent capping; • temporary capping (i.e engineered temporary ***caps*** not cover materials); • leachate abstraction systems; • leachate transfer, treatment and storage systems; • surface water drainage systems; • leachate monitoring wells; • groundwater monitoring boreholes; • landfill gas monitoring boreholes; • landfill gas management systems; • lining within the installation.within the site.“List of Wastes” means the list of wastes established by Commission Decision 2000/532/EC replacing Decision 94/3/EC establishing a list of wastes pursuant to Article 1(a) of Council Directive 75/442/EEC on waste and Council Decision 94/904/EC establishing a list of hazardous waste pursuant to Article 1(4) of Council Directive 91/689/EEC on hazardous waste.“LFTGN 05” means Environment Agency Guidance for monitoring enclosed landfill gas flares.“LFTGN 07” means Environment Agency Guidance on monitoring landfill gas surface emissions.OFFICIALOFFICIAL“LFTGN 08” means Environment Agency Guidance for monitoring landfill gas engines.“Liquids” means any liquid other than leachate within the engineered landfill containment system.“Medicinal product” means any medicine licensed by the Medicines and Healthcare products Regulatory Agency (MHRA) or their predecessors under the Medicines Act 1968, section 130.“M2” means Environment Agency Guidance Monitoring of stack emissions to air.“MCERTS” means the Environment Agency ’ s Monitoring Certification Scheme.“MEPP” Monitoring and extraction point plan, required by condition 4.2.2(h) to specify extraction points and routine monitoring locations.“New Cell” means any new cell, part of a cell or other similar new area of the site where waste deposit is to commence after issue of this permit and can comprise: • groundwater under-drainage system; • permanent geophysical leak location system; • leak detection layer; • sub-grade; • barriers; • liners; • leachate collection system; • leachate abstraction system; • separation bund/layer; • cell or area surface water drainage system; • side wall subgrade and containment systems;for the New Cell.“No impact” means that the change made to the construction process will not affect the agreed design criteria, specification or performance in a way that has a negative effect.“Pests” means Birds, Vermin and Insects.“Previous year” means the 12 month period preceding the month the annual report is submitted in.“quarter” means a calendar year quarter commencing on 1 January, 1 April, 1 July or 1 October.“Relevant waste acceptance procedures” means the procedure for the acceptance of waste at landfills and the associated sampling and test methods specified in the Council Decision Annex (2003/33/EC, European Council of 19 December 2002).“Relevant waste acceptance criteria” means the waste acceptance criteria and the associated sampling and test methods specified in the Council Decision Annex (2003/33/EC, European Council of 19 December 2002).“Review of the Hydrogeological Risk Assessment” means a written review of the hydrogeological risk assessment included in the Application, together with any other parts of the Application that addressed the requirements of the EP Regulations. The review shall assess whether the activities of disposal or tipping for the purpose of disposal of waste authorised by the permit continue to meet the requirements of the EP Regulations.‘Sustainably extracted ’ means where suction can be applied to the extraction wells such that a flow rate of landfill gas, with a methane content ***capable*** of either being combusted, or treated by bio-oxidation, can be extracted without increasing the risk of air ingress to the waste or inducing aerobic degradation within the waste.OFFICIALOFFICIAL“Waste code” means the six digit code referable to a type of waste in accordance with the List of Wastes and in relation to hazardous waste, includes the asterisk.“Waste Framework Directive” or “WFD” means Waste Framework Directive 2008/98/EC of the European Parliament and of the Council on waste, as read in accordance with Schedule 1A to the Environmental Permitting (England and Wales) Regulations 2016.“year” means calendar year ending 31 December.Unless otherwise stated, any references in this permit to concentrations of substances in emissions into air means the standards included in Environment Agency Guidance for Monitoring Enclosed Landfill Gas Flares LFTGN 05 or Guidance for Monitoring Landfill Gas Engine Emissions LFTGN 08.OFFICIALOFFICIALSchedule 7 – Site plan“© Crown Copyright. All rights reserved. Environment Agency, 100026380, 2023. ”END OF PERMIT

**Load-Date:** October 9, 2023

**End of Document**



[***Annual Results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69T8-KXC1-F0CC-S41J-00000-00&context=1516831)

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Foresight Sustain. Forestry Co PLC

06 December 2023

6 December 2023

Foresight Sustainable Forestry Company Plc

Annual Results for the year ended 30 September 2023

Foresight Sustainable Forestry Company Plc ("FSF" or the "Company"), an investment company that invests in UK forestry and afforestation assets, announces its audited annual results for the year ended 30 September 2023.

The Company also announces that its second Annual General Meeting ("AGM") will be held on Wednesday 21 February 2024 at 1:00pm at the offices of Foresight Group, The Shard, 32 London Bridge Street, London SE1 9SG. The Company has published a circular convening the AGM (the "Circular").

The Company's Annual Report and Financial Statements for the year ended 31 December 2022 and the Circular will be posted to shareholders and in accordance with Listing Rule 9.6.1 copies of the documents have been submitted to the UK Listing Authority and will shortly be available to view on the Company's corporate website at [*https://fsfc.foresightgroup.eu*](https://fsfc.foresightgroup.eu)/ and from the National Storage Mechanism at: [*https://data.fca.org.uk/#/nsm/nationalstoragemechanism*](https://data.fca.org.uk/#/nsm/nationalstoragemechanism)

Performance Highlights in the year to 30 September 2023

· As at 30 September 2023, the Company's portfolio encompassed 12,545 hectares of land and comprised 38 afforestation properties, 25 forestry properties and five mixed (forestry and afforestation) properties.

· Acquisition of 18 properties in the year, increasing the portfolio's afforestation allocation to 45% (by value).

· Approximately 950,000 trees were planted at four afforestation schemes during the year. The Company has now successfully completed six planting schemes since IPO with the value of these properties increasing by 85% versus acquisition costs¹, based on their carrying value of £18.9 million as at 30 September 2023.

· These four planted afforestation schemes and strong carbon credit pricing growth over the period resulted in the value ascribed towards creation of carbon credits increasing to £2.7 million in total, representing an increase of 3.5 times over the year. Once the current afforestation schemes have been planted, the Company is targeting to have 1.0 - 1.2 million Pending Issuance Units validated by the Woodland Carbon Code in aggregate across the whole portfolio.

· Strong afforestation development programme of 37 additional afforestation schemes that the Company expects to plant over the next two financial years and bring the total trees planted since IPO to 9 million. FSF's current afforestation portfolio, once fully planted, is equivalent to over one third of the total area planted across the UK in the year to 31 March 2023.

· The Company expects an additional c.2,700 hectares of its afforestation development portfolio to have completed planting by the next valuation cycle. The recent status of the portfolio is set out in the appendix of this RNS with progress being made on a daily basis in this busy part of the planting season.

· During the year, the Company's portfolio sequestered 35,081 tCO2e increasing the total to 63,954 tCO2e since IPO.

Key Metrics

|  |  |  |
| --- | --- | --- |
| 30 September 2023 | 30 September 2022 |  |
| Portfolio Value | £174.9 million | £144.8 million |
| Portfolio (Hectares) | 12,545 | 9,618 |
| Net Asset Value ("NAV") | £169.2 million | £180.6 million |
| NAV per share | 98.4 pence | 105.0 pence |
| Annual NAV return | (6.3%) | 7.0% |

NAV per share decreased to 98.4 pence, a total NAV reduction of 6.3% for the year. The key driver of the reduction in NAV per share has been the decline in land values, which was impacted by a significant reduction of comparable transactions observed by FSF's independent valuer in the nine months to 30 September 2023. Observed comparable transactions from 1 January 2023 to 30 September 2023 comprise 12% of the annual average value of forestry properties sold in calendar year 2021 and 2022, respectively.

Results presentation

The Company will host a virtual SparkLive presentation at 9:30 a.m. (UK time) on Wednesday, 13 December 2023. To register your interest in attending the presentation, please register at:

[*https://www.lsegissuerservices.com/spark/FORESIGHTSUSTAINABLEFORESTRYCOMPANY/events/2faac27f-fed3-4f36-a70e-0c5c742e587e*](https://www.lsegissuerservices.com/spark/FORESIGHTSUSTAINABLEFORESTRYCOMPANY/events/2faac27f-fed3-4f36-a70e-0c5c742e587e)

¹ Acquisition costs = consideration paid to Seller + transaction taxes + due diligence costs + adviser fees

Richard Davidson, Chair of Foresight Sustainable Forestry Company Plc, commented:

"FSF's two-year journey since IPO has been full of positive milestones and I am pleased that the Company ends the year in a position to deliver a nationally significant afforestation programme. Whilst acknowledging the challenging wider market conditions, FSF is investing for the long-term and delivering on the strategy set out to shareholders."

For further information, please contact:

|  |  |
| --- | --- |
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| Alice Cho |  |
| Harry Handyside |  |

About the Company

Foresight Sustainable Forestry Company Plc ("the Company") is an externally managed investment company investing in a diversified portfolio of UK forestry and afforestation assets. Targeting a net total return of more than CPI +5% per annum on a rolling five-year basis, the Company provides investors with the opportunity for real returns and capital appreciation driven by the prevailing global imbalance between supply and demand for timber; the inflation-protection qualities of UK land freeholds; and biological tree growth of 3% to 4% not correlated to financial markets. It also offers outstanding sustainability and ESG attributes and access to carbon units related to carbon sequestration from new afforestation planting. The Company targets value creation as the afforestation projects successfully achieve development milestones in the process of converting open ground into established commercial forest and woodland areas. The Company is seeking to make a direct contribution in the fight against climate change through forestry and afforestation carbon sequestration initiatives and to preserve and proactively enhance natural capital and biodiversity across its portfolio. It is managed by Foresight Group LLP.

This announcement does not constitute, and may not be construed as, an offer to sell or an invitation to purchase investments of any description, or the provision of investment advice by any party. No information set out in this announcement is intended to form the basis of any contract of sale, investment decision or any decision to purchase securities in the Company.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "targeting" or "should" or, in each case, their negative or other variations or comparable terminology. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding the Company's financial position, strategy, plans, proposed acquisitions and objectives, are forward-looking statements.

Appendix

A. Portfolio Breakdown as at 30 September 2023 unless otherwise stated (all figures in hectares)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Asset classification | Forest Area¹ | Other land² | Total | Forest Area at 17 November 2023 |
| Development Stage Afforestation Assets | 4,446 | 721 | 5,167 | 4,226 |
| Planting Stage Afforestation Assets | 93 | - | 93 | 373 |
| Establishment Stage Afforestation Assets | 937 | 98 | 1,035 | 937 |
| Established Forestry Assets | 5,184 | 1,067 | 6,251 | 5,184 |
| Total | 10,660 | 1,886 | 12,545 | 10,720 |

¹ Includes commercial stocked/stockable; broadleaf stocked/stockable; designed open ground; natural forest/woodland regeneration zones; and other land considered part of the forest area.

² Includes areas of land that sit outside the forest area; this includes, but is not limited to, land leased for grazing; regenerative grazing land; peatland/wetland; hill ground; non-core land considered for disposal; non-core land not considered for disposal; house/farm curtilage.

Definitions:

Development Stage Afforestation Assets - Land prior to the securing of planning permission and grant application.

Planting Stage Afforestation Assets - Planning permission and grant application completed but initial planting of trees not yet completed.

Establishment Stage Afforestation Assets - Initial planting of site completed but trees establishing and stabilising (typically a 3-5 year period).

Established Forest Assets - Trees stabilised and established.

Foresight Sustainable Forestry Company Plc

FOR THE YEAR ENDED 30 SEPTEMBER 2023

ABOUT US

Committed to long term value creation

Foresight Sustainable Forestry Company Plc ("FSF") is the first and only UK listed investment trust focused on UK forestry, afforestation and natural capital. FSF was awarded the London Stock Exchange's Green Economy Mark at IPO.

In December 2022, FSF became the first fund to be accredited with the London Stock Exchange's Voluntary Carbon Market designation.

HIGHLIGHTS

AS AT 30 SEPTEMBER 2023

|  |  |
| --- | --- |
| £169.2 million NET ASSET VALUD ("NAV")1 (30 September 2022: £180.6m) | 98.4p NAV PER SHARE1 (30 September 2022: 105.0p) |
| 0.3% TOTAL NAV RETURN FROM IPO1 (30 September 2022: 7.0%)2 | 12,545 hectares IN THE PORTFOLIO (30 September 2022: 9,618 hectares) |
| 118,000 tonnes TIMBER ANTICIPATED TO BE HARVESTED IN 2024 PROGRAMME (30 September 2022: c.26,000 tonnes) | c.1.4 million TOTAL TREES PLANTED SINCE IPO |
| 6,455 hectares LAND NEWLY PLANTED OR IN AFFORESTATION DEVELOPMENT (30 September 2022: 3,917 hectares3) | £2.7 million VALUE ASCRIBED TOWARDS CREATION OF CARBON CREDITS4 (30 September 2022: £0.6m) |

1. Alternative performance measures ("APMs") have been included to better reflect the Group's underlying activities. Whilst appreciating that APMs are not considered to be a substitute for, or superior to, IFRS measures, the Company believes their selected use may provide stakeholders with additional information, which will assist in their understanding of the business. Further information is available on page 50.

2. Calculated with IPO costs netted off, see page 50 for more information.

3. Total land in afforestation development. FSF's categorisations have since changed.

4. To facilitate the flow of capital to climate change mitigation projects and provide our investors with exposure to high-integrity and independently verified carbon credits that can be used for science-based carbon offsetting.

INVESTMENT CASE

The Company is targeting attractive total returns throughinvestment in sustainably managed commercial forestry and afforestation assets

The Company invests in a portfolio of UK afforestation (woodland creation) and forestry assets to increase the UK's sustainable timber supply. The Company targets the generation of attractive risk-adjusted total returns through land capital appreciation, sustainable timber and carbon credits sales.

The Company's newly planted trees additionally and permanently remove carbon dioxide from the atmosphere, making a direct contribution to the fight against climate change. Additionally, the Company has a stated objective to protect and enhance biodiversity across its portfolio. Read more about the Company's business model on page 4.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Growing real assets | Attractive asset class | Portfolio diversification | Inflation protection | Fight against climate change |
| Trees continue to grow and appreciate in value regardless of macroeconomic conditions. | UK commercial forestry hashistorically outperformed the Consumer Price Index ("CPI") on a long-term basis. Until FSF, it has had high barriers to entry. | UK forestry is uncorrelated to traditional and alternative assets (including UK power prices) underpinned by biological tree growth which occurs regardless of the economic cycle. | Underpinned by a global shortage of sustainable timber, amplified in the UK as on of Europe's least forested countries. | The Company will make a direct contribution to the twin fights against climate change and biodiversity loss. |
| 36 sites with development phase afforestation projects, covering 4,503 hectares1 | First UK-listed investment trust focused on natural capital | Uncorrelated to equities and bonds | UK commercial forestry has strong inflation- protection characteristics over the long term | 63,954 tCO2e carbon sequestered by the portfolio since IPO |
| c.1.4m trees planted | 98.5% increase in the value of six afforestation properties developed1 | 12,545 hectares managed | CPI +5% target per annum over a rolling five-year basis | 843 hectares in the portfolio which is long-term, mixed broadleaf woodland |

Statistics as at 30 September 2023.

BUSINESS MODEL

What we do

The Company seeks to generate an attractive total return for Shareholders over the longer term, comprising capital growth and aperiodic dividends. FSF targets impact through investing in sustainably managed afforestation and forestry assets. The Company makes a direct contribution to the fight against climate change and biodiversity loss through forestry and afforestation carbon sequestration initiatives.

NON-CORE <10%

Non-core assets comprise property and other assets which are not suitable for forestry activities

a) Hold, manage and optimise, integrating with core assets,

or;

b) Dispose and recycle capital into coreassets

Outputs: Jobs, education, recreation, eco-tourism, renewable energy.

How we do it

AFFORESTATION <50%

Development returns and cashflowgeneration

c) Acquire suitable land

d) Secure permits and grants

e) Plant and establish trees

f) Sell established afforestation properties c.5-10 years after acquisition

g) Recycle capital into new project

Outputs

h) Community initiatives

i) Natural capital services1

j) Voluntary carbon credits

1. Examples include, but are not limited to, atmospheric carbon sequestration, flood prevention and air purification.

ESTABLISHED FORESTRY >40%

Stable returns and cashflowgeneration

k) Buy and hold established forests

l) Manage the forests on a rotational basis for timberrevenues

m) Improve forests through continual re-design, investment and proactive management

n) Continuous re-stocking andreplenishment

Outputs

o) Sustainable UK timber supply

p) Forestry skills training

q) Social and recreational services

UNDERPINNED BY

Risk management

Read more about risk management on pages 39 to45.

Strong governance

Read more about governance on pages 51 to79.

Our Fund objectives

Real returns andcapital appreciation

Sustainable timber supply

Access to voluntary carbon credits

Value creation through afforestation

Combat climate changeand biodiversity loss

GEOGRAPHIC FOOTPRINT

A diverse portfolio of UK forestry and afforestation asset

68

properties

Property types

25

Forestry

38

Afforestation

5

Mixed

Geographic split by area

85%

Scotland

5%

England

10%

Wales

Fordie Estate

Located in Perthshire, Scotland, Fordie is a 2,155-hectare mixed property and is the largest within the Company's portfolio, acquired in August 2021. Read more about our recent investor site visit at Fordie on page 15.

Whiteburn

Located in Northumberland, England, this 485-hectare property is the largest forestry asset within the portfolio. Acquired in June 2020.

Lambs Craig

Located in Dumfries & Galloway, Scotland, this property is a 482-hectare Development Stage Afforestation property. Acquired in November 2022, the property has a high proportion of land suitable for planting and is expected to form part of the 2024/25 planting programme.

For more information see pages 24 to 32

CHAIR'S STATEMENT

Richard Davidson

Chair

£38.4m

deployed into 18 properties

1.4m

trees planted (since inception)

35,081 tCO2e

sequestration

For year ended 30 September 2023 unless otherwise stated

Chair's statement

On behalf of the Board, I am pleased to present the Company's audited Annual Report and Financial Statements for the year ended 30 September 2023. FSF's two-year journey since IPO has been full of positive milestones and I am pleased that the Company has weathered a challenging period while building our forestry and afforestation portfolio and establishing FSF as a genuine pioneer in the sustainable investment space.

During the year, financial markets have grappled with issues ranging from inflation and higher interest rates to uncertainty and widening discounts in the investment trust sector. Against this backdrop, we have seen volatility in our share price and Net Asset Value ("NAV") as described below in this statement but we have continued to invest in our portfolio, plant trees, harvest sustainable timber and sequester carbon.

I would like to take this opportunity to reiterate the goals of FSF. Forestry is a long-term business where cycles are measured in decades rather than quarters.

Our purpose is to generate financial returns for our Shareholders through investing in a diversified portfolio of UK afforestation and forestry properties. Operating across the UK, our actions are guided by our commitment to long-term value creation and sustainability.

Over our 2022/23 year, FSF has added 18 new properties to its portfolio, a total of 2,929 hectares. Our current planting pipeline is material in a national context and is equivalent, once planted, to one-third of the total amount of tree planting that the entire UK achieved in the year to March 2023. Wehave already acquired six sites which are due for planting in 2025 adding to our material 2023 and 2024 planting plans.

Despite market volatility, FSF invests for the long term. However, the Board is currently acutely aware that the Company's shares have fallen and moved to a discount to NAV over the last six months. The share price move during the period aligns with the broader pattern in the real assets investment trust sector, which has shown a notable sensitivity to higher interest rates.

Our share price, at the time of writing, stands at a low since our IPO of 59.8 pence. Having traded in a 100-110pence range for most of the year, our stock moveddown sharply from June onwards (despite a positive first half NAV announcement) as the dam burst on many investment trust share prices, especially real assets.

The share price is, of course, not controlled by the Board and over the long term we believe it will return to levels that reflect the development of the Company's NAV and the Company's outlook and prospects more generally in its core markets of land, natural capital, timber and voluntary carbon.

Accordingly, in the current environment, I would like to emphasise a few points:

· FSF is unique as the only UK forestry vehicle listed on the London Stock Exchange. The listed structure introduces a level of transparency, liquidity and accessibility that was previously unavailable in the forestry sector.

· FSF's properties are all located in the UK and the products from our forests will be almost entirely used in the UK.

· FSF has, and intends to stay at, very limited levels of gearing (currently 5.8% of Gross Asset Value ("GAV")).

· Our acquisition policy is long term and our afforestation land due for planting in 2024 and 2025 has already been acquired.

· We are fully invested but will manage our portfolio ifopportunistic and accretive situations arose including to sell properties to employ capital to maximise Shareholder returns.

FSF is invested for the long term and doing what it set out to do at IPO.

Highlights of the year

Our 2022/23 financial year has been the clichéd game of two halves. In the six months to 31 March 2023, we delivered a NAV gain of 3.3%, particularly helped by completion of planting at four afforestation properties and an upward revaluation (by Savills, our independent valuer) to our planting land portfolio. The second half to 30 September 2023 saw a downwards move in our NAV by 9.3% as the number of transactions in, and prices for, forestry and planting land slowed significantly.

The combination of these different environments means that in the full year to 30 September 2023, the Company generated a total NAV loss of 6.3% (30 September 2022: +7.0%) and a NAV decrease of £11.4million to £169.2million (30 September 2022: £180.6 million).

NAV per Ordinary Share fell to 98.4 pence (30September2022: 105.0 pence). Within this overall NAV number I would highlight the split between the progression of valuations in established forestry and our planting portfolio. Whilst afforestation values (excluding carbon) decreased by 11.2% during the year, established forestry values were relatively resilient, decreasing by a lesser figure of 6.5%, which means the opportunity for FSF to secure development value through a disciplined purchasing strategy has actually improved. The combination of increasing inflation and interest rates along with the phased withdrawal of the Basic Payment Scheme ("BPS"), the main farming subsidy regime, has led to a weakening of the planting land investment market over thelast six months.

The Company has continued to acquire afforestation landduring the period to take advantage of the softer landprices.

Furthermore, voluntary carbon is becoming an increasingly material part of FSF's NAV, increasing by £2.1million to £2.7 million during the year. Our intention is to retain the carbon credits that we generate as a long-term source of future income and/or potentially distribute them to those Shareholders who elect to receive them in-specie.

Since the last Annual Report, the Company has deployed a further c.£38.41 million into 18 properties, mainly in Scotland. Of the properties acquired, 15 have afforestation potential and the remainder are established forestry. In many cases, properties are acquired with some assets that we regard as non-core, such as farm buildings. In the period, five sales of non-core assets took place. A full description of our investment activity is provided in the Investment Manager's report.

1. Inclusive of tax and transaction costs

Revolving Credit Facility

As our equity funds were fully invested by the spring of 2023, the final acquisitions to complete our 2025 planting portfolio have been funded through the utilisation of the Company's £30 million Revolving Credit Facility ("RCF") which is now £10.4 million drawn. The current acquisition programme is now substantially complete and servicing/repayment of the RCF will be made through a combination of timber harvesting and the planned disposal of non-core or other assets.

Portfolio and operations

It has remained a busy and productive period for operations across the portfolio. I am pleased to report that within the year we planted 472 hectares across four properties. This has brought the total area of the portfolio categorised as Establishment Stage Afforestation to 1,024 hectares, with c.1.4 million trees planted since FSF's inception.

Furthermore, we are currently gearing up for the 2024/2025 planting seasons, in which we plan to deliver a total of 9million trees planted over an area of c.4,000 hectares. The planting programme is expected to create 1.0-1.2 million voluntary carbon credits.

Despite significant government targets for tree planting in the nations of the UK, delivery has fallen short with only 12,960 hectares of new woodland created in 2022/23. Disappointingly, UK planting actually decreased by 7% year-on-year and the combined nations' target was missed by approximately 17,000 hectares. FSF is committed to narrowing this gap and our planting programme will be one of the largest, if not the largest, planting operations across the UK in 2024.

Sustainability and community

As a sustainable investing leader we have watched the emergence of concerns around greenwashing. The travails of those companies who have over-inflated their environmental, social and governance ("ESG") credentials has cast a wider shadow over many other companies, good and bad. By investing in and growing trees, FSF is dedicated to actions that make a positive environmental outcome, and offers a transparent and leading approach to sustainability.

Last year, we published our first Sustainability and ESG ("S&ESG") report, which introduced our three key S&ESG objectives and outlined our positive progress against them and many of our KPIs. Notably, the Company's growing portfolio achieved 35,081 tCO2e sequestration from the atmosphere over the period (30 September 2022: 28,873 tCO2e).

Our 2024 planting programme is expected to create around 700 rural jobs and we have now rolled out our Forestry Skills Training programme from Wales into Scotland.

Annual General Meeting

All Shareholders are invited to attend the Company's second Annual General Meeting ("AGM") on 21February2024. Details of how Shareholders may participate will be published in the circular accompanying this report, dated 6 December 2023.

Afforestation development is the engine room of the Company's returns and sustainable impact. Our investment policy allows FSF to invest up to 50% of Gross Asset Value into afforestation land and projects. The Board would like to increase the Company's flexibility to invest in new afforestation assets whilst keeping aggregate exposure to development risk within the agreed tolerable threshold.

To make this possible, a proposed amendment to the Company's investment policy will be put to the AGM, such that planted and establishing afforestation schemes are changed from being considered afforestation assets to being considered forestry assets for the purposes of our investment policy.

The change, which acknowledges that afforestation assets become materially de-risked once planting has been achieved, will enable the Company to pursue a fuller rolling programme of afforestation development, and the associated returns and positive impact this affords.

I would like to point Shareholders towards the regulatory news service ("RNS") announcement that will be released at the same time as this Annual Report and Financial Statements which will provide details of the AGM resolutions, including the proposed amendment to the investment policy and an accompanying Circular which provides the rationale for the proposed adjustment.

Summary

I would like to thank the Fund Managers, advisers, Shareholders and other members of the Board for contributing to another very busy year. The Board is very aware of the disconnect between our share price and NAV and has been discussing with Shareholders and advisers the potential to close this gap within our commitment to long-term value creation. As Shareholders you should be reassured that no matter what happens to the stock market or the base rate each year, your trees will have grown.

Richard Davidson

Chair

6 December 2023

THE INVESTMENT MANAGER

FSF is managed by Foresight Group LLP ("Foresight", "Foresight Group" or "Investment Manager"), an experienced team of investment, forestry and asset management professionals that can draw on the depth and breadth of Foresight Group's networks and resources, managing the day-to-day activities.

Foresight Group

Foresight Group was founded in 1984 and is a leading listed infrastructure and private equity investment manager. With a long-established focus on ESG and sustainability-led strategies, it aims to provide attractive returns to its institutional and private investors from hard-to-access private markets. Foresight manages over 400 infrastructure assets with a focus on solar and onshore wind assets, bioenergy and waste, as well as renewable energy enabling projects, energy efficiency management solutions, social and core infrastructure projects and sustainable forestry assets. Foresight operates in eight countries across Europe, Australia and the United States with AUM of £12.1 billion1. Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021 and is a constituent of the FTSE 250 index.

¹ Based on unaudited AUM as at 30 September 2023.

Our specialist forestry advisers

EJD Forestry Limited ("EJDF")

· 80+ years of combined experience in forestry and silviculture.

· Five full-time equivalent forestry professionals dedicated to the FSF portfolio.

Fund management

Robert Guest

Co-Lead, Foresight Sustainable Forestry Company

· Joined in 2015

· 16 years of experience

· Previously Helius Energy PLC

Richard Kelly

Co-Lead, Foresight Sustainable Forestry Company

· Joined in 2015

· 16 years of experience

· Previously Accenture

Portfolio and investment team

Julian Elsworth

Portfolio Director

· Joined in 2013

· 20+ years of experience including 4+ years of forestry experience

· Previously WSP Future Energy

Helge Hansen

Forestry Portfolio Manager

· Joined in 2023

· 10+ years of forestry experience

· Previously Head of Woodlands, Highlands Rewilding

Murray Aitchison

Forestry Portfolio Associate

· Joined in 2020

· 4+ years of forestry experience

Christian Tingsgaard Lassen

Investment Analyst

· Joined in 2022

· 3+ years of experience

· Previously PwC

KEY PERFORMANCE INDICATORS

Fund objectives

Real returns andcapital appreciation

To invest funds to provide sustainable, risk-adjusted financial returns to our investors.

Sustainable timber supply

To deliver and increase the supply of home-grown UK timber to reduce the country's reliance on imports, blending the commercial aspects of forestry (planting, harvesting and the sale of sustainable timber).

Value creation through afforestation

To demonstrate the capital appreciation of afforestation sites once development milestones are met, through carefully considered portfolio construction and management of afforestation development schemes.

Access tovoluntary carbon credits

To facilitate the flow of capital to climate change mitigation projects and provide our investors with exposure to high-integrity and independently verified carbon credits that can be used for science-based

carbon offsetting.

Combat climate changeand biodiversityloss

To mobilise our investors' capital into projects that play a key role in tackling climate change, protecting the natural environment and delivering positive impacts for communities and society.

|  |  |  |  |
| --- | --- | --- | --- |
| NAV/NAV per share £169.2m/98.4p (2022: £180.6m / 105.0p) | Performance in 2022/23 NAV and NAV per share declined in the 12-month period by 6.3%. | Objectives for 2023/24 · NAV growth targeted by developing many of the development stage properties to become planted properties with a higher valuation and creation of associated carbon credits. · The Company is targeting a NAV total return of more than CPI + 5% per annum on a rolling five-year basis, based on NAV once the Company is substantially invested. See the business model on page 4 for more information. | Principal risks Valuation risks (see risk 5 in the principal risk register on page 43). Changes in regulation or support for sustainable forestry. |
| Hectares in the portfolio 12,545 (2022: 9,618) | Performance in 2022/23 · The number of hectares in the portfolio has increased by 30% since September 2022. · Fully deploying the equity proceeds from the Company's June 2022 fundraise ahead of schedule. · Drawing £10.4 million of the Company's Revolving Credit Facility to fund three opportunistic acquisitions. | Objectives for 2023/24 · Disposal of some non-core assets and re-allocation within the core portfolio to maximise the afforestation development opportunity. Grow portfolio if equity market conditions enable fundraising. | Principal risks · Lack of future funding impacts the Company's ability to purchase more land (see risk 4 - equity in the principal risk register on page 43). |
| Tonnes of timber in annual harvesting programme c.118,000 (2022: c.26,000) | Performance in 2022/23 · Softening of timber prices seen since the end of 2022. · Ongoing harvesting at five sites. · Harvesting at several of the highest yielding sites has been postponed until timber prices are considered to have returned to a premium. | Objectives for 2023/24 · Selective harvesting in 2024 where it results in NAV accretion or there is a good silvicultural reason to pursue the harvesting or to provide cash flow to the Company. | Principal risks · See risk 7 - demand for timber in the principal risk register on pages 44. · The risk that a reduction in demand from the purchasers of timber would negatively impact the Company's profitability. See risk 7 in the principal risk register on page 44. |
| Total hectares of land in afforestation development 6,455 (2022: 3,917) | Performance in 2022/23 · Focus on increasing FSF's exposure to afforestation assets over the year. · Overall percentage of the portfolio dedicated to afforestation has risen from 40% to 45% (by value). | Objectives for 2023/24 · Afforestation development will remain a focus for the Company as a driver of higher valuation and creation of associated carbon credits. | Principal risks · The risk that there is resistance to change of land use from the public, see risk 9 - reputational in the principal risk register on page 45. |
| Trees planted in the year c.950,000 (2022: c.514,000) | Performance in 2022/23 · c.1.4 million trees planted since FSF's inception. | Objectives for 2023/24 Targeting planting 9 million trees over an area of c.4,000 hectares during the 2024 and 2025 planting seasons. | Principal risks · Risk that extreme weather events impact trees planted in the year. |
| Value ascribed to progress towards creation of carbon credits £2.7m (2022: £0.6m) | Performance in 2022/23 · In the period, four afforestation schemes completed planting and FSF has recognised an additional £2.1 million of value ascribed to the creation of carbon credits. | Objectives for 2023/24 · Targeting to create 1.0-1.2 million PIU carbon credits that are associated with the completion of the planting of 9million trees over the 2024 and 2025 planting seasons. | Principal risks · The risk that demand or volume leads to a reduction in demand from the users of carbon credits, see risk 6 - demand for carbon credits in the principal risk register on page 44. |

STAKEHOLDER ENGAGEMENT (SECTION 172)

The Board is committed to promoting the long-term sustainable success of the Company whilst conducting business in a fair, ethical and transparent manner

Section 172

The Directors consider that in conducting the business of the Company over the course of the year they have complied with Section 172(1) of the Companies Act 2006 (the "Act") by fulfilling their duty to promote the success of the Company and to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the members as a whole, whilst also considering the broad range of stakeholders who interact with and are impacted by the Company's business, especially with regard to major decisions.

The purpose of the Company is to act as an investment company to provide financial returns to its Shareholders taking a long-term view. Investment companies are generally active in the long term and are typically externally managed, have no employees and are overseen by an independent board of Non-Executive Directors. The role of the Investment Manager is particularly important in engaging with stakeholders on behalf of the Company and reporting on developments to the Board and relationships with all service providers are considered in detail at the annual Management Engagement Committee meeting.

a) Long-term decisions

b) Interests of employees

c) Fostering relationships with suppliers, customers and others

d) Acting fairly between Company members

e) Impact on the community andenvironment

f) Maintaining high standards of businessconduct

Role of the Board

The Board recognises that the Company should be run for the benefit of Shareholders, but that the success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the Company's activities. The Board, with the assistance of the Management Engagement Committee, works closely with the Investment Manager and the Company Secretary in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as openness in how these are conducted. Through measures such as these the Board embeds a strong culture of governance.

As the Company is externally managed and has no employees, the Board considers the key stakeholders to be Shareholders, local communities closely linked to the portfolio, service providers and lenders, and agents of the Company including the Investment Manager. The Board is acutely aware of its responsibilities to all the stakeholders in the Company and has considered:

· The likely consequences of any decision in the long term

· The need to foster and retain the Company's business relationships with suppliers, customers and others

· The impact of the Company's operations on the community and the wider environment in which it operates

· The importance of the Company maintaining a reputation for high standards of business conduct

· The need to act fairly towards, and ensure equal treatment of Shareholders

Engagement with Shareholders

Shareholders are the Company's primary stakeholders, and all key Board decisions are carefully considered with their long-term interests in mind. As a public company listed on the LSE, the Company is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The Listing Rules include a principle that a listed company must ensure that it treats all holders of the same class of shares that are in the same position equally in respect of the rights attached to such shares. With the assistance of regular discussions with, and formal advice from, the Company's legal adviser, Company Secretary and corporate broker, the Board is kept appraised of developments in corporate governance guidance, reporting standards and other non-statutory provisions and does its best to comply or explain why it does not comply.

The Investment Manager has developed relationships with key Shareholders and prospective investors. During the year, the Investment Manager and the Company's broker held multiple direct engagement sessions with major Shareholders and prospective investors. The Chair has also met with several Shareholders alongside the Investment Manager. During discussions, Shareholders often ask for additional information pertaining to certain aspects of the Company, such as the factors influencing the Company's NAV, as well as the methodology implemented in calculating it. There has also been interest from Shareholders in visiting sites within the portfolio.

Over the course of the year the Company has hosted several investor site visits and will continue to expand this programme in 2024 (please see full annual report on the website for more details).

The Company, supported by its Investment Manager, communicates with Shareholders through a variety of means and always welcomes their views. This includes the publication of interim and annual accounts, the AGM and regulatory news and bi-annual NAV updates, all published on the Company's website. The Board encourages Shareholders to vote on the resolutions to be proposed at the AGM to be held on 21 February 2024. Investors holding shares through platforms should contact their investment platform directly for guidance on how to cast their vote. An increase in the number of investors who exercise their right to vote will help the Company reflect the views of its Shareholder base.

Engagement with the Investment Manager

The Investment Manager is responsible for the implementation of the investment strategy and the day-to-day investment and management decisions, including identifying assets for acquisition. The Board engages constructively with the Investment Manager to ensure the expectations of Shareholders are being met and that it is aware of the challenges being faced, including meeting the long-term objectives for the Company's growth. This ensures that the Company and the Investment Manager have aligned interests to safeguard the Company's position and to try and ensure the future success of theCompany.

The Board regularly reviews the Company's performance against its investment objectives and undertakes an annual strategy review meeting to ensure that the Company is well positioned for the future delivery of its objectives for its Shareholders.

The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Company's strategy and the performance of the Investment Manager. The Board, through the Management Engagement Committee, reviews formally the performance of the Investment Manager at least annually.

Engagement with lenders

The Company has a Revolving Credit Facility with Virgin Money (formerly Clydesdale Bank Plc). This facility is subject to covenants and lender consent may be required on certain business decisions. The Investment Manager is in regular contact with Virgin Money to keep it appraised of ongoing portfolio matters and general market updates so that they have a full understanding of the Company and how it is performing.

Engagement with key service providers

The Board seeks to maintain constructive relationships with the Company's service providers, which include its corporate broker, legal adviser and its Public Relations agency. This occurs either directly or through the Investment Manager, with regular communications and meetings. The Management Engagement Committee conducts an annual review of the performance and terms and conditions of the Company's main service providers to ensure that they are performing their responsibilities in line with Board expectations and providing value for money.

Engagement with local communities

The Board has placed Sustainability and ESG factors at the heart of its investment objectives to guide the way it operates. The Company's proactive approach to community engagement is applied across the Company's afforestation projects as well as its established forestry and woodland assets. A case study is provided on page 16 that provides further details. Aiming to maximise the Company's societal impact, in partnership with Tilhill Forestry Limited, the Company launched a Forestry Skills Training Programme in Wales last year. Expanding its scope to Scotland in 2023, and likely England in the future, this initiative equips local rural communities with essential skills, qualifications and opportunities for employment within the forestry sector, aligning with the Company's commitment to both community development and sustainable practices underpinning afforestation-related land use change. Completing participants are also offered paid work on the Company's afforestation and forestry properties.

Environmental stewardship

In response to the AIC's call for ESG disclosures, the Company shared its strategy on the AIC website in 2021. Notably, receiving the LSE's Green Economy Mark at IPO affirmed the Company's dedication to environmental and climate-related objectives. More details on the Company's approach and impact are provided in the S&ESG section of this report on pages 33 to 36.

FSF's LSE Green Economy Mark and Voluntary Carbon Market designations recognise the ongoing environmental stewardship role that FSF has and continues to contribute towards positive environmental objectives including, but not limited to, contributions to mitigating climate change and biodiversity loss.

CASE STUDY

STAKEHOLDER ENGAGEMENT IN ACTION

FSF hosted its second Investor Day at Fordie Estate in Scotland on 20 September 2023, following a successful event in April 2023. This Investor Day offered Shareholders a comprehensive insight into the Company's forestry and natural capital initiatives. Spanning 2,150 hectares, the mixed afforestation and forestry property at Fordie Estate, a significant asset in FSF's portfolio, served as a showcase of the Company's diverse business model.

Located near Comrie, Scotland, Fordie Estate features various habitats and land uses, supporting diverse ecosystems, biodiversity, socio-economic contributions and commercial timber production.

The event provided attendees with a deeper understanding of FSF's role in promoting sustainable land management.

Investors interacted with key members of the Foresight management team, the Fordie Estate team, and advisory personnel, exchanging perspectives on the Company's practices. This event highlighted FSF's commitment to environmental stewardship and responsible forestry.

Join us for our next investor site visit. Follow this link or visit our website to find out more.

[*https://www.eventbrite.co.uk/e/foresight-sustainable-forestry-company-plc-investor-day-2024-tickets-744438925867?aff=oddtdtcreator*](https://www.eventbrite.co.uk/e/foresight-sustainable-forestry-company-plc-investor-day-2024-tickets-744438925867?aff=oddtdtcreator)

Industry Engagement

|  |  |  |
| --- | --- | --- |
| Date | Event | Fund Lead |
| 2-Nov | NCIA Policy, Industry and Governance Workstream | Richard Kelly |
| 10-Nov | Designing the Future - Developing the market for woodland Carbon in the UK | Robert Guest |
| 10-Nov | AIC Event | Robert Guest |
| 17-Nov | Nature of Scotland Awards | Robert Guest |
| 22-Nov | The UK Forest | Richard Kelly, |
| Market Report | Robert Guest |  |
| 05-Dec | LSE VCM Launch and Market Open | Robert Guest and Richard Kelly |
| 17-Mar | LSE Annual Funds Conference | Robert Guest |
| 16-17 May | Foresight Sustainability Forum | Josephine Bush (S&ESG Committee Chair), Robert Guest |
| 20-23 June | Royal Highland Show | Robert Guest |
| 26-Sep | UK Investor Virtual Conference | Richard Kelly |
| 02-Oct | UUET Agreement and meeting | Robert Guest |
| 03-Oct | Carbon Credits Demystified - Stifel | Richard Kelly |
| 03-Oct | Fordie Site Visit | Robert Guest |
| 19-Oct | VCM Market Infrastructure Roundtable | Richard Kelly |

CASE STUDY

COMMUNITY ENGAGEMENT

Community engagement has been a key focus of the period with the continual development of the afforestationpipeline.

Initiatives and outcomes in 2023

Townhall meetings

A townhall meeting either has or will be held for each of FSF's woodland creation schemes, giving local residents the opportunity to view plans and offer comments on the schemes. At Fordie Estate, a community engagement meeting was held in April with representatives of the estate, Foresight and trusted advisers hosting the meeting which was well attended by the community.

Open days at Fordie Estate

A number of open days were held at the estate to allow locals to walk the ground of the planting scheme and gain a better understanding of how the plans sit within the landscape. Many of the comments raised across these sessions have been incorporated into the latest scheme design.

Research into the community impact of green investments

The James Hutton Institute has conducted research into the community impact of green investments in Scotland and Fordie Estate has been a key case study for this work. FSF engaged with the institute to provide their views on land use and change and they also engaged with members of the community directly.

Engagement with local environmental trusts

The Upper Urr Environmental Trust was interested in developing a volunteer-led woodland planting and habitat restoration project. FSF has made an agreement with the trust covering 95 hectares, with a formal lease over a portion of the land for this purpose.

Sale of land for community projects

Two parcels of land at Frongoch have been sold to the benefit of the local community. One parcel was sold to the local church to extend the community graveyard and the other was sold to Natural Resources Wales, allowing access to harvest an area of diseased trees, removing an eyesore from the picturesque valley.

Mountain bike trails

The establishment of mountain bike trails at Banc Farm has commenced and continues to progress.

Complaints handling

The Investment Manager strives to sensitively deal with any objections or concerns that arise in relation to its woodland creation schemes. The regular scheduling of townhall meetings and open days around the planning phase of these schemes aims to inform the local communities of its plans and also to provide a forum for objections to be made. When concerns or issues are raised, the Investment Manager will seek to proactively address these concerns through further education, engagement and, where possible, adaptations to the scheme design.

OUR MARKETS

UK timber market

The UK timber market continues to rely heavily on imports, which account for c.80% of all timber consumed. Further, the UK is the third largest timber importer globally, behind only China and the USA. Total imports for the first seven months of 2023 were 5% less than over the same period in 2022.

Timber pricing

UK timber market prices

(See full annual report on the Company website for the graph)

Timber outputs are divided into the following three categories depending on the top diameter1.

· Sawlog, with a top diameter1 of 18cm and above, is the primary timber product and fetches the highest price. This timber can be used for construction and is often used for fencing posts and other home improvements.

· Small roundwood, with a top diameter1 between 6-18cm. This is largely used in fencing panels and pallet construction. It is processed at a separate mill to sawlog, that is specifically designed to process the smaller pieces of timber.

· Chipwood, with a minimum top diameter1 of 6cm, is essentially too small, too large or not straight enough to be processed in a sawlog or fence wood mill. This product is chipped, rather than sawn. The largest use of chipwood is in the manufacturing of versatile panels such as Medium Density Fibreboard ("MDF"), Oriented Strand Board ("OSB") and Particleboard ("PB"). However, it can also be used in pulp mills to make paper products or in biomass plants, generating power and heat.

The last year has seen mixed price signals. UK sawlog prices in Q3 2023 declined by c.7.5% compared to Q3 2022, while fencing prices declined by c.1.4%. Meanwhile, chipwood prices increased by 13.1%. The overall picture shows the blended price for timber has decreased by -4.1% during the year2.

Of the publicly available timber indexes, the Softwood Standing Price Spruce ("SSPI") / All Conifers Index published quarterly by Forest Research is the most comparable to the sawlog price index that is used by the Investment Manager. From Q2 2022 a material deviation between the prices reported in both indexes is observed, which has continued to widen. When analysed, the public SSPI pricing ***suggests*** prices have been skewed by the significantly higher volumes of Storm Arwen damaged timber, which has transacted at increasingly discounted prices. Pricing of high quality and undamaged sawlog, as represented in the Investment Manager's index, has demonstrated more resilience.

Domestic demand

The UK's economic output has remained subdued during the year. The aftermath of the UK Government's Mini Budget, rising debt costs and a cost-of-living crisis have contributed to reduced demand for UK timber. The CPA forecasts that construction output, a key driver of timber demand, is expected to fall by 7% in 2023 but to grow by 0.3% in 2024. The Investment Manager's view is that domestic demand for sawlog and roundwood will likely remain relatively subdued during the rest of 2023 and 2024. In the Board's and Investment Manager's opinion, we believe there is growing preference towards home-grown timber.

1. Top diameter is a measurement dimension that expresses the diameter of a log at its thinnest point, furthest from the butt.

2. Based on the Investment Manager's estimates of market data.

Domestic supply

On the domestic supply side, most of the excess storm damaged timber from Storm Arwen in 2021, representing c.20% of the UK's annual harvest (and c.4% of UK annual demand, given that the country imports c.80% of its needs), is understood to have been processed through the timber supply chain. UK originated timber supply and inventory levels are therefore gradually readjusting to normal levels. The latest UK Forest Market Report on UK commercial timber markets was released on 21 November 2023 and the Investment Manager will utilise this data for future supply market forecasting.

European energy crisis and fuel demand

Chipwood prices remained more stable during the year, increasing by 13.1% according to the Investment Manager's Chipwood Price Index. A main factor influencing European markets during the year has been the ongoing conflict in Eastern Europe and the ensuing energy crisis which has driven a surge in both European and UK woodchip demand.

Bioenergy use in the EU increased by over 150% since 2000 and a further increase between 70-150% by 2050 is predicted. Policy developments such as the UK Government's Biomass Strategy seek to generate more bioenergy using sustainable chipwood as fuel, ensuring incentives for sustainable biomass energy. The Investment Manager believes that chipwood demand will remain resilient and has a robust long-term outlook. However, prices will also be influenced by Europe's longer-term ability to secure supplies of liquefied natural gas.

European supply dynamics

Overall, European supply of softwood is forecast to decline in 2024 which when combined with steady forecast demand is expected to create a slight material supply deficit in Europe. This situation is expected to place slow but steady upward pricing pressure on European timber through the coming year. Key drivers of this movement include the ongoing bark beetle1 crisis (with current damage considered to be nearly 10x larger compared to pre-2000 levels), climate change, and EU legislation. Key contributors to European timber supply such as Germany and Latvia, and countries such as the US, have proved susceptible to such factors.

UK forest climate change resilience

2023 has been a year where extreme weather patterns have influenced the worldwide timber market. Timber supply disruptions observed in Canada and Germany, for example, have been closely linked to climate change and are expected to materially impact

the market. The bark beetle outbreak addressed previously in this report is closely linked with the droughts brought on by climate change. As global temperatures change, new emerging risks for key timber geographies will require due attention by managers.

Positively, UK forestry has been assessed as relatively climate resilient, with a climactically wetter and cooler climate. Looking at wildfire and drought risk, this is viewed to be significantly lower in the UK than in much of mainland Europe, especially in Scotland, which is marked with the lowest fire risk indication. The Investment Manager believes that the UK's timber supply will benefit positively from its climate resilient characteristic; however, to mitigate potential climate-related risks, the Investment Manager has followed a series of initiatives to create more climate resilient forests within the portfolio (which will be detailed in full in the Company's 2023 S&ESG Report due to be published in early 2024).

International demand - American and Chinese markets on the rise again

The outlook for American construction looks particularly positive, following the Inflation Reduction Act and the additional timber-related demand this will likely generate. With the debt ceiling increase signed in June 2023 and the US Government thereby avoiding default, growth in US construction has seemed to continue undisturbed during the year. The latest report from the US Census Bureau shows that during the first eight months of this year, construction spending amounted to $1,284.7 billion, 4.2% above the $1,233.4 billion for the same period in 2022.

Due to China's lifting of strict zero-COVID-19 policies and the introduction of a 21-point plan to aid property developers with financing and debt extensions worth up to $67 billion, the outlook for Chinese timber demand has been positive during the period. Following the announcement of stimulus measures, China's timber market has since picked up, which is reflected in the country's Global Timber Index registering 53.0% in July, indicating growth in the sector. The Chinese construction industry was expected to grow by 8.0% in 2023.

Last year, the top three largest global importers of timber were China, the UK and the US. With global demands unlikely to decline, more European timber is expected to reach Chinese and US markets in future years. In our view, this could drive upward pressure on domestic UK timber prices where the availability of, typically steady, European imports isreduced.

1. Bark beetle is a forestry pest which can cause significant damage to the trees if left uncontrolled.

Voluntary carbon market ("VCM")

Number of companies with SBTi commitments

(See full annual report on the Company website for the graph)

Voluntary carbon credits recognise the additional and permanent capture or avoidance of carbon dioxide from the atmosphere. Carbon credits can be retired by companies with net zero pledges to offset unabatable emissions created within their businesses or indirectly within their supply chains. During the year, the number of companies setting, or committing to set, Science Based Target Initiative ("SBTi") net zero pledges has continued to accelerate, with an all-time yearly high of 3,120 companies committing to SBTi between Q4 2022 and Q3 2023, effectively doubling the total to 6,048.

Examples of firms making new SBTi commitments last quarter include Heineken and Rolls-Royce. The total market capitalisation of all the companies with SBTi targets in Q3 2023 is above $35 trillion. Companies' continued acceleration of net zero pledges bolsters the long-term demand outlook for voluntary carbon credits. In our view, these companies will likely require carbon credits to offset up to 5-10% of their emissions, considered unabatable, inline with SBTi rules.

Woodland Carbon Code carbon credits price annual increase

The Woodland Carbon Code ("WCC") has, for the first time, published a price index of their voluntary carbon credits in collaboration with Ecosystem Marketplace, summarised in the above chart. Over 99% of units contributing to the index were Pending Issuance Units ("PIUs"), that have yet to mature into Verified Carbon Units ("VCUs"), that are ***capable*** of being used for offsetting, with less than 1% of the units contributing to the index being VCUs. The Investment Manager therefore sees this as the best publicly available index yet, and provides a good proxy for its own voluntary carbon credit portfolio, which currently consists of 100% PIUs. The new index captures transactions totalling more than half a million PIUs (since January 2021). FSF is expecting to create 1.0-1.2 million PIUs with its current afforestation portfolio and planting programme (based on c.4,000 hectares planted). During the 2.5 years that the WCC index covers, the price of WCC carbon credits has grown by 69.9%., with a CAGR of 42.4% from £14.9 in 2021 to £25.4 in the first half of 2023.

Monthly volume weighted average voluntary carbon credit price by project type

Following a Guardian article that exposed the low-integrity nature of many avoided deforestation ("REDD+") voluntary carbon credits, we have observed a significant shift in buyer preferences towards higher-integrity nature-based carbon removal credits of the sort which FSF creates with its afforestation schemes. Globally, nature restoration voluntary carbon credits, which include the WCC credits that FSF creates with its afforestation schemes, have increased by 63% from Q1 2023 to Q2 2023. During the same period, demand for carbon avoidance based REDD+ voluntary carbon credits has diminished, which has been reflected in prices falling by 17% from Q1 2023 to Q2 2023.

The Investment Manager has been encouraged by the progress made within voluntary carbon markets this year. The combination of a near doubling of corporate climate SBTi pledges, which further bolsters the long-term demand outlook, combined with a material shift in buyer preferences towards scarcer, higher-integrity, nature-based carbon removals credits of the sort which FSF creates, currently ***suggests*** that over the medium to long term, there will be sustained upward pressure on pricing.

FSF's afforestation carbon credits are to be issued, validated and independently verified using the WCC's UK Standard. The WCC is well recognised as being of high integrity and has secured International Carbon Reduction and Offsetting Accreditation ("ICROA"). ICROA is a non-profit organisation that promotes best practices across the voluntary carbon market. ICROA certification is an existing badge demarking WCC's high-integrity standards.

Global update: c.£30 billion invested into carbon credit projects from 2012 to 2022

Trove Research published a paper in September 2023, which shows that investment into carbon credit projects between 2012 and 2022 totalled $36 billion. Half of this occurred in the last three years. There is also a further $3billion in future investment already committed. This wave of investment facilitates more than a thousand new carbon reduction projects. More than $18 billion of funding came from carbon credit funds during the last two and a half years alone. Over 80% of this funding is targeted towards nature-based projects such as FSF's afforestation projects and others such as improved forest management and reducing emissions from deforestation and forest degradation. Thenature-based projects cover c.30 million hectares.

Regulatory developments

The Integrity Council for Voluntary Carbon Markets ("ICVCM"), an independent governance body, was specifically established with the aim of setting and maintaining global standards for quality within the voluntary carbon market. To assist with this, the ICVCM, in March 2023, launched the Core Carbon Principles ("CCPs"), which are intended to establish fundamental principles for high-quality carbon credits that create a verifiable climate impact, based on the latest science and best practice. Buyers and users of voluntary carbon credits that are certified as aligning with the CCPs can be assured of the high integrity of the underlying carbon credit. CCP labels for carbon credit methodologies are expected to start being issued in late 2023. The Investment Manager believes WCC could receive confirmation of CCP alignment during 2024 along with potentially a Carbon Offsetting Reduction Scheme for International Aviation ("CORSIA") approval.

Demand-side integrity

During the period, as already mentioned, REDD+ has come under scrutiny. The press articles exposed integrity issues with some avoided deforestation voluntary carbon credits issued by Verra's REDD+ methodology. REDD+ and other avoidance credits improve the relative balance of carbon in the atmosphere by conserving nature and avoiding deforestation. The additionality case for REDD+ rests on the concept that without protection and conservation large areas of natural forest (which acts as a valuable rotational natural storage system for carbon) will be felled to make way for ***agriculture*** and development (usually intensive livestock farming).

However, proving the additionality case for REDD+ has proved challenging as quantifying the level of threat of natural forest destruction for specific projects/sites is quite variable and subjective. With afforestation projects, proving additionality and permanence, and therefore high levels of integrity of credits, is relatively clearer and simpler as newly planted trees draw down additional carbon from the atmosphere. In the view of the Investment Manager, this may explain the apparent shift in buyer preference that has been observed during the year.

On the demand side (i.e. companies seeking to make climate-related claims), the Voluntary Carbon Markets Integrity Initiative, whose ambition is to set the standard for high integrity use of carbon credits in organisations' climate strategies, issued their provisional Claims Code of Practice. This outlines clear guidance on how companies can make transparent and credible claims regarding carbon offsetting. Leveraging the newly developed frameworks, Bloomberg and other media outlets have criticised some corporate "carbon neutral" claims, that are not science-based and where there is no obligation to decarbonise (as up to 100% of emissions can be offset), as "junk carbon neutral claims" enabled by "junk carbon offsets" such as avoidance-based carbon credits. Unlike carbon removals-based credits, avoidance-based carbon credits are not compatible with a SBTi net zero claim.

It has also been encouraging to see regulators increasingly pursue legal action against companies which exaggerate their climate and environmental credentials, with several large companies abandoning carbon neutral claims, to instead focus on decarbonising first and only offsetting the balance. The Investment Manager is encouraged by these developments. It provides further evidence towards a high integrity market for voluntary carbon credits establishing and scaling.

Whilst the nuances of how carbon credits can be used to support a science-based climate claim have been in focus, a recent Trove Research report finds that firms that use carbon credits, of any type and quality, reduced their emissions twice as fast compared to companies that do not use carbon credits at all. Further, companies that used higher-integrity carbon credits are decarbonising faster still.

The Company remains fully committed to investment in projects that yield carbon credits that are compatible with internationally recognised high integrity standards (such as ICROA and the CCPs) that can be used by companies with a high integrity SBTi net zero claim that adheres to the Claims Code of Practice.

INVESTMENT MANAGER'S REPORT

We are delighted to have fully deployed FSF's equity and delivered strong capital appreciation on six planted afforestation schemes completed to date

Executive summary

In its second year, FSF made solid progress on several fronts, in the face of a challenging market and macroeconomic headwinds. During the year, FSF has further demonstrated that successfully developing and planting new forests (afforestation) remains the reliable engine room of value creation. The year saw four new forests planted, taking the total since FSF's inception to c.1.4 million trees planted across six properties. Since IPO, the value of these six properties has increased by 85% versus acquisition costs, based on their carrying value of £18.9 million as at 30 September 2023. During the year, strong progress was made in the development of a further 37 properties with afforestation potential in the portfolio. Many of these will be planted in the current planting season, which runs from November to May. Once fully planted, FSF's afforestation portfolio is expected to create 1.0-1.2 million carbon credits and representing a material upside opportunity for investors.

During the year, the Woodland Carbon Code ("WCC") published new financial additionality test rules for afforestation schemes. Whilst good for carbon credit integrity levels, the Company has reduced the level of grant taken in order for commercial forestry projects to pass. The Investment Manager holds a seat on the WCC Advisory Board and has led an industry group to provide feedback to the WCC on how the test could be improved. Through a combination of engagement with the WCC and optimizing afforestation designs we are confident that the Company's position can be improved overall whilst maintaining the high integrity levels of the carbon credits.

NAV summary

In the year, the NAV declined by £11.4 million overall. FSF delivered NAV per share gains in the first half of the year, mostly relating to the outperformance of its afforestation portfolio, in an otherwise flat market. The second half of the year has seen FSF's NAV decline by £17.4 million since the 31 March 2023 valuation. These NAV losses primarily relate to the relatively less buoyant UK forestry and ***agricultural*** land investment market, rather than any material changes to the physical condition of FSF's forestry assets or their long-term outlook. The Company's portfolio valuation is dictated by the property specialist, Savills, in their capacity as independent valuer using the Royal Institution of Chartered Surveyors ("RICS") Red Book approach. The approach incorporates comparable market transaction evidence and the valuer's view of market sentiment and is reflective of current conditions.

In the face of persistently high inflation and interest rates, the value of UK forestry assets sold in the first nine-month period of 2023 (to 30 September) represents 12% of the annual average of the value of assets sold in 2021 and 2022. Prices for land with afforestation potential declined significantly during the year, when compared to market declines for established forestry properties.

Whilst this has impacted FSF's NAV in the short term, it is FSF's intention to change the land use of its afforestation properties and only exit the property once it has been established as a new forest. Further, acquiring land with afforestation potential at lower entry prices increases the total return prospects that can be achieved by successfully developing it. Carbon credit prices relating to nature restoration have remained highly resilient throughout the year, driven by a significant shift in corporate demand towards higher-integrity carbon credits of the sort FSF creates. We have been pleased to add afforestation properties to the portfolio throughout the year, which have enhanced capital appreciation prospects.

Established forestry values proved to be more resilient versus afforestation values, but were still down on the year. Forest asset prices' relative resilience is underpinned by the fact that trees continue to grow and add timber value regardless of macroeconomic conditions. Their values are driven more by investors' long-term views on future timber prices, than they are from spot timber prices. Whilst UK forestry is well recognised for its resilient and inflation-beating qualities over the long term, it is not completely immune to current market conditions (elevated base rates and constrained capital supply) in the short term. Overall, whilst it is disappointing to see a subdued forestry investment market in the second half of the year having a negative impact on the portfolio valuation, we are pleased by the operational achievements and opportunistic acquisitions we have made in the period. We are excited about the year ahead with a particular focus on successfully planting many millions of trees and establishing multiple new forests.

Acquisitions

At the beginning of the financial year FSF had approximately £30.0 million of cash available for further acquisitions which remained from the £45.0 million equity placing that took place in June 2022. In January 2023, FSF had successfully acquired 12 properties, which saw the June 2022 equity proceeds fully deployed, ahead of the committed six-month target. The Company bought six more properties during the period. These acquisitions have substantially completed FSF's acquisition of land in preparation for its 2024/25 planting programme and there are no material additions expected in the near term. The acquisitions completed in September 2023 were funded by the RCF and repayment of the borrowings will occur through a combination of timber harvesting and the planned disposal of non-core or other assets.

The majority of acquisitions in the year were directly originated off-market and bilateral opportunities, where we continue to see better value. These opportunities are sourced from a combination of Foresight's proprietary market-mapping deal procurement approach and by leveraging our extensive network of contacts. We are also increasingly enjoying inbound approaches from vendors who recognise FSF's strong track record as a reliable, all-cash counterparty that operates a highly efficient transaction process. Immediate mark-to-market gains on new acquisitions have been underpinned in many instances through the realisation of marriage value with existing properties in the portfolio. The Company has continued to acquire properties that are either directly adjacent, or in close proximity, to existing FSF properties, which can result in scale economies that are reflected in uplifted valuations when combined.

Pipeline and deal procurement

Foresight sources deals and acquisition opportunities via selling agents, on-market bids, bilateral deals, direct origination and inbound direct approaches. Approximately 4,500 specific properties (c.900,000 hectares) which are highly suitable for afforestation have been identified by the Investment Manager.

OPERATIONAL REVIEW

Overview

As at 30 September 2023, the Company's portfolio comprised 68 properties covering a total area of 12,545 hectares. An overview of the portfolio is provided in the full annual report as well as the split of hectares by country and by property type.

The portfolio's allocation continues to be weighted towards Scotland (85% of FSF's portfolio by land area), which is the most forested of the UK's nations and the least far behind in achieving its tree planting targets.

Portfolio breakdown

During the year, FSF updated the categorisation of afforestation properties into three separate categories to help stakeholders to more clearly follow the progression of portfolio development. Properties are now classified as Development Stage, Planting Stage and Establishment Stage, with full definitions provided below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Other |  |  |  |  |
| Hectares | Forest Area1 30 September 2023 | Land area ² 30 September 2023 | Total area 30 September 2023 | Forest Area at time of writing report 17 November 2023 |
| Development Stage Afforestation | 4,446 | 721 | 5,167 | 4,226 |
| Planting Stage Afforestation | 93 | - | 93 | 373 |
| Establishment Stage Afforestation | 937 | 98 | 1,035 | 937 |
| Established Stage Forestry | 5,184 | 1,067 | 6,251 | 5,184 |
| Total | 10,660 | 1,886 | 12,545 | 10,720 |

1. Includes commercial stocked/stockable; broadleaf stocked/stockable; designed open ground; natural forest/‌woodland regeneration zones; and other land considered part of the forest area.

2. Includes areas of land that sit outside the forest area; this includes, but is not limited to, land leased for grazing; regenerative grazing land; peatland/wetland; hill ground; non-core land considered for disposal; non-core land not considered for disposal; house/farm curtilage.

|  |  |
| --- | --- |
| Category | Definition |
| (1) Development Stage Afforestation Area | Land prior to the securing of planning permission and grant application. |
| (2) Planting Stage Afforestation Area | Planning permission and grant application completed but initial planting of trees not yet completed. |
| (3) Establishment Stage Afforestation Area | Initial planting of site completed but trees establishing (typically three to five years). |
| (4) Established Stage Forestry Area | Trees established. |

A particular area of interest for stakeholders will be the progression from the Development Stage Afforestation to Planting Stage Afforestation, as this will be the signal of the amount of land which has received all permissions and grants and is ready to commence their respective planting programmes. It can be considered an early indication of expected capital appreciation of this area, which is recognised by FSF's valuer at the point of planting completion and the entering of the Establishment Stage.

Portfolio breakdown by value

Development Stage Afforestation

|  |  |  |
| --- | --- | --- |
| At time of |  |  |
| At year end | writing report |  |
| Total hectares (Forest Area) | 30 September 2023 | 17 November 2023 |
| Survey and design stage | 2,701 | 2,671 |
| Initial public consultation stage | 1,416 | 469 |
| Admitted to public register stage | 329 | 1,086 |
| Total | 4,446 | 4,226 |

The Investment Manager and their contractors and advisers continue to hold public consultations and progress the projects through to getting onto the public register for review and further comments by the public and statutory consultees. If the consultation with communities and statutory consultees is well run and done in advance, it can take circa one to two months from point of going on the register to receiving permission and grant contract, after which point the Planting Stage can commence.

Planting Stage Afforestation

|  |  |  |
| --- | --- | --- |
| At time of |  |  |
| At year end | writing report |  |
| Total hectares (Forest Area) | 30 September 2023 | 17 November 2023 |
| Development Stage Afforestation | 4,446 | 4,226 |
| Planting Stage Afforestation | 93 | 373 |
| Establishment Stage Afforestation | 937 | 937 |
| Total | 5,476 | 5,536 |

It is anticipated that approximately 19 sites covering 2,700 hectares of Forest Area will have completed the Development and Planting Stage and entered the Establishment Stage by 31 March 2024, with the vast majority of the balance of Development Stage and Planting Stage Afforestation entering the Establishment Stage either in April/early May 2024 or in the subsequent planting season between November 2024 and May 2025.

An afforestation progress to date and development outlook summary is provided below.

Afforestation timeline

(Graph can be found in the full annual report on the Company's website)

Establishment Stage Afforestation

Overall, FSF has planted six woodland creation schemes since IPO. All six planted schemes continue to establish well. A breakdown of FSF's Establishment Stage Afforestation assets can be found below:

|  |  |  |
| --- | --- | --- |
| Newly planted | Total |  |
| Establishment Stage | Establishment |  |
| Afforestation | Stage |  |
| (1 October 2022 - | Afforestation |  |
| 30 September 2023) |  |  |
| Properties (number) | 4 | 6 |
| Total Establishment Stage Afforestation creation (hectares) | 702 | 937 |
| Commercially stocked afforestation (%) | 44% | 50% |
| Non-commercially stocked afforestation (%) | 15% | 14% |
| Designed open ground and other land considered part of the forest area (%) | 41% | 36% |
| Number of carbon credits awaiting validation |  |  |
| (exclusive of 20% buffer) | 107,592 | 143,707 |
| Anticipated tonnes of sustainable timber to be produced from the first ***rotation*** | 190,500 | 283,150 |

Trees planted

(Graph can be found in the full annual report on the Company's website)

Planting breakdown across afforestation to date

(Graph can be found in the full annual report on the Company's website)

CASE STUDY

UPPER BARR AFFORESTATION SITE

|  |  |
| --- | --- |
| Location | Dumfries & Galloway, Scotland |
| Size | 344 hectares |
| Land designated for afforestation | 151.7 hectares |
| Date of acquisition | March 2022 |

1. Afforestation scheme planning (summer 2022)

Surveys were undertaken and the scheme was drawn up by Scottish Woodlands, the appointed Forest Manager ("FM"), with asset and portfolio management oversight from EJD Forestry and Foresight's portfolio management team respectively.

2. Community consultation

The community has been at the heart of this development process and several key initiatives were presented to a variety of community groups for feedback.

3. Planning approval

Planning approval and a woodland creation grant contract were obtained.

4. Planting scheme (completed March 2023)

|  |  |
| --- | --- |
| Tree species type | Native broadleaves, mixed conifers (Sitka Spruce, Norway Spruce, Noble Fir, Pacific Silver Fir, Scots Pine) |
| Total trees planted | 288,299 |
| Gross area planted | 151.7 hectares |
| Jobs provided | 1,460 hours (0.5 FTE) |

5. Establishment Stage Afforestation (ongoing)

Employment continued throughout the summer, bringing the total hours worked for the year to 2,070 hours or 0.99 FTE. There have been no issues with the establishment of the crops and minimal tree loss is anticipated.

6. Valuation (March 2023 valuation)

Recognition of the successful planting at the property delivered an 83% valuation uplift to the acquisition price paid for the property.

7. Carbon credits (ongoing)

Upper Barr has been registered with the Woodland Carbon Code and is due to benefit from carbon credits associated with the sequestration achieved by the new planting. A total of c.40,000 Pending Issuance Units are expected to be registered following a confirmatory inspection by the Soil Association.

8. Environmental and community benefits (ongoing)

FSF has made an agreement with the Upper Urr Environmental Trust to develop a volunteer-led woodland planting and habitat restoration project.

9. Working with the Eden Project, FSF was able to host a wildflower seed collection day with members of the local community and school that focused on harvesting and protecting the local seed source. The seeds that were collected have been transferred to the Eden Project's seed bank and are now available for dispersion to create further areas of wildflower meadow at both Upper Barr and potentially other properties within FSF's portfolio.

Established forestry

FSF has designed a portfolio that should supply a steady stream of potential harvesting over the coming years. The table below gives an overview of the quantity of standing timber in each category within the FSF portfolio. Where gaps are present, FSF will, over time, look to infill and generate the ability to harvest to provide the Company with cash flow each year should it be required.

Age profile of existing forestry

The above chart excludes afforestation assets at any stage.

Harvesting overview

There has been ongoing harvesting at five sites during the year. Largely, these harvesting operations have focused on either continued clear up of windblow or addressing Statutory Plant Health Notifications ("SPHNs"). An SPHN is issued by either the Forestry Commission, Scottish Forestry or Natural Resources Wales where infected plants have been identified. In the cases seen within the FSF portfolio, these are Larch crops at low volumes and this is not considered by the Investment Manager to represent a material issue for the Company or to be out of keeping with standard woodland management practice in UK forestry. Income is still generated by this harvesting. During the year a total of 17,000 tonnes of timber was harvested generating net income of £750,000.

Harvesting strategy (short term)

Timber prices are yet to recover from the softening seen towards the end of 2022 and the harvesting plan has been adjusted accordingly. Harvesting is being included in the short-term programme where it results in NAV accretion or there is a good silvicultural reason to pursue the harvesting. It is not currently the intention to harvest all the available timber within the portfolio. The Investment Manager will continue to monitor prices closely, commencing harvesting activities at the optimal time giving consideration to timber market conditions and Company cash revenue requirements.

Across all planned harvesting activities expected in the next 12 months, a total of 118,000 tonnes are anticipated to be harvested.

Harvesting plan (long term)

In addition to the short-term view, FSF has reviewed the long-term harvesting plan. Harvesting does not need to be undertaken immediately and can be delayed. Making use of the additional biological growth, it is useful to forecast what timber will be available over the coming years. The chart below is illustrative only and is subject to variation depending on the Company's strategy and requirements.

Harvesting forecast

Upside opportunities

A number of upside opportunities continue to be developed across the portfolio.

Knock Fell - Peatland restoration with the potential to create up to 20,000 peatland carbon credits.

Drumelzie - Full planning application for a three turbine wind farm development has been submitted by a developer for this site. Negotiations regarding felling requirements are ongoing.

Fordie Estate - A glamping project continues to be developed. This would see eight glamping pods being constructed at Fordie in 2024.

· Re-negotiation of the existing hydro scheme onto a much improved tariff of £485/MWh for exported electricity, good through until April 2025.

· Plans to increase water retention on the hill ground through re-wetting projects outside the woodland creation scheme. Improving habitats for several key bird species and also improving consistency of supply to the hydro scheme.

Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC")

As at 30 September 2023, FSF has maintained compliance with its Prospectus commitment to dual certify all forests within 12 months of either acquisition or planting completion.

|  |  |  |
| --- | --- | --- |
| Number of projects | As a % |  |
| Projects certified | 34 | 50% |
| Projects requiring certification | 5 | 7% |
| Projects yet to require certification | 29 | 43% |

The importance of obtaining the correct certification for timber ahead of selling continues to increase. The largest sawmilling companies are placing ever-more stringent restrictions on uncertified timber. Specifically, James Jones have recently announced that they will only process dual certified timber. Therefore, there continues to be a premium associated with certified timber.

Quality and Environment Management Systems

ISO 9001 sets the requirements for a company's Quality Management System ("QMS") and ISO 14001 is the equivalent standard for an Environmental Management System ("EMS"). To date a review has been completed in relation to the two ISO standards to assess the current level of accreditation across the companies of the Portfolio, where gaps in this exist and where the standards should be implemented.

FSF's focus at present is on its suppliers to attain ISO accreditation to provide an initial layer of ISO accreditation. Further details will be provided in the Company's 2023 S&ESG Report.

Biodiversity

A biodiversity monitoring tool called Biodiversity HAB-CON Alpha has been developed by experienced ecology consultants in collaboration with the Investment Manager. This tool is based on the UK Habitat Classification System and condition assessment and has the following notable key features:

Biodiversity value is ascribed to the transitional habitats that both commercial softwood conifer forests and long term broadleaf woodland provide during the cyclical forest process (i.e. trees grow in establishment stage, canopy closure occurs, natural/planned thinning occurs, trees are harvested or naturally perish, trees are re-stocked or naturally re-generate).

Time Frames have been extended from 30-years to 60-years to recognise the long term nature of forestry management and enable managed woodlands additional time to reach target condition (e.g. moderate or good condition).

Biodiversity HAB-CON Alpha is being pilot-tested across six FSF pilot sites. After the pilot phase, the measurement and monitoring tool will be rolled out over thirty FSF properties as part of the next stage. FSF is seeking to deliver an overall biodiversity uplift across the portfolio, using the tool to monitor the environmental status of the Company's assets and drive nature positive management decisions within the portfolio in the future.

More information on this will be included in the Company's 2023 S&ESG report.

Health and safety

Health and safety ("H&S") is a focus for the Company's Board and the Investment Manager's portfolio management team. The target of the portfolio management team is to position FSF as a market leader for forestry H&S best practices. Regular reporting on notifiable incidents is provided to the Company's Directors to ensure Board oversight on H&S matters.

|  |  |
| --- | --- |
| Number during |  |
| Health and safety event | the period |
| Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR") | 0 |
| Near miss events | 7 |

RIDDOR events are serious and must be reported to the Health and Safety Executive, which is administered by the UK Government. The Company is pleased to report that no RIDDORs occurred during the period.

"Near miss" events are categorised as all H&S incidents that are not reportable under the RIDDOR framework. There were only seven events throughout the year, which is considered low. Near miss reporting is embedded in day-to-day forest management and the portfolio management team continually reviews measures that can further improve the quality of reporting. For the period these include:

· Deploying lone working devices throughout the portfolio to prevent individuals from becoming stranded and out of communication should an accident occur.

· Requiring Forest Managers to produce hazard maps for each site that they manage giving an overview of all the known key identifiable hazards. The established protocol is that these are provided to all contractors ahead of the pre-commencement meeting and also posted on the entrances to each site for members of the public accessing the site to view. In addition to this, where the risk associated with each hazard can be mitigated, this will be explored.

· Re-engaging H&S experts to conduct a third annual review of operational H&S practices within the portfolio.

Portfolio valuation

Valuation bridge

As at 30 September 2023, the forestry portfolio, excluding additional carbon credits held through SPVs as described on page 47, was valued at £172.2 million. Since 30 September 2022, 18 assets valued at £38.4 million (inclusive of tax and transaction costs) were acquired and the property revaluation in the portfolio delivered a gain of £2.7 million, representing a weighted average (across the three investment categories) valuation loss of 5.8%.

Afforestation properties observed unrealised losses of £2.3 million, representing a 7.5% decrease in that category, despite observing mark-to-market gains and recognition of the successful completion of planting at four properties (Auchensoul, Redding Farm, Upper Barr and Frongoch). Forestry properties observed unrealised losses of £3.2million, representing a 4.8% decrease in that category. Mixed afforestation and forestry properties delivered unrealised losses of £1.0million, representing a 4.9% decrease in that category.

During the year to 30 September 2023, four afforestation schemes completed planting and FSF has recognised an additional £2.1 million of value ascribed to the creation of carbon credits, bringing the overall portfolio value to £2.7million. This estimate takes into consideration the verifier's 20% buffer to ensure that the number of units offset or traded is conservative versus the amount of carbon that will be sequestered. The four properties are estimated to create c.108,000 voluntary carbon credits (net of the 20% buffer) and are part of a wider afforestation programme that is expected to see the creation of 1.0-1.2million voluntary carbon credits in total from the current portfolio. Themethodology and treatment of the additional value added at 30September 2023 has remained consistent with the audited financial statements as at 30 September 2022. Theunit pricing of voluntary carbon has increased from £17.50 at 30 September 2022 to £19.00at30September 2023.

Portfolio valuation methodology

Savills Advisory Services Limited ("Savills") was engaged by the Company to provide a fair value valuation of the portfolio in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Global Standards July 2017 (the "Red Book").

The Red Book valuation falls within the International Financial Reporting Standards ("IFRS"), as part of the International Valuation Standards which requires investment properties to be considered on the basis of fair value at the balance sheet date. IFRS 13 outlines the principles for fair value measurement which Savills' valuation is consistent with. The Red Book valuations are undertaken on a property-by-property basis and are completed semi-annually.

The fair value assessment of the properties has been completed by Savills on a comparable basis by looking at transactions of similar properties. Development Stage and Planting Stage Afforestation property comparables include the rights to future potential voluntary carbon credit creation. Establishment Stage Afforestation and Established Forest property comparables exclude any value ascribed to any associated voluntary carbon credits that have been created.

In addition to the fair value, the Red Book methodology considers a number of additional factors impacting the valuation. A reasonable view of the potential for afforestation properties' value uplift over time is considered rather than valuing the land in its current state. Savills also considers the stage of each property within the forestry grant application process and may make reassessments as to the value of properties when a new developmental milestone occurs. Additionally, as the properties under ownership are located across the UK (Scotland, Northern England and Wales), the external valuer accounts for the potential differences in market interest and demand at the different locations.

The value associated with the carbon credits attached with the Establishment Stage Afforestation properties is excluded from the RICS Red Book valuation of these properties. Value recognition for carbon credits is ascribed separately using the Investment Manager's assessment based on a range of recent comparable voluntary carbon credit transactions that occurred in the period and observed by leading third-party carbon credit consultants and brokers. When establishing the value of carbon credits, a conservative 25% risk discount is applied to the average observed unit price of a validated carbon credit. The risk discount accounts for the Woodland Carbon Code validation process not having fully completed.

SUSTAINABILITY AND ESG

Sustainability and strong governance are fundamental to FSF's business model, as captured in the Company's three key Sustainability and ESG objectives

Key objective 1: timber supply

To deliver and increase the supply of home-grown UK timber to reduce the country's reliance on imports.

Key objective 2: sustainable returns

To do so in a way that combines sustainable financial returns with carbon sequestration, biodiversity protection and other positive environmental and social impacts.

Key objective 3: progressive industry leadership

To be a sustainability leader in the UK forestry industry whilst delivering both traditional commercial timber products and innovative natural capital. Services.

2023 highlights

12,545 Total hectarage of portfolio (inc. forests and open ground)

27 schoolchildren hosted from Carreg Hirfaen School to play a part in the planting at Frongoch

Expansion of the Forestry Skills Training Programme to Scotland, with ten placements awarded across Scotland and Wales

The publication of the Company's first dedicated S&ESG Report1

£2.1 million additional value ascribed towards creation of carbon credits with 143,707 PIUs held on balance (as at 30 September 2023)

35,081 tCO2e sequestered

Available on the Company website:

[*https://media.umbraco.io/foresight/ar0gzg2h/sustainability-and-esg-report-2022.pdf*](https://media.umbraco.io/foresight/ar0gzg2h/sustainability-and-esg-report-2022.pdf)

Sustainable Development Goals impact reporting

FSF's vision and management of its assets, with a focus on its key S&ESG objectives, are closely aligned with five of the UN Sustainable Development Goals ("SDGs"). The SDGs represent a key consideration of the Company's investment activities and, in the following pages, we demonstrate the progress made by the Company in each of these core areas for the period 1 October 2022 to 30 September 2023.

Timber supply chain

UN SDG 12 (Responsible Consumption and Production) is most closely aligned with FSF's Key S&ESG Objective 1 (Timber Supply). There is also strong overlap with Objective 2 (Sustainable Returns) and Objective 3 (Progressive Industry Leadership). Timber in the UK is used in a variety of ways; from a construction material as an alternative to concrete and steel, through to biomass to produce renewable power and heat. FSF's timber plays a role in meeting these demands.

|  |  |  |
| --- | --- | --- |
| Goal | SDG target | Contribution |
| 12.2 Achieve the sustainable management and efficient use of natural resources. | Number of m3 of sustainably grown, standing timber. |  |
| Percentage of commercial forestry projects that are dual certified within 12 months of acquisition. |  |  |

1,062,325

m3 of standing commercial timber

100%

existing forestry dual FSC and PEFC certified, in line with commitment to dual certify within 12 months

Office for National Statistics, woodland natural capital accounts, UK 2020.

Environmental impact

Pollutant removal

UN SDG 3 (Good Health and Wellbeing) is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns), specifically the delivery of "other positive environmental and social impacts". Aside from sequestering carbon, our trees help to actively remove pollutants from the air.

|  |  |  |
| --- | --- | --- |
| Goal | SDG target | Contribution |
| 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination. | Number of tonnes of pollutants1 removed from the atmosphere, including: NO2 (Nitrous Oxide), SO2 (Sulphur Dioxide), PM10 (?m10 Particulate Matter), PM2.5 (?m2.5 Particulate Matter), Ground-level Ozone, NH3 (Ammonia). |  |

366.3 tonnes

of Ground-level Ozone

25.5 tonnes

of PM10 (μm10 Particulate Matter)

16.3 tonnes

of NH3 (Ammonia)

11.7 tonnes

of SO2 (Sulphur Dioxide)

21.6 tonnes

of PM2.5 (μm2.5 Particulate Matter)

5.2 tonnes

of NO2 (Nitrous Oxide)

446.6 tonnes

of pollutants removed from the atmosphere

Sustainably managed watercourses

UN SDG 6 (Clean Water and Sanitation), specifically the delivery of "biodiversity protection and other positive environmental and social impacts", is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns). Greater focus is being placed on the interconnectedness of our ecosystems. Watercourses and peatlands within and around FSF's portfolio provide habitats for wildlife and support biodiversity and drainage.

|  |  |  |
| --- | --- | --- |
| Goal | SDG target | Contribution |
| 6.6 Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes. | Number of kilometres of sustainably managed watercourses. |  |

3491

kilometres of sustainably managed watercourses

Carbon sequestration

UN SDG 13 (Climate Action) is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns), specifically the delivery of "carbon sequestration". As FSF's operations grow, the overall benefit here is twofold: carbon sequestration is increased and simultaneously timber production is increased.

|  |  |  |
| --- | --- | --- |
| Goal | SDG target | Contribution |
| 13.3 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. | Total annual portfolio sequestration (tCO2e/annum). Average annual sequestration per stocked ha (tCO2e/stocked ha). Average annual sequestration per gross ha. |  |

35,081 tCO2e

arboreal sequestration achieved over the reporting period within the portfolio

2.80 tCO2e/ha

average arboreal sequestration per gross hectare

7.53 tCO2e/stocked ha

average arboreal sequestration on a per stocked hectare basis (commercial + non-commercial)

1. Includes all permanent water courses and larger drains whether wholly inside the property boundaries or located on the property boundary with a shared responsibility for watercourse management.

Natural capital services

Biodiversity

UN SDG 15 (Life on Land), specifically the delivery of "biodiversity protection", is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns). As a natural capital fund, we believe that, when managed responsibly, forestry and afforestation can provide a wide-ranging flow of ecosystem services which are valuable to society in which biodiversity plays a vital role.

|  |  |  |
| --- | --- | --- |
| Goal | SDG target | Contribution |
| 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally. | Number of hectares of sustainably managed forests. Of which: · Number of hectares that are long-term, mixed broadleaf carbon sinks. · Number of hectares that are SSSI1/SAC2. |  |

12,545 ha

total hectarage of portfolio (inc. forests and open ground)

7,884 ha

of open ground and land awaiting approval for afforestation

769 ha

of which is SSSI1/SAC2

3,819 ha

of which is sustainably managed commercial forest (excludes open ground)

843 ha

of which is long-term, mixed broadleaf woodland (excludes open ground)

Carbon credits

|  |  |
| --- | --- |
| Carbon credits generated: |  |
| PIUs awaiting validation held on balance | 143,707 |
| PIUs held on balance | - |
| PIUs sold | - |
| PIUs pipeline | 897,427 |
| WCUs held on balance | - |
| WCUs sold | - |
| Total carbon credits held on balance | 143,707 |
| Total carbon credits sold | - |

1. Site of Special Scientific Interest.

2. Special Area of Conservation.

CASE STUDY

SKILLS TRAINING

One of the major issues that faces rural communities throughout the UK is a shortage of skills. There are fewer individuals with the necessary skills to undertake a variety of roles. The Forestry Skills Training Programme, sponsored by FSF and administered by Tilhill, aims at redressing the balance of skills within the community.

In May of this year, FSF announced that following the success of the pilot of the Forestry Skills Training Programme launched in 2022, it will repeat and significantly expand the initiative for 2023.

The skills training programme

Fully funded three-week programme that provides candidates with the skills and equipment needed to commence a career in forestry. The programme focuses on three key areas:

r) Forestry skills training

s) Mentoring

t) Provision of health and safety equipment

Scope of programme

|  |  |  |
| --- | --- | --- |
| Scope of programme in 2022 | Scope of programme in 2023 |  |
| Geographic area covered | Wales | Scotland and Wales |
| Number of candidates | 4 | 10 |
| Number of candidates going onto receive paid forestry work at an FSF afforestation property | 4 | TBC |

Outcome

FSF has closely followed candidates from the pilot and has been proud of the positive professional and personal impact that has had on the individuals involved.

TCFD AND EMISSIONS REPORTING

TCFD

The Company's 2022 S&ESG Report, published in April 20231, provides a comprehensive response to all 11 of the TCFD recommended disclosures and can be found on the Company's website. For the period to 30 September2023, the Company will be publishing its 2023 report in the new year. However, for the year ended 30 September 2023, the below reports on the Company's emissions profile, using Scope 1, 2 and 3 emissions data and the TCFD Core Metrics, calculated in accordance with the TCFD recommended methodologies2.

|  |  |
| --- | --- |
| Scope 1 emissions | 349.8 tCO2e |
| Scope 2 emissions | 0 tCO2e |
| Scope 3 emissions | 863.5 tCO2e |

|  |
| --- |
| Weighted average carbon intensity (tCO2e/£m revenue) |
| Portfolio's exposure to carbon-intensive assets, expressed in tonnes CO2e/£m revenue. |
| 149.7 |

|  |
| --- |
| Total carbon emissions (tCO2e) |
| The absolute greenhouse gas emissions associated with the portfolio, expressed in tonnes CO2e. |
| 349.8 |

|  |
| --- |
| Carbon footprint (tCO2e/£m invested) |
| Total carbon emissions for a portfolio ormalized by the market value of the portfolio, expressed in tonnes CO2e/£m invested |
| 2.0 |

|  |
| --- |
| Carbon intensity (tCO2e/£m revenue) |
| Volume of carbon emissions per million pounds of revenue (carbon efficiency of a portfolio), expressed in tonnes CO2e/£m revenue |
| 183.9 |

|  |
| --- |
| Exposure to carbon-related assets (%) |
| The amount or percentage of carbon-related assets in the portfolio, expressed in £m or percentage of the current portfolio value |
| 0 |

Climate scenario analysis

As part of the Company's disclosures under TCFD, the S&ESG Report1 demonstrated the approach it has taken to conducting robust scenario analysis using S&P Global's Climanomics platform. This integrated not only physical and transition risks, but also climate-related opportunities, providing a single output reflecting the resilience of the portfolio under different climate futures. The Company does not intend to repeat this test for future years.

The Sustainable Finance Disclosure Regulation ("SFDR")

SFDR is a framework designed to increase transparency on sustainability reporting with a view to facilitating sustainable investment practices and to aid the understanding of the sustainability credentials as published by funds and/or companies.

The Company is classified as an Article 9 fund, meeting the necessary disclosure requirements as stipulated in the Level 2 Regulatory Technical Standards under SFDR. FSF updated its pre-contractual and website disclosures, both of which can be found on the Company's website and are summarised below:

Sustainable investment objective of the Company

The Company's investment objective stipulates the targeted sustainable impact it aims to achieve through predominantly investment in sustainably managed forestry assets (including standing forests and afforestation assets).

FSF has a climate change mitigation objective, seeking to make a direct contribution in the fight against climate change through its forestry and afforestation carbon sequestration initiatives.

Performance of sustainability indicators

The indicators for the portfolio are reported in the SDG tables on pages 34 to 36.

SFDR RTS Website Disclosure, Annex III and Annex V

FSF's Annex III Pre-Contractual Disclosure, RTS Website Disclosure and Article V Periodic Disclosure are all available on the Company's website1. For the purposes of periodic disclosure updates, the Company will be aligning its reference period with its annual reporting period, namely 1 October to 30 September.

1. Available on the Company's website here: [*https://fsfc*](https://fsfc).foresightgroup.eu/shareholder-centre

2. TCFD recommended methodologies for calculation of the Common Carbon Footprinting and Exposure Metrics [*https://www*](https://www).fsb-tcfd.org/recommendations/

RISK AND RISK MANAGEMENT

FSF has a comprehensive risk management framework overseen by the Audit and Risk Committee, comprising the Independent Non-Executive Directors

Risk is the potential for events to occur that may result in damage, liability or loss. Such occurrences could adversely impact the Company's business model, reputation or financial standing. Alternatively, under a well-formed risk management framework, potential risks can be identified in advance and can either be mitigated or possibly converted into opportunities. Pages 41 to 45 of this report detail the risks that the Directors consider are the top ten risks to the Company.

Risk identification and monitoring

Risks are monitored by the Audit and Risk Committee, comprising the full Board, which is responsible for overseeing the current and potential risk exposures of the Company, with particular focus on the principal and emerging risks, being those with the greatest potential to influence Shareholders' economic decisions, and the controls in place to mitigate those risks.

The identification, assessment and management of risk are integral aspects of the Investment Manager's work in managing the portfolio on a day-to-day basis.

Mitigation actions have been developed with respect to each risk so as first to reduce the likelihood of such risk occurring and secondly to minimise the severity of its impact in the case that it does occur.

The risk register is reviewed and updated regularly by the Investment Manager and the Audit and Risk Committee as new risks emerge and existing risks change. The portfolio managers maintain strong relationships between counterparties, contractors, third-party asset managers and other stakeholders. This ensures effective management of potential risks.

The Audit and Risk Committee regularly seek assurances as to the resilience of the reporting and control systems in place for both the management of the portfolio and for the Company's investment activities. The Committee will continue to evaluate and challenge the resilience of all key agents to the Company.

The Board undertook a robust assessment of the Company's emerging and principal risks during the year. More information can be found in the Governance section on page 54.

Emerging risks and risks relevant to the year under review

The following represent the most relevant emerging risks as viewed by the Board and the Investment Manager:

Changes in the macroeconomic environment

The UK economy has seen significant fluctuations in growth over the last two years, predominantly due to rising debt costs, high inflation and Russia's invasion of Ukraine. However, the Company is in a relatively strong position to withstand changes in the macroeconomic environment as it is invested in real assets, principally freeholds of UK land and forest stock. The forest stock enjoys biological growth regardless of occurrences in financial markets. UK freeholds, real assets and the value of commodities, such as timber, have a strong track record of good performance during periods of inflation and instability of equity markets. In the view of the Investment Manager, the continued global supply and demand imbalance in timber markets, which is accentuated in the UK as a net timber importer and during a period where GBP is weak versus EUR and USD, leaves the Company well positioned to deliver real-term value growth for Shareholders. Moreover, FSF is in a position to mitigate the impact of any intra-quarter or intra-year falls in timber prices by postponing parts of its harvesting programme, and allowing the trees to continue to grow until the underlying imbalance between supply and demand begins to be reflected in market prices again.

Financing capital

In order to achieve its growth ambitions and to ensure the Company is able to take full advantage of the opportunities in its pipeline, additional financing will be required in the short to medium term. The Company's borrowing policy enables the Directors to use gearing for liquidity and working capital purposes, or to finance acquisition of investments subject to following a prudent approach and maintaining a conservative level of aggregate borrowings that will not exceed 30% of Gross Asset Value, calculated at the time of drawdown. The Company has a £30 million Revolving Credit Facility, that at the end of the period was partially drawn by £10.4million. The equity levels of the Company are closely monitored by the Board and the Investment Manager on a regular basis. The Company continues to work closely with its broker and the Investment Manager's in-house Retail Sales team will conduct market research ahead of any future funding rounds to gauge demand from existing andnew investors.

Timber market volatility

Timber prices can be volatile periodically. However, demand over the medium to long term has historically created real-term pricing growth. In the context of global under-supply and increasing demand, this reduces market risk for the sale of the Company's key products and revenue streams. Should timber prices be less attractive at the point of felling, the Investment Manager also has the option to delay felling, allowing trees to continue to grow and provide time for a recovery from short-term pricing volatility.

Community engagement

The development of afforestation assets in rural areas is sensitive for local residents and, if managed unsatisfactorily, could result in poor relationships developing between the Company and local communities. This in turn could impact both its ability to obtain the necessary planning consent for planting to commence and potentially the Company's reputation. The Investment Manager selectively commissions an independent community risk assessment and only pursues opportunities where the risk of not obtaining planning consent, including for reasons relating to objections raised by the local community, is assessed to be low.

Once afforestation properties are acquired, the Investment Manager runs a co-ordinated programme of community engagement and seeks to respond and, wherever possible, adapt the scheme design to meet concerns raised by community members. In addition, in the event that planting was unable to go ahead, the acquired land would still have inherent ***agricultural*** value. Therefore, whilst the return generated from this would be lower, an income stream would still be available to the Company. The Company is also working closely with industry bodies such as Confor and Timber Development UK to promote the merits of increased sustainable UK timber supply. For more information on the Company's community engagement initiatives, please see the community engagement case study on page 16.

Principal risk register

The Company is exposed to a number of risks that have the potential to materially affect the Company's valuation, reputation and financial or operational performance. The nature and levels of risk are identified according to the Company's investment objectives and existing policies, with the levels of risk tolerance ultimately defined by theBoard.

The Company's risk register covers seven main areas of risk: financial, market, forestry, legal and regulatory, operational, economic and investment, although not all ofthese risks will fall into the top ten risk category.

Forestry as an asset class has its own set of unique risks which are considered and managed by the Investment Manager's dedicated team and external advisers. After mitigations are taken into account, most of these risks have a low residual risk score and those that do not are covered in more detail in the top ten risks section of thisreport.

Climate-specific risks are also monitored by the Board and the Investment Manager and an extensive climate change scenario analysis has been undertaken. The Investment Manager uses the S&P Global Climanomics platform to undertake this work and their findings are included in the Company's most recent Sustainability and ESG Report. After mitigations are taken into account, physical climate risks have a low residual risk score while some transition risks feature in the Company's top ten risks.

The Company's top ten risks are summarised on pages 41to 45, followed by a detailed discussion of the mitigating factors.

This risk map shows our assessment of each area of principal risk after mitigation.

Heat map included in the full annual report on the Company website.

Economic risks

1 Interest rates

2 Inflation

3 Macroeconomic

Financial risks

4 Equity risk

5 Valuation

Market risks

6 Demand for carbon credits

7 Demand for timber

8 Cost to transition to lower emissions technology

Forestry risks

9 Reputational

Legal and regulatory

10 Government commitment to net zero

Economic risks

1 Interest rates

Potential impact

The risk that there will be changes in the interest expense for debt, or interest received on deposits, as measured in the currency of that debt, due to movements in market interest rates. Higher interest rates could also effectively increase the risk-free rate and reduce the valuation of long-dated forestry assets. There is a risk that rising interest rates could result in a higher cost of debt than on the associated projects' return on equity, which would be NAV destructive over time.

Mitigation

· Manage the cost of borrowing potentially by borrowing using fixed rate instruments, and/or by overlaying interest rate derivatives against the Company's debt portfolio

· In considering whether to execute hedging transactions, the costs and benefits of hedging are to be balanced against the effects of movements in interest rates on the debt portfolio

· The Investment Manager ensures there is a sufficient margin between the expected rate of return on the investment portfolio and the cost of any borrowing, to ensure there is a buffer before rising interest rates become dilutive to overall NAV

· The Investment Manager undertakes interest rate scenario analysis to inform the level of borrowing FSF iscomfortable taking

2 Inflation

Potential impact

The risk that inflation remains at persistently high levels and this increases future costs of developing and operating the portfolio. High inflation could also erode the valuation of the existing portfolio.

Mitigation

· Historically, over the long term, timber and forest asset values have been positively correlated to inflation. General recognition is for forestry as an asset class having inflationary protection characteristics, but it should be noted that there is no contracted link between inflation and timber or forest asset prices

· ***Agricultural*** land with afforestation potential is less sensitive to inflationary pressures, therefore the strategy of the Investment Manager is to increase the amount of afforestation investment within the portfolio

3 Macroeconomic

Potential impact

Changes in economic, technological, political or regulatory environment and market sentiment can impact the returns expected from the assets in the Company's portfolio.

Mitigation

· Diversity of revenue streams is targeted where possible, preventing over-concentration to specific risks

· The Company invests in forestry markets that have displayed long-term political regulatory stability

· The Investment Manager participates in industry forums linked to the carbon markets and the related regulation

Financial risks

4 Equity risk

Potential impact

The risk that the Company is unable to access sufficient funding to complete its operations.

Mitigation

u) The Company's broker will conduct market research ahead of any future funding rounds to gauge demand from existing and new investors

v) The Investment Manager and the Board have set budgets such that a working capital buffer is held. The budgets include forecasts of timber and grant income streams that are expected in the next 18 months

w) The Company can recycle capital through the sale of non-core assets and could also decide to exit one or multiple forestry assets

x) In periods where the discount opens up, the Board has the option to consider share buybacks

5 Valuation

Potential impact

The risk that valuations are prepared incorrectly by either the Investment Manager or the valuer, leading to a publicly stated NAV that is not representative of the value of the portfolio. There is a risk that there are an insufficient number of comparable transactions used to inform the RICS Red Book valuation which is less representative of FSF's actual value. This could reduce investor confidence in the Company and could result in investors selling FSF's shares.

Mitigation

· The Company has appointed an independent forestry valuation specialist, Savills, to value the portfolio. Savills are highly experienced in forestry valuations and valued over £1 billion of UK forestry assets in 2021. Savills will use the RICS Red Book valuation approach to ensure valuations are conducted using a consistent and well-recognised methodology

· The Savills valuation agreement leaves it as a contractor with a liability exposure of c.4% of the valuation figure and FSF would have recourse up to that amount in the event of manifest error

· If the Company was concerned about the Red Book valuation it could seek to pursue one or a number of exits above holding value, providing additional actual transactional evidence, to provide confidence to investors

Market risks

6 Demand for carbon credits

Potential impact

The risk that demand or volume leads to a reduction in demand from the users of carbon credits that negatively impacts profitability.

Mitigation

· As outlined in the Prospectus, the demand for carbon credits is expected to materially increase in the run-up to 2030 and 2050, driving carbon price increases. Decreases in prices paid and issues with supply of volume of carbon credits are more likely to be driven by regulatory challenges than by overriding supply and demand dynamics

· The Investment Manager is part of the working/consultation groups for the Woodland Carbon Code (carbon credits body/verifier in the UK) and the LSE Voluntary Carbon Markets delivery group, withthe goal of ensuring continued additionality of carbon credits and an orderly functioning market for tradeof carbon credits

7 Demand for timber

Potential impact

The risk that a reduction in demand from the purchasers of timber would negatively impact the Company's profitability.

Mitigation

· The fundamental under-supply of standing timber in the UK and globally in the context of strong increasing demand reduces market risk for the sale of the Company's key product and revenue stream and which affects the underlying asset values (land and crop value). Timber prices can be volatile on an intra-month, intra-quarter and sometimes intra-year basis. However, demand over the medium to long term has historically created real terms pricing growth over the medium to long term and in the context of global under-supply and increasing demand this risk is reduced if a medium to long-term investment view is applied

· The Investment Manager has set a long-term five-year rolling average returns target for the Company in order todeter investors from a short-term investing approach

· Due to no regular dividend yield commitments to Shareholders, the Investment Manager will be able to postpone harvesting programmes during periods of short-term timber pricing volatility

8 Cost to transition to lower emissionstechnology

Potential impact

The risk that timber sawmills/processors could face increased energy supply costs e.g. if biomass energy is phased out, or if the supply chain have increased costs with mitigating their GHG emissions. Costs could be passed onto FSF, in the form of lower prices paid for FSF's timber and in higher prices charged for downstream timber products leading to reduced timber demand.

Mitigation

· FSF is in a strong position where its product has a very low carbon intensity and a long time horizon (notably only processing and delivery costs with product going to mills approximately every 40 years)

· Downstream wood processors in Europe and North America (where the UK sources most of its imported wood from) likely to follow a similar energy transition pathway; risk is reduced while FSF keeps in step with its peer group

· FSF is proactively participating with the UK wood processing industry to engage and consult with the UK Government on policies and incentive schemes. FSF is a member of Timber Development UK, of which FSF Non-Executive Director Christopher Sutton is Chairman

· Timber products are low carbon and renewable materials versus the alternatives for the same use. Ifwood processors are under pressure to decarbonise then so will the producers of the alternative materials available. Overall, the demand for and value of timber is likely to increase as its sustainability credentials become increasingly valued versus the alternatives

Forestry risks

9 Reputational

Potential impact

The risk that there is resistance to change of land use from the public generating negative PR.

Negative press and media coverage could negatively impact investor sentiment, ultimately impacting the ability to raise more capital.

Mitigation

· During the due diligence phase of afforestation investments, the Investment Manager commissions an independent community risk assessment. This is intended to ensure that afforestation only takes place in lower community risk areas, where tree planting is considered unlikely to be contentious and the expected likelihood of community resistance is considered low

· The Investment Manager has launched a Forestry Skills Training Programme that directly enables rural farming communities to adapt to afforestation related land use change, by providing local community members with the skills, training, qualifications, mentoring and safety equipment required to commence in the work and jobs created by the Company's afforestation schemes. More information can be found on page 37.

· The Investment Manager is engaging with industry bodies such as Confor and Timber Development UK to promote the merits of increased sustainable UK timber supply

· The Company pursues community engagement plans and conducts in-person community days to enable the local community to engage with and express their views about FSF's afforestation development plans

Legal and regulatory

10 Government commitment to net zero

Potential impact

The risk that the UK Government changes its net zero strategy, leading to less support for sustainable forestry and climate action; timber regulation changes in favour of only broadleaf afforestation schemes to achieve net zero action; fewer grants; commercial timber falling out of favour; WCC changing the Carbon Credit Policy; and convoluted policy developments.

Mitigation

· Considered unlikely given the level of consensus and commitment to achieve UK net zero by 2050

· Per hectare, planting commercial conifers makes approximately three times the climate contribution versus planting broadleaves; this is due to the much faster biological growth rate of conifers and to carbon remaining locked up in timber-based products for decades in wood products

· Proactive engagement with the market around this point, continuing to educate around the dual benefits of sustainable forestry to tackle climate change and biodiversity loss; in particular, the argument against broadleaf afforestation sites and monoculture risks

· Changes to planting strategy would be considered if grants are no longer available and action taken if necessary

FINANCIAL REVIEW

Analysis of financial results

The financial statements of the Company for the year ended 30 September 2023 are setout on pages 88 to 106.

The Company prepared the audited financial statements for the year to

30 September 2023 in accordance with the UK adopted International Accounting Standards as applicable to companies reporting under those standards. The Company applies IFRS 10 and Investment Entities: Amendments to IFRS 10, IFRS 12 and measures all their subsidiaries that are themselves investment entities at fair value. The Company accounts for its interest in its wholly owned direct subsidiary FSFC Holdings Limited as an investment at fair value through profit or loss in accordance with IFRS 13 Fair Value Measurement.

The primary impact of this application, in comparison to consolidating subsidiaries, is that the cash balances, the working capital balances and borrowings in the intermediate holding companies and project companies are presented as part of the Company's fair value of investments.

The Company, its subsidiaries FSFC Holdings Limited and FSFC Holdings 2 Limited (together the "Group"), hold investments in 68 portfolio properties held within five special purpose vehicles which intend to make distributions in the form of interest on loans and dividends on equity as well as loan repayments and equity redemptions.

For more information on the basis of accounting and Company structure, please refer to the notes to the financial statements on pages 92 to 106.

Key financial metrics for the year ended 30 September 2023

|  |  |  |
| --- | --- | --- |
| As at 30 September | As at 30 September |  |
| All amounts presented in £million (except as noted) | 2023 | 2022 |
| Gross Asset Value ("GAV")1 | 179.6 | 180.6 |
| Market capitalisation | 140.2 | 182.4 |
| Net Asset Value ("NAV")2 | 169.2 | 180.6 |
| NAV per share (pence) | 98.4 | 105.0 |
| Total return on investment | (8.7) | 11.0 |
| Profit/(loss) before tax | (11.3) | 8.8 |
| Earnings/(losses) per share (pence) | (6.6) | 6.2 |

Calculated as the sum of the NAV and total outstanding debt on page 47.

Total equity as per the statement of financial position on page 89.

Net assets

Net assets decreased 6.3% from £180.6 million at 30 September 2022 to £169.2 million at30 September 2023.

The net assets of £169.2 million comprise £172.2 million of forestry and afforestation assets, with an additional £2.7 million carbon credit valuation and cash balances of £1.2million in the Company and £2.7 million in the project companies

Offset by the drawn Revolving Credit Facility ("RCF") balance of £10.4 million, £2.0million of other assets in the Company and £1.2 million of other liabilities in the project companies.

At 30 September 2023, £10.4 million of the Group's £30 million RCF had been drawn. The GAV is equal to the sum of the NAV of £169.2 million and the outstanding debt of £10.4 million as described in the alternative measures table on page 50. The GAV as at 30September 2023 was £179.6million.

Analysis of the Group's net assets at 30 September 2023

|  |  |  |
| --- | --- | --- |
| As at | As at |  |
| 30 September | 30 September |  |
| All amounts presented in £million (except as noted) | 2023 | 2022 |
| Red Book valuation1 | 172.2 | 144.2 |
| Carbon credits valuation2 | 2.7 | 0.6 |
| Portfolio value | 174.9 | 144.8 |
| Project companies' cash | 2.7 | 2.0 |
| Project companies' other net liabilities | (1.2) | (0.5) |
| Revolving Credit Facility | (10.4) | - |
| Investments at fair value through profit or loss | 166.0 | 146.3 |
| Company's cash | 1.2 | 34.3 |
| Company's other net assets | 2.0 | - |
| Net Asset Value | 169.2 | 180.6 |
| Number of shares | 172,056,075 | 172,056,075 |
| Net Asset Value per share (pence) | 98.4 | 105.0 |

1. Classified as the fair value of the underlying forestry assets held through the SPVs.

2. The carbon credit valuation noted is based on value ascribed to progress towards creation of carbon credits.

Third-party debt arrangements and gearing position

As at 30 September 2023, the Company had used £10.4 million of its RCF with £19.6million remaining undrawn. The total outstanding £10.4 million RCF balance represented 5.8% of GAV (30 September 2022: 0%).

Details of the debt arrangements:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Borrower | Provider | Facility type | Outstanding | Maturity | Applicable rate1 |
| FSFC Holdings 2 | Clydesdale Bank PLC | Revolving credit | £10.40m | July 2025 | SONIA + (2.00%-2.20%) |

1. The margin varies depending on the completion of defined S&ESG targets linked to the facility. Inthe first year of the facility these targets were met, and the Company achieved a margin of2.00%.

NAV bridge

NAV bridge from 30 September 2022 to 30 September 2023

The Net Asset Value at 30 September 2023 was £169.2 million, compared to £180.6million at 30 September 2022. The decrease of £11.4 million is the net impact of a reduction of the fair value of the existing afforestation and forestry assets by £6.5million, acquisition costs of £2.0 million, fund operational expenditure of £3.4 million, asset-level operational expenditure of £1.9 million and £1.3 million of capital expenditure, offset by grant and timber income of £1.7 million and an additional £2.1 million for 107,591 carbon credits attributed to four underlying afforestation assets where planting has been completed during the year.

Company performance

Profit and loss

The Company's loss before tax for the year to 30 September 2023 was £11.3 million, generating negative earnings of (6.6) pence per share.

For the period to 30 September 2023, the total return on investments was £(8.7) million, which relates to £2.6 million of interest on the FSFC Holdings loan notes and £11.3 million net losses on investments at fair value. The interest income is from the Company's Shareholder loan to FSFC Holdings Limited. The net loss on investment is generated by the net fair value movement on the Company's investment in FSFC Holdings Limited.

Operating expenses included in the income statement for the period were £2.7 million, in line with expectations. These comprise investment management fees of £1.6 million and £1.1 million of operating expenses. The details on how the investment management fees are charged are set out in note 5 to the financial statements.

|  |  |  |
| --- | --- | --- |
| Period from |  |  |
| Year to | 31 August 2022 |  |
| 30 September | to 30 September |  |
| All amounts presented in £million (except as noted) | 2023 | 2022 |
| Interest received on FSFC Holdings loan notes | 2.6 | 0.9 |
| Net (losses)/gains on investments at fair value | (11.3) | 10.1 |
| Total return on investment | (8.7) | 11.0 |
| Operating expenses | (2.6) | (2.2) |
| Profit before tax | (11.3) | 8.8 |
| Earnings per share (pence) | (6.6) | 6.2 |

Ongoing charges

The ongoing charges ratio is an indicator of the costs incurred in the day-to-day management of the Fund. FSF uses the Association of Investment Companies ("AIC") recommended methodology for calculating this ratio, which is an annual figure.

The ongoing charges ratio for the year to 30 September 2023 was 1.46% (30 September 2022: 1.43%). The ongoing charges have been calculated, in accordance with AIC guidance, as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published unaudited Net Asset Value in the period. The ongoing charges percentage has been calculated on the consolidated basis and therefore takes into consideration the expenses of the Company, FSFC Holdings Limited and FSFC Holdings 2 Limited.

The Investment Manager believed this to be competitive for the market in which FSF operates and the stage of development and size of the Fund, demonstrating that management of the Fund is efficient with minimal expense incurred in its ordinary operation.

|  |  |  |
| --- | --- | --- |
| Ongoing charges |  |  |
| All amounts presented in £million (except as noted) | FSFC | FSFC H2 |
| Investment management fees | 1.56 |  |
| Directors' fees | 0.10 |  |
| Administration fees | 0.15 |  |
| Audit fees | 0.15 |  |
| Other legal and professional fees | 0.33 |  |
| Other ongoing fees | 0.19 | 0.13 |
| Total | 2.61 |  |
| Ongoing charges ratio | 1.46% |  |

|  |  |
| --- | --- |
| NAV |  |
| 31 March 2023 | 186.6 |
| 30 September 2023 | 169.2 |
| Average | 177.9 |

Cash flow

The Company held cash balances at 30 September 2023 of £1.2 million. This amount excludes cash held in subsidiaries. The breakdown of the movements in cash during the year is shown below.

Cash flows of the Company for the year to 30 September 2023 (£million)

|  |  |  |
| --- | --- | --- |
| Year to | 31 August 2021 |  |
| 30 September | to 30 September |  |
| 2023 | 2022 |  |
| Opening cash balance | 34.3 | - |
| Gross proceeds from IPO and fundraising | - | 175.0 |
| IPO and share issuance costs | - | (3.2) |
| Investment in FSFC Holdings Limited |  |  |
| (equity and loan notes) | (31.0) | (136.2) |
| Loan interest receipts | 0.4 | - |
| Group movements in working capital | 0.2 | 0.9 |
| Directors' fees and expenses | (0.2) | (0.1) |
| Investment management fees | (1.5) | (1.1) |
| Administrative expenses | (1.0) | (1.0) |
| Company's closing cash balance | 1.2 | 34.3 |

Cash flows of the Group for the year to 30 September 2023 (£million)

The Group is defined as the Company and its two intermediate holding companies. Thecash flows for the Group of £1.2 million include £0.01 million in FSFC Holdings 2Limited .

Combined asset-level income analysis

The underlying investments generate revenue from grants, timber harvesting and a number of isolated activities across a number of sites. Details of the combined income at the asset level for the year to 30 September 2023 are shown below:

|  |  |  |
| --- | --- | --- |
| Asset-level revenue type | Revenue (£m) | Details |
| Grant income | 0.9 | 472 hectares of planting |
| Timber income | 0.7 | 16,755 tonnes of harvesting |
| Livestock sales and ***agricultural*** rent | 0.2 | Includes livestock sales and land rental for livestock |
| Hydro power | 0.1 | Hydro electricity sales at Fordie |
| Other income | 0.2 | Includes sporting and hospitality rental income |
| Total asset-level revenue | 2.1 |  |

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

|  |  |  |  |
| --- | --- | --- | --- |
| APM purpose | Calculation | APM value | Reconciliation to IFRS |
| Net Asset Value ("NAV") A measure of the value of the Company's total assets. | The sum of net assets of the Company as shown on the statement of financial position. | £169.2 million | The calculation uses the Net Asset Value as per the statement of financial position on page 89. |
| Gross Asset Value ("GAV") A measure of the value of the Company's total assets. Gross Asset Value on investment basis including debt. | The sum of total assets of the Company as shown on the statement of financial position and the total debt of the Group. | £179.6 million | The calculation uses the Net Asset Value as per the statement of financial position on page 89 and total outstanding debt on page 47. |
| Net Asset Value per share Allows investors to gauge whether shares are trading at a premium or a discount by comparing the Net Asset Value per share with the share price. | The net assets divided by the number of Ordinary Shares in issuance. | 98.4 pence | As per the closing Net Asset Value per the statement of financial position on page 89 and the closing number of Ordinary Shares as per note 13 of the financial statements on page 100. |
| Total NAV return since IPO A measure of financial performance, indicating the movement of the value of the Fund since IPO and expressed as a percentage. | Closing NAV per share as at 30 September 2023 plus all dividends since IPO assumed reinvested, divided by the NAV at IPO, expressed as a percentage. | 0.3% | The calculation uses the Net Asset Value as per the statement of financial position on page 89 and cash dividends as per the statement of cash flows on page 91. |
| Market capitalisation Provides an indication of the size of the Company. | Closing share price as at 30 September 2023 multiplied by the closing number of Ordinary Shares in issuance. | £140.2 million | The calculation uses the closing share price as per the key investment metric table on page 44 and the closing number of Ordinary Shares as per note 13 of the financial statements on page 100. |
| Ongoing charges A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running the Company. | Calculated and disclosed in accordance with the AIC methodology. Annualised expenses divided by average NAV. | 1.46% | Ongoing charges are detailed on page 48. |
| Gearing A measure of financial risk on the balance sheet of the Group. | Total debt of the Group and underlying investments as shown on page 47 as a percentage of GAV. | 5.8% | The calculation uses the total debt on page 47 and the Net Asset Value as per the statement of financial position on page 89. |

BOARD OF DIRECTORS

Richard Davidson

Chair of the Board, Management Engagement Committee Chair

Richard has a 20-year track record of investing in UK forestry and has been heavily involved in the management of his own Scottish forestry investments, including the planning and design of several new planting projects. He was previously the chair of the investment committee of Gresham House Forestry.

Richard was formerly a Managing Director and Investment Strategist at Morgan Stanley. He was also previously a partner of Lansdowne Partners, running the macro fund. Richard chairs the University of Edinburgh investment committee, overseeing the university's endowment.

External directorships

Aberforth Smaller Companies Trust Plc

MIGO Opportunities Trust Plc

Sarika Patel

Non-Executive Director, Audit and Risk CommitteeChair, Senior Independent Director

Sarika has nearly 30 years' experience in a mixture of public and private organisations. She is a chartered accountant and a chartered marketer. Sarika is also currently Chair of Action for Children and is a Board Member of the Office for Nuclear Regulation where she chairs the Audit, Risk and Assurance Committee.

External directorships

abrdn Equity Investment Trust Plc

SDCL Energy Efficiency Income Trust Plc

Office for Nuclear Regulation

Action for Children

London General Surgery Ltd

Josephine Bush

Non-Executive Director, Sustainability and ESG Committee Chair

Josephine was a senior partner at EY for 14 years, specialising in the renewable energy sector. She is a qualified solicitor and chartered tax adviser, as well as earning the CFA ESG investing qualification and a sustainable finance certification. She is a fellow of the Royal Geographic Society.

External directorships

JRB Consulting Limited

Vulcan Energy Resources

Sustineri Strategy Ltd

NextEnergy Solar Fund Plc

Christopher Sutton

Non-Executive Director, Nomination and Remuneration Committee Chair

Christopher was a director of James Latham plc, one of the UK's largest independent trade distributors of timber, panels and decorative surfaces, for 14 years. He is currently the Chairof Timber Development UK, a Non-Executive Commercial Director of UNWASTED and an ambassador for the National Forest Company.

External directorships

Timber Development UK Limited

CDS Consultants Limited

UNWASTED Group Plc

BOARD LEADERSHIP AND COMPANY PURPOSE

GOVERNANCE FRAMEWORK

The Board

The role of the Board is to collectively promote the long-term success of the Company. The Board shapes the Company's strategy, having regard to all stakeholders within a framework of effective controls. The "Matters Reserved for the Board" is available to view on the Company's website or by writing to the Company Secretary at the registered office.

Section 172 statement Pages 13 and 14

Principal risks Page 41 to 45

Supporting Committees

The Board has established four Committees to focus on the specific activities of the Company, under the chairmanship of different members of the Board, and ultimately all reporting to the full Board.

Audit and Risk Committee Pages 56 to 59

Oversees financial reporting, maintains a constructive relationship with the external auditor and monitors the effectiveness of the Company's risk management systems.

Nomination and Remuneration Committee Pages 64 to 67

Ensures the Board and its Committees have the appropriate balance of skills, knowledge, diversity, experience and independence. Establishes a remuneration policy and ensures there is a clear link between performance and remuneration.

Sustainability and ESG Committee Pages 62 and 63

Provides oversight in relation to its Sustainability and ESG strategy.

Management Engagement Committee Pages 60 and 61

Reviews the performance of the Investment Manager, Fund Administrator, Company Secretary and key external service providers.

The Investment Manager

The day-to-day management of the Company and in particular the management of its forestry and afforestation portfolio

Investment Manager's Report Pages 22 and 23

Operational review Pages 24 to 32

Stakeholders

The Company's stakeholders play an important role in monitoring and safeguarding its governance. The Board ensures that its highly experienced third-party advisers, such as its corporate broker and legal adviser, are consulted on appropriate matters.

Section 172 statement Pages 13 and 14

Relationships with Shareholders Pages 13 and 14

CORPORATE GOVERNANCE REPORT

Purpose and governance culture

The Company has a clear and consistent purpose, which forms the foundation of its ***strategic*** objectives. The Company's Board embeds a strong culture of governance, informed by a number of factors including its focus on long-term net total return through targeting sustainable impact investments and openness and transparency with stakeholders. This approach is at the heart of how the Directors fulfil their duty under Section 172 of the Companies Act 2006 and the Board feels strongly that its policies, practices and behaviours contribute effectively to the success of the Company and its stakeholders.

Meetings and attendance

The Board meets formally on a quarterly basis and, in addition, also meets to review and discuss the Company's strategy annually. The Board also holds ad hoc meetings for matters such as to approve the half-yearly Net Asset Value, receive trading updates and other general corporate matters. The Company Secretary attends all scheduled meetings, whilst representatives of the Investment Manager, the external auditor and other advisers are invited to attend as required.

In addition to the scheduled Board and Committee meetings for FY23, there were a further seven Board meetings held during the period. Attendance at all scheduled meetings can be seen in the table below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Richard | Sarika | Josephine | Christopher |  |
| Davidson | Patel | Bush | Sutton |  |
| Quarterly Board meetings | 4/4 | 4/4 | 4/4 | 4/4 |
| Audit and Risk Committee meetings | 2/2 | 2/2 | 2/2 | 2/2 |
| Nomination and Remuneration Committee meetings | 1/1 | 1/1 | 1/1 | 1/1 |
| Management Engagement Committee meetings | 1/1 | 1/1 | 1/1 | 1/1 |
| Sustainability and ESG Committee meetings | 1/1 | 1/1 | 1/1 | 1/1 |

Statement of compliance with AIC Code

The Company has complied throughout the accounting period ended 30 September 2023 with the Provisions set out in Sections 5 to 9 of the AIC Code.

The Board has considered the need for an internal audit function and, as all the day-to-day operations of the Company are outsourced, this was not deemed necessary at this time. Due to the size of the Board and the nature of the Company's business, the Board considers it appropriate for the entire Board, including the Chair, to fulfil the role of the Audit and Risk Committee.

Going concern

Under the AIC Code, the Board needs to consider whether it is appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Board continues to adopt the going concern basis and the detailed consideration is contained on page 77.

Viability statement

The viability statement, under which the Directors assess the prospects of the Company over a longer period, is contained on pages 77 and 78.

Assessment of principal and emerging risks

The Board undertook a robust assessment of the Company's emerging and principal risks during the year. Particular focus was given to the liquidity of the Company's assets and subsidiaries. Further details can be found on page 93.

DIVISION OF RESPONSIBILITIES

|  |  |
| --- | --- |
| Board | Role overview |
| Chair | · Sets the agenda for Board meetings |
| · Works with the Company Secretary to manage the meeting timetable |  |
| · Facilitates open and constructive dialogue amongst Directors during meetings |  |
| · Ensures timely flow of accurate and reliable information within the Board |  |
| Non-Executive Directors | · Work closely with the Chair and Foresight in monitoring the Company's delivery of strategy |
| · Ensure internal controls are robust and that an external audit is carried out |  |
| · Provide constructive input to the development of the Company's strategy |  |
| · Serve on the Board's Committees |  |
| Role overview |  |
| Investment Manager | · Provides portfolio and risk management services |
| · Ensures compliance with the Company's investment policy and the requirements of the AIFM Directive, pursuant to the Investment Management Agreement ("IMA") |  |
| · Fulfils the duties set out in the IMA, which sets out the matters over which the Investment Manager has authority |  |
| · Works alongside the Board on corporate strategy, risk management and corporate governance procedures |  |
| · Provides full information on the Company's investment performance, assets, liabilities, projected cash flow and other relevant information to the Board at its quarterlymeetings |  |
| Administrator | · Maintains the Company's books and records |
| · Prepares the management and financial accounts |  |
| · Calculates, in conjunction with the Investment Manager and Savills, the Company's NAV |  |
| Company Secretary | · Ensures regulatory compliance |
| · Supports the Board's corporate governance processes and continuing obligations |  |
| · General secretarial functions required by the Companies Act 2006 |  |
| · Provides support to the Chair in ensuring timely and accurate information flows to the Board |  |

AUDIT AND RISK AUDIT AND RISK COMMITTEE REPORT

Sarika Patel

Chair of the Audit and Risk Committee

Composition

The Audit and Risk Committee comprises the full Board and is chaired by Sarika Patel. Due to the size of the Board and the independent, non-executive nature of the Directors, the Board considers it appropriate for all of the Directors to be members of the Committee. The Committee's terms of reference were reviewed during the year and are available on the Company's website.

The Board is satisfied that, in line with the recommendations of the AIC Code, at least one member of the Audit and Risk Committee has recent and relevant financial experience, and that the Committee as a whole has experience relevant to the sector in which the Company operates. As the Chair of the Board was independent on appointment, it is considered appropriate for him to be a member of the Audit and Risk Committee and to bring his considerable experience in the forestry sector to bear on its activities.

Responsibilities

The role of the Audit and Risk Committee is to ensure that the financial and other reporting of the Company is accurate, complete, and appropriately audited and reported thereon. The Committee reviews internal procedures of its advisers and agents to ensure that the Company's significant risks have been identified and that suitable steps have been taken to ensure that the controls in place appropriately mitigate these risks.

The duties of the Audit and Risk Committee are, inter alia:

· To monitor the integrity of the financial statements of the Company, including its annual and interim reports and any other formal announcements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor

· To review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy and whether it informs the Board's statement in the Annual Report on these matters that is required under the AIC Code

· To review the Company's internal financial controls and review the adequacy and effectiveness of the Company's internal control and risk management systems and monitor the proposed implementation of such controls

· To review the adequacy and effectiveness of the Company's compliance, whistleblowing and fraud-related processes and procedures

· To consider and make recommendations to the Board to be put to Shareholders for approval at the Company's Annual General Meeting in relation to the appointment, reappointment and removal of the Company's auditor

· To assess annually the auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats and the provision of any nonaudit services

Activities during the year

In March 2023, the Committee undertook a detailed review of the Company's risk register and emerging risks. The risk register was updated to reflect, amongst other things, increased inflation and interest rates and the general macroeconomic challenges in the market.

During the year, the Audit and Risk Committee has sought assurances as to the resilience of the reporting and control systems in place for both the management of the portfolio and for the Company's investment activities. The Committee will continue to evaluate and challenge the resilience of all key agents to the Company.

Although the Board has overall responsibility for preparing the Annual Report and Financial Statements, the Audit and Risk Committee considers the form and content of the Annual Report and Financial Statements and any significant areas of complexity, judgement and estimation that have been applied in the preparation of the financial statements. These areas of judgement and estimation were discussed with the Investment Manager, Administrator and auditor during the year and the Audit and Risk Committee reviewed and agreed the auditor's audit plan and audit findings report following the conclusion of its year-end audit.

Meetings

The Committee formally met twice during the year and attendance is set out on page 54. The meetings allowed sufficient time to enable the Committee to consider all the matters of importance and the Committee was satisfied that it received full information in a timely manner to allow it to fulfil its obligations. The formal Audit and Risk Committee meetings were also attended by representatives of the Investment Manager, Administrator and Company Secretary.

Risk management and internal controls

Risks

The Board has ultimate responsibility for the effective management of risk for the Company including determining its risk appetite and identifying key ***strategic*** and emerging risks. The Audit and Risk Committee serves as a governance body to oversee, review and challenge the risk management processes. The Committee has conducted a robust assessment of the principal risks faced by the Company and was satisfied on the adequacy and effectiveness of the Company's risk management systems with appropriate operational and assurance reporting from third parties. A description of these risks, including procedures employed to manage or mitigate them, is included in the ***strategic*** report on pages 41 to 45.

Internal controls

The Board is responsible for the internal financial control systems of the Company and for reviewing their effectiveness. It has contractually delegated these services to third parties, but the Directors annually review the internal control framework established by the Investment Manager and Administrator to satisfy itself on the effectiveness of internal financial control.

The Directors receive and consider quarterly reports from the Investment Manager, giving full details of the portfolio and of all aspects of the financial position of the Company. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

The Board has reviewed the need for an internal audit function. It has decided that the systems and procedures adopted by the Investment Manager, Administrator, the Audit and Risk Committee and other third-party advisers provide sufficient assurance that a sound system of internal control, which safeguards Shareholders' investments and the Company's assets, is maintained. In addition, the Company's financial statements are audited by external auditors. The Board has therefore concluded that it is not necessary to establish an internal audit function at present but this approach will be kept under review.

The auditor

As part of the review of auditor independence and effectiveness, Ernst & Young LLP ("EY") has confirmed that they are independent of the Company and have complied with the relevant auditing standards. In evaluation of EY's performance, the Audit and Risk Committee has taken into consideration the skills and experience of the firm and of the audit team.

The Committee assessed the effectiveness of the audit process through the quality of the audit planning reports it received from EY, together with the contribution which EY made to the discussion of any matters raised in these reports or by Committee members. The Committee also took into account any relevant observations made by the Investment Manager and Company Secretary. TheCommittee is satisfied that EY provides an effective independent challenge in carrying out its responsibilities.

EY was appointed as the Company's auditor upon its IPO in November 2021. Having considered the effectiveness of the audit, including reviewing the Audit Quality Inspection Reports in relation to EY published by the Financial Reporting Council, the Audit and Risk Committee has recommended the continuing appointment of EY to the Board. EY's performance will continue to be reviewed annually, taking into account all relevant guidance and best practice.

All non-audit work to be carried out by EY must be approved in advance by the Audit and Risk Committee to avoid compromising the independence of EY as auditor. No non-audit fees were incurred during the financial year to 30 September 2023.

|  |  |  |
| --- | --- | --- |
| Service provided |  |  |
| (excluding VAT) | 2023 fee | 2022 fee |
| Audit services | £143,775 | £118,250 |
| Non-audit services | £0 | £0 |
| Total | £143,775 | £118,250 |

Significant financial reporting areas

The key areas of risk identified and considered by the Committee in relation to the business activities and financial statements of the Company for the year ended 30 September 2023 were as follows:

|  |  |
| --- | --- |
| Matter | Committee action |
| Valuation of the forestry and afforestation portfolio Although valued by an independent firm of valuers, Savills, the valuation of the Company's portfolio is inherently subjective, requiring significant judgement by the valuers. Errors in the valuation could have a material impact on the Company's NAV. Further information about the portfolio and inputs to the valuations are set out in note 10 to the financial statements. | The Investment Manager liaises with the valuers on a regular basis to ensure they have up-to-date management information to value the portfolio. The Board reviewed the results of the valuation procedure at each half-year and discussed in detail the process of producing each valuation with the Investment Manager. The Investment Manager discussed with the auditor the work performed to confirm the valuation and existence of the assets in the portfolio. The 30 September valuation was also discussed in detail with Savills to ensure that the Board understood the assumptions underlying the valuation and sensitivities inherent in the valuation and any significant area of judgement |
| Valuation of carbon credits As the sale of carbon credits is a relatively new area, support for the pricing and valuations prepared by the Company is more limited than its forestry and afforestation assets. As carbon credits now make up a larger area of the portfolio than the previous year, errors or an overly conservative approach to the valuation have the potential to impact the Company's NAV in a material way. | The Investment Manager and the valuer worked closely together to consider the process for the valuation of the Company's carbon credits. Details of the methodology and assumptions applied can be found on page 32. The valuers also reported directly to the Board at its strategy day in August 2023, in relation to both the forestry and afforestation market and the outlook for carbon credit valuations. The Board reviewed the results of the valuation procedure at each half-year and discussed in detail the process of producing each valuation with the Investment Manager. |
| ESG metrics Verification of the ESG metrics contained on pages 34 to 36 does not form part of the scope of the external audit. Incomplete or inaccurate data contributing to these metrics could lead to errors in reporting the Company's significant ESG considerations to Shareholders. | The Audit and Risk Committee worked closely with the Sustainability and ESG Committee and the Investment Manager to ensure that this data is reliable, accurate and being sufficiently tested. Further detail on how these metrics have been produced can be found in the Sustainability and ESG Committee report on pages 62 and 63. |
| Going concern assessment The Directors are required to prepare the financial statements on a going concern basis unless they intend to liquidate the Company or have no alternative but to do so. | In assessing the Company's going concern, the Committee has taken into consideration the current economic situation, the principal risks facing the Company, its loan arrangements and liquidity position. The Company's going concern statement can be found on page 93 |

Conclusion

The Audit and Risk Committee has concluded that the Annual Report and Financial Statements for the year ended 30 September 2023, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's business model, strategy and performance.

This conclusion was reached through knowledge of the Company and its activities, a detailed review of this Annual Report and enquiries of the various parties involved in the preparation of the Annual Report and Financial Statements. The Audit and Risk Committee has reported to, and agreed its conclusions with, the Board.

Committee evaluation

A detailed and rigorous evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The skills and experience of the members, including recent and relevant financial experience and industry experience, were found to be appropriate. The Committee was found to be functioning effectively and all Committee members were satisfied with the overall workings of the Committee. Through the Nomination and Remuneration Committee, there was also consideration of succession planning and the continued independence of all the members of the Committee.

Sarika Patel

Chair of the Audit and Risk Committee

5 December 2023

REPORT OF THE MANAGEMENT ENGAGEMENT COMMITTEE

Richard Davidson

Chair of the Management Engagement Committee

Composition of the Management Engagement Committee

The Management Engagement Committee comprises the full Board with Richard Davidson as Chair. The Committee's terms of reference were reviewed during the year and are available on the Company's website.

Responsibilities of the Management Engagement Committee

The duty of the Management Engagement Committee is to review the terms of appointment of, and the performance by, the Investment Manager, the Administrator and the other key service providers appointed by the Company and to decide whether it is in the best interests of Shareholders for those appointments to continue.

The Company's auditor is not included in this review as their appointment falls under the remit of the Audit and Risk Committee.

The following are considered particular areas of focus for the Committee:

· To monitor and evaluate the Investment Manager's performance (and, if necessary, provide appropriate guidance) and compliance by the Investment Manager with the Investment Management Agreement

· To reasonably satisfy itself that the Investment Management Agreement is fair and that the terms thereof comply with all regulatory requirements, conform with market and industry practice and remain in the best interests of Shareholders

· To reasonably satisfy itself that systems put in place by the Investment Manager in respect of the Company are adequate to meet relevant legal and regulatory requirements

· To reasonably satisfy itself that matters of compliance are under proper review

· To regularly review the composition and performance of the key personnel performing the services on behalf of the Investment Manager and consider whether the continuing appointment of the Investment Manager, on the terms of the Investment Management Agreement, is in the interests of Shareholders as a whole, and make recommendations to the Board thereon together with a statement of the reasons for this view

· To consider and review the level and method of remuneration of the Investment Manager pursuant to the terms of the Investment Management Agreement, including the methodology of calculation of the annual fee and any performance fee

· To review the performance and services provided by the Company's other service providers and consider whether the continuing appointments of such service providers under the terms of their agreements are in the interests of Shareholders as a whole and make recommendations to the Board thereon together with a statement of the reasons for their view

In addition to the Committee members drawing upon their own experiences of working with the service providers, the Committee also had Foresight Group complete assessments of the performance of the other service providers. This feedback was carefully reviewed and discussed by the Committee.

Activities during the year

Investment Manager

The day-to-day management of the Company, and in particular the management of its forestry and afforestation portfolio, is delegated to the Investment Manager. The Committee carried out a robust assessment of the Investment Manager during the year, including fee levels. The feedback was positive. The Board requested a breakdown of the investment management fees, including fees paid to EJD Forestry for asset management services, and these were presented and discussed at the annual strategy day. It was concluded that, despite the rate of acquisitions in the 2023 financial year being lower than the previous year, the development of the Company's afforestation portfolio required a considerable time commitment. The Investment Manager also employed a portfolio manager during the year to assist with the implementation of the Company's considerable planting programme in spring 2024. The increased resource within the portfolio management team at Foresight is expected to allow Robert Guest and Richard Kelly additional time to focus on the overall strategy of the portfolio and seeking prospects for improved performance and growth. The Board also reviewed an Investment Manager prepared fee benchmarking exercise, comparing the Investment Manager's fees to other equivalent forestry investment funds and alternative investment trusts. The Board was satisfied that the investment management fees represented good value for the Company. Therefore, no fee changes were recommended to the Board by the Committee for this financial year.

The Committee remains firmly of the view that the Investment Manager demonstrates the skills and commitment to perform its role. The Committee recommended the Investment Manager's continued appointment to the Board, and it was unanimously agreed that this is in the best interests of Shareholders.

Administrator and Company Secretary

Foresight Group LLP has served as Administrator and Company Secretary to the Company since its IPO in November 2021.

Under the terms of the Investment Management Agreement, Foresight Group is entitled to an annual fee in respect of administration and company secretarial services which is calculated and payable monthly in arrears as the greater of: (i) 0.07 per cent. of the Net Asset Value per annum; and (ii) £120,000. The Investment Manager is also entitled to reimbursement of all out-of-pocket costs, expenses and charges reasonably and properly incurred on behalf of the Company in connection with these services. No additional fees were paid to the Administrator and Company Secretary during the period.

Following the Committee's recommendation, the Board agreed that the continued appointment of the Administrator and Company Secretary is in the best interests of the Company and its Shareholders.

Other service providers

During the year, the Management Engagement Committee conducted a review of the Company's other key service providers, as listed at the back of this Annual Report. The Committee reviewed the performance as well as the fees charged by each service provider and instructed the Investment Manager to provide feedback to those providers where it was deemed appropriate. As a result of this review and following the departure of the Company's main corporate broker contact, who had been instrumental in the Company's IPO, the Company undertook a formal and rigorous tender process to select a new corporate broker. A decision was made after the year end to appoint Stifel Nicolaus Europe Limited as the new corporate broker to the Company.

The Company appointed a new PR Adviser, SEC Newgate, during the year and has been pleased with the results produced to date.

Committee evaluation

Following a robust review of the Committee as part of the Company's annual performance evaluation, the experience of the Committee's members was found to be appropriate. Committee meetings were considered effective and efficient, and all members contributed appropriately.

Richard Davidson

Chair of the Management Engagement Committee

6 December 20232

REPORT OF THE SUSTAINABILITY AND ESG COMMITTEE

Josephine Bush

Chair of the Sustainability and ESG Committee

Composition of the Sustainability and ESG Committee

The Sustainability and ESG Committee comprises the full Board and is chaired by Josephine Bush. It is considered appropriate that all Directors are members of the Committee due to the central focus on sustainability of the Company and the importance of all Board members remaining up to date with sustainability and ESG matters.

Responsibilities of the Sustainability and ESG Committee

The Sustainability and ESG Committee is responsible for reviewing the Company's ESG strategy and ensuring this is in line with the aims and objectives agreed by the Board and the Investment Manager. The Committee's terms of reference were reviewed during the year and are available on the Company's website.

The duties of the Sustainability and ESG Committee are, inter alia:

· To guide, supervise and support the Investment Manager in drafting and periodically reviewing the Sustainability and ESG strategy which sets out the guiding principles, objectives, ***strategic*** actions and policies with respect to ESG matters

· To have oversight of the overall ESG strategy of Company, including agreeing the Company's key ESG objectives and agreeing the key performance indicators linked to each of the Company's chosen ESG objectives, and monitoring progress against each of these key performance indicators

· To assess and prioritise ESG risks and opportunities for the Company, such assessment to be carried out in alignment with chosen reporting frameworks, including assessment of climate change risks, and with relevant input from the Audit and Risk Committee

· To receive reports and keep abreast of notable developments in ESG-related regulation and industry trends relevant to the Company and the sector in which it operates

· To monitor the Company's adherence to ESG objectives and KPIs and work with the Audit and Risk Committee to oversee the reporting of these objectives and KPIs

· To oversee the selection of non-financial reporting/ESG disclosure frameworks by the Company

· To oversee the engagement of any external service providers or consultants retained for the purpose of auditing the Company's performance in relation to ESGmatters

· To identify relevant ESG training and opportunities and advise the Board and/or the Company's key service providers accordingly

Meetings

The Sustainability and ESG Committee met once during the year to oversee, guide and discuss the Company's approach to sustainability and ESG strategy, review progress against KPIs, and to assess the disclosures to make in this report and the separate Sustainability and ESG Report. The Sustainability and ESG Committee Chair also met with representatives of the Investment Manager throughout the year to progress and evolve the approach to sustainability, and oversee the finalisation of the standalone Sustainability and ESG Report, which was published in April 2023. The Company Secretary attends the meetings as Secretary to the Committee. In addition, representatives of the Investment Manager are also invited to attend.

Activities during the year

ESG strategy

The Company has categorised its ESG commitments into a series of sustainable business initiatives, measures and targets, with the core aim of generating "natural capital alpha" (as defined within the standalone Sustainability and ESG Report) through sustainable forestry management practice. This strategy is set out on page 33 of this report and in the standalone Sustainability and ESG Report published on 18 April 2023.

Sustainability and ESG Report

In recognition of the increasing importance of Sustainability and ESG credentials to Shareholders, the Board prepared and published a separate Sustainability and ESG Report on 18 April 2023, following the publication of the 2022 Annual Report and Financial Statements. The Sustainability and ESG Report aimed to provide additional detail on the narrative surrounding the statistics set out on pages 62 and 63.

Following positive engagement and feedback on the content of the report, the Committee has taken the decision to prepare an updated version for the 2023 financial year, which will build on the Company's sustainability strategy, climate-related risk management, metrics and targets.

International Sustainability Standards Board ("ISSB")

The Committee has considered the ISSB's first sustainability-related reporting standards, S1 and S2, released in June 2023 (the "Standards"), and is aware that the Standards are open for voluntary adoption for annual reporting periods commencing on or after 1 January 2024, with reporting to commence in 2025. It is the view of the Board and the Investment Manager that the Standards adopt a wider approach to sustainability and the Company has a strong baseline to support a move towards the ISSB recommendations. Therefore, the Company will continue to report against TCFD for the 2024 financial year with a view to moving to the voluntary adoption of the ISSB Standards for the 2025 financial year.

Committee evaluation

An evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The Committee was found to be functioning well and that its approach to Sustainability and ESG was appropriate for the Company.

Josephine Bush

Chair of the Sustainability and ESG Committee

6 December 2023

COMPOSITION, SUCCESSION AND EVALUATION

NOMINATION AND REMUNERATION COMMITTEE REPORT

Christopher Sutton

Chair of the Nomination and Remuneration Committee

Composition of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises the full Board and is chaired by Christopher Sutton. The Board considers that, given its size, it would be unnecessarily burdensome to establish a Nomination and/or Remuneration Committee which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise on the Board. The Committee's terms of reference were reviewed during the year and these are available on the Company's website.

Responsibilities of the Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee is to ensure that there is a rigorous, formal and transparent procedure for appointments to the Board and to determine Director remuneration levels. The Committee assists the Board in ensuring that its composition is optimal for Board effectiveness and that it is able to operate in the best interests of Shareholders.

The Committee has various functions, the most important of which are:

· To review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board as a whole and make recommendations to the Board with regard to any changes

· To give full consideration to succession planning for Directors in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in thefuture

· To prepare a policy on the tenure of the Chair of the Board and the Board

· To keep up to date and fully informed about ***strategic*** issues and commercial changes affecting the Company and the market in which it operates

· To be responsible for identifying and nominating for the approval by the Board, candidates to fill Board vacancies as and when they arise

· To prepare and maintain the Company's equity, diversity and inclusion policy

· To review the results of the Board performance evaluation process that relate to the composition oftheBoard

· To review annually the time required from Non-Executive Directors

· To review any proposed changes to the remuneration of the Directors of the Company, in accordance with the Principles and Provisions of the AIC Code

· To design remuneration policies and practices to support strategy and promote long-term sustainable success and review the ongoing appropriateness and relevance of the remuneration policy

Meetings

The Nomination and Remuneration Committee meets formally at least once a year. At this meeting, the Committee discusses succession planning, Board composition and also reviews the results of the annual evaluation of the effectiveness of the Board and its Committees. The Company Secretary attends the meetings as Secretary to the Committee and representatives of the Investment Manager are invited toattend as required.

Activities during the year

Succession planning

The Committee has adopted a policy for succession planning and Board tenure, and this was reviewed during the year. Each Director has indicated their preference and intentions with regard to their length of service on the Board, with consideration being given to the AIC Code's recommendation of a maximum term of nine years. In acknowledgement of all Directors having the same appointment date, in the event that all current Directors are still in place within the next few years, the Board will agree provisional timings for the recruitment of new Board members. Any new Board members who will replace the Chair of the Board or the Chair of the Audit and Risk Committee will be appointed prior to the existing Director's resignation to ensure an effective handover is delivered. There are no expected Board changes for the year ending 30 September 2024.

Board composition and diversity

The Board consists solely of Non-Executive Directors under the chairmanship of Richard Davidson. All the Directors are considered by the Board to be independent of the Investment Manager.

Richard Davidson was independent on appointment and is still considered to be independent. The Company is subject to the AIC Code and therefore there is no requirement to limit the Chair's tenure. The Directors' feedback during the 2023 Board evaluation process showed that the Chair effectively promoted a culture of openness and debate, facilitated constructive Board dynamics and ensured all Board members contributed effectively.

The Board supports the recommendations issued by the FTSE Women Leaders Review, the Parker Review and the Listing Rule requirement introduced in April 2022 for listed companies to target at least 40% female Board representation and at least one member of the Board from an ethnic minority background by December 2024. This information is set out in the tables below.

|  |  |  |  |
| --- | --- | --- | --- |
| Number of |  |  |  |
| Number of | Percentage | senior positions |  |
| Board members | of the Board | on the Board |  |
| Men | 2 | 50% | N/A1 |
| Women | 2 | 50% | N/A1 |
| Other categories | None | None | N/A1 |

|  |  |  |  |
| --- | --- | --- | --- |
| Number of |  |  |  |
| Number of | Percentage | senior positions |  |
| Board members | of the Board | on the Board |  |
| White British or other White (including minority white groups) | 3 | 75% | N/A1 |
| Mixed/multiple ethnic groups | None | None | N/A1 |
| Asian/Asian British | 1 | 25% | N/A1 |
| Black/African/Caribbean/Black British | None | None | N/A1 |
| Other ethnic group | None | None | N/A1 |

1. Inapplicable as the Company is externally managed and does not have executive management functions, including the roles of CEO and CFO.

All current Board members have been drawn from diverse working and social experience with no prior connections between the individual Board members.

Board evaluation

During the year, a formal and rigorous evaluation of the performance of the Board, its Committees and the individual Directors was carried out through an assessment process led by the Nomination and Remuneration Committee Chair and the Company Secretary. Areas of particular strength included the balance of skills on the Board and the level of engagement and commitment shown by all members. The Board's close working relationship with the Investment Manager and detailed knowledge of the Company's strategy and the issues the Company faces were also noted.

The Committee acknowledges the AIC Code's recommendation for an independent Board evaluation to be carried out every three years. As the Company has only been operating for two years and no significant concerns were raised during the Board evaluation process, it is the Board's view that an external evaluation is not currently required. However, this will be kept under review throughout the upcoming year.

Potential areas of consideration from the 2023 Board evaluation are as follows:

|  |  |
| --- | --- |
| Key recommendations | Actions agreed |
| Legal and corporate governance |  |
| · Increase the Board's understanding of the views and desires of the Company's Shareholders and stakeholders | · Increased feedback from the Fund Managers regarding interactions with Shareholders · Encourage all Shareholders to attend the Company's second AGM in February 2024 · All Board members to remain open to discussions with Shareholders at any time |
| Meetings and communication |  |
| · Feedback from the Board to the Investment Manager on timeliness of information and time frames for Board approval | · The Committee felt that these issues had largely been resolved during the second half of the year and the upward trajectory should continue |
| Training and induction |  |
| · Acknowledgement of the need for continued professional development on the Board | · Periodic training, increased attendance at site visits and the maintenance of a training log to be implemented |

Our Board evaluation process

1 Document Preparation

The Company Secretary considers the content of the review questionnaire, ensuring that this is tailored to suit the nature of the Company and the requirements of the AIC Code

2 Agree process and timetable

The Company Secretary and the Nomination and Remuneration Committee Chair agree a timetable for the review to take place and the content of the questionnaire to be sent to Directors

3 Board and Committee observation

Each Director provides their feedback to the Company Secretary through the questionnaire

4 Results

The full responses are provided to the Nomination and Remuneration Committee Chair

5 Reporting

An anonymised version of the consolidated scores and comments is included in the Nomination and Remuneration Committee meeting pack and a discussion lead by the Nomination and Remuneration Committee Chair

6 Feedback

Any specific feedback relevant to an individual Director is provided to them privately by the Nomination and Remuneration Committee Chair

Remuneration policy

The Company's remuneration policy can be found in the Directors' remuneration report on page 68 to 70. The remuneration policy was last put to a vote at the Company's first AGM in February 2023 and will be re-tabled every three years hereafter.

Board remuneration

A detailed review of Board emolument levels was undertaken by the Committee during the year. This was supported by a peer group and fee analysis and taking into account the general macroeconomic environment and inflation levels. During this evaluation in the 2022 financial year, the Board's fees were found to be c.£10k below market rate for an investment trust of this size. Therefore, in addition to the increases implemented as at 1 October 2022, the Board decided to increase its base remuneration by a further £3,000 in order to more accurately reflect the current market and time commitment required of the Directors. Further, an additional fee of £1,000 per annum was awarded to Sarika Patel for her new role of Senior Independent Director. Both increases became effective on 1 October 2023. Additional fees for the roles of Chair of the Board and Committee Chairs remain unchanged. Full Director salary details can be found in the Directors' remuneration report on page 68 to 70.

Committee evaluation

An evaluation of the Committee was undertaken as part of the Board's annual performance evaluation. The Committee was found to be functioning well and the diversity of skills and experience of its members were considered appropriate and sufficient to ensure informed debate and constructive challenge.

Christopher Sutton

Chair of the Nomination and Remuneration Committee

5 December 2023

REMUNERATION

DIRECTORS' REMUNERATION REPORT

Directors' remuneration report

The Board considers annually the level of fees paid to each Director. Whilst the Board has final determination of the level of Directors' fees, the Nomination and Remuneration Committee is responsible for assessing whether the current fee levels are appropriate. This review takes into account the individual responsibilities of each Board member under the Committee structure, anticipated input required to oversee the Company's activities in the future and how Board remuneration is structured for the Company's peers.

Board remuneration

Remuneration policy

The Company's policy is that the remuneration of Directors should be determined with due regard to the experience of the Board as a whole, the time commitment required and to be fair and comparable to that of other Non-Executive Directors of similar companies. The Company may also periodically choose to benchmark Directors' fees with an independent review to ensure they remain competitive, fair and reasonable.

The fees for the Directors are determined within the limits set out in the Company's Articles of Association which states that the Directors' remuneration for their services in the office of director shall, in the aggregate, not exceed £300,000 per annum or such higher figure as the Company, by ordinary resolution, determines. The Directors may elect to apply the cash amount equal to their annual fee to subscribe for or to purchase Ordinary Shares. Directors' fees will be reviewed at least annually.

The Directors are entitled only to their annual fee and to be reimbursed for any expenses properly and reasonably incurred by them in and about the business of the Company or in the discharge of his or her duties asaDirector.

Any Director who performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such reasonable additional remuneration to be determined by the Directors or any committee appointed by the Directors and such additional remuneration shall be in addition to any remuneration provided for by way of their annual fee and their reasonable expenses.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

The Directors hold their office in accordance with the Articles of Association and their appointment letters. No Director has a service contract with the Company, nor is any such contract proposed. The Directors' appointments can be terminated in accordance with the Articles of Association and their appointment letters and without compensation.

Directors' emoluments for the year

The Directors who served during the year received the following emoluments (excluding employers' National Insurance contributions) in the form of fees:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Taxable | Basic | Committee | Additional | Total |  |
| benefits | fees | Chair fee | fees1 | fees |  |
| 2023 | 2023 | 2023 | 2023 | 2023 |  |
| Richard Davidson (Chair) | - | £48,000 | - | £2,500 | £50,500 |
| Sarika Patel | £357 | £33,000 | £7,500 | £2,500 | £43,000 |
| Josephine Bush | £1,617 | £33,000 | £3,000 | £2,500 | £38,500 |
| Christopher Sutton | £362 | £33,000 | £2,500 | £2,500 | £38,000 |
| Total | £2,336 | £147,000 | £13,000 | £10,000 | £170,000 |

1. An additional fee of £2,500 per Director was agreed during the financial year ended 30September 2022, but paid in December 2022, in acknowledgement of the time commitment required of Board members surrounding the placing programme undertaken in June 2022.

Note - members of the Board were reimbursed for travel and accommodation expenses incurred in connection with their duties for the Company, which in aggregate amounted to £2,336.

Future Board emoluments

As detailed in the Nomination and Remuneration Committee report, the Board has elected to increase Directors' fees by £3,000 per annum, plus an additional fee of £1,000 for Sarika Patel for her role as Senior Independent Director, effective 1 October 2023. Based on this, and the Directors appointed as at the date of this report, Board remuneration for the year ending 30 September 2024 is expected to be as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Committee |  |  |  |  |
| Basic fees | Chair fee | Additional fees | Total fees |  |
| 2024 | 2024 | 2024 | 2024 |  |
| Richard Davidson (Chair ) | £51,000 | - | - | £51,000 |
| Sarika Patel | £36,000 | £7,500 | £1,000¹ | £44,500 |
| Josephine Bush | £36,000 | £3,000 | - | £39,000 |
| Christopher Sutton | £36,000 | £2,500 | - | £38,500 |
| Total | £159,000 | £13,000 | £1,000 | £173,000 |

For Senior Independent Director role.

Relative importance of spend on pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration and Shareholder distributions in the financial year:

|  |  |
| --- | --- |
| Total |  |
| 2023 |  |
| Aggregate Directors' remuneration | £170,000 |
| Aggregate dividends paid to Shareholders | - |

Directors' shareholdings

The Directors who held office at the year end and their interests in the Ordinary Shares of the Company as at [publication date] and 30 September 2023 were as follows:

|  |  |  |
| --- | --- | --- |
| 6 December 2023 | 30 September 2023 |  |
| Richard Davidson (Chair) | TBC | 100,000 |
| Sarika Patel | TBC | 24,000 |
| Josephine Bush | TBC | 19,000 |
| Christopher Sutton | TBC | 25,000 |
| Total | TBC | 168,000 |

Management shareholdings

Although not forming part of this report, it is also noted that the senior personnel of theInvestment Manager held in aggregate 78,804 Ordinary Shares of the Company as at 30 September 2023. As at 6 December 2023, these aggregate holdings were 78,804 Ordinary Shares.

In addition, 51,003,762 (29.64%) of the Company's shares are held by Blackmead Infrastructure Limited, an investee company of the Foresight Inheritance Tax Fund, which is also managed by the Investment Manager.

Voting at Annual General Meeting

An ordinary resolution for the approval of the Directors' remuneration policy is proposed every three years and will therefore be put to Shareholders next at the AGM to be held in February 2026. An ordinary resolution for the approval of this Directors' remuneration report will be put to Shareholders at the forthcoming AGM in February 2024.

On behalf of the Board

Christopher Sutton

Nomination and Remuneration Committee Chair

5 December 2023

DIRECTORS' REPORT

The Directors present their report and financial statements of the Company for the year ended 30 September 2023. The corporate governance statement on page 86 forms part of their report.

Information contained elsewhere in the Annual Report

Information required to be part of this Directors' report can be found elsewhere in the Annual Report as indicated below and is incorporated into this report by reference:

|  |  |
| --- | --- |
| Key performance indicators | Page 11 and 12 |
| Principal risks and risk management | Page 41 to 45 |
| Board of Directors | Page 52 |
| Report of the Audit and Risk Committee | Page 56 to 59 |
| Report of the Nomination and Remuneration Committee | Page 64 to 67 |
| Report of the Management Engagement Committee | Page 60 to 61 |
| Report of the Sustainability and ESG Committee | Page 62 to 63 |
| Remuneration report | Page 68 to 70 |

Principal activities and status

Foresight Sustainable Forestry Company Plc (the "Company") is registered as a public limited company in terms of the Companies Act 2006 (number: 13594181). It is an investment company as defined by Section 833 of the Companies Act 2006

The Company was incorporated on 31 August 2021 and listed on the premium segment of the Official List for trading on the London Stock Exchange's Main Market on 24 November 2021. The Company has a single share class of Ordinary Shares in issue.

The Company is a member of the Association of Investment Companies ("AIC"), Timber Development UK and Scottish Land & Estates.

Dividend policy

The Company invests in forestry assets with cash flow typically reinvested for further accretive growth.

The Company intends to pay dividends in order to satisfy the ongoing requirements under the Investment Trust (Approved Company) (Tax) Regulations 2011 save that, in the medium term, the Company's forestry assets may also generate free cash flow which the Company may decide not to reinvest. In such case(s), the Company currently intends to distribute these amounts to Shareholders.

Distributions made by the Company may take either the form of dividend income or may be designated as interest distributions for UK tax purposes. The UK tax treatment of the Company's distributions may vary for a Shareholder depending on the classification of such distributions. In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of an accounting period.

In addition, the Company intends to explore the possible distribution of carbon credits "in specie" to Shareholders in the future.

Investors should note that references in this paragraph to "dividends" and "distributions" are intended to cover both dividend income and income which is designated as an interest distribution for UK tax purposes and therefore subject to the interest streaming regime applicable to investment trusts.

In accordance with the above policy, there have been no dividends paid to Shareholders during the year and the Directors are not recommending a final dividend.

Investment objective

The Company will seek to generate an attractive net total return for Shareholders over the longer term, comprising capital growth and aperiodic dividends, targeting sustainable impact through investment predominantly in sustainably managed forestry assets (including standing forests and afforestation assets). The Company will seek to make a direct contribution in the fight against climate change through forestry and afforestation carbon sequestration initiatives. The Company will seek to preserve and proactively enhance natural capital and biodiversity across its portfolio. It is expected that the Company will achieve, and aim to exceed, the requirements of compliance with the EU Green Taxonomy and Article 9 of the Sustainable Finance Disclosure Regulation ("SFDR").

Investment policy

The Company's investment policy was updated during the year following approval at a General Meeting of the members held on 21 December 2022. The amended policy is set out below.

The Company intends to achieve its investment objective by predominantly investing in a diversified portfolio of sustainable Forestry Assets, predominantly located in the UK.

"Forestry Assets" are land assets where stands of trees have a canopy cover of at least 20% of land area ("Standing Forests"), or have the potential to achieve this through new planting ("Afforestation") initiatives. These Forestry Assets may be used for planting, maintaining and growing trees for commercial production of timber or other forest products ("Commercial Forestry") or for non-commercial purposes ("Non-Commercial Forestry") and in both cases may include areas where a community of naturally occurring tree species regenerate by natural (i.e. without intervention) means ("native woodland") and areas that are left unplanted with trees ("open ground").

The Group will seek to acquire a mixture of cash flow generating sustainable Forestry Assets representing a mixture of Standing Forests (of varying age classes) together with land suitable for Afforestation projects (representing both Commercial Forestry projects and Non-Commercial Forestry projects) to achieve a balanced portfolio with an optimal harvesting and capital growth profile.

Diversification within the Group's portfolio will be achieved by:

(i) Investing in a range of individual underlying Forestry Assets, each of which will be ***capable*** of separate disposal

(ii) Investing in different types of Forestry Assets (both Standing Forests and Afforestation projects) with a range of age classes and harvesting profiles

(iii) Where possible, seeking diversification in tree species and a blend of Commercial Forestry and Non-Commercial Forestry (including native woodland and open ground) across the overall portfolio

(iv) Engaging with a range of different off-takers for the Group's harvested timber

(v) Achieving a geographic spread across the underlying Forestry Assets

Although the Group's revenues will primarily be generated by the sale of harvested timber and, in due course, the sale of carbon credits, where appropriate and practicable, the Group will also seek to generate ancillary non-core revenue streams from its Forestry Assets, including, but not limited to, the leasing or licensing of land to third parties for ***agricultural***, sporting and tourism activities, the leasing of land to third parties for renewable energy and/or energy storage and/or telecommunications development projects (such as the erection of wind turbines or mobile telecommunications towers) and, if a future market develops, the sale of biodiversity credits.

The Company will gain exposure to Forestry Assets indirectly through its holding of equity interests in underlying asset holding companies. The Company will invest via equity or debt interests in such asset holding companies. The asset holding companies will use the funds received by the Company to acquire Forestry Assets directly or indirectly through intermediate holding companies.

Returns generated by the asset holding companies (either from the sale of harvested timber, the sale of carbon credits or from ancillary non-core revenue sources) will either be retained by the relevant asset holding companies and reinvested or paid to the Company in the form of dividends, distributions or the payment of interest on intra-group debt.

The Group may acquire freehold or leasehold interests in Forestry Assets or may acquire the shares in corporate entities holding such Forestry Assets.

Investments in Forestry Assets will typically entail 100% ownership by the Group. The Group may, however, enter into joint venture arrangements alongside one or more co-investors where the Investment Manager, in consultation with the Board, believes it is in the Group's best interests to do so (such as where an investment opportunity is too large for the resources of the Group on its own, to share risk or where a joint venture arrangement will optimise returns for the Group). In the case of such co-investments, the Group will target retaining a control position, where this is possible, or, where this is not possible, will have strong minority investor protections and governance rights.

In addition, as part of a transaction to acquire Forestry Assets, the Group may end up owning ancillary non-forestry related assets, including, but not limited to, residential land and buildings, vehicles, equipment, ***agricultural*** outbuildings and small-scale renewable energy assets (together "Non-Core Assets"). Where appropriate and beneficial to the overall strategy, the Group will look to realise the value of any Non-Core Assets over time for the benefit of Shareholders.

The Investment Manager will have overall responsibility for asset managing the Group's Forestry Assets (including any ancillary non-core revenue streams) and Non-Core Assets. The Group will also appoint appropriate specialist third-party forestry management companies who will be responsible for the day-to-day physical management of the Group's Forestry Assets, including harvesting and planting activity.

The Group's Forestry Assets will, where commercially appropriate, be operated with a view to generating carbon credits. Save where the sale of carbon credits is required to meet the working capital needs of the Group, the Company intends to realise the value of carbon credits for the direct benefit of Shareholders. Generally, the Company intends, when appropriate, to sell carbon credits and make aperiodic distributions to Shareholders of the net proceeds of such sales. As an alternative to receiving a cash distribution, the Company intends, where practicable, to offer Shareholders the option to elect to receive distributions "in kind" of carbon credits. The method and process for the distribution of any carbon credits "in kind" will be determined by the Board from time to time. The Company currently does not intend to retire carbon credits on behalf of Shareholders. The Company may, in the future, if considered appropriate, retire certain carbon credits generated from the Group's Forestry Assets for the purposes of meeting the Group's own net zero targets.

Investment restrictions

The Company will invest and manage its assets with the objective of spreading risk and, in doing so, will maintain the following investment restrictions:

y) No single Forestry Asset will represent more than 15% of Gross Asset Value (with two or more Forestry Assets which are directly adjacent being treated as a single asset), save that the Board may approve the increase of this limit up to 25% of Gross Asset Value on an exceptional basis where considered appropriate to cater for a larger-scale ***strategic*** Forestry Asset investment

z) At least 90% of Gross Asset Value shall be invested in Forestry Assets located in the United Kingdom

aa) No more than 10% of Gross Asset Value may be invested in Forestry Assets located in EEA countries

bb) The maximum exposure to Afforestation projects will not exceed, in aggregate, 50% of Gross Asset Value

cc) The maximum exposure to Non-Core Assets will not exceed, in aggregate, 10% of Gross Asset Value

dd) The Company will not invest in other listed investment companies

In accordance with the requirements of the Listing Rules, the Company will not undertake any trading activity which is material in the context of the Company as a whole.

Compliance with the above investment limits is measured at the time of investment and non-compliance resulting from changes in the price or value of assets following investment will not be considered as a breach of the investment limits.

Financial risk management

Details of the financial risk management objectives and policies followed by the Directors can be found on pages 103 to 104.

Future developments

The likely future developments of the Company are contained in the ***strategic*** report on pages 9 to 50.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 52.

The Directors do not have service contracts, but each new Director is provided with a letter of appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours.

The Articles of Association require that each Director retires by ***rotation*** and be re-elected every three years. The Board has agreed that, in accordance with governance best practice and the Provisions of the AIC Code, Directors will stand for election annually at each AGM.

The Directors' appointment dates are shown below:

|  |  |
| --- | --- |
| Date of original appointment |  |
| Richard Davidson (Chair) | 31 August 2021 |
| Sarika Patel | 31 August 2021 |
| Josephine Bush | 31 August 2021 |
| Christopher Sutton | 31 August 2021 |

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and the sector in which it operates to enable it to provide effective ***strategic*** leadership and proper guidance to the Company. The Board confirms that, following the evaluation process set out in the report of the Nomination and Remuneration Committee on pages 66 and 67, the performance of each Director is and continues to be effective and demonstrates commitment to the role. The Board believes therefore, that it is in the interests of Shareholders that each of the Directors be re-elected.

Conflicts of interest

Under the Companies Act 2006, a Director must avoid a situation where he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. This could also apply where a Director becomes a director of another company or trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect.The Company's Articles of Association give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. This register is kept up to date and the Directors are required to disclose to the Company Secretary any changes to conflicts or any potential new conflicts.

Investment Manager

The Company's Investment Manager, Foresight Group LLP, is responsible for the acquisition and management of the Company's assets, including the sourcing and structuring of new acquisitions and advising on the Company's borrowing strategy. Foresight Group is authorised and regulated by the Financial Conduct Authority.

Foresight Group was founded in 1984 and is a leading listed infrastructure and private equity investment manager. With a long-established focus on ESG and sustainability-led strategies, it aims to provide attractive returns to its institutional and private investors from hard-to-access private markets.

Foresight manages over 400 infrastructure assets with a focus on solar and onshore wind assets, bioenergy and waste, as well as renewable energy enabling projects, energy efficiency management solutions, social and core infrastructure projects and sustainable forestry assets. Its private equity team manages 11 regionally focused investment funds across the UK and an SME impact fund supporting Irish SMEs. This team reviews close to 2,500 business plans each year and currently supports more than 250 SMEs. Foresight Capital Management manages four listed strategies across seven investment vehicles.

Foresight operates in eight countries across Europe, Australia and the United States with AUM of £12.1 billion (unaudited as at 30 September 2023). Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021.

Foresight's Infrastructure team consisted of 160+ full-time employees as at 30 September 2023. The team is comprised of:

a) An investment management team of professionals responsible for originating, assessing and pricing assets, managing due diligence and executing transactions

b) A portfolio management team with expertise across electrical and civil engineering, finance and legal disciplines

The Foresight Group Infrastructure team has substantial experience in sourcing and executing all required elements of the capital structure of an investment across geographies, including project-level debt finance and other required forms of finance.

The key strengths of the infrastructure investment team include:

a) Sourcing and execution of asset acquisitions

b) Experience of pricing complex revenue streams

c) Pricing wholesale power exposure

d) Managing construction projects

e) Finance and structuring, including bank debt and project finance

The Foresight portfolio management team consists of individuals with engineering, accountancy, consulting and operations backgrounds and is responsible for the process of "on-boarding", managing and reporting on the acquired assets. Members of these teams work closely with the Investment Manager together throughout the investment lifecycle.

The portfolio management services provided ensure the day-to-day operation of the forestry assets is robust, with commercial and ***strategic*** decisions clearly communicated to the various counterparties involved.

The services also include:

· Health and safety compliance

· Oversight of third-party asset managers and forest managers

· Portfolio optimisation including negotiation of project contracts, harvesting, insurance policies, and evaluation of innovative technologies to enhance forestry assets

· Accounting and financial management from SPV to Fund level

· Management of in-house portfolio management platforms

· Providing a focus on ESG and upside opportunities across the forestry assets

· Contractual compliance of all contracts

Alternative Investment Fund Management Directive ("AIFMD")

The AIFMD was implemented across the EU on 22 July 2013 and aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs"). It imposes obligations on managers who manage or distribute Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors. Foresight Group LLP acts as AIFM to the Company and ensures compliance with regulation under the UK AIFMD and the UK National Private Placement Regime.

Share capital

Information on the Company's share capital, including voting rights, as at 30 September 2023 can be found in note 13 to the financial statements.

Substantial interests in share capital

As at 30 September 2023, the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules):

|  |  |  |
| --- | --- | --- |
| 30 September 2023 |  |  |
| Number |  |  |
| of Ordinary |  |  |
| Investor | Shares held | Percentage held1 |
| Blackmead Infrastructure | 51,503,762 | 29.93 |
| Aviva Investors | 14,876,607 | 8.65 |
| Rathbones | 13,382,175 | 7.78 |
| East Riding of Yorkshire | 13,238,318 | 7.69 |
| Equilibrium Asset Management | 11,802,000 | 6.86 |
| West Yorkshire PF | 11,000,000 | 6.39 |
| Cantor Fitzgerald Ireland | 8,852,145 | 5.14 |
| Privium Fund Management | 7,896,299 | 4.59 |
| Hargreaves Lansdown stockbrokers (EO) | 6,105,288 | 3.55 |

1. Based on 172,056,075 Ordinary Shares in issue as at 30 September 2023. The Company has only one class of share.

There have been no changes notified to the Company in respect of the above holdings, and no other new holdings notified, since the year end.

Related party transactions

Related party transactions during the year to 30 September 2023 can be found in note 21 to the financial statements.

Directors' shareholdings

Information on the Directors' shareholdings as at 30 September 2023 can be found in the Directors' remuneration report on page 69.

Directors' indemnity

The Company has maintained a Directors' and Officers' liability insurance policy on behalf of the Directors, indemnifying them in respect of certain liabilities that may be incurred by them in connection with the activities of the Company. This policy does not provide cover for fraudulent or dishonest actions by the Directors.

Other Companies Act 2006 disclosures

· There are no significant restrictions concerning the transfer of securities in the Company (other than certain restrictions imposed by laws and regulations such as insider trading laws); no agreements known to the Company concerning restrictions on the transfer of securities in the Company or on voting rights; and no special rights with regard to control attached to securities.

· There are no significant agreements which the Company is a party to that might be affected by a change of control of the Company following a takeover bid.

· There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs because of a takeover bid or other corporate events.

Articles of Association

These are available on the Company's website or by application to the Company Secretary. Any amendment to the Company's Articles of Association may only be made by passing a special resolution of the Shareholders of the Company.

Branches outside the UK

The Company does not have any branches outside the UK.

Political donations

No political donations were made during the year.

Employees

The Company has no employees and therefore no employee share scheme or policies for the employment of disabled persons or employee engagement.

Additional information

There are no disclosures required in accordance with Listing Rule 9.8.4R.

Relations with stakeholders

The Board recognises the importance of regular and effective communication with the Company's stakeholders. Further information on engagement with stakeholders during the year can be found in the Section 172 statement on pages 13 to 15.

2024 AGM

Shareholders are invited to attend the Company's AGM to be held at The Shard, 32 London Bridge Street, London SE1 9SG on 21 February 2024. The AGM notice is contained in the circular dated 6 December 2023 which was published alongside this Annual Report.

Those Shareholders who are unable to attend the AGM in person are encouraged to raise any questions in advance with the Company Secretary at [*fsfc@foresightgroup.eu*](mailto:fsfc@foresightgroup.eu) (please include "FSF AGM" in the subject heading). Questions must be received by 5.30pm on 7 February 2024. Any questions received will be replied to by either the Investment Manager or the Board via the Company Secretary before the AGM. A Shareholder presentation will be made on the day and later made available on the Company's website updating Shareholders on the activities of the year.

Resolutions to be proposed at the AGM

Ordinary Resolutions

Resolution One

To receive the Annual Report and Accounts of the Company for the year ended 30September 2023.

Resolution Two

To approve the Directors' Remuneration Report included in the Annual Report for the year ended 30September2023.

Resolution Three

To re-elect Richard Davidson as a Director of the Company

Resolution Four

To re-elect Sarika Patel as a Director of the Company

Resolution Five

To re-elect Christopher Sutton as a Director of the Company

Resolution Six

To re-elect Josephine Bush as a Director of the Company

Resolution Seven

To re-elect Ernst & Young LLP as external auditor to the Company.

Resolution Eight

To authorise the Directors to fix the auditor's remuneration until the conclusion of the next Annual General Meeting of the Company.

Resolution Nine

That, in addition to all existing authorities, the Directors be generally and unconditionally authorised to allot shares in the Company. Read more in the Circular dated 6 December 2023.

Special Resolutions

Resolution Ten

To adopt the Amended Investment Policy. Read more in the Circular dated 6 December 2023.

Resolution Eleven

That, in addition to all existing authorities, the Directors be generally and unconditionally authorised to allot equity securities in the Company. Read more in the Circular dated 6 December 2023.

Resolution Twelve

To authorise the Company to make market purchases of its own shares. Read more in the Circular dated 6 December 2023.

Resolution Thirteen

That a general meeting, other than an AGM, may be called on not less than 14 clear days'notice.

Recommendation on resolutions to be proposed at the AGM

The Directors consider the passing of the resolutions to be proposed at the AGM to be in the best interests of the Company and its Shareholders and likely to promote the success of the Company for the benefit of its Shareholders as a whole. Accordingly, the Directors unanimously recommend that Shareholders should vote in favour of the resolutions, as they intend to in respect of their own beneficial shareholdings.

Business ethics

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company does not fall within the scope of the Modern Slavery Act 2015 and is not, therefore, obliged to make a slavery and human trafficking statement. The Company's SPVs which hold its assets have their own policies in place related to modern slavery, as well as anti-bribery and corruption, sustainability and ESG, and health and safety. In any event, the Company considers its supply chains to be low risk for modern slavery.

In line with the requirements of The Criminal Finances Act 2017, the Directors confirm that the Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

In order to ensure compliance with the UK Bribery Act 2010, the Directors confirm that the Company has zero tolerance towards bribery and a commitment to carry out business openly, honestly and fairly.

In considering the appointment of Directors, the Company will continue to show no bias for age, gender, race, sexual orientation, marital status, religion, nationality, ethnic or national origins, or disability.

Going concern

The Directors, in their consideration of going concern, have reviewed comprehensive cash flow forecasts prepared by the Company's Investment Manager, Foresight Group, which are based on prudent market data, a reasonable worst case and a stress test scenario and believe, based on those forecasts and an assessment of the Company's subsidiary's banking facilities, that it is appropriate to prepare the financial statements of the Company on the going concern basis.

In arriving at their conclusion, the Directors assessed the current macroeconomic situation, the RCF, liquidity position and the potential impact of the principal risks documented in the ***strategic*** report. In addition to these principal risks, the Directors have also considered the sustainability-related risks covering environmental, social and governance factors, including climate change (in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD")), outlined on page 38. The Investment Manager has reviewed the portfolio's exposure to these risks in the period under review and has concluded that it is currently not material to the Fund, although it continues to monitor the market attentively.

The Directors have also considered scenario analysis on the impact of different levels of harvesting across the portfolio, over varying timescales, on the Company's financial position and the Company's ability to reduce outflows were liquid resources to be required.

The Directors also considered that the Company has adequate financial resources, and were mindful that the Group had unrestricted cash of £1.2 million as at 30September 2023 and a revolving credit and accordion facility (available for investment in new or existing projects and working capital) of £30 million. As at 30 September 2023, the Company's wholly owned subsidiary FSFC Holdings 2 Limited had borrowed £10.4 million under the facility, leaving £19.6 million available to draw. All key financial covenants under this facility are forecast to continue to be complied with for the duration of the going concern assessment period.

The Investment Manager and Directors have assessed the headroom available to meet the revolving credit covenants. The covenants have been tested on downside risk scenarios and in all scenarios run, including the combined downside case, the Company remained compliant with its key covenants.

The Directors are satisfied that the Company has sufficient resources to continue to operate for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparation of these financial statements.

Viability statement

In accordance with the UK Corporate Governance Code, the Board of Directors has assessed the viability of the Company over a five-year period to 30 September 2028, taking account of the Company's current position, the long-term nature of the assets in the portfolio and the potential impact of the principal risks documented on pages 41 to 45.

In addition to the principal risks, the Directors have also considered the sustainability-related risks covering environmental, social and governance factors, including climate change (in line with the recommendations of TCFD, outlined on page 38).

Sensitivity analysis has also been undertaken to consider the potential impact of principal and emerging risks that could threaten the business model, future performance, solvency and liquidity over the period. In particular, this has considered the inability to access sufficient funding in the debt and equity markets and deploy capital to complete growth expectations, timber price volatility and a reduction in demand for users of timber, continued government support for voluntary carbon credits market and the impact of a proportion of the portfolio not harvesting due to adverse weather conditions.

The Directors have determined that a five-year look forward to September 2028 is an appropriate period over which to provide its viability statement. This is consistent with the outlook period used in economic and other medium-term forecasts regularly prepared for the Board by the Investment Manager and the discussion of any new strategies undertaken by the Board in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally the ability to raise third-party funds and invest capital, or mitigating actions taken, such as sale of forestry assets and utilisation of additional borrowings available under the RCF.

The Group's risk management processes outlined on pages 39 to 45 set out the key risks for the next five years and beyond. These include rising debt costs and persistently high inflation, financing capital risks and timber market volatility. Risks presented by the current macro environment also include Russia's invasion of Ukraine. Whilst these risks are deemed significant to the Group's ability to operate its projects, generate revenue and to the value of the Company's investments, the Directors believe that this has had limited impact on the business to date as it is invested in real assets, principally freeholds of UK land and forest stock. The forest stock enjoys biological growth regardless of fluctuations in financial markets. UK freeholds, real assets and commodities like timber have a track record of good performance during periods of inflation and instability of equity markets. Risk mitigating activities (as outlined on pages 39 to 45) have also aided in the reduction of the impact.

Timber prices can be volatile periodically and demand over the medium to long term has historically created real-term price growth. In the context of global under-supply and increasing demand, this reduces market risk for FSF's key revenue streams. Should timber prices be less attractive at the point of felling, FSF is in a position to mitigate the impact by postponing parts of its harvesting programme and delay felling, allowing trees to continue to grow until the underlying imbalance between supply and demand begins to be reflected in market prices again.

FSF is focused on growing its portfolio as a newly listed entity and will require additional financing to take full advantage of opportunities in its pipeline. The existing borrowing policy enables the use of gearing that must not exceed 30% of Gross Asset Value.

There is a risk that FSF will be unable to access sufficient funding to complete operations. This is mitigated by using brokers to conduct market research ahead of any future funding rounds to gauge demand from new and existing investors. FSF has also set budgets with sufficient cash buffers to ensure liquidity.

There is a risk of reputational damage due to negative PR generated by the resistance to change of land use by the public. This could in turn negatively impact investor sentiment and ultimately the ability to raise more capital. This is mitigated by independent community risk assessments during the due diligence phase of afforestation investments. This ensures that afforestation only takes place in low community risk areas where the likelihood of community resistance is low. FSF also actively pursues a co-ordinated programme of community engagement and recently launched a Forestry Skills Training Programme.

The risk of changing weather patterns and more extreme weather events can cause direct damage to the portfolio, leading to a market flooded with windblow timber and the subsequent price depreciation. This is mitigated by a prudent acquisition strategy for sheltered area, silviculture management and a diverse portfolio to create natural resilience. Where appropriate, windthrow insurance cover is taken out.

The Company's wholly owned subsidiary FSFC Holdings2 Limited has a three-year £30 million RCF (agreed in July2022) with two one-year extension options, increasing the liquidity of the Group, of which a proportion can be deployed as working capital. It also has an accordion feature that allows for another £30 million. The Company utilises the investments' cash flows from operations and proceeds from equity fundraises to repay the RCF.

In order to repay the RCF at the maturity date (July 2025 or 2027 with extensions), the Company would be required to renew the RCF and/or perform an equity raise, under the base case assumptions included in the viability forecasts. In conjunction with this, the Company could consider ***strategic*** disposals as appropriate.

Based on this assessment, the Directors have a reasonable expectation that FSF will be able to continue in operation and meet its liabilities as they fall due over the five-year period to September 2028. In making this statement, the Directors have considered and challenged the reports of the Investment Manager in relation to the resilience of the Group, taking into account its current position, the principal risks facing it in reasonable downside scenarios, the effectiveness of any mitigating actions and the Group's risk appetite.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

By order of the Board

Foresight Group LLP

Company Secretary

6 December 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the ***strategic*** report, the Directors' report, the Directors' remuneration report and the financial statements in accordance with applicable laws and regulations.

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards ("IFRS"). Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year. Under this law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

· Select suitable accounting policies and then apply them consistently

· Make judgements and accounting estimates that are reasonable and prudent

· State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements

· Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company, and enable the Directors to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and thus for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and financial statements, taken as a whole, provide the information necessary to assess the Company's performance, business model and strategy and are fair, balanced and understandable.

Directors' responsibility statement under the Disclosure Guidance and Transparency Rules

To the best of our knowledge:

· The Company's financial statements have been prepared in accordance with UK-adopted International Accounting standards. They give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings.

· The Annual Report, including the ***strategic*** report and the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings together with a description of the principal risks and uncertainties theyface.

Disclosure of information to the auditor

The Directors confirm that:

· So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware

· The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Richard Davidson

Chair

5 December 2023

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2023

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Period from |  |  |  |  |  |
| Year ended | 31 August 2021 |  |  |  |  |
| 30 September | to 30 September |  |  |  |  |
| 2023 | 2022 |  |  |  |  |
| Revenue | Capital | (Audited) | (Audited) |  |  |
| Notes | £'000 | £'000 | £'000 | £'000 |  |
| Return on investment | 4 | 2,605 | (11,279) | (8,674) | 11,042 |
| Total income | 2,605 | (11,279) | (8,674) | 11,042 |  |
| Investment management fees | 5 | (1,562) | - | (1,562) | (1,071) |
| Operating expenses | 6 | (1,102) | - | (1,101) | (1,166) |
| Total expenses | (2,664) | - | (2,663) | (2,237) |  |
| (Loss)/profit before tax | (59) | (11,279) | (11,338) | 8,787 |  |
| Tax | 8 | - | - | - | - |
| (Loss)/profit for the period | (59) | (11,279) | (11,338) | 8,787 |  |
| Earnings per share (pence) | 9 | - | (6.6) | (6.6) | 6.2 |

All results are derived from continuing operations.

The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issue by the AssociationofInvestment Companies ("AIC").

There are no items of other comprehensive income in the current period, other than the profit for the period, and therefore no separate statement of comprehensive income has beenpresented.

The accompanying notes on pages 92 to 106 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 SEPTEMBER 2023

|  |  |  |  |
| --- | --- | --- | --- |
| 30 September | 30 September |  |  |
| 2023 | 2022 |  |  |
| (Audited) | (Audited) |  |  |
| Notes | £'000 | £'000 |  |
| Non-current assets |  |  |  |
| Investments at fair value through profit or loss | 10 | 166,039 | 146,291 |
| Total non-current assets | 166,039 | 146,291 |  |
| Current assets |  |  |  |
| Trade and other receivables | 11 | 2,796 | 852 |
| Cash and cash equivalents | 16 | 1,217 | 34,326 |
| Total current assets | 4,013 | 35,178 |  |
| Total assets | 170,052 | 181,469 |  |
| Current liabilities |  |  |  |
| Trade and other payables | 12 | (803) | (886) |
| Total current liabilities | (803) | (886) |  |
| Total liabilities | (803) | (886) |  |
| Net assets | 169,249 | 180,583 |  |
| Equity |  |  |  |
| Called up share capital | 13 | 1,721 | 1,721 |
| Share premium | 13 | 43,820 | 170,075 |
| Revenue reserve | (2,550) | (1,333) |  |
| Capital reserve | 14 | 126,258 | 10,120 |
| Shareholders' funds | 14 | 169,249 | 180,583 |
| Net assets per share (pence per share) | 15 | 98.4 | 105.0 |

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 5 December 2023.

They were signed on its behalf by:

Richard Davidson

Chair

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2023

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Called up share | Share | Capital | Revenue | Total |  |  |
| capital | premium | reserve | reserve | £'000 |  |  |
| £'000 | £'000 | £'000 | £'000 |  |  |  |
| Notes |  |  |  |  |  |  |
| Balance at 31 August 2021 | - | - | - | - | - |  |
| Gross proceeds from share issue | 1,721 | 173,279 | - | - | 175,000 |  |
| Share issue costs | 13 | - | (3,204) | - | - | (3,204) |
| Dividends | 7 | - | - | - | - | - |
| Total comprehensive income for the period | 14 | - | - | 10,120 | (1,333) | 8,787 |
| Net assets attributable to Shareholders at 30 September 2022 | 1,721 | 170,075 | 10,120 | (1,333) | 180,583 |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Called up share | Share | Capital | Revenue |  |  |  |
| capital | premium | reserve | reserve | Total |  |  |
| Notes | £'000 | £'000 | £'000 | £'000 | £'000 |  |
| Balance at 1 October 2022 | 1,721 | 170,075 | 10,120 | (1,333) | 180,583 |  |
| Gross proceeds from share issue | - | - | - | - | - |  |
| Share issue costs | 13 | - | 3 | - | - | 3 |
| Dividends | 7 | - | - | - | - | - |
| Share premium cancellation | 13 | - | (126,258) | 126,258 | - | - |
| Total comprehensive income for the period | 14 | - | - | (11,279) | (58) | (11,338) |
| Net assets attributable to Shareholders at 30 September 2023 | 1,721 | 43,820 | 125,099 | (1,391) | 169,249 |  |

The Company's reserves consist of the capital reserve attributable to fair value unrealised gains on the Fund portfolio's valuation.

There have been no realised gains or losses at the reporting date.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

|  |  |  |
| --- | --- | --- |
| Period from |  |  |
| Year ended | 31 August 2021 to |  |
| 30 September | 30 September |  |
| 2023 | 2022 |  |
| (Audited) | (Audited) |  |
| £'000 | £'000 |  |
| (Loss)/profit for the period from continuing operations | (11,338) | 8,787 |
| Adjustments for: |  |  |
| Net (loss)/profit on investments at fair value through profit and loss | 11,279 | (10,120) |
| Operating cash flows before movements in working capital | (59) | (1,333) |
| Cash flows from operating activities |  |  |
| Increase in trade and other receivables | (1,944) | (852) |
| (Decrease)/increase in trade and other payables | (83) | 886 |
| Net cash outflow from operating activities | (2,086) | (1,299) |
| Cash flows from investing activities |  |  |
| Investing activities |  |  |
| Purchase of investments | (15,513) | (114,350) |
| Loans to subsidiaries | (15,513) | (21,821) |
| Net cash used in investing activities | (31,026) | (136,171) |
| Cash flows from financing activities |  |  |
| Financing activities |  |  |
| Gross proceeds from share issue | - | 175,000 |
| Share issue costs | 3 | (3,204) |
| Net cash inflow from financing activities | 3 | 171,796 |
| Net (decrease)/increase in cash and cash equivalents | (33,109) | 34,326 |
| Cash and cash equivalents at beginning of period | 34,326 | - |
| Cash and cash equivalents at end of period | 1,217 | 34,326 |

The accompanying notes form an integral part of the financial statements.

NOTES TO THE AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. Company information

(a) Statutory information

Foresight Sustainable Forestry Company Plc (the "Company" or "FSF") is a public limited company limited by shares and was incorporated and registered in England and Wales on 31 August 2021 with registered number 13594181 pursuant to the Companies Act 2006. The Company's registered address is The Shard, 32 London Bridge Street, London, United Kingdom, SE1 9SG.

(b) Corporate structure

The Company has one investment, FSFC Holdings Limited, and FSFC Holdings Limited in turn has one investment, FSFC Holdings 2 Limited; together this is the "Group".

FSFC Holdings 2 Limited has three investments: FSFC Company 1 Limited, Blackmead Forestry Limited and Blackmead Forestry II Limited. Blackmead Forestry Limited has two investments: Coull Forestry Limited and Fordie Estates Limited. These five entities together are the special purpose vehicles or "SPVs".

The Group's principal activity is investing in UK forestry, afforestation and natural capital assets.

The financial statements of the Company are for the year to 30 September 2023 and have been prepared on the basis of the accounting policies set out below. The financial statements comprise only the results of the Company, as its direct investments in FSFCHoldings Limited, FSFC Holdings 2 Limited, and all underlying SPVs thereafter, aremeasured at fair value as detailed in the significant accounting policies below.

2. Significant accounting policies

(a) Basis of preparation

This set of financial statements has been prepared in accordance with UK adopted International Accounting Standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and on a going concern basis. The accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these financial statements.

These annual financial statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued in April 2021 by the Associationof Investment Companies ("AIC").

The same accounting policies and standards have been observed in these annual financial statements as were applied in the last annual financial statements, with no change to the nature or effect of these standards' application.

These financial statements are presented in sterling (£) and rounded to the nearest thousand unless otherwise stated. They have been prepared on accounting policies, significant judgements, key assumptions and estimates set out below.

These financial statements intend to constitute statutory accounts as defined in Section434(3) of the Companies Act 2006. As such, these statutory accounts in respect of the year to 30 September 2023 have been audited and reported on by the Company's auditors and delivered to the Registrar of Companies and included theReport of Auditors.

No statutory accounts in respect of any period after 30 September 2023 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

Any estimates and underlying assumptions are reviewed on a regular basis and revisions to accounting estimates are recognised in the period when they occur and in any future period affected. The significant estimates, judgements or assumptions are set out in note 10.

These annual financial statements comprise the results for the year to 30 September 2023 as well as comparatives to the audited period ended 30 September 2022.

|  |  |  |
| --- | --- | --- |
| Foresight Sustainable Forestry Company Plc |  |  |
| FSFC Holdings Limited |  |  |
| FSFC Holdings 2 Limited |  |  |
| FSFC Company 1 Limited | Blackmead Forestry Limited | Blackmead Forestry II Limited |
| Coull Forestry Limited | Fordle Estates Limited |  |

(b) Going concern

The Directors have adopted the going concern basis in preparing the financial statements. In their assessment of going concern they have reviewed comprehensive cash flow forecasts prepared by the Investment Manager and believe, based on the forecasts and an assessment of the Company's cash position and liquidity of the investment portfolio, that the Company will continue in operational existence for at least 12 months from the date of approval of the financial statements and therefore consider it appropriate to prepare the financial statements on a going concern basis. As at 30 September 2023, the Company had net current assets of £3.2 million, including £1.2 million of cash; it also had access to £19.6 million that remained undrawn on the Revolving Credit Facility, held by its indirect subsidiary, which can be utilised for the Company's working capital requirements. As such, with all factors mentioned above, the Company's cash position isconsidered sufficient to meet all current obligations as they fall due.

The Directors have also assessed the impact of significant potential risks to the operations of the Company since incorporation and the principal risks in the UK forestry and afforestation markets including the various risk mitigation measures in place and do not consider this to have a material impact on the assessment of the Company as a going concern.

Market risk

The Company has assessed its potential exposure to being negatively impacted by a sudden loss of revenue stream. The relevance of this risk has been significant given the recent impacts of the Ukraine-Russia conflict on the forestry industry.

The Company has assessed these risks alongside the potential risk of similar events having a negative impact on revenue recoverability. The potential impacts of such market risks include, but are not limited to:

i. Material reductions in timber prices recoverable from the SPVs

ii. Material reductions in demand for timber in the United Kingdom

iii. Material reductions in forecasted revenues earned from the sale of carbon credits

iv. Change to the UK Woodlands Grant scheme

·

Each of the above potential impacts could have a direct influence on the amount that can be distributed to the Company by its subsidiaries. Foresight has reviewed the portfolio's exposure to these risks and has concluded that if, even in the unlikely case, these adverse impacts on revenue recoverability are material, the Company should still have sufficient funds to continue operations for the foreseeable future. If such impacts were to continue on a long-term basis, continued monitoring processes would need to be actioned.

Liquidity risk

Due to the nature of the Company's operation and deployment strategy, there could be potential exposure to liquidity risk, whereby the entity would encounter difficulties in paying its financial liabilities. The Directors have considered this risk and are satisfied that FSF has adequate financial resources to settle its recurring expenses for the foreseeable future, based on evidence provided from cash flow forecasting and sensitivity testing to satisfy both the Investment Manager and the Directors that the Company has sufficient funds available.

The Directors are satisfied that FSF has sufficient resources to continue to operate for the foreseeable future, a period of no less than 12 months from the date of this report. Accordingly, they have adopted the going concern basis in preparation of these financial statements.

(c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being an investor in UK forestry and afforestation assets, to generate real returns for investors as well as capital appreciation. The financial information used by the Board to allocate resources and manage the Company presents the business as a single segment comprising a homogeneous portfolio.

(d) Key estimates and judgements

Key judgements

Investment entity status

The Company conducts a judgement in relation to its status as an investment entity by satisfying the three criteria below:

i. It must obtain funds from multiple investors for the purpose of providing its investment management services to those investors

ii. It must commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both. Similarly, the entity must ensure there is also an exit strategy for such investments

iii. It must measure and evaluate the performance of its investments on a fair valuebasis

The Company assesses its compliance with the requirements of being an investment entity in note 3 in more detail.

Key accounting estimates

Fair valuation of investment assets - Red Book valuation

The market value of the Company's underlying investment portfolio held through its SPVs consisting of forestry, afforestation and non-core assets (investment portfolio/properties) is determined by an external valuer (see note 10) to be the estimated amount for which an asset should exchange on the date of the valuation in an arm's-length transaction. Properties have been valued on an individual basis. The external valuer prepares their valuations in accordance with the RICS Valuation - GlobalStandards July 2017 (the "Red Book"). Factors reflected comprise current market conditions, including the comparable market value of similar freehold forestry assets, the potential uplift in land value above current in-use value (relevant to planting land), the location and situation of individual assets, potential vulnerability to winter storms and the developmental status of properties (if afforestation). The market conditions stated are assessed on a bi-annual basis. These are also subject to an accounting estimate that the Directors are satisfied with. The significant methods and assumptions used by the external valuers in estimating the fair value of investment assets are set out in note 10.

Fair value of investment assets - carbon credit valuation

The carbon credit valuations are not determined by an external valuer but are currently based on the Ecosystem Marketplace collected trade data from UK Woodland Carbon Code and Peatland Code market participants who are project developers and resellers through the Ecosystem Marketplace Global Carbon Markets Hub. These are also subject to an accounting estimate that the Directors are satisfied with.

(e) Taxation

Income taxes

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited in the statement of comprehensive income, except where it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

The tax currently payable is based on the taxable profit for the year. This may differ from the profit included in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set off. In practice, some assets that are likely to give rise to timing differences will be treated as capital for tax purposes. Given capital items are exempt from tax under the Investment Trust Company rules, deferred tax is not expected to be recognised on these balances.

All deferred tax liabilities are offset against deferred tax assets, where appropriate, in accordance with the provisions of IAS 12. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(f) New, revised and amended standards applicable to future reportingperiods

There were no new standards, amendments or interpretations effective for the first time for periods beginning on or after incorporation that had a material effect on the Company's financial statements. The Company has explored to what extent these new standards have an immaterial impact on the financial statements, as below.

IFRS 17 Insurance Contracts

The standard requires an entity to reasonably identify and recognise any contract in which an entity accepts significant insurance risk from another party as a combination of a financial instrument and a service contract, in order to help users of the financial statements to assess the effect on the Company's financial position. The Company does not deem this standard to have a material effect on its financial statements as the Company is not party to any such contract in which it accepts any insurance risk from or for another party.

Amendments to definition of accounting estimates - Amendments to IAS 8

The standard now defines an accounting estimate as "monetary amounts in financial statements that are subject to measurement uncertainty". Despite the Company using accounting estimates (see note 2(d) Key judgements and estimates) in its assessment of carbon credit validation and Red Book valuation, the Directors would not deem this amendment to have any material effect on the Company's results for the current or prior period(s). The Company maintains that, at each reporting date, the latest available and reliable information was used to arrive at its accounting estimates, with no instances requiring a restatement of information due to error.

The Disclosure Initiative - amendments to the accounting policy disclosure

The IASB issued amendments to IAS 1 Presentation of Financial Statements in which they require disclosure of "material" accounting policies, instead of what was "significant" accounting policies. The aim of this amendment is to enhance the usefulness of financial statements for users and in turn to enhance their effectiveness overall. The Company has not chosen to apply an early adoption of this standard as the threshold of materiality needs to be considered in more depth. The Company, however, plans to adopt this standard in its next reporting cycle.

3. Basis of consolidation

The Company's objective is to invest in UK forestry and afforestation assets through its holding companies, which will typically issue equity and loans to finance the investments.

Assessment as an investment entity

IFRS 10 Consolidated Financial Statements sets out the following essential criteria, necessary for a company to be considered as an investment entity.

Definition of an investment entity/trust:

i. It must obtain funds from multiple investors for the purpose of providing its investment management services to those investors

ii. It must commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both. Similarly, the entity must ensure there is also an exit strategy for such investments

iii. It must measure and evaluate the performance of its investments on a fair valuebasis

In assessing whether the Company meets the definition of an investment entity set out in IFRS 10, the Directors note that:

i. The Company is an investment company that invests funds obtained from multiple investors in a diversified portfolio of UK forestry and afforestation assets and has appointed Foresight Group as the Investment Manager to manage the Company's investments

ii. The Company's purpose is to invest funds with the intention of providing real returns to investors and capital appreciation driven by global demand for timber. The Company's exit strategy will depend on factors of portfolio balance and/or profit

iii. The Board evaluates the performance of the Company's investments on a fair value basis as part of the quarterly management accounts review and the Company values its investments on a fair value basis driven by a RICS Red Book valuation provided by Savills (the "external valuer") using various assumptions to reflect current market conditions. This includes, amongst other factors, the comparable market value of similar freehold forestry assets. These fair value assessments happen on a bi-annual basis and are included in the Company's annual and interim financial statements, with the movement in the valuations taken to the statement of comprehensive income and is therefore measured within its earnings

The Directors have concluded that the Company meets the definition of an investment entity in accordance with IFRS 10 after evaluation of the relevant criteria.

The Directors continue to consider the Company demonstrates the characteristics and meets the requirements to be considered an investment entity.

IFRS 10 states that investment entities are required to hold subsidiaries at fair value through profit or loss rather than consolidation on a line-by-line basis; this means that the Group's cash, debt and working capital balances are included in the fair value of the investment instead of in the Company's assets and liabilities. The Company has one investee, namely FSFC Holdings Limited, which invests the funds of the FSF investors on its behalf and is effectively performing investment management services on behalf of several unrelated beneficiary investors.

4. Return on investment and interest income

|  |  |  |
| --- | --- | --- |
| Period from |  |  |
| Year ended | 31 August 2021 |  |
| 30 September | to 30 September |  |
| 2023 | 2022 |  |
| (Audited) | (Audited) |  |
| £'000 | £'000 |  |
| Unrealised fair value movement of investments | (11,279) | 10,120 |
| Interest income - Loans to direct subsidiary | 2,364 | 852 |
| Interest income - Bank | 241 | 52 |
| Total | (8,674) | 11,024 |

5. Investment management fee

|  |  |  |
| --- | --- | --- |
| Period from |  |  |
| Year ended | 31 August 2021 |  |
| 30 September | to 30 September |  |
| 2023 | 2022 |  |
| (Audited) | (Audited) |  |
| £'000 | £'000 |  |
| Investment management fee | 1,562 | 1,071 |
| Total | 1,562 | 1,071 |

Foresight Group LLP was appointed as the Investment Manager for the Company under an Investment Management Agreement. Under the terms of the agreement, the Investment Manager is entitled to a management fee from the Company, which is calculated quarterly in arrears at 0.85% per annum of NAV up to £500 million and 0.75%per annum of NAV in excess of £500 million.

The Company paid £1.2 million during the period. A further £0.4 million investment management fees were accrued and remained unpaid at the year end.

6. Operating expenses

|  |  |  |
| --- | --- | --- |
| Period from |  |  |
| Year ended | 31 August 2021 to |  |
| 30 September | 30 September |  |
| 2023 | 2022 |  |
| (Audited) | (Audited) |  |
| £'000 | £'000 |  |
| Administration services fee | 129 | 104 |
| Directors' fees | 191 | 140 |
| Other expenses1 | 782 | 922 |
| Total | 1,102 | 1,166 |

1. Other expenses include adviser fees, independent valuer fees, audit fees, broker fees, depositary fees and other Fund-related costs.

Details of Directors' fees are set out in note 22

7. Dividends

The Company did not pay any dividend in the year to 30 September 2023 (30September 2022: £nil).

8. Taxation

The Company received notice on 11 November 2021 confirming it is an approved investment trust for accounting periods commencing on or after 23 November 2021. The approval is subject to the Company continuing to meet the eligibility conditions of Section 1158 Corporation Taxes Act 2010. Furthermore, there are also ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999). To maintain its ITC status, the Company must adhere to the following conditions throughout an accounting period:

i. The Company must not be a closed company at any time in an accounting period

ii. An investment trust must not retain in respect of an accounting period an amount which is greater than 15% of its income for the accounting period, and the relevant distribution must be distributed before the filing date for the investment trust's company tax return for the period

iii. An investment trust must notify HMRC of a revised investment policy before the filing date for its tax return for the accounting period in which the investment policy was revised

iv. An investment trust must notify HMRC in writing of a breach of any of the conditions in Section 1158 or any of the requirements in the regulations as soon as possible after the investment trust becomes aware of the breach

The Company regularly monitors the conditions required to maintain ITC status.

|  |  |  |
| --- | --- | --- |
| 30 September | 30 September |  |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Income taxes | - | - |

|  |  |  |
| --- | --- | --- |
| 30 September | 30 September |  |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| (Loss)/profit before tax | (11,338) | 8,787 |
| (Loss)/profit before tax multiplied by the rate of corporation tax in the UK of 19.0% | (2,154) | 1,670 |
| Effects of: |  |  |
| Non-taxable capital profits due to UK approved investment trust company status | 2,143 | (1,923) |
| Non-taxable dividend income | - | - |
| Dividend designated as interest distributions | - | - |
| Prior period deferred tax | - | - |
| Temporary differences on which deferred tax is not recognised | 11 | 253 |
| Total income tax charge in the statement of comprehensive income | - | - |

Reconciliation of income taxes in the statement of comprehensive income

The tax charge for the period is different from the standard rate of corporation tax in the UK, currently 19.0% (2022: 19.0%), and the difference is explained below:

The Company's affairs are directed so as to allow it to meet the requisite conditions to continue to operate as an approved investment trust company for UK tax purposes. The approved investment trust status allows certain capital profits of the Company to be exempt from tax in the UK and also permits the Company to designate the dividends it pays, wholly or partly, as interest distributions. These features enable approved investment trust companies to ensure that their investors do not ultimately suffer double taxation of their investment returns, i.e. once at the level of the investment fund vehicle and then again in the hands of the investors.

Analysis of tax expense

There was no corporation tax payable during the year to 30 September 2023. As a result, the tax charge for the period is £nil. Investment gains are exempt from tax owing to the Company's status as an investment trust.

Factors that may affect future total tax charges

Under the UK Finance Act 2021, the UK corporation tax rate increased for large companies from the current rate of 19.0% to 25.0% with effect from 1 April 2023. Should the Company recognise any deferred tax assets and liabilities, a rate of 19.0% or 25.0% would be used depending on when the assets and liabilities are expected to be crystallised. The Company is recognised as a UK investment trust and is taxed at the main rate of 19.0%, prevalent at the reporting period end.

At the period end, there is a potential deferred tax asset of £264,320 carried forward (30 September 2022: £253,194). The deferred tax asset is unrecognised at the period end in line with the Company's stated accounting policy.

9. Earnings per share

|  |  |  |  |
| --- | --- | --- | --- |
| Capital reserve | Revenue reserve | Total |  |
| £'000 | £'000 | £'000 |  |
| Revenue and capital profit attributable to equity holders of theCompany | (11,279) | (59) | (11,338) |
| Average number of Ordinary Shares | 172,056 | 172,056 | 172,056 |
| Earnings per share at 30 September 2023 (pence) | (6.6) | 0.0 | (6.6) |

|  |  |  |  |
| --- | --- | --- | --- |
| Capital reserve | Revenue reserve | Total |  |
| £'000 | £'000 | £'000 |  |
| Revenue and capital profit attributable to equity holders of theCompany | 10,120 | (1,333) | 8,787 |
| Average number of Ordinary Shares | 142,847 | 142,847 | 142,847 |
| Earnings per share at 30 September 2022 (pence) | 7.1 | (0.9) | 6.2 |

10. Investments at fair value through profit and loss

|  |  |  |
| --- | --- | --- |
| 30 September | 30 September |  |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Fair value at start of the period | 146,291 | - |
| Loans to intermediate holding companies | 15,513 | 21,821 |
| Equity investment in holding companies | 15,513 | 114,350 |
| Unrealised gain on investments at fair value | (11,278) | 10,120 |
| Total | 166,039 | 146,291 |

As at 30 September 2023, there was a loan between Foresight Sustainable Forestry Company Plc and FSFC Holdings Limited for £37,334,413. The loan is repayable on demand. The rate of interest on the loan has been set at 7% per annum. Interest accrued at the year end was £2,796,336.

The Company owns 12,986,337,835 shares in FSFC Holdings Limited at a nominal value of £0.01 each.

Fair value investments

The Investment Manager has carried out fair value market valuations of the underlying SPV investments as at 30 September 2023 independently administered by Savills. The Directors have approved the methodology used, as well as confirming their understanding of all underlying key assumptions applicable. All SPV investments are at fair value through profit or loss and are valued using the IFRS 13 framework for fair valuemeasurement.

Savills includes all investments under ownership by FSF in their portfolio valuation, for both afforestation and forestry properties. The valuations have been prepared in accordance with the RICS Valuation - Global Standards July 2017 (the "Red Book") and incorporate the recommendations of the International Valuation Standards which are consistent with the principles set out in IFRS 13.

Savills, in forming its opinion, makes various assumptions on the basis of current market conditions; the following are the key assumptions made:

Fair value of assets

ee) Savills employs a "comparable approach" by analysing comparable market value(s) of similar freehold forestry and afforestation assets from recent transactions, when assessing what fair value is reasonable to attribute to assets with similar features, held by subsidiaries of FSF.

Planting land value

· Savills includes a reasonable view of the potential for afforestation sites' value uplift over time, rather than viewing the current value of these sites as only attributable to their current use as grazing land.

· Savills takes account of the relevant stage each site is currently at of the forestry grant application process when reaching a judgement.

Location and situation

· Due to the assets under ownership being located across the UK (Scotland, Northern England and Wales), Savills accounts for the potential differences in market interest associated in different locations.

Winter storm vulnerability

· Savills makes assessments on the basis of the extent of damage suffered by sites due to extreme windblow incidents. Where damage is extensive, Savills will make prudent adjustments to the value of the site, if it is evident that some of the affected timber may be challenging to recover.

Developmental status of afforestation sites

· Due to the nature of operations for the afforestation assets, Savills applies reassessments as to the value of an asset when a new developmental milestoneoccurs.

The value associated with the carbon credits attached with the Establishment Stage Afforestation properties is excluded from the RICS Red Book valuation of these properties. As previously mentioned in the report, value recognition for carbon credits is ascribed using the Investment Manager's assessment. For further detail, please see an explanation of the methodology on page 32.

Fair value hierarchy

The Group considers that all of its investments fall within Level 3 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

The valuations have been prepared on the basis of market value ("MV"), which is defined in the RICS Valuation Standards as: "The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value as defined in the RICS Valuation Standards meets the requirements of fair value defined under IFRS.

11. Trade and other receivables

|  |  |  |
| --- | --- | --- |
| 30 September | 30 September |  |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Interest receivable from subsidiaries | 2,796 | 852 |
| Total | 2,796 | 852 |

12. Trade and other payables

|  |  |  |
| --- | --- | --- |
| 30 September | 30 September |  |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Creditors | 455 | 477 |
| Accruals | 348 | 385 |
| Intercompany account | - | 24 |
| Total | 803 | 886 |

13. Called up share capital

|  |  |
| --- | --- |
| Allotted share capital, issued and fully paid | Number of shares |
| Opening balance at 1 October 2022 | 172,056,075 |
| Allotted/redeemed (since 1 October 2022) |  |
| Ordinary Shares issued | - |
| Total number of Ordinary Shares at 30 September 2023 | 172,056,075 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 30 September | 30 September |  |  |  |
| Share capital | Share premium | 2023 | 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| Opening balance | 1,721 | 170,075 | 171,796 | - |
| Shares issued | - | - | - | 175,000 |
| Costs associated with share issuance | - | 3 | 3 | 3,204 |
| Cancellation of share premium | - | (126,258) | (126,258) | - |
| Total | 1,721 | 43,820 | 45,541 | 171,796 |

At the beginning of the period, the total number of Ordinary Shares in issue was 172,056,075. Each Ordinary Share has equal rights to dividends and has equal rights to participate in a distribution arising from a winding up of the Company. The Company has not issued any further Ordinary Shares.

On 28 February 2023, there was a special resolution to cancel the share premium account which was confirmed by court order and registered by Companies House. The amount cancelled was £126,258,589, with the objective of creating distributable reserves.

14. Retained earnings

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 30 September | 30 September |  |  |  |
| Revenue | Capital | 2023 | 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| Opening balance | (1,333) | 10,120 | 8,787 | - |
| (Loss)/profit for the period | (58) | (11,279) | (11,337) | 8,787 |
| Dividends paid | - | - | - | - |
| Closing balance | (1,391) | (1,159) | (2,550) | 8,787 |

The nature and purpose of each of the reserves within the Retained Earnings as at 30September 2023 are as follows:

· Capital reserve: This is a non-distributable reserve of the cumulative net gains and/or losses recognised in the Statement of Comprehensive Income.

· Revenue reserve: This represents a distributable reserve of all profit and loss recognised in the revenue account of the Statement of Comprehensive Income.

15. Net Asset Value per Ordinary Share

The total Net Asset Value per Ordinary Share is based on the net assets attributable to equity Shareholders as at 30 September 2023 of £169.2 million and Ordinary Shares in issue of 172,056,075.

|  |  |  |
| --- | --- | --- |
| 30 September | 30 September |  |
| 2022 | 2023 |  |
| NAV (£m) | 169.2 | 180.6 |
| Number of Ordinary Shares issued (million) | 172.1 | 172.1 |
| Net Asset Value per Ordinary Share (pence) | 98.4 | 105.0 |

16. Cash and cash equivalents

At the period end, the Company held cash and cash equivalents of £1.2 million. Thisbalancewas held by HSBC Bank plc.

|  |  |  |
| --- | --- | --- |
| 30 September | 30 September |  |
| 2023 | 2022 |  |
| Cash and cash equivalents: |  |  |
| HSBC Bank plc - current account | 855 | 4,283 |
| HSBC Bank plc - liquidity fund | 362 | 30,043 |
| Total cash and cash equivalents | 1,217 | 34,326 |

17. Financial instruments

Financial instruments by category

The Company held the following financial instruments at 30 September 2023. There have been no transfers of financial instruments between levels of the fair value hierarchy. Thereareno non-recurring fair value measurements.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Financial assets |  |  |  |  |  |
| Financial assets | at fair value | Financial |  |  |  |
| Cash and | held at | through profit | liabilities at |  |  |
| bank | amortised cost | or loss | amortised cost | Total |  |
| balances | £'000 | £'000 | £'000 | £'000 |  |
| Non-current assets |  |  |  |  |  |
| Investments at fair value through profit or loss (Level 3) | - | - | 166,039 | - | 166,039 |
| Current assets |  |  |  |  |  |
| Trade and other receivables | - | 2,796 | - | - | 2,796 |
| Cash and cash equivalents | 1,217 | - | - | - | 1,217 |
| Total financial assets | 1,217 | 2,796 | 166,039 | - | 172,052 |
| Current liabilities |  |  |  |  |  |
| Trade and other payables | - | - | - | (803) | (803) |
| Total financial liabilities | - | - | - | (803) | (803) |
| Net financial instruments | 1,217 | 2,796 | 166,039 | (803) | 169,249 |

The Company holds its portfolio of assets at fair value. These assets are held through the Company's underlying subsidiaries/intermediate holding companies (the "Group"). Theassets in the Group are valued in accordance with RICS Valuation - Global Standards July 2017 (the "Red Book") methodology, with inspections conducted by an independent valuer ("Savills") at the end of the period.

Savills' fair value assessment of the assets has been completed on a comparable basis by looking at recent transactions of similar assets, to assess current market value, outlined in note 10. As a management review control, the Investment Manager applies a discounted cash flow approach ("DCF") to value the assets and provide a precision level for validation of the fair value presented by Savills. Whilst the two methodologies differ, the Investment Manager has recorded an immaterial difference between the respective portfolio valuation results in both the interim period and the year-end period.

The Directors consider the DCF methodology used by the Investment Manager to validate the Red Book valuation to be appropriate. The Board and Investment Manager annually review the valuation inputs and, where possible, make use of observable market data to ensure valuations reflect fair value of the assets. A broad range of assumptions are used in the valuation, which are based on long-term forecasts and are not affected by short-term fluctuations in inputs, be it economic or operational.

For management control purposes of comparing the two valuations on a like-for-like basis, neither the DCF valuation nor RICS valuation conducted by Savills include explicit recognition of Verified Carbon ("VC") value. The Manager has therefore calculated an estimated value on the progress made on obtaining the rights to PIUs. To date, no PIUs have been authorised by the Woodland Carbon Code.

Sensitivity analysis of the portfolio

The sensitivity of the portfolio to changes in mature forestry asset valuation is asfollows:

The portfolio valuation of mature forestry and afforestation assets is based on the RICS Red Book valuation approach. The Directors consider the Red Book market value of the assets, which is a combination of several factors, including timber growth rates, weighted age distribution and yield class, to be the most important unobservable input underpinning the valuation methodology described on page 32. The Directors believe that the provision of market value sensitivity analysis of mature forestry, afforestation and mixed forestry and afforestation assets is appropriate to align with the Company's portfolio composition.

Mature forestry asset valuation

The sensitivity of the portfolio to changes in mature forestry asset valuation is asfollows:

The independent valuer conducts inspections of all mature forestry assets on a semi-annual basis, then provides a valuation based on RICS methodology. The base case used for forestry asset value as at 30 September 2023 was £75.5 million. Due to this asset class forming significantly more than 10% of the current portfolio valuation, this was deemed an appropriate sensitivity to sample.

|  |  |  |
| --- | --- | --- |
| Changes in | Changes in |  |
| portfolio | NAV |  |
| Forestry assets sensitivity | valuation | per share |
| Forestry assets value increases by 10% | +£7.53m/+4.3% | +4.4p |
| Forestry assets value decreases by 10% | -£7.53m/-4.3% | -4.4p |

Afforestation asset valuation

The sensitivity of the portfolio to changes in afforestation asset valuation is as follows:

The independent valuer conducts inspections of all afforestation assets on a semi-annual basis, then provides a valuation based on RICS methodology. The base case used for afforestation asset value as at 30 September 2023 was £67.1 million. Due to this asset class forming more than 10% of the current portfolio valuation, this was deemed an appropriate sensitivity to sample.

|  |  |  |
| --- | --- | --- |
| Changes in | Changes in |  |
| portfolio | NAV |  |
| Afforestation assets sensitivity | valuation | per share |
| Afforestation assets value increases by 10% | +£6.71m/+3.8% | +3.9p |
| Afforestation assets value decreases by 10% | -£6.71m/-3.8% | -3.9p |

Mixed forestry and afforestation asset valuation

The sensitivity of the portfolio to changes in mixed forestry and afforestation asset valuation is as follows:

The independent valuer conducts inspections of all mixed assets on a semi-annual basis, then provides a valuation based on RICS methodology. The base case used for the asset value of mixed forestry and afforestation assets as at 30 September 2023 was £23.9million. Due to this asset class forming more than 10% of the current portfolio valuation, this was deemed an appropriate sensitivity to sample.

|  |  |  |
| --- | --- | --- |
| Changes in | Changes in |  |
| portfolio | NAV |  |
| Mixed forestry and afforestation assets sensitivity | valuation | per share |
| Mixed assets value increases by 10% | +£2.39m/+1.4% | +1.4p |
| Mixed assets value decreases by 10% | -£2.39m/-1.4% | +1.4p |

Non-core asset valuation

Due to the relatively small size of the non-core assets in the Company's valuation, the sensitivity to movement in this part of the portfolio is deemed immaterial, so no sensitivity analysis has been conducted.

Capital management

The Group, which comprises the Company and its non-consolidated subsidiaries, manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balances. The capital structure of the Group principally consists of the share capital account and retained earnings as detailed in notes 13 and 14. The Group aims to deliver its objective by investing available cash and using leverage whilst maintaining sufficient liquidity to meet ongoing expenses.

Gearing ratio

The Company's Investment Manager reviews the capital structure of the Company and the Group on a semi-annual basis. The Company and its subsidiaries intend to make prudent use of leverage for financing acquisitions of investments and working capital purposes. Under the Company's Articles, and in accordance with the Company's borrowing policy, the Company's outstanding borrowings, excluding the debts of underlying assets, will be limited to 30% of the Company's Gross Asset Value.

As at 30 September 2023, the Company had no outstanding debt. The Company's subsidiary FSFC Holdings 2 Limited has a £30 million Revolving Credit Facility, of which £10.4 million had been drawn at 30 September 2023.

Financial risk management

The Group's activities expose it to a variety of financial risks: capital risk, liquidity risk, market risk (including interest rate risk, inflation risk and power price risk) and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

For the Company and the intermediate holding companies, financial risks are managed by the Investment Manager, which operates within the Board-approved policies. All risks continue to be managed by the Investment Manager. The various types of financial risk are managed as follows:

Financial risk management - Company only

The Company accounts for its investments in its subsidiaries at fair value; to the extent there are changes as a result of the risks set out below, these may impact the fair value of the Company's investments.

Capital risk

The Company has implemented an efficient financing structure that enables it to manage its capital effectively. The Company's capital structure comprises equity only (refer to the statement of changes in equity). As at 30 September 2023, the Company had no recourse to debt, although as set out above in the Company structure chart, the Company's subsidiary FSFC Holdings Limited is a guarantor for the Revolving Credit Facility of FSFCHoldings2Limited.

Liquidity risk

The Directors monitor the Company's liquidity requirements to ensure there is sufficient cash to meet the Company's operating needs. The Company's liquidity management policy involves projecting cash flows and forecasting the level of liquid assets necessary to meet these. Due to the nature of its investments, the timing of cash outflows is reasonably predictable and, therefore, is not a major risk to the Company. The Company was in a net cash position and had no outstanding debt at the balance sheet date.

Market risk - foreign currency exchange rate risk

All the cash flows and investments are denominated in pounds sterling.

Financial risk management - Company and non-consolidated subsidiaries

The following risks impact the Company's subsidiaries and in turn may impact the fairvalue of investments held by the Company.

Market risk - interest rate risk

Interest rate risk arises in the Company's subsidiaries on the Revolving Credit Facility borrowings and floating rate deposits. Borrowings issued at variable rates expose those entities to variability of interest payment cash flows. Interest rate hedging may be carried out to seek to provide protection against increasing costs of servicing debt drawn down by the holding company as part of its Revolving Credit Facility. This may involve the use of interest rate derivatives and similar derivative instruments.

Each investment hedges their interest rate risk at the inception of a project. This will either be done by issuing fixed rate debt or variable rate debt which will be swapped into fixed rate by the use of interest rate swaps.

Market risk - inflation risk

Some of the Company's investments will have part of their revenue and some of their costs linked to a specific inflation index at inception of the project. In most cases this creates a natural hedge, meaning a derivative does not need to be entered into in order to mitigate inflation risk.

Market risk - timber price risk

Timber revenue forms a significant majority of forecasted revenues for the Company's investments. Whilst projections ***suggest*** a steady income flow through the sale of timber, there is a risk that timber prices will drop due to market forces and minimise the revenues the Fund will receive. This risk is mitigated by the ability of the Company and underlying investments to sustain its liquidity, even in the event of withholding from timber sales, given sub-optimal pricing.

Credit risk

Credit risk is the risk that a counterparty of the Company or its subsidiaries will default on its contractual obligations it entered into with the Company or its subsidiaries. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

The Company and its subsidiaries place cash in authorised deposit takers and are therefore potentially at risk from the failure of such institutions. In respect of credit risk arising from other financial assets and liabilities, which mainly comprise of cash and cash equivalents, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions. During the period and at the reporting date, the Company maintained relationships with HSBC Bank plc.

|  |  |  |  |
| --- | --- | --- | --- |
| Moody's | 30 September | 30 September |  |
| credit | 2023 | 2022 |  |
| rating | £'000 | £'000 |  |
| HSBC Bank plc | P1 | 1,217 | 34,326 |
| Total cash and cash equivalents | 1,217 | 34,326 |  |

18. Subsidiaries

The following subsidiaries have not been consolidated in these financial statements as a result of applying the requirements of "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10)". The Company is not contractually obligated to provide financial support to the subsidiaries and there are no restrictions in place in passing monies up the structure.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Proportion |  |  |  |  |  |
| Direct or | of shares |  |  |  |  |
| indirect | Country of | Registered | Principal | and voting |  |
| Name | holding | incorporation | address | activity | rights held |
| FSFC Holdings Limited | Direct | UK | C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG | Holding company | 100% |
| FSFC Holdings 2 Limited | Indirect | UK | C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG | Holding company | 100% |
| FSFC Company 1 Limited | Indirect | UK | C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG | SPV | 100% |
| Blackmead Forestry Limited | Indirect | UK | C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG | SPV | 100% |
| Blackmead Forestry II Limited | Indirect | UK | C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG | SPV | 100% |
| Coull Forestry Limited | Indirect | UK | C/O Foresight Group LLP, The Shard, 32 London Bridge Street, London, England, SE1 9SG | SPV | 100% |
| Fordie Estates Limited | Indirect | UK | C/O Foresight Group LLP, Clarence House, 133 George Street, Edinburgh, Scotland, EH2 4JS | SPV | 100% |

19. Employees and Directors

The Company is governed by an independent and non-executive Board of Directors. There are four Non-Executive Directors. Please refer to the Directors' remuneration report for details of the Directors' emoluments.

20. Contingencies and commitments

The Company has no guarantees or significant capital commitments as at 30September2023.

21. Related party transactions

Following admission of the Ordinary Shares (refer to note 13) the Company and the Directors are not aware of any person who, directly or indirectly, jointly, or severally, exercises or could exercise control over the Company. As per the Director's report on pages 71 to 78, it is however noted that Blackmead Infrastructure Limited's substantial interest in share capital (29.93%) constitutes a party with significant influence on the Company. The Company does not have an ultimate controlling party.

The transactions between the Company and its subsidiaries, which are related parties of the Company, and fair values, are disclosed in note10. Details of transactions between the Company and related parties are disclosed below

This note also details the terms of the Company's engagement with Foresight Group LLP, the Investment Manager.

Transactions with the Investment Manager

The Investment Manager, Foresight Group LLP, is entitled to a base fee on the followingbasis:

(a) 0.85% per annum of the Net Asset Value of the Fund up to and including £500.0million

(b) 0.75% per annum of the Net Asset Value of the Fund in excess of £500.0 million]

The investment management fees incurred during the year to 30 September 2023 were £1,561,930, of which £399,781 remained unpaid as at 30 September 2023.

Additionally, the Company incurred fees during the year to 30 September 2023 of £128,623, which related to administration services provided by the Investment Manager, in its capacity as Administrator for the Company. £32,564 of the fees incurred remained unpaid as at 30 September 2023.

Other transactions with related parties

The amount incurred in respect of Directors' fees during the year to 30 September 2023 was £160,000. The Directors also received £2,336 in relation to miscellaneous Director expenses. These amounts had been fully paid as at 30 September 2023. The amounts paid to individual Directors were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Taxable | Basic and |  |  |
| benefits | Committee fees | Total |  |
| Director | £ | £ | £ |
| Richard Davidson (Chair) | - | 48,000 | 48,000 |
| Sarika Patel | 357 | 40,500 | 40,857 |
| Christopher Sutton | 1,617 | 35,500 | 37,117 |
| Josephine Bush | 362 | 36,000 | 36,362 |
| Total | 2,336 | 160,000 | 162,336 |

The Directors held the following shares in the Company:

|  |  |  |
| --- | --- | --- |
| % of issued |  |  |
| Number of | Ordinary Shares |  |
| Director | Ordinary Shares | capital |
| Richard Davidson (Chair) | 100,000 | 0.06 |
| Sarika Patel | 24,000 | 0.01 |
| Christopher Sutton | 25,000 | 0.01 |
| Josephine Bush | 19,000 | 0.01 |

The above transactions were undertaken on an arm's-length basis.

22. Events after the balance sheet date

**The Directors have evaluated the need for disclosures and/or adjustments resulting from post balance sheet events through the financial statements were available to be issued.**

**On 19 October 2023, one of the Company's SPVs, FSFC Company 1 Limited, completed the acquisition of a site in Scotland for £0.7million.**

**On 1 December 2023, one of the Company's SPVs, Fordie Estates Limited, completed the acquisition of a site in Scotland for £0.5million.**

**There are no other significant events since period end which would require to be disclosed. There were no adjusting post balance sheet events and, as such, no adjustments have been made to the valuation of assets and liabilities as at 30 September 2023.**

COMPANY SUMMARY

Below are the Company key facts, advisers and other information (which have not beenaudited).

Company information

Foresight Sustainable Forestry Company Plc ("FSF") is the first and only UK listed investment trust focused on UK forestry, afforestation and natural capital (registered number 13594181) with a premium listing on the London Stock Exchange.

Registered address

The Shard, 32 London Bridge Street, London, SE1 9SG

Ticker/SEDOL

GB00BMDPKM71

Company year end

30 September

Investment Manager, Company Secretary and Administrator

Foresight Group LLP, No OC300878, registered in England and Wales and authorised and regulated by the Financial Conduct Authority

Market capitalisation

£140.2 million at 30 September 2023

Investment Manager fees

0.85% per annum of the NAV up to £500 million, falling to 0.75% per annum of NAV in excess of £500 million.

ISA, PEP and SIPP status

The Ordinary Shares are eligible for inclusion in PEPs and ISAs (subject to applicable subscription limits) provided that they have been acquired in the market, and they are permissible assets for SIPPs.

AIFMD status

The Company is classed as an externally managed Alternative Investment Fund under the Alternative Investment Fund Managers Regulations 2013 and the European Union's Alternative Investment Fund Managers Directive.

Non-mainstream pooled investment status

Approved UK Investment Trust subject to the Company continuing to meet the eligibility conditions in Section 1158 of the Corporation Taxes Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999).

FATCA

The Company has registered for FATCA and has a GIIN number 191P2V.99999.SL.826

Investment policy

The Company's investment policy is set out on pages 71 and 72.

Website

[*https://fsfc.foresightgroup.eu/*](https://fsfc.foresightgroup.eu/)

ADVISERS

Investment Manager, Administrator and Company Secretary

Foresight Group LLP

The Shard

32 London Bridge Street

London

SE1 9SG

Registrar and Receiving Agent

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol

BS99 6AH

Depositary

NatWest Trustee and Depositary Services Limited

250 Bishopsgate

London

EC2M 4AA

Financial advisor and corporate broker

Stifel Nicolaus Europe Limited

150 Cheapside

London

EC2V 6ET

Public Relations

SEC Newgate

14 Greville Street

London

EC1N 8SB

Solicitors to the Company

Gowling WLG (UK) LLP

4 More London Riverside

London

SE1 2AU

Independent Auditor

Ernst & Young LLP

25 Churchill Place

London

E14 5EY

Valuation Adviser

Savills Advisory Services Ltd

Earn House

Broxden Business Park

Perth

PH11 1RA

GLOSSARY OF TERMS

|  |  |
| --- | --- |
| AGM | Annual General Meeting |
| AIC | The Association of Investment Companies |
| AIFs | Alternative Investment Funds |
| AIFMs | Alternative Investment Fund Managers |
| AIFMD | Alternative Investment Fund Managers Directive |
| APMs | Alternative Performance Measures |
| Asset Manager | The Company's underlying investments have appointed Foresight Group LLP, a subsidiary of Foresight Group CI, to act as Asset Manager |
| Company | Foresight Sustainable Forestry Company Plc |
| EJDF | E.J. Downs Forestry, who have significant experience in the forestry management space and advise the Company on silvicultural decisions |
| Ernst & Young LLP | Ernst & Young is the Company's auditor |
| ESG | Environmental, Social and Governance |
| FCA | Financial Conduct Authority |
| FITF | Foresight Inheritance Tax Fund |
| Foresight | Foresight Group LLP |
| FSC | Forest Stewardship Council |
| FSF | Foresight Sustainable Forestry Company Plc |
| FTE | Full-time equivalent |
| Fund | Foresight Sustainable Forestry Company Plc |
| Fund Managers | Richard Kelly and Robert Guest |
| GAV | Gross Asset Value on investment basis including debt held at Company and subsidiary level |
| H&S | Health and safety |
| HMRC | HM Revenue & Customs |
| IAS | International Accounting Standard |
| ICVCM | Integrity Council for Voluntary Carbon Markets |
| IFRS | International Financial Reporting Standards as adopted by the EU |
| Intermediate holding companies | Companies within the Group which are used to invest in afforestation and forestry assets, namely FSFC Holdings Limited and FSFC Holdings 2 Limited |
| Investment Manager | Foresight Group LLP, appointed by Foresight Group CI Limited |
| IPO | Initial Public Offering |
| ITC | Investment Trust Company |
| KPI | Key performance indicator |
| LSE | London Stock Exchange |
| Main Market | The main securities market of the London Stock Exchange |
| NAV | Net Asset Value |
| PEFC | Programme for the Endorsement of Forest Certification |
| PIU | Pending Issuance Units |
| Portfolio | The 68 assets in which FSF had a shareholding as at 30 September 2023 |
| RCF | Revolving Credit Facility |
| Red Book Valuation or the Red Book | the Royal Institution of Chartered Surveyors Valuation - Global Standards July 2017 |
| RICS | Royal Institution of Chartered Surveyors |
| RIDDOR | Reporting of Injuries, Diseases and Dangerous Occurrences Regulations |
| RNS | Regulatory News Services |
| RPI | The Retail Price Index |
| S&ESG | Sustainability and ESG |
| SAC | Special area of conservation |
| Savills | Savills Advisory Services Limited |
| SDGs | United Nations Sustainable Development Goals |
| SDR | UK Green Taxonomy and UK Sustainable Disclosure Requirements |
| SFDR | The EU Sustainable Finance Disclosure Regulation |
| SORP | Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts |
| SPHN | Statutory plant health notifications |
| SPV | The special purpose vehicles which hold the Company's investment portfolio of underlying operating assets |
| SSSI | Sites of special scientific interest |
| tCO2e | Tonnes of carbon dioxide equivalent |
| TCFD | Task Force on Climate-related Financial Disclosures |
| UK | The United Kingdom of Great Britain and Northern Ireland |
| VCM | Voluntary Carbon Market |
| VCU | Verified carbon units |
| WCC | UK Woodland Carbon Code |

Appendix One: Voluntary Carbon Market Designation, Schedule 8, Clause 9: Continuing Obligations of the Eligible Issuer

Reference period: 01 October 2022 - 30 September 2023 (noting the Company was awarded the Voluntary Carbon Market designation in December 2022).

As an Eligible Issuer under the LSE's Voluntary Carbon Market designation, the Company confirms that this audited annual report and financial statements include:

|  |  |  |
| --- | --- | --- |
| VCM Designation Disclosure | Issuer comment |  |
| a | a statement confirming that there has been no change in the investments held by the Fund or the funding arrangements of the Operating Company (as the case may be) in the Proposed Projects and/or Qualifying Projects or, in the event that there has been a change, details of the change | During the year to 30 September, the Company has made 18 investments, adding a total of 2,929 hectares to its portfolio. In addition, it disposed of five properties within its portfolio. Please refer to pages 22 to 23 for full details on investment activity during the year. The Company confirms that beyond its investment activity, in pursuit of its investment and sustainable investment objectives, there have been no changes. |
| b | in respect of a Fund, which is not fully invested, confirmation of the expected timing of any further investments in Proposed Projects and/or Qualifying Projects | The Company announced that it completed the investment of its June 2022 fundraise in January 2023. Please refer to page 25 for a forecast of when afforestation schemes in development are expected to achieve planting completion. |
| C | an update in respect of the stage of each Proposed Project in relation to the standards of the relevant Qualifying Body including, without limitation: i. the expected timing of achieving key milestones to achieve the status of a Qualifying Project; or ii. a statement of the likelihood that the relevant Proposed Project will or will not become a Qualifying Project | Please refer to pages 24 to 25 for a forecast of when the Company's afforestation schemes in development are expected to achieve planting completion milestones. |
| D | a restatement of its expected Carbon Credit target yield and a description of how the Eligible Issuer has performed in relation to the previously stated expected target Carbon Credit yield | Please refer to pages 11 and 12 for details on the Company's objectives for 2023/24. As at 30 September the Company's current afforestation portfolio is expected to create up to 1.0-1.2 million voluntary carbon credits. |
| E | a statement confirming the percentage of the Eligible Issuer's gross assets, which are invested (directly or indirectly) in Qualifying Projects and Proposed Projects | Please refer to pages19 to 32 for a breakdown of the Company's portfolio and progress towards the creation of carbon credits. At 30 September 2023, the Company's afforestation portfolio comprised a c.45% allocation (by value). |
| F | for a Fund, confirmation that, to the extent the Fund is not invested in Proposed Projects and/or Qualifying Projects, the revenues from its investments (other than in cash or cash equivalents) can be mapped to the Tier 1 or Tier 2 micro sectors within FTSE Russell's Green Revenues Classification System; | As part of transactions to acquire forestry assets, the Company may end up owning ancillary non-forestry related assets such as residential land and buildings and small-scale renewable energy assets. The Company classifies these as "non-core" and at any point these will account for no more than 10% of the Company's assets (by value).Where appropriate and beneficial to the overall strategy, the Company will look to realise the value of any Non-Core Assets over time for the benefit of Shareholders. As at 30 September 2023 non-core assets, not expected to align with FTSE Russell's Green Revenues Classification System accounted for 3.52% of the Company's Gross Asset Value ("GAV"). The remaining 96.48% of the Company's GAV as at 30 September 2023, was invested into sustainable forestry and afforestation assets that can be mapped onto Tier 1 or Tier 2 micro sectors within FTSE Russell's Green Revenues Classification System. |
| G | for an Operating Company, confirmation that the revenues from any other business activity conducted can be mapped to the Tier 1 or Tier 2 micro sectors within FTSE Russell's Green Revenues Classification System | N/A |
| H | details (including the number) of any Carbon Credits received by the Eligible Issuer in the period, including: i. the Qualifying Body and the Voluntary Carbon Industry Body; ii. certification standard name; iii. type (reduction and/or removal); iv. project name; v. identification number; vi. issuing Registry for each Carbon Credit issued; vii. host country; viii. Carbon Credit vintage; ix. methodology/project type; and; whether or not the Carbon Credit is associated with corresponding adjustments (as evidenced by authorisation and authorised use) by the host and/or buyer country | In the period to 30 September 2023, the Company has not received or owned any Carbon Credits. |
| i | details (including the number) of any Carbon Credits that have been retained, retired on behalf of shareholders, distributed or sold onwards by the Eligible Issuer in the period | N/A |
| J | in respect of cash equivalents, how such investments are compatible with the principle of climate change mitigation; and | The Company may hold cash reserve for the purposes of ancillary liquidity and ongoing portfolio management to enable the continued attainment of the Company's sustainable investment objective. At any point, this cash reserve will account for no more than 5% of the Company's assets. As at 30 September, cash reserves comprised 0.72% of the Company's GAV. The Company utilises the following responsible bank reserves: HSBC Sterling Liquidity Fund Class F; and HSVC Sterling ESG Liquidity Fund Class F These are aligned with the principles of climate change mitigation and sustainable investment. |
| k | an update in respect of the disclosure required pursuant to paragraph 6(e) in respect of the United Nation's Sustainable Development Goals ("SDGs") | Please refer to the Company's sustainable impact reporting on pages 33 - 36. This outlines the specific SDG indicators used for the FSF portfolio. |

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**Notes**

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**Load-Date:** December 6, 2023

**End of Document**



[***Secretary-General Urges ‘Statesmanship, Not Gamesmanship and Gridlock’ to Resolve Global Challenges, Geopolitical Tensions, Opening Annual General Assembly Debate***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6973-47V1-JDG9-Y1X1-00000-00&context=1516831)

Impact News Service

September 20, 2023 Wednesday

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**Length:** 23732 words

**Body**

New York: The United Nation has issued the following press release:

The international community “seems incapable of coming together” to respond to a slew of growing global challenges and rising geopolitical tensions, United Nations Secretary-General António Guterres warned the General Assembly today as its annual high-level debate commenced, which also featured world leaders underlining the importance of multilateralism — and of the United Nations — for cooperation in a fragmenting world.

“It is time for a global compromise,” the UN chief stressed, adding that the world now needs “statesmanship, not gamesmanship and gridlock”.The Russian Federation ’ s invasion of Ukraine has unleashed a nexus of horror.Further, nuclear disarmament is at a standstill while countries develop new weapons and make new threats. Across the Sahel, a series of coups is destabilizing the region as terrorism is gaining ground.Sudan is descending into full-scale civil war.Meanwhile, the global humanitarian system is on the verge of collapse.

And, he continued, while there is still time to keep rising temperatures within the 1.5°C limits of the Paris Agreement on climate change, Group of Twenty(G20) countries – responsible for 80percent of greenhouse-gas emissions — must “break their addiction” to fossil fuels.The world must phase out coal, oil and gas in a fair way, and developed countries and emerging economies must reach net zero as close as possible to 2040 and 2050, respectively.

“We cannot effectively address problems as they are if institutions don ’ t reflect the world as it is,” he went on to say, warning that the world is inching “ever closer to a great fracture” in economic and financial systems. “It ’ s reform or rupture,” he underscored.

Dennis Francis (Trinidad and Tobago), President of the General Assembly at its seventy-eighth session, similarly called on Heads of State and Government to unite to address war, climate change, debt, poverty and famine.“These crises are directly impacting the lives and well-being of billions of people around the world,” he stressed.On Ukraine, he expressed concern over the continued violation of that country ’ s territorial integrity and sovereignty by another UN Member State. “We all want this war to end,” he emphasized.

Further, as a citizen of a climate-vulnerable region, he urged Member States to recognize the continued and escalating impacts of climate change and to deliver real, transformative results.“We do not lack capacity,” he told those present, observing:“What we lack is the will to act. ”

In the ensuing debate, 35Heads of State and Government spotlighted the multitude of challenges and crises affecting their respective nations and regions. Numerous leaders voiced shared concerns, echoing the Secretary-General ’ s warning over escalating divisions undermining diplomacy and international cooperation.

On that, Joseph R. Biden, President of the United States, underscored that no nation can meet today ’ s challenges alone.Expressing his country ’ s support for Ukraine, he stressed that the Russian Federation alone stands in the way of peace. He asked:“If we allow Ukraine to be carved up, is the independence of any nation secure?”Urging those present to “stand up to this naked aggression today and deter other would-be aggressors tomorrow”, he also underlined the need to preserve the planet, protect human dignity and provide opportunity for people everywhere.

Volodymyr Zelenskyy, President of Ukraine, pointed out that hatred, when weaponized against one nation, never stops there.Many seats in the General Assembly Hall “may become empty if Russia succeeds with its treachery and aggression”, he said.Pointing to “attempts to make some shady deals behind the scenes”, he underscored: “Evil cannot be trusted — ask [Russian mercenary leader Yevgeny] Prigozhin if one bets on [Russian Federation President Vladimir V.] Putin ’ s promises. Please, hear me. Let unity decide everything openly. ”

Recep Tayyip Erdoğan, President of Türkiye, stressed the need to end the war through diplomacy.“We have been endeavouring to keep both our Russian and Ukrainian friends around the table with a thesis that war has no winners and peace will have no losers,” he said.Unfortunately, the Security Council has ceased to be the guarantor of global security — instead, it has become a battleground for five countries. He emphasized: “The world is bigger than five and a fairer world is possible”.

In that vein, Luiz Inácio Lula Da Silva, President of Brazil, underscored the importance of reducing inequality by including the poor in Government budgets and making the rich pay taxes proportional to their wealth.Further, reporting that military spending has totalled $2trillion in 2022, with nuclear spending reaching $83billion — 20times higher than the regular United Nations budget — he emphasized:“The UN was born to be the home of understanding and dialogue”.

Alberto Fernández, President of Argentina, said that multilateralism is the best tool for cooperation, because hegemonic agendas limit economic and scientific cooperation and affect international peace.Noting Azerbaijan ’ s reported military operations to take control of Nagorno-Karabakh, he urged the international community to act to prevent new ethnic, racial or religious persecution and called on the world ’ s multilateral organizations to regain their strength to enforce international rules.

Meanwhile, Seyyed Ebrahim Raisi, President of Iran, said that Western hegemony “no longer resonates with the realities of today ’ s world”, that the former liberal order has been “relegated to obsolescence” and that “attempts to universalize American ideals throughout the world” have failed. Stressing that humanity is entering a new framework, he said that — while old Powers will continue their trajectory — “they represent the past, and we are the future”.

Bola Ahmed Tinubu, President of Nigeria, stated, along those lines, that Africa “is nothing less than the key to the world ’ s future”. While good-governance failures have hindered the continent, “broken promises, unfair treatment and outright exploitation from abroad have also exacted a heavy toll on our ability to progress”, he said. The wave crossing Africa is not a demonstration in favour of coups, he added, “it is a demand for solutions to perennial problems”.

To that end, Sadyr Zhaparov, President of Kyrgyzstan, said that — despite military-bloc thinking over past years, the United Nations has been — and remains — the most legitimate platform for diplomacy. Underscoring the need to build a multilateral system that prevents further geopolitical fragmentation, he asked those present whether international conditions were easier 78years ago — when the UN was just beginning its work following the bloodiest war in human history — than they are today. Underlining the need to “see the world for what it is”, he called for the Organization ’ s transformation into a centre for global efforts to prevent conflict, reach compromise and establish peace.

Opening Remarks

ANTÓNIO GUTERRES, Secretary-General of the United Nations, warned that the world is becoming unhinged.“Geopolitical tensions are rising,” he emphasized, also adding:“And we seem incapable of coming together to respond. ”While the world has changed, institutions have not.“We cannot effectively address problems as they are if institutions don ’ t reflect the world as it is,” he added.The world is inching “ever closer to a great fracture” in economic and financial systems and trade relations; one that threatens a single, open Internet; with diverging strategies on technology and artificial intelligence; and potentially clashing security frameworks, he warned, further emphasizing the need to adapt and reform.That means reforming the Security Council and redesigning the international financial architecture so that it becomes truly universal and serves as a global safety net for developing countries in trouble.“It ’ s reform or rupture,” he said.The world needs statesmanship, not gamesmanship and gridlock.

“It is time for a global compromise,” the Secretary-General continued, also adding:“Politics is compromise.Diplomacy is compromise.Effective leadership is compromise. ”What is needed is determination to end the scourge of war and uphold respect for international law.The Russian Federation ’ s invasion of Ukraine is in violation of the Charter of the United Nations and international law.It has unleashed a nexus of horror:lives destroyed, human rights abused, families torn apart and children traumatized.“Nuclear threats put us all at risk,” he warned.The world must not relent in working for peace — a just peace in line with the Charter.Even while fighting rages, the world must pursue every avenue to ease the suffering of civilians in Ukraine and beyond.The Black Sea Initiative was one such avenue.The world needs Ukrainian food and Russian Federation food and fertilizers to guarantee food security.“I will not give up on my efforts to make it happen,” he pledged.

“Around the globe, old tensions fester while new risks emerge,” he continued.Nuclear disarmament is at a standstill while countries develop new weapons and make new threats.Across the Sahel, a series of coups is further destabilizing the region as terrorism is gaining ground.Sudan is descending into full-scale civil war.In eastern Democratic Republic of the Congo, millions are displaced and gender-based violence is a horrific reality.Haiti is overwhelmed by gang violence.In Afghanistan, a staggering 70percent of the population needs humanitarian assistance with the rights of women and girls systematically denied, he said.In Myanmar, brutal violence is crushing hopes for a return to democracy.In the Middle East, unilateral actions are undermining the possibility of a two-State solution — the only pathway to lasting peace and security for Palestinians and Israelis.Syria remains in ruins while peace remains remote.

The global humanitarian system is on the verge of collapse, he warned, urging all countries to fund the Global Humanitarian Appeal.Today, countries are forced to choose between serving their people or servicing their debt.Africa spends more on debt interest than on health care.The world together can take determined steps to help countries weather crises such as the COVID-19 pandemic.That includes urgently advancing the Sustainable Development Goals Stimulus of $500billion per year.Turning to climate change, he said, there is still time to keep rising temperatures within the 1.5°C limits of the Paris Agreement on climate change.Group of 20 countries, responsible for 80percent of greenhouse-gas emissions, must “break their addiction” to fossil fuels, he stressed.The world must phase out coal, oil and gas in a fair way and massively boost renewables.Developed countries must reach net zero as close as possible to2040, and emerging economies as close as possible to2050.

Around the globe, women ’ s rights — including sexual and reproductive rights— are being suppressed and even rolled back, and women ’ s freedoms curtailed, the Secretary-General went on to say.Gender equality is not the problem.Gender equality is the solution.Human rights — political, civil, economic, social and cultural — are the key to solving many of the world ’ s interlinked problems.Turning to generative artificial intelligence, he said such technology holds much promise — but “it may also lead us across a rubicon and into more danger than we can control”.New technology requires new and innovative forms of governance.He urged the need for a Global Digital Compact — between Governments, regional organizations, the private sector and civil society — to mitigate the risks of digital technology and identify ways to harness their benefits for the good of humanity.

DENNIS FRANCIS (Trinidad and Tobago), President of the seventy-eighth session of the General Assembly,outlined this session ’ s imperative: to unite the nations, to be united in conviction of common purpose and in solidarity of joint action.“War. Climate change. Debt. Energy and food crises. Poverty and famine. These crises are directly impacting the lives and well-being of billions of people around the world,” he said, calling on Member States to rebuild trust and reignite global solidarity. Quoting the late United States Secretary of State Madeleine Albright, he said: “If the UN did not exist, we would have to invent it. ”Continuing, he said that the world is fortunate that the Organization does indeed exist and called on Member States to make full and effective use of this unparalleled resource.

Turning to the situation in Ukraine, he mentioned the continued violation of that country ’ s territorial integrity and sovereignty by another UN Member State.The horrendous war there has unleashed untold suffering and destroyed countless families, communities and lives, while its cascading impacts are triggering food insecurity, volatility in energy prices and the threat of nuclear warfare.“We all want this war to end.It is an affront to everything that this organization and the UN Charter stands for. We need just and sustainable peace in Ukraine and elsewhere in the world, in line with international law and with the UN Charter.Peace must also be given a chance in other parts of the globe — from Africa to the Middle East,” he underscored.

Referring to the current high-level week with the Sustainable Development Goals Summit, he said that there have been unacceptable delays and rollbacks with regards to the Goals and called on States “to make up for the lost momentum and work much harder in the remaining seven years to accelerate progress”. “As a citizen of a climate-vulnerable region, I urge Member States to recognize the continued and escalating impacts of climate change — and to deliver real, transformative results,” he stressed.As 2023 marks the seventy-fifth anniversary of the Universal Declaration of Human Rights, he pledged: “As President of the seventy-eighth session, I am committed to championing vulnerable and marginalized groups. ”

Despite many and complex challenges, the ability exists to effect change and make a meaningful difference to the lives of billions of people.“We do not lack capacity. What we lack is the will to act. By putting aside our differences and bridging divides we can deliver peace, progress, prosperity and sustainability to everyone, everywhere,” he said, calling on Member States to re-energize the General Assembly and demonstrate capacity and will to deliver for all.

Statements

LUIZ INÁCIO LULA DA SILVA, President of Brazil, recalled that 20 years ago, speaking at the General Assembly, he expressed confidence in the human capacity to overcome challenges and evolve towards superior forms of coexistence.“I return today to say that I maintain my unshakeable trust in humanity,” he stressed, while pointing to the severity of the climate crisis that “knocks on our doors and imposes losses on our brothers, especially on the poorest”.Noting that hunger — that today affects 735million people globally — was at the centre of his speech in 2003, he emphasized:“The world is increasingly unequal.The 10 richest billionaires have more wealth than the poorest 40percent of humanity. ”

“If today I return in the honourable capacity of President of Brazil, it is thanks to democracy,” he underscored, emphasizing that “hope, once again, has won over fear”.His country “is back” to make its contribution towards global challenges, he stressed, while also noting that it has reclaimed its foreign policy ’ s universalism, marked by a respectful dialogue with everyone.Recognizing that the 2030Agenda could turn into the biggest failure of the UN, he underscored the importance of reducing inequalities by including the poor in Government budgets and making the rich pay taxes proportional to their wealth.Further reiterating Brazil ’ s commitment to the Sustainable Development Goals, he added:“We want to achieve racial equality through the eighteenth [Sustainable Development] Goal, which we will voluntarily adopt. ”

In this regard, his Government has launched a zero-hunger programme and passed a bill on equal pay for equal work and gender equality.Recalling that the Global South is the most affected by climate change, he pointed out that Brazil — by generating 97percent of its electrical power from clean, renewable sources — has proven that a socially fair and environmentally sustainable model is possible.He also highlighted the immense potential for generating green hydrogen and reported that, having resumed tackling environmental crimes in the Amazon, his country managed to reduce deforestation by 48percent in eight months.Expressing regret that the promise to allocate $100billion to developing countries has not been fulfilled, he recalled that, in 2022, the International Monetary Fund (IMF) has made available $160billion in special drawing rights to European countries and only $34billion to African countries.While the foundations of the new economic governance have not been laid, he said that BRICS [Brazil, Russian Federation, India, China, South Africa] — a ***strategic*** platform for emerging countries cooperation — was a result of this paralysis.

He went on to say that during Brazil ’ s chairmanship of the Group of 20 (G20) in 2024, under the motto “Building a just word for sustainable planet”, the country will coordinate social inclusion and fight against hunger.Noting that there will be no sustainability and prosperity without peace, he underscored the importance of promoting a culture of peace.While referring to a number of ongoing global crises, including the war in Ukraine, he added:“No solution will be lasting if not based on dialogue. ”Reporting that military spending has totalled $2trillion, with nuclear spending reaching $83billion — 20 times higher than the regular UN budget — he emphasized:“The UN was born to be the home of understanding and dialogue. ”Further, he rejected unilateral sanctions, including Cuba ’ s economic and financial embargo, and criticized any attempts to divide the world into zones of influence and revive the cold war.

JOSEPH R. BIDEN, President of the United States, recalling his meeting with a small group of American and Vietnamese veterans, said that, despite the painful legacy of war, “history does not need to dictate our future”.Overwhelming challenges can be resolved and deep wounds can heal if the international community chooses to stand together and recognize the common hopes that bind all humanity.In this context, he highlighted the duty of the United States to work with countries in every region, ensuring that everyone has access to health care, the environment is protected and conflicts are resolved peacefully.The United States seeks a more secure, prosperous and equitable world for all people, he said, adding:“we know that our future is bound to yours” and no nation can meet the challenges of today alone.By working together, the world made some remarkable and undeniable progress:“We avoided the renewal of a global conflict while lifting more than 1billion people out of extreme poverty,” he said.

He further underscored the need to make sure that “we are delivering for people everywhere, not just somewhere”.This challenge starts with the United Nations, “it starts right here, in this room,” he said, voicing support for expanding the Security Council and increasing the number of permanent and non-permanent members.Turning to the situation in Haiti, he spotlighted breakthroughs on hard issues, stressing that “people of Haiti cannot wait much longer”.He also drew attention to his country ’ s significant efforts to reform and scale up the World Bank, expanding its financing to lower-middle-income countries, and to reform the World Trade Organization (WTO).Stressing the need to forge new partnerships and confront new challenges, he said that technologies such as artificial intelligence represent both potential and peril and policies must be put into place to ensure their safety.“It is important to govern technologies, not the other way around, for them to govern us,” he added.

Additionally, the United States convened the Summit for Democracy to strengthen democratic institutions, root out corruption and reject political violence, he said, also reiterating his country ’ s commitment to stand with the African Union and the Economic Community of West African States (ECOWAS).The plan — outlined at the G20 — to connect India to Europe through the United Arab Emirates, Saudi Arabia, Jordan and Israel, is part of efforts to build a more sustainable, integrated Middle East.Turning to China, he said:“We seek to responsibly manage the competition between our countries so it does not tip into conflict. I ’ ve said we are for de-risking, not decoupling on China. ”Also, he continued, “we will push back on aggression and intimidation and defend the rules of the road, the freedom of navigation”.Further, it is critical to de-accelerate the climate crisis, he said, sounding alarm over the wildfires ravaging North America and Southern Europe, the drought in the Horn of Africa and the tragic flooding in Libya.Accordingly, he stressed the need to move the global economy towards clean energy, help developing countries reach their climate goals and increase investment in the public and private sectors.

Highlighting efforts by the United States to reduce the threat of mass destruction, he called for de-nuclearization of the Korean Peninsula and stressed that Iran must never acquire nuclear weapons.However, for the second year in a row, efforts dedicated to peaceful resolution of conflict are darkened by the shadow of war — an illegal war of conquest brought without provocation by the Russian Federation against Ukraine.The United States strongly supports Ukraine in its efforts to bring about a diplomatic resolution to just and lasting peace, he emphasized, noting:“Russia alone bears responsibility for this war; Russia alone has the power to end this war immediately; and it ’ s Russia alone that stands in the way of peace. ”Moscow believes that the world will grow weary, allowing it to brutalize Ukraine without consequence.“If we allow Ukraine to be carved up, is the independence of any nation secure? I respectfully ***suggest*** the answer is no. We have to stand up to this naked aggression today and deter other would-be aggressors tomorrow,” he asserted.“That ’ s why the United States — together with our allies and partners around the world — will continue to stand with the brave people of Ukraine as they defend their sovereignty and territorial integrity and their freedom,” he said.In closing, he said “we will be judged by […] all those who inherit the world we create”, underlining the need to preserve the planet, to protect human dignity and to provide opportunity for people everywhere.

GUSTAVO PETRO URREGO, President of Colombia, recalling his recent visits to Chile to commemorate the 50-year anniversary of the coup, to a popular neighbourhood in Medellín where mafia used to lure youth as well as to Cuba — “an unjustly blockaded country” — noted that the multiple crises in the world have only deepened over the past year.War did not end, hunger continues, recession increases and the climate crisis has worsened, causing thousands of deaths and heating our planet.Observing that humanity is moving towards extinction, he argued that all the crises are, in effect, one — the crisis of life.This has been expressed in one indicator, he claimed, pointing to the migration flows from the South to the North.While today the number amounts to tens of millions, by 2070, the figure will have reached 3billion, as people ’ s homes will become uninhabitable, he emphasized.

Describing today ’ s Colombia as one full of beauty and life, he warned that by 2070 all that might be left of it is desert.In a move to the North, people will be driven by something simpler than better economic prospects — by water.He argued that to reach the North, people will defy armies and change the Earth.“This exodus of people to the North is an exact reflection of the dimension of the failure of Governments,” he said, drawing attention to a yearly increase in migration.In addition, he condemned the treatment of migrants from the South and the rise of hatred towards them, as many are pursued and imprisoned, often in facilities built out at sea to prevent them from reaching the mainland.In this regard, he accused “the whites” of still considering themselves superior, which is also reflected in the results of elections.

However, as the crisis of life advances and the clock is ticking, “we decide to waste time killing one another” instead of solving the situation and ensuring a sustainable future, he regretted.To meet the Sustainable Development Goals, all wars must be brought to an end, he underscored, stating that the war in Ukraine benefits the world Powers, while their approach to Palestine is different.To achieve peace, he thus proposed that the United Nations should as soon as possible hold two peace conferences — one on Ukraine and the other on Palestine. This would lead the way in helping to bring peace to all regions of the planet, because “both of these alone can bring an end to hypocrisy as a political practice”, he insisted.He went on to state that the Sustainable Development Goals will not be met, as instead of social justice we see global injustice.

Criticizing the lack of monetary resources for climate change adaptation, he noted that what is now needed is $3trillion to overcome this challenge.He thus proposed to reform the global financial system, as cheap loans causing more indebtedness are not the solution.While the market will contribute as well, it is also part of the problem, he claimed.He thus called for most of the investment to decarbonize the world ’ s economy to come from the public funds, from the efforts of societies, from bringing States and humanity together and from governing the Earth with the vision of democracy. In this way, the world will be able to finance the Marshall Plan for the Sustainable Development Goals — for social and environmental justice on the planet.He expressed hope that this will allow humanity to achieve its objective of spreading life through the very diversity of its cultures.

ABDULLAH II IBN AL HUSSEIN, King of Jordan,said that more than 345million people face food insecurity, daily hunger, or starvation.Among the most vulnerable are 108million refugees.And 40percent of these refugees are children.“Yet these numbers cannot really convey the tragedy,” he said.Refugees are mothers, fathers and grandparents, who have made perilous journeys to save their families.They are young people with big dreams, and little children who deserve the chance to dream big.They depend on the international community for their survival, and multiple UN agencies provide vital services to help meet the need.“But in recent months, one by one, these agencies have been delivering difficult news — a severe shortfall in international funds has forced them to cut support,” he said.

In Jordan, where refugees make up over one third of the 11million population, cuts have already thrown the lives of hundreds of thousands of refugees into uncertainty, he continued.“Fear and want bring on sharp increases in the number of refugees fleeing to Europe and beyond, on journeys that too often end in tragedy,” he said.Jordan has done everything to secure a dignified life for refugees.Nearly half of the almost 1.4million Syrians it hosts are under 18years of age. For many of these young people, Jordan is the only place they have ever known.Over 230,000 Syrian children have been born in Jordan since 2011.“We are sharing precious resources to help them meet basic needs — food, energy, and especially water,” he said. Jordan is among the water-poorest countries in the world.It faces these pressures just when another crisis has hit the region:climate change.

“Syrian refugees ’ future is in their country, not in host countries,” he added. And the fact is refugees are far from returning.On the contrary, more Syrians are likely to leave their country as the crisis persists.And Jordan will not have the ability nor the resources to host and care for more.Jordan ’ s case is a microcosm of the entire region, which, he said, will continue to suffer until the world “helps lift the shadow” of the Palestinian-Israeli conflict.“Without clarity on where Palestinians ’ future lies, it will be impossible to converge on a political solution to this conflict,” he said.Fivemillion Palestinians live under occupation with no say in their lives.Yet every UN resolution since the beginning of the conflict recognizes the equal rights of the Palestinian people to a future of peace, dignity and hope.

“We can see the Israeli people actively defending and engaging in the expression of their national identity. Yet, the Palestinian people are deprived of that same right,” he continued.The basic requirement for that right is the establishment of their own independent and viable State, on 1967 lines with East Jerusalem as its capital.For its part, Jordan remains committed to safeguarding Jerusalem ’ s identity, he continued, also urging sustainable funding for theUnited Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).“We must protect young Palestinians from extremists who prey on their frustrations and hopelessness by making sure they continue to learn at schools under the blue flag of the United Nations, as the alternative will be the black flags of terror, hate and extremism,” he stressed.

ANDRZEJ DUDA, President of Poland, said thatthe Russian Federation ’ s brutal aggression against Ukraine has brought with it immense global problems, putting the international world order to a test.Recalling 1939 when, in the wake of the alliance between Hitler and Stalin, Poland lost its independence, was wiped out from the map of the world and subjected to extremely brutal occupation, he said his country understands the tragedy of Ukraine better than any other.“The logic of conquest, changing borders by force, disregarding the law and denying the Ukrainian people their right to exist must be stopped.This brutal war must end, and not be converted into a frozen war,” he underscored.

“Today, the victim is Ukraine.Tomorrow, it could be any one of us, if we do not follow these ironclad rules, if we do not insistently enforce compliance with international law,” he warned, voicing support to the work of the International Criminal Court, the International Court of Justice and the Independent International Commission under the UN Human Rights Council to investigate violations of human rights and humanitarian law in the context of Russian aggression.Poland supports the idea of establishing an ad hoc special tribunal, he added, noting that that Moscow continually tries to shape international public opinion by building a false vision of reality.He also praised the United States for playing a pivotal role in assuring security in Europe for more than a century.

Given the refugee crisis caused by the war in Syria, Poland ’ s assistance to Iraq, Lebanon, Palestine and Jordan will be maintained, he assured.The situation is most difficult in Africa, where one in five people is suffering from hunger.“Therefore, in 2022, Poland supported the World Food Programme ’ s (WFP) activities in Africa, the Middle East and Asia, including Lebanon, Afghanistan, Tajikistan and Syria,” he said, adding that Warsaw respects “African solutions to African problems”.Noting that Poland will be a member of the Economic and Social Council for the 2024-2026 period, he said that one of its key priorities on the organ “will be to draw the international community ’ s attention to the impact of global crises, such as armed conflicts, the energy crisis, the COVID-19 pandemic and climate change”.

Describing the decision-making impasse in the Security Council and the situation in which the Russian Federation, a permanent member of that organ, is deliberately violating the Charter of the United Nations, he said that some people ask questions about whether the Organization is needed at all.“On behalf of Poland, a neighbour of attacked Ukraine, a country that has taken in millions of refugees, I emphatically answer: Yes,” he said, stressing that the United Nations is very much needed as no better system for international cooperation has been invented.He also urged for a return to the thinking and actions of the founding fathers of the United Nations, as there will be no lasting peace without cooperation, without solidarity between richer and poorer countries and ultimately without respect for international law.

MIGUEL DÍAZ-CANEL BERMÚDEZ, President of Cuba, citing Che Guevara, said he brought the voice of the “exploited and the humiliated” to the General Assembly, adding:“We are a diverse group of nations sharing the same problems. ”Pointing out that many countries have not managed to get rid of the euphemism “developing countries”, he said they are the main victims of the global multidimensional crisis, the abusive unequal exchange and the scientific and technical gap.“We have been united for half a century by the inescapable challenge and the determination to transform the current international order,” he stressed, spotlighting that the “Group of 77” and China Member States represent 80percent of the global population.

“The efforts of developing countries are not enough to implement the 2030Agenda,” he underscored, calling for transformation of the international financial architecture — designed to profit on the reserves of the South — that increases underdevelopment and replicates modern colonialism.Recalling the Group ’ s member States were forced to allocate $379billion from their reserves to protect their currencies in 2022 — almost twice as much as IMF ’ s drawing rights allocated — he also said that, while the richest countries fail to allocate 0.7percent of their gross national income for development assistance, the nations of the South need to spend 14percent of their incomes to pay for foreign debt interests.In this regard, he called for redesigning the debt instruments and including activation provisions to alleviate and reschedule it once the country is affected by natural catastrophes.

Turning to climate change, he expressed regret that the goal of mobilizing $100billion a year up to2020 in climate financing has never been met. On the eve of the twenty-eighth Climate Change Conference, the Group of 77 will prioritize the implementation of the loss and damage fund and the establishment of new climate financing goals.He underscored the need for changing science, technology and innovation paradigms — limited to the perspectives of the North — that deprive the international scientific community from intellectual capital, also announcing that the Group of 77 has decided to resume the Consortium of Science, Technology and Innovation for the South to promote joint research projects.More so, the 17cooperation projects, designed by Cuba in its Group of 77 Chairmanship, will contribute to South-South and triangular cooperation.

He went on to recall that his country has been suffering from the economic blockade for 60years, while stressing that Havana has not implemented a single measure aimed at damaging the economic sector or social fabric of the United States.Recalling that Washington, D.C , pressured entities not to provide medicine, needed in his country to face the pandemic, he observed that Cuba ’ s scientists created vaccines and developed ventilators that it provided to other countries.In a globalized world, it is not only absurd but also criminal to prohibit access to technologies and medical equipment that have over 10percent of United States components, he stressed, adding that despite Washington, D.C ’ s hostilities, Cuba will continue building bridges with its people.

RECEP TAYYIP ERDOĞAN, President of Türkiye, highlighting increasingly complex global challenges, said that unfortunately it is impossible to draw a more optimistic picture of the world ’ s future.Conflicts, wars, humanitarian crises and political tensions are getting more and more difficult to deal with.Terrorism — used as an instrument of proxy wars in Syria, Africa and the Sahel region — is causing irreparable damage to the increasingly fragile international security climate, he observed, noting that the areas of operations of terrorist organizations are spreading like an epidemic.Moreover, the signs of xenophobia, racism and Islamophobia reached alarming levels in the past year, while climate change and natural hazards have become an everyday reality in peoples ’ lives.

He recalled that Türkiye recently faced one of the biggest natural hazards in terms of magnitude and the area affected, with more than 50,000people losing their lives.Similarly, Libya was subjected to heavy destruction and significant loss of life caused by storms and floods where 12,000people perished and thousands still remain unaccounted for.As a first response to Libya, Türkiye sent three vessels and three planes, along with 567relief personnel, hundreds of vehicles and thousands of tons of food, shelter and sanitary supplies.He also noted that his country ’ s non-governmental organizations are participating in the relief efforts in the region with their own means and capabilities.Against this backdrop, he detailed Türkiye ’ s vision that eliminates global injustice, addresses economic inequality and produces peace, security and stability.“It ’ s our call for the establishment of an international system for the benefit of all humanity,” he added.

He went on to underscore that the institutions established after the Second World War no longer reflect today ’ s world and the Security Council has ceased to be the guarantor of the world ’ s security and, instead, has become a battleground for political strategies of only five countries.As a country that has pioneered numerous initiatives to strengthen peace and stability, Türkiye attaches great importance to the Secretary-General ’ s call for a New Agenda for Peace.“Since the beginning of the Russian-Ukrainian war, we have been endeavouring to keep both our Russian and Ukrainian friends around the table with a thesis that war has no winners and peace will have no losers,” he said, stressing the need to step up efforts to end the war through diplomacy, on the basis of Ukraine ’ s independence and territorial integrity.

Highlighting that his country ensured the delivery of 33million tons of grain through the Black Sea Grain Initiative on the global markets, he said the failure to implement the agreement has left the world facing a new crisis.He expressed hope that this humanitarian bridge that extends to the countries in dire need will benefit from negotiations undertaken by Türkiye.Turning to the situation in Syria, he said the humanitarian tragedy in that country is now marking its thirteenth year and is worsening the living conditions of everyone in the region, regardless of their origin and faith.It is becoming increasingly important to end the crisis with a comprehensive and sustainable solution, he said, noting that the devastating impacts of the 6February earthquake which affected 14million people in his country was also deeply felt in Syria.

“We are sick and tired of the hypocrisy of those who are using Da ’ esh and similar organizations as a front to their own political and economic interests in the Middle East, North Africa and the Sahel, but especially in Syria and Iraq,” he asserted, warning against terrorist organizations, paramilitary groups, mercenaries and local elements that are used as tools of proxy wars.Against this backdrop, he urged for a global governance architecture, emphasizing that “the world is bigger than five and a fairer world is possible”.He also called for a just and sustainable solution to the Cyprus issue that can no longer be realized on the basis of a federation model; expressed support to the Palestinian people; supported talks between Azerbaijan and Armenia; and voiced support for Afghanistan ’ s people who are in dire need of humanitarian support.

MARCELO REBELO DE SOUSA, President of Portugal, reaffirmed his country ’ s commitment to the priorities of the United Nations.Most notably he cited climate change, human rights, migrants, refugees and gender equality. Portugal also supports the success of the Summit of the Future in 2024, the United Nations Alliance of Civilizations Forum, which the country will host in 2024, and a world social summit in 2025.He highlighted the three main interconnected urgencies in today ’ s world — the need to respect the Charter of the United Nations; accelerate the fight against climate change to fulfil the objectives of 2030Agenda; and reform international institutions.Some of these institutions were formed in the last century and do not correspond to the current realities, he observed.

On the indivisibility of these priorities, he argued that without respect for the Charter there cannot be peace, sustainable development or institutional reform.There is no sustainable development, nor respect for the Charter, without the reform of international institutions.And there is no reform without respect for the Charter and without achieving the Sustainable Development Goals.Nevertheless, pointing to the main problem, he questioned the credibility of global leaders participating in a General Assembly debate when the issues they identify in their statements are not treated with the appropriate urgency.He went on to underscore that achieving peace in Ukraine is crucial for the whole world, as “we cannot differentiate the struggle of the Ukrainian people from the struggle for the respect of the United Nations Charter”.Equally, it is not possible to build peace without stepping up the implementation of the Sustainable Development Goals.

“We are lagging behind, we need to promote equality among States and among peoples,” he stressed.On Security Council reform, he noted that its composition reflects a world that no longer exists, recalling Portugal ’ s support for countries like Brazil and India to get permanent seats on the organ.He went on to say that the existing financial institutions are incapable of financing sustainable development with equity and justice, claiming that “the richer have preference over the poorer nations”.For a new global governance concrete solutions for institutional reforms are needed.He pointed out that it is easy to make promises and not deliver on them by not respecting international law, not contributing to justice and delaying the implementation of the Sustainable Development Goals.On climate change, he said that Portugal has been moving forward in decarbonization, promoting clean energy as well as protecting oceans and biodiversity.

Portugal just signed with Cabo Verde — which is part of the community of 300million Portuguese speakers — an agreement aimed at transforming debt into investment in an environmental and climate fund, he announced.This will allow for the sustainable economic development of Cabo Verde.He said that Lisbon ’ s goal is to extend such deals to other Portuguese-speaking countries.In addition, he called on world leaders to respect international law, build peace, cooperate with one another and work towards correcting inequalities.“Every day we lose is another day of inequality, selfishness, conflict and war. Every day we gain is another day of justice, development and peace,” he underlined.He expressed hope that by the time of the 2024 general debate there will be more peace, justice, equality and climate action, as well as more reform of the United Nations and financial institutions.

SHEIKH TAMIM BIN HAMAD AL THANI, Amir of Qatar, stressed the need to unify efforts to prevent the misuse of cyberspace and regulate it on the basis of international law. Further, he said that it is unacceptable for the Palestinian people to remain prisoners of the Israeli occupation. The failure of the international community to act against the occupation continues to provide Israel with the opportunity to undermine the foundations of the two-State solution. Israel responds to Arab peace and normalization initiatives with more nationalist and ultra-orthodox extremism.This is reflected in Government coalitions, further settlement expansion, the Judaization of Jerusalem, attacks on holy sites and tightening the noose on the Gaza Strip. For its part, Qatar provides political, humanitarian and development support to the Palestinian people and contributes towards rebuilding the Gaza Strip.

In the case of Syria, the crisis is still waiting for a comprehensive settlement through a political process that also maintains that country ’ s integrity, sovereignty and independence. Turning to Sudan, he condemned the crimes perpetrated against civilians in Khartoum and Darfur and called for perpetrators to be held to account. In Lebanon, he stressed the need to find a sustainable solution to the political vacuum by forming a Government ***capable*** of addressing the aspirations of the Lebanese people and getting them out of their economic and developmental crises. In Yemen, Qatar calls for the crisis to be resolved in accordance with the resolutions of the National Dialogue, the initiative of the Gulf Cooperation Council and the relevant Security Council resolutions.

Concerning the Libyan issue, he reiterated Qatar ’ s unwavering support for the efforts of the head of the United Nations Support Mission in Libya (UNSMIL) and his efforts to achieve tangible results to resolve the crisis there. Regarding the situation in Afghanistan, he stressed the need to prevent it from sliding into a difficult-to-manage humanitarian crisis that becomes a haven for terrorist individuals.Further, he said that the war in Europe is affecting the whole world in vital areas such as energy and food.Qatar reiterates calls on all parties to comply with the Charter of the United Nations and international law, respect the sovereignty and territorial integrity of States and pursue a radical peaceful solution that is based on these principles.

On the national front, he said that Qatar ’ s investments in liquefied gas have enabled the country to play an important role in addressing the global energy crisis. Qatar continues to develop its sovereign fund and diversify sources of its income. Doha pursues environmentally friendly policies and aims to provide humanitarian aid.He further stressed that cooperation is key to stem waves of refugees, which have become a real problem for Europe as well as for neighbouring African and Asian countries.Combating racism and campaigns of incitement against entire peoples, religions and civilizations is key. To those who seek to justify hideous acts as freedom of expression, he said, deliberately compromising the sanctity of others should not be seen as an example of the freedom of expression.

MATAMELA CYRIL RAMAPHOSA, President of South Africa, said that sincemuch of humanity is confronted by war and conflict, by want and hunger, by disease and environmental disaster, the achievement of the Sustainable Development Goals seems increasingly remote.“At the moment when every human effort should be directed towards the realization of 2030Agenda, our attention and our energies have once again been diverted by the scourge of war,” he said, adding that South Africa has consistently advocated for dialogue, negotiation and diplomacy to prevent and end conflict and achieve lasting peace.He mentioned his country ’ s participation in an African peace initiative, which seeks a peaceful resolution to the conflict between the Russian Federation and Ukraine, based on the UN Charter principle of respect for the territorial integrity of every country.“As we confront other conflicts in several parts of the world, including on our continent Africa, we need to be investing in prevention and peacebuilding,” he stressed, urging the global community to be concerned by recent incidents of unconstitutional changes of Government in some parts of Africa.

Returning to global issues, he said that as long as the land of the Palestinians remains occupied and their rights are ignored, peace will remain elusive there because the actions of the Government of Israel have imperiled the possibility of a viable two-State solution.He also called for lifting sanctions against Cuba and Zimbabwe.“We call on our partners from wealthier countries to meet the financial commitments they have made.It is a great concern that these wealthier countries have failed to meet their undertakings to mobilize $100billion a year for developing economies to take climate action,” he underscored.He called on tackling debt distress, scaling up affordable long-term financing to $500billion a year and expanding contingency financing to countries in need. “It is a grave indictment of this international community that we can spend so much on war, but we cannot support action that needs to be taken to meet the most basic needs of billions of people,” he said.

As he is accompanied in New York by an all-women national delegation, he stressed that the achievement of the Sustainable Development Goals depends fundamentally on the empowerment of women in all spheres of life.“We must pay particular attention to the provision of adequate health services to every woman, child and adolescent. The empowerment of women must be central to the actions we now take towards the realization of the 2030Agenda,” he said.On climate change, he warned:“Africa is warming faster than the rest of the world. ”Centuries after the end of the slave trade, decades after the end of the colonial exploitation of Africa ’ s resources, the people of Africa are once again bearing the cost of the industrialization and development of the wealthy nations of the world, he stated, urging greater efforts to accelerate global decarbonization.

Citing a renewed commitment to multilateralism, he said that now is the moment to proceed with the reform of the Security Council, enabling it to respond more effectively to current geopolitical realities. “We are pleased that the Common African Position [on the Proposed Reform of the United Nations: “The Ezulwini Consensus”] on the reform of the Security Council is increasingly enjoying wide support. We must ensure that the voice of the African continent and the Global South is strengthened in the United Nations and broader multilateral system,” he emphasized, adding that all the peoples represented here in the Organization had their origins in Africa where tools and capabilities were developed to spread across the world.“Despite its history, despite the legacy of exploitation and subjugation, despite the ongoing challenge of conflict and instability, Africa is determined to regain its position as a site of human progress,” he concluded.

SERDAR BERDIMUHAMEDOV, President of Turkmenistan, stressed that the impact of multiple serious challenges may erode global security — the principle of the United Nations.Turkmenistan thus firmly and persistently upholds the principle of unity of security and its integrity.In this vein, he insisted that military, political, economic, ecological, energy, transport, food, biological and information security are indivisible.The main challenge of the Organization is to provide an integral approach to security problems as well as to mobilize the experience, skills, ideas and initiatives of Member States, he observed. He reiterated the principled position of Turkmenistan:“The United Nations is the only universal and legitimate organization responsible for peacekeeping and providing global and comprehensive security and stable, modern structure of inter-State relations. ”

To overcome distrust and confrontation through open and genuine dialogue under the auspices of the United Nations, he proposed to start discussions on drafting a strategy of global security. Based on the principles of the Charter of the United Nations and international law, such a strategy would reflect present realities and trends, including new risks. Noting such strategies should be anchored in regional contexts, he called for a dialogue between Central Asia and the United Nations.In this regard, he announced an initiative to hold, under the Organization ’ s umbrella, the first Conference on Security in Central Asia and Bordering Areas, to be held in Ashgabat in 2024.It will develop approaches aimed at providing stable, conflict-free development of the region by synchronizing the efforts of multiple actors.

Turning to climate and environmental issues, he said that following the 2017 Paris Agreement on climate change, Turkmenistan has undertaken efforts at the national level reduce and eliminate the adverse impact of methane emissions. Welcoming the international community ’ s effort to implement the Global Methane Pledge, he said that his country recently approved a road map to examine its accession to this initiative. He went on to urge the United Nations to pay close attention to ecological issues in Central Asia, highlighting the need for a ***strategic*** approach. Turkmenistan thus proposes to establish, in Ashgabat, a regional centre for technologies related to climate change in Central Asia. On the Caspian Sea, he recalled the adoption of the Convention on the Legal Status of the Caspian Sea by the coastal countries. Expressing hope for their cooperation with the United Nations, he put forward a Caspian ecology initiative — an international platform for interaction on relevant issues.

Turkmenistan has prioritized achieving the Sustainable Development Goals, he noted, drawing attention to their implementation in the field of transport. To this end, Turkmenistan initiated the establishment of effective dialogue platforms. These include the 2016 First United Nations Global Conference on Sustainable Transport and the 2022 Ministerial Meeting on Transport for Landlocked Developing Countries, both held in Turkmenistan. In addition, he pointed out that the General Assembly adopted six resolutions on transport initiated by his country, with the last establishing a World Sustainable Transport Day.He ***suggested*** that, on this occasion, the Assembly consider convening a high-level meeting during its seventy-eighth session.Highlighting Turkmenistan ’ s priority to assist the United Nations in providing food security, he proposed tohold —in cooperation with theUnited Nations, the World Food Programme (WFP) and the World Health Organization (WHO) — amajorinternational forum onthis topic in his country.

VOLODYMYR ZELENSKYY, President of Ukraine, noting that unity can prevent wars, said:“This Hall has seen many wars, but not as an active defender against aggression. ”While the next world war is seen as a nuclear war — a conflict between States “on the highway to nukes” — he recalled that Ukraine gave up its nuclear arsenal.Recalling that the Russian Federation became the “keeper” of nuclear weapons, he added:“The history shows that it was Russia who deserved nuclear disarmament.Terrorists have no right to hold nuclear weapons. ”He further turned to Moscow ’ s weaponization of food, recalling that since the war, ports in the Black Sea and the Sea of Azov have been blocked.Expressing appreciation to those States that supported the “Grain from Ukraine” programme, he added:“United we made weapons turn back into food again. ”Also pointing to the creation of a temporary sea export corridor from Ukrainian ports, he said it is alarming to see how “some of our friends in Europe play out solidarity in a political theatre”.While they may seem to play their own role, they are helping to “set the stage” for Moscow, he emphasized.

He went on to say that the Kremlin has weaponized oil and gas to weaken leaders of other countries, adding that Moscow is now weaponizing nuclear energy.“Look what Russia did to our Zaporizhzhia power plant — shelled it, occupied it and now blackmails others with radiation leaks,” he stated, while recognizing that the global security architecture offers no response or protection against such threats.“There is no accountability for radiation blackmailers so far”, he added.Turning to the abduction of children, aimed at putting pressure on families and societies, he said that kidnapping and deportation have never been a part of Government policies before.Reporting that Kyiv has evidence of hundreds of thousands of children kidnapped by Moscow in the occupied territories and later deported, he emphasized:“We are trying to get children back home, but time goes by.What will happen to them?”Those children are taught to hate Ukraine, while ties with their families are broken, he stressed, adding:“This is clearly genocide. ”

When hatred is weaponized against one nation, it never stops there, he stressed, spotlighting that each decade the Russian Federation starts a new war.Pointing out that parts of Georgia and the Republic of Moldova remain occupied, he also said that Moscow “has almost swallowed Belarus” and is threatening Kazakhstan and the Baltic States.Also observing that the goal of the war in his country is to turn Ukraine ’ s land, people and resources against those present, he said that many seats in the General Assembly Hall “may become empty if Russia succeeds with its treachery and aggression”.“We must act united to defeat the aggressor and focus all our capabilities and energy on addressing these challenges,” he stressed.

Turning to Ukraine ’ s 10-point peace formula, presented in 2022 in Indonesia and supported by 140 States, he emphasized that that for the first time in modern history the international community has a chance to end aggression on the terms of the country that was attacked.To this end, Kyiv has launched several meetings between national security advisers and diplomatic representatives and held talks on its implementation in Hiroshima, Copenhagen and Jeddah, he reported, also announcing the preparation of a global peace summit.Pointing to “attempts to make some shady deals behind the scenes”, he underscored:“Evil cannot be trusted — ask [Russian mercenary leader Yevgeny] Prigozhin if one bets on [Russian Federation President Vladimir V.] Putin ’ s promises.Please, hear me.Let unity decide everything openly. ”

ALEJANDRO GIAMMATTEI FALLA, President of Guatemala, noted that the world has observed with horror the war against Ukraine started by the Russian Federation, which violates the principles on which the international order was built following the Second World War. “And you know what is the worst still? It seems like we have got used to it,” he continued, urging to have a renewed Organization that seeks solutions and countries that are willing to look beyond their ideological positions and overcome ancestral conflicts. “For this to be achieved, every country must raise its voice, and every country must say enough is enough. Today, my country joins the cry to say enough is enough.My country joins the global call for the immediate withdrawal of Russian forces, respecting the territorial integrity and unity of Ukraine within its internationally recognized borders,” he emphasized, elaborating that disarmament and non-proliferation of nuclear weapons, as well as the use of nuclear energy for peaceful purposes, is one of the most important pillars of the United Nations.“Imagine what a catastrophe it would be for the world if the illegal and unprovoked aggression of the Russian Federation destroyed the Zaporizhzhia nuclear power plant, the largest in Europe, which is in danger in terms of integrity and operation and which could cause a disaster of immeasurable proportions,” he underscored, demanding that the five permanent members of the Security Council achieve total nuclear disarmament.

He reiterated his country ’ s firm commitment and solidarity with the development and prosperity of the Haitian people, who are at risk due to a multidimensional crisis. “As an international community, we must react and address catastrophes before they become even more devastating,” he added. Turning to Asia, he expressed his support for Taiwan [province of China], noting that “its citizens” have been excluded from having a voice to represent them in this forum.

“Four years ago, I took possession of the position of President of the Republic of Guatemala, and since then, I have heard great speeches, great treaties and commitments have been signed up to stop climate change. I want to tell everyone that today, the world is worse than it was four years ago.Because more than speeches, commitments and treaties, the world needs action,” he underscored, saying that the Caribbean and Central American region suffers the most from climate change.Despite his group of countries producing a low percentage of greenhouse gases, they suffer the most damage year after year.

He also said that the serious threat of drug consumption, especially synthetic drugs, should be a topic of great concern for the international community, as transnational crime must be fought transnationally.Also, Guatemala is committed to the promotion of food security and the goal of zero hunger.In this regard, he noted with alarm the suspension of the Black Sea Grain Initiative. “We condemn the use of hunger as a weapon of war, as this represents a violation of human rights and international humanitarian law,” he added.He cited the case of the territorial, maritime and island dispute between Guatemala and Belize, which both countries are committed to resolve in a peaceful and respectful manner through the International Court of Justice — “in contrast to war due to international conflicts and the consequence of the foolishness of human beings”. He also said that one of the greatest and alarming threats to life and freedom is human trafficking, which is a true crime against humanity, linked to slavery, since it practices the purchase and sale of human beings.

KATALIN NOVÁK, President of Hungary, said her country has a thousand years of turbulent history, with wars, oppression and occupation, revolutions and wars of independence. “We know the feeling of vulnerability. We know what it ’ s like to live divided and what suffering wars cause. We know how precious freedom is and how painful it is to be deprived of it,” she said.For this reason, “the rejection of any kind of oppression has become an instinct in us,” she continued, condemning unequivocally the attack on another State, namely the Russian Federation ’ s aggression against Ukraine, which has caused immense suffering and destruction and has destroyed peaceful life in Europe. “We are for the victims and against further escalation,” she stressed, adding that her country is providing humanitarian aid to Ukraine and to all those fleeing the war.

“We help beyond our size and strength,” she said, pointing to the 150,000 Hungarians living in Ukraine, in Transcarpathia, who share every hardship and struggle, sacrifice and success. The war also directly affects Hungarians. “Hungarian fathers and sons living in Ukraine are also giving their lives in the trenches,” she added.She recalled her two visits to Kyiv — at the invitation of President Zelenskyy — since the outbreak of the war. “I have seen the suffering that families go through. I have seen what they experience when peace is broken. I have met Ukrainian and Hungarian people who have lost family members. I have met Ukrainian children for whom a kindergarten was set up with the help and support of Hungary; children from whom the war is depriving a happy childhood,” she said.

Stressing that there is no alternative to peace, she urged for the killing and destruction to stop as soon as possible, as war is never the solution. Noting that peace is only realistically attainable “when at least one side sees the time for negotiations as having come,” she said that “we cannot decide for Ukrainians about how much they are prepared to sacrifice, but we have a duty to represent our own nation ’ s desire for peace”. Underlining the need to avoid an escalation of the war, she said in every war, children are the most vulnerable. War hits them hardest, although they are the ones who need security and stability the most.

She then echoed the words of Elon Musk that demographic decline is a more serious problem than the climate crisis. Little attention is paid to the real and irreversible change of the world. “If there is no child, there will be no future,” she said, asking:“What is the point of looking after the Earth if we don ’ t have children and grandchildren to pass it on to?”Against this backdrop, she emphasized that the solution to the demographic crisis lies in strengthening and supporting families.Hungary has made the strengthening of families and the tackling of the demographic crisis a priority, she noted, recognizing that a strong, united and healthy family is a guarantee of security.

ALAIN BERSET, President of Switzerland, noting that the world is going through the most significant crisis since the Second World War, said that the Russian Federation, by launching a war of aggression against Ukraine, has attacked multilateral structures.It is the poorest and the most vulnerable States that would suffer most, if the competence of the international community in the world system waivers, he added.Pointing to the seventy-fifth anniversary of the Human Rights Declaration, he stressed: “It is a key point in time to unify and strengthen the international community.

Turning to inequalities, he reported that in the past 20years, the income gap between the 10percent of the richest and the 50percent of the poorest people has doubled.Moreover, inequalities today are as stark as they were at the beginning of the twentieth century — before the Second World War — he observed, noting that they affect the most vulnerable in societies.Recognizing that these vulnerabilities are a threat to Member States, both domestically and internationally, he recalled that for too long countries have believed that defending their interests and protecting the most vulnerable are two different things. “We know today that you can ’ t have one without the other,” he asserted.

He went on to say that prevention is the starting point for all peace efforts, while pointing out that inequalities in accessing food, health care and employment lead to conflicts.In this context, he spotlighted the role of multilateral institutions in protecting civilians in armed conflict, emphasizing: “It is not an option but an obligation of all parties to a conflict. ”Recalling his recent visits to conflict-affected countries — Mozambique, the Democratic Republic of Congo and Colombia — he said that his contact with local people highlighted the importance of addressing the root causes of conflicts and engaging women in conflict-prevention to ensure lasting peace.To this end, he reiterated Switzerland ’ s commitment to the women, peace and security agenda, while also underlining the importance of United Nations peacekeeping missions.

Further, he spotlighted the need for defending the mandate of the International Committee of the Red Cross(ICRC), reaffirming his country ’ s support to that end.He emphasized that ICRC ’ s work is crucial for the protection of civilians. “The United Nations embodies institutionalized hope of a better world,” he stressed, noting that it is an “idealistic project”, born in a time of war, brutality and despair.This project is based on the belief, that cooperating at the international level is crucial and the world can only be better if people shoulder their responsibilities, he continued, adding: “Ultimately, what unites nations is much stronger than what separates them. ” Noting that the General Assembly enables States to come together, he said that the Sustainable Development Goals Summit — held on 18September — provided Member States with an opportunity to bring life into the Assembly ’ s agenda.“It is nothing less than our shared road map for a better future for us all,” he emphasized.

NATAŠA PIRC MUSAR, President of Slovenia, describing a complex and changing world riddled with wars, climate change and lack of solidarity, spotlighted four issues — climate change, Security Council reform, pitfalls of the digital age and gender equality. They require a unified response by adopting and implementing appropriate measures. If national, private or particularistic interests continue to prevail and sideline the resolution of global issues, we risk extinguishing ourselves as a civilization, she warned. Moving to climate change, she emphasized that the devastating floods that Slovenia saw in August are just one of the examples testifying of the greatest challenge of our time. While Slovenia may be able to cope, the recovery costs for others that are frequent victims of such disasters are disproportionately high. In this regard, wealthier States should contribute more towards an environmentally sustainable world than poorer ones, she stressed. The richest private companies should also provide their fair share.

She announced that her country plans to increase its contribution to the Global Climate Fund by 50percent. Slovenia continues to be actively involved in ensuring climate and environmental justice, including the right to a clean and healthy environment, and in securing equitable access to safe drinking water and sanitation for all. She thus called for the establishment of a United Nations Special Envoy on Water — an important step in ensuring more coherent efforts in this area. Recalling Slovenia ’ s election to sit on the Security Council during 2024-2025, she reiterated that a restructuring of the organ ’ s membership is overdue. Further, she expressed concern over the unrestricted use of the veto. This precludes action when necessary and Ukraine serves as a case in point. Accordingly, Lichtenstein ’ s recent veto initiative invites the Council ’ s permanent members to reflect thoroughly on the situation before resorting to this privilege, she noted.

Moving to the challenges of the digital age, she observed that the loss of trust is partly due to science and technologies. Social media and artificial intelligence are a double-edged sword. In this context, she praised the Secretary-General ’ s resolve to form a high-level advisory body on artificial intelligence. In addition, the Global Digital Compact should be based on a human-centric and human-rights based approach to the full lifecycle of technologies, she underscored. This comprises their design, development and application as well as decline. She went on to declare disinformation the key menace of our time, pointing to increasingly complex competing narratives. “We may have the freedom of information, but we are not protected against false information, manipulation and deceit,” she pointed out. To tackle this, big tech companies should take more responsibility for the content they host and moderate, thereby increasing protection from hate speech, disinformation and other harmful online content.

She regretted that, as the world celebrates the seventy-fifth anniversary of the Universal Declaration of Human Rights, women and girls still experience inequality. Coupled with poverty, lack of educational opportunities and exclusion from labour market and decision-making, this leads to injustice and “a monumental waste of potential for our societies. ” Expressing concern that it will take 140years to achieve the equal representation of women in leadership positions, she urged the United Nations to lead by example. To this end, she voiced support for the alternation of the gender of the General Assembly ’ s President. She also called for a new global compact — one that is principled, elevated above particularistic interests and centred on nature, human dignity and global solidarity. Slovenia is committed to the Pact for the Future and will actively engage in the upcoming Summit, she stated.

SHAVKAT MIRZIYOYEV, President of Uzbekistan, noting a global crisis of confidence, reminded about the “Samarkand Solidarity Initiative” aimed at common security and development. He pledged to continue the policy of creating a new Uzbekistan, which is a law-governed, secular, democratic and social State. In April 2023, a referendum on his country ’ s Constitution led to the adoption of “Uzbekistan2030”, a national development plan in line with the Sustainable Development Goals. Since 2017, poverty in Uzbekistan has been halved, and it is planned to be reduced to 7percent by 2030, he said, proposing to host a world conference in 2024 titled “Social Protection: the Path towards Development” under the auspices of the United Nations.

“For a century, millions of people were forced to pick cotton in Uzbekistan. Thanks to our strong will and determination, now it is all history. Our people have been completely liberated from cotton slavery,” he underscored, citing the constitutional ban on forced labour. He called for intensifying the global fight against forced and child labour. Given that nearly half of Central Asia ’ s population consists of young people, creating opportunities for that segment has been an utmost importance, he noted, proposing to establish a working group at the United Nations to support youth development in Central Asia. Underlining the importance of equality between men and women, he said that Tashkent is interested in cooperating with the United Nations Entity for Gender Equality and the Empowerment of Women(UN-Women) and proposes to hold an Asian women ’ s forum in Uzbekistan in 2024.

Speaking about the Aral Sea tragedy, he said that Uzbekistan is doing its best to mitigate its consequences and 1.7million hectares of green areas with drought-tolerant plants had been created on the dried-up bed of the sea. Over the past 30years, the region ’ s air temperature has increased by 1.5°C, which is more than twice the global warming average. It is expected that the per capita water supply will decrease by 25percent and ***agricultural*** yields by 40percent. “Unless we take timely and effective measures, the consequences of these problems will seriously undermine our region's socioeconomic stability,” he warned, calling for the appointment of the Special Representative of the UN Secretary General for Water Resources. He also put forward an initiative to adopt a UN General Assembly resolution titled “Central Asia Facing Global Climate Threats: Solidarity for Common Prosperity” and to discuss it at the International Climate Forum in Samarkand in 2024.

He reminded that in March in Tashkent, the Joint Plan of Action for the implementation of the United Nations Global Counter-Terrorism Strategy in Central Asia was adopted. To promote religious tolerance and cooperation at the global level, he proposed establishing in Uzbekistan an international centre for interreligious dialogue and cooperation under the auspices of the United Nations Educational, Scientific and Cultural Organization(UNESCO), as well as to host in 2024 an international conference titled “Islam: a religion of peace and kindness”. He also stressed that developments in Afghanistan directly impact international security. “Leaving Afghanistan again alone with its own problems would be a grave mistake. Ignoring, isolating and imposing sanctions only exacerbates the hardships faced by the ordinary Afghan people,” he warned, adding that humanitarian aid to the Afghan people should not be reduced and calling for the development of mechanisms to utilize Afghanistan ’ s frozen international assets to address its acute social problems. “We need an open, peaceful and sustainable Afghanistan that is actively engaged in regional cooperation initiatives and is ready for mutually beneficial partnerships with its neighbours and other countries. I believe it is essential that under the leadership of the United Nations, we jointly develop a flexible and constructive approach to the Afghan issue,” he concluded.

LUIS ALBERTO ARCE CATACORA, President of Bolivia, stressed that the capitalist system continues to replicate practices of colonial domination and exploitation, while many brilliant proposals emerging from the General Assembly have been ignored – presenting an existential threat to the planet.According to experts, the world has exceeded six of the nine planetary limits within which humanity and Earth can continue to develop and prosper, a tragic situation worsened during the last decades of unipolarity, inaction and unmet promises.However, he expressed conviction thata new international order is emerging in which all people participate “without masters or slaves”.Calling for an end to the arms race, he expressed alarm that global military spending has reached historic figures, with $2.24trillion in weapons and war industry spending by April2023.He further noted that a growing number of countries are seeking to use outer space to improve their military capabilities.

In view of that, he reiterated the regional commitment proclaiming Latin America and the Caribbean as a Zone of Peace, within the framework of the Community of Latin American and Caribbean States (CELAC).Turning to the environment, he called on each State to dedicate resources to the Damage and Loss Fund in proportion to its historical responsibility for greenhouse gases.“We must be bold and transform the expenses of war and death into investments for life,” he stated.While the neoliberal order multiplies forms of domination, exploitation and exclusion, he pointed to the unprecedented and peaceful rise of the Global South, through regional and interregional processes of cooperation and integration.The emergence of trade blocs in Asia, Africa, South America or the BRICS grouping allow nations to access international markets without the need to compromise their sovereignty.

Highlighting Bolivia ’ s economic efforts, he noted that nominalgross domestic product (GDP) increased from $40billion in 2021 to $44billion in 2022 — “the highest figure in our history” — without raising interest rates, or practicing neoliberal monetary policies, while taking care of the poorest.Turning to the climate crisis, he called for concrete actions based on the thinking of indigenous peoples, with developed countries making historical compensation and reparations to developing countries.“The systematic transfer of wealth from the South to the North has put us at a disadvantage to this day,” he said.Voicing alarm over water scarcity, he heralded this year ’ sconclusion of the Treaty on Marine Biodiversity in Areas Beyond National Jurisdiction.Citing the active participation of indigenous peoples in Bolivian State affairs, making its recent achievements possible, he called on the Assembly to continue strengthening their rights and participation.

Voicing condemnation that 736million women worldwide — one in every three women — have been victims of physical and/or sexual violence, he furtherwarned that 800women die every day from pregnancy-related complications.Calling for an end to international sanctions and unilateral coercive measures, he said a clear example of this is the illegal, inhumane and criminal economic and financial blockade imposed by the United States against Cuba, and further rejected the inclusion of Cuba as a promoter of terrorism.Suchmeasures run contrary to the Charter of the United Nations and the mandate of the Security Council.He further urged the international community to end Israel ’ s occupation of Palestine, allowing its people to exercise their right to self-determination in a free, independent and sovereign State within pre-1967 borders and with East Jerusalem as its capital.Current crises demand a strong United Nations, consistent with the principles that created it, committed to peace, maintaining its intergovernmental character without subordination to any hegemonic power.

KASSYM-JOMART TOKAYEV, President of Kazakhstan, stressed that humanity faces another period of geopolitical confrontation from eroding international principles.The pattern of non-compliance and withdrawal from international institutions “is extremely concerning as it could lead to the point of no return”, he warned.He urged all parties to conflicts — including the Ukrainian crisis — to seek diplomatic solutions based on the United Nations Charter and universally recognized international law.Calling for comprehensive Security Council reform, he emphasized that “the voices of middle Powers and all developing countries need to be amplified and clearly heard” to meet the interests of most of humanity.Since the Council appears unable to move beyond deadlock, it should become more representative so other countries can play a greater role in maintaining peace and security.The growing engagement of Central Asian States has been a positive force in transforming the Conference on Interaction and Confidence-building Measures in Asia into a full-fledged international organization which can contribute to mediation and peacemaking.

“Of all the challenges we face,” he continued, the most destructive is the threat of nuclear weapons.As Kazakhstan voluntarily renounced the world ’ s fourth largest nuclear arsenal 30 years ago, only mutual trust and cooperation between nuclear Powers can produce global stability and a world free of nuclear weapons.In this regard, a ***strategic*** plan to completely renounce nuclear weapons by 2045 would be this generation ’ s most significant contribution to global security.Further, he highlighted interfaith dialogue and the principles of unity in diversity and mutual respect in order to foster a culture of peace.All holy books, including the Qur ’ an, deserve legal protection against barbarism and acts of profound disrespect that cannot be accepted as expressions of freedom, free speech or democracy.

Additionally, with Central Asia on the front lines of a 2°C to 2.5°C temperature rise, he insisted that “we must all remain committed to a carbon-free future”.The urgency of climate action risks becoming a dangerous cliché, because immediate and transformational steps are required to protect the environment.Instead of using the climate agenda to restrict trade and investment, “we must focus on positive change,” he said, such as investing in green jobs, ending fossil fuel subsidies, and ensuring that all climate actions are fair and inclusive — involving women at all levels.He proposed launching a just energy transition partnership in Kazakhstan, where a gradual, sustainable, and socially responsible transition away from coal would be a big bonus for global climate goals.Without proper funding, however, ambitious plans will remain unmet.Furthermore, water scarcity in the region has created serious economic challenges that foreshadow global concerns, where demand for water may outstrip supply by as much as 40percent by 2040.

Noting that nearly 10percent of the world ’ s population faced hunger last year, he called for a better global food security system that boosts information exchange and the international response to food crises.“Kazakhstan is ready to act as a regional food supply hub,” he declared, as a “reliable link for nearly 80percent of overland transit traffic between Asia and Europe” and with “all the required resources, infrastructure, and logistics in place”.The Trans-Caspian International Transport Route, the so-called “Middle Corridor”, can strengthen East-West engagement and increase the pace of trade between critical markets.More broadly, he called on all Member States to support the timely establishment in Almaty of a United Nations regional centre for sustainable development goals for Central Asia and Afghanistan.Additionally, he called for the launch of an international agency for biological safety, in response to the COVID-19 pandemic ’ s painful illustration of the world ’ s vulnerability to biological threats.

SEYYED EBRAHIM RAISI, President of Iran, noted that the Qur ’ an speaks of equality among humans, encourages serving those less fortunate and forbids all forms of violence in human interaction. Holding up a copy, he underscored:“The fires of disrespect will not overcome the divine truth. ” Spotlighting the Islamophobia and cultural apartheid witnessed in Western countries, he underlined the need for respect for world religions to hold a prominent place on the United Nations agenda. Further, concurrent with the war on Islam, the world is also witnessing a war against the framework of the family, which is a fundamental pillar supporting human development. He therefore called on all religious leaders to uphold their historical responsibility to defend the sanctity of the family and on the United Nations to properly protect this framework.

Noting that history is at a critical juncture, he said that Western hegemony “no longer resonates with the realities of today ’ s world”, that the former liberal order has been “relegated to obsolescence” and that “attempts to universalize American ideals throughout the world” have failed. Instead, there exists a collective hope for the creation of a novel, equitable world order — central to which is abandoning global arrogance in favour of regional cooperation.Further, the formation of East-West divides should not be permitted, nor should be making trade corridors unsafe, stifling the economic progress of sovereign nations or fomenting proxy wars.Noting that these actions — ironically — are conducted in the name of defending Western democracy, he said that the global community has discerned the true essence of such democracy — “nothing more than a velvet glove hiding a cast-iron hand”.

He went on to state that Iran ’ s good-neighbour policy seeks to increase regional cooperation and forbid external meddling “from the Caucasus to the Persian Gulf”.Any foreign presence is not part of the solution — rather, it is the problem itself.Stressing that the most serious threats in Western Asia are extremism and fundamentalism, he said that the surgical use of terrorists by Western Governments will be overcome by the collective will of the people of the region.“Discrimination in the fight against terrorism is a green light given to the terrorists themselves,” he emphasized.Turning to Palestine, he asked whether “the time has come” to end 75years of occupation, demolition and the spilling of the blood of women and children.The situation in Afghanistan is another example of foreign meddling in the region, and he called on the international community to provide the assistance necessary to address the crisis of refugees driven from that country — many of whom have been given refuge in Iran.

On Ukraine, he underscored his country ’ s “unambiguous position” that it does not support any war — neither in Europe nor anywhere else — and that it supports any initiative aimed towards the cessation of hostilities.Stressing that the United States ’ leaving of the Joint Comprehensive Plan of Action was an “inappropriate response” to Iran ’ s fulfilment of its commitments within that framework, he called on Washington, D.C , to choose a path — “either JCPOA or not”.While stating that nuclear weapons have no place in Iran ’ s defensive or military doctrines, he nevertheless stressed that his country “will never fall short” of obtaining its inherent right to peaceful nuclear energy.He added that the United States ’ use of sanctions has not yielded the desired result, calling on that country to “cease traveling on the wrong path”.Reiterating that humanity is entering a new framework, he said that while old Powers will continue their trajectory “they represent the past, and we are the future”.

ABDELMADJID TEBBOUNE, President of Algeria, said that for the past 50years, his Government has pointed out how the global order ’ s dysfunction prevents equality among Member States.Conflicts and crisis have reached unprecedented levels and millions of people have been displaced amid an increasing number of emergencies worldwide.The Security Council ’ s weakened role over the past several years is evident.“We must all reflect on the need to uphold the rules of the Charter and establish a sound framework to strengthen international cooperation,” he said, adding: “We must achieve the Global Goals in a multi-polar world. ”As it prepares to become a non-permanent Council member, Algeria stands ready to strengthen cooperation with all Council members and use its experience in mediation to seek peaceful solutions to conflicts.It will bring the aspirations of the African continent and Arab world to the Council as it focuses on lasting solutions to conflicts by dealing with their root causes, he asserted.

Reforming the Organization ’ s major organs to expand their transparency is crucial, as is revitalization of the General Assembly — the only organ that truly reflects the international community ’ s diversity.“It is a key element of strengthening democracy among States,” he said.Progress on Council reform is also essential.Algeria will continue its efforts to change the historic injustices against the African continent and support oppressed persons fighting for their freedom.Pointing to his Government ’ s long-standing support for the Palestinian people ’ s right to establish an independent State, he called on the Council to adopt a resolution to guarantee the two-State solution and end the unilateral practices of the occupying authority, including the settlements on Palestinian territory.He called for an extraordinary Assembly session to grant the State of Palestine the status of a full United Nations Member State.

Algeria is closely following events in neighbouring nations to find peaceful solutions, he said.He supported the United Nations ’ efforts to find a Libyan-led political solution to the crisis in that country.On Mali, he said Algeria is playing a leading role in efforts to overcome obstacles to peace and stressed that force must be avoided.He urged a return to the constitutional order in Niger through peaceful means and respect for the rule of law, warning: “Foreign military intervention could have dangerous repercussions for the region as a whole. ”He asked all parties to the conflict in Sudan to resolve their differences as the conflict casts a shadow on the entire region and the Sahel.

Algeria stands ready to share its experience in combating terrorism, which must be a priority for the entire African region, he said.Eight years after the adoption of the Sustainable Development Goals, he noted that many States still face challenges requiring more solidarity from the international community and more viable economic models.Algeria has made sustainable development a priority and achieved progress in many areas, including education, health care, electricity and water, including a significant desalinization programme.Turning to human rights, he said his Government continues to work with the Human Rights Council and in November2022 presented its fourth universal periodic review report.Creating equality for all people, including women and youth, is pertinent; and making women and youth a driving force in a sustainable Government will help achieve equality for all, he stressed.

ALBERTO FERNÁNDEZ, President of Argentina, pointing out that along with the compounded realities of the post-pandemic era, the climate crises, war in Ukraine and rapid technological advancements in artificial intelligence, the world is experiencing a time of change which requires a rethink of education, production processes and the preservation of work. The world ’ s issues demand solutions, he said, as “we have spent too much time diagnosing problems”. With only one quarter of the Sustainable Development Goals set to be realized by 2030, it is impossible to achieve an equitable future by continuing the same paradigms that have generated inequality. He bemoaned the international financial engineering system as “abusive and unchanged,” concentrating income in the hands of a few and promotes cheap labour.Spotlighting situations where global interest rates rise whenever the United States increases its domestic rates, he said it is shameful that IMF applies surcharges to countries already burdened by external debt.

Turning to the challenge of feeding the world ’ s increasing population amid a rise in floods, drought and tornadoes, he noted that Argentina has lost more than 20percent of its total ***agricultural*** exports due to the worst drought in the last 100years. A long-term solution to food insecurity requires a fairer and more transparent, equitable and predictable international trade system for ***agricultural*** products. “We must eliminate the distortions produced by subsidies and we must prohibit food from being the subject of financial speculation,” he stressed, as both discourage the investments needed to increase production to help meet growing global demand for food.In the light of current catastrophic effects of the Russian war in Ukraine, particularly on global food prices, he said multilateralism is the best tool for cooperation, because hegemonic agendas limit economic and scientific cooperation, besides affecting international peace.

Pointing to Azerbaijan ’ s blockade of the Lachin corridor and its reported unleashing of military operations to take control of Nagorno-Karabakh, he urged the international community to act to prevent new ethnic, racial or religious persecution and the world ’ s multilateral organizations to regain their strength to enforce international rules. He highlighted his country ’ s fortieth year of restored and unbroken democracy, this year, asserting that Argentina has actively “promoted the right to memory, truth and justice”.Having experienced the horror of the disappearance of 30,000people, Argentina reiterates its appeal to the international community to ensure the protection of persons of forced disappearances, he said, challenging the world to move forward on the rights agenda because “human rights admit no kind of regression”. Stressing the importance of the rule of law, he also called for an intervention on the rights situation in Guatemala.

Further, he reaffirmed his nation ’ s commitment to gender equality, stating that his Government has developed a framework to promote women ’ s rights, strengthened dialogue with its Latin American and Caribbean neighbours, as the region faces a historic opportunity to address the world ’ s energy and food challenges. He however noted that “terrorism must be combatted in the framework of rule of law”. Argentina has ratified commitments to anti-terrorism efforts and will continue in same. He nevertheless decried unilateral coercive measures by any country or power bloc, requesting unequivocally that Cuba be taken off the list of terrorist supporters. He reaffirmed Argentina ’ s legitimate right to the Malvinas Islands, South Georgia Islands, South Sandwich Islands and the surrounding maritime spaces.Regretting that the United Kingdom, the occupying power, continues to refuse to resume bilateral talks, he called on the Secretary-General to redouble efforts through his good offices to bring that country to the negotiating table.

NAYIB ARMANDO BUKELE, President of El Salvador, called for the need to “renew and reinvent ourselves”, not only theUnited Nations, but also all countries.El Salvador, like other developing countries, has always dreamed of being great.For some countries, it was always something unthinkable.No one listening would have thought of El Salvador as a global benchmark or positive example, but despite all the stumbling blocks, the country decided to take the risk and did not accept the fate that others decided for it.Four years since his Government took office, he declared, nobody would dare to deny that the continent ’ s smallest country would make such strides forward in achieving greatness — for the first time in its 202-year history.

In such a short time, he proclaimed, El Salvador went from being the world ’ s murder capital and most dangerous country to becoming the safest country in Latin America.“This isn ’ t a promise anymore, it ’ s the reality that Salvadoran people are living through, and anyone from abroad is welcome to see it for themselves. ”Other countries, including in Latin America and the United States, are watching and wondering why they cannot do the same thing, he added.The answer is clear and simple: Countries must make their own decisions, reaffirm their rights to use common sense, try their own methods, implement their own plans and design their own systems.“No country has the right to impose its ideas, its way of doing things — even less when these things don ’ t work in our countries. ”El Salvador reaffirmed its legitimate right to govern itself.

There is not one single recipe or formula that works for everyone, but there is one ingredient that every recipe should include: courage.That is, the right attitude, guts, and determination to do what needs to be done even when others criticize or question it.For decades, he recounted, “we tried everything that we were told was the right thing for us and it got us fighting a civil war for things far removed from us. ”The conflict between the West and then Soviet Union was being waged in El Salvador.With more than 85,000 people dead and one destroyed country later, he said, “they told us that it was not the right recipe, but there was a new recipe available.They made us sign up for some fake peace agreements, but there was no peace in them, and they only enabled two different gangs to plunder the loot. ”Under foreign Powers, the country went to the right and left, resulting in more deaths and poverty after the war than during it.Nobody did anything to change the system ’ s root causes, institutions, or laws.

Everything was done with the “support, consent, and imposition of those who proclaimed themselves to be the great defenders of human rights and democratic institutions”.Rather than giving us medicine to make us better, he emphasized, what they were giving us was poison.However, for the first time, El Salvador tried its own remedy.Ensuring “we had God and the people on board” and not obeying external powers, his government purged the judiciary and prison system and changed laws to prevent terrorists from escaping prison.International condemnation then started from countries, media outlets, and so-called experts that “never used their power or influence to call for security for our people being murdered. ”El Salvador now competes with Canada to be the continent ’ s safest country, he declared, as the Latin American nation with the least homicides per capita.Now a “benchmark for security,” El Salvador is an example of what all countries can achieve when they start to claim their sovereignty, he said.

SADYR ZHAPAROV, President of Kyrgyzstan, noting that the world is at a turning point, spotlighted increasing geostrategic competition between major Powers, the highest inflation rates and food prices in the last 60 years and geo-economic fragmentation.Expressing concern over declining trust between countries, he said that – on the contrary – current global challenges and risks such as climate change and growing inequality should unite the international community.Underscoring the need to build a multilateral system that prevents further geopolitical fragmentation, he asked those present whether international conditions were easier 78 years ago — when the United Nations “was just beginning its work” following the bloodiest war in human history — than they are today.Despite military-bloc thinking over past years, the UN has been — and remains — the most legitimate platform for diplomacy, and he supported it “as the only universal, intergovernmental, international Organization mandated by all Member States to find solutions” to the challenges that constantly arise.

Calling on such States to provide unconditional political support to the United Nations and its Secretary-General at this challenging time, he went on to point out that ongoing global processes directly impact Central Asia ’ s security and stability.Strengthening relations with regional countries is a natural priority for Kyrgyzstan, and he detailed his view of the region as a single geo-economic space, a geopolitical intermediary and a dynamic community that shares similar culture and history.On the path to full regional integration, however, it is necessary to resolve issues related to the legal delineation of State borders.Recalling armed clashes on the border between his country and Tajikistan in September2022, he said that restraint and political will demonstrated by both sides prevented further escalation.He therefore emphasized that his country supports resolving controversial issues exclusively through peaceful diplomatic means, based on the principles and norms of international law.

Also detailing a border agreement signed with Uzbekistan in December2022, he said that it facilitated mutually beneficial cooperation and peaceful coexistence.He then underlined the need for the international community to recognize that the people of Afghanistan are experiencing significant difficulties, amplified by the lack of a coordinated global stance on the situation there.Turning to the Sustainable Development Goals, he emphasized that the international community should not get lost in “economic intricacies” and, instead, ask whether humanity ’ s needs have been addressed and whether security, prosperity and well-being have been ensured.Problems such as extreme poverty and climate change can only be solved through a global, collective response, and the current reality is that developing countries face a dual challenge — the need to invest in development and, at the same time, adapt to climate change.

On that, he stressed the need to significantly increase the level of funding that meets the real needs of countries vulnerable to climate change.Kyrgyzstan reached out to its partners with a request to exchange external debt for environmental projects; however, Germany was the only country that wrote off debt.He also spotlighted the vulnerability of mountainous regions — 94percent of Kyrgyzstan ’ s territory — to climate change, calling for the creation of a broad coalition of mountainous countries that prioritizes climate adaptation and green transition.Noting today ’ s challenges, he quoted Jusup Balasagyn, who said about 1,000 years ago:“Our world is such that, in order to unlock the gates of truth, you must grasp its essence. ”He observed that “nothing has changed since then” and — underlining the need to “see the world for what it is” — called for the UN ’ s transformation into a centre for global efforts to prevent conflict, reach compromise and establish peace.

SANTIAGO PEÑA PALACIOS, President of Paraguay, said multilateral institutions have achieved little tangible results in a world of much wealth and serious geopolitical problems such as the 2008 financial crisis, COVID-10 pandemic and the conflict in Ukraine — resulting in frustration and a view that national solutions should prevail as interference in national sovereignty has eroded trust among Member States.“This hinders cooperation and willingness to engage for the common good,” he stressed.Measures taken by the United Nations and the Council have not been encouraging. He urged multilateral organizations to review and reform their mechanisms, measures and institutional capacities to avoid new wars like the one ravaging Ukraine.“We must work on strengthening the UN with a view to building new capacities that will enable it to respond effectively and efficiently to permanent and changing global challenges,” he said.

OnSecurity Councilreform, he said its structure should observe the UN Charter ’ s guiding principles to promote the peace, security and prosperity of countries on equal terms.Paraguay supports the participation of the Republic of China – Taiwan as an integral part of the United Nations system. On global trade, he said trade restrictions based on criteria, such as ***agricultural*** practices or environmental standards, generate discontent and uncertainty while creating unfair and discriminatory barriers. Turning to climate change and sustainable development, he said Paraguay has adopted sustainable ***agricultural*** practices for more than 30 years that ensure a prosperous future for its farmers and guarantee the integrity of its land and water resources. He noted that 44percent of Paraguayan territory retains its forest cover and 95percent of the area planted with cereals and oilseeds in 2022 employs sustainable technologies, such as direct seeding and crop ***rotation***.

Reaffirming Paraguay ’ s commitment to theUnited Nations core values and objectives, he said it is ready to lead by example to a more sustainable, equitable world.Paraguay aspires to become a regional logistics centre through the South American Bioceanic Road Corridor, which will strengthen integration with neighboring countries and Pacific markets and renew and empower theSouthern Common Market (MERCOSUR) and the Pacific Alliance, promoting greater rapprochement between the two blocks. In addition, the Paraguay-Paraná Waterway, a multimodal network, will become the most competitive mechanism to transport products to different Pacific ports.One of the country ’ s primary ***strategic*** aims is to keep improving regional integration while managing its waterways, aquifers, the bioceanic corridor, hydroelectric plants and river navigation.This requires a delicate balance between integration and sovereignty. Latin America has great development potential but it can only be developed through mutual respect and working together in harmony.

Turning to governance, he pointed to Paraguay ’ s transparent electoral process this year and more than 35 uninterrupted years of democracy.There is “no other acceptable system than the non-negotiable validity of human rights and freedom”, he said. He noted the fundamental role Paraguayan women have played in rebuilding the country, which continues to strengthen its institutions and its economy after decades of being the poorest country in South America.Today it is an upper-middle-income nation, with strong credibility in international financial markets; high production norms certified by international standards; and macroeconomic stability based on fiscal and monetary discipline as well as a permanent effort to improve governance.

DINA BOLUARTE, President of Peru, extolled the beauties and virtues of her nation as seen in her historic election as the country ’ s first constitutional female President in 201years. Stating how her Government has brought back stability and hope to the country, she paid tribute to women, girls and adolescents around the world with the mantra “no more violence against women. ” She restated Peru ’ s respect for human rights, democracy and international law as well as its commitment to international cooperation with other countries, implement the United Nations Charter, and defend territorial integrity and political independence of all States. Describing poverty as the greatest problem facing the world, she called on the international community to prioritize poverty eradication, stating her Government ’ s commitment to the attainment of the Sustainable Development Goals as “we cannot accept disastrous scenarios of poverty”.

Recalling the United Nations development agenda model of “leaving no one behind,” she lamented the millions of people displaced worldwide in the face of conflict, unemployment and extreme poverty, stating that the international system needs to cooperate for safe and regular migration. With Peru being one of the country ’ s hardest hit by COVID‑19, having lost over 200,000lives, “my Government is firmly committed to guaranteeing access and comprehensive health care, free and universal to all, without, exception” and to expanding national vaccine coverage. She affirmed the prevention and treatment of cancer as a national goal, stating that 1.9million children have been vaccinated against polio and measles, with 20 of the country ’ s 26regions having oncological centres. She observed with grave concern the internationalization of criminal networks across the globe, cautioning that the global system cannot let its guards down against crime and drug trafficking as “we must all be part of the solution. ” Same for climate change as manifested by the heavy rains and cyclones being experienced.

She particularly highlighted the emerging threats of coastal and meteorological phenomena, canvassing a prevention-focused approach, announcing her Government ’ s commitment of more than $1billion to combat said cause. She called on the global community to join in the fight, urging “us all make the pact for life. ” She also announced that, just like countries made progress to reduce carbon emissions, only last month, eightAmazonian countries agreed on conservation and deforestation efforts for the Amazon and that, with 61percent of Peruvian territory home to 5million Peruvians, bold actions have become necessary. She therefore urged countries to honour commitment on technology transfer and climate financing, as well as establish a loss and damage fund as agreed during the most recent Conference of the Parties to the United Nations Framework Convention on Climate Change.

Restating her country ’ s commitment to peace and development, she said Peru is firmly committed to accession to the Organisation for Economic Cooperation and Development(OECD) forum, participation in the Alliance of the Americas for Economic Prosperity and to a pursuing a partnership with the Association of Southeast Asian Nations(ASEAN) for development.“We await you with clear and transparent rules, with stability and legal security, with low inflation, with solid international reserves and with the sole objective of working for the sustained growth of all, but, especially, of the most vulnerable,” she said.She further called on Member States to invest in Peru.Stressing that her Government is faithful to its commitment to the United Nations and to republican principles in defence of peace, democracy, and human rights, she urged Member States to ”work together with one heart, one thought and one desire. ”

FILIPE JACINTO NYUSI, President of Mozambique, noted that the main reason for the lack of success of the 2030Agenda for Sustainable Development “remains the absence of trust and solidarity between those who have a lot and those who have little or almost nothing at all”.On the issue of peace and security, he noted several regions, particularly Africa, are grappling with armed conflicts and instability. The number of refugees and internally displaced persons has increased more than 50percent in the past year alone.Mozambique has experienced cycles of armed conflicts, sometimes triggered by forces alien to national interests; however, through constructive dialogue founded on trust, the country signed the Peace and Reconciliation Accord, also known as the Maputo Accord. In June, the country closed the last Mozambican National Resistance(RENAMO) camp, a formerly armed opposition party, with the next phase being the reintegration of ex-combatants into society.

He expressed concern that Mozambique is confronted by the nefarious phenomenon of terrorism, specifically in Cabo Delgado Province in the north.Its strategy focuses on strengthening combat operations by the Mozambican Defence and Security Forces, with the initial support of the Rwandan contingent and the Southern African Development Community (SADC) multilateral force.He further cited tangible success on the ground, though terrorists continue to sow fear in isolated villages.With improvements in safety, populations have been returning in large numbers to their home areas and resuming normal life — a pioneer experience of combining bilateral and multilateral interventions and an example of solving African problems first by Africans themselves. However, he noted the need for substantial support for those countries that are directly intervening in countering terrorism with Mozambique.

Warning that climate change is the main crisis facing mankind in this century, he emphasized the selfishness of the countries that pollute the most. Due to Mozambique ’ s geographic vulnerability, the country suffers cyclically, with the latest cyclones — Idai, Kenneth and Freddy — causing hundreds of lost lives and $2billion in damages and losses.However, support from partners has been well below the pledges, and in many cases, partners have preferred to manage the funds outside agreed mechanisms with the Government, causing overlaps in areas or programmes which have little impact on the communities.Consequently, a substantial portion of the funds is spent on capacity-building and bureaucratic issues rather than allocating funds to those affected.Turning to the global imperative of energy transition, he called for it to work as a launchpad for poor countries.Mozambique is a regional reference for the diversity of its energy matrix, including hydropower dams and solar and wind power stations.

Mozambique, he recalled, also boasts robust environmental legislation, including in line with the Paris Agreement on climate change, and became the first African country to receive payments from the World Bank Fund to reduce emissions from deforestation and forest degradation.Last year, it launched a regional initiative on the “Sustainable Management of the Miombo Forest” that culminated in the adoption of the Maputo Declaration endorsed by 11 SADC member States.Miombo woodland is the world ’ s largest tropical forest ecosystem and can contribute to capturing carbon on the planet.“We don ’ t need to come up with analytical speeches,” he stressed, calling for vigorous action by all.He further appealed for a more inclusive international financial system that is guided by transparent rules, where Africa can participate as a partner with much to offer the world — not only as a warehouse that supplies cheap commodities to countries or international multinational corporations that dominate the international market.

LAURENTINO CORTIZO COHEN, President of Panama, highlighted human development as the greatest priority in order to provide people the opportunities for a more decent life in their own countries.As the “bridge of the world” and “the centre of the Americas where all roads converge”, Panama is making colossal efforts to provide solidarity to irregular migrants, whose number is increasing every year and forcing the country to allocate significant resources to humanitarian aid.Panama is working actively with countries in the region to improve care and protection for irregular migrants entering from Colombia and crossing the dangerous Darien jungle, but the situation is unsustainable.It is “not something we asked for”, he said, characterizing Panama as “not responsible” and a “victim” to the inhumane and painful humanitarian tragedy.

The problem of irregular migration must be addressed multilaterally, he urged, with a focus on respect for human rights and under the principles of solidarity and shared responsibility.He called for the international community to fully address irregular migration as an issue not only concentrated in the Mediterranean but also as a global issue that directly affects Panama.Seeing the suffering and death of hundreds of thousands of migrants embarking on a perilous journey, he called for human development so migrants do not need to abandon their countries and expose themselves to human rights violations or even lose their lives.

Further, he emphasized that the climate crisis is a ticking time bomb, and that “time is running out for all of us”.Panama is one of 15 countries most exposed to climate risks, but it is also one of only seven countries in the world declared “carbon negative. ”The country has introduced an ambitious energy transition agenda with the goal of finding and developing accessible energy that does not pollute, as well as reducing greenhouse gas emissions by at least 24percent by 2050.Panama has already faced its first case of climate displacement, relocating the population of the Carti Sugdup island due to rising sea levels.He urged the “most polluting countries” to respect the commitments made to reduce greenhouse gas emissions, considering Panama ’ s “effective contributions” to environmental protection.On repeated occasions, he noted, countries that commit to making changes do not deliver later on.

“We must ask ourselves: How does the climate crisis impact the first three Sustainable Development Goals?Can the international community really end poverty, achieve zero hunger, and provide health and well-being in the midst of serious drought afflicting the planet, rising sea levels, and devastating fires razing huge areas of land?”He underscored conclusions from the Intergovernmental Panel on Climate Change, warning of an unprecedented escalation of climate changes posing a grave threat to survival of life on Earth.In closing, he reiterated an appeal for dialogue, peace, and multilateralism, with respect for international law and its underlying principles.“We are in a race against the clock for human survival,” he stressed.“Panama wants for the whole world what we want for our own people: peace, well-being, justice, and development. ”

BOLA AHMED TINUBU, President of Nigeria, said that, while failures in good governance have hindered Africa, “broken promises, unfair treatment and outright exploitation from abroad have also exacted a heavy toll on our ability to progress”.Due to both longstanding internal and external factors, the economic structures of Nigeria and Africa have been skewed to impede development, industrial expansion, job creation and the equitable distribution of wealth.If Nigeria is to fulfil its duty to its people and the rest of Africa, it must create jobs, a belief in a better future and lead by example.“And we are doing so,” he stressed, detailing his Government ’ s removal of a costly, corrupt fuel subsidy and a noxious exchange-rate system.“Other growth and job-oriented reforms are in the wings,” he added.

Welcoming partnerships with those “who do not mind seeing Nigeria and Africa assume larger roles in the global community”, he said that the question is not whether his country is open for business.Rather, he emphasized, it is “how much the world is truly open to doing business with Nigeria and Africa in an equal, mutually beneficial manner”.Direct investment in critical industries, the opening of ports to a wider range and larger quantity of African exports and meaningful debt relief are important aspects of this cooperation.He also underlined the need to affirm democratic governance as “the best guarantor of the sovereign will and well-being of the people”.Military coups are wrong — as is any tilted civilian political arrangement that perpetuates injustice — but he observed that the wave crossing Africa is not a demonstration in favour of coups.Rather, “it is a demand for solutions to perennial problems”, he said.

He went on to say that the West Africa region “is locked in protracted battle against violent extremists”, and — in the turmoil — “a dark channel of inhumane commerce has formed”.Along that route, everything is for sale, and men, women and children are seen as chattel.At the same time, mercenaries and extremists invade from the north with lethal weapons and vile ideologies.While African nations will improve their economies and disband extremists on their turf, he called on the international community to strengthen its commitment to “arrest the flow of arms and violent people into West Africa”.Another important aspect of global solidarity is to secure Africa ’ s mineral-rich areas from pilfering and conflict, he stressed, noting that many such areas have become “catacombs of misery and exploitation” and that “the mayhem visited on resource-rich areas does not respect national boundaries”.

He said that, at Nigeria ’ s door, foreign entities — abetted by local criminals aspiring to be petty warlords — have drafted thousands of people into servitude to illegally mine gold and other resources.Billions of dollars meant to improve the nation now fuel violent enterprises, and Member States must deter their firms and nationals from this pillaging.He also detailed the severe impacts of climate change on his country, stating that African nations will fight climate change — “but must do so on fair and just terms”.Outlining several national measures, he said that continental efforts will register victories if established economies are “more forthcoming with public- and private-sector investment for Africa ’ s preferred initiatives”.Stressing that Africa does not wish to “replace old shackles with new ones”, he said that the continent is not a problem to be avoided, nor is it to be pitied.“Africa is nothing less than the key to the world ’ s future,” he said.

LUIS LACALLE POU, President of Uruguay, said more than 190representatives from countries around the world — with different economic, social, climatic and other situations — have gathered here and agreed to work together to achieve the same rights and principles. Yet he noted that regarding international law, the same bar is not always applied to larger countries as to smaller ones. The Assembly has gathered with an optimistic vision of humanity. Developments such as globalization, artificial intelligence and real-time communications can help the development of countries and people if they are used well. “We are living in a world with a lot of words without actions,” he said.

Uruguay comes to the Assembly as a stable democracy with full, stable institutions and respect for international law, he said. Its economy has recovered to where it was before the pandemic with strong employment, historic levels of public investment in infrastructure, foreign investment and financial stability. Public finances are in good order with inflation, for example, at an historic 18-year low. The Uruguayan people have a sense of responsible freedom. He noted that at the end of his Assembly speech delivered in September 2021, he had said the pandemic had reminded everyone that all were one. International responsible freedom, or liberty, and the well-being of independent countries are intrinsically linked to the common good. “We need to be aware of this, accept it and act as a result,” he said.

Noting the many references to the environment during today ’ s debate, he said Uruguay has been given the name “Natural Uruguay” because of its commitment to the environment. He noted that renewable energy levels are at 90percent and the country has significant reforestation activities and sustainable production processes. The economy and the environment are intrinsically linked. Several months ago, Uruguay issued a sustainable bond that is linked to compliance with the Paris Agreement. A system of benefits and penalties, linked to compliance with the Paris Agreement, should be applied to international loans, market access and tariffs in order to reward those engaged in environmentally friendly and sustainable practices.

Referring to the “sin of doing things well”, he said Uruguay ’ s improvements and increased standards means it no longer benefits from some international financial mechanisms, such as international trade support. A fresh look should be taken at some of these conditions.Finally, he firmly condemned the Russian Federation ’ s invasion of Ukraine and expressed solidarity with Ukraine. He agreed with the United Nations Secretary-General that voices should be raised against all authoritarian populism that violates human rights and hurts current and future generations, calling for a robust response from the international community.

PETR PAVEL, President of the Czech Republic, recalled that his country has its own experience with wars and interventions, including decades ’ long military occupation imposed by Moscow, which “taught us what it means when ‘might makes right ’ ”.Visiting Ukraine in April, he “saw the infamous crime scenes at Bucha and Borodyanka”, stressing that the “list of stories full of horror is endless. ”The Russian Federation must unconditionally withdraw all troops from the entire territory of Ukraine within its internationally recognized borders, with its leaders held accountable for the crime of aggression against its neighbour. He noted that from day one, his country has stood by Ukraine ’ s side and provided the defenders with weapons and ammunition, and per capita, has received more Ukrainian refugees than anybody else, mostly women and children. He called for a just and durable peace on the defender ’ s terms.

“Those who contest the international rules steer the wheel of global security backwards, into confrontation, and sooner or later at the expense of all of us,” he stressed.Expressing concern over the security, humanitarian and political crises unfolding in the Sahel, he called on the international community to find a way to end the series of military coups and ensure a return to constitutional order.This is the only way countries can effectively protect themselves against terrorism and achieve the much-needed economic and social development called for by African people.He emphasized that some countries pretend to be willing to help, but in reality, create economic and political dependencies which undermine long-term stability.He condemned China ’ s military actions raising tensions in the Taiwan Strait, and its unfriendly actions against partners in the South China Sea. He further cited reckless escalation of nuclear or intercontinental ballistic missile activities in the Democratic People ’ s Republic of Korea and Iran.

Turning to the Middle East, among the world ’ s most volatile regions, he pointed to efforts to normalize relations between Israel and its Arab neighbours, bringing positive steps towards stability and peace.Having its own national experience with oppression, fundamental rights and freedoms “are deeply embedded in our values system and foreign policy,” he stated. Prague strives to pursue an active human rights and democracy policy and is a staunch supporter of international human rights mechanisms, currently serving as the Presidency of the UN Human Rights Council. He called for greater efforts to support media freedom to enable access to independent and factual information, as without it “disinformation and propaganda can win. ”

“The 2030Agenda is a promise to current and future generations, which we need to keep,” he stated, noting that in the latest SDGs Index, the Czech Republic ranked as the eighth most advanced country in the implementation of the 2030Agenda. Turning to climate change, he cited it as the single most destructive threat to the current and future existence and well-being of all humankind since prehistoric times. Thirty years after the end of the cold war, he emphasized that the world is witnessing efforts by authoritarian regimes to redefine core principles of the multilateral order. Malign actors use cyberspace; disinformation; and economic, political and other tools to disrupt democratic processes, to undermine institutions and to weaken security.“The challenges we face today are significant and it is apparent that only collective action can ensure a safe and prosperous future for all,” he stressed.

SURANGEL WHIPPS, President of Palau, said that his country ’ s vulnerability to climate change, struggles with the high cost of imported food and goods as well as infrastructure challenges due to its remote location, highlight the unique challenges faced by small island developing States in their pursuit of sustainable development.The country ’ s new developmental perspective was borne out of a harsh lesson it first experienced in 2016 when it lost 13percent of its tourism strength, a situation which peaked to 98percent in 2021. This, in addition to the difficulty in accessing essential deliveries during and in the aftermath of the COVID‑19 pandemic grossly devasted its economy. “There are Palauans today who survived a war that was not of their own making — only to suffer from the ripple effects of another,” he said.

The Russian Federation ’ s invasion of Ukraine, beyond aggravating his country ’ s economic situation, also underscores the connectedness of global economies, he said. He spotlighted the global security implications of the invasion and their corresponding effects on world order, stating that current happenings serve as a reminder of the urgent need for worldwide peace and security. Unequivocally condemning the Russian Federation ’ s aggression on Ukraine, he also urged the United Nations and concerned parties involved in the Taiwan Strait to de-escalate tensions.He noted migration as a significant problem faced by his country, having lost nearly 50percent of its population since 1994 to other climes in their quest to seek better opportunities. It is therefore imperative to stimulate dialogues and activities that would promote empowerment in a bid to discourage continuous exodus.

Similarly inimical to his country ’ s progress is the climate problem with cultural heritages and livelihoods severely impacted, and the imperatives of overcoming them crucial. Since his childhood, the island nation has shrunk by two‑thirds due to sea-level rise.Stating that G20 nations have a vital role to play in mitigating climate change impacts and reducing emissions, he pointed out that the fate of homes and cultures are at the risk of extinction “if we fail to take action on climate change”. He further called on the international community to increase access to climate action as it “is time to change matrix on accessing climate mitigation funds. ” He also appealed that all parties ensure all commitments pledged are acted upon. Commending the success of COP26 and COP27, he advocated for a global Deep-Sea mining moratorium in adherence with the United Nations Convention on the Law of the Sea ’ s precautionary principle.

He echoed United States President Biden ’ s call for Security Council reforms, advocating for a permanent seat on the Council for countries like Japan. He proposed abolishment of the veto power, also advocating for a change in Taiwan ’ s status within the United Nations, including its meaningful participation in crucial specialized agencies and processes such as the World Health Organization, International Civil Aviation Organizationand the United Nations Framework Convention on Climate Changeas its “23million people have much to offer to the world”. The world is under siege from war and climate change, threats that undermine sustainable development and drive poverty, including in the Pacific Islands. “We must act now to improve life across our shared ocean and world,” he said.Like the Palauan boy Tebang, who, unable to move a log alone, succeeded with his friends by chanting ‘it can move, ’ he added: “We too can move mountains if we speak and act together”.

MACKY SALL, President of Senegal, noted thatfor millions of people, daily life remains marked by fear, violence, poverty and inequality. The tragedy of illegal migration is a reminder of the need to implement the Global Compact for Safe, Orderly and Regular Migration,and to relentlessly continue the fight against the criminal networks which organize this illicit trafficking of human beings. Voicing concern over the resurgence of coups d ’ état in Africa, he strongly condemned any form of unconstitutional change of Government. Further, terrorism continues to gain ground on the continent, without an appropriate reaction from the Security Council. He noted that during its membership in the Council in 2016 and 2017, Senegal warned of the ineffectiveness of peacekeeping operations in Africa, whose mandates and equipment hardly respond to the nature of the situations.He reiterated his Government ’ s support for the right of the Palestinian people to a viable State, coexisting peacefully with Israel.

He recognized the valuable services provided by the United Nations system and Bretton Woods institutions to member countries for almost 80 years. However, the multilateral system, a legacy of a bygone past, has become obsolete — as theUnited NationsSecretary-General rightly warned, a system which continues to ignore the realities of its time and the needs of more than three quarters of the Organization ’ s Member States, accentuates inequalities, generates the conditions for its challenge,and causes the risk of its fragmentation. To avoid this divide, wisdom calls for reforming global political, economic and financial governance, so that it is more representative of diversity.The international community can get there if it generates the necessary political will, as the Group of 20 (G20) showed by admitting the African Union as a full member.

Calling for a revitalized universalism, more open and more effective in tackling major challenges, he cited the climate emergency. While extreme phenomena are increasing, Senegal remains committed to the implementation of the Paris climate accord. Thanks to its proactive energy mix policy, renewable energies now represent 31percent of its electrical capacities, and with the signing last June of a Partnership for a Just Energy Transition, his country aims to increase this rate to 40percent by 2030. On that note, he thanked those partner countries who are mobilizing €2.5billion over an initial period of 3 to 5 years, starting in 2023, to finance Senegal ’ s projects. At the same time, Dakar is continuing to build low-carbon and climate-resilient infrastructure, including two mass transport systems: a regional express train and a rapid transit bus line, both electric.

With the implementation of national and continental projects, such as the Great Green Wall, “our countries are clearly committed to climate action, within their means,” he stated. However, for the most part, green projects in Africa are financed by commercial debt, whereas they should be supported by the mobilization of $100billion per year agreed upon since the Fifteenth Session of the Conference of the Parties to theUnited Nations Framework Convention on Climate Change (COP 15) in 2009 to finance climate action. Climate justice, he stressed, would require that a continent which contributes less than 4percent of global greenhouse gas emissions, and which suffers the most, should not be condemned to debt to repair and prevent damage for which it is not responsible. Senegal supports a just and equitable energy transition, taking into account the specific needs of African countries, including universal access to electricity of which more than 600million Africans remain deprived.

OLAF SCHOLZ, Chancellor of Germany, said 50years ago two German States joined the United Nations: the German Democratic Republic and the Federal Republic of Germany. Their accession was preceded by a visionary policy of détente. It required both States to commit to resolve conflicts without force, renunciate any revisionism and hold a foreign policy that did not ignore the cold war realities. He mentioned the beginnings of their membership not for historical interest, but because the prohibition of the use of force still remains the United Nations unfulfilled core pledge. In addition, the inviolability of borders and the sovereign equality of States must be defended by everyone in today ’ s multipolar world. “And because we today, especially today, need the courage, creative energy and will to fill in the rifts,” he said. “The rifts which are deeper than ever. ”

The world needs more cooperation that strengthens existing alliances and seeks new partners to reduce the risk of excessively one-sided dependencies. “Anyone seeking order in a multipolar world has to start here at the United Nations,” he said, adding that is why Germany supports the UN system and is its second-largest contributor after the United States. Only the United Nations, using the values enshrined in its Charter, can fully realize the aspirations of universal representation and sovereign equality for all. He added that the obstruction of a few members, no matter their influence, does not negate that the overwhelming majority of States agree on many issues. “All of us have an interest in ensuring that the sovereignty, territorial integrity and political independence of our countries are respected,” he added.

Turning to the challenge of anthropogenic climate change, he said traditional industrialized countries have a very special responsibility to fight against the climate crisis even as many other countries are today ’ s biggest emitters. Economic development must be decoupled from carbon dioxide emissions and solutions and technologies are available and being used. Germany honours its pledges on international climate financing and tripled its contribution to €6billion in 2022, up from €2billion in 2014 and €4billion in 2020. Germany holds an equal ambition to achieve the Global Goals.“Climate action or development, this trade-off will not work,” he said. Germany plans to use next year ’ s Summit of the Future to accelerate the push to implement the 2030Agenda, he added.

Turning to reform at the United Nations, he said the composition of the Security Council is the most obvious example of how the Organization does not currently represent the reality of a multipolar word. Welcoming that more partners, including three permanent Council members, want to see progress on reform, he stressed that Africa, Asia and Latin America deserve greater representation. Under this premise, a text with various options can be negotiated. “No country should obstruct these open-ended negotiations with excessively high demands,” he said. He said his thoughts remain with people in Sudan, eastern Congo, Ukraine and other places for whom peace is a distant dream. The Russian Federation President can end the Ukraine war at any time with one single order and must understand that Member States are serious about the Organization ’ s principles. “That in the multipolar world of the twenty-first century, we do not see a place for revisionism and imperialism,” he added.

FUMIO KISHIDA, Prime Minister of Japan, urged the international community to renew cooperation to protect and strengthen human dignity as a driving force across the world.Hailing from Hiroshima, he has made nuclear disarmament his “lifelong mission” and called on leaders of nuclear-weapon States to step up progress towards a world without nuclear weapons.As it is “paramount to transcend purely government efforts and engage in multi-layered efforts,” he said Japan will contribute 3billion yen to establish a new “Japan Chair for a world without nuclear weapons” at overseas research institutes to overcome the divisive debate between academia and Government on choosing deterrence or disarmament.Japan seeks to normalize its relationship with the Democratic People ’ s Republic of Korea by comprehensively resolving outstanding issues, including abductions, nuclear and missile issues, and settling “our unfortunate past”.To open up a new era together, he conveyed his determination to meet with President Kim Jong-Un face-to-face at any time and without any conditions, with an interest in holding high-level talks under his direct supervision “to realize a summit meeting at an early time. ”

Underscoring the world ’ s status at a “historical inflection point,” he reflected on the origins of the United Nations and reiterated the importance of the rule of law and Japan ’ s interest in protecting the right of vulnerable nations and peoples to live in peace.In particular, the Russian Federation ’ s infringement on international law must be rectified as soon as possible and the nuclear threat must be ended.Regarding the Security Council, he expressed Japan ’ s support to increase African representation and expand both permanent and non-permanent membership.Moreover, Japan will continue efforts to increase the transparency of Council discussions, including by improving access to deliberations.Regarding peacekeeping, his Government will further extend aid, including by contributing an additional $9million to support capacity-building for personnel deployed in African Union peace support operations. He also reiterated Japan ’ s new plan for a free and open Indo-Pacific where diverse nations coexist and prosper together, based on principles of the rule of law and inclusiveness.

On climate, he stated that Japan will further support disaster risk reduction for countries vulnerable to climate change, including island States.Before net zero is achieved, Japan will also work to mitigate potential impacts from rising sea levels and extreme weather events.Additionally, he urged the international community to prepare for the next infectious disease outbreak.In line with public and private sector pledges at the Group of Seven to achieve universal health coverage and strengthen prevention, preparedness, and response to health crises, Japan will contribute $7.5billion from 2022 to 2025.Japan will also continue to work with developing countries to ensure equitable access to medical countermeasures for health emergencies.

On the emerging issue of technology, he noted the need to balance the “progress of digitalization” with human dignity.While digital technology is bringing benefits to everybody, there are also risks of violating privacy and human rights.Japan launched the Hiroshima Artificial Intelligence(AI) Process on Generative AI, in order to advance more trustworthy AI and build a digital ecosystem with international rules compatible with human dignity.Overall, in the face of an increasingly divided international community experiencing multiple crises, he called for a common language that resonates with everyone.“We should go back to the very basic foundation of treating human life and dignity with paramount importance. ”By focusing on human dignity, the international community can steadily advance “human-centred” cooperation.

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Annual Report 2022 – 23 About this report This report outlines the operations and performance of the National Indigenous Australians Agency for the financial year ending 30 June 2023. It has been prepared in accordance with the provisions of section 46 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) and the Department of Finance Resource Management Guide Number 135. The compliance index in Section 7 lists the information required by the PGPA Act and PGPA Rule and the corresponding page number in this report. The Annual Report 2022 – 23 can be found on the Agency ’ s website: [*https://www.niaa.gov.au/resource-centre/niaa/2022-23-annual-report*](https://www.niaa.gov.au/resource-centre/niaa/2022-23-annual-report) ISSN: 2652-7707 (Print) ISSN: 2652-7715 (Online) © Commonwealth of Australia 2023 Contact us Director, Planning and Performance Section National Indigenous Australians Agency Charles Perkins House 16 Bowes Place Woden ACT 2606 PO Box 2191 Canberra ACT 2601 W [*https://www.niaa.gov.au*](https://www.niaa.gov.au) E [*NIAA-Governance@niaa.gov.au*](mailto:NIAA-Governance@niaa.gov.au) Enquiries concerning the contents of this report should be addressed to: Chief Executive Officer National Indigenous Australians Agency Charles Perkins House 16 Bowes Place Woden ACT 2606 PO Box 2191 Canberra ACT 2601 Annual Report 2022 – 23 Annual report team The content of this report was collaboratively developed by staff across the National Indigenous Australians Agency. Design and typesetting This document was designed and produced by Studio Elevenses [*https://www.studioelevenses.com.au*](https://www.studioelevenses.com.au)/ Cover photography Getty Images Typesetting Studio Elevenses Editing The National Indigenous Australians Agency Print Printing and binding Bambra Press [*https://bambra.com.au*](https://bambra.com.au)/ Paper The National Indigenous Australians Agency Annual Report 2022 – 23 is printed on ecoStar+ 100% Recycled Uncoated. ecoStar+ is an environmentally responsible paper made carbon neutral and is FSC Recycled certified. ecoStar+ is manufactured from 100% post consumer recycled fibre in a process chlorine free environment under the ISO 14001 environmental management system. 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Please phone 131 450 or visit [*www.tisnational.gov.au*](http://www.tisnational.gov.au) for more information. Acknowledgement of Country The National Indigenous Australians Agency acknowledges the Traditional Owners and Custodians of Country throughout Australia and acknowledges their continuing connection to land, waters and community. We pay our respects to the people, the cultures and the Elders past, present and emerging. Cultural advice Aboriginal and Torres Strait Islander peoples are advised that this document may contain images or names of deceased people. iv Letter of transmittal Charles Perkins House 16 Bowes Place Woden Reference: MS23-000419 The Hon Linda Burney MP Minister for Indigenous Australians Parliament House CANBERRA ACT 2600 Dear Minister I am pleased to present the Annual Report of the National Indigenous Australians Agency (NIAA) for the year ended 30 June 2023. The report has been prepared in accordance with all applicable obligations of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), including section 46, which requires that you table the report in Parliament. The report reflects the matters dealt with and the legislation administered by the NIAA as at 30 June 2023. The Annual Performance Statement in Section 4 of this report is prepared in accordance with paragraph 39(1)(a) of the PGPA Act. It accurately presents the NIAA ’ s performance for the 2022 – 23 financial year in accordance with subsection 39(2) of the PGPA Act. The report includes the NIAA ’ s audited financial statements prepared in accordance with the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (PGPA Rule). My certification of the matters in subsection 17AG(2)(b) of the PGPA Rule relating to information on fraud control in 2022 – 23 is detailed on page 28. Yours sincerely Jody Broun Chief Executive Officer National Indigenous Australians Agency October 2023 v Contents iv Letter of transmittal 01 Section 1 Chief Executive Officer ’ s Year in Review 07 Section 2 Agency Overview 19 Section 3 Management and Accountability 83 Section 4 Annual Performance Statement 129 Section 5 Financial Statements 209 Section 6 Appendices 229 Section 7 Glossary and Indexes Case Studies To demonstrate in-depth examples of the NIAA's performance, the following case studies were developed for publication in the Annual Report. The Circle 16 Empowered Communities 80 Ngukurr 109 Murri Binda 126 Gove – East Arnhem NT Section 1 Chief Executive Officer ’ s Year in Review 02 NIAA Annual Report 2022 – 23 Jody Broun, NIAA CEO Wanthiwa (Yindjibarndi for hello) Throughout the past year, matters affecting Australia ’ s First Nations peoples have continued to be a key priority of the Government. I have felt privileged and proud to be the Chief Executive Officer (CEO) of the National Indigenous Australians Agency (NIAA) during this critical time. The NIAA ’ s vision is that Aboriginal and Torres Strait Islander peoples are heard, recognised and empowered. We strive to make this present in our actions and thinking, bringing First Nations perspectives into the forefront of policy and program decisions and implementation across government. In last year ’ s Annual Report I outlined the ambitious agenda tasked to the NIAA and highlighted the priority areas for 2022 – 23 of implementing the Uluru Statement from the Heart, progressing the Closing the Gap agenda, re-designing the Community Development Program (CDP), focusing on the health and economic wellbeing of First Nations people, and continuing to strengthen the internal capability of the NIAA. Under-pinning our work is a commitment to genuine partnerships with First Nations communities, and leading and influencing across government. Twelve months on, I am pleased to reflect on the achievements of the Agency in delivery of this agenda. Chief Executive Officer ’ s Year in Review 03 In delivering on the Government ’ s commitment to the Uluru Statement from the Heart, the NIAA: supported engagement with First Nations Referendum Working and Engagement Groups; coordinated policy on the referendum process, the constitutional amendment and the referendum question; delivered a civics education program to build understanding and awareness of the Constitution, referendums and the Voice proposal ahead of the referendum. The NIAA ’ s regional teams worked alongside our Canberra based colleagues to provide factual information to the public, with thousands of engagements with stakeholders and more than 2 million hard copy products distributed across the nation. We have continued to work with the Coalition of Aboriginal and Torres Strait Islander Peak Organisations (Coalition of Peaks), Commonwealth agencies, and all other Australian governments, to progress the Commonwealth ’ s commitments under the National Agreement on Closing the Gap. The Commonwealth ’ s first Closing the Gap annual report (tabled November 2022) and the 2023 Implementation Plan (tabled February 2023) saw an elevated focus on the Priority Reforms. We know we still have a long way to go to achieve the ambitions of the National Agreement, however, it has been encouraging to see the Secretaries Board, to which I provide regular updates, enhance the governance of Closing the Gap. The Secretaries Board has welcomed the attendance of Pat Turner AM, Lead Convenor, Coalition of Peaks, twice during the year, with a particular focus on embedding the Priority Reforms and acceleration of Closing the Gap efforts across government. The NIAA has also progressed the redesign of the CDP, with a focus on real jobs, proper wages and decent conditions, informed by community feedback from over 2,000 people in more than 100 remote communities. The NIAA has supported the establishment of trials to inform the new program. Already the Trialling Pathways to Real Jobs initiative, which gave CDP providers flexibility to test new approaches, has seen more than 1,300 participants attaining paid work directly through the trial projects. 04 NIAA Annual Report 2022 – 23 The Indigenous Rangers Program (and Indigenous Protected Areas) continues to enable First Nations people to manage Country in accordance with Traditional Owners ’ aspirations and protocols. In 2022-23 the Indigenous Rangers Program supported 128 ranger groups through 80 organisations to employ approximately 2,000 people. This program contributes to preserving cultural traditions as well as giving job opportunities which are connected to Country. A great example is in the Northern Territory where the Tjuwanpa Women Rangers (Hermannsburg (Ntaria)), have contributed to the conservation of threatened species, particularly the greater bilby, by managing and controlling feral predators. Through patch burning to reduce weed growth, promote the growth of native species and minimise the risk of late season fires, the rangers are able to strategically set traps to capture feral cats that are attracted to the burn scars for hunting purposes. The NIAA ’ s regional presence, with 37 offices across Australia, provides vital local perspectives, supporting our ability to inform policy direction across government and shorten the distance between remote communities and Canberra. Our regional teams build relationships and partner with communities to respond to locally identified issues and priorities, such as the Palm Island community led night patrol trial which has seen a significant reduction in crime on the Island. Throughout the year the NIAA has supported communities through disasters such as floods and fires, and other challenging circumstances. I want to acknowledge the hard work of the teams across the country involved in this work. In response to issues in Alice Springs in late 2022 and early 2023, the Prime Minister announced almost $300 million in funding to support Central Australia. The Better, Safer Future for Central Australia Plan aims to improve community safety, reduce alcoholrelated harm, and provide more opportunities for young people. Chief Executive Officer ’ s Year in Review 05 In partnership with the Office of the Central Australian Regional Controller (OCARC) and the Northern Territory (NT) Government, the NIAA has engaged with communities to drive change and identify priority actions. The NIAA supported the establishment of an Aboriginal Leadership Group to inform decision making and implementation of funding priorities in Central Australia – building a direct line between the community and the Minister for Indigenous Australians. One of the new initiatives which commenced in April 2023, the Lhere Artepe night patrol, aims to change behaviour, through the cultural authority of Arrernte patrollers. Lhere Artepe ’ s hope is to cultivate understanding and respect from other Indigenous people, and non-Indigenous people entering Arrernte apmere (Country). Having patrollers present on the streets reduces youth crime and is a positive point of contact for vulnerable people. A highlight of the October 2022 budget was an allocation of $47.2 million to support Community Sector Organisations facing additional service delivery cost pressures. The NIAA identified 662 organisations conducting 1,041 activities in support of Indigenous Australians to receive supplementation. The structure of the payments recognised the higher costs of delivering services in very remote and remote areas. During the year I visited many communities across Australia from Shepparton to Katherine, Kalgoorlie to Yarrabah (to name only a few) and have been inspired by strong community leadership and dedicated service providers. While there is always more to be done, I ’ ve been particularly proud of the NIAA team working together to make a difference. The year ahead promises to be just as challenging and rewarding as the last as we will continue to deliver key priorities of the Government. I look forward to continuing to work with communities and stakeholders to achieve the aspirations of Aboriginal and Torres Strait Islander peoples of Australia. Jody Broun Chief Executive Officer National Indigenous Australians Agency October 2023 Watarrka National Park, NT Section 2 Agency Overview 08 NIAA Annual Report 2022 – 23 The Agency The NIAA commenced operation on 1 July 2019. The NIAA is an Executive Agency as defined by section 65 of the Public Service Act 1999 and is a non-corporate Commonwealth entity as defined by the Public Governance, Performance Accountability Act 2013 (PGPA Act). The NIAA implements the Australian Government ’ s policies and programs to enable the self-determination and aspirations of First Nations communities by ensuring that Aboriginal and Torres Strait Islander peoples are heard, recognised and empowered. The NIAA influences policy across the entire Australian Government. As an Executive Agency in the Prime Minister and Cabinet portfolio, the NIAA is well placed to coordinate across the Commonwealth. We work closely with state and territory governments, Coalition of Peaks, stakeholders and service providers to ensure that First Nations policies, programs and services are delivered for Aboriginal and Torres Strait Islander peoples as intended. The NIAA operates in a complex, dynamic environment, contributing to outcomes aligned with the aspirations of First Nations peoples and the Australian Government. At a regional and sectoral level, we do this by leveraging resources and partnerships, supplemented by targeted funding, and working with community leadership and service providers to deliver outcomes. At the Commonwealth and jurisdictional levels, we use our networks and expertise to influence mainstream policy and programs, legislative and structural reform, and funding of priority programs. Our vision Aboriginal and Torres Strait Islander peoples are heard, recognised and empowered. Our purpose The NIAA works in genuine partnership to enable the self-determination and aspirations of First Nations communities. We lead and influence change across government to ensure Aboriginal and Torres Strait Islander peoples have a say in the decisions that affect them. Agency Overview 09 Our 6 ***strategic*** pillars enable us to achieve our purpose: 1 Building our influence 2 Investing to deliver the greatest benefit 3 Identifying economic and human capital development opportunities 4 Being a ***capable***, engaged and unified workforce 5 Building genuine partnerships 6 Using data and evidence to inform our approach Our responsibilities The NIAA's responsibilities are to: lead and coordinate Commonwealth policy development, program design and implementation, and service delivery for Aboriginal and Torres Strait Islander peoples provide advice to the Prime Minister and the Minister for Indigenous Australians on whole-of-government priorities for Aboriginal and Torres Strait Islander peoples lead and coordinate the development and implementation of Australia ’ s Closing the Gap targets in partnership with Indigenous Australians lead Commonwealth activities to promote reconciliation build and maintain effective partnerships with Aboriginal and Torres Strait Islander peoples, state and territory governments and other relevant stakeholders to inform wholeof-government priorities for Aboriginal and Torres Strait Islander peoples, and enable policies, programs and services to be tailored to the unique needs of communities design, consult on and coordinate the delivery of community development employment projects analyse and monitor the effectiveness of programs and services for Aboriginal and Torres Strait Islander peoples, including programs and services delivered by bodies other than the NIAA coordinate Indigenous portfolio agencies and advance a whole-of government approach to improving the lives of Aboriginal and Torres Strait Islander peoples undertake other tasks the Prime Minister and the Minister require from time to time. 10 NIAA Annual Report 2022 – 23 Our Ministers and Special Envoy The NIAA works directly to and supports the Minister for Indigenous Australians and the Assistant Minister for Indigenous Australians and Indigenous Health. The Hon Linda Burney MP Minister for Indigenous Australians Senator the Hon Malarndirri McCarthy Assistant Minister for Indigenous Australians and Indigenous Health The NIAA works and supports engagement with the Special Envoy for Reconciliation and the Implementation of the Uluru Statement from the Heart. Senator Patrick Dodson Special Envoy for Reconciliation and the Implementation of the Uluru Statement from the Heart Agency Overview 11 Our Executive Chief Executive Officer Jody Broun Ms Jody Broun is a Yindjibarndi woman from the Pilbara in Western Australia, and her connections to her Country, community and culture remain strong. Ms Broun is passionate about social justice and working in partnership with community. Ms Broun is committed to making a difference by changing the way government does business with Aboriginal and Torres Strait Islander peoples, communities and organisations. Ms Broun was appointed Chief Executive Officer (CEO) of the NIAA in February 2022. As the CEO, Ms Broun is responsible for leading policy, program and delivery reforms that support the Australian Government ’ s priorities to deliver the Uluru Statement from the Heart and the National Agreement on Closing the Gap. Ms Broun leads in our engagement with a wide range of government and nongovernment stakeholders to realise the aspirations of Aboriginal and Torres Strait Islander peoples; increasing opportunities for economic development, health and wellbeing; and strengthening cultural identity. Ms Broun is responsible for leading more than 1,400 staff across Australia. 12 NIAA Annual Report 2022 – 23 Deputy Chief Executive Officer, Policy and Programs Groups in Policy and Programs lead, influence and invest in social, cultural and economic policies and programs that contribute to improving the wellbeing and economic aspirations of First Nations people. The Groups also develop strategies to deliver on the Australian Government ’ s priorities for First Nations people, including the Uluru Statement from the Heart and the National Agreement on Closing the Gap. The Deputy Chief Executive Officer, Policy and Programs position was held by Letitia Hope and Julie-Ann Guivarra consecutively during the reporting period. Deputy Chief Executive Officer, Operations and Delivery Groups in Operations and Delivery operate across Australia engaging with First Nations people, the non-government sector, and all levels of government to develop and implement targeted strategies focused on the needs and aspirations of local Aboriginal and Torres Strait Islander communities. The Groups promote connections between community, the private sector and all levels of government. The Deputy Chief Executive Officer, Operations and Delivery position was held by Blair Exell, Julie-Ann Guivarra and James Christian consecutively during the reporting period. Chief Operating Officer, Corporate Corporate Group works to the CEO and with the Executive Board and groups across the NIAA. It provides ***strategic*** advice and enabling services to support the NIAA ’ s role. While delivering services in the NIAA, the Group also manages our relationship with the Department of the Prime Minister and Cabinet for the provision of a number of corporate functions through a shared-services arrangement. The Chief Operating Officer (COO) position was held by Rachael Jackson during the reporting period. Agency Overview 13 Our organisational structure Details of Accountable Authority during the reporting period Table 2.1: Period as the accountable authority during the reporting period Name Position title/ Position held Date of commencement Date of cessation Jody Broun Chief Executive Officer 01/07/2022 Current Yirrkala, East Arnhem NT 14 NIAA Annual Report 2022 – 23 Agency structure as at 30 June 2023 Agency Overview 15 16 NIAA Annual Report 2022 – 23 The Circle Case study The NIAA has provided $3 million over 4 years to the South Australia (SA) Department of the Premier and Cabinet to design, establish and deliver The Circle – First Nations Entrepreneur Hub (The Circle). As at 30 June 2023, The Circle membership consisted of 220 businesses. It has delivered more than 142 business development support sessions, 8 member events, and facilitated over 57 industry connections for First Nations businesses in SA. Officially launched on 27 August 2021, The Circle is an initiative to provide for an Indigenous-specific element to the innovation, incubation, start-up and growth hub being established at Adelaide ’ s Lot Fourteen District. The Circle assists First Nations businesses and entrepreneurs in SA to start, grow and sustain their business via increased connections, capacity and capability, tailored business support, solutions and referrals. The Circle was designed and implemented using a collaborative co-designed approach to place-based practice. In 2020 the NIAA supported Community Engagement Workshops in Adelaide and Port Augusta to gain insights into the existing business support ecosystem and First Nations business and entrepreneur service needs and gaps in SA. Partnerships were established with representative groups to co-design the establishment and implementation of The Circle. The NIAA embedded an evidence-based approach to project design so that community feedback informed service delivery. The Circle's establishment has facilitated several opportunities: The NIAA supported The Circle to develop partnerships with key First Nations economic development and business support providers, including Indigenous Business Australia and Many Rivers Microfinance, as well as other Commonwealth, SA Government and industry stakeholders to enhance tailored, place-based responses to individual business needs. The NIAA supported The Circle ’ s regional footprint to grow, by establishing connections with stakeholders across the broader SA Region. Regional visits to the Adelaide Hills, Murraylands, Riverland, Fleurieu Peninsula and Far North have focused on developing relationships with Community, regional development boards, service providers and community organisations. The Circle case study 17 Yarning About Business – Starting and Building Your Own Business workshops were delivered in partnership with local regional development boards, local government and businesses, local service providers and service providers from metropolitan Adelaide, recognising the role partnerships play in providing a statewide service that is responsive to individual community needs. The NIAA funded the Inaugural First Nations Business Showcase, held in October 2022, where over 90 SA First Nations businesses showcased their work, providing opportunities for direct engagement with purchasers, invitations to connect to supply chains and requests to quote. The NIAA continues to support The Circle to build on the success of last year ’ s Showcase, with preparations underway to host SA ’ s 2023 event during Indigenous Business Month in October. International Women's Day event hosted by The Circle – Lot Fourteen Section 3 Management and Accountability Gove – East Arnhem NT 20 NIAA Annual Report 2022 – 23 Corporate governance structure The NIAA ’ s governance framework plays an important role in ensuring government and organisational priorities are achieved. The governance committees oversee the ***strategic*** and operational activities of the Agency and promote accountability, transparency and integrity to foster effective decision-making. The Executive Board is the core decision-making body and is supported by 6 subcommittees. The Audit and Risk Committee, made up of independent members, provides advice and assurance to the CEO. Throughout the year, the governance structure was streamlined to further enhance accountability and integrity across the Agency. Management and Accountability 21 Internal governance committees Executive Board The Executive Board supports the CEO to deliver the government ’ s ***strategic*** priorities and meet the NIAA ’ s legal obligations. The Board drives the NIAA ’ s leadership, culture, capability and performance. It provides stewardship through: setting and overseeing the implementation of the NIAA ’ s ***strategic*** priorities and direction supporting the delivery of the outcomes detailed in the Corporate Plan and Portfolio Budget Statements (PBS) providing monitoring and oversight of enterprise risks, including mitigation strategies and accountabilities ensuring the Agency ’ s ability to provide reliable, evidence-based advice ensuring the NIAA operates in accordance with legislative and regulatory requirements. Resources Committee The Resources Committee is responsible for ensuring the effective and appropriate allocation of the NIAA ’ s departmental financial resources and capital investment (including multi-year investment programs). Senior Leadership Committee The Senior Leadership Committee provides ***strategic*** advice to the Executive Board. The Committee helps drive and operationalise the ***strategic*** agenda of the NIAA through oversight of our policy development and implementation and delivery of activities. Information and Communications Technology (ICT) Strategy and Delivery Committee The ICT Strategy and Delivery Committee provides oversight and advice to the Senior Leadership Committee on ICT strategy governance, management and delivery to support the NIAA ’ s business and operational requirements. 22 NIAA Annual Report 2022 – 23 National Health and Safety Committee The National Health and Safety Committee – established under section 75 of the Work Health and Safety Act 2011 – provides a formal mechanism for consultation and co-operation on workplace health and safety matters that affect workers. The Committee ’ s primary role is to monitor and improve the health and safety of all the NIAA ’ s workers and provide assurance to the CEO and other officers of the NIAA of compliance with legislative and policy requirements. Staff Consultative Committee The Staff Consultative Committee provides a mechanism for consultation between management and employee representatives on workplace matters that affect staff. Members of the Committee seek to establish a mutual understanding of employee-related issues that are important to the achievement of the NIAA ’ s business objectives, ways of working and organisational wellbeing. Emergency Management and Business Continuity Committee The Emergency Management and Business Continuity Committee provides a decision pathway and crisis communications function during an emergency or significant disruption to critical functions. The Committee supports the CEO to ensure the NIAA is prepared to respond to an emergency or disruptive event. Audit and Risk Committee The role of the Audit and Risk Committee is to provide independent advice to the CEO and the NIAA Executive on the appropriateness of the NIAA's financial and performance reporting responsibilities, risk oversight and management, and system of internal control. Its charter sets out the Committee ’ s role, authority, responsibilities, composition and tenure, reporting, and administrative arrangements. The charter can be found at: [*https://www.niaa.gov.au/resourcecentre/niaa/audit-and-risk-committeecharter*](https://www.niaa.gov.au/resourcecentre/niaa/audit-and-risk-committeecharter). Management and Accountability 23 Table 3.1: Audit and Risk Committee membership, 1 July 2022 to 30 June 2023 Qualifications, knowledge, skills or experience Number of meetings attended / total number of meetings held Member remuneration (GST inc.) Carol Lilley Chair to 30 April 2023 Carol Lilley is the former Chair of the NIAA Audit and Risk Committee. Ms Lilley ’ s experience and qualifications include: serving on a range of Commonwealth Government Audit and Risk Committees, including Department of the Prime Minister and Cabinet, Department of Home Affairs, Services Australia, Australian Federal Police and Austrade Deputy Chair of Icon Water as well as other director roles in the Commonwealth Government and private sector Chair of Audit Committee for ACT Transport Canberra and City Services former Partner at PricewaterhouseCoopers working in financial statements, internal audit and risk management Graduate of the Australian Institute of Company Directors, Fellow of the Institute of Chartered Accountants and Certified Internal Auditor. 4/4 $29,365.60 Maria Storti Member to 30 April 2023 / Chair from 1 May 2023 / Financial Reporting Specialist Maria Storti was an independent member prior to being appointed as Chair of the NIAA ’ s Audit and Risk Committee. Ms Storti ’ s experience and qualifications include: specialising in financial management, performance reporting and risk management serving on a range of Boards and Commonwealth Government Audit and Risk Committees, and in senior executive roles and consultancy for over 3 decades 5/5 $19,563.50 24 NIAA Annual Report 2022 – 23 Qualifications, knowledge, skills or experience Number of meetings attended / total number of meetings held Member remuneration (GST inc.) Master of Business Administration; Fellow of the Institute of Chartered Accountants; Fellow of the Australian Institute of Company Directors; member of the Institute of Internal Auditors former Ernst & Young (EY) Performance Improvement Partner, Deputy CEO at Defence Housing Australia and Vice-President Governance and Development at the University of Canberra. Greg Divall Member appointed 25 November 2022, first meeting November 2022 Greg Divall is an Independent Assurance Board member with the Department of Defence, and an independent member of several Commonwealth Audit and Risk Committees. Mr Divall ’ s experience and qualifications include: over 20 years ’ experience in Commonwealth Senior Executive Service leadership roles, governing and leading transformational change in large complex organisations, including Services Australia, Department of Defence, Department of Climate Change, Energy, the Environment and Water (DCEEW), Department of Industry, Science, Energy and Resources (DISER) and the Treasury Bachelor of Applied Science (Mathematics, with majors in Computing and Statistics) and Master of Business Administration Membership of the Australian Institute of Company Directors and a Vincent Fairfax Fellow completion of the Australian and New Zealand School of Government (ANZSOG) Executive Fellows Program, the Harvard Kennedy School ’ s National and International Security program for senior executives, and the Advanced Management and Leadership Programme at Oxford Saïd Business School. 3/3 $12,375 Management and Accountability 25 Qualifications, knowledge, skills or experience Number of meetings attended / total number of meetings held Member remuneration (GST inc.) Lindon Coombes Member appointed 1 January 2023, first meeting June 2023 Lindon Coombes is an Industry Professor at the Jumbunna Institute for Indigenous Education & Research at the University of Technology Sydney. Professor Coombes ’ experience and qualifications include: CEO of the National Congress of Australia ’ s First Peoples, and CEO of Tranby Aboriginal College in Glebe a range of roles in the NSW Government at the Senior Executive level and as a Ministerial Advisor Bachelor ’ s Degree in Arts and a Diploma of Aboriginal Studies. 1/1 $4,125 Paul Smith Member to 24 November 2022 Paul Smith is an independent management consultant. Mr Smith ’ s experience and qualifications include: executive committee roles across all facets of consulting organisations, including strategy, operations, and compliance over 35 years ’ experience in financial management and ICT consulting to public sector, commercial, and not for profit organisations Partner in consulting firms for 21 years Fellow of CPA Australia; Senior Certified Professional, Australian Computer Society; and Graduate Member of the Australian Institute of Company Directors Bachelor of Commerce from the Australian National University. 3/3 $7,500 26 NIAA Annual Report 2022 – 23 Reconciliation The NIAA ’ s vision for reconciliation is for Australians to work together to support the aspirations of Aboriginal and Torres Strait Islander peoples, their living cultures, stories and songlines, and acknowledge the historical injustices against them. We are the Agency responsible for leading activities across the Commonwealth that promote reconciliation. This means we take opportunities to share knowledge, resources and practical guides with other agencies so they can take their own actions to drive reconciliation at all levels. Reconciliation Action Plan 2022 – 2025 Through its Reconciliation Action Plan (RAP) ([*https://www.niaa.gov.au*](https://www.niaa.gov.au)/ reconciliation-action-plan-2022-25), the NIAA strives to be an employer that allows First Nations employees to feel listened to, respected and valued for the immense skills and cultural knowledge they provide. Since the launch of our RAP, the NIAA has continued to build and maintain its influence with partners inside and outside of government. We remain committed to developing policies and strategies that lead to the best possible outcomes for First Nations people and communities across Australia. As we focus on seeking to build meaningful relationships with First Nations people, the NIAA has developed a First Nations Cultural Protocols Guide. Using the extensive cultural and historical knowledge held by First Nations staff, the guide provides staff across our vast network with the skills and information needed to increase their understanding of the historical connection to family, Country, community and culture that First Nations people possess. The NIAA ’ s RAP supports our commitment to enhance our organisational culture to achieve and maintain a diverse, culturally safe and ***capable*** workforce. One of the ways this is achieved is through Footprints, NIAA ’ s cross-cultural learning framework. The NIAA promotes Footprints internally and across the Australian Public Service (APS) as an opportunity to strengthen workplace cross-cultural awareness and as a foundational element of reconciliation. 27 Fraud and risk management Fraud and corruption has the capacity to seriously undermine the NIAA ’ s ability to effectively deliver on our purpose. The NIAA is committed to deterring and preventing such behaviour in the performance of our operations and, where relevant, investigating or otherwise dealing with suspected fraud or corruption. The NIAA ’ s approach to fraud and corruption risk management is directed by our Accountable Authority Instructions, Risk Management Framework and Policy, and Fraud and Corruption Control System 2022 – 24 (the FCCS) which came into effect on 1 July 2022. These directive elements are further supported by the NIAA's Integrated Program Compliance and Fraud Management Framework, which provides a principlesbased and practical approach to managing compliance and fraud risk of funded activities under the Indigenous Advancement Strategy (IAS). Collectively, these frameworks guide the NIAA to take all reasonable measures to prevent, detect, and deal with fraud as required by section 10 of the PGPA Rule (the Fraud Rule). Fraud prevention is the responsibility of all the NIAA's officials, secondees, consultants and contractors. Some of the key preventative measures described in the FCCS include mandatory fraud corruption awareness and training, undertaking fraud and corruption risk assessments, conflict of interest management, recruitment screening, and conducting due diligence on funding applications and those organisations applying for funding. The NIAA undertakes individual fraud and corruption risk assessments (FCRAs) on a rolling-program basis in relation to our enabling functions as well as our administered activities at least once every 2 years. Fraud and corruption risks are also considered when new policies or programs are being developed, or when significant organisational change occurs. Individual FCRAs are consolidated into the NIAA ’ s Fraud and Corruption Risk Register. During 2022 – 23, we continued to mature our detection measures, including taking steps to introduce data analysis techniques to enable earlier detection of suspected fraud or corruption. Some of the key detection measures described in the FCCS include encouraging tip-offs through our confidential fraud reporting channels, ongoing monitoring of funded activities, and assurance activities (including in relation to funded activities). Management and Accountability 28 NIAA Annual Report 2022 – 23 To report suspected fraud or corrupt behaviour please: contact us by phone on (02) 6152 3020 send an email to the Fraud helpdesk at [*fraud@niaa.gov.au*](mailto:fraud@niaa.gov.au), or contact us by mail: Fraud Control Officer National Indigenous Australians Agency PO Box 2191 Canberra ACT 2600 Where incidents of suspected fraud or corruption are detected, the NIAA ’ s Fraud and Corruption Investigation Section is responsible for conducting investigations or otherwise dealing with the matter. All investigation activities adhere to the requirements of the Australian Government Investigation Standards. In accordance with these standards, the NIAA has an investigation case management system which enables the recording and reporting of fraud or suspected fraud. On 30 May 2023, the Australian National Audit Office (ANAO) released its audit report on the NIAA's Management of Provider Fraud and Non-compliance (Auditor-General Report No. 27 2022 – 23). The NIAA agreed with all recommendations. The opportunities for improvement identified in the Report, in conjunction with the work already underway to enhance practices and processes, support the NIAA ’ s continuous improvement of its management of risk, fraud, corruption, and non-compliance. The audit found that the NIAA was not fully compliant with subsections 10(a) and 10(b) of the Fraud Rule, which requires entities to conduct fraud risk assessments regularly and to develop and implement a fraud control plan that deals with identified risks as soon as practicable after conducting a fraud risk assessment. The NIAA recognises that there were some administrative deficiencies in relation to fraud risk assessments and subsequent updates to its fraud risk register during the period examined by the ANAO. The Agency has undertaken considerable work since the audit to address these issues; however, more work is required before full compliance with subsection 10(a) and (b) of the Fraud Rule can be achieved. Certification by Accountable Authority Excluding the deficiencies noted above in relation to compliance with subsections 10(a) and 10(b) of the Fraud Rule, I certify that the NIAA has in place appropriate fraud control mechanisms that meet our needs and comply with subsection 17AG(2)(b) of the PGPA Rule. 29 Our people Our vision is to ensure Aboriginal and Torres Strait Islander peoples are heard, recognised and empowered. In line with APS Reform we are all about people, purpose and partnerships. We are committed to a common goal, we care about each other and our stakeholders, and we work with our partners to support the self-determination and aspirations of First Nations peoples. The NIAA is about putting people and businesses at the centre of policy and services. We aim to be a model employer and a great place to work. The NIAA is committed to a workforce that reflects the communities we serve and brings lived experience to shape government policies to improve outcomes for First Nations people. As at 30 June 2023, 22% of our people identify as Aboriginal and/or Torres Strait Islander. NIAA is striving to meet the following First Nations employment targets: increase current representation of Indigenous employees within the NIAA to 26% by 2024 by 2025 increase the Indigenous workforce in the NIAA at the EL1 and EL2 levels by 3% on current representation. Values and Behaviours The NIAA Values and Behaviours help build a positive, inclusive and cohesive culture that positions the NIAA to succeed as a united team. The NIAA shared values are: We respect multiple perspectives. We are authentic. We are professional and act with integrity. We invest in each other ’ s success. We deliver with purpose. Our Values and Behaviours are a shared endeavour and underpin all aspects of how we work with each other, our partners and stakeholders. They are embedded in all that we do and we aim to live them within the workplace every day. Our leaders model these Values and Behaviours, and communicate priorities and expectations to ensure effort and behaviours align with our vision. Staff are also expected to adhere to the APS Code of Conduct and Values and are encouraged to lead by example, support others to do the same, and report behaviours that do not reflect the Code and Values. Management and Accountability 30 NIAA Annual Report 2022 – 23 Capability development The NIAA ’ s cross-cultural learning framework, Footprints, was refreshed this year to enable electronic participation. To share Footprints with other workplaces the NIAA also developed an implementation toolkit. The NIAA Learning to Lead development program concluded in February 2023. Over 12 months of virtual and face-toface delivery, 240 staff across Australia participated. The program was pitched at all levels across the Agency and aimed to enable participants to think, plan and to take action for leadership transformation in the workplace. This provided participants with the opportunity to think critically about workplace knowledge systems and the people skills needed for genuine leadership engagement in a supportive and a safe learning environment. The NIAA continued to offer a range of programs to help boost Aboriginal and Torres Strait Islander employment in the APS. Building on the 2021 pilot of the Indigenous Development and Employment Program (IDEP), the NIAA has just commenced its seventh cohort of participants. Supporting the Commonwealth Aboriginal and Torres Strait Islander Workforce Strategy 2020 – 2024, IDEP ’ s intent is to enable Aboriginal and Torres Strait Islander employees to reach their full potential. IDEP provides the opportunity to explore career development pathways with a view to becoming the future managers and leaders of the broader APS. As a measure of success of the program, 67 APS staff from 10 agencies, including the NIAA, have participated in the program. Another successful program that continued in 2022 – 23 is the Australian National University Management program. With support from the NIAA and partner agencies, a further 21 Aboriginal and Torres Strait Islander APS employees have commenced their Graduate Certificate in Management this year. Inclusion and diversity The NIAA remains committed to strengthening our diversity and inclusion agenda by: eliminating and preventing harassment and discrimination respecting and embracing individual differences in all their forms consulting with staff about diversity and inclusion, and what belonging means to them promoting the positive value of a diverse workforce through our ***strategic*** priorities which empowers people to be themselves, share their perspectives and be valued for their diversity taking action to implement the Commonwealth ’ s Diversity Strategies leveraging the diverse backgrounds, experiences, perspectives and potential of our people to embed equality and diversity supporting our people from diverse backgrounds through provision of cultural and ceremonial leave and National Aborigines and Islanders Day Observance Committee (NAIDOC) Week leave 31 adopting the recruitAbility scheme for all our recruitment processes to ensure that people who may require reasonable adjustment are well supported. This is outlined in the Australian Public Service Disability Employment Strategy and aims to attract and develop candidates who either are living with a disability or are neurodivergent. Inclusion and diversity in action Our People Branch works closely with the NIAA ’ s Diversity Networks to drive diversity and inclusion. In 2022 – 23 the NIAA worked in partnership with its Diversity Networks to: create user-designed workshops to develop an Agency Diversity and Inclusion Framework which will be launched in late 2023 continue being a supporter organisation of the Racism. It Stops With Me campaign https://www. itstopswithme.humanrights.gov.au lift our staff diversity and inclusion literacy by hosting a range of training sessions, including Disability Confidence Training and Empowering Allies Training make it easier for staff to lift their cultural capability through a refresh of Footprints with a digital library created to help staff identify Footprints opportunities and a forum to share experiences and ideas with colleagues maintain the NIAA ’ s membership of Diversity Council Australia, Pride in Diversity, and the Australian Network on Disability encourage the use of our Reasonable Adjustment Passport as a tool for staff and managers to ensure that the NIAA provides an accessible and inclusive workplace for all, including staff who are living with a disability or identify as being neurodiverse. In addition, throughout 2022 – 23, we engaged a diverse range of leaders to acknowledge days of significance, including International Women ’ s Day; Harmony Week, National Reconciliation Week, NAIDOC Week, International Day of Persons with Disability and International Day Against Homophobia, Biphobia, and Transphobia. These leaders included: Professor Nareen Young, Leading Workplace Diversity Practitioner Damian Griffis, CEO First Peoples Disability Network Shelley Reys AO, CEO Arrilla Digital Uncle Richard and Uncle Lester, Kinchela Boys Home Survivors Mission Songs Project Chin Tan, Race Discrimination Commissioner. Carer Recognition Act 2010 Report The NIAA continues to take measures to comply with its obligations under the Carer Recognition Act 2010 and adheres to the principles of the Statement for Australia ’ s Carers. Our human resource policies take account of the Statement for Australia ’ s Carers in areas that may significantly affect an employee ’ s caring role. Management and Accountability 32 NIAA Annual Report 2022 – 23 Managing our human resources At 30 June 2023, the NIAA had 1,489 employees, including 111 non-ongoing employees. The NIAA has a diverse workforce: 71% of our workforce are women, and 22% of our workforce identify as Aboriginal and/or Torres Strait Islander employees. The NIAA has staff working across Australia, with 41% of staff located outside Canberra in capital cities and regional and remote areas. Table 3.2: All ongoing employees, current report period (2022 – 23) Male Female NonBinary\* Prefers not to answer\* Uses a different term\* Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total NSW 25 1 26 45 10 55 – – – – – – – – – 81 Qld 31 – 31 81 11 92 – – – – – – – – – 123 SA 16 1 17 31 8 39 – – – – – – – – – 56 Tas 2 1 3 1 3 4 – – – – – – – – – 7 Vic 12 – 12 16 1 17 – – – – – – – – – 29 WA 17 – 17 49 12 61 – – – – – – – – – 78 ACT 231 14 245 449 127 576 – – – – – – – – – 821 NT 54 2 56 114 12 126 – – – – – – – – – 182 External Territories – – – – – – – – – – – – – – – – Overseas – – – – – – – – – – – – – – – – Total 388 19 407 786 184 970 – – – – – – – – – 1,377 \* Responses for these identifiers have been hidden for de-identification purposes to reduce the risk to individuals ’ privacy. 33 Table 3.3: All ongoing employees, previous report period (2021 – 22) Male Female NonBinary\* Prefers not to answer\* Uses a different term\* Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total NSW 22 1 23 36 10 46 – – – – – – – – – 69 Qld 28# – 28# 56# 7 63# – – – – – – – – – 91# SA 15 – 15 25# 8 33# – – – – – – – – – 48# Tas 1 – 1 1 2 3 – – – – – – – – – 4 Vic 10 1 11 13# 1 14# – – – – – – – – – 25# WA 16 3 19 45# 10 55# – – – – – – – – – 74# ACT 195 17 212 406# 121# 527# – – – – – – – – – 739# NT 51 – 51 97# 17 114# – – – – – – – – – 165# External Territories – – – – – – – – – – – – – – – – Overseas – – – – – – – – – – – – – – – – Total 338# 22 360# 679# 176# 855# – – – – – – – – – 1,215# # These figures are corrections to the 2021 – 22 Annual Report. The reported figure included staff on temporary transfer out of the Agency and excluded secondees into the Agency. \* Responses for these identifiers have been hidden for de-identification purposes to reduce the risk to individuals ’ privacy. Management and Accountability 34 NIAA Annual Report 2022 – 23 Table 3.4: All non-ongoing employees, current report period (2022 – 23) Male Female NonBinary\* Prefers not to answer\* Uses a different term\* Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total NSW – – – 6 1 7 – – – – – – – – – 7 Qld – – – 6 1 7 – – – – – – – – – 7 SA 1 – 1 2 – 2 – – – – – – – – – 3 Tas – – – 1 – 1 – – – – – – – – – 1 Vic 1 1 2 2 – 2 – – – – – – – – – 4 WA 1 – 1 3 7 10 – – – – – – – – – 11 ACT 10 5 15 25 14 39 – – – – – – – – – 54 NT 7 1 8 13 3 16 – – – – – – – – – 24 External Territories – – – – – – – – – – – – – – – – Overseas – – – – – – – – – – – – – – – – Total 20 7 27 58 26 84 – – – – – – – – – 111 \* Responses for these identifiers have been hidden for de-identification purposes to reduce the risk to individuals ’ privacy. 35 Table 3.5: All non-ongoing employees, previous report period (2021 – 22) Male Female NonBinary\* Prefers not to answer\* Uses a different term\* Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total NSW – – – 3 1 4 – – – – – – – – – 4 Qld 3 – 3 6 3 9 – – – – – – – – – 12 SA 2 – 2 – 2 2 – – – – – – – – – 4 Tas – – – – – – – – – – – – – – – – Vic – 1 1 1 – 1 – – – – – – – – – 2^ WA 1 – 1 4 8^ 12^ – – – – – – – – – 13^ ACT 14 2 16 20 16^ 36^ – – – – – – – – – 52^ NT 3 2 5 18 2^ 20^ – – – – – – – – – 25^ External Territories – – – – – – – – – – – – – – – – Overseas – – – – – – – – – – – – – – – – Total 23 5 28 52 32^ 84^ – – – – – – – – – 112^ ^ These figures are corrections to the 2021 – 22 Annual Report. The results did not previously include casual employees. \* Responses for these identifiers have been hidden for de-identification purposes to reduce the risk to individuals ’ privacy. Management and Accountability 36 NIAA Annual Report 2022 – 23 Table 3.6: Australian Public Service Act ongoing employees, current report period (2022 – 23) Male Female NonBinary\* Prefers not to answer\* Uses a different term\* Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total SES 3 – – – 1 – 1 – – – – – – – – – 1 SES 2 5 – 5 5 – 5 – – – – – – – – – 10 SES 1 18 – 18 16 2 18 – – – – – – – – – 36 EL 2 75 3 78 110 20 130 – – – – – – – – – 208 EL 1 133 9 142 247 78 325 – – – – – – – – – 467 APS 6 94 4 98 206 46 252 – – – – – – – – – 350 APS 5 35 2 37 101 22 123 – – – – – – – – – 160 APS 4 18 1 19 63 14 77 – – – – – – – – – 96 APS 3 7 – 7 30 1 31 – – – – – – – – – 38 APS 2 2 – 2 1 1 2 – – – – – – – – – 4 APS 1 1 – 1 6 – 6 – – – – – – – – – 7 Other – – – – – – – – – – – – – – – – Total 388 19 407 786 184 970 – – – – – – – – – 1,377 \* Responses for these identifiers have been hidden for de-identification purposes to reduce the risk to individuals ’ privacy. 37 Table 3.7: Australian Public Service Act ongoing employees, previous report period (2021 – 22) Male Female NonBinary\* Prefers not to answer\* Uses a different term\* Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total SES 3 1 – 1 1 – 1 – – – – – – – – – 2 SES 2 5 – 5 2 – 2 – – – – – – – – – 7 SES 1 19 – 19 23 – 23# – – – – – – – – – 42# EL 2 59# 3 62# 107 17 124 – – – – – – – – – 186# EL 1 122# 11 133# 208 73# 281# – – – – – – – – – 414# APS 6 68 4 72 175# 48 223# – – – – – – – – – 295# APS 5 30# 3 33# 89# 21 110# – – – – – – – – – 143# APS 4 22 1 23 49 14 63 – – – – – – – – – 86 APS 3 7 – 7 21# 1 22# – – – – – – – – – 29# APS 2 2 – 2 3 2 5 – – – – – – – – – 7 APS 1 3 – 3 1 – 1 – – – – – – – – – 4 Other – – – – – – – – – – – – – – – – Total 338# 22 360# 679# 176# 855# – – – – – – – – – 1,215# # These figures are corrections to the 2021 – 22 Annual Report. The reported figure included staff on temporary transfer out of the Agency and excluded secondees into the Agency. \* Responses for these identifiers have been hidden for de-identification purposes to reduce the risk to individuals ’ privacy. Management and Accountability 38 NIAA Annual Report 2022 – 23 Table 3.8: Australian Public Service Act non-ongoing employees, current report period (2022 – 23) Male Female NonBinary\* Prefers not to answer\* Uses a different term\* Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total SES 3 1 – 1 – – – – – – – – – – – – 1 SES 2 – – – – – – – – – – – – – – – – SES 1 – – – 1 – 1 – – – – – – – – – 1 EL 2 2 2 4 6 2 8 – – – – – – – – – 12 EL 1 6 – 6 14 6 20 – – – – – – – – – 26 APS 6 6 3 9 15 6 21 – – – – – – – – – 30 APS 5 1 – 1 9 4 13 – – – – – – – – – 14 APS 4 1 – 1 8 3 11 – – – – – – – – – 12 APS 3 3 1 4 5 3 8 – – – – – – – – – 12 APS 2 – 1 1 – 1 1 – – – – – – – – – 2 APS 1 – – – – 1 1 – – – – – – – – – 1 Other – – – – – – – – – – – – – – – – Total 20 7 27 58 26 84 – – – – – – – – – 111 \* Responses for these identifiers have been hidden for de-identification purposes to reduce the risk to individuals ’ privacy. 39 Table 3.9: Australian Public Service Act non-ongoing employees, previous report period (2021 – 22) Male Female NonBinary\* Prefers not to answer\* Uses a different term\* Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total Full time Part time Total SES 3 – – – – – – – – – – – – – – – – SES 2 – – – – – – – – – – – – – – – – SES 1 – – – – – – – – – – – – – – – – EL 2 2 1 3 3 2 5 – – – – – – – – – 8 EL 1 9 2 11 13 5 18 – – – – – – – – – 29 APS 6 8 1 9 13 9 22 – – – – – – – – – 31 APS 5 3 – 3 10 6 16 – – – – – – – – – 19 APS 4 1 – 1 11 5^ 16^ – – – – – – – – – 17^ APS 3 – – – 1 3^ 4^ – – – – – – – – – 4^ APS 2 – 1 1 1 – 1 – – – – – – – – – 2 APS 1 – – – – 2^ 2^ – – – – – – – – – 2^ Other – – – – – – – – – – – – – – – – Total 23 5 28 52 32^ 84^ – – – – – – – – – 112^ ^ These figures are corrections to the 2021 – 22 Annual Report. The results did not previously include casual employees. \* Responses for these identifiers have been hidden for de-identification purposes to reduce the risk to individuals ’ privacy. Management and Accountability 40 NIAA Annual Report 2022 – 23 Table 3.10: Australian Public Service Act employees by full-time and part-time status, current report period (2022 – 23) Ongoing Non-ongoing Total Full time Part time Total ongoing Full time Part time Total non-ongoing SES 3 1 – 1 1 – 1 2 SES 2 10 – 10 – – – 10 SES 1 34 2 36 1 – 1 37 EL 2 185 23 208 8 4 12 220 EL 1 380 87 467 20 6 26 493 APS 6 301 50 351 21 9 30 381 APS 5 136 24 160 10 4 14 174 APS 4 81 15 96 9 3 12 108 APS 3 37 1 38 8 4 12 50 APS 2 3 1 4 – 2 2 6 APS 1 7 – 7 – 1 1 8 Other – – – – – – – Total 1,175 203 1,378 78 33 111 1,489 41 Table 3.11: Australian Public Service Act employees by full-time and part-time status, previous report period (2021 – 22) Ongoing Non-ongoing Total Full time Part time Total ongoing Full time Part time Total non-ongoing SES 3 2 – 2 – – – 2 SES 2 7 – 7 – – – 7 SES 1 42 – 42× – – – 42× EL 2 166× 20 186× 5 3 8 194× EL 1 331× 84× 415× 23 7 30 445× APS 6 244× 52 296× 21 10 31 327× APS 5 119× 24 143× 13 6 19 162× APS 4 71 15 86 12 5^ 17^ 103^ APS 3 28× 1 29× 1 3^ 4^ 33×^ APS 2 5 2 7 1 2^ 3^ 10^ APS 1 4 – 4 – 2^ 2^ 6^ Other – – – – – – – Total 1,019× 198× 1,217× 76 38^ 114^ 1,331×^ × These figures are corrections to the 2021 – 22 Annual Report. The reported figure did not include casual employees and previously included employees on temporary transfer out of the Agency, and excluded secondees into the Agency. ^ These figures are corrections to the 2021 – 22 Annual Report. The results did not previously include casual employees. Management and Accountability 42 NIAA Annual Report 2022 – 23 Table 3.12: Australian Public Service Act employment type by location, current report period (2022 – 23) Ongoing Non-ongoing Total NSW 81 7 88 Qld 123 7 130 SA 56 3 59 Tas 7 1 8 Vic 29 4 33 WA 78 11 89 ACT 822 54 876 NT 182 24 206 External Territories – – – Overseas – – – Total 1,378 111 1,489 Table 3.13: Australian Public Service Act employment type by location, previous report period (2021 – 22) Ongoing Non-ongoing Total NSW 69 4 73 Qld 91× 12 103× SA 48× 4 52× Tas 4 – 4 Vic 25× 3 28× WA 74× 13× 87× ACT 741× 53× 794× NT 165× 25× 190× External Territories – – – Overseas – – – Total 1,217× 114× 1,331× × These figures are corrections to the 2021 – 22 Annual Report. The reported figure did not include casual employees and previously included employees on temporary transfer out of the Agency, and excluded secondees into the Agency. 43 Table 3.14: Australian Public Service Act Indigenous employment, current report period (2022 – 23) Ongoing 298 Non-ongoing 24 Total 322 Table 3.15: Australian Public Service Act Indigenous employment, previous report period (2021 – 22) Ongoing 276# Non-ongoing 17^ Total 293#^ # These figures are corrections to the 2021 – 22 Annual Report. The reported figure included staff on temporary transfer out of the Agency and excluded secondees into the Agency. ^ These figures are corrections to the 2021 – 22 Annual Report. The results did not previously include casual employees. Table 3.16: Australian Public Service Act employment salary ranges by classification level, current report period (2022 – 23) Minimum Salary Maximum Salary SES 3 $372,131 $420,510 SES 2 $279,001 $309,387 SES 1 $211,202 $246,061 EL 2 $132,252 $166,689 EL 1 $113,627 $138,501 APS 6 $88,419 $108,846 APS 5 $79,941 $85,464 APS 4 $72,403 $77,432 APS 3 $66,559 $69,328 APS 2 $59,601 $63,512 APS 1 $50,744 $55,485 Other – – Minimum/Maximum range $50,744 $420,510 Management and Accountability 44 NIAA Annual Report 2022 – 23 Table 3.17: Australian Public Service Act employment salary ranges by classification level, previous report period (2021 – 22) Minimum Salary Maximum Salary SES 3 $361,292 $408,262 SES 2 $270,875 $300,376 SES 1 $205,050 $238,894 EL 2 $129,786 $163,581 EL 1 $111,508 $135,919 APS 6 $86,770 $106,816 APS 5 $78,450 $83,870 APS 4 $71,053 $75,988 APS 3 $65,318 $68,035 APS 2 $58,490 $62,328 APS 1 $49,798 $54,450 Other – – Minimum/Maximum range $49,798 $408,262 45 Table 3.18: Australian Public Service Act employment arrangements, current report period (2022 – 23) SES Non-SES Total Enterprise Agreement – 1,431 1,431 Section 24(1) determination 49 – 49 Individual flexibility arrangement – 9 9 Total 49 1,440 1,489 Table 3.19: Australian Public Service Act employment arrangements, previous report period (2021 – 22) SES Non-SES Total Enterprise Agreement – 1,276 1,276 Section 24(1) determination 51# – 51# Individual flexibility arrangement – 4 4 Total 51# 1,280 1,331# # These figures are corrections to the 2021 – 22 Annual Report. The reported figure included staff on temporary transfer out of the Agency and excluded secondees into the Agency. Australian Public Service Act Employment Performance Pay by classification level in the current report period (2022 – 23) The NIAA does not pay performance bonuses to employees. Non-salary benefits provided to employees The NIAA also provides a range of non-salary benefits for employees, as outlined in the NIAA Enterprise Agreement 2021 – 24. Management and Accountability 46 NIAA Annual Report 2022 – 23 Recruitment The Agency has continued to prioritise and actively tailor recruitment processes to attract a highly engaged and ***capable*** workforce. During the reporting period, the Agency began the administration of functions previously delivered by the Department of the Prime Minister and Cabinet: recruitment, entry level programs and Senior Executive Service (SES) unit functions. All roles at the NIAA are Identified Positions, which requires candidates to demonstrate an understanding of matters impacting First Nations people and communities. Cultural capability is assessed in all our recruitment processes. As we strive for inclusive and culturally safe recruitment, we have continued to refine guidance and practices internally and assist with advancement in this space across the APS. In February 2023, we welcomed 28 graduates from diverse backgrounds and with a range of qualifications into the Agency. Our graduates ***rotate*** through 3 different business areas, including the option to undertake a regional ***rotation***. They also undergo a comprehensive learning and development program to build foundational skills for their careers. In particular the regional placements, allow graduates to gain first-hand community engagement experience to better understand how the Agency works in partnership with communities and stakeholders. The NIAA continued to participate in the Department of Finance Career Starters Program while also commencing participation in the Australian Taxation Office HR School Leavers Program. These programs provide a supportive pathway into the APS for people who have recently completed Year 12. Our Career Starters and HR School Leavers work in our enabling areas and are supported to complete either a Certificate IV in Government or Certificate IV in Human Resource Management while on the program. In March 2023, the Agency launched its Employee Value Proposition (EVP), which is our unique branding and employment offering in the NIAA. The NIAA ’ s EVP is underpinned by 3 themes: people, purpose and partnerships. In short, we are committed to a common goal, we care about each other and our stakeholders, and we work with our partners to support the self-determination and aspirations of First Nations peoples. The EVP is important in supporting our strategies, communications and processes around attracting and retaining staff, and key elements of our workforce planning in the current labour market. Our recruitment approaches remain closely aligned with Commonwealth strategies and plans, including the Commonwealth Aboriginal and Torres Strait Islander Workforce Strategy 2020 – 2024, Closing the Gap Implementation Plan 2023 and the Agency ’ s Reconciliation Action Plan. We have also demonstrated commitment to boosting First Nations employment through our participation in the Indigenous Australians Government Development Program, Indigenous Graduate Program, and Affirmative Measures Indigenous recruitment. The NIAA has worked with the Australian Public Service Commission (APSC) and the Cultural Capability hub in the development of support tools for Affirmative Measures for Indigenous rounds. 47 Flexible work The NIAA is committed to facilitating flexible working arrangements that foster a positive and productive workplace culture as well as enhancing staff attraction and retention. Remote working aims to achieve a reasonable balance of incorporating individual needs, team collaboration and operational requirements. Flexible working arrangements are supported when they align with this approach. The NIAA flexible working policy creates a framework that ensures consistency and accountability for the application of flexible working arrangements across the Agency. Executive remuneration Remuneration policies and practices The Agency ’ s SES staff are remunerated via determinations made under subsection 24(1) of the Public Service Act 1999. The CEO is the delegate for any changes made to the remuneration provided by the determinations. The remuneration of the CEO and statutory office holders is determined by the Remuneration Tribunal. ‘Other shortterm benefits ’ include provision of car parking where required by the SES. SES contribute to the Fringe Benefits Tax liability associated with being provided a car park. Remuneration governance arrangements The Agency ’ s Talent Development Council, chaired by the CEO, is responsible for reviewing SES remuneration each year. SES remuneration is considered as part of the performance reviews under the SES Performance and Development Guidelines and Engage Framework which sets out the NIAA's approach to performance management. Key management personnel Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the NIAA. The NIAA has determined KMP of the NIAA to be the Minister for Indigenous Australians, the Assistant Minister for Indigenous Australians and Indigenous Health and members of the NIAA Executive Board. This includes the CEO, Deputy CEOs, Chief Operating Officer and Group Managers on a rotational basis. The Minister and Assistant Minister ’ s remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the NIAA. During the reporting period to 30 June 2023, the NIAA had 12 individuals who met the definition of KMP. Their names and the summary total length of their terms as KMP are in Table 3.20; expenses are in Table 3.21; and individual remuneration details are in Table 3.22 KMP on acting arrangements are included where the length of the arrangement is longer than 2 months; therefore, more than one individual may have filled a single position over the reporting period. These tables should be read in conjunction with note 6.2 of the financial statements on page 176. Management and Accountability 48 NIAA Annual Report 2022 – 23 Table 3.20: Key management personnel for the reporting period Name Position(s)# Term as KMP Jody Broun CEO July 2022 – June 2023 Blair Exell Deputy CEO July 2022 – October 2022 Letitia Hope Deputy CEO July 2022 – March 2023 Julie-Ann Guivarra Deputy CEO and Group Manager – SES B2 July 2022 – June 2023 James Christian Deputy CEO March 2023 – June 2023 Sam White Acting Chief Operating Officer July 2022 – March 2023 Brendan Jacomb Acting Chief Operating Officer December 2022 – January 2023; March 2023 – May 2023 Rachael Jackson Group Manager – SES B2 and Chief Operating Officer October 2022 – January 2023; May 2023 – June 2023 William (Sam) Jeffries\* Acting Deputy CEO and Group Manager – SES B2 July 2022 – March 2023 Fleur Hill\* Acting Group Manager – SES B2 July 2022; February 2023 – May 2023 Simon Gordon\* Acting Group Manager – SES B2 February 2023 – June 2023 Bridgette Bellenger\* Group Manager – SES B2 May 2023 – June 2023 \* ***Rotating*** position of the Executive Board. # Note some individuals held more than one KMP position during the reporting period. 49 Table 3.21: Key management personnel expenses for the reporting period ($) 30 June 2023 Base Salary 2,201,966 Bonuses – Other benefits & allowances 23,105 Total short-term benefits 2,225,071 Superannuation contribution 297,778 Total post-employment benefits 297,778 Long service leave 81,932 Total other long-term benefits 81,932 Termination benefits – Total remuneration 2,604,781 Note 6.2 of the financial statements on page 176, disclosed the above key management personnel expenses for period ending 30 June 2023. Management and Accountability 50 NIAA Annual Report 2022 – 23 Table 3.22: Key management personnel expenses for the reporting period ($) Name Short-term benefits Post-employment benefits Other long-term benefits Termination benefits Total remuneration Base salary Bonuses Other benefits & allowances Superannuation contribution Long service leave Other long – term benefits Jody Broun 588,632 – 2,044 25,281 12,407 – – 628,363 Blair Exell 85,768 – 264 17,164 44 – – 103,240 Letitia Hope 262,777 – 735 47,560 15,833 – – 326,904 Julie-Ann Guivarra 324,730 – 16,403 48,908 28,404 – – 418,445 James Christian 138,575 – 953 24,835 653 – – 165,016 Sam White 180,547 – 765 24,966 1,676 – – 207,954 Brendan Jacomb 72,195 – 164 13,037 (1,946) – – 83,450 Rachael Jackson 125,836 – 102 23,021 10,046 – – 159,005 William (Sam) Jeffries 187,733 – 1,190 37,700 9,293 – – 235,916 Fleur Hill 57,710 – 43 7,843 1,447 – – 67,043 Simon Gordon 127,342 – 443 16,389 3,904 – – 148,078 Bridgette Bellenger 50,121 – – 11,074 173 – – 61,368 Total 2,201,966 – 23,105 297,778 81,932 – – 2,604,781 51 Table 3.23: Senior executive remuneration for the reporting period ($) Short-term benefits Post-employment benefits Other long-term benefits Termination benefits Total remuneration Band Number of senior executives Base salary Bonuses Other benefits & allowances Superannuation contribution Long service leave Other long – term benefits $0 – $220,000 41 89,778 – 247 12,211 1,601 – – 103,836 $220,000 – $245,000 7 197,591 – 452 30,885 8,106 – – 237,033 $245,000 – $270,000 11 217,765 – 2,102 34,362 5,483 – – 259,712 $270,000 – $295,000 7 236,096 – 2,016 38,954 9,249 – – 286,315 $295,000 – $320,000 7 240,928 – 1,789 42,605 17,527 – – 302,849 $320,000 – $345,000 4 280,821 – 554 43,004 9,065 – – 333,444 $345,000 – $370,000 2 286,915 – 554 44,327 30,297 – – 362,093 $370,000 – $395,000 2 307,592 – 554 53,755 24,168 – – 386,069 Total 81 161,863 – 833 25,110 6,362 – – 194,168 Management and Accountability 52 NIAA Annual Report 2022 – 23 Work health and safety At the NIAA, the health and safety of our workforce is paramount. We recognise the importance of creating a safe work environment that safeguards both physical and psychological wellbeing. We are fully committed to fulfilling our obligations and responsibilities under the Work Health and Safety Act 2011 (WHS Act), the Work Health and Safety Regulations 2011, and associated Codes of Practice. Initiatives and outcomes Safety management system In partnership with the National Health and Safety Committee, we have continued to refine our safety management system. Our aim is to ensure that our work health and safety frameworks meet the standards of a mature management system supporting due diligence obligations, legislative compliance, and best practice when evaluated against the International Standard AS/NZS ISO 45001. Health and wellbeing support The NIAA undertook several activities to promote positive health and wellbeing to assist staff to support their mental health. The Agency acknowledged several days of significance relating to health, and wellbeing, organised all staff events to promote good mental health and provided a variety of ongoing health, wellbeing and psychosocial education sessions throughout the year. Following critical incidents, the Employee Assistance Program (EAP) provider supported staff with onsite and virtual psychological support. Several proactive wellbeing programs were implemented in high-risk areas of the Agency. The Agency also invested heavily in proactive rehabilitation case management activities, resulting in a significant decrease in the Comcare premium and improved return to work outcomes for staff. Psychosocial risk project The NIAA is undertaking a psychosocial risk assessment to support the identification and assessment of psychosocial hazards in the workplace. This includes an assessment of identified psychosocial hazards, development of a psychosocial risk register, control framework and recommendations on new controls with a roadmap to ensure psychosocial safety is being appropriately managed now and into the future. 53 National Safe Work Month The NIAA developed and conducted a number of activities during National Safe Work Month in October 2022, themed ‘Safe Driving ’ . The events and activities included a case study on safe driving and a webinar on driving risks, and systems thinking approach to driving, with a safety driving specialist. COVID-19 response The NIAA continued its effective COVID-19 management strategy across all workplaces by providing COVID Safe plans and information to all staff. During the reporting period, many staff continued to use flexible working from home arrangements. The NIAA also began developing a new COVID-19 Management Plan to address the post-pandemic phase of living with a communicable disease that is endemic in the Australian community. This plan will come into effect in 2023 – 24. National Influenza Vaccination Program Each year, the NIAA offers staff at all locations access to an influenza vaccination program. The program is accessed through on-site clinics, pharmacy vouchers or reimbursements of the vaccination cost. In 2022 – 23, the program continued to have good take up rates by staff. Notifiable incidents and investigations Under Schedule 2, Part 3 of the WHS Act, the NIAA must report details of notifiable incidents, investigations, improvement notices, prosecutions and other matters as prescribed. Table 3.24: Incidents notified under the WHS Act, 2022 – 23 Incident type Number Deaths that required notice under section 38 – Serious injury or illness that required notice under section 38 1 Dangerous incidents that required notification under section 38 – Management and Accountability 54 NIAA Annual Report 2022 – 23 Table 3.25: Investigations, improvement notices and prosecutions made under the WHS Act, 2022 – 23 Category Number Notices given to the department under section 191 (improvement notices) – Notices given to the department under section 195 (prohibition notices) – Notices given to the department under section 198 (non-disturbance) – Investigations conducted under part 10 – Disability reporting mechanism Australia ’ s Disability Strategy 2021 – 2031 (the Disability Strategy) is the overarching framework for inclusive policies, programs and infrastructure that will support people with disability to participate in all areas of Australian life. The Disability Strategy sets out where practical changes will be made to improve the lives of people with disability in Australia. It acts to ensure the principles underpinning the United Nations Convention on the Rights of Persons with Disabilities are incorporated into Australia ’ s policies and programs that affect people with disability, their families and carers. All levels of government have committed to deliver more comprehensive and visible reporting under the Disability Strategy. A range of reports on progress of the Disability Strategy ’ s actions and outcome areas will be published and available at [*https://www.disabilitygateway.gov.au/ads*](https://www.disabilitygateway.gov.au/ads). Disability reporting is included in the APSC ’ s State of Service reports and the APS Statistical Bulletin. These reports are available at [*http://www.apsc.gov.au*](http://www.apsc.gov.au) Management and Accountability 55 External scrutiny Judicial and administrative decisions The NIAA has not been the subject of any significant judicial or administrative decisions in 2022 – 23. Reports by the Auditor-General The ANAO tabled 2 performance audit reports in 2022 – 23 that considered the activities of the NIAA: Auditor-General Report No. 25 of 2022 – 23 Governance of the Tiwi Land Council The NIAA accepted the one recommendation that related to the NIAA. To view the audit report, please visit: [*https://www.anao*](https://www.anao) gov.au/work/performance-audit/governance-the-tiwiland-council Auditor-General Report No. 27 of 2022 – 23 National Indigenous Australians Agency ’ s Management of Provider Fraud and Non-compliance The NIAA accepted all 7 recommendations. To view the audit report please visit: [*https://www.anao*](https://www.anao) gov.au/work/performance-audit/national-indigenousaustralians-agencys-management-provider-fraud-andnon-compliance 56 NIAA Annual Report 2022 – 23 Parliamentary committees The NIAA provided evidence and/or submissions to the following parliamentary committee inquiries in 2022 – 23: Table 3.26 Parliamentary committee inquiries Committee Inquiry House of Representatives Select Committee on Workforce Australia Employment Services Inquiry into Workforce Australia Employment Services House of Representatives Standing Committee on Health, Aged Care and Sport Inquiry into long COVID and Repeated COVID infections Joint Select Committee on Northern Australia Inquiry into Northern Australia Workforce Development Joint Select Committee on the Aboriginal and Torres Strait Islander Voice Referendum Inquiry into the Aboriginal and Torres Strait Islander Voice Referendum Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into Community Safety Support Services and job opportunities in the NT Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry Into the Application of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) in Australia Senate Finance and Public Administration References Committee Inquiry into the Administration of the referendum into an Aboriginal and Torres Strait Islander Voice Senate Select Committee on Australia ’ s Disaster Resilience Inquiry into Australia ’ s Disaster Resilience Senate Community Affairs References Committee The extent and nature of poverty in Australia Senate Education and Employment Legislation Committee Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022 [Provisions] Senate Rural and Regional Affairs and Transport References Committee Inquiry into Bank Closures in Regional Australia Management and Accountability 57 Committee Inquiry Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into Community Safety, Support Services and Job Opportunities in the Northern Territory Senate Standing Committees on Economics Atomic Energy Amendment (Mine Rehabilitation and Closure) Bill 2022 [Provisions] Senate Standing Committees on Legal and Constitutional Affairs Missing and Murdered First Nations Women House of Representatives Select Committee on Mental Health and Suicide Prevention Mental Health and Suicide Prevention1 Senate Select Committee on Work and Care Work and Care2 Parliamentary Joint Committee on Law Enforcement Inquiry into Crystal Methamphetamine Ice3 1 The NIAA provided input into a response led by the Department of Health and Aged Care. 2 The NIAA provided input into a response led by the Department of Employment and Workplace Relations. 3 The NIAA provided input into a response led by the Department of Health and Aged Care and the Attorney-General ’ s Department. Reports by the Commonwealth Ombudsman The Commonwealth Ombudsman did not release any report during 2022 – 23 that involved the NIAA, or that had, or might have had, a significant impact on the NIAA ’ s operations. Capability reviews No capability reviews of the entity were conducted during the reporting period. 58 NIAA Annual Report 2022 – 23 Complaints management The NIAA manages complaints impartially and transparently through our complaints and feedback system. Complaints and feedback are usually received through the online portal on the NIAA website [*https://www.niaa*](https://www.niaa) gov.au/indigenous-affairs/feedbackand-complaints, the complaints email address: [*complaints@niaa.gov.au*](mailto:complaints@niaa.gov.au), and the complaints hotline (02) 6152 3050. Between 1 July 2022 and 30 June 2023, the NIAA received 65 complaints that were managed under our complaintshandling policy. Sixty-four complaints were resolved and one was in the process of being assessed as at 30 June 2023. Freedom of information Entities subject to the Freedom of Information Act 1982 (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. To view the NIAA ’ s IPS plan, please visit: [*https://www.niaa.gov.au/pmc*](https://www.niaa.gov.au/pmc)/ information-publication-scheme. The NIAA is also required to publish documents it releases in response to a request for access under the FOI Act on its Disclosure Log, subject to certain exceptions. To view the NIAA ’ s Disclosure Log, please visit: [*https://www.niaa.gov*](https://www.niaa.gov) au/foi/agency-foi-disclosure-logs. Management and Accountability 59 Financial performance The NIAA ’ s financial statements are presented in Section 5 of this report with the ANAO issuing an unmodified audit opinion on 15 September 2023. A summary of the NIAA ’ s financial performance for Departmental and Administered activities are provided below. Departmental activities The NIAA has reported an operating loss of $20.7 million in 2022 – 23 compared to a surplus of $2.5 million in 2021 – 22. After adjusting for unfunded depreciation/ amortisation, principal payments of lease liabilities and changes in the asset revaluation reserve the Agency recorded an operating loss of $9.0 million. The loss is largely attributable to accounting adjustments to leave provisions and impairment of assets, an investment in Agency reform including transitioning certain shared services to the NIAA and a significant increase in the repairs and maintenance costs of the NIAA ’ s regional and remote property portfolio. Own-source revenue A total of $16.7 million of own-source revenue was recorded for 2022 – 23. Own-source revenue mainly comprises cost recoveries from other government agencies and rental income from subleased premises. Gains are largely due to amounts reversed on reassessment of provisions. 60 NIAA Annual Report 2022 – 23 Expenses Departmental expenses mainly comprise employee expenses, with supplier expenses lower than anticipated due to an approved movement of funding to the forward years for delayed legal expenditure. Figure 3.1: NIAA Departmental income and expenses 2022 – 23 Income $356.6 million Appropriations $339.6m Own source revenue $16.7m Gains $0.2m Expenses $380.9 million Employee expense $188.4m Suppliers $106.5m Settlement of Litigation\* $53.2m Depreciation $29.8m Finance and other costs $3.0m $9.0 million net cash operating loss Excluding depreciation and changes in the asset revaluation reserve Including lease payments \* The Settlement of Litigation expense is in relation to payments made/accrued in relation to class actions against the Commonwealth. The majority of this balance represents the settlement of the Stolen Generations class action. Management and Accountability 61 Assets and liabilities The NIAA reported a net asset position of $97.8 million. The reduction in the agency ’ s net asset position is largely due to both a reduction in receivables and an increase in employee provisions as at 30 June 2023. Figure 3.2: NIAA Departmental assets and liabilities 2022 – 23 Assets $277.4 million Property, plant & equipment $178.4m Receivables $81.8m Intangibles $13.4m Prepayments $2.9m Assets held for sale $0.8m Liabilities $179.6 million Lease liabilities $103.6m Employee provisions $55.0m Payables $17.9m Other provisions $3.2m $97.8 million net assets 62 NIAA Annual Report 2022 – 23 Administered activities In 2022 – 23, the NIAA administered the Australian Government ’ s IAS with budgeted expenditure of $2.2 billion including special appropriations and special accounts expenditure. Administered expenditure is recorded across 6 programs. Actual administered expenses totalled $2.7 billion for 2022 – 23. Figure 3.3: NIAA Administered income and expenses 2022 – 23 Income $120.6 million Indigenous Land and Sea Corporation $58.2m Interest $44.0m Other revenue $15.6m Lease income $2.8m Expenses $2.7 billion Grants $1,580.8m Payments associated with NTAIC\* $687.5m Payment associated with Land Councils $214.1m Suppliers $64.3m Payment to Indigenous Land and Sea Corporation $58.2m Personal benefits (Territories Stolen Generations Redress Scheme) $41.8m Other $20.0m $2.6 billion net cost of services \* The Northern Territory Aboriginal Investment Corporation (NTAIC), a new Commonwealth entity, was established on 15 November 2022 and is funded from the ABA special account. All payments due and payable to the NTAIC were recognised on its establishment and form part of the NIAA's Administered expenses. Refer to Administered Budget Variance commentary (page 143) for additional information. Management and Accountability 63 Administered assets and liabilities The NIAA holds net administered assets of $0.9 billion. The main contributor to this balance is the Aboriginals Benefit Account (ABA) term deposit investment holdings, which is approximately $1.4 billion, less payments to be made from the ABA to the NTAIC of $0.6 billion. Figure 3.4 NIAA Administered assets and liabilities 2022 – 23 Assets $1.6 billion Term deposits $1,435.0m Cash and cash equivalents $99.6m Trade and other receivables $44.5m Intangibles $19.7m Property, plant & equipment $8.1m Prepayments $1.3m Other financial assets $0.7m Liabilities $675.7 million NTAIC provision $500.0m NTAIC payables $117.6m Grants payables $43.5m Personal benefits (Territories Stolen Generations Redress Scheme) $8.7m Trade creditors and accruals $4.3m Other $1.6m $0.9 billion net assets 64 NIAA Annual Report 2022 – 23 Agency resource statements Table 3.27: Agency Resource Statements Actual available appropriation for 2022 – 23 $'000 Payments made 2022 – 23 $'000 Remaining balance 2022 – 23 $'000 (a) (b) (a)-(b) Ordinary annual services Departmental appropriation1,4 443,027 369,915 73,112 Total 443,027 369,915 73,112 Administered expenses Administered appropriation1 1,793,999 1,590,978 203,021 Total 1,793,999 1,590,978 203,021 Total ordinary annual services A 2,237,026 1,960,893 276,133 Other services Administered expenses Specific payments to States, ACT, NT and local governments Administered appropriations2 3,635 3,635 – Total 3,635 3,635 – Departmental non-operating Equity injections2 6,908 4,628 2,280 Total 6,908 4,628 2,280 Total other services B 10,543 8,263 2,280 Total available annual appropriations and payments A+B 2,247,569 1,969,156 – Management and Accountability 65 Actual available appropriation for 2022 – 23 $'000 Payments made 2022 – 23 $'000 Remaining balance 2022 – 23 $'000 (a) (b) (a)-(b) Special appropriations Special appropriations limited by criteria/entitlement Aboriginal Land Rights (Northern Territory) Act 1976 1,096 1,153 (57) Higher Education Support Act 2003 74,249 74,249 – Special appropriations limited by amount Public Governance, Performance and Accountability Act 2013 10 – 10 Total special appropriations C 75,355 75,402 (47) Special accounts3 Opening balance 53,057 – – Appropriation receipts 51,090 – – Statutory credit of royalty equivalent receipts 383,115 – – Non-appropriation receipts to Special Accounts 1,640,156 – – Payments made – (2,027,770) – Total special accounts D 2,127,418 (2,027,770) 99,648 Total resourcing and payments A+B+C+D 4,450,342 4,072,328 – Less appropriations drawn from annual or special appropriations above and credited to special accounts (51,090) (51,090) – Total net resourcing and payments for the NIAA 4,399,252 4,021,238 – 1 Appropriation Act (No.1) 2022 – 23, Appropriation Act (No.3) 2022 – 23, Supply Act (No.1), Supply Act (No.3). This may also include prior-year departmental appropriation and section 74 external revenue. For further details refer to Note 5.1 in the Financial Statements. 2 Supply Act (No.2) 2022 – 23, Supply Act (No.4). For further details refer to Note 5.1 in the Financial Statements. 3 Excludes trust moneys held in Services for Other Entities and Trust Moneys (SOETM) and other special accounts. 4 Departmental capital budgets are not separately identified in Appropriation Bill (No.1,3,5) and form part of ordinary annual services. For accounting purposes, this amount has been designated as a ‘contribution by owner ’ . 66 NIAA Annual Report 2022 – 23 Table 3.28: Expenses for Outcome 1 Outcome 1: Lead the development and implementation of the Australian Government's agenda to improve the lives of Indigenous Australians through focusing on place-based solutions, working in partnership, and effectively delivering programs. Budget\* 2022 – 23 $'000 Actual expenses 2022 – 23 $'000 Variance 2022 – 23 $'000 (a) (b) (a)-(b) Program 1.1: Jobs, Land and the Economy Administered expenses Ordinary Annual Services (Appropriation Act No. 1) 838,588 757,563 81,025 Special appropriations 1,106 1,153 (47) Special accounts 357,736 1,046,125 (688,389) Expenses not requiring appropriation in the Budget year 421 3,965 (3,544) Less expenses made from appropriations credited to special accounts – (5,000) 5,000 Total for Program 1.1 1,197,851 1,803,806 (605,955) Program 1.2: Children and Schooling Administered expenses Ordinary Annual Services (Appropriation Act No. 1) 260,842 285,680 (24,838) Other Services (Appropriation Act No.2) 3,635 3,635 – Special appropriations 74,249 74,249 – Special Accounts 143 – 143 Expenses not requiring appropriation in the Budget year 40 307 (267) Total for Program 1.2 338,909 363,871 (24,962) Program 1.3: Safety and Wellbeing Administered expenses Ordinary Annual Services (Appropriation Act No. 1) 457,129 338,315 118,814 Special accounts – – – Expenses not requiring appropriation in the Budget year – 973 (973) Total for Program 1.3 457,129 339,288 117,841 Management and Accountability 67 Outcome 1: Lead the development and implementation of the Australian Government's agenda to improve the lives of Indigenous Australians through focusing on place-based solutions, working in partnership, and effectively delivering programs. Budget\* 2022 – 23 $'000 Actual expenses 2022 – 23 $'000 Variance 2022 – 23 $'000 (a) (b) (a)-(b) Program 1.4: Culture and Capability Administered expenses Ordinary Annual Services (Appropriation Act No. 1) 94,814 100,756 (5,942) Special accounts – 1,638 (1,638) Expenses not requiring appropriation in the Budget year 773 352 421 Total for Program 1.4 95,587 102,746 (7,159) Program 1.5: Remote Australia Strategies Administered expenses Ordinary Annual Services (Appropriation Act No. 1) 59,062 45,877 13,185 Special accounts 13,214 3,285 9,929 Expenses not requiring appropriation in the Budget year 728 – 728 Less expenses made from appropriations credited to special accounts (7,000) – (7,000) Total for Program 1.5 66,004 49,162 16,842 Program 1.6: Evaluation and Research Administered expenses Ordinary Annual Services (Appropriation Act No. 1) 10,677 7,807 2,870 Total for Program 1.6 10,677 7,807 2,870 Program 1.7: Program Support Departmental expenses Departmental appropriation1 384,743 347,754 36,989 S74 External Revenue 9,968 14,678 (4,710) Expenses not requiring appropriation in the Budget year2 22,849 18,433 4,416 Total for Program 1.7 417,560 380,865 36,695 68 NIAA Annual Report 2022 – 23 Outcome 1: Lead the development and implementation of the Australian Government's agenda to improve the lives of Indigenous Australians through focusing on place-based solutions, working in partnership, and effectively delivering programs. Budget\* 2022 – 23 $'000 Actual expenses 2022 – 23 $'000 Variance 2022 – 23 $'000 (a) (b) (a)-(b) Outcome 1 Totals by appropriation type Administered expenses Ordinary Annual Services (Appropriation Act No. 1) 1,721,112 1,535,998 185,114 Other Services (Appropriation Act No.2) 3,635 3,635 – Special appropriations 75,355 75,402 (47) Special accounts 371,093 1,051,048 (679,955) Expenses not requiring appropriation in the Budget year 1,962 5,597 (3,635) Less expenses made from appropriations credited to special accounts (7,000) (5,000) (2,000) Administered total 2,166,157 2,666,680 (500,523) Departmental expenses Departmental appropriation 384,743 347,754 36,989 S74 External revenue1 9,968 14,678 (4,710) Expenses not requiring appropriation in the Budget year2 22,849 18,433 4,416 Departmental total 417,560 380,865 36,695 2022 – 23 Budget 2022 – 23 Actuals Average staffing level (number) 1,317 1,292 25 \* Full year budget, including any subsequent adjustments made to the 2022 – 23 budget at Additional Estimates. 1 Estimated expenses incurred in relation to receipts retained under section 74 of the PGPA Act. 2 Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses, write-down and impairment of assets and audit fees. Management and Accountability 69 Procurement The Commonwealth Procurement Rules are applied to the NIAA ’ s procurement activities through the Accountable Authority Instructions, supporting operational guidelines and Procurement Framework. The NIAA ’ s procurements are also supported by the provision of in-house centralised advice on all procurement matters, previously provided by the Department of the Prime Minister and Cabinet under a shared service arrangement. This ensures that the NIAA undertakes competitive, nondiscriminatory procurement processes; uses resources efficiently, effectively, economically and ethically; and makes decisions in an accountable manner that is commensurate with the scale and scope of the business requirement. We undertake regular assurance of procurement. Any instances of non compliance are reported through the financial management compliance system and addressed, as required, through training and process improvement initiatives. In 2022 – 23, the NIAA awarded 89 new contracts over $10,000 to Indigenous businesses. This represented 20% of all the NIAA contracts awarded over $10,000. The total estimated value of contracts the NIAA awarded to Indigenous businesses in 2022 – 23 was $34.5 million, or 33% of the total contract value. The NIAA paid 99.9% of invoices within the required time frame. 70 NIAA Annual Report 2022 – 23 Reportable consultancy contracts Table 3.29: Reportable consultancy contract expenditure, 2022 – 23 Reportable consultancy contracts Number Expenditure $ (GST Inc.) New contracts entered into during the reporting period 19 1,838,594 Ongoing contracts entered into during a previous reporting period 13 1,039,279 Total 32 2,877,873 Table 3.30: Organisations receiving a share of reportable consultancy contract expenditure, 2022 – 23 Organisations receiving a share of reportable consultancy contract expenditure 2022 – 23 Expenditure $ (GST Inc.) Proportion of 2022 – 23 total consultancy spend McKinsey Pacific Rim Inc. (ABN 66055131443) 980,980 34% Yardstick Advisory Pty Ltd (ABN 38158309150) 471,001 16% The Trustee for Projects Assured Trust (ABN 95820883147) 266,916 9% Ernst & Young (ABN 75288172749) 174,790 6% Barrett Family Trust No 2 and Others (ABN 14942509138) 120,393 4% Total of the largest shares 2,014,080 69% During 2022 – 23, 19 new reportable consultancy contracts were entered into, involving total actual expenditure of $1.8 million. In addition, 13 ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of $1.0 million. Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website. The NIAA engages consultants when specialist expertise or independent research, review or assessment is required. Decisions to engage consultants are made in accordance with the PGPA Act and related rules, including the Commonwealth Procurement Rules and relevant internal policies. Management and Accountability 71 Reportable non-consultancy contracts Table 3.31: Reportable non-consultancy contract expenditure, 2022 – 23 Reportable non-consultancy contracts Number Expenditure $ (GST Inc.) New contracts entered into during the reporting period 442 46,641,963 Ongoing contracts entered into during a previous reporting period 313 75,202,954 Total 755 121,844,917 Table 3.32: Organisations receiving a share of reportable non-consultancy contract expenditure, 2022 – 23 Organisations receiving a share of reportable non-consultancy contract expenditure 2022 – 23 Expenditure $ (GST Inc.) Proportion of 2022 – 23 total nonconsultancy spend Jones Lang LaSalle (ACT) Pty Limited (ABN 69008585260) 13,631,443 11% VIVA Energy Australia Pty Ltd (ABN 46004610459) 8,489,675 7% Mediabrands Australia Pty Ltd (ABN 19002966001) 7,565,852 6% SMI Land Surveys Pty Ltd (ABN 56604912067) 5,348,592 4% Northern Territory Indigenous Business Network (ABN 60611726421) 4,763,000 4% Australian Private Networks (ABN 27103009552) 3,806,640 3% PricewaterhouseCoopers Indigenous Consulting Pty Ltd (ABN 51165106712) 3,172,961 3% Total of the largest shares 46,778,163 38% 72 NIAA Annual Report 2022 – 23 During 2022 – 23, 442 new reportable non-consultancy contracts were entered into, involving total actual expenditure of $46.6 million. In addition, 313 ongoing reportable non-consultancy contracts were active during the period, involving total actual expenditure of $75.2 million. Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable nonconsultancy contracts is available on the AusTender website. The decision to engage a supplier is made in accordance with the PGPA Act and related rules, including the Commonwealth Procurement Rules and relevant internal policies. Australian National Audit Office access clauses The NIAA did not enter into any contracts with a value of more than $100,000 (inclusive of GST) where the contract did not provide the Auditor-General with access to the contractor ’ s premises. Exempt contracts No contracts in excess of $10,000 (inclusive of GST) or standing offers were exempted by the CEO from publishing on AusTender on the basis that the publication would disclose exempt matters under the FOI Act. Procurement initiatives to support small business The NIAA supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SMEs) and Small Enterprise participation statistics are available on the Department of Finance ’ s website: [*https://www.finance.gov.au*](https://www.finance.gov.au)/ government/procurement/statisticsaustralian-government-procurementcontracts-. Procurement practices support SMEs by the use of the Commonwealth Contracting Suite for low-risk procurements valued under $200,000. Practices also support the use of electronic systems such as e-invoicing and payment cards. The NIAA recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury website: [*https://www.treasury.gov.au*](https://www.treasury.gov.au) Significant non-compliance issues with finance law No significant instances of noncompliance requiring a report to the responsible minister in accordance with the PGPA Act have been recorded in the NIAA in 2022 – 23. 73 Assets management The NIAA manages its assets in accordance with the Department of Finance Resource Management Guides, relevant accounting standards and the PGPA Act. The NIAA invests in new assets to improve systems and processes. Capital Investment is managed through an annual capital plan that reflects both Australian Government priorities and ongoing business needs. The NIAA monitors asset acquisitions and disposals and carries out a risk-based rolling annual stocktake targeting key asset classes and locations to update and verify the accuracy of asset records and review their condition. The NIAA administers a significant ***strategic*** asset in the form of an investment on behalf of the Australian Government for the Aboriginals Benefit Account (ABA), which is a special account. The ABA investment strategy is focused on operating cash-flow requirements and management of risks. Monies surplus to immediate operating requirements are invested under section 58 of the PGPA Act. Further details regarding the ABA are contained in the appendices of the ABA Annual Report. Management and Accountability 74 NIAA Annual Report 2022 – 23 Property The NIAA occupied office space in 37 locations as of 30 June 2023. Of these, the NIAA owned one commercial building, leased 25 office spaces, and was hosted in 11 locations. The NIAA receives revenue in the owned commercial building and in 14 of the 25 leased locations. The NIAA pays rent to 6 other Commonwealth entities for the 11 hosted office spaces. The NIAA owned 92 residential properties to provide accommodation for staff in locations where it would otherwise be difficult to secure suitable housing. In addition, the NIAA has government engagement centres and visiting officer quarters in 51 remote locations in the NT, Queensland, Western Australia and South Australia. The NIAA staff work and live in Indigenous communities to support our purpose. The NIAA ’ s property portfolio is managed externally by Jones Lang LaSalle in accordance with the Australian Government Property Management Framework under the Whole of Australian Government Property Services Provider Arrangements. Property Services Coordinated Procurements are managed by the Department of Finance as a whole-ofgovernment initiative. The NIAA continually reviews its property portfolio to ensure that it meets business objectives and is as cost-efficient as possible. 75 Environmental performance The NIAA has a responsibility to the Australian Government and the wider community to minimise the impact of our operations on the environment. Section 516A of the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) requires that Australian Government entities include a section detailing their environmental performance and contribution to ecologically sustainable development in their annual reports. In 2022 – 23, we continued to mitigate the effects of our impact on the environment by: including environmental impacts in our purchasing policies where appropriate complying with all relevant Commonwealth, state and territory environmental legislation, regulations, policies and initiatives using technology such as videoconferencing to facilitate meetings with interstate colleagues co-locating with other agencies in regional locations as leases expire or when opportunities arise maintaining a National Australian Built Environment Rating System (NABERS) 5.5 star base building rating and 5.0 star tenancy rating for Charles Perkins House, 16 Bowes Place, Woden ACT maintaining NABERS energy tenancy rating of 4.5 stars at Jacana House, 39 Wood St, Darwin NT (certification renewal underway) reducing environmental impact through usage of solar energy system installed in the Ceduna office recycling organic waste that contributed to reducing carbon dioxide emissions, creating livestock feed for Australian farmers and feeding insects monitoring energy usage and gaseous fuels at our properties across Australia to identify potential savings maintaining a ‘paper-light office ’ by the use of electronic document management systems and flexible mobile technology solutions for staff using energy saver mode for most office equipment when not in use. Note: The information is provided in accordance with section 516A of the EPBC Act. The NIAA does not administer any legislation that has a direct impact on ecologically sustainable development. Management and Accountability 76 NIAA Annual Report 2022 – 23 APS Net Zero Table 3.33: Location-based approach emission source Emission source Scope 1 kg CO2-e Scope 2 kg CO2-e Scope 3 kg CO2-e Total kg CO2-e Electricity (locationbased approach) N/A 1,524,060 173,953 1,698,013 Natural gas 65 N/A 5 71 Fleet vehicles 108,074 N/A 26,694 134,768 Domestic flights N/A N/A 1,946,897 1,946,897 Other energy – N/A – – Total (kg CO2-e) 108,140 1,524,060 2,147,549 3,779,748 The electricity emissions reported above are calculated using the location-based approach. When applying the market-based method, which accounts for activities such as Greenpower, purchased large-scale generation certificates, and/or being located in the ACT, the total emissions for electricity, are in Table 3.34 Table 3.34: Market-based approach Emission source Scope 1 kg CO2-e Scope 2 kg CO2-e Scope 3 kg CO2-e Total kg CO2-e Electricity (marketbased approach) N/A 1,303,226 172,486 1,475,712 Natural gas 65 N/A 5 71 Fleet vehicles 108,074 N/A 26,694 134,768 Domestic flights N/A N/A 1,946,897 1,946,897 Other energy – N/A – – Total (kg CO2-e) 108,140 1,303,226 2,146,082 3,557,448 77 Advertising and market research During 2022 – 23, the NIAA conducted the following advertising campaign: National advertising campaign to provide Australians with facts about the Voice. Further information on advertising campaigns is available at [*https://www.niaa.gov.au*](https://www.niaa.gov.au) and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance ’ s website. In accordance with Section 311A of the Commonwealth Electoral Act 1918, payments of $15,200 or more (GST inclusive) for relevant organisations are set out in Table 3.35 and Table 3.36 Management and Accountability Table 3.35: Non-campaign advertising and market research of $15,200 or more Organisation Purpose Expenditure $ (GST Inc.) Ipsos Public Affairs Market research 600,087 National Mailing and Marketing Pty Ltd Printing and mail out services 335,327 Mediabrands Australia Pty Ltd Recruitment advertising 67,473 Total 1,002,887 78 NIAA Annual Report 2022 – 23 Table 3.36: Campaign advertising and market research of $15,200 or more Organisation Purpose Expenditure $ (GST Inc.) Universal McCann Voice Referendum Information Program – media advertising 7,459,856 TBWA Voice Referendum Information Program – creative services 1,199,852 ORIMA Research Voice Referendum Information Program – market research 485,234 CultureVerse Voice Referendum Information Program – creative services for Non-English speaking communities 420,821 Think HQ Voice Referendum Information Program – public relations 401,168 Hall and Partners Voice Referendum Information Program – market research 99,588 33 Creative Voice Referendum Information Program – creative services for First Nations communities 277,785 Total 10,344,305 79 Grants The NIAA manages grant programs to achieve outcomes set out in the PBS. On an annual basis, the NIAA manages more than 4,500 individual grants across 6 programs to a value of $1.6 billion. In doing so, we establish effective grant design, selection, implementation, monitoring and evaluation processes to support outcomes for First Nations peoples. Information on grants awarded by the NIAA during the period 1 July 2022 to 30 June 2023 is available at: [*https://www.grants.gov.au*](https://www.grants.gov.au), Australia ’ s whole-of-government grants information system. Nightcliff Beach, Darwin Management and Accountability 80 NIAA Annual Report 2022 – 23 Empowered Communities Case study The NIAA understands the importance of formal partnerships and continues to support Partnership Agreements with East and West Kimberley Empowered Communities (EC) and their respective backbone organisations, Binarri-binyja yarrawoo (BBY) in the east and West Kimberley Futures Empowered Communities (WKFEC) in the west. The 2 backbone organisations, established by Kimberley EC leaders, work individually and collectively across the region. In particular, the 2 organisations participate in the Joint Decision Making (JDM) process for NIAA funded activities across the Kimberley that are due to cease. JDM with EC occurs every 6 months for grant activities ceasing 30 June and 31 December. Joint Decision Making Panel Fitzroy Valley Empowered Communities case study 81 This is a process where EC backbone organisations consult with communitybased panels on the impact and delivery of grant activities, provide community recommendations to the EC leaders for endorsement, and then present them to a Regional Negotiation Table (RNT) with the NIAA where agreement is reached on a joint recommendation to the delegate. If the delegate agrees to a recommendation to cease the activity and quarantine the funding for future reprioritisation in the region, the funds are accounted for in the NIAA system as quarantined. The JDM process and partnership between the NIAA and backbone bodies continues to evolve, with each round producing more mature and complex recommendations from EC leaders. The NIAA and EC are refining the process for the use of quarantined funds from previous rounds of JDM. The period 1 July 2022 to 30 June 2023 saw 3 new projects developed and an additional 3 activities cease naturally with funds quarantined for use within the Kimberley region. JDM processes continue, with the final recommendations for 16 activities ceasing 30 June 2023 agreed at the RNT in March 2023. Review of 14 activities ceasing 31 December 2023 is also underway. The NIAA is participating in several projects in partnership with Kimberley EC backbone organisations. WKFEC is working with the NIAA on its Aboriginal Early Learning and Parenting Centre of Excellence Project (ACE Project). This collaboration will develop an evidencebased co-design feasibility study. The final report will identify current opportunities, capabilities and capacity in Broome to harness multiple childhood program efforts. Further progress has been made on the development of the Regional Development Agenda (RDA) that outlines the priorities of the EC region developed in consultation with communities. Other achievements through the partnerships with the NIAA and WKFEC include the facilitation of the Broome Youth and Families Council, the System Design Project to better connect communities to services and the final developed RDA. The NIAA is supporting Local Management Committees (LMC) which have been established in major towns by BBY in the East Kimberley EC region. These LMCs review the progress achieved under the East Kimberley Development Agenda, ensuring that actions are progressing, and that there is transparency in how progress and outcomes are being reported back to communities. Blue Mountains, NSW Section 4 Annual Performance Statement 84 NIAA Annual Report 2022 – 23 Statement of preparation As the Accountable Authority of the NIAA, I am pleased to present the 2022 – 23 Annual Performance Statement of the NIAA as required under paragraph 39(1)(a) of the Public Governance, Performance and Accountability Act 2013 (PGPA ACT) and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). In my opinion, the Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act. Jody Broun Chief Executive Officer National Indigenous Australians Agency Annual Performance Statement 85 Introduction The purpose of the NIAA is to work in genuine partnership to enable the self-determination and aspirations of First Nations communities. We lead and influence change across government to ensure Aboriginal and Torres Strait Islander peoples have a say in the decisions that affect them, working towards our vision that Aboriginal and Torres Strait Islander peoples are heard, recognised and empowered. As outlined in the 2022 – 23 Corporate Plan, we achieve our purpose through 8 key activities. Under each key activity is one or more performance measures with identified targets to measure the NIAA ’ s performance, totalling 13 measures across the 8 key activities. The NIAA ’ s outcome statement for 2022 – 23 is to: ‘Lead the development and implementation of the Australian Government ’ s agenda to improve the lives of Indigenous Australians through focusing on placebased solutions, working in partnership, and effectively delivering programs ’ . The Australian Government funds the NIAA to achieve this agreed outcome through effective delivery of the associated programs of the Indigenous Advancement Strategy (IAS), as specified in the Portfolio Budget Statements (PBS). The 2022 – 23 PBS sets out one or more performance criteria for each of the Australian Government-funded programs, with targets identified where appropriate to measure the NIAA ’ s performance for the year. In improving the line of sight between the key planning documents (Corporate Plan and PBS), all of the NIAA ’ s PBS performance criteria for 2022 – 23 are reflected in the performance measures of the Corporate Plan and are clearly identified under ‘source ’ . This alignment is demonstrated in Figure 4.1 overleaf. The Annual Performance Statement provides information about the NIAA ’ s performance in achieving its outcome, reporting the actual results achieved against the performance measures and targets as set out in the 2022 – 23 Corporate Plan and PBS. 86 NIAA Annual Report 2022 – 23 Figure 4.1: The NIAA 2022 – 23 Performance Framework Annual Performance Statement 87 The NIAA works to empower First Nations people and Close the Gap directly, through our investments, and indirectly, through our influence. Our key partnerships continue to be pivotal to our ability to achieve our outcomes, as does our ability to respond to external factors including natural and other emergencies. The NIAA launched an Agencywide transformation program called Galambany in November 2022. Galambany (pronounced Gal-am-bun) is a Ngunnawal word that means ‘you, me, we together ’ . Through Galambany, we are updating our focus, role and the ways we work so we can support the Australian Government to meet the needs, priorities and aspirations of First Nations peoples and communities. The changes will help us better deliver outcomes that put First Nations peoples at the centre of policy and services. Several of the key projects within Galambany are intended to improve our ways of measuring and reporting upon our performance in the future. Examples of these projects are the development of a Priority Setting Framework with strategies underpinned by performance, monitoring and evaluation plans, and a pilot IAS study focused on reforming key performance indicators and measuring outcomes. The NIAA is committed to continually reviewing and improving our performance framework and processes. 88 NIAA Annual Report 2022 – 23 How we measure performance Our performance reporting framework provides details on how we measure progress in achieving our purpose by identifying: Key activities – the work we do to deliver on our priorities and fulfil our purpose. Intended results – the impact or difference we want to achieve through the key activities we perform. Performance measures – how the achievement of our purpose will be measured and assessed to demonstrate progress towards an intended result. Targets – specific criteria we will measure success against, over time. Targets reflect how activities are delivered in a complex and multifaceted environment and account for impacting external factors beyond the control of the NIAA. Methodologies – the method we will use to collect the information to monitor results and track progress, and the data sources that will be assessed to determine performance results. Each performance measure is supported by a performance measure profile that ensures the measure links to the NIAA ’ s purpose through a rationale statement. Measure owners verify that the sources of information and methodologies are reliable, verifiable and free from bias. To assess our achievement, we have used both output and effectiveness measures. Our performance is measured through a mix of both qualitative and quantitative methodologies and data sources. Most of the measures are long-term, providing assessment of the NIAA ’ s performance over time, but there are also short-term or medium-term measures as appropriate to the key activity. Performance measures by type is shown in Figure 4.2 below. Figure 4.2: Breakdown of the NIAA 2022 – 23 performance measures by type Annual Performance Statement 89 Overview of performance The performance result key used for reporting is the same as that used for the previous 2 reporting cycles (2020 – 21 and 2021 – 22), and is outlined below: Results category Definition Achieved In the 2022 – 23 reporting period, the NIAA delivered the performance measure and/or target. Substantially achieved In the 2022 – 23 reporting period, the achieved result was within 5% of the target, or was achieved in full but not within the target timeframe. Partially achieved In the 2022 – 23 reporting period, the achieved result is greater than 75% of the performance measure and/or target. Not achieved In the 2022 – 23 reporting period, the performance measure and/ or target was not met, and result was less than 75% of target. In 2022 – 23, the NIAA has achieved 4 performance measures, substantially achieved 4 performance measures, and partially achieved 3 measures. Two results were not achieved: 1.2, largely due to a reduction in contractor and consultancy expenditure across Commonwealth Government departments and 6.2, as reports were not released within the required time frame. These are explained in full, along with internal and external influencing factors for all performance results, in the analysis sections of each performance statement. A summary of the results for each of our key activities is included overleaf. 90 NIAA Annual Report 2022 – 23 Corporate Plan key activity Performance measure Results category 1 Designing, implementing and delivering policies, strategies and programs to enhance Indigenous economic outcomes 1.1 Substantially achieved 1.2 Not achieved 2 Designing, implementing and delivering policies, strategies and programs to support early childhood development and wellbeing; school attendance, engagement and attainment; and further education 2.1 Achieved 3 Designing, implementing and delivering policies, strategies and programs to improve mental health, emotional and physical wellbeing and safety 3.1 Substantially achieved 4 Designing, implementing and delivering policies, strategies and programs to ensure the maintenance of Indigenous cultural expression and conservation, and support First Nations participation in policy development and decision-making 4.1 Achieved 5 Designing, implementing and delivering policies, strategies and programs to enhance regional governance, and improved partnerships with communities 5.1 Partially achieved 5.2 5.3 6 Undertaking evaluations of the NIAA programs in line with the IAS Evaluation Framework and incorporating evaluations into policies and programs delivered by the NIAA 6.1 Achieved 6.2 Not achieved 7 Coordinating the Australian Government ’ s implementation of the National Agreement on Closing the Gap through partnership and engagement with other Australian Government portfolios, First Nations representatives as well as state, territory and local governments 7.1 Substantially achieved 7.2 8 The NIAA coordinates the delivery of a referendum to enshrine an Aboriginal and Torres Strait Islander Voice in the Constitution, as called for in the Uluru Statement from the Heart 8.1 Achieved Annual Performance Statement 91 Key Activity 1 Designing, implementing and delivering policies, strategies and programs to enhance Indigenous economic outcomes. Intended result Improved economic opportunities and access for First Nations peoples in the areas of employment, pathways to jobs, businesses and the generation of economic and social benefits from effective use of their land, resulting in positive progress on relevant Closing the Gap outcomes. Stewardship and support for Indigenous participation targets in government procurement and major projects. NIAA Brisbane Office, QLD 92 NIAA Annual Report 2022 – 23 Performance measure 1.1 Proportion of IAS Program 1.1 activities that are assessed by NIAA agreement managers as having core service delivery elements that meet or exceed requirements. Methodology Quantitative assessment of core service delivery of IAS grant activities, specifically the key service delivery key performance indicators (KPIs), contained in service provision agreements (output measure). The period of data used to measure our performance is the most recent 12-month period for which sufficient data is available, to avoid bias in the result. For the 2022 – 23 financial year, the data reported is drawn from IAS performance report assessments completed by the NIAA agreement managers for performance reports for the period 1 January 2022 to 31 December 2022. Note: A number of Program 1.1 Jobs, Land and the Economy IAS activities are managed in the Employment Services System. These are employment-focused activities, that are generally paid per employment outcome. As such, different performance management arrangements apply to this cohort of IAS activities than those applied to most IAS activities, and therefore, they are excluded from data used to calculate achievement of this measure. Source The NIAA Corporate Plan 2022 – 23, page 32 The NIAA Portfolio Budget Statement 2022 – 23, page 212 2022 – 23 Target 90% Result Substantially achieved As at 1 September 2023, 88.2% of IAS Program 1.1 activities assessed by NIAA agreement managers had core service delivery elements that meet or exceed requirements. The result is calculated from a total of 499\* completed performance report assessment reports (PRAs) for the January to December 2022 calendar year. At the time of reporting, 440 of 499 (88.2%) completed PRAs of Program 1.1 activities had met or exceeded performance requirements. \* To avoid double counting, each activity has been counted only once in the data provided (for the entire 12 month period of 2022), based on the latest MKPI.M2 core service provision result. Annual Performance Statement 93 Analysis The NIAA administers the IAS under 6 broad-based programs and over 100 subprograms. Through the IAS, the Australian Government funds and delivers programs specifically for First Nations people under a structure that allows for the joint development of solutions at a regional and local level, working with Indigenous Australians, communities, industries, business and service providers to improve outcomes for Indigenous Australians. Program 1.1 Jobs, Land and the Economy endeavours to ensure Aboriginal and Torres Strait Islander peoples are heard, recognised and empowered, resulting in positive progress on relevant Closing the Gap outcomes. The NIAA works in genuine partnership with communities to improve economic opportunities and access in the areas of employment, business, and supporting First Nations people to realise their environmental, cultural, social and economic aspirations for their land. Program 1.1 activities continued to be affected by the enduring impacts of the COVID-19 pandemic, such as delayed project commencements and labour market shortages. We continued to ensure that funded organisations are supported through these challenges, proactively identifying issues and implementing joint solutions, to limit the impact on First Nations peoples. Analysis across subprograms found performance to be consistent. Refer to Appendix A for more information about data sources and methodology used in assessment of this measure. 94 NIAA Annual Report 2022 – 23 Performance measure 1.2 Increased government procurement from First Nations – owned businesses in alignment with the commitment under the Australian Government Indigenous Procurement Policy (IPP). Methodology Quantitative assessment of the increase in whole-of-government procurement in First Nations owned business (effectiveness measure). Assessment of result will be of equal weighting between the increase in value and increase in volume targets of eligible procurements awarded to Indigenous enterprises each financial year. Data is collected through the Indigenous Procurement Policy Reporting Solution (IPPRS). AusTender data is matched with Office of the Registrar of Indigenous Corporations (ORIC) and Supply Nation ’ s list of First Nations – owned business Australian Business Numbers (ABNs). Departments manually upload low-value purchases with First Nations – owned businesses. Source The NIAA Corporate Plan 2022 – 23, page 33 The NIAA Portfolio Budget Statement 2022 – 23, no corresponding measure 2022 – 23 Target 3% increase in value and 3% increase in volume of contracts on previous year Result Not achieved This stretch target of a 3% increase in value and volume of Indigenous business contracts on the previous financial year has not been met, but all portfolios achieved their targets for 2022 – 23 contracts as set out in the IPP (3% of the number of contracts and 1.75% of the value of contracts being awarded to First Nations businesses). The value of Australian Government contracts awarded to First Nations businesses in the 2022 – 23 period was $1.46 billion, which was a 9% decrease on the previous year value of $1.61 billion. The volume of Australian Government contracts awarded to First Nations businesses in the 2022 – 23 period was 10,953 contracts, which was a 4% decrease on the previous year volume of 11,428 contracts. This is in the context of a 14% decline in the number of contracts awarded in the 2022 – 23 period from the number awarded in the previous financial year. Annual Performance Statement 95 Result (cont.) The IPP analysis compares the data reported at a point in time (September) following the relevant financial year. This ensures a true comparison between financial years as contract values are not static and generally increase over time due to contract variations. Analysis The IPP is the primary mechanism to drive Indigenous participation under the Commonwealth Procurement Framework. This facilitates Indigenous business growth and supports economic empowerment in line with Closing the Gap Outcome 8. The IPP was introduced in 2015 and has generated more than $9.2 billion in contracts for Indigenous businesses. This has involved over 58,600 contracts awarded to more than 3,550 Indigenous businesses. As the sector grows and matures, so too has the capability of Indigenous businesses to participate in opportunities of increasing scale and value. Commonwealth portfolios have embraced the policy, and have consistently exceeded their IPP targets, despite a recent downturn in Commonwealth procurement expenditure. Performance against this target is heavily reliant on government spending and other market pressures. To achieve increased purchasing year on year, broader procurement would need to continue at the same or improved rate. A downturn in overall procurement has resulted in lower performance against this stretch target. For example, the reduction in spending on contractor and consultancy services during 2022 – 23 and a focus on building in-house consulting services has reduced spending. The NIAA is responsible for administrating the IPP, including providing support and guidance to all portfolios, developing and publishing policy, and management and system upgrades of the IPPRS, which enables monitoring and reporting of portfolio performance. In line with Closing the Gap Priority Reform Three, the NIAA continues to promote stewardship of the IPP by delivering training to suppliers and Commonwealth officials, meeting with all portfolios one-on-one and convening the IPP Cross Agency Working Group (SES Band 1 level) to discuss progress, share best practice and report on performance. During 2022 – 23, additional CEO-committee level oversight over IPP compliance was introduced and IPPRS enhancements were implemented to improve visibility of the performance of portfolios. Furthermore, the NIAA is a procuring agency subject to the IPP and remains committed to ensuring procurement within the Agency meets the requirements of the IPP and is a leader. The value of the NIAA contracts awarded to First Nations businesses in 2022 – 23 was $35 million. This is a 41% increase on the previous year value of $24.8 million. A total of 248 contracts were awarded to First Nations businesses in 2022 – 23 from the NIAA. This is a 161% increase on the previous year ’ s total of 95. 96 NIAA Annual Report 2022 – 23 Key Activity 2 Designing, implementing and delivering policies, strategies and programs to support early childhood development and wellbeing; school attendance, engagement and attainment; and further education. Intended result Improved wellbeing, early childhood development, access and attainment of education for Indigenous children and students, resulting in positive progress on relevant Closing the Gap outcomes. Performance measure 2.1 Proportion of IAS Program 1.2 activities that are assessed by NIAA agreement managers as having core service delivery elements which meet or exceed requirements. Methodology Quantitative assessment of core service delivery of IAS grant activities, specifically the key service delivery KPI, contained in service provision agreements (output measure). The period of data used to measure our performance is the most recent 12-month period for which sufficient data is available to avoid bias in the result. For the 2022 – 23 financial year, the data reported is drawn from IAS performance report assessments completed by the NIAA agreement managers for performance reports for the period 1 January 2022 to 31 December 2022. Annual Performance Statement 97 Source The NIAA Corporate Plan 2022 – 23, page 34 The NIAA Portfolio Budget Statement 2022 – 23, page 213 2022 – 23 Target 90% Result Achieved As at 1 September 2023, 90.8% of IAS Program 1.2 activities assessed by NIAA agreement managers had core service delivery elements that meet or exceed requirements. The result is calculated from a total of 651\* completed performance report assessment reports (PRAs) for the January to December 2022 calendar year. At the time of reporting, 591 of 651 (90.8%) completed PRAs of Program 1.2 activities had met or exceeded performance requirements. Analysis Program 1.2 – Children and Schooling is delivered through IAS activities that support early childhood development and wellbeing, school attendance, attainment and improved post-school pathways for First Nations children, particularly for those in remote Indigenous communities. These activities broadly relate to one or more Closing the Gap outcomes (including 3, 4, 5 and 6), depending on the focus of key activities or subprograms under Program 1.2 Results show that Program 1.2 activities have met the target in delivering early years and education services despite a number of significant natural disaster events and ongoing COVID-19 impacts. For example, some providers reported barriers in delivering key objectives due to staffing shortages, inability to find and recruit appropriately skilled staff, and difficulty in getting clients to re-engage. Impacts of flooding or other natural disasters across Australia resulted in some project sites being flooded or closed, or locations being inaccessible, leading to some services being unable to proceed. This has caused a decline in overall participation numbers for affected services, despite providers ’ efforts to use other methods to continue service delivery. Refer to Appendix A for more information about data sources and methodology used in assessment of this measure. \* To avoid double counting, each activity has been counted only once in the data provided (for the entire 12 month period of 2022), based on the latest MKPI.M2 core service provision result. 98 NIAA Annual Report 2022 – 23 Key Activity 3 Designing, implementing and delivering policies, strategies and programs to improve mental health, emotional and physical wellbeing and safety. Intended result Improved mental health and wellbeing of First Nations peoples, resulting in positive progress on relevant Closing the Gap outcomes. Performance measure 3.1 Proportion of IAS Program 1.3 activities that are assessed by NIAA agreement managers as having core service delivery elements that meet or exceed requirements. Methodology Quantitative assessment of core service delivery of IAS grant activities, specifically the key service delivery KPI, contained in service provision agreements (output measure). The period of data used to measure our performance is the most recent 12-month period for which sufficient data is available, to avoid bias in the result. For the 2022 – 23 financial year, the data reported is drawn from IAS performance report assessments completed by NIAA agreement managers for performance reports for the period 1 January 2022 to 31 December 2022. Source The NIAA Corporate Plan 2022 – 23, page 35 The NIAA Portfolio Budget Statement 2022 – 23, page 214 Annual Performance Statement 99 2022 – 23 Target 90% Result Substantially achieved As at 1 September 2023, 86.1% of IAS Program 1.3 activities assessed by NIAA agreement managers had core service delivery elements that meet or exceed requirements. The result is calculated from a total of 628\* completed performance report assessment reports (PRAs) for the January to December 2022 calendar year. At the time of reporting, 541 of 628 (86.1%) completed PRAs of Program 1.3 activities had met or exceeded performance requirements. Analysis Program 1.3 – Safety and Wellbeing is delivered through IAS activities that support social and emotional wellbeing, crime prevention, diversion and rehabilitation, and reducing family violence for First Nations communities and people. These activities broadly relate to Closing the Gap outcomes 10,11,12,13 and 14. Program 1.3 funding is a very small part of investment in these outcomes, noting that primary responsibility for these sectors rests with other Commonwealth departments, or with state and territory governments. Factors contributing to core service delivery not being met in full include: Impacts of flooding or other natural disasters across Australia have resulted in a number of project sites being flooded or closed, or locations being inaccessible, leading to some services being unable to proceed. This has caused a decline in overall participation numbers for affected services, despite providers ’ efforts to use other methods to continue service delivery. An inability to recruit or retain appropriately skilled staff, or staff resigning due to workload, has limited some core services including client engagement, group sessions and activities to address vulnerable client concerns. Some providers also reported difficulty in getting clients to re-engage. Insufficient data provided to assess performance against KPIs. The NIAA continues to provide support to providers to help them adapt to the challenges for meeting service delivery requirements. Refer to Appendix A for more information about data sources and methodology used in assessment of this measure. \* To avoid double counting, each activity has been counted only once in the data provided (for the entire 12 month period of 2022), based on the latest MKPI.M2 core service provision result. 100 NIAA Annual Report 2022 – 23 Key Activity 4 Designing, implementing and delivering policies, strategies and programs to ensure the maintenance of Indigenous cultural expression and conservation, and support First Nations participation in policy development and decision-making. Intended result The maintenance of Indigenous cultural expression and conservation, equal participation in the economic and social life of the nation and the improved capabilities of Indigenous organisations. Performance measure 4.1 Proportion of IAS Program 1.4 activities that are assessed by NIAA agreement managers as having core service delivery elements which meet or exceed requirements. Methodology Quantitative assessment of core service delivery of IAS grant activities, specifically the key service delivery KPI, contained in service provision agreements (output measure). The period of data used to measure our performance is the most recent 12-month period for which sufficient data is available, to avoid bias in the result. For the 2022 – 23 financial year, the data reported is drawn from IAS performance report assessments completed by NIAA agreement managers for performance reports for the period 1 January 2022 to 31 December 2022. Annual Performance Statement 101 Source The NIAA Corporate Plan 2022 – 23, page 36 The NIAA Portfolio Budget Statement 2022 – 23, page 215 2022 – 23 Target 90% Result Achieved As at 1 September 2023, 92.1% of IAS Program 1.4 activities assessed by NIAA agreement managers had core service delivery elements that meet or exceed requirements. The result is calculated from a total of 165\* completed performance report assessment reports (PRAs) for the January to December 2022 calendar year. At the time of reporting, 152 of 165 (92.1%) completed PRAs of Program 1.4 activities had met or exceeded performance requirements. Analysis Program 1.4 Culture and Capability funds activities through subprograms that contribute to Aboriginal and Torres Strait Islander peoples participating freely and fully in Australian society as equals and free from discrimination. The funded capability activities focus on developing skills, knowledge and competencies of Aboriginal and Torres Strait Islander peoples, including supporting effective leadership and governance within Aboriginal and Torres Strait Islander communities and organisations. The funded Indigenous cultural activities support Aboriginal and Torres Strait Islander people to: express and engage with their culture; identify, conserve or promote heritage places and practices of significance; and strengthen culture by sharing cultural knowledge with younger generations and the broader community. Activities support Aboriginal and Torres Strait Islander peoples ’ aspirations to reconnect with culture and Country, practice cultural traditions and maintain heritage places. Subprograms funded under Program 1.4 Culture and Capability are varied and include: Culture Capability Building Indigenous Media and Broadcasting Empowered Communities Indigenous Languages and Interpreting NAIDOC Week NAIDOC Local Grants Office of the Registrar of Indigenous Corporations (ORIC) Reconciliation Closing the Gap – Partnering for Delivery. \* To avoid double counting, each activity has been counted only once in the data provided (for the entire 12 month period of 2022), based on the latest MKPI.M2 core service provision result. Analysis (cont.) Challenges organisations faced in meeting core service delivery include: Staff have had to isolate when they ’ ve had COVID-19, leaving organisations unable to deliver services due to unavailability of staff. Due to localised COVID-19 and other infectious disease outbreaks and risk to public safety, some organisations have postponed or even cancelled their activities. Flooded communities have taken longer than expected to recover. Some organisations and communities have been unable to progress activities due to extended Sorry Business being undertaken within the community. Refer to Appendix A for more information about data sources and methodology used in assessment of this measure. Annual Performance Statement 103 Key Activity 5 Designing, implementing and delivering policies, strategies and programs to enhance regional governance, and improved partnerships with communities. Intended result Enhanced regional governance and local decision-making. Performance measure 5.1 Proportion of IAS Program 1.5 activities that are assessed by NIAA agreement managers as having core service delivery elements which meet or exceed requirements. Methodology Quantitative assessment of core service delivery of IAS grant activities, specifically the key service delivery KPI, contained in service provision agreements (output measure). The period of data used to measure our performance is the most recent 12-month period for which sufficient data is available, to avoid bias in the result. For the 2022 – 23 financial year, the data reported is drawn from IAS performance report assessments completed by NIAA agreement managers for performance reports for the period 1 January 2022 to 31 December 2022. Source The NIAA Corporate Plan 2022 – 23, page 37 The NIAA Portfolio Budget Statement 2022 – 23, page 216 104 NIAA Annual Report 2022 – 23 2022 – 23 Target 90% Result Partially achieved As at 1 September 2023, 84.7% of IAS Program 1.5 activities assessed by NIAA agreement managers had core service delivery elements that meet or exceed requirements. The result is calculated from a total of 124\* completed performance report assessment reports (PRAs) for the January to December 2022 calendar year. At the time of reporting, 105 of 124 (84.7%) completed PRAs of Program 1.5 activities had met or exceeded performance requirements. Analysis Program 1.5 Remote Australia Strategies (RAS) addresses the disproportionate disadvantage of First Nations people in remote and very remote Australia. Activities funded through RAS must address a clearly identified community need and be aligned with priority areas of education, employment and safe and functioning communities. The desired outcomes of the RAS program are to support local priorities and contribute to improved education, employment and community safety outcomes in remote areas through: • delivery of flexible, tailored local solutions in remote areas • improved infrastructure in remote areas. In the 2022 – 23 financial year, RAS funded a wide range of activities, ranging from food security to land management. Achievement against this measure has been impacted by the continuing effects of the COVID-19 pandemic. Increases in costs, delays in service delivery and delays in materials have also provided ongoing challenges to service providers. The NIAA continues to provide support to providers to assist them to deliver their services and Program 1.5 RAS has improved on this target from 2021 – 22. Refer to Appendix A for more information about data sources and methodology used in assessment of this measure. \* To avoid double counting, each activity has been counted only once in the data provided (for the entire 12 month period of 2022), based on the latest MKPI.M2 core service provision result. Annual Performance Statement 105 Performance measure 5.2 Progressing regional voice policy development (in partnership with First Nations peoples) and associated implementation of regional voice arrangements agreed by governments. Methodology Output measure, derived using qualitative data, supplemented by case studies. Implementation data collected by the NIAA and may include feedback from a regional voice arrangements Establishment Group. Source The NIAA Corporate Plan 2022 – 23, page 38 The NIAA Portfolio Budget Statement 2022 – 23, no corresponding measure 2022 – 23 Target Progress on implementation of regional voice arrangements against planning Result Partially achieved This target has been partially achieved, implementation of regional voice arrangements will be determined following the Voice referendum. The NIAA is well positioned to commence implementation following the outcome of the referendum. Effective implementation of regional voice arrangements requires a partnership approach. During this period, the NIAA has been working closely with all state and territory governments to build engagement through regular and ongoing bilateral discussions and the Senior Officials Working Group. These discussions have focused on identifying opportunities for alignment between existing and emerging work in the jurisdictions, as they design and implement their own representative arrangements, and implementation of regional voice arrangements. Analysis In the context of the Australian Government ’ s commitment to deliver a referendum to recognise the First Peoples of Australia in the Constitution through a Voice, the final model of the Voice – including any structural or functional linkages to communities through possible regional voice arrangements – will be determined after the referendum. During this reporting period (which precedes the referendum), the NIAA ’ s efforts have focused on engagement with state and territory officials to: stay abreast of emerging jurisdictional representative arrangements explore opportunities for collaboration with states and territories. 106 NIAA Annual Report 2022 – 23 Analysis (cont.) Engagements have included a series of bilateral meetings with state and territory government officials. Engagements have also provided information briefings on regional voice arrangements to First Nations leaders and groups such as Queensland ’ s First Nations Consultative Committee, representatives of the First People ’ s Assembly of Victoria and the Aboriginal Advisory Council of WA. Twenty-two meetings and one workshop were held during the reporting period. At the 3 February 2023 meeting of the National Cabinet, First Ministers signed a Statement of Intent committing to work collaboratively to support a constitutionally enshrined Voice to Parliament. The statement includes a commitment to work together to consider the design of the Voice and the arrangements at the regional local levels. Additionally, the Commonwealth, State and Territory Indigenous Affairs Ministers ’ Meetings (IAMM) held in August and December 2022 provided opportunities for jurisdictions to discuss practical steps for implementing voice arrangements. The NIAA provides secretariat support for the IAMM, including development of relevant policy papers for our Ministers. Performance measure 5.3 Development and implementation of plans and agreements in partnership with communities. Methodology Qualitative assessment in the development and implementation of plans and agreements in partnership with communities, based on case studies. Managers of relevant NIAA groups that partner with communities and Indigenous stakeholders would nominate one case study at the start of each financial year or as part of mid-cycle reporting. Nominated topics should reflect expectation that real progress/change on the ground will be made over the course of the year through partnership with communities and relevant other stakeholders. The focus is on plans and agreements developed and/or implemented by the NIAA in genuine (formalised) partnership with community and other key partners, and which support community priorities and aspirations. Source The NIAA Corporate Plan 2022 – 23, page 38 The NIAA Portfolio Budget Statement 2022 – 23, no corresponding measure Annual Performance Statement 107 2022 – 23 Target Progress has been made in the development and implementation of plans or agreements in partnership with communities Result Partially achieved In the period 1 July 2022 to 30 June 2023, the NIAA continued to adopt a place-based approach, working closely with communities, and actively participated in all Empowered Communities regions across the country. There is not a prescribed format to place-based planning and activity. Therefore, case studies are used to illustrate the real progress/change on the ground that has occurred throughout the reporting period in partnership with communities and relevant other stakeholders. This performance result is based on qualitative assessment of nominated examples demonstrating the NIAA working in partnership with communities and other key stakeholders. Plans and agreements are at various stages of development and implementation. These examples were selected from the NIAA regional managers across Australia at the midpoint of the reporting cycle. Full details of this process can be found in Appendix B. In calculating the performance result, all 16 nominated case studies were assessed, and internal records were kept to demonstrate whether progress was made during the period. In all 16 examples (100%), it was determined that progress was made in the development or implementation of the plan/agreement. The result of ‘partially achieved ’ has been conservatively reported, as the methodology for calculation of this performance measure was refined mid-cycle. To demonstrate in-depth examples of this progress in the context of a specific operating environment, one case study from each region was developed for publication in the annual report. The publication decision was based on accurately reflecting the performance result and the approval of community or other external stakeholders. The Ngukurr case study accompanies this performance statement. For additional supporting information, refer to ‘The Circle ’ case study on page 16 and the ‘Murri Binda ’ case study on page 126. Further evidence of the NIAA ’ s approach to partnering with First Nations people is found in the case study on Empowered Communities (EC) regions. EC is a First Nations designed and led Indigenous empowerment framework where shared decision-making is integral across its 10 rural, remote and urban regions. Concluding its seventh year of implementation in 2022 – 23, the partnership between EC and the NIAA (as the lead Commonwealth partner) continues to work towards improving government funding and services and community decisionmaking to close the gap in EC regions. Refer to page 80 to read the EC case study in full. 108 NIAA Annual Report 2022 – 23 Analysis It is the practice of the NIAA to universally work in genuine partnership to enable the self-determination and aspirations of First Nations communities. Through working with First Nations people, their communities and leadership in genuine partnership, we design and deliver policies and programs that are responsive to local or regional context and needs. A focus on place-based work and working in genuine partnership with communities is directly applicable to the NIAA ***strategic*** objective of ‘Building genuine partnerships ’ and our commitment under Priority Reform One of the National Agreement on Closing the Gap. We measure our success in improving partnerships with communities and other stakeholders through developing place-based plans in partnership with community in identified sites and a qualitative assessment of progress made in our work with communities in place. The NIAA has regional teams that support place-based working and ensures effort and investment achieves the most benefit. The geographical reach of NIAA staff supports us to ensure that First Nations people are active partners in service delivery and policy and program design by considering ‘place ’ in everything we do. Place-based working has also meant that staff are able to engage face-to-face with community members and stakeholders during recovery periods from significant events including, the impacts of COVID-19, extreme weather events and emergency situations. With more frequent engagement, meaningful and ***strategic*** relationships are supported. In many of the case study examples analysed for this performance result, there were external factors that caused delays to expected progress. These included changes in key personnel in communities or organisations and other ongoing recruitment challenges; weather events leading to delays in building projects; and significant Sorry Business and other community priorities. While unable to plan for events such as these, our ongoing relationships and presence in the regions allowed us to take account of these events while still driving progress. The NIAA provides a brokering role to bring all stakeholders together and work towards community aspirations and priorities. The unique characteristics, opportunities and needs of communities are heard and incorporated when designing policy and programs to support the aspirations of First Nations people and communities. Our ability to deliver the intended results requires contributions from a broad range of partners and stakeholders, for example, states and territories, other government agencies, communities, and private stakeholders. Our performance is dependent on our ability to build and maintain genuine partnerships and co-operation with all stakeholders. We are developing a Commonwealth Engagement and Partnership Framework to support staff capability and set best-practice standards of working in partnership with First Nations people and communities – both in the NIAA and across government. Ngukurr case study 109 Ngukurr Case study Stronger Communities for Children (SCfC) is a place-based, community-led initiative funded by the NIAA to create a positive environment so children and young people can grow up strong, healthy and confident. SCfC started in 2013 and is delivered in 11 remote communities across the NT. This year, Strongbala Pipul Wanbala Bois Komiti (SPWBK), the local decision-making group for SCfC in Ngukurr, invited Ninti One, their SCfC Implementation Support Partner, to reflect together on SCfC ’ s history, successes and achievements in the community. In the resulting booklet, ‘A Decade of the Stronger Communities for Children Program in Ngukurr ’ , SPWBK has agreed the history and lessons learned, to guide and inform not only their own community moving forward, but also other SCfC Local Community boards, the NIAA and other partners as well. Ngukurr, situated on the scenic Roper River in South East Arnhem Land, is a vibrant community of around 1,324 First Nations people (ABS 2021). The Yugul Mangi people proudly trace their roots to 7 traditional language groups. At the heart of this community, the Yugul Mangi Development Aboriginal Corporation (YMDAC) has established a robust Cultural Governance Board that embodies the leaders of the 7 clans. This influential body, known as the SPWBK, is composed of revered Elders, spirited young individuals, and respected men and women from the 4 semi-moieties and 7 clans. Collaborating through the Stronger Communities Program (referred to as SCfC in other regions), the SPWBK engages in profound discussions, addressing critical issues, and makes recommendations for consideration and voting by the YMDAC Board. Together, they work towards the betterment of the community, fostering an inclusive and harmonious environment that cherishes and preserves their rich cultural heritage and furthers the aims of SCfC. The SCfC model enables communitydriven solutions, recognising that change in complex environments takes time and requires deep engagement at the local level. Engagement is deeper when designed and led by communities themselves. A good example is the Ngukurr ‘Community Engagement Study ’ , where the community invested SCfC funding to give Yugul Mangi people a voice to guide the SPWBK through the development of their 5 – 10 year Community Plan. Led by the SPWBK, the local study team interviewed 113 residents through 82 interviews. All were conducted by Yugul Mangi researchers. 110 NIAA Annual Report 2022 – 23 ‘We wanted to listen to our people, hear their voices and their views … we developed the Community Engagement Plan ... We want to stop service providers from continuing to create division and disempower community through the creation of many boards or committees that do not have proper representation from all clans and semi-moieties and aren ’ t working together with other boards. ’ Daphne Daniels, SPWBK Chair The Community Plan sets out how the vision of SPWBK will be achieved – the activities, services and initiatives to achieve the aims of SCfC in Ngukurr. Outcomes have built on each other over time. This year, the community has felt particularly proud of their achievement in the way they addressed imagebased abuse in the community. The work of SCfC in strengthening Cultural Governance Authority Ngukurr has resulted in the ability to address emerging issues immediately and with great effect. In January 2023, female SPWBK members were made aware of the dramatic increase in Ngukurr of image-based abuse of young women (including young mums and potentially youth, but no ages have been confirmed). They responded immediately by creating a Women's Circle to tackle this issue. YMDAC, the SPWBK and Women's Circle worked with Ngukurr police and the e-Safety Commission. The NIAA reached out to YMDAC to offer their support. The SCfC funding was used to bring Safe4Kids to Ngukurr to educate the community in ways to address image-based abuse and keep children safe. Through the Women's Circle, SPWBK and YMDAC Board, other service providers also came on board and Ngukurr was able to tackle the issue collectively. Since the intervention by the SPWBK with the Women's Circle, there have been no known reports of imagebased abuse in Ngukurr. With a focus on trust and respect, a genuine partnership with the NIAA has evolved over time where the community has been enabled to take the lead. Reflecting together on 10 years of SCfC in Ngukurr, SPWBK has identified positive outcomes: An enhanced cultural governance model facilitates authentic local decision-making. A broad community (holistic) focus (not only a focus on children), enables difficult conversations with men and boys around gender norms, drivers of violence and trauma and healing. Ngukurr case study 111 Greater outcomes in education as well as community and family violence (accountability and action) have been achieved. Community wellbeing has been supported through a focus on healing and counselling. Engagement in team sport has resulted in a myriad positive outcomes for children and young people (including development of a Code of Conduct and zero tolerance policy). Ngukurr ’ s successes are a result of strong local leadership with an enduring connection and commitment to achieving long-term change in the community. Community decision-making is supported by a strong governance system that values cultural authority and with representative committees and boards. SPWBK thinks this approach is leading to systemic change. ‘We want to work with governments so that control and decisions remain with the community … I am really proud that SCfC gave that opportunity, especially for the young emerging leaders … ’ (Daphne Daniels) A decade of the Stronger Communities for Children Program in Ngukurr is available at: [*www.nintione.com.au/ngukurrstronger-communities-for-children*](http://www.nintione.com.au/ngukurrstronger-communities-for-children)/ Two Women/Elders teaching children preparation of pandanus for weaving 112 NIAA Annual Report 2022 – 23 Key Activity 6 Undertaking evaluations of NIAA programs in line with the IAS Evaluation Framework and incorporating evaluations into policies and programs delivered by the NIAA. Intended result Evaluation efforts are prioritised based on significance, contribution and policy risk as per the IAS Evaluation Framework, and improved outcomes for First Nations peoples as a result of enhanced design, implementation and delivery of Agency policies and programs. Performance measure 6.1 Publish an annual Evaluation Work Plan each September, taking into account the prioritisation criteria outlined in the NIAA Evaluation Framework. Methodology Quantitative assessment against timeline (output measure) Source The NIAA Corporate Plan 2022 – 23, page 39 The NIAA Portfolio Budget Statement 2022 – 23, page 217 2022 – 23 Target September 2022 Annual Performance Statement 113 Result Achieved The Evaluation Work Plan was updated in September 2022. Analysis The Evaluation Work Plan records planned, current, completed and ceased evaluation activities. Since October 2021, the NIAA has maintained a ‘live ’ IAS Evaluation Work Plan that is updated at least quarterly – it was updated in September 2022, December 2022, March 2023 and June 2023. We no longer produce an ‘annual ’ Evaluation Work Plan that is published once a year. The NIAA provides funding through Program 1.6 – Evaluation and Research for evaluation activities. Evaluation Work Plan prioritisation is guided by Corporate Plan priorities and the principles of the IAS Evaluation Framework. The Indigenous Evaluation Committee (IEC) provides oversight to the Evaluation Work Plan and the delivery of evaluations under the IAS Evaluation Framework. Performance measure 6.2 Proportion of completed evaluations or summaries on the work plan that are released Methodology Quantitative assessment of released completed evaluations on the work plan (output measure) Source The NIAA Corporate Plan 2022 – 23, page 39 The NIAA Portfolio Budget Statement 2022 – 23, page 217 2022 – 23 Target 100% of completed evaluations or summaries on the work plan released Result Not achieved Two evaluation reports were released between 1 July 2022 and 30 June 2023. 114 NIAA Annual Report 2022 – 23 Analysis The NIAA invests in evaluations, reviews, data improvement activities, capability development and research to inform the design and delivery of policies and programs, and to understand the extent to which the IAS is achieving its goal of supporting the aspirations of First Nations peoples. Through the IAS Evaluation Framework, the NIAA commits to make completed evaluations on the Evaluation Work Plan publicly available, to provide transparency to evaluation reports and inform program continuous improvement and decision-making. After the NIAA ’ s acceptance of an evaluation report, internal processes allow for the management response to be developed prior to the evaluation being reported as ‘completed ’ . The target timeframe for publication is within 6 months of a final evaluation report being completed. Two final evaluation reports were released on 30 June 2023 – Northern Australia White Paper: Township Leasing and Land Administration, and Northern Australia White Paper: Land Tenure Reform Pilots. However these reports were not released within the required 6 month time frame from completion. Annual Performance Statement 115 Key Activity 7 Coordinating the Australian Government ’ s implementation of the National Agreement on Closing the Gap through partnership and engagement with other Australian Government portfolios, First Nations representatives as well as state, territory and local governments. Intended result Enable First Nations peoples and governments to work together in partnership to overcome the inequality experienced by First Nations peoples, and achieve life outcomes equal to all Australians. Performance measure 7.1 Proportion of the NIAA ’ s investment through IAS grants that align with Closing the Gap outcomes and Priority Reforms. Methodology Quantitative (output measure). Data source is the mandatory grant activity coding processes of IAS grants in our grant management system, FUSION. Calculation will assess proportion of IAS grants assessed within the reporting period that show contribution towards Closing the Gap outcomes and Priority Reforms. Source The NIAA Corporate Plan 2022 – 23, page 40 The NIAA Portfolio Budget Statement 2022 – 23, no corresponding measure 116 NIAA Annual Report 2022 – 23 2022 – 23 Target 100% of IAS grant investments contribute to Closing the Gap outcomes and Priority Reforms Result Substantially achieved 98.3% of IAS investment for the 2022 – 23 financial year is aligned with both Closing the Gap outcomes1 and Priority Reform2 areas. This reflects $1,540 million of the total $1,567 million investment3 of all IAS activities with a financial footprint in the 2022 – 23 reporting period. This is within a 5% margin of the target, and as such the result is substantially achieved. Of the remaining 1.7% ($27 million)4 investment: 0.7% ($10 million) is aligned with Closing the Gap Outcomes but not Priority Reform areas 1.0% ($16 million) has not yet been coded via this activity to Closing the Gap outcomes or Priority Reforms, and the actual result is likely to be higher. Analysis The IAS provides funding through grants and procurement activities that address the objectives the government has set for the IAS. To ensure best outcomes, the IAS has a focus on providing grant funding for activities that address areas of need for Indigenous Australians that align with Closing the Gap targets. Under the IAS, grant opportunities are available under 6 programs, each of which has specific objectives and outcomes as outlined in the Grant Opportunity Guidelines. The 6 program areas are: 1.1 Jobs, Land and the Economy 1.2 Children and Schooling 1.3 Safety and Wellbeing 1.4 Culture and Capability 1.5 Remote Australia Strategies 1.6 Evaluation and Research. Staff in the NIAA Regional Offices work closely with funded providers and communities to develop and implement local solutions to ensure funding achieves outcomes for First Nations people. Funded providers are expected to work closely with First Nations communities in the design and delivery of projects. 1 For a full overview of the Closing the Gap Outcomes contained in the National Agreement on Closing the Gap, please visit [*www.closingthegap.gov.au/national-agreement/targets*](http://www.closingthegap.gov.au/national-agreement/targets) 2 For a full overview of the Priority Reforms under the National Agreement on Closing the Gap, please visit [*www.closingthegap.gov.au/national-agreement/priority-reforms*](http://www.closingthegap.gov.au/national-agreement/priority-reforms) 3 Information is based on the grant approved value sourced from Grant Management Systems. Due to the demand driven nature of employment investments, the approved value may vary from the actual expenditure reported in the audited financial statements. 4 Due to rounding of figures to nearest $ million, totals may not match. Annual Performance Statement 117 Analysis (cont.) With the implementation of coding IAS activities against Closing the Gap Priority Reforms and socioeconomic targets, a retrospective process was undertaken to code all current and historical IAS grants. In future reporting periods, the coding will be built into the design and establishment of a new IAS funded activity. As at 1 September 2023, 99.0% of the Agency ’ s 2022 – 23 IAS funding has been assessed as aligning to one or more Closing the Gap outcomes. Almost two-thirds of this IAS funding is aligned with the following outcome areas: Outcome Area 8 = 28.6% (Strong economic participation and development of Aboriginal and Torres Strait Islander people and communities) Outcome Area 15 = 21.3% (Aboriginal and Torres Strait Islander people maintain a distinctive cultural, spiritual, physical and economic relationship with their land and waters) Outcome Area 5 = 12.8% (Aboriginal and Torres Strait Islander students achieve their full learning potential). These results are in line with the Australian Government ’ s commitment under the IAS to 3 priority areas of getting children to school, adults into work, and building safe communities. The large volume of funding aligned to outcome area 8 was expected, as this includes the significant funding delivered through the CDP. The process of coding all IAS funding to relevant Closing the Gap outcomes continues. The remaining 1% is not yet coded at the time of reporting due to the scale of the task. Full results are expected to be available for comparison in the NIAA 2023 – 24 Annual Report. A full breakdown of the results is included in Appendix C. At the time of publication, 98.3% of IAS grant investment that has been assessed demonstrates alignment to one or more Priority Reforms. The majority of these grants (over 86%) are reported as aligning with Priority Reform Two ‘Building the Community-controlled Sector ’ , where the outcome is that there is a strong and sustainable Aboriginal and Torres Strait Islander community-controlled sector delivering high-quality services to meet the needs of First Nations people across the country. Analysis of the results has demonstrated the 3 largest subprograms where grant investment aligned to Closing the Gap outcomes but not to Priority Reforms were: the NT Remote Aboriginal Investments General $3.6 million (Program 1.2)\* NAIDOC Grants $2.8 million (Program 1.4) School Nutrition Projects $2.7 million (Program 1.2). \* IAS Grants includes the payments to Non-Government Schools of $3.635 million as part of the National Partnership on Northern Territory Remote Aboriginal Investments (NTRAI) with the Northern Territory in 2022 – 23. 118 NIAA Annual Report 2022 – 23 Analysis (cont.) An example of why activities might align to Closing the Gap Outcomes but not Priority Reform areas can be seen in the NT Remote Aboriginal Investments (NTRAI) subprogram, where existing arrangements predate the implementation of the National Agreement on Closing the Gap. The original 6-year National Partnership on NTRAI operated from 2016 to 2022. Acknowledging that this funding stream supported important services for remote First Nations communities in the NT, a 2-year extension (2022 – 24) was approved by the Commonwealth Government to provide time to design a future funding arrangement with the NT Government and the Aboriginal Peak Organisations NT (APO NT). This process is supported by a formal partnership agreement governed by a Joint Steering Committee that includes the NIAA, the Department of Health and Aged Care, the NT Government and APO NT. Future funding for remote Aboriginal investment will strengthen alignment with the National Agreement on Closing the Gap. This is a new performance measure in 2022 – 23, and the data captured will assist the NIAA in establishing a baseline against which future results can be measured. By identifying the current distribution of IAS funding across Closing the Gap outcomes, we have better insight into the contribution of these activities towards Closing the Gap targets, and we use this data to inform future decision-making. During the reporting period, a pilot review was commenced to review all ceasing activities under one IAS Program, with the view to strengthen and simplify the KPIs particularly as they relate to Closing the Gap outcomes. This work will continue in the 2023 – 24 reporting period. Please refer to Appendix C for more information about data sources and methodology used in assessment of this measure. Annual Performance Statement 119 Performance measure 7.2 The NIAA delivers the National Agreement on Closing the Gap and Implementation Plan through partnerships and engagement with other Australian Government portfolios, First Nations representatives, and state, territory and local governments. Methodology Quantitative assessment against timeframe is supported by qualitative analysis of actions taken. Assessment of the NIAA ’ s leadership and coordination role will be undertaken through analysis of records from committees and meetings. These include Interdepartmental committee meetings across the Commonwealth Government, internal meetings for implementation in the NIAA, and the Joint Working Group, Partnership Working Group and Joint Council. Analysis of the extent of implementation of the Priority Reforms will include data sets relating to meetings to drive/deliver sectorstrengthening plans, policy partnerships and working group meetings. Maintaining effective partnership arrangements with the Coalition of Peaks analysis will include a review of records of fortnightly meetings, drafting group with jurisdictions, and workshop sessions with the Coalition of Peaks. Source The NIAA Corporate Plan 2022 – 23, page 41 The NIAA Portfolio Budget Statement 2022 – 23, no corresponding measure 2022 – 23 Target Coordinates and delivers a Commonwealth Closing the Gap annual report and updates to the Commonwealth Implementation Plan in the reporting period. Coordinates whole-of-government implementation of the National Agreement on Closing the Gap. Milestones in implementing the Priority Reform actions have been achieved (where applicable). 120 NIAA Annual Report 2022 – 23 Result Substantially achieved The Commonwealth Closing the Gap Annual Report 2022 was tabled in Parliament on 30 November 2022. The 2023 Commonwealth Implementation Plan was tabled in Parliament on 13 February 2023. The NIAA has continued to co-ordinate the Commonwealth ’ s whole-ofgovernment implementation of the National Agreement on Closing the Gap, through the Commonwealth Implementation Joint Working Group, and the development of the updated Implementation Plan. The 2023 Commonwealth Closing the Gap Implementation Plan outlines specific and actionable plans for accelerating efforts to embed the 4 Priority Reforms at the heart of the National Agreement. The Priority Reforms articulate a program to transform how all levels of government work with Aboriginal and Torres Strait Islander people. Key structural milestones have been accomplished to support accelerated efforts to consistently embed the 4 Priority Reforms of the National Agreement throughout Commonwealth agencies. However, there was a lack of clear milestone targets identified at the commencement of the reporting period against which to measure performance, which results in the assessment of ‘substantially achieved ’ . Analysis Coordinates and delivers a Commonwealth Closing the Gap Annual Report and updates to the Commonwealth Implementation Plan within the reporting period The NIAA worked with and across Commonwealth agencies to develop the first Commonwealth Annual Report on Closing the Gap under the National Agreement, which was tabled in Parliament on 30 November 2022. It outlines the progress the Commonwealth has made against its commitments under the National Agreement and first Implementation Plan since their release. The NIAA worked with and across Commonwealth agencies, and with the Coalition of Peaks, through the Joint Working Group to update the Commonwealth Implementation Plan, which was tabled in Parliament on 13 February 2023. The 2023 Commonwealth Implementation Plan outlines the Australian Government ’ s long-term, forward-looking ***strategic*** priorities for Closing the Gap in 2023 – 24 and responses to the Annual Report. Coordinates whole-of-government implementation of the National Agreement on Closing the Gap The Closing the Gap Branch in the NIAA has a convening and influencing role supporting the governance required to coordinate whole-ofgovernment implementation. The majority of these governance groups partner and engage with Aboriginal and Torres Strait Islander stakeholders (in particular the Coalition of Peaks) and Commonwealth, Annual Performance Statement 121 Analysis (cont.) state, territory and local governments. The governance groups include the Joint Council on Closing the Gap, Joint Working Group, Partnership Working Group, Data and Reporting Working Group, Closing the Gap Data and Reporting Interdepartmental Committee, Community Data Projects Steering Committee, Interdepartmental Committee on Closing the Gap, the 5 Policy Partnerships, and 4 Sector Strengthening Plan Working Groups. Joint Council on Closing the Gap has an ongoing role in monitoring the progress made by the all Parties against their Implementation Plans through analysis and recommendations against their Implementation Plans and Annual Reports. The first Annual Report analysis was provided to Joint Council in December 2022. The NIAA further manages the Implementation Tracker hosted on the Closing the Gap website with links from jurisdictions and the Coalition of Peaks websites that provides public access to identify each jurisdiction ’ s progress on each initiative committed to under the National Agreement. Milestones in implementing the Priority Reform\* actions have been achieved (where applicable) The NIAA and Department of the Prime Minister and Cabinet continue to coordinate the implementation of the 4 Priority Reforms across the Commonwealth. Measurement of the Priority Reforms is in its early phases. After Joint Council endorsed a set of indicators for each of the 4 Priority Reforms in November 2020, initial work on data development frameworks for the 4 Priority Reforms was undertaken by the Productivity Commission and the NIAA across late 2021 to early 2022. Further work is developing specific and detailed definitions of the indicators and identifying the data that is needed to measure progress against the Priority Reform targets in a culturally informed and culturally safe way. The NIAA Closing the Gap Branch coordinates the entire Commonwealth Closing the Gap Implementation effort, with a particular role to lead work associated with embedding the Closing the Gap Priority Reforms across the Commonwealth and wider Closing the Gap Partnership. \* The National Agreement on Closing the Gap has been built around 4 Priority Reforms: 1 Formal Partnerships and Shared Decision-making 2 Building the Community-Controlled Sector 3 Transforming Government Organisations 4 Shared Access to Data and Information at a Regional Level. For further information please visit [*www.closingthegap.gov.au/national-agreement/priority-reforms*](http://www.closingthegap.gov.au/national-agreement/priority-reforms) 122 NIAA Annual Report 2022 – 23 Analysis (cont.) Some of the key milestones achieved under the Priority Reforms in the reporting period are: The NIAA led a Commonwealth Partnership Stocktake in 2022, providing a baseline analysis of the number of existing partnership arrangements, referring to a formal partnership arrangement in place between a government department and an Aboriginal and Torres Strait Islander body. The 2023 Partnership Stocktake has occurred and work is underway to review and strengthen existing partnerships in line with the National Agreement on Closing the Gap (Priority Reform One). The NIAA has contributed directly to the development of the APS Reforms and Charter of Partnership and Engagement (Priority Reform One). The NIAA has worked with the Department of Social Services and APS Reform Office to establish the Secretaries Board Partnership Priorities Sub-committee. This will accelerate actions to deliver on the Commonwealth ’ s commitments in the National Agreement on Closing the Gap. The NIAA completed a Commonwealth Closing the Gap review of expenditure on First Nations programs and services in 2022. This review was used to plan for service delivery reprioritisation discussions identifying opportunities for Aboriginal and Torres Strait Islander organisations, particularly community-controlled organisations (Priority Reform Two). The NIAA is also funding the Indigenous Data Network at the University of Melbourne to undertake 3 research focused community data projects (Priority Reform Four). Annual Performance Statement 123 Key Activity 8 The NIAA coordinates the delivery of a referendum to enshrine an Aboriginal and Torres Strait Islander Voice in the Constitution, as called for in the Uluru Statement from the Heart. Intended result The NIAA supported key stakeholder participation in the process to deliver a referendum. The referendum is delivered. Performance measure 8.1 The NIAA supports the Commonwealth Government in the delivery of a referendum that enshrines an Aboriginal and Torres Strait Islander Voice in the Constitution. Methodology Qualitative and survey assessment of the level of engagement and support. Qualitative analysis of the effectiveness of APS coordination. Quantitative assessment against time frames. Source The NIAA Corporate Plan 2022 – 23, page 42 The NIAA Portfolio Budget Statement 2022 – 23, no corresponding measure 2022 – 23 Target Lead preparation for a referendum, including through First Nations engagement, coordination across the APS and supporting government processes 124 NIAA Annual Report 2022 – 23 Result Achieved The NIAA effectively led the preparation for a referendum by supporting the Commonwealth Government to settle policy on the referendum process, constitutional amendment and referendum question, draft and pass related legislation including the Constitution Alteration Bill. The NIAA also supported the delivery of a civics awareness and information program. Analysis The NIAA continues to support the Commonwealth Government in the delivery of a referendum to recognise Aboriginal and Torres Strait Islander peoples in the Constitution through a Voice. During the 2022 – 23 reporting period, a taskforce was established in the NIAA to lead the preparation for a referendum. The work to deliver the referendum was overseen by the Constitutional Recognition Committee (CRC) of Cabinet. The NIAA worked closely with APS colleagues to support Ministers and the CRC. The NIAA has worked effectively with the Department of the Prime Minister and Cabinet, Attorney-General ’ s Department, the Department of Finance and the Australian Electoral Commission to support the delivery of referendum budgetary and legislative milestones. The NIAA supported government processes to draft and pass the Constitution Alteration Bill on 19 June 2023. This milestone enables the referendum to be held in late 2023. A referendum must be held no earlier than 2 months and no later than 6 months after a Constitution Alteration Bill has passed Parliament. The NIAA supported the Commonwealth Government to settle policy on the referendum process, constitutional amendment and referendum question. The NIAA provided a secretariat function to the First Nations Referendum Working Group and First Nations Referendum Engagement Group, which were established to provide advice on, and build community understanding and awareness for the referendum. The groups met 11 and 7 times respectively during this reporting period to discuss a range of issues. Group communiques and updates are available at [*https://voice.gov.au*](https://voice.gov.au) In addition, the NIAA provided secretariat support to the Constitutional Expert Group, established to provide legal support to the Referendum Working Group on key issues relating to the content and drafting of the constitutional amendment and the referendum more generally. The NIAA supported government processes and delivered an information program to increase public awareness of the referendum and where to find factual information about the Voice proposal via [*https://voice.gov.au*](https://voice.gov.au) Annual Performance Statement 125 Analysis (cont.) This ran from 21 May 2023 until 17 June 2023. A total of 353,195 new users visited the website in this period. In addition, more than 2 million hard copy factual booklets were distributed to 2,800 locations across Australia, including NIAA-funded organisations, public libraries and local governments. The NIAA also coordinated a civics program to increase citizens ’ understanding of the Constitution, referendums and Australia ’ s system of government more generally. This will be delivered through to the referendum. The NIAA supported key stakeholder participation in the process to deliver a referendum. Key groups were surveyed for feedback on the NIAA ’ s effectiveness in their coordination, engagement and support role. Stakeholder satisfaction was 82% overall, with APS at 83% and First Nations Referendum Working Group and Referendum Engagement Group support at 80%. The NIAA has utilised feedback to further refine its logistical support processes, and established new collaboration and information sharing tools. A breakdown of the survey methodology can be viewed at Appendix D. 126 NIAA Annual Report 2022 – 23 Murri Binda Case study The NIAA ’ s place-based practice in Darumbal (Rockhampton) has supported the establishment of the Murri Binda Consortium, a community-led local and regional governance and consultative mechanism that strengthens the collective capability of leaders and local decision-making. Murri Binda comprises 7 Aboriginal and Torres Strait Islander communitycontrolled health and human services organisations based in Rockhampton. It is actively supported by an Elders Advisory Group and the community in the delivery of services. The NIAA leads and supports government collaboration to ensure alignment with these community-led processes, which require a trusted and transparent relationship between all levels of government and the community sector. Murri Binda Consortium of 7 Aboriginal and Torres Strait Islander Community-controlled and led health and human services organisations Murri Binda case study 127 The value of such an approach is reflected in Murri Binda ’ s representation in Commonwealth and Queensland government local decision-making initiatives such as Stronger Places Stronger People (SPSP) and Local Decision Making Body/Local Thriving Communities (LDMB/ LTC) respectively. These initiatives resulted in formal recognition in core planning meetings from November to June 2023, membership of the interim LDMB/LTC, and input to the SPSP Rockhampton Report June 2023. Another key outcome was the endorsement of Bidgerdii Community Health Service as a recipient of the New Beginnings place-based initiative for Rockhampton, a decision made by the consortium. Murri Binda, the NIAA and other government partners are represented across these initiatives to improve service delivery to community and reduce duplication and effort of the Aboriginal and Torres Strait Islander communitycontrolled organisations and the individuals, families and communities they represent, while ensuring that the right people are at the table. These include, but are not limited to, Traditional Owner groups covering the Rockhampton Regional Council and Livingstone Shire Council areas, the Darumbal, Woppaburra and Gaangalu Nations respectively, as well as the large population of mainland Torres Strait Islander people living in Rockhampton. Importantly, it also recognises that the Rockhampton Aboriginal and Torres Strait Islander community is made up of many other First Nations people living on Darumbal Country who make a significant contribution to the rich dynamic of Rockhampton ’ s Aboriginal and Torres Strait Islander community. The Murri Binda consortium representation provides an opportunity to align other government activity coming down the pipeline and prepare the Aboriginal and Torres Strait Islander communities for any potential impact. As this is a community-led approach, the consortium ensures sustainability of local and regional representation and decision-making, regardless of changes in government policy or legislation. NIAA Darwin Office, NT Section 5 Financial Statements 130 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Independent Auditor ’ s Report GPO Box 707, Canberra ACT 2601 38 Sydney Avenue, Forrest ACT 2603 Phone (02) 6203 7300 INDEPENDENT AUDITOR ’ S REPORT To the Minister for Indigenous Australians Opinion In my opinion, the financial statements of the National Indigenous Australians Agency (the Entity) for the year ended 30 June 2023: (a) comply with Australian Accounting Standards – Simplified Disclosures and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and (b) present fairly the financial position of the Entity as at 30 June 2023 and its financial performance and cash flows for the year then ended. The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2023 and for the year then ended: • Statement by the Accountable Authority and Chief Financial Officer; • Statement of Comprehensive Income; • Statement of Financial Position; • Statement of Changes in Equity; • Cash Flow Statement; • Administered Schedule of Comprehensive Income; • Administered Schedule of Assets and Liabilities; • Administered Reconciliation Schedule; • Administered Cash Flow Statement; and • Notes to and forming part of the financial statements, comprising an Overview and summary of significant accounting policies and other explanatory information. Basis for opinion I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor ’ s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board ’ s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) to the extent that they are not in conflict with the AuditorGeneral Act 1997. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. Key audit matters Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. Key audit matter Occurrence of Grants expenses Refer to Note 2.1D Grants I considered Grants expenses a KAM given the significant value of transactions involved, their diverse nature and the fact that these grants are delivered across geographically dispersed locations under non-uniform operational and control environments. I focused on the occurrence of grants expenses to assess whether payments were made appropriately and in accordance with underlying agreements. For the year ended 30 June 2023, the Entity reported Administered grants expenses of $1.581 billion. How the audit addressed the matter To audit the occurrence of grants expenses, I performed the following audit procedures: • evaluated the design, implementation and operating effectiveness of the control framework, including information technology controls supporting grants management. This included controls over the recording, disbursement and monitoring of Grants expenses; and • examined, on a sample basis, grant approvals and assessments of grantee performance to substantiate grant expenses and compliance with relevant legislation and/or grant agreements. Accountable Authority ’ s responsibility for the financial statements As the Accountable Authority of the Entity, the Chief Executive Officer is responsible under the Public Governance, Performance and Accountability Act 2013 (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Chief Executive Officer is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity ’ s operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate. Auditor ’ s responsibilities for the audit of the financial statements My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor ’ s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control; • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity ’ s internal control; • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority; Financial Statements 131 • conclude on the appropriateness of the Accountable Authority ’ s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity ’ s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor ’ s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor ’ s report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and • evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor ’ s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. Australian National Audit Office Peter Kerr Executive Director Delegate of the Auditor-General Canberra 15 September 2023 132 NIAA Annual Report 2022 – 23 Financial Statements 133 National Indigenous Australians Agency Financial Statements For the period ended 30 June 2023 Certification 134 Primary financial statements 135 Statement of Comprehensive Income 135 Statement of Financial Position 136 Statement of Changes in Equity 137 Cash Flow Statement 139 Administered Schedule of Comprehensive Income 141 Administered Schedule of Assets and Liabilities 142 Administered Reconciliation Schedule 144 Administered Cash Flow Statement 145 Overview 147 Notes to the financial statements 150 1. Departmental Financial Performance 150 1.1 Expenses 150 1.2 Own-source Revenue and Gains 152 2. Income and Expenses Administered on Behalf or Government 154 2.1 Administered – Expenses 154 2.2 Administered – Income 157 3. Departmental Financial Position 158 3.1 Financial Assets 158 3.2 Non-Financial Assets 159 3.3 Payables 163 3.4 Interest Bearing Liabilities 163 3.5 Other Provisions 164 4. Assets and Liabilities Administered on Behalf of Government 165 4.1 Administered – Financial Assets 165 4.2 Administered – Non-Financial Assets 166 4.3 Administered – Payables 167 4.4 Administered – Interest Bearing Liabilities 168 4.5 Administered – Provisions 168 5. Funding 169 5.1 Appropriations 169 5.2 Special Accounts 172 5.3 Net Cash Appropriation Arrangements 174 6. People and Relationships 175 6.1 Employee Provisions 175 6.2 Key Management Personnel Remuneration 176 6.3 Related Party Disclosures 176 7. Managing Uncertainties 177 7.1 Contingent Assets and Liabilities 177 7.2 Financial Instruments 178 7.3 Administered – Financial Instruments 180 8. Other Information 182 8.1 Current/Non-Current Distinction for Assets and Liabilities 182 134 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Statement of Comprehensive Income for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 3 2023 2022 Original Budget Notes $'000 $'000 $'000 NET COST OF SERVICES Expenses Employee benefits 1.1A 188,383 163,418 176,741 Suppliers 1.1B 106,490 88,795 209,364 Depreciation and amortisation 3.2 29,789 29,571 29,953 Finance costs 1.1C 1,964 1,752 1,502 Impairment loss on financial instruments 100 6 - Write-down and impairment of non-financial assets 1.1D 395 1,967 - Losses from asset sales 541 - - Settlement of litigation 1.1E 53,203 4,434 - Total expenses 380,865 289,943 417,560 Own-Source Income Own-Source Revenue Revenue from contracts with customers 1.2A 13,037 10,907 11,102 Rental income 1.2B 1,641 1,866 2,026 Resources received free of charge 1.2C 2,060 1,763 528 Total own-source revenue 16,738 14,536 13,656 Gains Reversals of write-downs and impairment - 414 - Other gains 178 1,015 - Total gains 178 1,429 - Total own-source income 16,916 15,965 13,656 Net cost of services (363,949) (273,978) (403,904) Revenue from Government 1.2D 339,645 268,501 384,743 Deficit on continuing operations (24,304) (5,477) (19,161) OTHER COMPREHENSIVE INCOME/ (LOSS) Items not subject to subsequent reclassification to net cost of services Changes in asset revaluation surplus 3.2 3,623 7,965 - Total other comprehensive income 3,623 7,965 - Total comprehensive income/ (loss) (20,681) 2,488 (19,161) Financial Statements 135 The above statement should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Statement of Financial Position as at 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 4 2023 2022 Original Budget Notes $'000 $'000 $'000 ASSETS Financial assets Cash and cash equivalents 3.1A - 6 - Trade and other receivables 3.1B 81,818 87,281 88,743 Total financial assets 81,818 87,287 88,743 Non-financial assets1 Property, plant and equipment 3.2 178,439 183,019 169,173 Intangibles 3.2 13,427 12,587 10,357 Prepayments 2,905 2,846 2,846 Total non-financial assets 194,771 198,452 182,376 Assets held for sale - land and buildings 806 1,362 1,362 Total assets 277,395 287,101 272,481 LIABILITIES Payables Suppliers 3.3A 10,658 10,227 9,768 Other payables 3.3B 7,235 5,479 5,479 Total payables 17,893 15,706 15,247 Interest bearing liabilities Leases 3.4 103,592 107,019 96,227 Total interest bearing liabilities 103,592 107,019 96,227 Provisions Employee provisions 6.1 54,999 49,414 51,192 Other provisions 3.5 3,163 3,717 3,853 Total provisions 58,162 53,131 55,045 Total liabilities 179,647 175,856 166,519 Net assets 97,748 111,245 105,962 EQUITY Contributed equity 107,529 100,345 114,222 Accumulated deficit (38,827) (14,523) (33,683) Asset revaluation reserve 29,046 25,423 25,423 Total equity 97,748 111,245 105,962 1Right-of-use (ROU) assets are included in the property, plant and equipment line item. 136 NIAA Annual Report 2022 – 23 The above statement should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Statement of Changes in Equity for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 5 2023 2022 Original Budget Notes $'000 $'000 $'000 CONTRIBUTED EQUITY Opening balance Balance carried forward from previous period 100,345 95,555 100,345 Transactions with owners Distributions to owners Returns of equity: Prior year operating appropriation return (6,693) (9,456) - Contributions by owners Appropriations (equity injection) 2,101 2,101 2,101 Departmental Capital Budget (DCB) 11,776 12,145 11,776 Total transactions with owners 7,184 4,790 13,877 Closing balance as at 30 June 107,529 100,345 114,222 RETAINED EARNINGS Opening balance Balance carried forward from previous period (14,523) (9,046) (14,522) Comprehensive income (Deficit) for the period (24,304) (5,477) (19,161) Total comprehensive (loss) (24,304) (5,477) (19,161) Closing balance as at 30 June (38,827) (14,523) (33,683) ASSET REVALUATION RESERVE Opening balance Balance carried forward from previous period 25,423 17,458 25,423 Comprehensive income Changes in asset revaluation reserve 3.2 3,623 7,965 - Total comprehensive income 3,623 7,965 - Closing balance as at 30 June 29,046 25,423 25,423 Financial Statements 137 The above statement should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Statement of Changes in Equity for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 6 2023 2022 Original Budget Notes $'000 $'000 $'000 TOTAL EQUITY Opening balance Balance carried forward from previous period 111,245 103,967 111,246 Comprehensive income (Deficit) for the period (24,304) (5,477) (19,161) Changes in asset revaluation reserve 3,623 7,965 - Total comprehensive income (20,681) 2,488 (19,161) Transactions with owners Returns of equity: Prior year operating appropriation return (6,693) (9,456) - Contributions by owners Appropriations (equity injection) 2,101 2,101 2,101 Departmental Capital Budget (DCB) 11,776 12,145 11,776 Total transactions with owners 7,184 4,790 13,877 Closing balance as at 30 June 97,748 111,245 105,962 Accounting Policy Other distributions to owners The Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend. In 2022-23, by agreement with the Department of Finance, the NIAA returned $0.835m from Appropriation Act 1 2021-22 and $5.858m from Appropriation Act 3 2021-22 which is to be reappropriated in future years. (2021-22 $9.456m). Equity injections Amounts appropriated which are designated as returns of equity ‘equity injections ’ (less any formal reductions) and Departmental Capital Budget (DCB) are recognised directly in contributed equity in that year respectively. 138 NIAA Annual Report 2022 – 23 The above statement should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Cash Flow Statement for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 7 2023 2022 Original Budget Notes $'000 $'000 $'000 OPERATING ACTIVITIES Cash received Sale of services - cost-recovery 13,375 11,481 13,128 Net GST received 8,022 6,620 2,981 Appropriations 362,204 280,282 394,319 Total cash received 383,601 298,383 410,428 Cash used Employees 182,601 165,340 176,593 Suppliers 111,248 97,571 211,965 Settlement of litigation 53,048 4,434 - Short-term lease rentals 2,371 2,301 - Interest payments on lease liabilities 1,881 1,729 1,502 Retained receipts transferred to Official Public Account 20,361 14,524 9,576 Total cash used 371,510 285,899 399,636 Net cash from operating activities 12,091 12,484 10,792 INVESTING ACTIVITIES Cash received Proceeds from sales of property, plant and equipment 1,185 - - Total cash received 1,185 - - Cash used Purchase of property, plant and equipment 6,634 3,133 11,758 Purchase of intangibles 4,529 1,978 2,119 Total cash used 11,163 5,111 13,877 Net cash (used by) investing activities (9,978) (5,111) (13,877) FINANCING ACTIVITIES Cash received Contributed equity Equity injections 4,628 1,083 2,101 Departmental Capital Budget 7,705 5,830 11,776 Total cash received 12,333 6,913 13,877 Cash used Principal payments of lease liabilities 14,452 14,283 10,792 Total cash used 14,452 14,283 10,792 Net cash from / (used by) financing activities (2,119) (7,370) 3,085 Net increase / (decrease) in cash held (6) 3 - Cash and cash equivalents at the beginning of the reporting period 6 3 - Cash and cash equivalents at the end of the reporting period 3.1A - 6 - Financial Statements 139 The above statement should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Departmental Budget Variance Commentary for the period ended 30 June 2023 Page 8 The below table provides commentary for significant variances between the NIAA ’ s budget estimates for Departmental functions, as published in the 2022-23 Portfolio Budget Statements (Budget), and the actual expenditure and net asset position for the year. Explanation of major variances Affected line items and statement Employees: Employee expenses were higher than budget by $11.6m partially due to the increase in staffing levels from the transition of some shared service functions from the Department of the Prime Minister and Cabinet into the NIAA, and the conversion of contractors to APS officials in line with the Australian Governments direction. Suppliers: Supplier expenses were lower than budget by $102m. The variance is largely due to the $53m of settlement of litigations expenses included in supplier budget moved to a separate line item on the financial statements from Suppliers. A further $45m variance is due to the delay of expected legal expenditure. Revenue from contracts with customers: An increase in costs recovered primarily for the reimbursement of departmental expenses such as training and staff housing. Resources received free of charge: The increase of $1.5m over budget in resources received free of charge directly relates to an increase in the use of seconded staff from other Commonwealth Agencies. Revenue from Government: The total budget of appropriation for 2022-23 is $384.7m, with actual appropriation used lower than budget by $45m. This is due to a movement of funds due to delayed legal expenditure, appropriating $45m to the next financial year. Intangibles: The full year actuals were $3m or 30% above budget due to additional expenditure against two ICT projects, which were granted additional funding after budget preparation. Leases: Full year lease liabilities are $7.3m over budget due to the renewal of 5 property leases and 14 land leases not known at budget preparation. Other provisions: The provision for Remote Locality Allowance was settled in 2022- 23 ($0.748m) which was unknown at budget preparation. Asset revaluation reserve The increase to the revaluation reserves is due to a desktop revaluation being conducted in 2022-23 and reflects the current market conditions impacting the NIAA ’ s non-financial tangible asset classes Employees – Statement of Comprehensive Income. Employees – Cash Flow Statement. Suppliers - Statement of Comprehensive Income. Suppliers - Cash Flow Statement. Settlement of litigation – Statement of Comprehensive Income. Own-source revenue - Statement of Comprehensive Income. Sale of services - cost-recovery - Cash Flow Statement. Own-source revenue - Statement of Comprehensive Income. Suppliers - Statement of Comprehensive Income. Revenue from Government - Statement of Comprehensive Income. Appropriations received – Cash Flow Statement. Intangibles - Statement of Financial Position. Purchase of Intangibles – Cash Flow Statement. Leases - Statement of Financial Position. Cash Flow Statement. Other Provisions - Statement of Financial Position. Changes in asset revaluation surplus – Statement of Comprehensive Income. Property, Plant and Equipment - Statement of Financial Position. Asset Revaluation Reserve – Statement of Financial Position. 140 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Administered Schedule of Comprehensive Income for the period ended 30 June 2023 The above schedule should be read in conjunction with the accompanying notes. Page 9 2023 2022 Original Budget Notes $'000 $'000 $'000 NET COST OF SERVICES Expenses Employee benefits 2.1A 205 147 150 Suppliers 2.1B 64,268 57,559 50,878 Subsidies - Petrol Sniffing Prevention Strategy 298 151 160 Personal benefits 2.1C 41,827 12,628 118,270 Grants 2.1D 1,580,785 1,508,652 1,697,099 Depreciation and amortisation 4.2 420 384 236 Finance costs 6 6 8 Impairment loss on financial instruments 2.1E 2,230 1,291 1,720 Write-down and impairment of non-financial assets 2.1F 2,945 - - Payments associated with Land Councils 2.1G 214,115 232,415 229,231 Payments associated with NTAIC 2.1H 687,484 - - Payments to Indigenous Land and Sea Corporation 5.2 58,176 55,724 57,049 Mining withholding tax 13,921 12,195 11,356 Total expenses 2,666,680 1,881,152 2,166,157 Income Revenue Non-taxation revenue Interest 2.2A 43,993 7,573 22,036 Rental income 2.2B 2,846 2,449 2,414 Indigenous Land and Sea Corporation Funding 5.2 58,176 55,724 57,049 Other revenue 2.2C 15,575 11,581 10,284 Total non-taxation revenue 120,590 77,327 91,783 Total revenue 120,590 77,327 91,783 Gains Reversal of impairment losses 9 2,731 - Total gains 9 2,731 - Total income 120,599 80,058 91,783 Net cost of services (2,546,081) (1,801,094) (2,074,374) Deficit (2,546,081) (1,801,094) (2,074,374) Total comprehensive loss (2,546,081) (1,801,094) (2,074,374) Financial Statements 141 The above schedule should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Administered Schedule of Assets and Liabilities as at 30 June 2023 The above schedule should be read in conjunction with the accompanying notes. Page 10 2023 2022 Original Budget Notes $'000 $'000 $'000 ASSETS Financial assets Cash and cash equivalents 4.1A 99,648 53,150 51,108 Trade and other receivables 4.1B 44,535 18,837 18,644 Other financial assets 4.1C 720 720 - Term deposits 7.3A 1,435,000 1,394,000 1,485,002 Total financial assets 1,579,903 1,466,707 1,554,754 Non-financial assets1 Land and buildings 4.2 8,120 11,200 10,966 Prepayments 1,269 54 82 Intangibles 4.2 19,683 19,943 19,943 Total non-financial assets 29,072 31,197 30,991 Total assets administered on behalf of Government 1,608,975 1,497,904 1,585,745 LIABILITIES Payables Suppliers 4,313 3,181 3,180 Grants payable 4.3A 43,505 29,666 29,666 Other payables 4.3B 1,224 2,791 2,791 Personal benefits 4.3C 504 1,087 1,087 NTAIC payables 4.3D 117,596 - - Total payables 167,141 36,725 36,724 Interest bearing liabilities Leases 4.4 329 345 315 Total interest bearing liabilities 329 345 315 Provisions Employee provisions 6.1B 9 2 2 Personal benefits 4.5 8,207 4,510 4,510 NTAIC provision 4.5 500,000 - - Total provisions 508,216 4,512 4,512 Total liabilities administered on behalf of Government 675,686 41,582 41,551 Net assets 933,289 1,456,322 1,544,194 1ROU assets are included in the land and buildings line item. 142 NIAA Annual Report 2022 – 23 The above schedule should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Administered Budget Variance Commentary for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 11 The below table provides commentary for significant variances between the NIAA ’ s budget estimates for Administered functions, as published in the 2022-23 Portfolio Budget Statements (Budget), and the actual expenditure and net asset position for the year. Explanation of major variances Affected line items and statement Personal Benefits: Personal benefits relates to the Territories Stolen Generations Redress Scheme which the NIAA administers. It provides survivors a one-off payment in recognition of the harm caused by forced removal, a one-off healing assistance payment and the opportunity to participate in a Personal Acknowledgement. The Scheme is a multiyear scheme that is demand driven and difficult to predict. Suppliers expense: Is higher than budget by $13.3m largely due to procurement being used rather than grants to deliver culture and capability building activities delivered under program 1.4 Grants expense: Is lower than budget by $116.3m due to delays experienced by programs through the co-design and community engagement in the development process. The NIAA is developing a submission to reallocate funding to future years. Interest revenue: Income from earnings on term deposits is higher than the estimated budget as a result of significantly higher interest rates on offer in the current financial market. Payments associated with NTAIC: A new corporate Commonwealth entity was established on 15 November 2022, the Northern Territory Aboriginal Investment Corporation (NTAIC). The NTAIC obtains funding in accordance with subsection 64AA of the Aboriginal Land Rights (Northern Territory) Act 1976 (ALRA) and is funded from the ABA special account. All payments due and payable under ALRA to the NTAIC were recognised on establishment which occurred after budget preparation. Cash and cash equivalents: Cash is higher than estimated budget and largely relates to additional appropriation contributions made to the Indigenous Remote Service Delivery (IRSD) special account for projects in remote communities. Trade and other receivables: Is higher than budget by $26.3m which is largely due to higher than anticipated interest receivable recorded on Term deposits due to significantly higher interest rates on offer in the current financial market. Grants payable: Is higher than budget by $13.8m largely due to a higher than anticipated accrual for payments to be made under the Community Development Program (CDP) as at 30 June 2023. Personal Benefits expense - Administered Schedule of Comprehensive Income, Personal Benefits payable and Personal Benefits provisions – Administered Schedule of Assets and Liabilities. Supplier expense – Administered Schedule of Comprehensive Income. Grants expense – Administered Schedule of Comprehensive Income. Interest income - Administered Schedule of Comprehensive Income. Payments associated with NTAIC – Administered Schedule of Comprehensive Income. NTAIC Payables and NTAIC provision – Administered Schedule of Assets and Liabilities Cash and cash equivalents – Administered Schedule of Assets and Liabilities Trade and other receivables – Administered Schedule of Assets and Liabilities Grants payable – Administered Schedule of Assets and Liabilities Financial Statements 143 National Indigenous Australians Agency Administered Reconciliation Schedule for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 12 2023 2022 $'000 $'000 Opening assets less liabilities as at 1 July 1,456,322 1,391,918 Net contribution by services Income 120,599 80,058 Expenses (2,666,680) (1,881,152) Transfers (to) / from the Australian Government Appropriation transfers from Official Public Account Annual appropriation for administered expenses 1,727,217 1,578,193 Special appropriations (limited) 75,402 73,721 Special account (unlimited) 441,290 405,055 Appropriation transfers to Official Public Account Transfers to Official Public Account (162,685) (135,747) Transfers to Official Public Account special accounts (58,176) (55,724) Closing assets less liabilities as at 30 June 933,289 1,456,322 Accounting Policy Administered Cash Transfers to and from the Official Public Account Revenue collected by the NIAA for use by the Australian Government rather than for the NIAA is administered revenue. Collections are transferred to the Official Public Account (OPA) and maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the NIAA on behalf of the Government and reported as such in the Administered Cash Flow Statement and in the Administered Reconciliation Schedule. 144 NIAA Annual Report 2022 – 23 The above schedule should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Administered Cash Flow Statement for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 13 2023 2022 Notes $'000 $'000 OPERATING ACTIVITIES Cash received GST received 129,740 132,628 Indigenous Land and Sea Corporation Funding 58,176 55,724 Lease rental receipts 3,222 2,613 Other 12,618 13,087 Total cash received 203,756 204,052 Cash used Employees 195 180 Suppliers 62,939 57,413 Subsidy payments 298 151 Personal benefits 38,713 7,031 Grant payments 1,705,828 1,644,668 Interest payments on lease liabilities 6 6 Payments associated with Land Councils 214,115 232,332 Payments to Indigenous Land and Sea Corporation 58,176 55,724 Payments to NTAIC 69,889 - Other 14,487 12,679 Total cash used 2,164,646 2,010,184 Net cash (used by) operating activities (1,960,890) (1,806,132) INVESTING ACTIVITIES Cash received Proceeds from realisation of investments 1,551,000 1,486,900 Interest on investments and loans 25,369 5,776 Repayment from other financial assets 12 12 Total cash received 1,576,381 1,492,688 Cash used Purchase of intangibles - 20,050 Purchase of investments 1,592,000 1,522,000 Total cash used 1,592,000 1,542,050 Net cash used by investing activities (15,619) (49,362) FINANCING ACTIVITIES Cash used Principal payments of lease liabilities 41 73 Total cash used 41 73 Net cash (used by) financing activities (41) (73) Net cash (decrease) in cash held (1,976,550) (1,855,567) Cash and cash equivalents at the beginning of the reporting period 53,150 43,219 2023 2022 Financial Statements 145 The above statement should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Administered Cash Flow Statement for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. Page 14 2023 2022 Notes $'000 $'000 Cash from Official Public Account Appropriations 1,802,619 1,651,914 Special accounts 441,290 405,055 Total cash from official public account 2,243,909 2,056,969 Cash to Official Public Account Appropriations 162,685 135,747 Special accounts 58,176 55,724 Total cash to official public account 220,861 191,471 Cash and cash equivalents at the end of the reporting period 4.1A 99,648 53,150 146 NIAA Annual Report 2022 – 23 The above statement should be read in conjunction with the accompanying notes. National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 15 Overview National Indigenous Australians Agency Activities The National Indigenous Australians Agency (NIAA) is a non-corporate Commonwealth entity subject to the Public Governance, Performance and Accountability Act 2013 (PGPA Act). The NIAA is responsible for supporting Australian Government ’ s efforts in working with First Nations peoples by: • leading and co-ordinating Commonwealth policy development, program design and implementation, and service delivery for Aboriginal and Torres Strait Islander peoples; • providing advice on whole-of-government priorities for Aboriginal and Torres Strait Islander peoples; • leading and coordinating the implementation of the National Agreement on Closing the Gap in partnership with First Nationals peoples and communities; and • leading Commonwealth activities to promote reconciliation. The NIAA ’ s activities are classified as either Departmental or Administered. Departmental activities involve the use of assets, liabilities, incomes and expenses controlled or incurred by the NIAA in its own right. The administered activities of the NIAA on behalf of the Australian Government, includes key priorities to improve the lives of Indigenous Australians managed through the delivery of the Indigenous Advancement Strategy across six programs; Jobs, Land and the Economy, Children and Schooling, Safety and Wellbeing, Culture and Capability, Remote Australia Strategies and Evaluation and Research. The continued existence of the NIAA in its present form and with its present programs is dependent on Australian Government policy and on continued funding by Parliament for the NIAA ’ s administration and programs. The address of the NIAA ’ s registered office and principal place of business is as follows: Charles Perkins House 16 Bowes Street Philip ACT 2606 The financial statements are required by section 42 of the PGPA Act. The financial statements and notes have been prepared in accordance with: • Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR); and • Australian Accounting Standards and Interpretations – including simplified disclosures for Tier 2 Entities under AASB 1060 issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period. The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except where certain assets and liabilities are recorded at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and are rounded to the nearest thousand unless otherwise specified. Except where stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards. Taxation The NIAA is exempt from all forms of taxation except Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and Mining Withholding Tax (MWT). Financial Statements 147 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 16 New Australian Accounting Standards Two amending standards (AASB 2021-2 and AASB 2021-6) were adopted earlier than the application date as stated in the standards (refer table below). These amending standards have been adopted for the 2022-23 reporting period and did not have a material effect on the NIAA ’ s financial statements. No other new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are expected to have a future material impact on the financial statements. Standard/Interpretation Nature of change in accounting policy, transitional provisions, and adjustment to financial statements AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2) and AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards (AASB 2021-6) AASB 2021-2 amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. The amending standard requires the disclosure of material, rather than significant, accounting policies, and clarifies what is considered a change in accounting policy compared to a change in accounting estimate. AASB 2021-6 amends the Tier 2 reporting requirements set out in AASB 1049, AASB 1054 and AASB 1060 to reflect the changes made by AASB 2021-2. The impacts of the changes in accounting policies and adjustments are disclosed in the relevant notes to the financial statements, except where implementation of the standards have resulted in a reduction in disclosures. This amending standard is not expected to have a material impact on the NIAA ’ s financial statements for the current reporting period or future reporting periods. Compliance with statutory conditions for payments from the consolidated revenue fund The Australian Government monitors and assesses risks and decides on any appropriate action to respond to risks of expenditure not being consistent with constitutional or other legal requirements. During 2022-23 the NIAA reviewed the exposure to the risk of non-compliance with statutory conditions of payments from appropriations, namely section 83 of the Commonwealth of Australia Constitution Act 1900 (the Constitution). The risk profile and internal controls to manage this risk continue to remain appropriate. The passing of amendments to the Aboriginal Land Rights (Northern Territory) Act 1976 (ALRA) in December 2021 has resolved the previous technical risk of non-compliance with statutory conditions on payments from appropriations under section 83 of the Constitution, relating to overpayments of mining royalty payments. Royalty payments are required to be made from the Aboriginals Benefit Account (ABA) based on royalties received by the Northern Territory or Australian Governments. The contraventions occurred when the royalties upon which the payments were based had been estimated at a value greater than the eventual actual value. The amended legislation allows the royalty payment to be made based on the purported royalty income (interim assessment) and provides the Minister with powers to either offset any overpayments against future payments or cancel them. The Minister for Indigenous Australians has approved the offset of all overpayments in 2022-23, totalling $1.519 million (2021-22: $0.088 million) against future payments. A prepayment has been recognised as at 30 June 2023 of $0.043 million (2021-22:$0.054 million) representing the overpayments that are still to be offset against future payments. 148 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 17 During 2022-23 the NIAA identified one Section 83 breach in relation to a Departmental payment, when a former employee was overpaid final entitlements, inclusive of a long service leave payment totalling $0.022 million, made under the Long Service Leave Act (Commonwealth Employees) Act 1976. On identification of the overpayment, the former employee was advised, an invoice raised and negotiation for debt recovery has commenced. To date the overpayment has not been recovered. Procedures have been put in place to negate the administrative error reoccurring. The NIAA will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Events after the Reporting Period There are no significant events that occurred after balance date that warrant disclosure or must be brought to account in the financial statements. Financial Statements 149 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 18 1. Departmental Financial Performance This section analyses the financial performance of the National Indigenous Australians Agency for the year ended 30 June 2023. 1.1 Expenses 2023 2022 $'000 $'000 Note 1.1A: Employee benefits Wages and salaries 137,165 122,707 Superannuation Defined contribution plans 14,785 12,480 Defined benefit plans 11,759 11,524 Leave and other entitlements 24,187 15,657 Separation and redundancies 487 1,050 Total employee benefits 188,383 163,418 Accounting Policy Accounting policies for employee related expenses are contained in the People and Relationships section, refer Note 6. Note 1.1B: Suppliers Goods and services supplied or rendered¹ Consultants, legal, contractors and secondees 25,738 20,633 Minor equipment, repairs and maintenance 3,374 3,273 General expenses 7,334 5,034 Training 7,046 4,462 Facility management and security 13,202 11,325 Information, communication and technology 2,434 1,278 Shared Service Provider for the provision of payroll, IT, financial operations and travel services 32,470 35,203 Travel 7,768 3,097 Total goods and services supplied or rendered 99,366 84,305 Goods supplied 6,645 5,073 Services rendered 92,721 79,232 Total goods and services supplied or rendered 99,366 84,305 Other suppliers Workers compensation expenses 4,753 2,189 Short-term leases 2,371 2,301 Total suppliers 106,490 88,795 1 Expenses associated with the financial statements audit performed by the Australian National Audit Office (ANAO) are disclosed as resources received free of charge. Refer Note 1.2C Resources received free of charge. Accounting Policy Short-term leases and leases of low-value assets The NIAA has elected to not recognise ROU assets and lease liabilities where the remaining lease term is less than 12 months or for leases of low-value assets (less than $10,000 per asset). The NIAA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. 150 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 19 2023 2022 $'000 $'000 Note 1.1C: Finance costs Interest on lease liabilities 1,881 1,729 Unwinding of discount on make good 83 23 Total finance costs 1,964 1,752 The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 3.2 and 3.4 Note 1.1D: Write-down and impairment of non-financial assets Impairment of property, plant and equipment 395 383 Impairment of intangible assets - 1,584 Total write-down and impairment of non-financial assets 395 1,967 Note 1.1E: Settlement of litigation expenses Settlement of litigation 53,203 4,434 Total settlement of litigation expenses 53,203 4,434 The above settlement of litigation expenses represents amounts paid/recognised during the financial year. There are no further payables or provisions recognised at June 2023 in respect of the matters settled during 2022-23. The above disclosures should be read in conjunction with the accompanying Note 7.1 Contingent Assets and Liabilities. Comparative information for this new 2023 expense category has been reclassified from consultants, legal, contractors and secondees which forms part of the suppliers expense category to settlement of litigation expenses for 2022. Accounting Policy Litigation expenses are recognised when the NIAA has a present obligation arising from past events, the settlement of which is expected to result in a cash outflow from the Agency and the amount of which can be reliably estimated. Financial Statements 151 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 20 1.2 Own-Source Revenue and Gains 2023 2022 $'000 $'000 Own-Source Revenue Note 1.2A: Revenue from contracts with customers Cost recovery 13,037 10,907 Total revenue from contracts with customers 13,037 10,907 Disaggregation of revenue from contracts with customers Major sources of revenue: Cost recovery 13,037 10,907 Total sources of revenue 13,037 10,907 Type of customer: Australian Government entities (related parties) 13,037 10,907 Total sources of revenue 13,037 10,907 Timing of transfer of services: Point in time 13,037 10,907 Total sources of revenue 13,037 10,907 Accounting Policy Revenue from contracts with customers is recognised at a point in time reflecting the completion of performance delivery obligations. Revenue from Memorandum of Understanding (MoU) agreements between the NIAA and other related parties for the recovery of costs are recognised at the time that the relevant costs are incurred. The transaction price is the total amount of consideration to which the NIAA expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both. Note 1.2B: Rental income Operating lease - variable lease payment income 1,641 1,866 Total rental income 1,641 1,866 Accounting Policy The principal activities from which the NIAA generates its revenue is sublease of its property and land portfolio. This is recognised as income on a straight-line basis over the lease term. Maturity analysis of future amounts receivable under operating leases: Within 1 year 1,057 916 1 to 2 years 477 853 2 to 3 years 383 281 3 to 4 years 350 188 4 to 5 years 21 155 More than 5 years 21 108 Total undiscounted lease payments receivable 2,309 2,501 The NIAA leases its residential properties to employees in remote regional areas of Australia and to external parties when not required by employees. The NIAA subleases a small part of its office spaces to other Commonwealth Agencies and subleases car parking spaces to employees. The NIAA manages the risks associated with any rights it retains in the underlying asset through the use of MOU arrangements to manage the lease and appropriate insurance coverage. 152 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 21 2023 2022 $'000 $'000 Note 1.2C: Resources received free of charge Seconded staff 1,623 1,326 Remuneration of auditors - financial statement audit 437 437 Total resources received free of charge 2,060 1,763 Accounting Policy Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature. Note 1.2D: Revenue from Government Appropriations Departmental appropriations 339,645 268,501 Total revenue from Government 339,645 268,501 Accounting Policy Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue from Government when the NIAA gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts. Financial Statements 153 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 22 2. Income and Expenses Administered on Behalf of Government This section analyses the activities that the National Indigenous Australians Agency does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting. 2.1 Administered – Expenses 2023 2022 $'000 $'000 Note 2.1A: Employee benefits Wages and salaries 163 110 Superannuation Defined contribution plans 27 19 Leave and other entitlements 15 18 Total employee benefits 205 147 Note 2.1B: Suppliers Goods and services supplied or rendered Outsourced providers, legal, contractors and consultants 51,779 38,841 General expenses 10,425 17,065 Travel 120 113 Information, communication and technology 1,908 1,533 Total goods and services supplied or rendered 64,232 57,552 Goods supplied 13 25 Services rendered 64,219 57,527 Total goods and services supplied or rendered 64,232 57,552 Other suppliers Short-term leases 36 7 Total other supplier expenses 36 7 Total supplier expenses 64,268 57,559 154 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 23 2023 2022 $'000 $'000 Note 2.1C: Personal benefits Direct Territories Stolen Generations Redress Scheme 41,827 12,628 Total Personal benefits 41,827 12,628 Accounting Policy The NIAA administers the Territories Stolen Generations Redress Scheme which opened on 1 March 2022 and provides survivors a one-off payment in recognition of the harm caused by forced removal, a one-off healing assistance payment and the opportunity to participate in a Personal Acknowledgement. Payments are made under the provisions of the Financial Framework (Supplementary Powers) regulations 1997. The above should be read in conjunction with notes 4.3c and 4.5 Note 2.1D: Grants Public sector Australian Government entities (related entities) 123,953 95,782 State and Territory Governments 26,321 36,841 Local Governments 66,481 69,435 Private sector Non-profit organisations 1,189,647 1,116,791 Commercial entities 174,383 189,803 Total grants 1,580,785 1,508,652 By program: 1.1 Jobs, Land and the Economy 806,687 793,645 1.2 Children and Schooling 362,639 324,768 1.3 Safety and Wellbeing 282,038 284,914 1.4 Culture and Capability 89,268 66,515 1.5 Remote Australia Strategies 36,659 36,909 1.6 Evaluation and Research 3,494 1,901 Total grants 1,580,785 1,508,652 Accounting Policy The NIAA administers a number of grant schemes on behalf of the Australian Government. Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed; or (ii) the grant eligibility criteria has been satisfied, but the payments due have not been made. Settlement is made according to the terms and conditions of each grant. This is usually within 30 days of the performance or eligibility. Note 2.1E: Impairment loss on financial instruments Impairment of receivables 2,230 1,067 Impairment of other financial assets - 224 Total impairment loss allowance on financial instruments 2,230 1,291 Financial Statements 155 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 24 2023 2022 $'000 $'000 Note 2.1F: Write-Down and Impairment of other assets Write-down of non-financial assets 2,945 - Total write-down and impairment of assets 2,945 - Note 2.1G: Payments associated with Land Councils Land Councils administration 104,967 131,725 Land Councils distributions 109,148 100,690 Total payments associated with Land Councils 214,115 232,415 Accounting Policy Land councils obtain funding based on their operational requirements in accordance with subsection 64(1) ALRA. Estimates for funding are submitted to the Minister for Indigenous Australians for approval and are distributed to land councils on a quarterly basis during the financial year. Payments to land councils are recognised as an expense when the payment obligation falls due. A mining withholding tax of 4% of the total amount paid to land councils is withheld and paid to the ATO. In accordance with subsection 64(3) and 35(2) of the ALRA, 30% of the royalty equivalents, received in respect of mining on Aboriginal land, are paid to the land councils for distribution to Aboriginal associations, communities or groups, for the benefit of those Aboriginal people who are affected by mining operations. Note 2.1H: Payments associated with NTAIC Payments under s64AA(1) - initial one-off endowment 500,000 - Payments under s64AA(3) - establishment purposes 177,595 - Payments under s64AA(4) - administrative and capital costs 9,889 - Total Payments to NTAIC 687,484 - Accounting Policy A new Corporate Commonwealth entity, the Northern Territory Aboriginal Investment Corporation (NTAIC) entity was established during 2022-23. The NTAIC is funded through the ABA special account. The NTAIC obtains funding based on its operational requirements in accordance with subsection 64AA(4) of the ALRA. An estimate for funding is submitted to the Minister for Indigenous Australians for approval and is distributed to the NTAIC during the financial year. Payments to the NTAIC are recognised as an expense when the payment obligation is enforceable. Refer to Note 4.3D Funding is also obtained by the NTAIC under subsection 64AA(3) of the ALRA in relation to three $60 million payments, with one paid during May 2023 and the final two due 1 July 2023 and 1 July 2024 respectively. These payment obligations were legislated to provide funding certainty for the NTAIC for a certain period of time whilst the NTAIC establishes its core operations. These payment obligations have been recognised as an expense at the commencement of the NTAIC The NTAIC will receive an initial one-off endowment under subsection 64AA(1) of the ALRA. A single initial amount of $500 million is to be made within 30 days after the first ***strategic*** investment plan is laid before a House of the Parliament, currently anticipated to be paid at the end of the 2023-24 financial year. This payment obligation is a constructive obligation and has been recognised as an expense at the commencement of the NTAIC. Refer to Note 4.5 All payments associated with the NTAIC have been recognised at amortised cost. A mining withholding tax of 4% of the total amounts paid to the NTAIC is withheld and paid to the ATO. The above disclosure should be read in conjunction with the accompanying notes 4.3D, 4.5 and 7.1B 156 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 25 2.2 Administered - Income 2023 2022 $'000 $'000 Note 2.2A: Interest Interest on investments 43,980 7,560 Unwinding of discount on long term debt arrangement 13 13 Total interest 43,993 7,573 Note 2.2B: Rental income Lease rental income 2,846 2,449 Total rental income 2,846 2,449 Maturity analysis of future amounts receivable under operating leases: Within 1 year 1,664 2,362 One to two years 1,638 2,344 Two to three years 1,617 2,320 Three to four years 1,617 2,300 Four to five years 1,617 2,295 More than 5 years 9,097 14,348 Total undiscounted lease payments receivable 17,250 25,969 Note 2.2C: Other revenue Return of grant funding 15,575 11,581 Total other revenue 15,575 11,581 Accounting Policy All administered revenues relate to ordinary activities performed by the NIAA on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity. The NIAA oversees the distribution and expenditure of the funds as directed. Return of grant funding is recognised where grants previously provided are not fully acquitted, with the unacquitted component required to be recovered. Financial Statements 157 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 26 3. Departmental Financial Position This section analyses the National Indigenous Australians Agency ’ s assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section. 3.1 Financial Assets 2023 2022 $'000 $'000 Note 3.1A: Cash and cash equivalents Cash on hand or on deposit - 6 Total cash and cash equivalents - 6 Note 3.1B: Trade and other receivables Goods and services receivables Goods and services - cost recovery 5,501 3,709 Total goods and services receivables 5,501 3,709 Appropriations receivable Existing programs 75,392 82,739 Total appropriations receivable 75,392 82,739 Other receivables Statutory receivables 1,027 844 Total other receivables 1,027 844 Total trade and other receivables (gross) 81,920 87,292 Less expected credit loss allowance Goods and services (102) (11) Total expected credit loss allowance (102) (11) Total trade and other receivables (net) 81,818 87,281 Accounting Policy Receivables for goods and services, which have 30-day terms, are recognised at the nominal amounts due less any impairment loss allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable. 158 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 27 3.2 Non-Financial Assets Note 3.2: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles Land Buildings Leasehold improvements Plant and equipment Computer software internally developed Computer software purchased Total $ ’ 000 $ ’ 000 $ ’ 000 $ ’ 000 $ ’ 000 $ ’ 000 $ ’ 000 As at 1 July 2022 Gross book value 12,114 198,535 30,345 14,079 22,484 987 278,544 Accumulated depreciation, amortisation and impairment (523) (56,346) (7,650) (7,535) (10,361) (523) (82,938) Total as at 1 July 2022 11,591 142,189 22,695 6,544 12,123 464 195,606 Additions By purchase - Property, plant and equipment - 583 1,833 4,451 - - 6,867 By purchase – Intangibles - - - - 5,866 - 5,866 Right-of-use assets - 4,418 - 322 - - 4,740 Revaluations and impairments recognised in other comprehensive income 299 965 1,825 534 - - 3,623 Disposals of right-of-use assets (6) (13) - (23) - - (42) Reclassifications1 (345) (824) - - - - (1,169) Depreciation and amortisation - (2,843) (3,477) (2,189) (4,929) (97) (13,535) Depreciation on right-of-use assets (123) (15,310) - (821) - - (16,254) Disposals - (299) - (10) - - (309) Write-down and impairments recognised in net cost of services (expense) (70) - - - - - (70) Remeasurement of right-of-use assets 477 6,066 - - - - 6,543 Total as at 30 June 2023 11,823 134,932 22,876 8,808 13,060 367 191,866 Total as at 30 June 2023 represented by Gross book value 12,428 195,487 22,879 11,694 28,350 987 271,825 Accumulated depreciation, amortisation and impairment (605) (60,555) (3) (2,886) (15,290) (620) (79,959) Total as at 30 June 2023 11,823 134,932 22,876 8,808 13,060 367 191,866 Carrying amount of right-of-use assets 659 94,222 - 837 - - 95,718 Financial Statements 159 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 28 Contractual commitments for the acquisition of property, plant and equipment and intangibles Contractual commitments totalling $3.63m for the acquisition of IT equipment and other capital works are payable within one year (2022: $0.320m). Accounting Policy Asset recognition threshold Purchases of property, plant and equipment and intangibles are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than $5,000, which are expensed in the year of acquisition (other than IT assets where they form part of a group of similar items which are significant in total). The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to ‘make good ’ provisions in property leases taken up by the NIAA where there exists an obligation to restore the asset to its original condition. These costs are included in the value of the NIAA ’ s property, plant and equipment with a corresponding provision for the ‘make good ’ recognised. Property, plant and equipment (excluding ROU assets) are subsequently measured at fair value. Leased right-of-use (ROU) assets Leased ROU assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for as separate asset classes to corresponding assets owned outright, but included in the same column as the corresponding underlying assets would be presented if they were owned. Following initial application, an impairment review is undertaken for any ROU lease asset that shows indicators of impairment and an impairment loss is recognised against any ROU lease asset that is impaired. Revaluations Valuations of property, plant and equipment (excluding ROU assets) are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets ’ fair values as at the reporting date. The NIAA currently adopts a rolling revaluation plan which ensures all assets are formally revalued by experts at least once every three years with a desktop and materiality valuation undertaken in the other years. If a particular asset class experiences significant and volatile changes in fair value (i.e where indicators ***suggest*** that the value of the class has changed materially since the previous reporting period), that class is subject to specific expert valuation in the reporting period, where practicable, regardless of the timing of the last specific expert valuation. Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity through the asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the operating result. Revaluation decrements for a class of assets are recognised directly in the operating result except to the extent that they reversed a previous revaluation increment for that class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount. The fair value of assets was measured by using approaches recognised by AASB 13, including the market approach and the current replacement cost approach, with inputs used including adjusted market transactions, current acquisition prices, replacement costs, consumed economic benefits and the obsolescence of the asset. These approaches are consistent with generally accepted valuation methodologies utilised by the valuation profession. 160 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 29 Fair values for each class of asset are determined as shown below: Asset Class Fair value measured at Land Market selling price Buildings excluding leasehold improvements Market selling price and depreciated replacement cost Leasehold improvements Depreciated replacement cost Plant and equipment Market selling price and depreciated replacement cost Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured using the cost (Depreciated Replacement Cost (DRC) approach. Professional judgement has been applied in calculating the consumed economic benefit/asset obsolescence relevant to the asset under construction. Accounting Estimates – Fair Value In 2022-23, the NIAA procured valuation services from independent valuation experts JLL Public Sector Valuations Pty Ltd to perform a Desktop Revaluation (all tangible classes) as at 30 June 2023. The resulting overall increase in the portfolio value from $75.937 million to $79.737 million represents a 5% increase. This increase largely relates to the value of property and leasehold improvements which reflects increases in the cost of materials and observable market movements. The NIAA performed an internal assessment of the results of the expert valuation prior to acceptance and adoption of the valuation results to ensure it aligns with the NIAA ’ s own assumptions and understanding of the respective assets and their circumstances. The following factors contributed to the acceptance of the valuation results: • The valuation was conducted as at 30 June 2023 to enable current market conditions to be assessed; • The valuation report indicated that sales analysis was considered to have adequately quantified the market conditions as at the date of valuation. Financial Statements 161 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 30 Assets held for sale Assets held for sale are measured at the lesser of their carrying amount and fair value less cost to sell and are valued at a non-recurring basis. The NIAA currently has four (land and building) held for sale assets located in WA (2022: four land and building assets). Intangibles Intangibles comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Impairment All assets were assessed for impairment during 2022-23. Where indicators of impairment exist, the asset ’ s recoverable amount is estimated and an impairment adjustment made if the asset ’ s recoverable amount is less than its carrying amount. Depreciation and amortisation Depreciable assets are written-off to their estimated residual values over their estimated useful lives to the NIAA using, in all cases, the straight-line method of depreciation. Depreciation rates (useful lives and lease terms), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. Depreciation rates applying to each class of asset are based on the following total useful lives for the current reporting period: Asset Class 2023 2022 Buildings excluding leasehold improvements 3 to 50 years 3 to 50 years Leasehold improvements 1 to 40 years 1 to 40 years Plant and equipment 1 to 25 years 1 to 25 years Intangibles 1 to 5 years 1 to 5 years ROU assets 1 to 99 years 1 to 99 years Derecognition An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. 162 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 31 3.3 Payables 2023 2022 $'000 $'000 Note 3.3A: Suppliers Trade creditors and accruals 10,658 10,227 Total suppliers 10,658 10,227 Note 3.3B: Other payables Salaries, wages and superannuation 4,671 3,404 Separation and redundancies payable - 386 Unearned income 190 - Other 2,374 1,689 Total other payables 7,235 5,479 3.4 Interest Bearing Liabilities Note 3.4: Leases Lease liabilities 103,592 107,019 Total leases 103,592 107,019 Total cash outflow for leases is disclosed in the Cash Flow Statement under principal payments of lease liabilities and interest payments on lease liabilities. Maturity analysis - contractual undiscounted cash flows Within 1 year 15,371 13,211 Between 1 to 5 years 50,956 40,390 More than 5 years 46,384 62,209 Total undiscounted lease payments payable 112,711 115,810 Unexpired lease interest (9,119) (8,791) Net leases liability 103,592 107,019 The NIAA in its capacity as a lessee has a total of 142 (2022: 189) departmental leases split between property, land and motor vehicles. The NIAA holds two significant leases relating to the leasing of office accommodation, with details as follows: 1. Bowes Place, Philip, ACT – The current lease expires on 31 May 2034 with no options to extend and contains fixed increases annually. The lease contains standard lease incentive and make good clauses. 2. Woods Street, Darwin, NT – The current lease expires on 13 August 2024 and contains fixed increases annually. There is one option to extend this lease for a further term of 5 years. The lease contains standard lease incentive and make good clauses. The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.1C and 3.2 Accounting Policy For all new contracts entered into, the NIAA considers whether the contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration ’ . Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the NIAA ’ s incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset or profit and loss depending on the nature of the reassessment or modification. Financial Statements 163 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 32 3.5 Other Provisions Reconciliation of movements in provisions Makegood Remote locality Total $ ’ 000 $ ’ 000 $ ’ 000 As at 1 July 2022 2,969 748 3,717 Additional provisions made 296 - 296 Finance cost 84 - 84 Amounts used - (688) (688) Amounts reversed on reassessment (69) - (69) Gain on reversal of provision (117) (60) (177) Total as at 30 June 2023 3,163 - 3,163 The NIAA currently has 28 (2022: 28) agreements for the leasing of premises which have provisions requiring NIAA to restore the premises to their original condition (i.e make good) at the conclusion of the lease. The provision for remote locality was raised during 2021-22 based on the expected future payments to employees relating to an underpayment of remote locality allowance entitlements. The underpayment for the period 1 July 2019 to 2 August 2021 specifically relates to employees who were located in seven remote locations during that period. This provision was settled during 2022-23. Accounting Policy The NIAA recognises a provision when it has a legal or constructive obligation to make a payment, it is probable that the payment will be made, and the amount can be reliably measured. Provision for the restoration of leased premises (make good) is based on an estimate of future obligations relating to the underlying assets. The provision for remote locality is based on an estimate of the nominal value of amounts payable. The estimated obligations are based on the number of employees located in the affected areas and the entitlements payable as determined under the Australian Public Service Enterprise Award 2015. 164 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 33 4. Assets and Liabilities Administered on Behalf of Government This section analyses assets used to conduct operations and the operating liabilities incurred as a result the National Indigenous Australians Agency does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting. 4.1 Administered - Financial Assets 2023 2022 $'000 $'000 Note 4.1A: Cash and cash equivalents Cash on hand or on deposit - 94 Aboriginals Benefit Account - Special Account 10,461 12,197 Cash held in the Official Public Account - Special Account 89,187 40,859 Total cash and cash equivalents 99,648 53,150 There were no amounts held in trust in the closing balance of cash in special accounts in 2022-23 (2021-22: $0). See note 5.2 Special Accounts. Note 4.1B: Trade and other receivables Other receivables Statutory receivables 19,080 12,463 Interest receivable 23,056 4,445 Grants receivable 16,872 15,822 Lease rental receivable 211 295 Other - 182 Total other receivables 59,219 33,207 Total trade and other receivables (gross) 59,219 33,207 Less expected credit loss allowance Grant receivables (14,684) (14,370) Total expected credit loss allowance (14,684) (14,370) Total trade and other receivables (net) 45,535 18,837 Note 4.1C: Other financial assets Long-term debt arrangement 720 720 Total other financial assets 720 720 During 2021-22, the NIAA entered into a deed of forbearance and repayment in relation to the recovery of unspent grant funding with one organisation. The above disclosure should be read in conjunction with the accompanying note 7.3 Financial Statements 165 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 34 Intangibles Asset Class 2023 2022 Land 30 to 99 years 30 to 99 years Buildings 22 to 30 years 22 to 30 years Intangibles 0 to 80 years 0 to 80 years Intangibles Intangibles comprise the copyright to the Aboriginal Flag. This asset is carried at cost less accumulated amortisation and accumulated impairment losses. 4.2 Administered - Non-Financial Assets Note 4.2: Reconciliation of the opening and closing balances of property, plant and equipment Land Buildings Intangibles Total $ ’ 000 $ ’ 000 $ ’ 000 $ ’ 000 As at 1 July 2022 Gross book value 11,724 298 20,050 32,072 Accumulated depreciation and impairment (673) (149) (107) (929) Total as at 1 July 2022 11,051 149 19,943 31,143 Depreciation and amortisation - - (260) (260) Depreciation on right-of-use assets (142) (18) - (160) Disposals of right-of-use assets (2,945) - - (2,945) Remeasurement of right-of-use assets 13 12 - 25 Total as at 30 June 2023 7,977 143 19,683 27,803 Total as at 30 June 2022 represented by Gross book value 8,426 292 20,050 28,768 Accumulated depreciation and impairment (449) (149) (367) (965) Total as at 30 June 2023 7,977 143 19,683 27,803 Carrying amount of right-of-use assets 7,977 143 - 8,120 Accounting Policy Depreciation The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. Depreciation rates applying to each class of depreciable asset are based on the following useful lives (lease term) for the current reporting period: 166 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 35 4.3 Administered - Payables 2023 2022 $'000 $'000 Note 4.3A: Grants Public sector Australian Government entities (related parties) 1,696 1,780 State and Territory Governments 4,240 593 Local Governments 1,272 1,483 Private sector Commercial entities 848 3,857 Non-profit organisations 35,448 21,953 Total grants 43,505 29,666 All grant payables are expected to be settled in no more than 12 months. Note 4.3B: Other payables Other payables 1,224 2,791 Total other payables 1,224 2,791 Other payables primarily consists of payables from the ABA special account relating to township leasing arrangements and are expected to be settled in no more than 12 months. Note 4.3C: Personal benefits Territories Stolen Generations Redress Scheme 504 1,087 Total personal benefits 504 1,087 The Territories Stolen Generations Redress Scheme (the Scheme) opened on 1 March 2022 and provides survivors a one-off payment in recognition of the harm caused by forced removal, a one-off healing assistance payment and the opportunity to participate in a Personal Acknowledgement. To facilitate the timely provision of payments and services to survivors, the NIAA administers the Scheme. The payable balance represents the value of unsettled personal benefits payments that have been offered and accepted by applicants under the Scheme at reporting date. Note 4.3D: NTAIC Payables NTAIC Payables 117,596 - Total NTAIC Payables 117,596 - The payable balance represents the value of unsettled NTAIC payments payable under subsection 64AA(3) of the ALRA at reporting date. Financial Statements 167 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 36 4.4 Administered - Interest Bearing Liabilities 2023 2022 $'000 $'000 Note 4.4: Leases Lease liabilities 329 345 Total leases 329 345 Total cash outflow for leases is disclosed in the Administered Cash Flow Statement under principal payments of lease liabilities and interest payments on lease liabilities. Maturity analysis - contractual undiscounted cash flows Within 1 year 39 42 Between 1 to 5 years 156 144 More than 5 years 161 180 Total undiscounted lease payments payable 356 366 The NIAA in its capacity as lessee has a total of four administered leases distributed between property and land leases (2022: 11). They are all variable rent leases managed through contracts. The NIAA as a representative of the Commonwealth is a party to a number of peppercorn leases with the Traditional landowners/Land Trusts and the Northern Territory Government in a number of locations throughout the Northern Territory. These arrangements are to support the National Partnership Agreement for Remote Housing in the Northern Territory. The lease payments are recognised at nominal value. The above lease disclosures should be read in conjunction with the accompanying accounting policy notes 2.1B and 4.2 4.5 Administered - Provisions Reconciliation of movements in provisions NTAIC Personal benefits Total $ ’ 000 $ ’ 000 $ ’ 000 Carrying amount 1 July 2022 - 4,510 4,510 Additional provisions made 500,000 8,207 508,207 Amounts used - (4,510) (4,510) Total as at 30 June 2023 500,000 8,207 508,207 The NTAIC provision represents the value of payments to the NTAIC payable under subsection 64AA(1) of the ALRA. The entire amount of $500 million must be paid within 30 days after the first ***strategic*** investment plan for the NTAIC is laid before a House of the Parliament. This is likely to be settled by 30 June 2024 and will be funded from the ABA Special Account. The Territories Stolen Generations Redress Scheme (the Scheme) opened on 1 March 2022 and provides survivors a one-off payment in recognition of the harm caused by forced removal, a one-off healing assistance payment and the opportunity to participate in a Personal Acknowledgement. To facilitate the timely provision of payments and services to survivors, the NIAA administers the Scheme. Accounting judgements and estimates The personal benefits provision for payments under the Territories Stolen Generations Redress Scheme is based upon the total monetary payment that is offered to survivors under the scheme that has not yet been accepted by the applicant at the reporting date. 168 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 37 5. Funding This section identifies the National Indigenous Australians Agency funding structure. 5.1 Appropriations Note 5.1A: Annual and unspent appropriations ('recoverable GST exclusive') 2023 2022 $'000 $'000 Ordinary annual services Annual appropriation Operating 385,139 274,114 Capital budget¹ 11,776 16,563 Section 74 receipts 20,361 14,524 Total available appropriation 417,276 305,201 Appropriation applied in 2023 (current and prior years) (369,915) (286,109) Variance 47,361 19,092 Opening unspent appropriation balance 103,407 84,315 Repealed Appropriation Act No 1 & 3, 2019-20² (9,350) - Closing unspent appropriation balance 141,418 103,407 Balance comprises appropriations as follows: Appropriation Act (No. 1) 2019-20 - 2,100 Appropriation Act (No. 3) 2019-20 - 7,250 Appropriation Act (No. 1) 2020-21² 9,456 9,456 Appropriation Act (No.1) 2020-21 - Capital Budget (DCB) - 4,815 Appropriation Act (No.1) 2021-22 - Capital Budget (DCB)² 13,673 16,563 Appropriation Act (No. 1) 2021-22² 3,080 43,973 Appropriation Act (No. 3) 2021-22² 5,858 19,244 Appropriation Act (No. 1) 2021-22 - Cash held by the agency - 6 Appropriation Act (No. 1) 2022-23² 96,416 - Appropriation Act (No. 3) 2022-23 396 - Supply Act (No. 1) 2022-23 Departmental Capital Budget (DCB) 4,907 - Supply Act (No. 3) 2022-23 Departmental Capital Budget (DCB) 6,869 - Supply Act (No. 1) 2022-23 Operating 3 - Supply Act (No. 3) 2022-23 Operating 760 - Total unspent appropriation - ordinary annual services 141,418 103,407 Other services Annual appropriation Equity injections 2,101 2,101 Total available appropriation 2,101 2,101 Appropriation applied in 2023 (current and prior years) (4,628) (1,083) Variance (2,527) 1,018 Opening unspent appropriation balance 4,807 3,789 Closing unspent appropriation balance 2,280 4,807 Balance comprises appropriations as follows: Appropriation Act (No 2) 2020-21 - Non Operating Equity Injection - 2,167 Supply Act (No. 2) 2020-21 - Non Operating - Equity Injection - 539 Appropriation Act (No 2) 2021-22 - Non Operating Equity Injection 179 2,101 Supply Act (No. 2) 2022-23 - Non Operating Equity Injections 875 - Supply Act (No. 4) 2022-23 Non Operating Equity Injections 1,226 - Total unspent appropriation - ordinary annual services 2,280 4,807 ¹Departmental Capital Budgets are appropriated through Appropriation Acts (No.1.3.5). They form part of ordinary annual services and are not separately identified in the Appropriations Acts. Financial Statements 169 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 38 ² The Departmental unspent annual appropriation is shown inclusive of Section 51 quarantines against Appropriation Act (No. 1) 2020-21 of $9.456 million, Appropriation Act (No. 1 ) Departmental Capital Budget 2021-22 of $4.418 million, Appropriation Act (No. 1) 2021-21 of $3.080 million, Appropriation Act (No.3) 2021-22 of $5.858 million and Appropriation Act (No. 1) 2022-23 of $45.494 million. Note 5.1B: Administered annual and unspent appropriations ('recoverable GST exclusive') 2023 2022 $'000 $'000 Ordinary annual services Annual appropriation Operating 1,744,529 1,483,435 Section 74 receipts 21,613 271 Section 75 transfers1 - 40,000 Total available appropriation 1,766,142 1,523,706 Appropriation applied (current and prior years) (1,590,978) (1,447,751) Variance 175,164 75,955 Opening unspent appropriation balance 125,194 52,577 Repealed Appropriation Act (No. 1) 2018-19 - (3,338) Repealed Appropriation Act (No. 1) 2019-20 (6,143) - Closing unspent appropriation balance 294,215 125,194 Balance comprises appropriations as follows:2 Appropriation Act (No. 1) 2019-20 - 6,143 Appropriation Act (No. 1) 2020-21 8,918 8,918 Appropriation Act (No. 1) 2021-22 56,449 93,023 Appropriation Act (No. 3) 2021-22 16,633 17,110 Appropriation Act (No. 1) 2022-23 103,515 - Appropriation Act (No. 3) 2022-23 2,390 - Appropriation Supply Act (No. 3) 2022-23 106,310 - Total unspent appropriation - ordinary annual services 294,215 125,194 Other services Annual appropriation States, ACT, NT and Local government 3,635 3,635 Total available appropriation 3,635 3,635 Appropriation applied in 2022 (current and prior years) (3,635) (3,635) Variance - - Total unspent appropriation 294,215 125,194 1 Section 75 transfer were made from the Department of ***Agriculture***, Water and the Environment transferring responsibility for the Aboriginal Water Entitlements Program in 2022. 2 The administered unspent annual appropriation is shown inclusive of Section 51 withholdings against Appropriation Act (No.1) 2020-21 of $8.918 million, Appropriation Act (No.1) 2021-22 of $40 million, Appropriation Act (No.1) 2021-22 of $16.449 million, Appropriation Act (No.3) 2021-22 of $16.633 million and Appropriation Act (No.1) 2022-23 of $9.194 million. 170 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 39 Note 5.1C: Special appropriations ('recoverable GST exclusive') Authority Appropriation Applied 2023 2022 $'000 $'000 Aboriginal Land Rights (Northern Territory) Act 1976¹ 1,153 1,075 Higher Education Support Act 2003 74,249 72,647 Total 75,402 73,722 ¹Appropriation for royalty equivalent income to the Aboriginals Benefit Account is now credited directly to the special account under section 63 of the Aboriginal Land Rights (Northern Territory) Act 1976. There were no transactions during 2022-23 or 2021-22 for special appropriations Indigenous Education (Targeted Assistance) Act 2000, section.13 and Native Title Act 1993 sub-section.54(2). Financial Statements 171 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 40 5.2 Special Accounts Aboriginals and Torres Strait Islander Corporations Unclaimed Money Account1 Aboriginals Benefit Account2 Indigenous Land and Sea Corporation Funding Special Account3 Indigenous Remote Service Delivery Special Account4 Services for Other Entities and Trust Moneys5 2023 2022 2023 2022 2023 2022 2023 2022 2023 2022 $'000 $'000 $'000 $'000 $'000 $'000 $'000 $'000 $'000 $'000 Balance brought forward from previous period 1,024 1,024 12,197 9,710 - - 38,713 30,752 1,123 1,732 Increases Administered Appropriation credited to special account - - 383,115 349,330 - - 50,430 15,230 660 - Proceeds from sales of investments - - 1,551,000 1,486,900 - - - - - - Interest receipts - - 25,372 5,776 - - - - - - Other receipts - - 3,447 3,198 58,176 55,724 - 2,000 2,161 2,015 Total increase - - 1,962,934 1,845,204 58,176 55,724 50,430 17,230 2,821 2,015 Available for payments 1,024 1,024 1,975,131 1,854,914 58,176 55,724 89,143 47,982 3,944 3,747 Decreases: Administered Purchase of investments - - (1,592,000) (1,522,000) - - - - - - Payments made - - (372,670) (320,717) (58,176) (55,724) (3,285) (9,269) (1,639) (2,624) Total administered decreases - - (1,964,670) (1,842,717) (58,176) (55,724) (3,285) (9,269) (1,639) (2,624) Total balance carried to next period 1,024 1,024 10,461 12,197 - - 85,858 38,713 2,305 1,123 Balance represented by: Cash held in NIAA bank accounts - - 10,461 12,197 - - - - - - Cash held in the Official Public Account 1,024 1,024 - - - - 85,858 38,713 2,305 1,123 Total balance carried to next period 1,024 1,024 10,461 12,197 - - 85,858 38,713 2,305 1,123 There were no amounts held in trust in the Services for Other Entities and Trust Moneys Special Account in 2022-23 or 2021-22. 172 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 41 1Appropriation: Public Governance, Performance and Accountability Act 2013; section 80 Establishing Instrument: Corporations (Aboriginal and Torres Strait Islander) Act 2006; section 551-20 Purpose: To administer unclaimed moneys received by the Registrar of Aboriginal and Torres Strait Islander Corporations. This account is non-interest bearing. 2Appropriation: Public Governance, Performance and Accountability Act 2013; section 80 Establishing Instrument: Aboriginal Land Rights (Northern Territory) Act 1976; sections 62, 63, 64 and 65 Purpose: For the receipt and disbursement of the equivalent of mining royalty moneys derived from mining operations on Aboriginal land in the Northern Territory. This account is interest bearing. 3Appropriation: Public Governance, Performance and Accountability Act 2013; section 80 Establishing Instrument: Section 12 of the Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018 (ATSILSFF Act). Purpose: To make payments to the Indigenous Land and Sea Corporation. This account is non-interest bearing. 4Appropriation: Public Governance, Performance and Accountability Act 2013; section 78 Establishing Instrument: PGPA Act Determination (IRSD Special Account 2020) Purpose: To support high priority projects in remote Indigenous communities and to develop, promote, assist or improve the design, delivery and coordination of governance, community development, infrastructure and services in remote Indigenous communities. This account is non-interest bearing. 5Appropriation: Public Governance, Performance and Accountability Act 2013; section 78 Establishing Instrument: PGPA Act Determination (NIAA SOETM Special Account 2020) Purpose: To disburse an amount held on trust or otherwise for the benefit of a person other than the Commonwealth. This account is non-interest bearing. Aboriginal Advancement Account The Aboriginal Advancement Account was established under section 80 of the PGPA Act. Establishing Instrument: Aboriginal Land (Lake Condah and Framlingham Forest) Act 1987, section 38 The purpose of the account is for furthering the social and economic advancement of Aboriginal people living in Victoria. There were no transactions credited or debited to the special account during 2022-23 (2021-22: nil). Financial Statements 173 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 42 5.3 Net Cash Appropriation Arrangements Note 5.3: Net cash appropriation arrangements 2023 2022 $'000 $'000 Total comprehensive income / loss- as per the Statement of Comprehensive Income (20,681) 2,488 Plus: depreciation/amortisation of assets funded through appropriations (departmental capital budget funding and/or equity injections)¹ 13,535 12,888 Plus: depreciation of ROU assets 16,254 16,683 Less: lease principal repayments ² (14,452) (14,283) Less: other comprehensive income from changes in asset revaluation surplus (3,623) (7,965) Net cash operating surplus (8,967) 9,811 ¹From 2010-11, the Government introduced net cash appropriation arrangements where revenue appropriations for depreciation/amortisation expenses replaced with a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required. ²The inclusion of depreciation/amortisation expenses related to ROU leased assets and the lease liability principal repayment amount reflects the cash impact on implementation of AASB 16 Leases, it does not directly reflect a change in appropriation arrangements. 174 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 43 6. People and Relationships This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people. 6.1 Employee Provisions 2023 2022 $'000 $'000 Note 6.1A: Employee provisions Annual leave 18,345 16,595 Long service leave 36,654 32,819 Total employee provisions 54,999 49,414 Accounting Policy Employee benefits Liabilities for ‘short-term employee benefits ’ and termination benefits due within 12 months of the end of the reporting period are measured at their nominal amounts. Leave The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the NIAA is estimated to be less than the annual entitlement for sick leave. The leave liabilities are calculated on the basis of employees ’ remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the NIAA ’ s employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. The liability for long service leave has been determined by reference to the work of an actuary from the Australian Government Actuary (AGA). The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. Separation and redundancy A liability is made for separation and redundancy benefit payments. The NIAA recognises a liability for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations. Once an employee accepts a redundancy and is terminated by the CEO (delegate) under section 29 of the Public Service Act 1999 on the grounds that they are excess to requirements, the employee is entitled to two weeks salary for each completed year of continuous service, plus pro-rata payment for completed months of service since the last completed year of service. The minimum amount payable is four weeks and the maximum is 48 weeks salary and includes the employee ’ s final entitlements, less any outstanding debt owed by the employee to the NIAA. Superannuation The NIAA ’ s staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or another superannuation fund held outside the Australian Government. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance ’ s administered schedules and notes. The NIAA makes employer contributions to the employees' superannuation scheme. For Commonwealth defined benefits schemes, these rates are determined by an actuary to be sufficient to meet the current cost to the Government. The NIAA accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June 2023 represents outstanding contributions for the final fortnight of the year. Financial Statements 175 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 44 2023 2022 $'000 $'000 Note 6.1B: Administered employee provisions Annual leave 7 2 Long service leave 2 - Total employee provisions 9 2 6.2 Key Management Personnel Remuneration Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the NIAA. The NIAA has determined KMP of the NIAA to be the Minister for Indigenous Australians, the Assistant Minister for Indigenous Australians and members of the NIAA Executive Board. This includes the CEO, Deputy CEO ’ s, COO and Group Managers on a rotational basis. KMP remuneration is reported below: Short-term employee benefits 2,225 2,151 Post-employment benefits 298 315 Other long-term employee benefits 82 105 Total key management personnel remuneration expenses 2,605 2,571 The total number of key management personnel included in the above table is 12 (2022: 11). Included in that number are 2 (2022: 2) staff members who worked for the full-year and 10 (2022: 9) staff members who worked a part-year due to rotational changes and acting arrangements in the Executive Board membership. The Minister and Assistant Minister ’ s remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the NIAA. Key management personnel on acting arrangements are included where the length of the arrangement is longer than two months. 6.3 Related Party Disclosures Related party relationships: The NIAA is an Australian Government controlled entity. Related parties to the NIAA are KMP, Cabinet Ministers and other Australian Government entities. Transactions with related parties: Given the breadth of Government activities, related parties may transact with the Government sector in the same capacity as ordinary citizens. The NIAA transacts with other Australian Government controlled entities for normal day-to day business operations provided under normal terms and conditions or on a cost recovery basis. This includes shared service arrangements received for the provision of HR, IT and finance related functions, secondee ’ s and the collection of rental income. These transactions have not been separately disclosed in this note. Giving consideration to the relationships with related parties and the transactions entered into during the year, it has been determined that there were no related party transactions to be separately disclosed. 176 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 45 7. Managing Uncertainties This section analyses how the National Indigenous Australians Agency manages financial risks within its operating environment. 7.1 Contingent Assets and Liabilities Note 7.1A: Contingent assets and liabilities Unquantifiable contingent liabilities - claims for damages and costs Claims have been made against the Australian Government in relation to its administration of the Northern Territory prior to self-government, including a number of individual claims by former residents of various institutions including the Garden Point Mission, Somerville Cottage Homes, Palmerston House, St Mary ’ s Hostel and Lutheran Cottage Homes and a class action brought by claimants who allege that their wages were unjustly withheld, inadequate or not paid between 1933 and 1971. Some of the claims have been settled during 2022-23, with the remainder still being assessed. The NIAA is currently managing claims brought by individuals for personal injury damages arising out of sexual abuse allegedly suffered at the hands of an employee of a former Commonwealth statutory agency in New South Wales during the 1980s and early 1990s. NIAA has been identified as the responsible Commonwealth Agency to now manage these claims and they are currently being assessed. Accounting Policy Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote. Note 7.1B: Administered contingent assets and liabilities The Territories Stolen Generations Redress Scheme The Territories Stolen Generations Redress Scheme (the Scheme) opened for applications on 1 March 2022 with relevant legislative changes required to implement the Scheme receiving royal assent in December 2021. The Scheme provides survivors a one-off payment in recognition of the harm caused by forced removal, a one-off healing assistance payment and the opportunity to participate in a Personal Acknowledgement. To facilitate the timely provision of payments and services to survivors, the NIAA administers the Scheme. As at 30 June 2023, the NIAA has an administered unquantifiable contingent liability in relation to estimated applications not yet received under the Scheme. As at 30 June 2023, the NIAA has an administered quantifiable contingent liability of $38.217 million in relation to applications received but not assessed under the Scheme (2022: $16.646 million). The amount is based on the number of applications submitted but not yet assessed, the average number of applications approved (historical) and estimated average payment values. ABA Special Account As at 30 June 2023, the NIAA has an administered unquantifiable contingent liabilities via the ABA special account in relation to unapproved payment obligations to be made under subsection 64(1) and 64AA(4) of the ALRA each financial year. These payment obligations are in relation to future annual operational funding to be paid to the four NT Land Councils and the NTAIC. Estimates for funding are submitted to the Minister for Indigenous Australians for approval annually and are distributed on a quarterly basis during each financial year. Given that future funding amounts are subject to submission and approval by the Minister for Indigenous Australians, they cannot be reliably estimated as 30 June 2023. Financial Statements 177 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 46 7.2 Financial Instruments 2023 2022 $'000 $'000 Note 7.2A: Categories of financial instruments Financial assets at amortised cost Cash and cash equivalents - 6 Goods and services receivables (net) 5,399 3,698 Total financial assets at amortised cost 5,399 3,704 Total financial assets 5,399 3,704 Financial liabilities measured at amortised cost Suppliers 10,658 10,227 Other payables 7,235 5,479 Total financial liabilities measured at amortised cost 17,893 15,706 Total financial liabilities 17,893 15,706 178 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 47 2023 2022 $'000 $'000 Note 7.2B: Net losses on financial assets Financial assets at amortised cost Impairment (100) (6) Net (losses) on financial assets at amortised cost (100) (6) Net (loss) from financial assets (100) (6) Accounting Policy Financial assets The NIAA classifies its financial assets in the following categories: a) financial assets at fair value through profit or loss; b) financial assets at fair value through other comprehensive income; and c) financial assets measured at amortised cost. The classification depends on both the NIAA's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the NIAA becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date. The NIAA does not hold any financial assets at fair value through profit or loss or at fair value through other comprehensive income. Financial assets at amortised cost Financial assets included in this category need to meet two criteria: 1. the financial asset is held in order to collect the contractual cash flows; and 2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount. Amortised cost is determined using the effective interest method. Effective interest method Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost. Impairment of financial assets Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses. Using the general approach, the loss allowance is based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased. The simplified approach for trade and contract receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses. Financial liabilities Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Financial liabilities are recognised and derecognised upon ‘trade date ’ . Settlement of supplier payables is usually made within 30 days. Financial Statements 179 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 48 44 7.3 Administered - Financial Instruments 2023 2022 $'000 $'000 Note 7.3A: Categories of financial instruments Financial assets at amortised cost Bank term deposits 1,435,000 1,394,000 Cash and cash equivalents 99,648 53,150 Interest receivable 23,056 4,445 Grants receivable (net) 2,188 1,452 Lease rental receivable 211 295 Other receivables - 182 Other financial assets 720 720 Total financial assets at amortised cost 1,560,823 1,454,244 Total financial assets 1,560,823 1,454,244 Financial liabilities measured at amortised cost Suppliers 4,313 3,181 Grants 43,505 29,666 Other payables 1,224 2,791 Personal benefits 504 1,087 NTAIC Payables 117,595 - Total financial liabilities measured at amortised cost 167,141 36,725 Total financial liabilities 167,141 36,725 Accounting Policy Investment activities are conducted in accordance with the requirements of section 58 of the PGPA Act. Investments are typically low risk and take the form of term deposits. The duration of the term deposits are typically for terms of between six months to three years. The investment objective of the NIAA is to comply with legislative obligations under the PGPA Act and the ALRA. Investment practices are also governed by the investment policy of the NIAA, which requires the management of the portfolio to respond to positive investment opportunities in the market so as to achieve the best possible returns for the account within the legislative framework. The investment portfolio and bank accounts are managed to ensure sufficient funds are available for payments as required. The asset allocation of the investment portfolio as at 30 June 2023 is 100% (2022:100%) with Australian banks. 180 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 49 2023 2022 $'000 $'000 Note 7.3B: Net gains or losses on financial assets Financial assets at amortised cost Interest 43,993 7,573 Reversal of impairment losses 9 2,731 Impairment loss on financial instruments (2,230) (1,291) Net gains/(losses) on financial assets at amortised cost 41,772 9,013 Financial Statements 181 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 50 8. Other Information 8.1 Current/Non-Current Distinction for Assets and Liabilities Note 8.1A: Current/non-current distinction for assets and liabilities 2023 2022 $'000 $'000 Assets expected to be recovered in: No more than 12 months Cash and cash equivalents - 6 Trade and other receivables 81,818 87,281 Prepayments 2,795 2,588 Assets held for sale 806 1,362 Total no more than 12 months 85,419 91,237 More than 12 months Prepayments 110 258 Property, plant and equipment 178,439 183,019 Intangibles 13,427 12,587 Total more than 12 months 191,976 195,864 Total assets 277,395 287,101 Liabilities expected to be settled in: No more than 12 months Suppliers 10,658 10,227 Other payables 7,235 5,479 Leases 13,702 12,553 Employee provisions 17,492 15,192 Other provisions 804 1,402 Total no more than 12 months 49,891 44,853 More than 12 months Leases 89,890 94,466 Employee provisions 37,507 34,222 Other provisions 2,359 2,315 Total more than 12 months 129,756 131,003 Total liabilities 179,647 175,856 182 NIAA Annual Report 2022 – 23 National Indigenous Australians Agency Notes to and forming part of the financial statements for the period ended 30 June 2023 Page 51 2023 2022 $'000 $'000 Note 8.1B: Administered - current/non-current distinction for assets and liabilities Assets expected to be recovered in: No more than 12 months Cash and cash equivalents 99,648 53,150 Trade and other receivables 43,845 18,217 Term deposits 1,323,000 1,314,000 Prepayments 1,269 54 Total no more than 12 months 1,467,762 1,385,421 More than 12 months Trade and other receivables 690 620 Other financial assets 720 720 Term deposits 112,000 80,000 Land and buildings 8,120 11,200 Intangibles 19,683 19,943 Total more than 12 months 141,213 112,483 Total assets 1,608,975 1,497,904 Liabilities expected to be settled in: No more than 12 months Suppliers 4,313 3,181 Grants 43,505 29,666 Other payables 1,224 2,791 Personal benefit liabilities 504 1,087 Personal benefit provision 8,207 4,510 Leases 5 38 Employee provisions 7 2 NTAIC payables 60,000 - NTAIC provision 500,000 - Total no more than 12 months 617,765 41,275 Liabilities expected to be settled in: More than 12 months Leases 324 307 Employee provisions 2 - NTAIC payables 57,595 - Total more than 12 months 57,921 307 Total liabilities 675,686 41,582 Financial Statements 183 184 NIAA Annual Report 2022 – 23 Aboriginals Benefit Account Independent Auditor ’ s Report GPO Box 707, Canberra ACT 2601 38 Sydney Avenue, Forrest ACT 2603 Phone (02) 6203 7300 INDEPENDENT AUDITOR ’ S REPORT To the Minister for Indigenous Australians Opinion In my opinion, the financial statements of the Aboriginals Benefit Account (the Entity) for the year ended 30 June 2023: (a) comply with Australian Accounting Standards – Simplified Disclosures and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and (b) present fairly the financial position of the Entity as at 30 June 2023 and its financial performance and cash flows for the year then ended. The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2023 and for the year then ended: • Statement by the Chief Executive Officer and Chief Financial Officer; • Statement of Comprehensive Income; • Statement of Financial Position; • Statement of Changes in Equity; • Cash Flow Statement; and • Notes to and forming part of the financial statements, comprising an Overview and a summary of significant accounting policies and other explanatory information. Basis for opinion I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor ’ s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board ’ s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) to the extent that they are not in conflict with the AuditorGeneral Act 1997. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. Accountable Authority ’ s responsibility for the financial statements As the Accountable Authority of the Entity, the Chief Executive Officer is responsible under the Public Governance, Performance and Accountability Act 2013 (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Section 64B(4) of the Aboriginal Land Rights (Northern Territory) Act 1976, sections 42 and 43 (other than subsection 43(4)) of the Public Governance, Performance and Accountability Act 2013 (which deal with annual financial statements for Commonwealth entities and audits of those statements), and rules made for the purposes of those sections, apply in relation to the Aboriginals Benefit Account as if the Aboriginals Benefit Account were a Commonwealth entity and the Chief Executive Officer were the accountable authority of that Commonwealth entity. In preparing the financial statements, the Chief Executive Officer is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity ’ s operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate. Auditor ’ s responsibilities for the audit of the financial statements My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor ’ s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control; • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity ’ s internal control; • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority; • conclude on the appropriateness of the Accountable Authority ’ s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity ’ s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor ’ s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor ’ s report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and • evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor ’ s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. Australian National Audit Office Peter Kerr Executive Director Delegate of the Auditor-General Canberra 15 September 2023 Financial Statements 185 186 NIAA Annual Report 2022 – 23 Aboriginals Benefit Account Financial Statements For the period ended 30 June 2023 ABORIGINALS BENEFIT ACCOUNT STATEMENT OF COMPREHENSIVE INCOME for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. 2 2023 2022 Notes $'000 $'000 NET COST OF SERVICES Expenses Payments to advisory committee members 85 77 Suppliers - services rendered 1,595 874 Grants 1.1A 62,774 60,159 Payments for township leases 1.1B 10,060 16,835 Payments associated with land councils administration 1.1C 109,341 137,212 Payments associated with land councils distributions 1.1D 113,697 104,886 Payments associated with NTAIC administration 1.1E 690,396 - Depreciation 2.2 119 203 Impairment loss on financial instruments 91 81 Write-down of non-financial assets 2.2 2,945 - Other expenses 1.1F 3,573 4,066 Total expenses 994,676 324,393 Own-Source Revenue and Gains Revenue Interest 1.2A 43,984 7,563 Lease income 1.2B 1,953 2,449 Resources received free of charge 1.2C 3,573 4,066 Other revenue 1,614 531 Total revenue 51,124 14,609 Gains Reversal of impairment allowance - 316 Total gains - 316 Total own-source revenue and gains 51,124 14,925 Net cost of services 943,552 309,468 Revenue from Government 1.2D 378,987 349,619 Surplus/(deficit) (564,565) 40,151 Total comprehensive income/(loss) (564,565) 40,151 Financial Statements 187 The above statement should be read in conjunction with the accompanying notes. ABORIGINALS BENEFIT ACCOUNT STATEMENT OF FINANCIAL POSITION as at 30 June 2023 The above statement should be read in conjunction with the accompanying notes. 3 2023 2022 Notes $'000 $'000 ASSETS Financial Assets Cash and cash equivalents 3.1 10,461 12,197 Trade and other receivables 2.1A 25,132 5,960 Investments - term deposits 4.2A 1,435,000 1,394,000 Other financial assets 2.1B 262 261 Total financial assets 1,470,855 1,412,418 Non-Financial Assets Land1 2.2 7,799 10,863 Prepayments – subsection 64(3) 1,269 54 Total non-financial assets 9,068 10,917 Total assets 1,479,923 1,423,335 LIABILITIES Payables NTAIC payable 2.3A 117,595 - Office of Township Leasing administrative liabilities 1,988 1,088 Other payables 2.3B 5,447 2,789 Total payables 125,030 3,877 Provisions NTAIC provision 2.4 500,000 - Total provisions 500,000 - Total liabilities 625,030 3,877 Net assets 854,893 1,419,458 EQUITY Retained surplus 854,893 1,419,458 Total equity 854,893 1,419,458 1Right-of-use (ROU) assets are included in the Land line item. 188 NIAA Annual Report 2022 – 23 The above statement should be read in conjunction with the accompanying notes. ABORIGINALS BENEFIT ACCOUNT STATEMENT OF CHANGES IN EQUITY for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. 4 2023 2022 $'000 $'000 TOTAL EQUITY - RETAINED EARNINGS Opening balance Balance carried forward from previous period 1,419,458 1,379,307 Total opening balance 1,419,458 1,379,307 Comprehensive income/(loss) Surplus/(deficit) for the period (564,565) 40,151 Total comprehensive income/(loss) (564,565) 40,151 Closing balance as at 30 June 854,893 1,419,458 Financial Statements 189 The above statement should be read in conjunction with the accompanying notes. ABORIGINALS BENEFIT ACCOUNT CASH FLOW STATEMENT for the period ended 30 June 2023 The above statement should be read in conjunction with the accompanying notes. 5 2023 2022 Notes $'000 $'000 OPERATING ACTIVITIES Cash received Appropriations 383,115 349,330 Net GST received 5,844 5,959 Lease income 2,232 2,613 Other cash received 1,215 582 Total cash received 392,406 358,484 Cash used Committee members 85 77 Suppliers 1,992 441 Grants 68,593 65,408 Payments for township leases 10,766 18,739 Payments associated with land councils administration 109,341 137,212 Payments associated with land councils distributions 114,936 104,799 Payments associated with NTAIC administration 72,801 - Total cash used 378,514 326,676 Net cash from operating activities 13,892 31,808 INVESTING ACTIVITIES Cash received Proceeds from sales of investments 1,551,000 1,486,900 Interest on investments 25,368 5,775 Repayment from other financial assets 4 4 Total cash received 1,576,372 1,492,679 Cash used Purchase of investments 1,592,000 1,522,000 Total cash used 1,592,000 1,522,000 Net cash used by investing activities (15,628) (29,321) Net increase/(decrease) in cash held (1,736) 2,487 Cash and cash equivalents at the beginning of the reporting period 12,197 9,710 Cash and cash equivalents at the end of the reporting period 3.1 10,461 12,197 190 NIAA Annual Report 2022 – 23 The above statement should be read in conjunction with the accompanying notes. Financial Statements 191 Overview 192 1. Financial Performance 195 1.1.Expenses 195 1.2.Own-Source Revenue and Gains 197 2. Financial Position 200 2.1.Financial Assets 200 2.2 Non-Financial Assets 201 2.3.Payables 202 2.4.Provisions 202 3. Funding 203 3.1.Special Accounts 203 4. Managing Uncertainties 203 4.1 Contingent Assets and Liabilities 203 4.2.Financial Instruments 204 5. Other Information 206 5.1 Current/Non-Current Distinction for Assets and Liabilities 206 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 7 Overview The Aboriginals Benefit Account ’ s (ABA) activities are classified as administered activities carried out by the National Indigenous Australians Agency (NIAA) on behalf of the Australian Government and are reported in the NIAA's administered financial statements for the period 1 July 2022 to 30 June 2023. In addition to being included in the NIAA's financial statements, the ABA prepares separate audited financial statements as required by the ALRA. The ABA is a special account for the purposes of the PGPA Act. The purpose of the ABA special account is the receipt and disbursement of the equivalent of mining royalty monies derived from mining operations on Aboriginal land in the Northern Territory. The address of the ABA ’ s registered office and principal place of business is as follows: National Indigenous Australians Agency Charles Perkins House 16 Bowes Street Philip ACT 2606 The Minister for Finance has granted the ABA an exemption under the FRR. The exemption applies to the following requirements of the FRR: (a) Sections 9, 32 and 33 of the FRR. The ABA is required to present its administered activities in departmental format, in accordance with current practice. (b) Divisions 2, 3, 4 and 5 of Part 6 of the FRR to the extent that the ABA has no appropriation transactions and balances other than through its special account. The financial statements and notes have been prepared in accordance with: • FRR; and • Australian Accounting Standards and Interpretations – including simplified disclosures for Tier 2 Entities under AASB 1060 issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period. The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or financial position. The financial statements are presented in Australian dollars. 192 NIAA Annual Report 2022 – 23 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 8 New Australian Accounting Standards Two amending standards (AASB 2021-2 and AASB 2021-6) were adopted earlier than the application date as stated in the standards (refer table below). These amending standards have been adopted for the 2022-23 reporting period and did not have a material effect on ABA ’ s financial statements. No other new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are expected to have a future material impact on the financial statements. Standard/Interpretation Nature of change in accounting policy, transitional provisions, and adjustment to financial statements AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2) and AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards (AASB 2021-6) AASB 2021-2 amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. The amending standard requires the disclosure of material, rather than significant, accounting policies, and clarifies what is considered a change in accounting policy compared to a change in accounting estimate. AASB 2021-6 amends the Tier 2 reporting requirements set out in AASB 1049, AASB 1054 and AASB 1060 to reflect the changes made by AASB 2021-2. The impacts of the changes in accounting policies and adjustments are disclosed in the relevant notes to the financial statements, except where implementation of the standards have resulted in a reduction in disclosures. This amending standard is not expected to have a material impact on the ABA ’ s financial statements for the current reporting period or future reporting periods. Compliance with statutory conditions for payments from the consolidated revenue fund The Australian Government monitors and assesses risks and decides on any appropriate action to respond to risks of expenditure not being consistent with constitutional or other legal requirements. During 2022-23 the NIAA reviewed the ABA ’ s exposure to the risk of non-compliance with statutory conditions of payments from appropriations, namely section 83 of the Commonwealth of Australia Constitution Act 1900 (the Constitution). The risk profile and internal controls to manage this risk continue to remain appropriate. The passing of amendments to the ALRA in December 2021 has resolved the previous technical risk of noncomplying with statutory conditions on payments from appropriations under section 83 of the Constitution, relating to the overpayments of mining royalties. Royalty payments are required to be made from the ABA based on royalties received by the Northern Territory or Australian Governments. The contraventions occurred when the royalties upon which the payments were based had been estimated at a value greater than the eventual actual value. The amended legislation allows the royalty payment to be made based on the purported royalty income (interim assessment) and provides the Minister for Indigenous Australians with powers to either offset any overpayments against future payments or cancel them. Financial Statements 193 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 9 The Minister for Indigenous Australians has approved the offset of all overpayments in 2022-23, totalling $1.519 million (2021-22: $0.088 million) against future payments. A prepayment has been recognised as at 30 June 2023 of $1.269 million (2021-22:$0.054 million) representing the overpayments that are still to be offset against future payments. The NIAA will continue to monitor the ABA ’ s level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Taxation The ABA is exempt from all forms of taxation except Mining Withholding Tax (MWT), Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). MWT is payable in respect of payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA. In accordance with the Income Tax (Mining Withholding Tax) Act 1979 the rate of MWT payable in respect of the payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA is 4% (2022: 4%). GST is payable on purchases made by the ABA where applicable. These amounts are recoverable from the Australian Taxation Office (ATO). Significant accounting judgements and estimates No accounting judgements or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Events after the reporting period There are no significant events that occurred after balance date which warranted disclosure, or must be brought to account in the financial statements. Related party disclosures Related parties to the ABA are key management personnel including the Minister for Indigenous Australians, and other Australian Government entities. The remuneration and other benefits of the Minister for Indigenous Australians are set by the Remuneration Tribunal and are not paid by the ABA. Given consideration to relationships with related entities, and transactions entered into during the reporting period by the ABA, there are no related party transactions to be separately disclosed. 194 NIAA Annual Report 2022 – 23 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 10 1. Financial Performance This section analyses the financial performance of the Aboriginals Benefit Account for the year ended 30 June 2023. 1.1 Expenses 2023 2022 $'000 $'000 Note 1.1A: Grants Public sector Australian Government entities (related parties) 679 - State Territory Governments 305 191 Local Governments 563 2,031 Private sector Non-profit organisations 35,607 31,535 Commercial entities 12,391 11,315 Homelands Project 11,259 13,088 Mining Withholding Tax 1,970 1,999 Total grants 62,774 60,159 Accounting Policy The ABA makes payments to or for the benefit of Aboriginals living in the Northern Territory under subsection 64(4) of the ALRA. A mining withholding tax is payable on grant payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA. A mining withholding tax is not payable on grant payments made from other income. Note 1.1B: Payments for township leases Office of Township Leasing administrative expenses 4,715 3,531 Community entity administrative expenses 3,660 10,748 Township leasing income returned 1,614 2,088 Mining Withholding Tax 71 468 Total payments for township leases 10,060 16,835 Accounting Policy Administrative expenses have been recognised when the relevant expense is incurred. Office of Township Leasing (OTL) administrative expenses The Executive Director of Township Leasing (EDTL) is responsible for the day to day management of the OTL, a statutory appointment under the ALRA. The OTL ’ s aim is to enhance the economic development of communities through its leasing activities. The EDTL is responsible for managing, on behalf of the Australian Government, any township leases entered into with Indigenous communities in the Northern Territory as specified under section 19A of the ALRA. The OTL manages the head lease over the specified township and negotiates any sub-leasing to commercial entities, government agencies, community organisations and others. Community Entity administrative expenses Under section 3AAA of the ALRA, the Minister for Indigenous Australians can approve any organisation as a Commonwealth entity to hold a township lease. Government policy allows for a community entity representative of traditional owners and community members to be approved to hold and administer a section 19A township lease. Community entities may be provided with funding from the ABA at the direction of the Minister for Indigenous Australians for the purpose of acquiring and administrating a township lease under subsection 64(4A) of the ALRA. Township leasing income returned Head lease agreements include provisions for the payment of variable lease rentals to the Traditional Owners through the land councils (referred to as bonus or annual lease rentals). These payments comprise of sub-lease rental income generated above the initial incentive payment. Financial Statements 195 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 11 2023 2022 $'000 $'000 Note 1.1C: Payments associated with land councils administration Subsection 64(1) payments: Northern Land Council 53,875 58,491 Mining Withholding Tax 2,245 2,437 Sub-total Northern Land Council 56,120 60,928 Central Land Council 37,628 49,940 Mining Withholding Tax 1,568 2,081 Sub-total Central Land Council 39,196 52,021 Tiwi Land Council 5,482 10,010 Mining Withholding Tax 228 417 Sub-total Tiwi Land Council 5,710 10,427 Anindilyakwa Land Council 7,982 13,283 Mining Withholding Tax 333 553 Sub-total Anindilyakwa Land Council 8,315 13,836 Total payments associated with land councils for administration 109,341 137,212 Accounting Policy Land councils obtain funding based on their operational requirements in accordance with subsection 64(1) of the ALRA. Estimates for funding are submitted to the Minister for Indigenous Australians for approval and are distributed to land councils on a quarterly basis during the financial year. Payments to land councils are recognised as an expense when the payment obligation is enforceable. A mining withholding tax of 4% of the total amount paid to land councils is withheld and paid to the ATO. Note 1.1D: Payments associated with land councils distributions Subsection 64(3) payments: Northern Land Council 13,195 15,284 Mining Withholding Tax 550 637 Sub-total Northern Land Council 13,745 15,921 Central Land Council 36,800 38,273 Mining Withholding Tax 1,533 1,595 Sub-total Central Land Council 38,333 39,868 Anindilyakwa Land Council 59,154 47,133 Mining Withholding Tax 2,465 1,964 Sub-total Anindilyakwa Land Council 61,619 49,097 Total payments associated with land councils distributions 113,697 104,886 Accounting Policy In accordance with subsections 64(3) and 35(2) of the ALRA, 30% of the royalty equivalents, received in respect of mining on Aboriginal land, are paid to the land councils for distribution to Aboriginal associations, communities or groups, for the benefit of those Aboriginal people who are affected by mining operations. A mining withholding tax of 4% on these payments to land councils is withheld and paid to the ATO. 196 NIAA Annual Report 2022 – 23 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 12 2023 2022 $'000 $'000 Note 1.1E: Payments associated with NTAIC administration Payments under s64AA(1) - initial one-off endowment 500,000 - Payments under s64AA(3) - establishment purposes 177,595 - Payments under s64AA(4) - administrative and capital costs 9,889 - Mining Withholding Tax 2,912 - Total payments associated with NTAIC administration 690,396 - Accounting Policy A new corporate Commonwealth entity, the Northern Territory Aboriginal Investment Corporation (NTAIC), was established during 2022-23. The NTAIC is funded through the ABA. The NTAIC will receive an initial one-off endowment under subsection 64AA(1) of the ALRA. A single amount of $500 million is to be paid within 30 days after their first ***strategic*** investment plan is laid before a House of the Parliament, currently anticipated to be paid at the end of the 2023-24 financial year. This payment obligation is a constructive obligation and has been recognised as an expense at the commencement of the NTAIC. Funding is also obtained by the NTAIC under subsection 64AA(3) of the ALRA in relation to three $60 million payments, with one paid during May 2023 and the final two payments due on 1 July 2023 and 1 July 2024 respectively. These payment obligations were legislated to provide funding certainty for the NTAIC for a certain period of time whilst the NTAIC establishes its core operations. These payment obligations have been recognised as an expense at the commencement of the NTAIC. The NTAIC obtains funding based on its operational requirements in accordance with subsection 64AA(4) of the ALRA. An estimate for funding is submitted to the Minister for Indigenous Australians for approval and is distributed to NTAIC during the financial year. Payments to the NTAIC are recognised as an expense when the payment obligation is enforceable. All payments associated with the NTAIC have been recognised at amortised cost. A Mining Withholding Tax of 4% of the total amount paid to the NTAIC is withheld and paid to the ATO. The above disclosure should be read in conjunction with the accompanying notes 2.3A, 2.4 and 4.1 Note 1.1F: Other expenses Salaries and operating expenses1 3,573 4,066 Total other expenses 3,573 4,066 1 Expenses associated with the administration of the ABA were received from the NIAA and for the financial statements audit from the Australian National Audit Office (ANAO) as resources received free of charge. Refer to Note 1.2C 1.2 Own-Source Revenue and Gains REVENUE Note 1.2A: Interest Term deposits 43,530 7,555 Interest bearing bank account 449 4 Unwinding of discount on long term debt arrangement 5 4 Total interest 43,984 7,563 Accounting Policy Interest revenue is recognised using the effective interest method. Financial Statements 197 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 13 2023 2022 $'000 $'000 Note 1.2B: Lease income Lease - Wurrumiyanga 928 887 Lease - Groote 220 765 Lease - Milikapiti 300 253 Lease - Wurankuwu 17 14 Lease - Pirlangimpi 321 347 Lease - Mutitjulu 167 183 Total lease income 1,953 2,449 Accounting Policy The ABA receives lease income for the sub-leasing of property held under township head leases in the Northern Territory, held by the EDTL. Lease income is recognised when received by the ABA from sub-lease arrangements. Refer to Note 1.1B Maturity analysis of operating lease income receivables Within 1 year 1,664 2,362 1 to 2 years 1,638 2,344 2 to 3 years 1,617 2,320 3 to 4 years 1,617 2,300 4 to 5 years 1,617 2,295 More than 5 years 9,097 14,348 Total undiscounted lease payments receivable 17,250 25,969 The EDTL sub-leases its various properties held under township head leases to individuals and agencies in remote and regional areas in the Northern Territory. The EDTL manages the risks associated with any rights it retains in the underlying asset through the use of contract and memorandum of understanding arrangements, appropriate insurance coverage, engagement of a licensed property manager for rental management services, and documented arrears management procedures. Note 1.2C: Resources received free of charge Salaries 3,506 3,999 Remuneration of auditors - financial statements audit 67 67 Total resources received free of charge 3,573 4,066 The ABA has reported resources received free of charge in relation to the NIAA ’ s expenses associated with management of the ABA ’ s account, oversight of the ABA ’ s grants and the ABA Advisory Committee secretariat. Accounting Policy Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined, and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Refer Note to 1.1F Resources received free of charge are recorded as either revenue or gains depending on their nature. 198 NIAA Annual Report 2022 – 23 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 14 2023 2022 $'000 $'000 REVENUE FROM GOVERNMENT Note 1.2D: Revenue from Government Appropriations Special appropriations 378,987 349,619 Total revenue from Government 378,987 349,619 Accounting Policy Amounts appropriated are recognised as revenue. Revenue from Government is not typically recognised by administered entities, however, the exemption provided by the Minister for Finance under the FRR in relation to the ABA requires disclosure of such amounts as revenue. Royalties in respect of uranium and non-uranium mining on Aboriginal land are paid to the Australian Government, the Department of Industry, Science, Energy and Resources and the Northern Territory Treasury (Royalty Branch), respectively. Following advice from these entities, an equivalent amount is drawn down from the Official Public Account to enable royalty equivalents to be credited to the ABA, in accordance with section 63 of the ALRA. These receipts are credited to the ABA shortly after receipt of advice from the respective entity, which usually occurs in the week following payment of the royalties by mining companies to the respective entity. Financial Statements 199 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 15 2. Financial Position This section analyses the Aboriginals Benefit Account ’ s assets used to conduct its operations and the operating liabilities incurred as a result. 2.1 Financial Assets 2023 2022 $'000 $'000 Note 2.1A: Trade and other receivables Other receivables Interest 23,056 4,445 GST receivable from the ATO 659 400 Other 1,659 1,309 Total other receivables 25,374 6,154 Less expected credit loss allowance Other receivables (242) (194) Total expected credit loss allowance (242) (194) Total trade and other receivables (net) 25,132 5,960 Accounting Policy Receivables for services, which have 30-day terms, are recognised at the nominal amounts due less any impairment loss allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable. Note 2.1B: Other financial assets Long term debt arrangement 262 261 Total other financial assets 262 261 During 2021-22, the NIAA on behalf of the ABA entered into a deed of forbearance and repayment in relation to the recovery of unspent grant funding with one organisation. The above disclosure should be read in conjunction with the accompanying note 4.2A 200 NIAA Annual Report 2022 – 23 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 16 2.2 Non-Financial Assets Reconciliation of the Opening and Closing Balances Land Total $ ’ 000 $ ’ 000 As at 1 July 2022 Gross book value 11,472 11,472 Accumulated depreciation and impairment (609) (609) Total as at 1 July 2022 10,863 10,863 Depreciation on ROU assets (119) (119) Disposals of ROU assets (2,945) (2,945) Total as at 30 June 2023 7,799 7,799 Total as at 30 June 2023 represented by Gross book value 8,161 8,161 Accumulated depreciation and impairment (362) (362) Total as at 30 June 2023 7,799 7,799 Carrying amount of ROU assets 7,799 7,799 Accounting Policy Asset Recognition Threshold Purchases of land are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than $5,000 per asset, which are expensed in the year of acquisition. Leased right-of-use (ROU) assets exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value (less than $10,000 per asset). Leased ROU assets Leased ROU assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright. The value of the ROU assets wholly comprises of the initial incentive payments provided for under the Township leasing program. Depreciation The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. Impairment All assets were assessed for impairment during 2022-23. Where indications of impairment exist, the asset ’ s recoverable amount is estimated and an impairment adjustment made if the asset ’ s recoverable amount is less than its carrying amount. Derecognition ROU assets are derecognised upon disposal or when no further future economic benefits are expected from their use. Financial Statements 201 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 17 2.3 Payables 2023 2022 $'000 $'000 Note 2.3A: NTAIC payables Payments under s64AA(3) - establishment purposes 117,595 - Total NTAIC payables 117,595 - The payables balance represents the value of unsettled NTAIC payment obligations under subsection 64AA(3) of the ALRA at reporting date. The above disclosure should be read in conjunction with the accompanying notes 1.1E and 4.2A Note 2.3B: Other payables Royalty equivalent overpayment 4,229 181 Township leasing payable 895 1,876 Other 323 732 Total other payables 5,447 2,789 2.4 Provisions Reconciliation of movements in provisions NTAIC Total $ ’ 000 $ ’ 000 As at 1 July 2022 - - Additional provisions made 500,000 500,000 Closing balance as at 30 June 2023 500,000 500,000 The NTAIC provision represents the value of payments to the NTAIC payable under subsection 64AA(1) of the ALRA. The entire amount of $500 million must be paid within 30 days after the first ***strategic*** investment plan for the NTAIC is laid before a House of the Parliament. This is likely to be settled by 30 June 2024. 202 NIAA Annual Report 2022 – 23 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 18 3. Funding This section identifies the Aboriginals Benefit Account funding structure. 3.1 Special Accounts Special accounts ('recoverable GST exclusive') Aboriginals Benefit Account1 2023 2022 $'000 $'000 Balance brought forward from previous period 12,197 9,710 Increases Appropriation credited to special account 383,115 349,330 Proceeds from sales of investments 1,551,000 1,486,900 Other receipts 28,819 8,974 Total increases 1,962,934 1,845,204 Available for payments 1,975,131 1,854,914 Payments made (372,670) (320,717) Purchase of investments (1,592,000) (1,522,000) Total decreases (1,964,670) (1,842,717) Total balance carried to the next period 10,461 12,197 Balance represented by: Cash held in entity bank account 10,461 12,197 Total balance carried to the next period 10,461 12,197 1Appropriation: Public Governance, Performance and Accountability Act 2013, section 80. Establishing instrument: Aboriginal Land Rights (Northern Territory) Act 1976, sections 62, 63, 64 and 65. Purpose: For the receipt and disbursement of the equivalent of mining royalty monies derived from mining operations on Aboriginal land in the Northern Territory. 4. Managing Uncertainties This section analyses how the Aboriginals Benefit Account manages financial risks within its operating environment. 4.1 Contingent Assets and Liabilities As at 30 June 2023, the ABA has unquantifiable contingent liabilities in relation to unapproved payment obligations to be made under subsection 64(1) and 64AA(4) of the ALRA each financial year. These payment obligations are in relation to future annual operational funding to be paid to the four NT Land Councils and the NTAIC. Estimates for funding are submitted to the Minister for Indigenous Australians for approval annually and are distributed on a quarterly basis during each financial year. Given that future funding amounts are subject to submission and approval by the Minister for Indigenous Australians, they cannot be reliably estimated as 30 June 2023. Accounting Policy Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote. Financial Statements 203 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 19 4.2 Financial Instruments 2023 2022 $'000 $'000 Note 4.2A: Categories of financial instruments Financial assets Financial assets at amortised cost Cash and cash equivalents 10,461 12,197 Interest receivable 23,056 4,445 Other receivables (net) 1,417 1,115 Investments - term deposits 1,435,000 1,394,000 Long term debt arrangement 262 261 Total financial assets at amortised cost 1,470,196 1,412,018 Total financial assets 1,470,196 1,412,018 Financial liabilities Financial liabilities measured at amortised cost NTAIC payable 117,595 - Office of Township Leasing administrative liabilities 1,988 1,088 Other payables 1,218 2,608 Total financial liabilities measured at amortised cost 120,801 3,696 Total financial liabilities 120,801 3,696 Settlement is made according to the terms and conditions of each financial liability. This is usually within 30 days of performance or eligibility. Settlement of supplier and other payables is usually made within 30 days or as specified in the ALRA. Accounting Policy Financial Assets Cash and cash equivalents Cash is recognised at its nominal amount. Cash and cash equivalents includes: a) cash on hand; b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value; and c) cash in special accounts. Investments Investment activities are conducted in accordance with the requirements of section 58 of the PGPA Act. Investments are typically low risk and take the form of term deposits. The duration of the term deposits are typically for terms of between six months to three years. The investment objective of the NIAA as administrators for the ABA is to ensure that the ABA complies with legislative obligations under the PGPA Act and the ALRA; and that the ABA maintains and preserves its capital base. The investment portfolio and bank accounts are managed to ensure sufficient funds are available for payments as required. Investment practices are also governed by the investment policy of the NIAA, which requires the management of the portfolio to respond to positive investment opportunities in the market to achieve the best possible returns for the account within the legislative framework. The asset allocation of the investment portfolio as at 30 June 2023 is 100% (2022:100%) with Australian banks. 204 NIAA Annual Report 2022 – 23 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 20 Effective Interest Method The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period. Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss. Impairment of Financial Assets Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses. Using the general approach, the loss allowance is based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased. The simplified approach for trade and other receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses. Financial Liabilities Financial Liabilities at amortised cost Financial liabilities are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent goods or services have been received (and irrespective of having been invoiced). 2023 2022 $'000 $'000 Note 4.2B: Net gains or losses on financial assets Financial assets at amortised cost Interest revenue 43,984 7,563 Reversal of impairment allowance - 316 Impairment loss on financial instruments (91) (81) Net gain on financial assets at amortised cost 43,893 7,798 Net gain on financial assets 43,893 7,798 The above net gain is from financial assets that are not recognised at fair value through profit or loss. Accounting Policy Gains or losses from disposal of assets are recognised when control of the asset has passed to the purchaser. Financial Statements 205 ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2023 21 5. Other Information 5.1 Current/Non-Current Distinction for Assets and Liabilities 2023 2022 $'000 $'000 Current/Non-current Distinction for Assets and Liabilities Assets expected to be recovered in: No more than 12 months Cash and cash equivalents 10,461 12,197 Trade and other receivables 24,442 5,340 Investments - term deposits 1,323,000 1,314,000 Prepayments – subsection 64(3) 1,269 54 Total no more than 12 months 1,359,172 1,331,591 More than 12 months Trade and other receivables 690 620 Investments - term deposits 112,000 80,000 Land 7,799 10,863 Long term debt arrangement 262 261 Total more than 12 months 120,751 91,744 Total assets 1,479,923 1,423,335 Liabilities expected to be settled in: No more than 12 months NTAIC payable 60,000 - Office of Township Leasing administrative liabilities 1,988 1,088 Other payables 5,447 2,789 NTAIC provision 500,000 - Total no more than 12 months 567,435 3,877 More than 12 months NTAIC payable 57,595 - Total more than 12 months 57,595 - Total liabilities 625,030 3,877 206 NIAA Annual Report 2022 – 23 Garma Festival 2023 Gulkula NT Werribee River, Vic Section 6 Appendices 210 NIAA Annual Report 2022 – 23 Appendix A Methodology in detail – Performance measures 1.1, 2.1, 3.1, 4.1 and 5.1 The following methodology applies to performance measures 1.1, 2.1, 3.1, 4.1 and 5.1 of the Annual Performance Statement. As at 1 September 2023, across Programs 1.1 to 1.5, there are 2,067 IAS1 activities2 with completed performance report assessments (PRAs) in the relevant system for the 1 January 2022 to 31 December 2022 period (of an expected 2,256 PRAs). Adjustments have been made to the methodology of these performance measures for this reporting period (as outlined in the 2022 – 23 Corporate Plan), where the calculation of performance is based on a calendar year (1 January to 31 December 2022). This was designed to allow the time required for the submission and assessment of PRAs and will allow results to be reported on a more complete 12-month period of data. Performance against this measure and target is calculated using PRA data drawn from completed (meaning delegate approved) assessments relating to submitted IAS provider reports. The NIAA agreement manager independently assesses the provider ’ s progress against its key deliverables contained in the project schedule and the provider ’ s self-completed performance report. The assessment process also takes into account data and evidence obtained from site visits and other sources of information available to the agreement manager. NIAA agreement managers undertake mandatory training in this area to promote consistency and are further supported in this task by guidance available within the PRA form itself, including a table that explains performance, as well as a range of guidance from the Grant Administration Manual. 1 Data used to report against this measure is drawn exclusively from IAS performance report assessments completed by NIAA agreement managers for the relevant reporting period. A number of Program 1.1 Jobs, Land and the Economy IAS activities are managed in the Employment Services System. These are employmentfocused activities, generally paid per employment outcome. As such, different performance management arrangements apply to this cohort of IAS activities than those applied to most IAS activities, and therefore, they cannot be included in the data used to calculate the achievement of this measure. Additionally, there is very a small number of legacy IAS activities (approximately 9) which do not report via the online performance reporting template, and as such, their performance is measured via a slightly different rating system. 2 To avoid double counting, each activity has been counted only once in the data provided (for the entire 12-month period of 2022), based on the latest MKPI.M2 core service provision result. Appendices 211 Specifically, this measure is calculated by analysis of the IAS mandatory key performance indicator ‘MKPI. M2 – Core Service Provision ’ , and the proportion of IAS Activities that rate MKPI.M2 as either ‘meets ’ or ‘exceeds ’ core service delivery. Of the 2,067 completed PRAs collected, 1,829 or 88.5% have been rated as meets or exceeds requirements across IAS Programs 1.1 to 1.5 Historically, the NIAA ’ s performance against this Portfolio Budget Statement target has been achieved or substantially achieved, at both IAS and Program level, and it is not expected that the results will fluctuate significantly with the addition of any further data. 212 NIAA Annual Report 2022 – 23 Appendix B Methodology in detail – Performance measure 5.3 The following notes apply to performance measure 5.3 of the Annual Performance Statement: At the midpoint of the reporting cycle, nominations for case studies relevant to this performance measure were requested from across all groups, reflecting diversity through regions. These nominations were based on the expectation that real progress or change on the ground will be made over the course of the year in partnership with communities and relevant stakeholders. The quarter-2 update for each case study included a summary of the case study topic and how the NIAA is working in partnership with communities in the development and implementation of plans or agreements. The quarter-3 update provided further details about the status of each case study and actions that have occurred throughout the reporting period. This update also captured expected progress to be made by the end of the reporting cycle. The quarter-4 update re-assessed every nominated case study and recorded evidence of progress made in the development or implementation of the plan or agreement in question. The performance result is based on the total number of case studies where progress is demonstrated, divided by the total number of case studies nominated (expressed as a percentage). To demonstrate in-depth examples of the performance result, one case study from each region was developed for publication in the annual report. The publication decision was based on accurately reflecting the performance result and the approval of community or other stakeholders. Appendices 213 Appendix C Methodology in detail – Performance measure 7.1 The following methodology applies to performance measure 7.1 of the Annual Performance Statement: IAS Grants were coded in an information management system by Agency staff so that alignment with Closing the Gap outcomes and Priority Reforms could be measured. This coding activity then went through a second stage of assurance where it was approved by a different staff member. All activities with a financial year footprint within the period 1 July 2022 – 30 June 2023 were included. Total number of activities included in the result are 3,647, representing a total investment of $1,567 million. As at 1 September 2023, 99.0% of the 2022 – 23 financial year Activity Value (ex GST) has been coded. For IAS investment that has been coded against Closing the Gap outcomes and Priority Reforms, 100% have demonstrated alignment with at least one Closing the Gap outcome. A maximum of 3 outcomes can be recorded. For IAS investment that has been coded against Priority Reforms, 99.3% have demonstrated alignment with at least one Priority Reform area. A maximum of 2 Priority Reforms can be recorded. ‘Not applicable ’ was an option for coding IAS activities against Priority Reforms because it is not always applicable. Funding provided to state and territory governments through the Federal Financial Relations (FFR) Framework have been excluded from the performance measure. NIAA approved payments against eight Federal Financial Agreements (FFAs) in 2022 – 23 totalling $232.2m A full breakdown of percentage allocation of IAS grant funding to Closing the Gap outcomes is overleaf. 214 NIAA Annual Report 2022 – 23 Closing the Gap Outcome Area $ Investment amount Percentage allocation of IAS grant investment to Closing the Gap Outcome 8 – Strong economic participation and development of Aboriginal and Torres Strait Islander people and communities. 444m 28.6% 15 – Aboriginal and Torres Strait Islander people maintain a distinctive cultural, spiritual, physical and economic relationship with their land and waters. 331m 21.3% 5 – Aboriginal and Torres Strait Islander students achieve their full learning potential. 198m 12.8% 7 – Aboriginal and Torres Strait Islander youth are engaged in employment or education. 147m 9.5% 14 – Aboriginal and Torres Strait Islander people enjoy high levels of social and emotional wellbeing. 100m 6.4% 1 – Aboriginal and Torres Strait Islander people enjoy long and healthy lives. 71m 4.6% 13 – Aboriginal and Torres Strait Islander families and households are safe. 57m 3.7% 6 – Aboriginal and Torres Strait Islander students reach their full potential through further education pathways. 57m 3.7% 10 – Aboriginal and Torres Strait Islander people are not overrepresented in the criminal justice system. 41m 2.6% 11 – Aboriginal and Torres Strait Islander young people are not overrepresented in the criminal justice system. 36m 2.3% 3 – Aboriginal and Torres Strait Islander children are engaged in high quality, culturally appropriate early childhood education in their early years. 29m 1.9% 4 – Aboriginal and Torres Strait Islander children thrive in their early years. 24m 1.6% 12 – Aboriginal and Torres Strait Islander children are not overrepresented in the child protection system. 9m 0.6% 16 – Aboriginal and Torres Strait Islander cultures and languages are strong, supported and flourishing. 5m 0.3% Appendices 215 Closing the Gap Outcome Area $ Investment amount Percentage allocation of IAS grant investment to Closing the Gap Outcome 17 – Aboriginal and Torres Strait Islander people have access to information and services enabling participation in informed decision-making regarding their own lives. 2m 0.1% 9 – Aboriginal and Torres Strait Islander people secure appropriate, affordable housing that is aligned with their priorities and need. 0m\* 0.0% 2 – Aboriginal and Torres Strait Islander children are born healthy and strong. 0m 0.0% Grand total 1,551m 100.0% Priority Reform $ Investment amount Percentage allocation of IAS grant investment to Priority Reform PR 2 Building the Community-controlled Sector 1,347m 86.8% PR 3 Transforming Government Organisations 82m 5.3% PR 1 Formal Partnerships and Shared Decision-Making 80m 5.2% PR 4 Shared Access to Data and Information at a Regional Level 33m 2.0% Not Applicable 10m 0.7% Grand total 1,552m 100.0% \* This excludes funding provided to the Northern Territory Government for the Northern Territory Homelands and Remote Indigenous Housing FFAs of $163.2m in 2022 – 23. 216 NIAA Annual Report 2022 – 23 Appendix D Methodology in detail – Performance measure 8.1 The following methodology relates to the survey used in the calculation of performance result for measure 8.1: A survey was distributed to the following groups seeking feedback on the support provided by the NIAA in the preparation for the delivery of the referendum to recognise Aboriginal and Torres Strait Islander peoples in the Constitution through a Voice: – Government Agency Groups\*: APS Forum and Referendum Interdepartmental Committee – First Nations Groups\*: Referendum Working Group and Referendum Engagement Group combined. Surveys were designed to assess the following in relation to the NIAA ’ s role: – level of engagement and support – effectiveness of APS coordination. Available responses to survey questions were categorised into one of: – Positive (including 1. ‘Very satisfied ’ and 2. ‘Satisfied ’ OR ‘Somewhat satisfied ’ ) – Neutral (including 3. ‘Neither satisfied nor dissatisfied ’ ) – Negative (including 4. ‘Dissatisfied ’ OR ‘Somewhat dissatisfied ’ and 5. ‘Very dissatisfied ’ ). \*  APS Forum includes members from 29 government bodies. The Referendum Interdepartmental Committee includes members from the Department of the Prime Minister and Cabinet, Attorney-General ’ s Department, the Department of Finance and the Australian Electoral Commission. First Nations Groups are represented by 61 members. In total, 49 individual responses were received to the request for feedback via an online survey. Appendices 217 Appendix E Aboriginals Benefit Account Annual Report 2022 – 23 Aboriginals Benefit Account overview The Aboriginals Benefit Account (ABA) is legislated under the Aboriginal Land Rights (Northern Territory) Act 1976 (Land Rights Act). It is a special account for the purposes of the Public Governance, Performance and Accountability Act 2013 (PGPA Act). The ABA receives and distributes monies generated from mining on Aboriginal land in the NT. Payments into the ABA are based on royalty equivalents that are determined by the estimated value of the statutory royalty payments. The Minister for Indigenous Australians allocates funds from the ABA to the 4 Northern Territory land councils (Northern Land Council, Central Land Council, Anindilyakwa Land Council and Tiwi Land Council) for Land Council operations and the Northern Territory Aboriginal Investment Corporation (NTAIC) for operational requirements. Funding from the ABA is also used for the benefit of Aboriginal people living in the NT. Prior to the commencement of the NTAIC on 15 November 2022, beneficial grants were approved by the Minister, taking into consideration advice provided by the ABA Advisory Committee. The committee was established under subsection 65(1) of the Land Rights Act to advise the Minister on beneficial payments under subsection 64(4). In 2022 – 23, the committee comprised 14 members elected by the 4 land councils, a Chair, and one member appointed on the basis of their professional expertise in land management. The committee provided advice in relation to beneficial payments on 213 applications during 2022 – 23. The ABA Advisory Committee ceased following the commencement of the NTAIC. The NTAIC has commenced a grants program and is also developing a ***Strategic*** Investment Plan to guide the investment of $500 million from the ABA. The ***Strategic*** Investment Plan will be tabled in Parliament by May 2024. As at 30 June 2023, the net assets of the ABA were $0.9 billion (excluding future commitments). This represents a 39.8% decrease from $1.4 billion as at 30 June 2022. The variation largely reflects the loss from operating activities that was recorded for 2022 – 23, which was mainly attributable to the statutory payments to NTAIC for their establishment and administrative purposes. Funds from the ABA are distributed to royalty associations in areas affected by mining. In addition, the Land Rights Act provides for lease administration costs of approved Commonwealth entities and other leases administered by the Executive Director of Township Leasing. 218 NIAA Annual Report 2022 – 23 The NIAA is responsible for advising the Minister on the overall policy and financial management of the ABA. The NIAA also provided secretariat support to the ABA Advisory Committee and continues to manage ABA grants approved in 2022 and earlier rounds. The NIAA also oversees the funding and delivery of the ABA Homelands Project. The NIAA administers the ABA in accordance with the requirements of the Land Rights Act and the PGPA Act. The NIAA is responsible for ensuring the ABA complies with the Land Rights Act and relevant financial legislation. Section 64B of the Land Rights Act requires the NIAA to keep accounts and prepare financial statements in respect of the ABA, as determined by the Minister for Finance. Section 64B also requires the Auditor-General to report on the financial statements to the relevant minister. Aboriginals Benefit Account performance 2022 – 23 Mining royalty equivalent receipts of $379.0 million were credited to the ABA in 2022 – 23. This represents an 8.4% increase on the level of 2021 – 22 receipts. The increase in royalty receipts can be attributed to volatility in the market place and fluctuations in commodity prices, exchange rates and world demand. Tables 6.1 and 6.2 summarise the ABA income and expenditure. Table 6.1: Summary of ABA income, 2021 – 22 and 2022 – 23 2021 – 22 $ ’ 000 2022 – 23 $ ’ 000 Royalty equivalents 349,619 378,987 Interest 7,563 43,984 Lease income 2,449 1,953 Resources received free of charge 4,066 3,573 Other revenue/gains 847 1,614 Total ABA income 364,544 430,111 Appendices 219 Table 6.2: Summary of ABA expenditure (inclusive of mining withholding tax) 2021 – 22 and 2022 – 23 2021 – 22 $ ’ 000 2022 – 23 $ ’ 000 Payments to land councils for administrative purposes – Land Rights Act, subsection 64(1)# 137,212 109,341 Payments to land councils for distribution to Royalty Associations – Land Rights Act, subsection 64(3)# 104,886 113,697 Payments to NTAIC for administrative and capital purposes – Land Rights Act, Subsections 64AA(4)# - 10,301 Payments to NTAIC for establishment purposes – Land Rights Act, subsections 64AA(3)# - 180,095 Payments to NTAIC for initial one-off endowment – Land Rights Act, subsections 64AA(1) - 500,000 Grant payments to or for the benefit of Aboriginal people in the Northern Territory – Land Rights Act, subsection 64(4)# 60,159 62,774 Payments in relation to township leases and subleases – Land Rights Act, subsection 64(4A) 17,038 13,124 Administration (suppliers and employees including resources received free of charge) – Land Rights Act, subsection 64(6)# 5,098 5,344 Total expenditure 324,393 994,676 #The above amounts include mining withholding tax remitted to the Australian Taxation Office. Credits into the Aboriginals Benefit Account The ABA is credited with monies that are equivalent to the royalties received by the Australian Government or the NT for mining on Aboriginal land in the NT. Interest received from the investment of ABA funds is credited directly into the ABA ’ s bank account. Table 6.1 details interest earned for the year, as well as royalty equivalent receipts, resources received free of charge and lease income. The NIAA provides staff support free of charge to manage the ABA. These costs are included as income in Table 6.1 and expenses in Table 6.2 ABA royalty equivalent income receipts is volatile as it is subject to profits recorded by individual mines that are influenced by global commodity markets and other factors. 220 NIAA Annual Report 2022 – 23 Graph 6.1: Royalty equivalent receipts transferred to the ABA since 2012 – 13 Debits out of the Aboriginals Benefit Account A summary of total ABA expenditure in 2021 – 22 and 2022 – 23 is provided at Table 6.2 Payments to Land Councils for administrative expenses See Table 6.3 below. Note: More details can be found in Section 5 in the Financial Statements. Table 6.3: ABA monies paid in 2021 – 22 and 2022 – 23 to the 4 Northern Territory land councils for administrative expenses (net of mining withholding tax) Land Councils 2021 – 22 $ ’ 000 2022 – 23 $ ’ 000 Northern Land Council 58,491 53,875 Central Land Council 49,940 37,628 Tiwi Land Council 10,010 5,482 Anindilyakwa Land Council 13,283 7,982 Total 131,724 104,967 Appendices 221 Payments to royalty associations Under the Land Rights Act, 30% of the royalty equivalent monies must be paid to each land council in the area in which a mining operation is situated. These monies are distributed to Aboriginal organisations (royalty associations) in those areas affected by mining operations. Table 6.4 lists payments made in 2021 – 22 and 2022 – 23 to land councils for distribution to royalty associations (net of mining withholding tax). More detail can be found in Section 5 in the Financial Statements. Office of Township Leasing and Aboriginals Benefit Account administrative payments Administration costs of township leases and other leases administered by the Executive Director Township Leasing are captured under subsection 64(4A) of the Land Rights Act. Costs associated with the administration of the ABA are captured under subsections 64(6) of the Land Rights Act. Table 6.5 provides a breakdown of township leasing administration expenses for 2021 – 22 and 2022 – 23, including services provided free of charge. Beneficial payments Under subsection 64(4) of the Aboriginal Land Rights (Northern Territory) Act 1976, payments totalling $62.8 million were provided for the benefit of Aboriginal and Torres Strait Islander people(s) living in the NT during 2022 – 23. This is compared with $60.2 million provided in 2021 – 22. In August 2021, the ABA Beneficial Grant Opportunity Guidelines were revised to an open non-competitive round enabling applications to be submitted at any time until the closing date, which was 2 October 2022. The key revisions from the previous guidelines included: funding for multi-year projects an administrative costs or wages component for non-ongoing employees projects that could be funded by the government or mainstream services but where the budget may not be available in the short term projects where non-Indigenous Australians may deliver a service or project that benefits Indigenous Australians (with evidence of community support). ABA beneficial grant funding in 2022 – 23 went to projects supporting Indigenous enterprises; communities; culture, language and leadership; and land, sea and waters management and use in the NT. For example: The Arafura Swamp Rangers Aboriginal Corporation was funded for an expansion of their Arnhem Land saltwater crocodile hatchery. The project will see the rearing of crocodiles to juvenile stage for commercial sale. This enterprise will provide economic returns for the corporation, local employment, strengthening of cultural knowledge, and ongoing management of the crocodile habitat. 222 NIAA Annual Report 2022 – 23 Ingkerreke Services Aboriginal Corporation received funding to improve infrastructure at Mt Undoolya homeland, Central Australia. Improvements include drilling a bore to supply potable water, installing a water tank and reticulation, providing a solar hybrid power system, and constructing ablution facilities. The infrastructure will allow extended family to spend more time on their traditional land, strengthening cultural knowledge and practices. Coota/Territory Bees has received funding to expand an existing beehive business in 2 Top End communities. This will facilitate the purchase of further beehives and apiarist equipment. Training is to be provided to community members to promote employment pathways and to develop skills to locally manage a business to commercially produce honey and provide a service to farmers requiring plant pollination. Homelands Project The NIAA manages the ABA Homelands Project, a one-off allocation of $56 million made under subsection 64(4) of the Land Rights Act to improve infrastructure other than housing in homelands/outstations across the NT. The project commenced in early 2018 and all funding is expected to be allocated by mid-2024. The 4 NT land councils selected homelands for the project and assisted residents to develop proposals for works. Recommendations on all proposals were made by the ABA Advisory Committee to the then Minister for Indigenous Australians, who approved proceeding with the delivery of works in 184 homelands. The NIAA is working with local Indigenous providers and regional councils to apply for funding to deliver the approved works. As at 30 June 2023, applications for funding were received, assessed and approved for works in 159 homelands. Mining withholding tax Under the Income Tax Assessment Act 1936, payments made from royalty equivalents credited to the ABA are subject to mining withholding tax at a rate specified in the Income Tax (Mining Withholding Tax) Act 1979. The current rate of tax applied to payments of mining withholding tax is 4%. From 1 July 2003, the Australian Taxation Office determined the ABA to be a large pay-as-you-go (PAYG) withholder. Mining withholding tax liabilities on payments made are paid on or before due dates in accordance with the Australian Taxation Office PAYG withholding requirements. The total mining withholding tax for 2022 – 23 was $13.9 million, compared with $12.2 million in 2021 – 22. Management of the Aboriginals Benefit Account and its investment portfolio The ABA investment strategy is focused on cash-flow requirements, preservation of the fund and management of risk. Monies that are surplus to immediate requirements are invested under section 58 of the PGPA Act. To minimise the risk of loss, section 58 restricts the investment of public money to a limited number of specific low-risk investments such as government bonds, state and territory bonds, term deposits and negotiable cash deposits with a bank. As at 30 June 2023, the ABA held $1.4 billion in term deposits with Australian banks. This compares with $1.4 billion as at 30 June 2022. Appendices 223 Table 6.4: Payments to land councils for distribution to royalty associations (net of mining withholding tax) Land Councils 2021 – 22 $ ’ 000 2022 – 23 $ ’ 000 Northern Land Council 15,284 13,195 Central Land Council 38,273 36,800 Anindilyakwa Land Council 47,133 59,154 Tiwi Land Council – – Total 100,690 109,149 Table 6.5: Administration and expenditure (exclusive of GST) Administration expenditure 2021 – 22 $ ’ 000 2022 – 23 $ ’ 000 Departmental administration expenditure Resources provided free of charge 4,066 3,573 Impairment loss on financial instruments 81 91 Subsection 64(6) payments Committee members sitting fees/superannuation 77 85 Travel and other administrative costs 874 1,595 Subsection 64(4A) payments Office of Township Leasing administrative expenses 3,531 4,715 Mining withholding tax 468 71 Depreciation 203 119 Write-down of non-financial assets – 2,945 Township rent returned to owners under Head Lease agreements 2,088 1,614 Community entity administrative expenses 10,748 3,660 Total administrative costs of the ABA 22,136 18,468 224 NIAA Annual Report 2022 – 23 Appendix F Registrar of Indigenous Corporations Annual Report 2022 – 23 Registrar of Aboriginal and Torres Strait Islander Corporations Annual Report 2022 – 23 The Registrar of Aboriginal and Torres Strait Islander Corporations is an independent statutory office holder who regulates and supports Aboriginal and Torres Strait Islander corporations under the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act). The Registrar is supported to do this work by the Office of the Registrar of Indigenous Corporations (ORIC). As at 30 June 2023 the Registrar ’ s functions were delivered by 39.8 full-time equivalent staff. Of those, 44.2% identify as Aboriginal and/or Torres Strait Islander Australians. Performance As at 30 June 2023 there were 3,338 Aboriginal and Torres Strait Islander corporations registered under the CATSI Act, including 258 registered native title bodies corporate (RNTBC). During the year, ORIC registered 166 new corporations, including 7 transfers of incorporation from other legislation. ORIC finalised 357 deregistrations. ORIC finalised processing of 6542 lodgements from corporations – information, forms and reports – that need to be added to or amended information on the public Register of Aboriginal and Torres Strait Islander Corporations (public register). Table 6.6: Funding and expenditure figures for ORIC, 2022 – 23 Type of funding Total 2022 – 23 budget ($'000) Total 2022 – 23 expenditure ($'000) 2022 – 23 variance surplus / (deficit) ($'000) Departmental 9,507 8,891 616 Administered 2,988 1,652 1,336 Appendices 225 These lodgements included but were not limited to: 246 changes to corporation contact details; 1,405 changes to directors, contact persons and secretaries; 973 updated member lists; and 348 changes to rule books. During the year, 140,392 people used [*https://www.oric.gov.au*](https://www.oric.gov.au)/ in 358,204 sessions. There were 72,643 users and 165,895 sessions on the public register for information about individual corporations. ORIC received 543 requests for exemption from corporations. Requests for extension of time for holding an annual general meeting; and exemptions in relation to record keeping and reporting requirements were the largest number being 328 and 135 respectively. ORIC granted 372 and rejected 168 requests. ORIC hosted 57 corporate governance training activities involving 786 participants from over 190 corporations. There were 16 in-person workshops, 16 online workshops, 17 corporation-specific workshops, 7 rule book design workshops, and 1 diploma course online. There were 16,168 calls in total to ORIC ’ s call centre. There were 7,007 inquiries finalised (4,837 received by phone, 2,141 in writing, 29 in person). As at 30 June 2023, 65.5% of corporations had met their 2021 – 22 reporting obligations under the CATSI Act. During the year, ORIC received 338 complaints involving corporations and finalised 327, including some from the previous year. ORIC received requests to help resolve 2 disputes. In the reporting period, there were 4 Registrar-initiated meetings held – all general meetings. ORIC started the financial year with 21 examinations in progress and started a further 42. As at 30 June 2023, 51 examinations had been finalised leaving 12 on hand. Of those finalised, 29 corporations were operating well and were issued a management letter; 20 were required to improve standards outlined in a compliance notice; and 2 had serious issues and were asked to show cause why a special administrator should not be appointed. Special administration is a unique form of regulatory assistance under the CATSI Act to support corporations with serious governance or financial problems. Three special administrations were in progress at the outset of the year, and 3 commenced during 2022 – 23. Two of these were completed, with both corporations handed back to members ’ control. Excluding the one administration that has been in place for 3 years, the average duration of special administrations this year was 9.5 months. As at 30 June 2023, ORIC had 13 investigations in progress and is preparing briefs of evidence for minor regulatory prosecutions relating to 2021 – 22 corporation reports. During the year, ORIC referred one brief of evidence to the Commonwealth Director of Public Prosecutions for a possible prosecution. There were no criminal or civil matters finalised or in progress. 226 NIAA Annual Report 2022 – 23 Appendix G Corrections The following errors have been identified as published in the 2021 – 22 Annual Report: Reference Issue Page 112 Disability reporting Mechanism Material published in the 2021 – 22 NIAA Annual Report (page 112) under the heading ‘Disability reporting mechanism ’ incorrectly referred to The National Disability Strategy 2010 – 2020, which had been superseded. The Agency ’ s reporting was aligned to Australia ’ s Disability Strategy 2021 – 31. Pages 90 – 104 Managing Human Resources The NIAA methodology for counting employees has changed between the 2021 – 22 and 2022 – 23 reporting years. Temporary transfers out of the Agency have been removed and casual employees included. Page 91 Table 4.3: All ongoing employees, previous reporting period (2020 – 21) The material published in the 2021 – 22 NIAA Report (page 91) under table 4.3: All going employees, previous reporting period (2020-21) was incorrect per state, however the total number of ongoing staff was correct. Complaints For complaints regarding the operations of the NIAA, please use the Complaints page at: [*https://www.niaa.gov.au/indigenous-affairs/complaints*](https://www.niaa.gov.au/indigenous-affairs/complaints). For information relating to submitting a public interest disclosure please refer to the Public Interest Disclosure page at [*https://www.niaa.gov.au/resourcecentre/niaa/public-interest-disclosure-procedures*](https://www.niaa.gov.au/resourcecentre/niaa/public-interest-disclosure-procedures) Source: NIAA – Uni Students Shark Bay, WA Section 7 Glossary and Indexes 230 NIAA Annual Report 2022 – 23 List of requirements Below is the table set out in Schedule 2 of the PGPA Rule. Section 17AJ(d) requires this table be included in entities ’ Annual Reports as an aid of access. PGPA Rule Reference Part of report Description Requirement 17AD(g) Letter of transmittal 17AI p. iv A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the Annual Report Mandatory 17AD(h) Aids to access 17AJ(a) p. v Table of contents (print only) Mandatory 17AJ(b) p. 242 Alphabetical index (print only) Mandatory 17AJ(c) p. 238 – 241 Glossary of abbreviations and acronyms Mandatory 17AJ(d) p. 230 – 237 List of requirements Mandatory 17AJ(e) p. Inside front cover (IFC) Details of contact officer Mandatory 17AJ(f) p. IFC Entity ’ s website address Mandatory 17AJ(g) p. IFC Electronic address of report Mandatory 17AD(a) Review by accountable authority 17AD(a) p. 01 – 05 A review by the accountable authority of the entity Mandatory 17AD(b) Overview of the entity 17AE(1)(a)(i) p. 09 A description of the role and functions of the entity Mandatory 17AE(1)(a)(ii) p. 13 – 15 A description of the organisational structure of the entity Mandatory 17AE(1)(a)(iii) p. 83 – 125 A description of the outcomes and programs administered by the entity Mandatory Glossary and Indexes 231 PGPA Rule Reference Part of report Description Requirement 17AE(1)(a)(iv) p. 08 A description of the purposes of the entity as included in Corporate Plan Mandatory 17AE(1)(aa)(i) p. 13 Name of the accountable authority or each member of the accountable authority Mandatory 17AE(1)(aa)(ii) p. 13 Position title of the accountable authority or each member of the accountable authority Mandatory 17AE(1)(aa)(iii) p. 13 Period as the accountable authority or member of the accountable authority within the reporting period Mandatory 17AE(1)(b) N/A An outline of the structure of the portfolio of the entity Portfolio departments mandatory 17AE(2) N/A Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change If applicable, Mandatory 17AD(c) Report on the Performance of the entity Annual Performance Statement 17AD(c)(i); 16F p. 83 – 125 Annual Performance Statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule Mandatory 17AD(c)(ii) Report on Financial Performance 17AF(1)(a) p. 59 – 63 A discussion and analysis of the entity ’ s financial performance Mandatory 17AF(1)(b) p. 64 – 68 A table summarising the total resources and total payments of the entity Mandatory 17AF(2) p. 59 – 68 If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity ’ s future operation or financial results If applicable, Mandatory 232 NIAA Annual Report 2022 – 23 PGPA Rule Reference Part of report Description Requirement 17AD(d) Management and Accountability Corporate Governance 17AG(2)(a) p. 27 – 28 Information on compliance with section 10 (fraud systems) Mandatory 17AG(2)(b)(i) p. 28 A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared Mandatory 17AG(2)(b)(ii) p. 28 A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place Mandatory 17AG(2)(b)(iii) p. 28 A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity. Mandatory 17AG(2)(c) p. 20 – 22 An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance Mandatory 17AG(2)(d) – (e) p. 72 A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non compliance with Finance law and action taken to remedy non compliance If applicable, Mandatory Audit Committee 17AG(2A)(a) p. 22 A direct electronic address of the charter determining the functions of the entity ’ s audit committee Mandatory 17AG(2A)(b) p. 23 – 25 The name of each member of the entity ’ s audit committee Mandatory 17AG(2A)(c) p. 23 – 25 The qualifications, knowledge, skills or experience of each member of the entity ’ s audit committee Mandatory 17AG(2A)(d) p. 23 – 25 Information about the attendance of each member of the entity ’ s audit committee at committee meetings Mandatory 17AG(2A)(e) p. 23 – 25 The remuneration of each member of the entity ’ s audit committee Mandatory Glossary and Indexes 233 PGPA Rule Reference Part of report Description Requirement External Scrutiny 17AG(3) p. 55 – 58 Information on the most significant developments in external scrutiny and the entity ’ s response to the scrutiny Mandatory 17AG(3)(a) p. 55 Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity If applicable, Mandatory 17AG(3)(b) p. 55 – 57 Information on any reports on operations of the entity by the Auditor General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman If applicable, Mandatory 17AG(3)(c) p. 57 Information on any capability reviews on the entity that were released during the period If applicable, Mandatory Management of Human Resources 17AG(4)(a) p. 29 – 31 An assessment of the entity ’ s effectiveness in managing and developing employees to achieve entity objectives. Mandatory 17AG(4)(aa) p. 32 – 35 Statistics on the entity ’ s employees on an ongoing and non ongoing basis, including the following: (a) statistics on full time employees; (b) statistics on part time employees; (c) statistics on gender (d) statistics on staff location Mandatory 17AG(4)(b) p. 36 – 43 Statistics on the entity ’ s APS employees on an ongoing and non ongoing basis; including the following: — Statistics on staffing classification level; — Statistics on full time employees; — Statistics on part time employees; — Statistics on gender; — Statistics on staff location; — Statistics on employees who identify as Indigenous. Mandatory 17AG(4)(c) p. 45 Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the Public Service Act 1999 Mandatory 234 NIAA Annual Report 2022 – 23 PGPA Rule Reference Part of report Description Requirement 17AG(4)(c)(i) p. 45 Information on the number of SES and non SES employees covered by agreements etc. identified in paragraph 17AG(4)(c) Mandatory 17AG(4)(c)(ii) p. 43 – 44 The salary ranges available for APS employees by classification level Mandatory 17AG(4)(c)(iii) p. 45 A description of non salary benefits provided to employee. Mandatory 17AG(4)(d)(i) p. 45 Information on the number of employees at each classification level who received performance pay If applicable, Mandatory 17AG(4)(d)(ii) N/A Information on aggregate amounts of performance pay at each classification level If applicable, Mandatory 17AG(4)(d)(iii) N/A Information on the average amount of performance payment, and range of such payments, at each classification level If applicable, Mandatory 17AG(4)(d)(iv) N/A Information on aggregate amount of performance payments If applicable, Mandatory Assets management 17AG(5) p. 73 An assessment of effectiveness of assets management where asset management is a significant part of the entity ’ s activities If applicable, mandatory Purchasing 17AG(6) p. 70 – 72 An assessment of entity performance against the Commonwealth Procurement Rules Mandatory Reportable consultancy contracts 17AG(7)(a) p. 70 A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST) Mandatory 17AG(7)(b) p. 70 A statement that “ During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of $[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of $[specified million] ” Mandatory Glossary and Indexes 235 PGPA Rule Reference Part of report Description Requirement 17AG(7)(c) p. 70 A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged Mandatory 17AG(7)(d) p. 70 A statement that “Annual Reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website” Mandatory Reportable non-consultancy contracts 17AG(7A)(a) p. 71 A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST) Mandatory 17AG(7A)(b) p. 72 A statement that “Annual Reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website” Mandatory 17AD(daa) Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts 17AGA p. 70 – 71 Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts Mandatory Australian National Audit Office Access Clauses 17AG(8) p. 72 If an entity entered into a contract with a value of more than $100 000 (inclusive of GST) and the contract did not provide the Auditor General with access to the contractor ’ s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract If applicable, Mandatory 236 NIAA Annual Report 2022 – 23 PGPA Rule Reference Part of report Description Requirement Exempt contracts 17AG(9) p. 72 If an entity entered into a contract or there is a standing offer with a value greater than $10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the Annual Report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters If applicable, Mandatory Small business 17AG(10)(a) p. 72 A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance ’ s website” Mandatory 17AG(10)(b) p. 72 An outline of the ways in which the procurement practices of the entity support small and medium enterprises. Mandatory 17AG(10)(c) p. 72 If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury ’ s website” If applicable, Mandatory Financial Statements 17AD(e) p. 130 – 206 Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act Mandatory Executive Remuneration 17AD(da) p. 47 – 51 Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2 – 3 of the Rule Mandatory Glossary and Indexes 237 PGPA Rule Reference Part of report Description Requirement 17AD(f) Other Mandatory Information 17AH(1)(a)(i) p. 77 If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity ’ s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance ’ s website” If applicable, Mandatory 17AH(1)(a)(ii) N/A If the entity did not conduct advertising campaigns, a statement to that effect If applicable, Mandatory 17AH(1)(b) p. 79 A statement that “Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity ’ s website]” If applicable, Mandatory 17AH(1)(c) p. 54 Outline of mechanisms of disability reporting, including reference to website for further information Mandatory 17AH(1)(d) p. 58 Website reference to where the entity ’ s Information Publication Scheme statement pursuant to Part II of FOI Act can be found Mandatory 17AH(1)(e) p. 226 Correction of material errors in previous Annual Report If applicable, mandatory 17AH(2) p. 75 – 76 Information required by other legislation Mandatory 238 NIAA Annual Report 2022 – 23 Abbreviations ABA Aboriginals Benefit Account ABN Australian Business Number ABS Australian Bureau of Statistics ACE Aboriginal Early Learning and Parenting Centre of Excellence ACT Australian Capital Territory ANAO Australian National Audit Office ANZSOG Australia and New Zealand School of Government APO Aboriginal Peak Organisations APS Australian Public Service BBY Binarri-binyja yarrawoo CATSI Act Corporations (Aboriginal and Torres Strait Islander) Act 2006 CDP Community Development Program CEO Chief Executive Officer COO Chief Operating Officer CRC Constitutional Recognition Committee DCEEW Department of Climate Change Energy, the Environment and Water DISER Department of Industry, Science, Energy and Resources EC Empowered Communities EL Executive Level EPBC Act Environment Protection and Biodiversity Conservation Act 1999 EVP Employee Value Proposition EY Ernst & Young FCCS Fraud and Corruption Control System FCRA Fraud and Corruption Risk Assessments FOI Freedom of Information GST Goods and Services Tax HR Human Resources Glossary and Indexes 239 IAMM Indigenous Affairs Ministers ’ Meetings IAS Indigenous Advancement Strategy ICT Information and Communications Technology IDEP Indigenous Development and Employment Program IEC Indigenous Evaluation Committee IPP Indigenous Procurement Policy IPPRS Indigenous Procurement Policy Reporting Solution IPS Information Publication Scheme JDM Joint Decision Making KPI Key Performance Indicator KMP Key management personnel LDBM/LTC Local Decision Making Body/Local Thriving Communities LMC Local Management Committees NABERS National Australian Built Environment Rating System NAIDOC National Aborigines and Islanders Day Observance Committee NIAA National Indigenous Australians Agency NSW New South Wales NT Northern Territory NTAIC Northern Territory Aboriginal Investment Corporation NTRAI Northern Territory Remote Aboriginal Investment OCARC Office of the Central Australian Regional Controller ORIC Office of the Registrar of Indigenous Corporations PAYG Pay as you go PBS Portfolio Budget Statements PGPA Public Governance, Performance and Accountability PRA Performance Report Assessment QLD Queensland RAP Reconciliation Action Plan RAS Remote Australia Strategies RDA Regional Development Agenda 240 NIAA Annual Report 2022 – 23 RNT Regional Negotiation Table RNTBC Registered Native Title Bodies Corporate SA South Australia SCfC Stronger Communities for Children SES Senior Executive Service SME Small and Medium Enterprises SPSP Stronger Places Stronger People SPWBK Strongbala Pipul Wanbala Bois Komiti TAS Tasmania UNDRIP United Nations Declaration on the Rights of Indigenous Peoples VIC Victoria WA Western Australia WKFEC West Kimberley Futures Empowered Communities WHS Work Health and Safety YMDAC Yugul Mangi Development Aboriginal Corporation Glossary and Indexes 241 Glossary Accountable Authority Instructions Instructions and guidance provided for accountability requirements under the Public Governance, Performance and Accountability Act 2013 (PGPA Act). Agency A Department of State, Department of Parliament or prescribed agency under the Public Governance, Performance and Accountability Act 2013 (PGPA Act). Annual Evaluation Work Plan A key output of the Indigenous Advancement Strategy Evaluation Framework and covers evaluation projects, reviews, and evaluation capability development, which are planned to be conducted by the NIAA. Closing the Gap A commitment by all Australian governments to improve the life outcomes of Aboriginal and Torres Strait Islander peoples. A national integrated Closing the Gap strategy has been agreed by the Commonwealth, state and territory governments. Commonwealth Implementation Plan A plan developed by each party of the National Agreement on Closing the Gap (the National Agreement) that set out how policies and programs are aligned to the National Agreement and what actions will be taken to achieve the Priority Reforms and outcomes. Each party report annually on their actions to achieve the outcomes of the National Agreement. Enterprise Agreement An agreement about the terms and conditions of employment, made under the Fair Work Act 2009. Portfolio Budget Statements (PBS) Statements that explain where appropriated funds are to be spent for the portfolio. Secretaries Board The APS ’ s principal service-wide governance body. It includes each departmental Secretary, the Australian Public Service Commissioner and the Director-General, National intelligence. 242 NIAA Annual Report 2022 – 23 Alphabetical index A abbreviations, 238 – 240 Aboriginal Land Rights (Northern Territory) Act 1976, 65, 217 – 219, 221 – 222 Aboriginals Benefit Account (ABA) annual report 2022 – 23, 217 – 223 beneficial payments, 217, 221 financial performance, 191, 195 – 199 financial position, 191, 200 – 202 funding, 191, 203 Homelands Project, 218, 222 independent auditor ’ s report, 184 – 185 investment portfolio, 222 managing uncertainties, 191, 203 – 205 mining withholding tax, 219, 220 – 223 performance, 218 royalty equivalent income, 219 township leasing, 217, 221, 223 accountable authority, 13, 28, 84, 230 – 232 accountable authority instructions, 27, 69, 241 acknowledgement of country, iii advertising and market research, 77 – 78 annual performance statement, iv – v, 83 – 125, 210, 212 – 213, 231 APS Net Zero, 76 assets management, 73, 234 Assistant Minister for Indigenous Australians and Indigenous Health, 10, 47. 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[***Final results for the year ended 30 June 2023***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69HK-MCW1-JCXB-22XR-00000-00&context=1516831)

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Frontier IP Group plc

31 October 2023

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310 ("MAR"). With the publication of this announcement via aRegulatory Information Service, thisinside information is now considered to be in the public domain.

31 October 2023

Frontier IP Group Plc

("Frontier IP" or the "Group")

Final results for the year ended 30 June 2023

Financial highlights

· Net assets per share as at 30 June 2023 decreased 8% to 81.8p (30 June 2022: 88.5p)

· Basic loss per share of 5.85p (2022: earnings per share of 18.60p)

· Part-disposal of holding in Exscientia generated cash of £4,926,000 in the period under review (2022: £6,525,000) realising a loss of £786,000 (2022: profit of £2,867,000)

· Unrealised loss on the revaluation of investments of £966,000 (2022: unrealised gain of £10,908,000)

· Fair value of our equity portfolio decreased by 17% to £32,964,000 (2022: £39,712,000) following disposals of £5,713,000 (2022: £3,659,000) and additions of £745,000 (2022: £1,378,000)

· Loss before tax of £4,370,000 (2022: profit before tax £10,879,000)

· Cash balances at 30 June 2023 of £4,603,000 (2022: £4,368,000)

Corporate highlights

· Generated cash proceeds of £4.93 million from selling shares in portfolio company Exscientia during the year. Following the Exscientia share sales, Frontier IP is interested in 493,550 Advanced Depositary Shares in Exscientia representing 0.4% of Exscientia's issued share capital. In total the Group has raised net proceeds of £11.45 million through selling Exscientia shares since January 2022. During the period a total of £2.4 million was invested in the portfolio by Frontier IP off its own balance sheet through debt and equity investments and through advances of which £1.08 million was invested into CamGraPhIC.

· Appointed Nigel Grierson and Dr David Holbrook as independent Non-Executive Directors and Professor Dame Julia King, Baroness Brown of Cambridge DBE FREng FRS became a Senior Independent Director in March 2023. All are members of the audit, remuneration and nomination committees. Campbell Wilson stepped down as a Non-Executive Director in April 2023, having served nine years on the board of directors.

· Expanded our portfolio with the incorporation of two new portfolio companies during the year: Enfold Health and GraphEnergyTech. After the year end, the Group took an equity stake in early-stage company Deakin Bio-Hybrid Materials.

· Post period end the Group announced that Chairman Andrew Richmond would not be offering himself for re-election at the coming Annual General Meeting, having served for over eleven years as an independent Non-Executive Director, the majority of which time was as Chairman. Baroness Brown will become Group Chair following the AGM in December.

**Portfolio highlights**

· The portfolio continues to mature. Several companies are generating revenues having achieved commercial traction. Others have made significant industrial and technical progress and are either at or reaching their inflection points. Chief Executive Officers were appointed at two companies during the year and one post-year end as we strengthened management teams. Two new portfolio companies were incorporated, and a further one joined the portfolio after the end of the year. Despite difficult market conditions, several portfolio companies raised funds.

Highlights included:

o Alusid launched its first range of mass-produced wall tiles made from sustainable materials with Topps Tiles, the retail arm of Topps Tiles plc the UK's no.1 tile specialist. The company is now developing its first range of floor tiles following a collaboration with Imerys, a world leader in speciality minerals

o CamGraPhIC raised £1.26 million to develop and scale up its graphene-based photonics and announced that Sir Michael Rake, the former chair of BT Group, is to join the board of directors. Post year end, the company secured a loan facility for up to a further £1.5 million

o Pulsiv launched Pulsiv Osmium, a technology to improve the energy efficiency of nearly all mains-powered applications, including power supplies and battery chargers. The company raised £1.5 million, has built a global distribution network, sent reference designs to potential customers and is in talks with major manufacturers

o Celerum appointed David Gladding as CEO during the year and successfully renewed its contract with Colin Lawson Transport, the first customer for its Truck Logistics System software. Post year end, the company added two more customers including Grampian Continental, its first operating internationally

o Steve Cable was appointed CEO of Elute. He has a history of growing software companies as part of his 25 years' experience. The company is testing a beta version of an IP analysis product for investment professionals

o Cambridge Raman Imaging made first sales of its graphene-based ultra-fast lasers for use in Raman imaging microscopes. In tests, its digital imaging technology helped histopathologists detect tumours ahead of traditional methods

o The Vaccine Group successfully completed two government-backed projects to develop candidates for a transmissible Lassa fever vaccine and a Streptococcus suis vaccine. After the year end, the company announced plans to expand its vaccine portfolio

· Other post period end developments included:

o Pulsiv appointed serial technology entrepreneur Mark Gerhard as chair, and Tim Moore joined full time from his role at SharkNinja

o Fieldwork Robotics announced a £1.5 million fundraise from Elbow Beach Capital, and appointed David Fulton as Chief Executive Officer

Key extracts from the Annual Report can also be viewed below which include the basis for a qualified audit opinion and material uncertainty relating to going concern.

ENQUIRIES

|  |  |
| --- | --- |
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| Neil Crabb, Chief Executive Andrew Johnson, Communications & Investor Relations Company website:[*www.frontierip.co.uk*](http://www.frontierip.co.uk/) | [*neil@frontierip.co.uk*](mailto:neil@frontierip.co.uk) M: 07464 546 025 |
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ABOUT FRONTIER IP

Frontier IP unites science and commerce by identifying strong intellectual property and accelerating its development through a range of commercialisation services. A critical part of the Group's work is involving relevant industry partners at an early stage of development to ensure technology meets real world demands and needs.

The Group looks to build and grow a portfolio of equity stakes and licence income by taking an active involvement in spin-out companies, including support for fund raising and collaboration with relevant industry partners at an early stage of development.

**Chairman's Statement**

**Performance**

**The year to June 2023 was a period of excellent commercial and technical progress for Frontier IP's portfolio. Although it was disappointing to report our first pre-tax loss, the numbers in fact represented a resilient performance when placed in the context of exceptionally difficult markets, particularly for early-stage technology companies, and continued economic uncertainty, high inflation and interest rates. Neil addresses some of the issues in his statement, highlighting the success some companies have enjoyed in moving beyond inflection points to winning commercial contracts. Briefly, revenue generation within the portfolio is increasing as seen in Alusid, Celerum and Fieldwork Robotics. Pulsiv has put in place a global distribution network, and launched its first commercial product, Pulsiv Osmium to improve the power efficiency of almost all mains-powered devices.**

**Others are approaching inflection points, the stage at which potential starts to be realised, the technology validated and the route to scale up clear. The Vaccine Group successfully completed two government-funded projects; CamGraPhIC is now gaining industry traction from beyond the telecoms industry and Elute Intelligence is beta testing a product aimed at investment professionals. CamGraPhIC and Pulsiv completed funding rounds during the year.**

**It's important we maintain the pipeline of new companies joining the portfolio, so it was pleasing to see Enfold Health and GraphEnergyTech incorporated during the year with DeakinBio, an existing firm in which we took an equity stake, added after the year end.**

**A crucial element of our business model is to strengthen the management of our portfolio companies when they reach the point of achieving commercial viability. So, it is highly encouraging to see a number of important appointments made during the course of the year and beyond. Portfolio companies also bolstered their management teams, with Steve Cable and David Gladding becoming chief executives of Elute and Celerum respectively during the year, with David Fulton filling the same role at Fieldwork Robotics and significant appointments at Pulsiv after the year end. Alusid appointed Stuart Christie as chief financial officer.**

**We've also enhanced our own board. Two new independent Non-Executive Directors were appointed to the Frontier IP Board of Directors during the year. Nigel Grierson and Dr David Holbrook have many years of experience in industry and finance at the highest levels.**

**Nigel has 20 years' experience in the IT industry with positions in product development, marketing, and senior management, and, as Managing Director of venture capital funds managing investments of over$500 millionin start-up companies acrossEurope. He was co-Managing Director of theDoughty Hanson Technology Fund and has held senior roles at Intel Corporation, including running *strategic* programmes working directly for Intel's then Chief Executive Officer DrAndrew Groveand Chief Operating Officer DrCraig Barrett.**

**David is a leading healthcare technology investment professional with 30 years' experience in the life sciences sectors. He has sat on more than 20 boards of directors during his career. He is currently a non-executive director at AIM quoted Oxford BioDynamics plc, a senior advisor to digital health investor RYSE Asset Managementand Chairman ofThe Liver Group Charity. Involved in healthcare for 40 years, David has been a physician, held senior business development roles with major multinationals and spent the last 25 years specialising in the innovation space with much of that time in seed venture investing focused primarily on university spin outs.**

**They joined Dame Julia King, Baroness Brown of Cambridge, as part of the non-executive team on the board. Julia was appointed our Senior Independent Director in March this year and will become Chair at our Annual Meeting in December 2023. I will not be standing for re-election having served for more than eleven years as an independent Non-Executive Director, the majority of which as Chair.**

**To attract such high-calibre and experienced directors to our board is, I believe, a very strong vindication of Frontier IP's innovative business model, the expertise and skill of our team, and the quality of companies within our portfolio.**

**The appointments of Nigel and David followed the decision of Campbell Wilson to step down from his role as a Non-Executive Director in April having served on the Board for nearly nine years. Campbell played a vital part in helping Frontier develop and grow. I am delighted to say he remains involved with the Group in an advisory role with several portfolio companies and would like to express my thanks to him for his work on behalf of the Group for the past nine years.**

**This is my final statement as your Chairman. Having served eleven years on the Board of Directors, it is time for me to leave, so I will not be standing for re-election as this year's Annual General Meeting. Replacing me is Professor Dame Julia King, Baroness Brown of Cambridge, DBE FREng FRS FMedSci. It has been an immense privilege to serve on the board of such an exciting company and to witness the Group's growth during my time here. Julia has already proved to be an invaluable member of the board. In the two years she has been with us, she has put her extensive experience and knowledge of industry, academic and the political world to Frontier IP's great benefit. The Group is in *capable* hands.**

**Our governance**

Good governance is vital for long-term sustainable growth, and we strive to achieve the highest standards for a business our size. We have adopted the Quoted Companies Alliance Corporate Governance Code, introduced in April 2018. To see more details about how we apply the principles of the Code, see the Our Governance section of this report and our website: [*https://www.frontierip.co.uk/about/governance/*](https://www.frontierip.co.uk/about/governance/) .

**Results**

The results represented a resilient performance in what continue to be challenging markets for technology companies and their investors. The fall in fair value of our equity portfolio to £32,964,000 reflected disposals of £5,713,000 and additions of £745,000. We made an unrealised loss on the revaluation of investments of £966,000, against an unrealised gain for the year to June 2022 of nearly £11 million.

The part-disposal of our holding in Exscientia, generated nearly £5 million cash during the year. Our cash balances at 30 June 2023 were £4.6 million.

**Outlook**

The markets and economic outlook remain difficult to predict given the high levels of global uncertainty. However, I am confident about the prospects for both the group and the portfolio, which is addressing some of the most critical global challenges we face today.

Andrew Richmond

Chairman

30 October 2023

Chief Executive Officer's Statement

Despite a difficult year financially, I am delighted with the significant commercial and technical progress made by companies across the portfolio this year and into the period beyond. Alusid, Nandi Proteins, Cambridge Raman Imaging, Celerum, and Fieldwork Robotics are all either generating revenues or are about to start, taking further strides forward to commercial viability. The day moves closer for a second portfolio company to follow Exscientia in launching an initial public offering or to execute a trade sale.

Alusid has said it is exploring options for an IPO in 2024. The company enjoyed a breakthrough year after successfully completing a deal with Topps Tiles, the UK's no. 1 tile specialist, and Starbucks - Alusid is now selling to franchisees across Europe and the Middle East. The company also made good technical progress in developing a hard-wearing floor tile for which industry interest is already high.

Other companies to watch include Nandi Proteins, which successfully scaled up its technology to create functional food ingredients and is now looking forwards to making important commercial progress in the coming year. Industrial interest in the company's products is high.

CamGraPhIC is another company making excellent technical and commercial progress with its graphene-based photonics technology. The company was already working closely with major multinationals in data and telecommunications but is now starting to gain traction from beyond the sector and from governmental organisations.

Celerum secured its first repeat customer and additional new customers for AI-driven Truck Logistics Software, and Cambridge Raman Imaging gained important validation for its technology with the first sales of its graphene-based ultra-fast lasers for medical imaging. Fieldwork Robotics continues to develop its raspberry-harvesting robots. These are already picking raspberries for supermarkets, and the company's new Chief Executive David Fulton is aiming to have more than a hundred commercially available robots by the end of 2025.

All this represents great progress in the context of an increasingly difficult economic and market backdrop of rising costs, rising inflation and rising interest rates. If there is not going to be an economic contraction in the UK, growth is still likely to be sluggish. Of course, it has taken companies several years to reach this point, perhaps longer than anticipated. But developing the kind of deep technologies, based on substantiative scientific or engineering advances, in which we specialise, takes time. It is not easy. This is a positive: competitors attempting to replicate the technologies successfully developed across our portfolio will find the task hard. The barriers to entry are high.

There are things that could be done to make deep technology commercialisation easier, however. The fear, uncertainty and doubt now stalking the markets are exposing and exacerbating long-term structural problems within the UK: the failure of the education and capital markets to connect properly.

We are home to some of the world's best universities and researchers. There is not a shortage of scientific and engineering expertise, of ideas or innovation, or people to make them work. We are home to a globally important financial sector able to deploy deep and vast reserves of liquidity. Money is available.

However, the sources of innovation and the sources of capital are not linking efficiently together.

Part of the problem reflects the fact that public equity markets have struggled for some time. In 1966, there were comfortably more than 4,000 companies listed on London's main market; by the end of 2022, the number was about 1,100. Many factors have been put forward for this market failure, including the weightier burdens and greater costs of regulation. Alternative sources of finance, such as venture capital and private equity have grown and prospered in consequence. These changing trends accelerated post the financial crisis as central banks slashed interest rates and launched quantitative easing. Cheap money flooded the markets.

The unwillingness of the UK pension and investment industry to commit to equity investment especially in technology stocks, has compounded the problem. Much of the pension fund money has been switched into bonds as part of a broader move towards indexation to mitigate risks. You could argue that buying long-dated bonds at low yields guarantees only poor returns at best when held to maturity and substantial losses when interest rates go up. Yet it is the case that Arm is owned by Japanese group SoftBank and is listed on Nasdaq; and Oxford Nanopore and Exscientia received no money from traditional UK venture capital backers as they grew. One is now listed in London, the other in New York.

Other possible challenges are emerging. One is the National Security Investment Act. The Act introduces constraints on who can invest in areas defined as ***strategic*** by the government. It risks further costs and delays. The full impact has yet to be felt, but unintended consequences could be losing important technologies to foreign markets as companies seek capital abroad or technologies failing because there is no capital.

Therefore, it is good to see government persuading major pension funds to enter a voluntary agreement to commit 5 per cent of their investments to early-stage businesses by 2030, even though it is not mandated that this should be solely in UK companies. It is a small step, but a welcome one.

More can be done. To encourage pension funds to commit capital to technology, I would ***suggest*** linking the substantial tax benefits they enjoy to investing in venture capital. The regulatory framework should be tweaked to encourage more asset diversification and longer-term, ***strategic*** thinking. From our perspective, incorporating new companies and working with very young businesses, the Enterprise Investment Scheme (EIS) and Seed EIS are important. They were limited by European Union state aid rules, but post-Brexit there is the opportunity to take a more expansive approach.

Despite the challenges, I remain optimistic about the potential for our companies to achieve success.

Crises spur innovation. Wars are the most commonly cited example, but depressions have an impact too. The United States, for example, following the Wall Street crash, enjoyed a decade of then unprecedented technological progress in the run up to its entry into the Second World War in 1941. Important steps were made in areas such as electrical and chemical engineering, aeronautics, and power generation.

Today, the world is facing crises around climate, energy, food, water and health, as well as the uncertainty caused by the Ukraine war and around the direction in the economy and markets. Technology is at the heart of our efforts to meet these challenges and provide a path to prosperity.

And when times are tough, there is always a greater emphasis on costs. Our approach, driven by our industry expertise and partnerships with major companies is highly responsive to their requirements. And given the current economic climate, they are obviously concerned with costs and as swift a return on technology deployment as possible.

Pulsiv's novel technology cuts the amount of energy wasted in converting power from about half to less than 10 per cent. It has the potential to cut costs for manufacturers and energy bills for consumers and, if deployed at scale, it has the potential to reduce the strain on national power grids. The company has successfully built out a global distribution network and made two major board appointments after the year end. Mark Gerhard became chairman. Mark is a serial entrepreneur with a very strong record of growing and exiting technology businesses. And Tim Moore, a Pulsiv non-executive director, left his job as Chief Technology Officer of Nasdaq-listed consumer electronics group SharkNinja to join the company full time as Chief Product Officer. Both appointments support our belief that Pulsiv will become a significant green technology company. Mark said on his appointment that Pulsiv is "highly analogous" to Arm.

CamGraPhIC's graphene-based photonics run at higher speed and lower temperatures than equivalent technologies - therefore using less energy. Data centres, which are reckoned to consume about one per cent of global energy output, are one potential market for the company's optical transceivers.

Our pipeline of new companies is also in robust health. One, GraphEnergyTech, is developing graphene inks to replace silver electrodes in photovoltaic solar cells. This could prove to be a critically vital technology. A study from the University of New South Wales said on current rates of solar energy growth, the industry could consume all known global silver reserves within the next decade. Another new company, DeakinBio, is developing new materials for tiles and other surfaces, joining Alusid in developing technologies that reduces the energy consumed by manufacturing.

The impacts of ultra-processed foods and obesity and the mighty costs they impose on health services are subject to widespread concern. Nandi Protein can help. Its technology uses natural ingredients such as fava beans and whey to replace fat, gluten and chemical, E-number additives in a wide range of different foods. The Vaccine Group is focused on using its novel herpesvirus-based vaccine platform to develop animal vaccines to combat economically harmful and zoonotic diseases. Fieldwork Robotics' fruit and vegetable harvesters address the global shortage of labour prepared to work in the fields. AquaInSilico and Molendotech are both striving towards better water quality. AquaInSilico through its novel software algorithms to improve wastewater treatment, Molendotech with faster tests for harmful bacteria in water, which cut the time needed from days into hours, or even quicker.

We took the decision during the year to strengthen our Board of Directors with two new independent Non-Executive directors, broadening the board's skills base and helping position us for the next phase of our evolution. More recently we announced that Andrew Richmond would not be offering himself for re-election at the coming Annual General Meeting and that Baroness Brown would replace Andrew as Group Chair following the AGM in December. I would like to take this opportunity to thank Andrew for his service, support and counsel over the years of our growth. I wish him every success for the future.

Our companies are striving towards creating technologies with the potential to make material impacts in the areas in which they operate. The pipeline of innovation remains fruitful, as shown by the three new companies added during the year and after. Our strong relationships with industry partners and their engagement with the portfolio gives us confidence that companies are meeting market needs and demands. For all the challenges, I remain upbeat about the Group's future prospects.

Neil Crabb, Chief Executive Officer

30 October 2023

Basis for qualified audit opinion

As noted within the external auditor's report set out in the Annual Report and Financial Statements, expected to be published and sent to shareholders on or around 20 November 2023, the Directors were not able to provide the external auditor with sufficient and appropriate evidence in relation to the estimation of fair value for certain investments, specifically being those investments described as 'Stage 2' in the accounting policies, which have been valued at £1.2 million (representing 3.6% of equity investments of £32.9 million and 2.6% of net assets) as at 30 June 2023. As a result, the external auditor was unable to conclude in respect of the valuation of these investments and was unable to perform alternative procedures. Consequently, this formed the basis for a qualified opinion on these Stage 2 investments.

The external auditors were therefore unable to determine whether any adjustment was necessary to these amounts as at 30 June 2023 or whether there was any consequential effect on the Group and Parent Company's other comprehensive income for the year ended 30 June 2023.

Material uncertainty related to going concern

We draw attention to the accounting policies in the financial statements, which indicate that the Group has insufficient cash to cover its operating expenditure for the 12 months from the date of the signing of these Group and Parent Company financial statements. However, the Directors intend to realise further cash from the Group's sole quoted investment in Exscientia, valued at £2.3 million at 30 June 2023, which they expect will provide the Group and Parent Company with sufficient cash to cover its operating expenditure for this period. The timing and amount of exit proceeds is subject to uncertainty. This condition, and the other matters noted in the accounting policies, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. The financial statements do not include any adjustments that may be necessary if the Group or Parent Company were not a going concern.

**Key Performance Indicators and Alternative Performance Measures**

The Key Performance Indicators and Alternative Performance Measures for the Group are:

|  |  |  |
| --- | --- | --- |
| KPI / APM | Description | 2023 Performance |
| Basic earnings per share (KPI) | Profit attributable to shareholders divided by the weighted average number of shares in issue during the year. | Loss of 5.8p (2022: profit of 18.6p) |
| Net assets per share (KPI) | Value of the Group's assets less the value of its liabilities per share outstanding | 81.8p (2022: 88.5p) |
| Total revenue and other operating income (KPI) | Growth in the aggregate of revenue from services, change in fair value of investments and realised profit on disposal of investments | Negative income of £1,380,000 (2022: positive income of £14,104,000) |
| Profit (KPI) | Profit before tax for the year | Loss of £4,370,000 (2022: profit of £10,879,000) |
| Total initial equity in new portfolio companies (APM) Note 1 | Aggregate percentage equity earned from new portfolio companies during the year | 108% (2022:20%) |

Note 1 - The total initial equity in portfolio companies is not an IFRS measure. It is used by Directors to measure the total percentage equity stakes received in all new spin-out companies during the year. It does not reflect holdings in individual spin-outs and does not include equity received through post spin-out investment. For 2023 it is the aggregate percentage holding from two new spin-out companies during the year.

The Group achieved its initial equity Alternative Performance Measure but failed to achieve its four Key Performance Indicators reflecting the difficult market conditions during the year.

Net assets per share decreased by 8% to 81.8p (2022: 88.5p) reflecting a loss after tax of £3,244,000. The value of the Group's investments decreased to £37,589,000 (2023: £42,693,000) reflecting the opening value of Exscientia shares sold of £5,713,000, purchase of investments of £1,576,000 and net unrealised losses on revaluation of £966,000. The Exscientia shares sold generated proceeds of £4,926,000. Loss after tax for the Group for the year to 30 June 2023 was £3,244,000 (2022: profit of £10,230,000) after a deferred tax credit of £1,126,000 (2022: charge of £649,000). This result includes a realised loss on disposal of investments of £786,000 (2022: gain of £2,867,000), an unrealised loss on the revaluation of investments of £966,000 (2022: gain of £10,908,000) and reflects an increase in services revenue to £372,000 (2022: £329,000) Administrative expenses of £3,130,000 (2022: £3,104,000) were flat primarily due to no bonuses being paid in 2023.

**Operational Review**

During the year, we took the opportunity to refresh our Board of Directors with the appointments of Nigel Grierson and David Holbrook as independent Non-Executive Directors from 15th March 2023. Both Nigel and David have extensive experience in industry and finance.

Professor Dame Julia King, Baroness Brown of Cambridge DBE FREng FRS FMedSci, who joined the Board in October 2021, became Senior Independent Director on the same date. Campbell Wilson stepped down in April 2023 having served as a Non-Executive Director for nine years but continues to support the Group in an advisory capacity with selected portfolio companies.

Companies across the portfolio continued to make good technical and commercial progress, with several starting to generate revenues for the first time as longer-term industry engagement started to translate into contracts and sales. We continued to strengthen management teams across the portfolio. Elute Intelligence and Celerum appointed Chief Executive Officers during the year, as did Fieldwork Robotics after the year end. Pulsiv and CamGraPhIC successfully raised funds during the year, with Fieldwork Robotics following after the year end.

As a people focussed business, we took steps to expand our team and to ensure we attract and retain the best people. We hired four full-time employees to the Frontier IP team during the year.

Our Remuneration Committee began to implement the changes to our remuneration arrangements recommended in last year's external review. Progress is set out in in detail in the Remuneration Committee Report.

Portfolio Review

Frontier IP strives to develop and maximise value from its portfolio. We do so by taking founding stakes in companies at incorporation and then working in long-term partnerships with shareholders, academic and industry partners.

As part of our sustainability agenda, we have mapped our portfolio companies to relevant [*United Nations Sustainability Development Goals (UN SDGs).*](https://sdgs.un.org/goals) All equity holdings are as at 30 June 2023.

Core portfolio

Alusid: Frontier IP stake: 37.4 per cent

Alusid creates beautiful, premium-quality tiles, tabletops and other surfaces by recycling industrial waste ceramics and glass, most of which would otherwise be sent to high-impact landfill.

The company has successfully scaled up its technology for mass production on industry-standard manufacturing equipment and during the year signed a contract to sell its first mass-manufactured tile range, Principle, through Topps Tiles, the UK's no.1 tile specialist.

Alusid also successfully completed a collaboration with one of the world's leading specialty minerals group, Imerys, which resulted in the company developing floor tiles, a missing product from its ranges. Pilot trials are now underway to see if the floor tiles can be mass produced, with high industry interest in the product.

The company is also selling products to Starbucks franchisees across Europe, Middle East and Africa. Other customers include H&M, Cos, Nando's, the BBC and the Stonehenge Visitor Centre, run by English Heritage.

UN Sustainable Development Goal mapping: SDG 9, industry, innovation and infrastructure; SDG 12, responsible consumption and production.

Amprologix: Frontier IP stake: 10.0 per cent

Amprologix was created to commercialise the work of Mathew Upton, Professor of Medical Microbiology at Plymouth's Institute of Translational and Stratified Medicine.

The company continued to make progress with development of its new family of antibiotics based epidermicin, which is derived from bacteria found on human skin, to tackle antimicrobial-resistant MRSA and other superbugs. Ingenza, a leader in industrial biotechnology and synthetic biology, is also a shareholder and is working with Amprologix to develop and scale up the technology.

COVID-19 heightened interest in other threats to human health globally. During the year, the World Health Organisation reiterated its warnings about the threats from antimicrobial-resistant superbugs and called for a step up in efforts to create new antibiotics.

UN SDG mapping: SDG 3, good health and well-being

AquaInSilico: Frontier IP stake: 29.0 per cent

AquaInSilico is developing sophisticated software tools able to understand and predict how biological and chemical processes unfold in different operating conditions.

These can be used to optimise wastewater treatment across many industries, including municipal wastewater treatment plants, oil groups, brewers, pulp, paper and steel makers, food processing and waste recovery businesses.

During the year, the company saw its digital tools implemented by a client in Cape Verde as part of the Phos-Value project to recycle environmentally harmful nutrients as biofertilisers and improve water quality in the islands. The project was supported by the United Nations Development Program. AquaInSilico was also selected to take part in a European PathFinder project to develop sustainable products and made good progress in gaining municipal and industrial interest in its UPWATER® technology.

UN SDG mapping: SDG 6, clean water and sanitation, SDG 12, responsible consumption and production, SDG 14, life below water

Cambridge Raman Imaging: Frontier IP stake: 26.8 per cent

Our first graphene spin out, Cambridge Raman Imaging (CRI) is developing Raman imaging technology based on graphene-based ultra-fast lasers, to detect and monitor tumours. The company was formed as a result of a partnership between the University of Cambridge and the Politecnico di Milano in Italy.

The main application creates digital images of patient cells and tissue, and the company is developing FFAI based analysis of chemical signatures for accurately differentiating between healthy tissue and diseased tissue in the patient samples, augmenting or replacing subjective diagnosis of samples by histopathologists. The technology removes the need for chemical staining - eliminating a major contributor to sample variation seen between one lab and the next.

During the year, the company successfully integrated its laser with a widely available commercial microscope and sold its first lasers. Tests showed histopathologists could identify tumours at an earlier stage from digital images generated by CRI's technology than they could from other technologies.

UN SDG mapping: SDG 3 good health and well-being

CamGraPhIC : Frontier IP stake: 20.8 per cent

CamGraPhIC develops graphene-based photonics for high-speed data and telecommunications. Graphene photonics are seen as a key enabler for the massive data increases being demanded by 5G and 6G technologies by the company's industrial partners.

Initial applications are high-speed optical transceivers. In laboratory conditions these have worked at 100Gb per second, around twice the speed of equivalent technologies, and across multiple wavebands. They are projected to consume at least 70 per cent less energy. Other uses include high-performance computing and in networks able to meet the demands of processor intensive artificial intelligence applications.

The company raised £1.26 million through an equity funding round during the year to accelerate development and scale up of the technology, and announced that Sir Michael Rake, the former BT Group Chairman would be joining its board of directors at an appropriate time. After the year end, CamGraPhIC put in place a loan facility worth up to £1.5 million, with Frontier IP subscribing to loan notes worth £1.32 million.

UN SDG mapping: SDG 9, industry, innovation and infrastructure, SDG 11, sustainable cities and infrastructure

Celerum: Frontier IP stake: 33.8 per cent

Celerum is developing novel artificial intelligence to improve the operational efficiency of logistics and supply chains.

The company's technology uses specialist algorithms based on nature-inspired computing, software and algorithms based on natural processes and behaviours.

During the year, the company appointed David Gladding as Chief Executive Officer. David has more than 30 years' experience in software and IT services companies, including those specialising in fleet management. The company is now winning customers for its first commercial product Truck Logistics System, launched during the year to June 2022. After the year end, the company announced it had won its first international customer, Grampian Continental, and was successfully developing more sophisticated versions of the software to meet the needs of further customers.

UN SDG mapping: SDG 9, industry, innovation and infrastructure

Des Solutio: Frontier IP stake: 25.0 per cent

Des Solutio is developing safer and greener alternatives to the toxic solvents currently used to extract active ingredients by the pharmaceutical, personal care, household goods and food industries.

It does this through the use of Natural Deep Eutectic Solvents. These are combinations of naturally occurring (often plant based) sugars, acids, alcohols and amino acids that can be used as safe solvents. These new green solvents can be used to replace toxic organic solvents used in conventional processing , such as ethanol, employed currently. This means it is contributing to the environmentally sound management of chemicals, and reducing their release to air, water and soil.

During the year, the company was selected as one of 10 start-ups to take part in the UK hub of the European Institute of Innovation & Technology's Food Network and started validation trials of a natural food preservative.

UN SDG mapping: SDG 9 industry, innovation and infrastructure; SDG 12, responsible consumption and production

Elute Intelligence: Frontier IP stake: 42.2 per cent

Elute's software tools are designed to help users intelligently search, compare and analyse complex documents by mimicking the way people read. There are a huge range of potential applications, from searching patents and contracts, to detecting evidence of plagiarism, collusion and copyright infringement. The company's tools help to enhance research, support improved technological capabilities and innovation. Existing customers for the company's CopyCatch plagiarism detection software include UCAS, The Open University, and Slicethepie, the largest paid review site on the internet.

During the year, Elute announced the appointment of Steve Cable as Chief Executive Officer and is developing Investor Insights, an IP analyst tool for investment firms, which is now in beta phase.

UN SDG mapping: SDG 9, industry, innovation and infrastructure

Enfold Health: Frontier IP stake 75.8 per cent

Enfold Health, incorporated during the year, is developing novel technology for attacking the pathogenic bacteria that drive gum disease (gingivitis and periodontitis). The incorporation resulted from a collaboration between Frontier IP and Dr Ioanna Mela, an Associate Professor in the Department of Pharmacology at the University of Cambridge.

Periodontitis increases the risk of developing many common chronic diseases, including cardiovascular disease, Type 2 diabetes, Alzheimer's, rheumatoid arthritis and pneumonia, and worsens associated symptoms.

Enfold's Board of Directors includes Gerard Majoor, the former Vice President, Innovation and Development, Business Group Health and Wellness, for Philips Oral Health Care and Mother and Child Care.

UN SDG mapping: UN SDG 3 good health and wellbeing

Exscientia: Frontier IP stake: 0.4 per cent

Exscientia, a spin out from the University of Dundee, was the first in our portfolio to IPO, raising total gross proceeds of $510 million through a public offer and private placements with SoftBank and the Bill & Melinda Gates Foundation. It is listed on Nasdaq.

Now based in Oxford, Exscientia is a world leader in artificial intelligence-driven drug discovery. It is the company behind the first AI-created drugs to enter human clinical trials, taking years off traditional drug discovery processes.

During the year, the company continued to expand its pipeline of drug candidates, with four new molecules advancing further into clinical trials during the first half of its financial year to 30 June 2023 alone. The company is also developing its capabilities: it is building its own hardware and software solutions to automate a wide range of laboratory processes.

UN SDG mapping: SDG 3, good health and well-being

Fieldwork Robotics: Frontier IP stake: 22.1 per cent

Fieldwork Robotics is looking to have more than 100 robots available for farmers to hire by 2025 following a post-year end funding round to accelerate further development of the company's raspberry pickers.

The moves follow the start of commercial trials of the raspberry harvesters in Portugal, and the continued focus is on making the robots faster and scaling up the technology.

After the year end, the company also appointed David Fulton as Chief Executive Officer, replacing Rui Andres who is focusing full time on Molendotech as CEO. David has more than 30 years' business experience, most recently as co-founder and director of LAB+BONE, a service to protect dogs' identity by using DNA. Before starting LAB+BONE, he was Chief Executive Office of WeSee,a company using advanced computer vision technology mimicking the human brain's ability to understand and process visual information. He previously held executive positions with Expedia, Adform and Microsoft.

Robotic fruit and vegetable harvesting technology has the potential to improve ***agricultural*** productivity, reduce food waste by more accurate picking and minimising human contact, and result in better quality jobs, with harvesting labour replaced by skilled robot operators. There is also potential for cutting carbon emissions through reduced need for migrant labour.

UN SDG mapping: SDG 2, zero hunger; SDG 12 responsible consumption and production

GraphEnergyTech: Frontier IP stake 32.1 per cent

GraphEnergyTech is developing advanced graphene technology for lower-cost and more environmentally-friendly solar cells - and could help save global silver reserves from exhaustion by 2050.

The company, which was incorporated into our portfolio during the year, is developing high-conductivity graphene inks. Initial applications are for graphene electrodes to replace expensive silver electrodes in solar cells. Silver is the most commonly used material for solar cell electrodes, and the solar industry is currently using 100 million troy ounces a year at a cost of at least $2 billion.

Research by the University of New South Wales, Australia, states more than 85 per cent of current silver reserves could be consumed by solar by 2050, with the upper end of its estimates as high as 113 per cent.

GraphEnergyTech's electrodes are 22 per cent cheaper than silver at pilot stage with further reductions expected as the technology is scaled up. The technology also enables high-efficiency perovskite solar cells by eliminating the risk of performance degradation caused by metal migration. Manufacturing is also easy - the graphene inks can be applied a low-cost screen-printing process, compatible with existing equipment.

Using graphene inks will also reduce the environmentally damaging extraction of metals, including the use of mercury and cyanide.

UN SDG mapping: UN SDG 7 affordable and clean energy, UN SDG 9, industry, innovation and infrastructure,

InSignals Neurotech: Frontier IP stake: 32.9 per cent

InSignals Neurotech continues to make progress with its novel technology to analyse the motor symptoms of Parkinson's disease and other neurological disorders. The company is developing wireless devices to measure motor symptoms, such as wrist rigidity, in real time to help surgeons and neurologists assess the extent of the disease. Initial prototypes were designed to help identify the best locations to place implants in the brain. However, an improved version can now be used to monitor symptoms more broadly for disease tracking and to understand better how patients are responding to treatment. A multi-centred clinical trial has been established to test the devices., and a collaboration with the University of Santiago de Compostela in Spain confirmed how object measurements could produce deeper insights into disease progression. A mobile application of the technology is now under development.

The spin out from the Portuguese Institute for Systems and Computer Engineering, Technology and Science ("INESC TEC"), with the support of São João University Hospital, part of the University of Porto.

UN SDG mapping: SDG 3 good health and well-being

Molendotech: Frontier IP stake: 10.4 per cent

Molendotech has developed Bacterisk+, a proprietary screening test for faecal contamination in water. The tests, which can be used on site, cuts testing times from up to two days to under 30 minutes because samples do not need to be sent to a laboratory, enabling environmental agencies and other authorities to assess water quality swiftly. It has been used to screen marine bathing waters, inland recreational waters, irrigation water and food process water.

The company has also developed a test to detect specific bacterial strains, including pathogens, for use in the food industry, animal feeds, veterinary practices and ballast waters.

UN SDG mapping: SDG 6, clean water and sanitation; SDG 12 responsible consumption and production

Nandi Proteins: Frontier IP stake: 19.8 per cent

Nandi Proteins successfully demonstrated commercial scale up of its egg white replacer further extending its range of customised ingredients based on vegetable and animal proteins. The company continued to develop industry relationships over the year, which is expected to result in significant commercial progress in the future.

The company's technology is able to create a wide range of customised ingredients based on naturally occurring vegetable and animal proteins. Nandi's functional proteins can be used to replace undesirable ingredients, such as fat, gluten and chemical E-number additives in processed foods, or to replace animal proteins with vegetable proteins.

Nandi's technology has the potential to contribute to more sustainable ***agriculture*** and food production by supporting the plant-based alternative meat industry, by reducing chemical ingredients in processed and ultra-processed foods and by reducing the amount of meat used in processed meat products.

UN SDG mapping: SDG 2, end hunger; SDG 12, responsible consumption and production

PoreXpert: Frontier IP stake: 15.0 per cent

PoreXpert, a software and consultancy firm, has developed novel software and methods to model the voids within porous materials and how gases, liquids and colloidal suspensions behave within them.

Applications include helping companies understand and exploit the nature of oil and gas reserves to improve the efficiency of exploration and extraction, supporting industry efforts to reduce their impact on the environment. It is also being used to help maximise the lifespan of the UK's Advanced Gas Cooled nuclear reactors, which generate 20 per cent of the national energy requirement, without greenhouse gas emissions.

UN SDG mapping: SDG 7, affordable and clean energy; SDG 12, responsible consumption and production

Pulsiv: Frontier IP stake: 18.2 per cent

Pulsiv's progress during the year included the launch of its first commercial product, Pulsiv Osmium, building out a global distribution network and a funding round that raised £1.5 million. The fundraising valued the company at £50 million pre money.

The company also established a global distribution network after signing agreements with partners across North America, Europe and Asia. The company continues to evolve and post period-end significantly strengthened its board with two key appointments of serial entrepreneur Mark Gerhard as chair and Tim Moore, who joined full time as Chief Product Officer from his role at SharkNinja.

Pulsiv's technology has the potential to make a profound impact on the energy sector. It cuts the amount of energy consumed by devices, therefore reducing the strain on power grids, and can boost the output of photovoltaic solar cells. Pulsiv Osmium is initially aimed at improving the efficiency of power supplies, LED lighting and battery chargers, but it can be used across nearly all mains-powered devices.

Because the technology uses fewer components, its new power conversion techniques can be incorporated in smaller, lighter and more cost-effective designs, so the technology has the potential to reduce strains on power grids and cut costs for manufacturers and bills for consumers.

It also works from device to mains, significantly improving the efficiency of renewable sources. The company is also working on a solar microinverter to maximise the output from photovoltaic solar cells.

UN SDG mapping: SDG 7, affordable and clean energy; SDG 13, climate action

The Vaccine Group: Frontier IP stake: 17.0 per cent

The Vaccine Group is creating a wide range of vaccines based on a novel herpesvirus-based platform. Its core focus is on preventing the spread of economically damaging diseases in livestock.

During the year, the company successfully completed two government-funded projects. The first funded by theUKand Chinese governments, developed a vaccine candidate for Streptococcus suis, a bacterial disease carried by pigs that causes significant productivity losses in the global pig industry. However, it can also cause meningitis and other symptoms in humans. The disease is currently poorly served as there are no highly effective vaccines and treatment uses antibiotics but is showing signs of resistance. A Chinese commercial collaborator, thePulike Biological Engineering Companyhas demonstrated candidate vaccine production using commercial manufacturing techniques at pilot scale.

The second project involved developing a transmissible candidate vaccine against a virus, Lassa fever, for use in the rats that spread the disease. A small-scale trial showed the candidate could be transmitted between rats, significantly improve their immunity to Lassa fever and reduce its spread between them. Technology to scale up for commercial production was also developed as part of the project, and the company is now in discussion with potential partners about further development. The work was funded by theUS Defense Advanced Research Projects Agency, led by theUniversity of California Davis, and involved TVG collaborating with academic partners from around the world.

TVG now has eight vaccine candidates approaching proof of principle. Its most advanced projects are for pigs: in addition to streptococcus suis, the company is also developing vaccines for porcine reproductive and respiratory syndrome virus, porcine circovirus and African swine fever. It is adding more candidates to its pipeline to target diseases affecting horses, cattle, cats and dogs.

UN SDG mapping: SDG 2, end hunger; SDG 3 good health and well-being

**Core Portfolio Summary at 30 June 2023**

|  |  |  |  |
| --- | --- | --- | --- |
| Portfolio Company | % Issued Share Capital | About | Source |
| Alusid Limited | 37.39% | Recycled materials | University of Central Lancashire |
| Amprologix Limited | 10.0% | Novel antibiotics to tackle antimicrobial resistance | Universities of Plymouth and Manchester |
| AquaInSilico Lda | 29.0% | Digital tools to optimise wastewater treatment | FCT Nova |
| Cambridge Raman Imaging Limited | 26.8% | Medical imaging using ultra-fast lasers | University of Cambridge and Politecnico di Milano |
| CamGraPhIC Limited | 20.8% | Graphene-based photonics | University of Cambridge and CNIT |
| Celerum Limited | 33.8% | Near real-time automated fleet scheduling | Robert Gordon University |
| Des Solutio Lda | 25.0% | Green alternatives to industrial toxic solvents | FCT Nova |
| Elute Intelligence Holdings Limited | 42.2% | Software tools able to intelligently search, compare and analyse unstructured data | Existing business |
| Enfold Health Limited | 75.8% | Improved oral health | University of Cambridge |
| Exscientia Limited | 0.4% | Novel informatics and experimental methods for drug discovery | University of Dundee |
| Fieldwork Robotics Limited | 22.1% | Robotic harvesting technology for challenging horticultural applications | University of Plymouth |
| GraphEnergyTech Limited | 32.1% | High conductivity graphene inks | University of Cambridge/École Polytechnique Fédérale de Lausanne |
| Insignals Neurotech Lda | 32.9% | Wearable medical devices supporting deep brain surgery | INESC TEC |
| Molendotech Limited | 10.4% | Rapid detection of water borne bacteria | University of Plymouth |
| Nandi Proteins Limited | 19.8% | Food protein technology | Heriot-Watt University, Edinburgh |
| PoreXpert Limited | 15.0% | Analysis and modelling of porous materials | University of Plymouth |
| Pulsiv Limited | 18.2% | High efficiency power conversion and solar power generation | University of Plymouth |
| The Vaccine Group Limited | 17.0% | Herpesvirus-based vaccines for the control of bacterial and viral diseases | University of Plymouth |

The Group holds equity stakes in 6 further portfolio companies. The combined value of these holdings was £575,000, equivalent to 1.7% of the fair value of the Group's equity investments at 30 June 2023.

**Financial Review**

**Key Highlights**

Net assets per share decreased by 8% to 81.8p (2022: 88.5p) reflecting a loss after tax of £3,244,000. The loss was driven by a net decrease on revaluation of investments of £966,000 and a realised loss on part disposal of the Group's holding in Exscientia of £786,000.

Loss after tax for the Group for the year to 30 June 2023 was £3,244,000 (2022: profit of £10,230,000) after a deferred tax credit of £1,126,000 (2022: charge of £649,000). This result includes a realised loss on disposal of investments of £786,000 (2022: gain of £2,867,000), an unrealised loss on the revaluation of investments of £966,000 (2022: gain of £10,908,000) and reflects an increase in services revenue to £372,000 (2022: £329,000) and flat administrative expenses of £3,130,000 (2022: £3,104,000) primarily due to no bonuses being paid in 2023.

**Revenue and Other Operating Income**

Services revenue increased by 13% to £372,000 (2022: £329,000) but other operating income, comprising realised and unrealised gains and losses on investments decreased to a loss of £1,752,000 (2022: gain of £13,775,000). The realised loss on disposal of investments was £786,000 (2022: gain of £2,867,000) and the unrealised loss on the revaluation of investments was £966,000 (2022: gain of £10,908,000). The fall during the year in the value of Exscientia, the Group's only quoted company holding, was a significant contributor to these losses. During the year, the Group sold a further part of its holding in Exscientia for £4,926,000 realising a loss of £786,000 on the value of the holding at 30 June 2022, 100% of the realised loss for the year to 30 June 2023. The decrease in the value of the Group's remaining holding in Exscientia over the year to 30 June 2023 was £2,123,000, 49% of loss before tax for the year to 30 June 2023. The unrealised loss on the revaluation of investments of £966,000 comprises losses on equity investments of £1,780,000 and gains on debt investments of £814,000. The significant contributors to the unrealised loss on equity investments were The Vaccine Group (decrease of £2,164,000), Exscientia (decrease of £2,123,000) and CamGraPhIC (increase of £1,430,000). An increase in the value of the Group's debt investment in CamGraPhIC of £724,000 was the primary contributor to the unrealised gain on debt investments.

**Administrative Expenses**

Administrative expenses increased by 1% to £3,130,000 (2022: £3,104,000). Prior year expenses included the payment of bonuses totalling £480,000 that were paid to employees of the Group. Excluding prior year bonuses, administrative expenses increased by 19%, primarily due to increased employee costs.

**Share Based Payments**

Share based payments decreased 53% to £155,000 (2022: £329,000) reflecting option grants during the year.

**Earnings Per Share**

Basic loss per share was 5.85p (2022: earnings per share of 18.60p). Diluted loss per share was 5.64p (2022: earnings per share 17.53p).

**Statement of Financial Position**

The principal items in the statement of financial position at 30 June 2023 are financial assets at fair value through profit and loss comprising equity investments of £32,964,000 (2022: £39,712,000) and debt investments of £4,625,000 (2022: £2,981,000). The carrying value of these items is determined by the Directors using their judgement when applying the Group's accounting policies. The matters taken into account when assessing the fair value of the portfolio companies are detailed in the accounting policy on investments. The movement during the year in equity and debt investments is detailed in notes 13 and 14 to the financial statement, respectively.

The Group had goodwill of £1,966,000 at 30 June 2023 (2022: £1,966,000). The considerations taken into account by the Directors when reviewing the carrying value of goodwill are detailed in Note 10 to the financial statements.

The Group had net current assets at 30 June 2023 of £6,181,000 (2022: £5,201,000) reflecting primarily advances of £793,000 (2022: nil) made to portfolio companies prior to formalising as loans. The current assets at 30 June 2023 include trade receivables of £604,000 which are more than 90 days overdue. The portfolio company debtors are in the process of raising funds and the directors are confident that the amounts due to the company will be paid.

**Net assets per share**

Net assets of the Group decreased to £45,538,000 at 30 June 2023 (30 June 2022: £48,699,000) resulting in net assets per share of 81.8p (30 June 2022: 88.5p).

**Cash**

The Group's cash balances increased during the year by £235,000 to £4,603,000 at 30 June 2023. Operating activities consumed £3,247,000 (2022: £3,006,000), the increase reflecting primarily advances made to portfolio companies prior to formalising as loans. Investing activities generated £3,384,000 (2022:

£5,382,000). This reflected proceeds on disposal of part of our holding in Exscientia of £4,926,000 (2022: £6,525,000) and the purchase of equity and debt investments of £1,576,000 (2022: £1,141,000) across nine of our portfolio companies.

**Principal Risks and Challenges affecting the Group**

The specific financial risks of price risk, interest rate risk, credit risk and liquidity risk are discussed in note 1 to the financial statements. The principal broader risks - financial, operational, cash flow and personnel - are considered below.

The key financial risk in our business model is the inability to realise sufficient income through the sale of our holdings in portfolio companies to cover operating costs and investment capital. £4.9 million of cash was generated during the year from selling shares in portfolio company Exscientia. The remaining holding in Exscientia was valued at £2.3 million at 30 June 2023. The other principal financial risk of the business is a fall in the value of the Group's portfolio. With regards to the value of the portfolio itself, the fair value of each portfolio company represents the best estimate at a point in time and may be impaired if the business does not perform as well as expected, directly impacting the Group's value and profitability. This risk is mitigated as the number of companies in the portfolio increases. The Group continues to pursue its aim of actively seeking realisation opportunities within its portfolio to reduce the requirement for additional capital raising.

The principal operational risk of the business is management's ability to continue to identify spin out companies from its formal and informal university relationships, to increase the revenue streams that will generate cash in the short term and achieve realisations from the portfolio.

Early-stage companies are particularly sensitive to downturns in the economic environment. There are currently several areas of concern that could affect the UK and wider global markets and economy. Global risks include the continuing war in Ukraine and emerging conflict and instability in the middle east. The impact of both, particularly the dangers of escalation, on geopolitics, economically and on markets, are uncertain and difficult to predict. Inflation and interest rates are rising. Longer-term risks include uncertainties in the US, where economic growth continues to be slow and around next year's presidential elections, and in China, which is facing demographic challenges and pressures in its property sector.

Any economic downturn would mean considerable uncertainty in capital markets, resulting in a lower level of funding activity for such companies and a less favourable exit environment. The impact of this may be to constrain the growth and value of the Group's portfolio and to reduce the potential for revenue from advisory work. The Group seeks to mitigate these risks by maintaining a strong balance sheet, relationships with co-investors, industry partners and financial institutions, as well as controlling the cash burn rate in portfolio companies.

COVID-19 remains a risk with the possibility of new variants emerging. The likeliest impacts on the Group are operational: Frontier IP and portfolio company employees may contract the virus and be unavailable for work for extended periods of time. The Group seeks to mitigate these risks by maintaining a safe working environment and ensuring portfolio companies have considered and addressed risks.

Changes to the basis on which IP is licensed in the Higher Education sector might lead to reduced opportunity or a need to vary the business model. Any uncertainty in the sector may have an impact on the operation of the Group's commercialisation partnerships in terms of lower levels of intellectual property generation and therefore commercialisation activity. The Group seeks to mitigate these risks by continuing to seek new sources of IP from a wide range of institutions both within and outside of the UK.

The Group is dependent on its executive team for its success and there can be no assurance that it will be able to retain the services of key personnel. This risk is mitigated by the Group through recruiting additional skilled personnel and ensuring that the Group's reward and incentive framework aids our ability to recruit and retain key personnel. We expanded our team during the year and, post period-end, commissioned an external review of our remuneration framework.

After making appropriate enquiries, the Directors consider that it remains appropriate to adopt the going concern basis in preparing the financial statements. However, the Directors intend to realise further cash from the Group's quoted investment in Exscientia valued at £2.3 million at 30 June 2023 which they reasonably expect will provide the Group with sufficient cash to cover its operating expenditure for this period. The Directors also expect that this realisation will, where appropriate, assist the Group in supporting portfolio companies during this period. The dependence on the amount realised from this one quoted technology company represents a material uncertainty. More detail is provided in the Directors' Report.

By order of the Board

Neil Crabb

Director

30 October 2023

**Remuneration Review Implementation**

Following the review of the Group's remuneration policy during FY 2022, the aim of which was to ensure that the policy continued to reinforce long-term value creation by enhancing the Group's ability to attract and retain the best people, the Group began the implementation of the key findings of the Remuneration Review during the year.

Salary

As recommended, Director's full-time equivalent salaries were raised to £200,000 for the CEO, and to £160,000 for each of the CFO, CCO, and COO in January 2023. The Committee is expecting to implement further increases in FY24 which are likely to be less than the increase in FY23 and will disclose these in the relevant directors' remuneration report.

All non-director staff also received salary increases in order to ease cost of living pressures during the year.

Annual Bonus

Our business model means that the availability of cash to pay bonuses will be dependent on cash being raised through asset realisations, and the bonus opportunity in any financial year is dependent on this activity and will only be paid where the Group determines there is a sufficient surplus to the medium-term operating cash requirement.

Following review, the Remuneration Committee concluded that no bonuses were to be paid, consequently no bonus payments were made during the period.

LTIP

In line with Remuneration Review recommendations, the Group implemented the 'LTIP' as set out in an advisory resolution, and supported by shareholders, at the Company's 2022 Annual General Meeting.

The first awards made under the LTIP were granted in March 2023, to all staff including directors. Details of share options held by Directors who were in office at 30 June 2023 are set out below.

Option awards were also granted to Group non-director employees under the Group's Company Share Option Plan.

**Directors' remuneration**

An analysis of remuneration by director is given in Note 6 of these financial statements.

**Contracts of service**

Neil Crabb's, Jacqueline McKay's, James Fish's and Matthew White's service agreements are subject to a six-month notice period.

**Share options**

The Company currently has three share option schemes.

The Frontier IP Group plc Employee Share Option Scheme 2011, as adopted by the Board of Directors of the Company on 30 November 2012 and amended by the Board of Directors of the Company on 26 March 2018, was able to grant both options which are Enterprise Management Incentive (EMI) approved. This scheme remains in place, but no new options will be granted as the Group has ceased to be a qualifying company for EMI purposes.

Two further schemes are in place: the Frontier IP Group PLC Company Share Option Plan 2021 ("CSOP") and the Frontier IP Group PLC Unapproved Share Option Plan 2021, as amended by Board of Directors Resolution on 7 March 2023 ("LTIP"). During the period, 191,496 share options were granted under the CSOP and 643,376 share options were granted under the LTIP.

Details of share options held by Directors who were in office at 30 June 2023 are set out below:

The market price of the Company's shares at 30 June 2023 was 46.0p. The range of prices during the year was 46.0p to 89.0p.

**Directors' interests in shares**

The Directors in office at 30 June 2023 had the following interests in the ordinary shares of 10p each in the Company at the year end.

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| Number | Number |  |
| Neil Crabb | 3,445,538 | 2,988,713 |
| Jacqueline McKay | 208,637 | 12,855 |
| Andrew Richmond | 850,000 | 1,000,000 |
| James Fish | 100,000 | 100,000 |

All of the above interests are beneficial.

Professor Dame Julia King, Baroness Brown of Cambridge

Chair of the Remuneration Committee

30 October 2023

**Audit Committee Report**

**Key Responsibilities**

The Committee's terms of reference are available on the Group's website. The Committee is required, amongst other things, to:

· monitor the integrity of the financial statements of the Group, reviewing significant financial reporting issues and the judgements they contain;

· review and challenge where necessary the accounting policies used, the application of accounting standards and the clarity of disclosure in the financial statements;

· keep under review the effectiveness of the Group's internal controls and risk management systems; and

· oversee the relationship with the external auditor, reviewing their performance and advising the Board on their appointment and remuneration.

**Committee Governance**

The Committee comprised of three non-executive directors and was chaired by Andrew Richmond until 13 March 2023 following which the Committee comprised of four non-executive directors and David Holdbrook replaced Andrew Richmond as chair. It meets a minimum of two times per year with the external auditors present. In addition, executive directors are asked to attend.

**Activities of the Audit Committee during the year**

The Committee met on three occasions during the year under review and up to the date of this Annual Report with all members present and the external auditors in attendance. The main areas covered by the Committee are outlined below:

Internal controls and risk management

The Board has overall responsibility for internal controls and risk management. As the Board's three non-executive directors were also the Committee members during the year, the Group's risk analysis and controls policy was reviewed and updated by the Board. Further details of business risks identified can be found in Key Risks and Challenges Affecting the Group. The risk management process is continually being developed and improved.

Significant estimates and judgements

The focus at the Committee meetings was on the significant estimates, assumptions and judgements used in the financial statements in arriving at the value of investments, reviewing goodwill for impairment and assessing the recoverability of amounts owed to the Group by portfolio companies. The Committee was satisfied that such estimates, assumptions and judgements used were reasonable and appropriate. Details of critical accounting estimates and assumptions and of critical accounting judgements can be found in Note 2 to the Financial Statements.

External audit

The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to ***rotate*** the lead audit partner every five years. BDO LLP were first appointed as external auditor in FY19 following their merger with Moore Stephens LLP who were the external auditor in place since FY15 following their merger with Chantrey Vellacott DFK LLP who were first appointed in FY08. Timothy West was appointed lead partner in FY17. Chris Meyrick was appointed lead partner in FY22. The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of BDO LLP and has recommended to the Board that the auditors be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting. In addition to their statutory duties, BDO LLP are also engaged to provide non-audit services where it is felt their knowledge of the business best places them to provide those services, such as review of the interim results, and where these non-audit services are permitted under the Financial Reporting Council's ethical guidelines.

Basis for qualified audit opinion

As noted within the external auditor's report, the Directors were not able to provide the external auditor with sufficient and appropriate evidence in relation to the estimation of fair value for certain investments, specifically being those investments described as 'Stage 2' in the accounting policies, which have been valued at £1.2million (representing 3.6% of equity investments of £32.9 million and 2.6% of net assets) as at 30 June 2023. As a result, the external auditor was unable to conclude in respect of the valuation of these investments and was unable to perform alternative procedures. Consequently, this formed the basis for their qualified opinion on these Stage 2 investments.

David Holbrook

Chairman of the Audit Committee

30 October 2023

**Consolidated Statement of Comprehensive Income**

For the year ended 30 June 2023

|  |  |  |  |
| --- | --- | --- | --- |
| 2023 | 2022 |  |  |
| Notes | £'000 | £'000 |  |
| Revenue |  |  |  |
| Revenue from services Other operating income Unrealised (loss)/profit on the revaluation of investments | 3 13,14 | 372 (966) | 329 10,908 |
| Realised (loss)/profit on disposal of investments | (786) | 2,867 |  |
| (1,380) | 14,104 |  |  |
| Administrative expenses Share based payments Interest income on debt investments | 5 | (3,130) (155) 232 | (3,104) (329) 155 |
| Other income | 13 | 52 |  |
| (Loss)/profit from operations | (4,420) | 10,878 |  |
| Interest income on short term deposits | 50 | 1 |  |
| (Loss)/profit from operations and before tax | (4,370) | 10,879 |  |
| Taxation | 7 | 1,126 | (649) |
| (Loss)/profit and total comprehensive (expense)/income attributable to the equity holders of the Company | (3,244) | 10,230 |  |
| (Loss)/profit per share attributable to the equity holders of the Company: |  |  |  |
| Basic (loss) / earnings per share | 8 | (5.85)p | 18.60p |
| Diluted (loss) / earnings per share | 8 | (5.64)p | 17.53p |

All of the Group's activities are classed as continuing.

There is no other comprehensive income in the year (2022: nil).

**Consolidated Statement of Financial Position**

At 30 June 2023

|  |  |  |  |
| --- | --- | --- | --- |
| 2023 | 2022 |  |  |
| Notes | £'000 | £'000 |  |
| Assets |  |  |  |
| Non-current assets |  |  |  |
| Tangible fixed assets | 9 | 13 | 6 |
| Goodwill | 10 | 1,966 | 1,966 |
| Equity investments Debt investments | 13 14 | 32,964 4,625 | 39,712 2,981 |
| 39,568 | 44,665 |  |  |
| Current assets |  |  |  |
| Trade receivables and other current assets | 15 | 1,026 | 1,051 |
| Advances | 16 | 793 | - |
| Cash and cash equivalents | 4,603 | 4,368 |  |
| 6,422 | 5,419 |  |  |
| Total assets | 45,990 | 50,084 |  |
| Liabilities |  |  |  |
| Non-current liabilities |  |  |  |
| Deferred taxation | 7 | (211) | (1,167) |
| (211) | (1,167) |  |  |
| Current liabilities |  |  |  |
| Trade and other payables | 17 | (241) | (218) |
| (241) | (218) |  |  |
| Total liabilities | (452) | (1,385) |  |
| Net assets | 45,538 | 48,699 |  |
| Equity |  |  |  |
| Called up share capital | 18 | 5,566 | 5,501 |
| Share premium account | 18 | 14,627 | 14,576 |
| Reverse acquisition reserve | 19 | (1,667) | (1,667) |
| Share based payment reserve | 19 | 1,291 | 1,324 |
| Retained earnings | 19 | 25,721 | 28,965 |
| Total equity | 45,538 | 48,699 |  |

**Consolidated Statements of Changes in Equity**

For the year ended 30 June 2023

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Share capital | Share premium account | Reverse acquisition reserve | Share- based payment reserve | Retained earnings | Total equity attributable to equity holders of the Company |  |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |  |
| At 1 July 2021 | 5,501 | 14,576 | (1,667) | 1,276 | 18,735 | 38,421 |
| Issue of shares | - | - | - |  |  |  |
| Share-based payments | - | - | - | 48 | 48 |  |
| Profit/total comprehensive income for the year | - | - | - | - | 10,230 | 10,230 |
| At 30 June 2022 | 5,501 | 14,576 | (1,667) | 1,324 | 28,965 | 48,699 |
| Issue of shares | 65 | 51 | - | (18) | - | 98 |
| Share-based payments | - | - | - | (15) | - | (15) |
| (Loss)/total comprehensive expense for the year | - | - | - | - | (3,244) | (3,244) |
| At 30 June 2023 | 5,566 | 14,627 | (1,667) | 1,291 | 25,721 | 45,538 |

**Consolidated Statements of Cash Flows**

For the year ended 30 June 2022

|  |  |  |  |
| --- | --- | --- | --- |
| Group | Group |  |  |
| 2023 | 2022 |  |  |
| Notes | £'000 | £'000 |  |
| Cash flows from operating activities | 22 | (3,248) | (3,006) |
| Cash flows from investing activities |  |  |  |
| Purchase of tangible fixed assets | 9 | (16) | (3) |
| Purchase of equity investments | 13 | (691) | (614) |
| Disposal of equity investments | 4,926 | 6,525 |  |
| Purchase of debt investments | 14 | (884) | (527) |
| Net amounts receivable from group undertakings | - | - |  |
| Interest income | 50 | 1 |  |
| Net cash from investing activities | 3,385 | 5,382 |  |
| Cash flows from financing activities |  |  |  |
| Proceeds from issue of equity shares | 98 | - |  |
| Costs of share issue | - | - |  |
| Net cash generated from financing activities | 98 | - |  |
| Net increase/(decrease) in cash and cash equivalents | 235 | 2,376 |  |
| Cash and cash equivalents at beginning of year | 4,368 | 1,992 |  |
| Cash and cash equivalents at end of year | 4,603 | 4,368 |  |

**Notes to the Financial Statements**

**1. Financial risk management**

**Financial risk factors**

(a) Market risk

Interest rate risk

As the Group has no borrowings it only has limited interest rate risk. The impact is on income, debt investments and operating cash flow and arises from changes in market interest rates. Cash resources are held in floating rate accounts.

Price risk

The Group is exposed to equity securities price risk because of equity investments classified on the consolidated statement of financial position as financial assets at fair value through profit and loss. The maximum exposure is the fair value of these assets which is £32,964,000 (2022: £39,712,000) of which quoted equity investments comprise £2,298,000 (2022: £10,132,000). Equity investments are valued in accordance with the Group's accounting policy on equity investments. Management's monitoring of and contact with portfolio companies provides sufficient information to value the unquoted companies and the Board regularly reviews their progress, prospects and valuation. Information on reasonable possible shifts in the valuation of equity investments is provided in note 13 to the financial statements.

(b) Credit risk

The Group's credit risk is primarily attributable to its debt investments, trade receivables, other debtors and cash equivalents. The Group's current cash and cash equivalents are held with two UK financial institutions, the Bank of Scotland plc and Barclays Bank plc, both of which have a credit rating of "P1" from credit agency Moody's, indicating that Moody's consider that these banks have a "superior" ability to repay short-term debt obligations. The concentration of credit risk from trade receivables and other debtors varies throughout the year depending on the timing of transactions and invoicing of fees. Details of major customers to the Group are set out in Note 4. Details of trade receivables and other current assets are set out in note 15. Details of significant debt investments are set out in Note 14. Management's assessment is aided through representation on the Board and/or through providing advisory services to the companies.

The maximum exposure to credit risk for debt investments, trade receivables, other current asset and cash equivalents is represented by their carrying amount.

(c) Capital risk management

The Group is funded by equity finance only. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position. The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to manage the cost of capital. In order to maintain the capital structure, the Group may issue new shares as required. The Group currently has no debt. There were no changes in the Group's approach to capital management during the year.

(d) Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Group's business model is to realise cash through the sale of investments in portfolio companies and in the absence of such realisations the Group would plan to raise additional capital. The Board reviews available cash to ensure there are sufficient resources for working capital requirements and investments. At 30 June 2023 and 30 June 2022 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year.

**2. Critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgements.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Valuation of investments

In applying valuation techniques to determine the fair value of unquoted equity investments the Group makes estimates and assumptions regarding the future potential of the investments. As the Group's unquoted investments are in seed, start-up and early-stage businesses it can be difficult to assess the outcome of their activities and to make reliable forecasts. Given the difficulty of producing reliable cash flow projections for use in discounted cash flow valuations, this technique is applied with caution. Adjustments made to fair value are, by their very nature, subjective and determining the fair value is a critical accounting estimate. In applying valuation techniques to determine the fair value of debt investments the Group makes estimates and assumptions regarding the time to repayment or conversion, discount rate and credit risk. A 25% increase in the time to repayment or conversion reduces the value of debt investments from £4,625,000 to £4,590,000 and a 25% increase in the discount rate reduces the value of the debt investments from £4,625,000 to £4,569,000. Where warrants are attached to a debt instrument, the fair value is determined using the Black-Scholes-Merton valuation model. The significant inputs to the model are provided in note 14. The price at which debt investments were made is 65% of the fair value of debt investments at 30 June 2023 (2022: 94%).

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the stated accounting policy. The recoverable amount is determined using a value in use value model which requires a number of estimations and assumptions about the timing and amount of future cash flows. As future cash flows relate primarily to proceeds from sale of investments, these estimates and assumptions are subject to a high degree of uncertainty. Note 10 describes the key assumptions and sensitivity applied.

(iii) Consideration of credit losses

The matters taken into account in the recognition of credit losses include historic current and forward-looking information The matters taken into account in the recognition of credit losses include historic current and forward-looking information. The Group's exposure to credit losses is with companies from its own portfolio whose ability to settle their debts is primarily dependant on their ability to raise capital rather than their current trading. The age of debt is not considered in assessing credit loss as the outcome is expected to be binary. The debt is also concentrated in a small number of companies; four companies account for 81% of trade receivables four account for 89% of debt investments at 30 June 2023. Management has in-depth knowledge of these companies and is providing the fundraising service for all four of them. The Group's history of credit loss is not significant and therefore management focus on the factors which impact the ability of these companies to successfully raise capital and a probability of default as a result of the failure to raise capital is applied to determine the expected credit loss. Details of the expected credit loss are provided in note 15.

The Group believes that the most significant judgement areas in the application of its accounting policies are establishing the fair value of its unquoted equity investments and the consideration of any impairment to goodwill. The matters taken into account by the Directors when assessing the fair value of the unquoted equity investments are detailed in the accounting policy on investments.

The considerations taken into account by the Directors when reviewing goodwill are detailed in Note 10. In addition, the Directors judge that the Group is exempt from applying the equity method of accounting for associates in which it has interests of over 20% as they consider the Group to be similar to a venture capital organisation and elects to hold such investments at fair value in the statement of financial position.

IAS28 Investments in Associates and Joint Ventures permits investments held by entities which are similar to venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit and loss.

**3. Revenue from services**

During the year the Group earned revenue from the provision of services to portfolio companies and university partners as follows:

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Retainers with portfolio companies | 336 | 313 |
| Corporate finance fees from portfolio company fundraisings | 30 | - |
| Advisory fees from universities on initial spin-outs | 3 | 7 |
| License income from universities | 3 | 9 |
| 372 | 329 |  |

**4. Major customers**

During the year the Group had five major customers that accounted for 86% of its revenue from services (2022: five customers accounted for 76%). Four of these customers were also in the top five in 2022. The revenues generated from each customer were as follows:

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Customer 1 | 78 | 78 |
| Customer 2 | 70 | 72 |
| Customer 3 | 52 | 48 |
| Customer 4 | 48 | 44 |
| Customer 5 | 40 | 42 |
| 288 | 284 |  |

**5. Administration expenses**

Expenses included in administrative expenses are analysed below.

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Employee costs | 2,117 | 2,320 |
| Consultant | 133 | 81 |
| Travel and subsistence | 21 | 7 |
| Depreciation | 9 | 8 |
| Bad and doubtful debts | 169 | 141 |
| Fees payable to auditor: |  |  |
| - audit fee - non-audit services | 92 3 | 60 5 |
| Legal, professional and financial costs | 378 | 313 |
| Premises lease | 140 | 113 |
| Administration costs | 68 | 56 |
| 3,130 | 3,104 |  |

**6. Directors and employees**

The average number of people employed by the Group during the year was:

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| Number | Number |  |
| Business and corporate development | 20 | 16 |

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Wages and salaries | 1,518 | 1,714 |
| Social security | 197 | 218 |
| Pension costs - defined contribution plans | 186 | 208 |
| Non-executive directors' fees | 126 | 105 |
| Other benefits | 52 | 75 |
| Recruitment | 38 | - |
| Total employee administration expenses | 2,117 | 2,320 |

At 30th June 2023, all employees with the exception of Jacqueline McKay were employed by Frontier IP Group plc. Post year-end, Jacqueline McKay's employment contract was changed from subsidiary Frontier IP Limited to Frontier IP Group plc.

The key management of the Group and the Company comprise the Frontier IP Group Plc Board of Directors. The remuneration of the individual Board members is shown below.

Remuneration comprises basic salary, pension contributions and benefits in kind, being private health insurance and life assurance. The type of remuneration is constant from year to year. Ad hoc bonuses may be paid to reward exceptional performance and bonuses were paid during the year to 30 June 2022. Such bonuses are decided by the Remuneration Committee. Share options are also awarded to employees from time to time. The granting of share options to individual employees is determined taking into account seniority, commitment to the business and recent performance.

The total remuneration for each director is shown below.

Amounts in £'000

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Salary | Bonus | Other benefits | Pension | Share option | Total |  |  |  |  |  |  |  |
| 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |  |
| Executive |  |  |  |  |  |  |  |  |  |  |  |  |
| N Crabb | 177 | 143 | 0 | 143 | 5 | 5 | 17 | 14 | 43 | 64 | 242 | 368 |
| J McKay | 74 | 41 | 0 | 106 | 5 | 5 | 76 | 85 | 36 | 57 | 191 | 294 |
| J Fish | 125 | 112 | 0 | 74 | 4 | 4 | 31 | 37 | 37 | 58 | 197 | 287 |
| M White | 152 | 134 | 0 | 30 | 3 | 4 | 15 | 26 | 34 | 54 | 204 | 247 |
| Non-executive |  |  |  |  |  |  |  |  |  |  |  |  |
| A Richmond | 48 | 45 | - | - | - | - | - | - | - | - | 48 | 45 |
| M Bourne \* | - | 12 | - | - | - | - | - | - | - | - | - | 12 |
| C Wilson \* | 23 | 27 | - | - | - | - | - | - | - | - | 23 | 27 |
| J King | 34 | 22 | - | - | - | - | - | - | - | - | 34 | 22 |
| N Grierson | 10 | - | - | - | - | - | - | - | - | - | 10 | - |
| D Holbrook | 10 | - | - | - | - | - | - | - | - | - | 10 | - |
| 653 | 536 | 0 | 353 | 17 | 18 | 139 | 162 | 150 | 233 | 959 | 1,302 |  |

\* Former directors

**7. Taxation**

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| Current tax | - | - |
| Deferred tax | (1,126) | 649 |
| Tax (credit)/charge for the year | (1,126) | 649 |

A reconciliation from the reported (loss)/profit before tax to the total tax (credit)/charge is shown below:

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| £'000 | £'000 |  |
| (Loss)/profit before tax | (4,370) | 10,879 |

-

|  |  |  |
| --- | --- | --- |
| (Loss)/profit before tax at the effective rate of corporation tax in the UK of 20.5% (2022: 19%) | (895) | 2,067 |
| Effects of: Fair value movement in investments not recognised in deferred tax | (69) | (1,689) |
| Expenses not deductible for tax purposes | 31 | 63 |
| Movement in deferred tax asset of losses not recognised | - | 36 |
| Adjustments arising from difference between average and deferred tax rates | (169) | - |
| Deferred tax recognised in equity | (171) | - |
| Other adjustments | 147 | 172 |
| Tax (credit)/charge for the year | (1,126) | 649 |

Deferred Tax

|  |  |  |
| --- | --- | --- |
| Group | Group |  |
| Deferred tax liabilities at 30 June | 2023 | 2022 |
| Unrealised gains investments | (689) | (2,485) |
| Short-term timing differences - fixed assets | (1) | - |
| (690) | (2,485) |  |
| Deferred tax assets at 30 June 2023 |  |  |
| Tax losses | 277 | 830 |
| Short-term timing differences - pension | 6 | 11 |
| Short-term timing differences - outstanding share options | 196 | 476 |
| Short-term timing differences - fixed assets | - | 1 |
| 479 | 1,318 |  |
| Net deferred tax (liability) / asset | (211) | (1,167) |

|  |  |  |
| --- | --- | --- |
| Company | Company |  |
| Deferred tax liabilities at 30 June | 2023 | 2022 |
| Unrealised gains investments | (138) | (137) |
| Short-term timing differences - fixed assets | - | - |
| (138) | (137) |  |
| Deferred tax assets at 30 June |  |  |
| Tax losses | 272 | 825 |
| Short-term timing differences - pension | - | - |
| Short-term timing differences - outstanding share options | 196 | 476 |
| 468 | 1,301 |  |
| Net deferred tax (liability) / asset | 330 | 1,164 |

|  |  |  |
| --- | --- | --- |
| Group | Company |  |
| Deferred tax movement |  |  |
| (Liability)/asset at 1 July 2021 | 237 | (2,047) |
| Credited | 649 | 602 |
| Debited to equity | 281) | 281 |
| At 30 June 2022 | 1,167 | (1,164) |
| Group | Company |  |
| Deferred tax movement |  |  |
| (Liability)/asset at 1 July 2022 | (1,167) | 1,164 |
| Credited | 1,126 | (664) |
| Debited to equity | (170) | (170) |
| At 30 June 2023 | (211) | 330 |

**No deferred tax liability has been recognised on the difference between base cost and fair value of certain financial assets at fair value through profit and loss which qualify as equity investments and which are expected to be exempt from tax under thesubstantial Shareholding Exemption on their subsequent disposal.**

The Group has a net unrecognised deferred tax at year end of £420,000 (Period ended 30 June 2022: £420,000) calculated at 25% in respect of its unutilised pre-April 2017 trading losses of £1,680,000 (gross). This is due to uncertainty in respect of future probable trading profits in Frontier IP Limited against which these losses can be utilised.

**8. Earnings per share**

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Frontier IP Group Plc by the weighted average number of shares in issue during the year.

|  |  |  |  |
| --- | --- | --- | --- |
| (Loss) / profit attributable to shareholders £'000 | Weighted average number of shares | Basic (loss) / earnings per share amount in pence |  |
| Year ended 30 June 2023 | (3,244) | 55,409,626 | (5.85) |
| Year ended 30 June 2022 | 10,230 | 55,005,546 | 18.60 |

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market value share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

|  |  |  |  |
| --- | --- | --- | --- |
| (Loss) / profit attributable to shareholders £'000 | Weighted average number of shares adjusted for share options | Diluted (loss) / earnings per share amount in pence |  |
| Year ended 30 June 2023 | (3,244) | 57,542,781 | (5.64) |
| Year ended 30 June 2022 | 10,230 | 58,339,949 | 17.53 |

**9. Tangible fixed assets**

|  |  |
| --- | --- |
| Fixtures and equipment |  |
| £'000 |  |
| Cost |  |
| At 1 July 2021 | 36 |
| Additions | 3 |
| Disposals | - |
| At 30 June 2022 | 39 |
| Additions | 16 |
| Disposals | (12) |
| At 30 June 2023 | 43 |
| Depreciation |  |
| Accumulated depreciation at 1 July 2021 | 25 |
| Charge for the year to 30 June 2022 | 8 |
| Disposals | - |
| Accumulated depreciation at 30 June 2022 | 33 |
| Charge for the year to 30 June 2023 | 9 |
| Disposals | (12) |
| Accumulated depreciation at 30 June 2023 | 30 |
| Net book value |  |
| At 30 June 2022 | 6 |
| At 30 June 2023 | 13 |

**10 Goodwill**

|  |  |  |
| --- | --- | --- |
| Group | Company |  |
| £'000 | £'000 |  |
| Cost |  |  |
| At 1 July 2021, 30 June 2022 and at 30 June 2023 | 1,966 | - |
| Impairment |  |  |
| At 1 July 2021, 30 June 2022 and at 30 June 2023 | - | - |
| Carrying value |  |  |
| At 30 June 2022 | 1,966 | - |
| At 30 June 2023 | 1,966 | - |

The Group conducts an annual impairment test on the carrying value of goodwill based on the recoverable amount of the Group as one cash generating operating unit. The recoverable amount is determined using a value in use model. The net present value of projected cash flows is compared with the carrying value of the Group's investments and goodwill. Projected cash flows are based on management approved budgets for a period of three years and key assumptions over a further seven years. When determining the key assumptions, management has used both past experience and management judgement, but as future cash inflows are derived primarily from the realisation of investments, these assumptions are subject to a high degree of uncertainty. The key assumptions used in the model were rate of return 29% (2022: 33%); average yearly realisations 6.7% (2022: 6.7%); annual growth in trading income 7.2% (2022:8%); annual growth in the cost base 7.8% (2022: 11%; discount 14% (2022: 11%). The Board considers that a reasonable possible change in the rate of return or in the discount rate would cause the carrying amount of the cash generating unit to exceed its recoverable amount. A decrease in the rate of return from 29% to 17% or an increase in the discount rate from 14% to 20% would cause the recoverable amount to equal the carrying amount. The Board considers that the recoverable amount of the Group as one cash generating operating unit is greater than its carrying value.

**11. Categorisation of Financial Instruments**

|  |  |  |  |
| --- | --- | --- | --- |
| Financial assets | At fair value through profit or loss £'000 | Amortised cost £'000 | Total £'000 |
| At 30 June 2022 |  |  |  |
| Equity investments | 39,712 | - | 39,712 |
| Debt investments | 2,981 | - | 2,981 |
| Trade and other receivables | - | 1,052 | 1,052 |
| Cash and cash equivalents | - | 4,368 | 4,368 |
| Total | 42,693 | 5,420 | 48,113 |
| At 30 June 2023 |  |  |  |
| Equity investments | 32,964 | - | 32,964 |
| Debt investments | 4,625 | - | 4,625 |
| Trade and other receivables | - | 1,026 | 1,026 |
| Advances | 793 | - | 793 |
| Cash and cash equivalents | - | 4,603 | 4,603 |
| Total | 38,382 | 5,629 | 44,011 |

All financial liabilities are categorised as other financial liabilities and recognized at amortised cost.

All net fair value losses in the year are attributable to financial assets designated at fair value through profit or loss. (2022: all net fair value gains were attributable to financial assets designated at fair value through profit or loss.)

**12. Investment in subsidiaries**

|  |  |  |
| --- | --- | --- |
| Company 2023 | Company 2022 |  |
| £'000 | £'000 |  |
| At 1 July | 2,383 | 2,383 |
| Provision for impairment | - | - |
| At 30 June | 2,383 | 2,383 |

**Group Investments**

The Company has investments in the following subsidiary undertakings.

|  |  |  |
| --- | --- | --- |
| Country of incorporation | Proportion of ordinary shares directly held by the Company |  |
| Frontier IP Limited - principal activity is commercialisation of IP | Scotland | 100% |
| Frontier IP Management Limited - principal activity is investment advisory and marketing services | Scotland | 100% |
| FIP Portugal, Unipessoal, Lda. - principal activity is commercialisation of IP | Portugal | 100% |

The registered office of all subsidiaries registered in Scotland is c/o CMS Cameron McKenna Nabarro Olswang LLP, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

The registered office of FIP Portugal, Unipessoal, Lda is Rua João Frederico Ludovice 22ª, Loja

1500-357, Benfica, Lisbon, Portugal.

**13. Equity investments**

Equity investments are valued individually at fair value in accordance with the Group's accounting policy on investments. All but one of the Group's equity investments are unquoted and these have been categorised as being level 3, that is, valued using unobservable inputs. The quoted investment are categorised as being level 1, that is, valued using quoted prices in active markets for identical assets or liabilities which the Group can access at the measurement date. All gains and losses relate to assets held at the year end, and the fair value movement has been shown in the income statement as other operating income.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Equity Investments | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
| £'000 | £'000 | £'000 | £'000 |  |
| At 1 July | 39,712 | 31,982 | 26,963 | 16,011 |
| Additions | 691 | 614 | 691 | 614 |
| Conversion of debt investments | 54 | 764 | 54 | 764 |
| Disposals | (5,713) | (3,659) | - | - |
| Unrealised (loss)/profit on revaluation | (1,780) | 10,011 | 551 | 9,574 |
| At 30 June | 32,964 | 39,712 | 28,259 | 26,963 |

The table below sets out the movement during the year in the value of unquoted equity investments by the valuation matrix stages described in the accounting policy on equity investments:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Equity Investments |  |  |  |  |  |  |  |
| Stage 1 | Stage 2 | Stage 3 | Stage 4 | Stage 5 | Stage 6 | Total |  |
| Fair value category | 3 | 3 | 3 | 3 | 3 | 1 |  |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |  |
| 1 July 2021 | 31 | 232 | 5,078 | 26,641 | - | - | 31,982 |
| Transfers between stages | (16) | 16 | - | (13,210) | - | 13,210 | - |
| Fair value change through other operating income | 6 | 550 | 1,008 | 7,866 | - | 581 | 10,011 |
| Additions | 10 | - | - | 1,368 | - | - | 1,378 |
| Disposals | - | - | - | - | (3,659) | (3,659) |  |
| 30 June 2022 | 31 | 798 | 6,086 | 22,665 | - | 10,132 | 39,712 |
| Transfers between stages | - | 44 | 2,234 | (2,278) | - | - | - |
| Fair value increase through other operating income | (31) | 351 | (2,447) | 2,469 | - | (2,122) | (1,780) |
| Additions | - | - | - | 745 | - | - | 745 |
| Disposals | - | - | - | - | - | (5,713) | (5,713) |
| 30 June 2023 | - | 1,193 | 5,873 | 23,601 | - | 2,297 | 32,964 |

The table below provides information about equity investment fair value measurements. (See the accounting policy on investments for a description of the valuation matrix stages)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Valuation matrix stage | No of Investments | Fair value | Inputs | Reasonable possible shift |  |
| £'000 | % | +/- £000 |  |  |  |
| At 30 June 2022 |  |  |  |  |  |
| Stage 1 | 3 | 31 | The company is valued at fair value which is typically at a notional value of around £50,000 | 20% | 6 |
| Stage 2 | 3 | 798 | Management's assessment of the value of IP transferred and valuation of grants from which economic benefit is derived | 31% | 248 |
| Stage 3 | 7 | 6,086 | Management's assessment of performance against milestones and discussions of likely imminent fundraising | 40% | 2,434 |
| Stage 4 | 10 | 22,665 | The price of last funding round provides unobservable input into the valuation of any individual investment. However, subsequent to the funding round, management are required to re-assess the carrying value of investments at each year-end which result in unobservable inputs into the valuation methodology. | 28% | 6,382 |
| Stage 5 | - | - | Discounted comparable public company valuation. Unobservable inputs into discounted cash-flow are forecasts of future cash-flows, probabilities of project failure, and evaluation of the time value of money. | - | - |
| Stage 6 1 | 10,132 | Based on bid price at balance sheet date. | - | - |  |
| 30 June 2022 | 39,712 | 23% | 9,070 |  |  |
| At 30 June 2023 |  |  |  |  |  |
| Stage 1 | 4 | - | The company is valued at fair value which is the cost of the initial equity. If advisory services are provided by the Group prior to spin out in return for its equity stake, the cost is the value of services invoiced. If no advisory services have been invoiced prior to spin out, the cost is the nominal value of the shares received. | - | - |
| Stage 2 | 4 | 1,193 | Management's assessment of the value of IP transferred and the value of grants from which economic benefit is derived. | 36% | 429 |
| Stage 3 | 6 | 5,873 | Management's assessment of performance against milestones and discussions of likely imminent fundraising. | 42% | 2,467 |
| Stage 4 | 9 | 23,601 | The price of latest funding round provides unobservable input into the valuation of any individual investment. However, subsequent to the funding round, management are required to re-assess the carrying value of investments at each year end which result in unobservable inputs into the valuation methodology. | 31% | 7,316 |
| Stage 5 | - | - | Discounted comparable public company valuation. Unobservable inputs into discounted cash flow are forecasts of future cash flows, probabilities of project failure and evaluation of the time cost of money. | - | - |
| Stage 6 | 1 | 2,297 | Based on bid price at balance sheet date. | - | - |
| 30 June 2023 | 32,964 | 31% | 10,212 |  |  |

The percentage reasonable possible shift for each stage is the blended percentage reasonable possible shift of each company at that stage which are based on the Directors' assessment of the level of uncertainty attached to the valuation inputs.

Equity investments are carried in the statement of financial position at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS28, Investments in Associates. At 30 June 2023 the Group held an economic interest of 20% or more in the following companies:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name of Undertaking | Registered Address | % Issued Share Capital | Share Class |  |
| 2023 | 2022 |  |  |  |
| AquaInSilico | Avenida Tenente Valadim, nº. 17, 2º F, 2560-275 Torres Vedras, Portugal | 29.0% | 29.0% | Ordinary |
| Alusid Limited | Richard House, Winckley Square, Preston, Lancashire, PR1 3HP | 37.4% | 38.9% | Ordinary |
| Cambridge Raman Imaging Limited | Botanic House,100 Hills Road, Cambridge, CB2 1PH | 26.8% | 26.8% | Ordinary |
| CamGraPhIC Limited | Botanic House,100 Hills Road, Cambridge, CB2 1PH | 20.8% | 20.8% | Ordinary |
| Celerum Limited | 30 East Park Road, Kintore, Inverurie, AB51 0FE | 33.8% | 33.8% | Ordinary |
| Des Solutio LDA | Avenida Tenente Valadim, nº. 17, 2º F, 2560-275 Torres Vedras, Portugal | 25.0% | 25.0% | Ordinary |
| Elute Intelligence Holdings Limited | 21 Church Road, Tadley, RG26 3AX | 42.2% | 41.2% | Ordinary |
| Enfold Health Limited | The Officers' Mess, Royston Road, Duxford, Cambridgeshire, United Kingdom, CB22 4QH | 75.8% | 0.0% | Ordinary |
| Fieldwork Robotics Limited | Research And Innovation Floor 2 Marine Building, Plymouth University, Plymouth, PL4 8AA | 22.1% | 24.5% | Ordinary |
| GraphEnergyTech Limited | The Officers' Mess, Royston Road, Duxford, Cambridgeshire, United Kingdom, CB22 4QH | 32.1% | 0.0% | Ordinary |
| Insignals Neurotech Lda | Rua Passeio Alegre, 20 Centro de Incubacyo e Aceleracyo Do Porto, Porto 4150-570, Portugal | 32.9% | 32.9% | Ordinary |
| NTPE LDA | Avenida Tenente Valadim, nº. 17, 2º F, 2560-275PortugalVedras, Portugal | 47.9% | 47.9% | Ordinary |

The nature of these companies' business is provided in the Portfolio Review section of the ***Strategic*** Report where the holding carries a value.

**14. Debt investments**

Debt investments are loans to portfolio companies to fund early-stage costs, provide funding alongside grants and bridge to an equity fundraise. Loans ranging from £15,000 to £200,000 were made to seven companies during the period. All debt investments are categorised as fair value through profit or loss and measured at fair value. These have been categorised as being level 3, that is, valued using unobservable inputs. The Group uses valuation techniques that management consider appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs The price at which the debt investment was made may be a reliable indicator of fair value at that date but management consider the financial position and prospects for the portfolio company borrower when valuing debt investments at subsequent measurement dates.

Certain debt investments carry warrants granting the option to purchase shares. The exercise price is generally the price of shares issued at the first equity fundraising following the grant and the period of exercise is generally at any time from the first equity fundraising to an exit event. The fair value of the warrants is determined using the Black-Scholes-Merton valuation model. The significant inputs into the model for each warrant were the exercise price, the current share price valuation, volatility of 70% (2022: 70%), expected life of between three months and six years and annual risk-free interest rates to end of term of between 4.45% and 5.30% (2022: 2.07% and 2.07%). The value of warrants included in debt investments at 30 June 2023 is £1,597,000 (2022: £827,000).

The movement of debt investments during the year is set out below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group 2023 | Group 2022 | Company 2023 | Company 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| At 1 July | 2,981 | 2,320 | 2,297 | 1,759 |
| Additions | 884 | 527 | 575 | 427 |
| Conversion to unquoted equity investments | (54) | (764) | (54) | (764) |
| Unrealised profit on revaluation | 814 | 898 | 739 | 875 |
| At 30 June | 4,625 | 2,981 | 3,557 | 2,297 |

Debt investments with three portfolio companies accounted for 89% of the value of debt investments at 30 June 2023: CamGraPhIC (£2,612,000), Nandi Proteins (£884,000) and Elute Intelligence (£623,000)

Conversions of debt investments are non-cash transactions, so not reflected in the statement of cashflows. All debt investments are classed as non-current. Certain debt instruments have conversion or repayment terms dependent on the amount and timing of an equity fundraising by the portfolio company borrower. The exercise of a conversion right would reclass the debt investment as a non-current equity investment. The expectation is to exercise the right to repayment, however there is uncertainty over the timing and amount of equity fundraisings. Furthermore, notwithstanding the right to repayment being triggered, the Group may decide, depending on the circumstance at the time, to defer repayment or convert into equity for the benefit of the portfolio company borrower in which the Group also holds an equity stake.

**15. Trade receivables and other current assets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group | Group | Company | Company |  |
| 2023 | 2022 | 2023 | 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| Trade receivables | 529 | 388 | 338 | 279 |
| Receivables from Group undertakings | - | - | 357 | 285 |
| VAT | 7 | 12 | - | 9 |
| Prepayments and accrued income | 71 | 386 | 30 | 284 |
| Other debtors | 74 | 128 | 17 | 67 |
| Accrued interest | 448 | 180 | 286 | 84 |
| 1,129 | 1,094 | 1,028 | 1,008 |  |
| Expected credit loss at 1 July | 43 | - | 27 | - |
| Other current assets provided for in the year | 60 | 43 | 62 | 27 |
| Other current assets written off in the year | - | - | - | - |
| Expected credit loss at 30 June | 103 | 43 | 89 | 27 |
| Less receivables from Group undertakings - non current | - | - | 357 | 285 |
| Current portion | 1,026 | 1,051 | 582 | 696 |

**Trade receivables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group | Group | Company | Company |  |
| 2023 | 2022 | 2023 | 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| Trade receivables not past due | 32 | 28 | 18 | 21 |
| Trade receivables past due 1-30 days | 35 | 29 | 23 | 21 |
| Trade receivables past due 31-60 days | 33 | 26 | 18 | 18 |
| Trade receivables past due 61-90 days | 32 | 27 | 21 | 18 |
| Trade receivables past due over 90 days | 604 | 376 | 383 | 279 |
| Gross trade receivables at 30 June | 736 | 486 | 463 | 357 |
| Expected credit loss at 1 July | 98 | - | 78 | - |
| Debts provided for in the year | 109 | 98 | 47 | 78 |
| Debts written off in the year | - | - | - | - |
| Expected credit loss at 30 June | 207 | 98 | 125 | 78 |
| Net trade receivables at 30 June | 529 | 388 | 338 | 279 |

Trade receivables are amounts due from portfolio companies for services provided with net amounts recorded as revenue in the consolidated statement of comprehensive income. The expected credit losses are estimated by reference to the financial position and specific circumstances of the portfolio companies, by reference to past default experience and by assessment of the current and forecast economic conditions. The nature of the services provided to portfolio companies means the Group has in-depth knowledge of the companies' prospects both for trading and raising capital and the number of companies with past due receivables is small enabling a full assessment of recoverability by company. The Group also considers if a general provision for expected loss through applying the historical rate of portfolio company failures is material. The Group's history of credit loss is not sufficiently material to inform future expectations and therefore management focus on the factors which impact the ability of its debtor companies to successfully raise capital and a probability of default as a result of the failure to raise capital is applied to determine the expected credit loss.

Receivables from Group undertakings carry interest of 2.0% above Bank of England base rate (2022: 2.0%).

**16. Advances**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group 2023 | Group 2022 | Company 2023 | Company 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| Advances | 793 | - | 785 | - |

Prior to 30 June 2023 the Group advanced funds to two portfolio companies prior to execution of loan documentation. £785,000 of advances were to CamGraPhIC. The advances were reclassed as Debt Investments post year-end.

**17. Trade and other payables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group | Group | Company | Company |  |
| 2023 | 2022 | 2023 | 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| Trade payables | 23 | 41 | 42 | 62 |
| Payables to group undertakings | - | - | 3,366 | 192 |
| Social security and other taxes | 68 | 53 | - | - |
| VAT | 9 | - | 9 | - |
| Other creditors | 14 | 10 | - | - |
| Accruals and deferred income | 127 | 114 | 109 | 69 |
| At 30 June | 241 | 218 | 3,526 | 323 |
| Less payables to Group undertakings - non current | - | - | (3,366) | (192) |
| Current portion | 241 | 218 | 160 | 131 |

**18. Share capital and share premium**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Number of shares issued and fully paid | Ordinary shares of 10p | Share premium | Total |  |
| £'000 | £'000 | £'000 |  |  |
| At 30 June 2022 | 55,005,546 | 5,501 | 14,576 | 20,077 |
| Exercise of options | 652,607 | 65 | 51 | 116 |
| At 30 June 2023 | 55,658,153 | 5,566 | 14,627 | 20,193 |

**19. Reserves**

The reverse acquisition reserve was created on the reverse takeover of Frontier IP Group Plc. The fair value of equity-settled share-based payments is expensed on a straight-line basis over the vesting period and the amount expensed in each year is transferred to the share-based payment reserve. The amount by which the deferred tax asset arising on the intrinsic value of the outstanding share options differs from the cumulative expense is also transferred to the share-based payment reserve. Included in retained earnings are unrealised profits amounting to £28,562,000 (2022: £35,233,000). Consequently, there were no distributable reserves at 30 June 2023 or 30 June 2022. The movement in reserves for the years ended 30 June 2023 and 2022 is set out in the Consolidated and Company Statement of Changes in Equity.

**20. Share options**

Frontier IP has three option schemes:

Under the Frontier IP Group Plc Employee Share Option Scheme 2011 - Amended 26 March 2018, both enterprise management incentive options and unapproved options are granted. No payment is required from option holders on the grant of an option. The options are exercisable starting three years from the date of the grant with no performance conditions. The scheme runs for a period of ten years but no new options can be granted as the Group has ceased to be a qualifying company for EMI purposes No options were granted during the year under this scheme.

Under the Frontier IP Group plc Company Share Option Plan 2021 ("CSOP"), no payment is required from option holders on grant of an option. The options are exercisable starting three years from the date of the grant with no performance conditions. The scheme runs for a period of ten years. 191,496 share options were granted during the year under the CSOP.

Under the Frontier IP Group plc Unapproved Share Option Plan 2021 ("LTIP"), no payment is required from option holders on grant of an option. The options are exercisable starting three years from the date of grant provided certain performance conditions have been met. The scheme runs for a period of ten years. 643,376 share options were granted during the year under the LTIP.

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2023 Weighted average exercise price | 2023 Options | 2022 Weighted average exercise price | 2022 Options |  |
| Pence per share | Pence per share |  |  |  |
| At 1 July | 31.71 | 4,986,726 | 31.99 | 5,030,181 |
| Granted | 24.43 | 834,872 | - | - |
| Exercised | 15.00 | (652,607) | - | - |
| Lapsed | 63.76 | (69,927) | 64.36 | (43,455) |
| At 30 June | 32.22 | 5,099,064 | 31.71 | 4,986,726 |

Of the 5,099,064 outstanding options (2022: 4,986,726) 3,570,616 had vested at 30 June 2023 (2022: 2,836,000). The vested options have a weighted average exercise price of 32.46p.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

|  |  |  |  |
| --- | --- | --- | --- |
| Exercise price Pence per share | 2023 Number | 2022 Number |  |
| 2024 | 26.88 | 432,393 | 432,393 |
| 2026 | 26.63 | 650,000 | 650,000 |
| 2027 | 40.00 | 399,000 | 399,000 |
| 2028 | 65.00 | 246,000 | 246,000 |
| 2028 | 10.00 | 456,000 | 456,000 |
| 2029 | 66.00 | 652,612 | 694,050 |
| 2029 2030 2030 | 10.00 65.00 10.00 | 734,611 383,260 310,316 | 736,946 409,414 310,316 |
| 2032 | 85.00 | 74,646 | - |
| 2033 | 66.00 | 116,850 | - |
| 2033 | 10.00 | 643,376 | - |

The weighted average remaining contractual life of the outstanding options is 5.8 years.

The weighted average fair value of options granted to executive Directors and employees during the year determined using the Black-Scholes-Merton valuation model was 48.02p per option. The significant inputs into the model were the exercise prices shown above, weighted average share price of 68.5p, volatility of 9.9%, dividend yield of 0%, expected life of 5 years and annual risk-free interest rate of 3.41%. Future volatility has been estimated based on 5 years' historical daily data.

**21. Leases**

|  |  |  |
| --- | --- | --- |
| 2023 | 2022 |  |
| Land & Buildings | Land & Buildings |  |
| £'000 | £'000 |  |
| Commitments under non-cancellable leases expiring: |  |  |
| Within one year | 90 | 91 |
| Within two to five years | - | - |
| After five years | - | - |
| 90 | 91 |  |

The leases relate to rental of serviced offices. Under the terms of the rental agreements, the supplier has the right to terminate the agreement during the period of use, however at inception of the agreement this was not considered likely to occur. For short term leases (12 months or less) and leases of low value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16's transitional rules. Currently the longest lease ends in March 2024.

**22. Cash used in operations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group | Group | Company | Company |  |
| 2023 | 2022 | 2023 | 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| Profit/(loss) before tax | (4,370) | 10,879 | (873) | 8,136 |
| Adjustments for: |  |  |  |  |
| Share-based payments | 155 | 329 | 155 | 329 |
| Depreciation | 9 | 8 | - | - |
| Interest received | (50) | (1) | (52) | (1) |
| Unrealised loss/(profit) on the revaluation of investments | 966 | (10,908) | (1,290) | (10,449) |
| Realised loss/(profit) on disposal of investments | 786 | (2,867) | - | - |
| Changes in working capital: |  |  |  |  |
| Trade and other receivables\* | 26 | (456) | 122 | (250) |
| Advances | (793) | - | (785) | - |
| Trade and other payables | 23 | 10 | 19 | 50 |
| Cash flows from operating activities | (3,248) | (3,006) | (2,704) | (2,185) |

\*Movement in trade and other receivables includes non-cash accrued interest on debt investments with portfolio companies

The movements in liabilities from financing cashflows are nil.

**23. Related party transactions**

Neil Crabb is a director of PoreXpert Limited, Pulsiv Limited, CamGraPhIC Ltd, Cambridge Raman Imaging Ltd and Alusid Limited. Campbell Wilson, a former director of Frontier IP, is a principal of Wilson Biopharma Consulting. Matthew White is a director of The Vaccine Group Limited, Nandi Proteins Limited and Fieldwork Robotics Limited. All these companies, with the exception of Wilson Biopharma Consulting, are portfolio companies of the Group. The Group charged fees to these companies and was owed amounts from these companies as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| By the Group | Fees charged | Fees charged | Amounts owed | Amounts owed |
| 2023 | 2022 | 2023 | 2022 |  |
| £'000 | £'000 | £'000 | £'000 |  |
| Nandi Proteins Limited | 78 | 78 | 213 | 120 |
| Pulsiv Limited | 24 | 44 | 5 | 5 |
| Alusid Limited | 70 | 72 | 127 | 43 |
| The Vaccine Group Limited | 48 | 48 | 77 | 34 |
| Celerum Limited | 52 | 5 | 52 | - |
| Fieldwork Robotics Limited | 30 | - | - | 104 |
| CamGraPhIC Ltd | 40 | - | 112 | - |
| Cambridge Raman Imaging Ltd | 24 | - | - | - |
| By Related Parties |  |  |  |  |
| Wilson Biopharma Consulting | 12 | 12 | - | - |

**24. Subsequent events**

There were no subsequent events to report.

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**Notes**

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**Load-Date:** October 31, 2023

**End of Document**



[***Federal Court of Australia Judgment: Automotive Invest Pty Limited v Commissioner of Taxation [2023] FCAFC 129***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6984-XBH1-F0YC-N0CM-00000-00&context=1516831)

Baltic Legal Updates

September 25, 2023 Monday

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**Length:** 11870 words

**Body**

Canberra City ACT: Federal Court of Australia has issued the following Judgment:

FEDERAL COURT OF AUSTRALIA

Automotive Invest Pty Limited v Commissioner of Taxation [2023] FCAFC 129

Appeal from:

Automotive Invest Pty Limited v Commissioner of Taxation (Gosford Classic Car Museum) [2022] FCA 281

File number:

NSD 361 of 2022

Judgment of:

LOGAN, WHEELAHAN AND HESPE JJ

Date of judgment:

11 August 2023

Catchwords:

TAXATION – luxury car tax – goods and services tax – appeal from decision of primary judge which held that cars were used and intended to be used for a purpose in addition to being held as trading stock – where cars exhibited in “Gosford Classic Car Museum” – where cars were generally available for sale and were trading stock – whether cars were used or intended to be used as trading stock “and for no other purpose”

Legislation:

A New Tax System (Goods and Services Tax) Act 1999 (Cth) s 69-10

A New Tax System (Luxury Car Tax) Act 1999 (Cth) ss 2-1, 2-5, 5-5, 5-10, 7-5, 7-10, 9-5, 9-20, 9-25, 15-30, 15-35, 27-1

Motor Dealers and Repairers Act 2013 (NSW)

Cases cited:

Brayson Motors Pty Ltd (in liq) v Federal Commissioner of Taxation (1985) 156 CLR 651

Car Shop Pty Ltd v Commissioner of Taxation (2010) 76 ATR 42

Commissioner of Taxation v Sharpcan Pty Ltd [2019] HCA 36; (2019) 269 CLR 370

Commissioner of Taxation v Suttons Motors (Chullora) Wholesale Pty Ltd [1985] HCA 44; (1985) 157 CLR 277

Council of the Municipality of Randwick v Rutledge (1959) 102 CLR 54

Deputy Federal Commissioner of Taxation v Ellis & Clark Ltd (1934) 52 CLR 85

Gloucester Railway Carriage and Wagon Company Ltd [1925] AC 469

Lloyd v Federal Commissioner of Taxation (1955) 93 CLR645

London Borough of Merton Council v Nuffield Health [2023] UKSC 18

Melbourne Car Shop Pty Ltd v Federal Commissioner of Taxation [2010] FCA 373; (2010) 76 ATR 42

Municipal Council of Sydney v Salvation Army (N.S.W Property Trust) (1931) 31 SR (NSW) 585

News Ltd v South Sydney District Rugby League Football Club Ltd [2003] HCA 45; (2003) 215 CLR 563

Randwick Municipal Council v Rutledge (1959) 102 CLR 54

Royal Choral Society v Commissioner of Inland Revenue [1943] 2 All ER 101

Ryde Municipal Council v Macquarie University (1978) 139 CLR 633

Salvation Army (Vic) Property Trust v Fern Tree Gully Corp (1952) 85 CLR 159

Spriggs v Commissioner of Taxation [2009] HCA 22; (2009) 239 CLR1

Stallion (NSW) Pty Ltd v Commissioner of Taxation [2019] FCA 1306; 2019 ATC 20-707

Division:

General Division

Registry:

New South Wales

National Practice Area:

Taxation

Number of paragraphs:

111

Date of hearing:

27 – 28 February 2023

Counsel for the Appellant:

Mr D Bloom KC with Mr K Josifoski

Solicitor for the Appellant:

King & Wood Mallesons

Counsel for the Respondent:

Ms C Burnett SC with Mr D Lewis

Solicitor for the Respondent:

McInnes Wilson Lawyers

ORDERS

NSD 361 of 2022

BETWEEN:

AUTOMOTIVE INVEST PTY LIMITED

Appellant

AND:

COMMISSIONER OF TAXATION

Respondent

ORDER MADE BY:

LOGAN, WHEELAHAN AND HESPE JJ

DATE OF ORDER:

11 AUGUST 2023

THE COURT ORDERS THAT:

1.The appeal be dismissed.

2.The appellant pay the respondent ’ s costs of the appeal, as agreed or taxed.

Note:Entry of orders is dealt with in Rule 39.32 of the Federal Court Rules 2011.

REASONS FOR JUDGMENT

LOGAN J:

1On 28 May 2016, a business operated by the appellant, Automotive Invest Pty Limited, opened its doors at premises in West Gosford in New South Wales. The business traded under the name, “Gosford Classic Car Museum”.

2How, one might ask rhetorically, could the operation of a “museum” ever have given rise to a luxury car tax (LCT) and a related goods and services tax (GST) controversy between the appellant and the respondent Commissioner of Taxation?

3In part, the answer is, as is now conceded by the Commissioner, that each of the motor vehicles in question (termed the assessed vehicles) and on display at the so-called “museum” was trading stock. Yet that fact alone, one might think, ought to lead, inexorably, to an absence of controversy.

4Delving further into the facts, another part of the answer to the rhetorical question posed is that the appellant ’ s choice of name for its retail motor vehicle dealership and related method of promoting the sale of its trading stock is the source of the controversy. A further part of the answer is that the appellant ’ s adoption of its business name and related promotional stratagems proved conspicuously successful in the sale for reward of a diverse range of rare, unusual or “classic” motor vehicles. Yet another part of the answer is that some but never even remotely the predominant part of the income derived by the appellant in the operation of the business came from its charging and receiving an entry fee to those who sought to enter its premises in order to view and, if so disposed, purchase, its trading stock.

5The learned primary judge referred from the outset, and then repeatedly thereafter, in his reasons for judgment to the business conducted by the appellant and the premises at West Gosford, as “the museum”. With respect, an at least potential risk with the adoption of that nomenclature may be its tendency to engender a pre-conceived characterisation of the, or even a, purpose of the use of the motor vehicles by the appellant, to the exclusion of an objective determination of purpose (or whether there is truly more than one purpose) of the use of the assessed vehicles on the whole of the evidence.

6To adopt an analogy, to term an art retailing business and related premises a “gallery”, as opposed to an “art dealership”, may tend to engender a preconception that an independent purpose of the business, its related premises and the artworks found there is just to display the artworks to those visiting the premises, even though each and every one of those artworks is for sale. That preconception may be reinforced by the knowledge that only a minority of those visitors end up being purchasers.

7The risk is that a characterisation of the purpose of the use of the artworks will be coloured by a nomenclature occasioned preconception, to the exclusion of what, objectively, the whole of the evidence truly reveals. It is just that, in the case of the use of the term “gallery”, the ordinary experience of life and related English usage at least diminishes that risk, because of a greater familiarity of encounter with businesses and premises which, although termed a “gallery”, are in fact retail art dealerships. That greater familiarity of encounter and related English usage would also make it an unremarkable conclusion that the only purpose of the use of the artworks on display at the “gallery” was to sell them, with everything else being subordinated or ancillary to that.

8In my view, there is no denying the correctness of the appellant ’ s submission that, “[t]he label given to the business premises, whether it be ‘car yard ’ , ‘garage ’ , ‘dealership ’ , ‘shop ’ , ‘gallery ’ , ‘showroom ’ , or ‘museum ’ is not a substitute for undertaking a proper analysis of the appellant ’ s activities. ”

9In the profession of arms, the risk in the development of military plans of a proper analysis of relevant factors being distorted by preconception is known as a risk of “situating the appreciation”. This entails, “leaping to a solution and then tailoring the logic to fit”: Martin Dunn, Redefining ***Strategic*** Strike: The Strike Role and The Australian Army Into the 21st Century, Australian Army Land Warfare Studies Centre, Working Paper No. 102, April 1999, p 45. Although this military analogy was not in terms used in the appellant ’ s submission, it exactly encapsulates its essence and the related, alleged error made by the primary judge. Indeed, as will be seen, adoption of the approach promoted by the appellant is dictated by longstanding, analogous authority concerning exclusivity of use based exemptions in rating and revenue law.

10Before delving further into the facts and the authorities, it is desirable to set out the issues which were controversial in the original jurisdiction and the legislative context in which they arose. That task is facilitated by the care and precision with which the learned primary judge addressed that same subject. What follows on these subjects borrows heavily from his Honour ’ s reasons for judgment.

11There were, and remain, two principal issues in dispute between the parties. These are whether:

(a)the applicant had “increasing luxury car tax adjustments” under s 15-30 and s 15-35 of the A New Tax System (Luxury Car Tax) Act 1999 (Cth) (LCT Act); and

(b)the input tax credits which the applicant could claim were limited by s 69-10 of the A New Tax System (Goods and Services Tax) Act 1999 (Cth) (GST Act).

The LCT issue

12The LCT issue arises in this way. If an entity can “quote” its Australian Business Number (ABN) when acquiring or importing a vehicle, it will not be subject to LCT. The system of quoting is designed to prevent LCT becoming payable until the vehicle is imported or sold at the retail level.

13Where an entity was supplied with, or imported, a luxury motor vehicle and no LCT was payable, because the entity quoted for the supply, the entity will have an “increasing luxury car tax adjustment” if it later “use[s] the car for a purpose other than a \*quotable purpose”: s15-30(3) (supply); s 15-35(3) (importation).

14The term “quotable purpose” means “a use of a \*car for which you may \*quote under section9‑5”: s 27-1 of the LCT Act. Section 9-5(1) of the LCT Act provides for the circumstances in which an entity is entitled to quote:

You are entitled to \*quote your \*ABN in relation to a supply of a \*luxury car or an \*importation of a luxury car if, at the time of quoting, you have the intention of using the car for one of the following purposes, and for no other purpose:

(a)holding the car as trading stock, other than holding it for hire or lease; or …

15The Commissioner does not now dispute that each of the motor vehicles in the group assessed, the La Ferrari motor vehicle now included, which were imported or acquired by the appellant before it commenced operations at Gosford on 28 May 2016, was trading stock. Further and in any event, the appellant did quote at the time of importation or acquisition in respect of these vehicles. That entitlement remains controversial in relation to the La Ferrari motor vehicle, because the Commissioner contends it was not then intended to be held solely as trading stock because it was intended for display in the “museum”. In respect of the La Ferrari motor vehicle, that is an additional reason why the Commissioner contends he was entitled to make an increasing adjustment (see especially, s 15-35(3)(b)(i)). Although that quote was effective, because an ABN was in fact quoted, such that LCT was not payable at the time of importation (s 7-10(3)(a) and s 9-20, LCT Act), that does not prevent the later assessment of an increasing adjustment (see especially, s 15-35(3)(b)(i)).

16The principal issue in the appeal remains whether, as the primary judge found it has, the appellant has an increasing adjustment on the basis that, once the vehicles were placed in the Gosford premises, the appellant started to “use the car[s] for a purpose other than a \*quotable purpose”: s 15-30(3); s 15-35(3)?

The GST issue

17By reason of s 69-10 of the GST Act, if a taxpayer acquires or imports a vehicle, the value of which exceeds the “car limit”, and the taxpayer was not entitled to quote under the LCT Act, the input tax credit to which it is entitled is limited to 1/11 of the “car limit”.

18The Commissioner contended, and the primary judge found, that this limitation on claiming input tax credits applied in relation to each vehicle acquired or imported by the appellant after 28 May 2016 in the relevant tax periods and to the La Ferrari.

19The principal GST issue in relation to these vehicles is whether, when the appellant imported or acquired the relevant vehicle, it had the intention of using that vehicle for the purpose of holding it as trading stock “and for no other purpose”: s 9-5(1).

Outcome in the original jurisdiction

20Although the LCT question concerned actual use and the GST question concerned intended future use, the parties were agreed in the original jurisdiction, and remained so on the appeal, that, on the facts of the present case, the LCT and GST questions fell to be answered in the same way. The learned primary judge accurately summarised (at [66]) the import of that agreement in apprehending that, “the central question can be summarised as whether the applicant used or intended to use each car for the purpose of holding the car as trading stock and for no other purpose”.

21His Honour answered that question in this way:

The answer to the central question is that each car was not used for no other purpose than holding the car as trading stock. Each car was also used for the purpose of displaying the car, together with other cars, as exhibits in a museum, being operated commercially as a museum.

22The appellant was controlled by Mr Anthony Denny, who gave evidence at trial. In [84] of his reasons for judgment, the primary judge found that:

(a)Mr Denny, and thus the appellant, “intended to trade cars through the ‘Gosford Classic Car Museum ’ ”; and

(b)“they considered that the museum would assist in maximising the number of sales and the sale price”.

His Honour accepted Mr Denny ’ s evidence in this regard and considered it obvious in any event from the objective facts, “that he wanted to profit from the sale of cars and considered that the ‘museum concept ’ would be the best way to achieve that objective”.

23Notwithstanding these several findings, the primary judge was satisfied on the basis of the way in which the premises were titled and promoted, and by the charging of an entry fee, that the assessed motors vehicles were used for another purpose, which was as exhibits in a museum.

Grounds of Appeal

24The appellant ’ s principal contention was that, having regard to the totality of the evidence but particularly in light of the several findings made, as noted, in [84] of the primary judge ’ s reasons for judgment, the number of sales and the sale price of the vehicles, the primary judge ought to have concluded that the appellant did not at any time use (or intend to use) those vehicles for “a purpose other than a quotable purpose” and thus that no increasing LCT adjustments “happened” in respect of those vehicles. On the appeal, neither party challenged the correctness of these findings.

25The appellant also raised issues of statutory construction. It contended that the phrase “no other purpose” in s 9-5(1) of the LCT Act “meant “no alternative purpose” rather than “no additional purpose”. It also contended that purposes which are only subsidiary, consistent with, and incidental to, the “purpose of holding a car as trading stock” do not constitute a use of those cars for an “other purpose”. The appellant promoted a like construction and alternative construction of “other than” as it appears in s 15-30(3)(c) and s 15-35(3)(c) of the LCT Act.

26Subject to the concession noted, the essence of the Commissioner ’ s submission was that the appeal should be dismissed, for the reasons given by the primary judge.

Resolution of Appeal

27Given that this was not a case where the appellant had had a decreasing LCT adjustment under s 15-30(1) of the LCT Act, the appellant was correct in its submission that, materially, the increasing LCT adjustment for which s 15-30(3) of the LCT Act provides was predicated upon the appellant already having quoted for the supply of the vehicles. This necessarily follows from the text of s 15-30(3) of the LCT Act. Having regard to the text of s 15-30 and s 15-35 of the LCT Act, the appellant ’ s further submission that these sections apply in circumstances where there is a “change of use” is also correct. With the exception of the La Ferrari motor vehicle, a consequence of this was that the issue before the primary judge was never one of entitlement to quote but rather one of whether, quotation already having occurred, there was a change of use.

28The presence of the description “A New Tax System” in the title of the LCT Act is something of a misnomer. The LCT Act is just a particular type of sales tax legislation. There is nothing “new” in Australia about a sales tax. A wholesale sales tax scheme was first imposed in Australia by a series of statutes enacted by the Parliament in the 1930 ’ s. In contrast, the LCT Act envisages a single stage tax imposed at the retail sale level. As did the earlier sales tax scheme, the LCT Act uses a system of “quoting” to defer the taxing point. Consistent with that design, s 15-30(3)(c) and s 15-35(3)(c) apply where the taxpayer has quoted to defer LCT but used the car for a purpose other than a “quotable purpose”, with the result that the revenue would otherwise be deprived of LCT on the retail sale. That result is avoided by subjecting the taxpayer to an “increasing adjustment”. There is no other, presently relevant distinction to be drawn between s 15-30 and s 15-35 of the LCT Act. It is convenient therefore hereafter to focus on s 15-30.

29What constitutes a “quotable purpose” is defined by s 27-1 of the LCT Act to be “a use of a \* car for which you may \* quote under section 9-5”. In turn, of the uses specified in s 9-5 of the LCT Act, the only one of present moment is that specified in s 9-5(1)(a) of the LCT Act, “holding the car as trading stock, other than holding it for hire or lease”. Each of the uses specified in s 9-5(1) of the LCT Act is governed by a chapeau in which refers to “using the car for one of the following purposes, and for no other purpose”.

30The use of a comma to precede the conjunctive “and” in this chapeau offers an example of a serial, sometimes termed an Oxford or Harvard comma (Macquarie Dictionary, online edition). Such a comma is traditionally used where its absence might be a source of ambiguity. As used in s 9-5(1) of the LCT Act, its purpose is to emphasise that the list of uses specified in that subsection is exhaustive. However that may be, because this case is concerned with an alleged change of use, leading to an alleged increasing car tax adjustment, the qualification as to use found in s 9-5(1) is not directly relevant. Rather, s 9-5(1) of the LCT Act supplies a list of permissible uses and thus “quotable purposes” with the question, flowing from the text of s 15-30(3)(c), being whether, on the facts, there was a use “other than” the permissible?

31As both the Oxford and Macquarie Dictionaries (online editions) confirm, the word “other” can, when used adjectively, mean “additional” or “further”. The appellants contended for such a meaning in s 15-30(3)(c) of the LCT Act. However, that is not the context in which the word is used in s 15-30(3)(c) of the LCT Act. There it is used in conjunction with “than” to add a qualification. Regard to these same dictionaries discloses that, as so used, “other than” carries the meaning “besides, except, apart from”. This is the meaning it has in s 15-30(3)(c) of the LCT Act. That meaning makes s 15-30(3)(c) harmonious with the a like qualification, “you have only used the car for a quotable purpose”, found in s 15-30(1)(e) of the LCT Act in the criteria which occasion a decreasing LCT adjustment.

32This preferred construction of s 15-30(3)(c) of the LCT Act is, as the primary judge (at [68]) recognised, consistent with an observation made of that provision by Jessup J in Melbourne Car Shop Pty Ltd v Commissioner of Taxation (2010) 76 ATR 42, at [35], “[t]hat question is whether the car was ever used save for the purpose of being held as trading stock. ” However, the construction of that provision was not the central issue in that case, which turned on a very particular view of the facts taken by his Honour. Indeed, and with respect, to acknowledge that consistency may conceal more than it reveals about the nature and extent of the “other than” qualification in s 15-30(3)(c) of the LCT Act.

33The appellant made reference to Deputy Federal Commissioner of Taxation v Ellis & Clark Ltd (1934) 52 CLR 85 and Brayson Motors Pty Ltd (in liq) v Federal Commissioner of Taxation (1985) 156 CLR 651, at 659 in support of a submission that the Court should read down language of apparently general application in sales tax legislation so as to give effect to an evident and narrower statutory purpose. These cases are but examples of an evident statutory purpose informing the meaning to give the text of legislation where that text admits of constructional choices. In the present case, which is concerned with trading stock, all that identifying the overall purpose of the LCT Act as to impose a single stage tax at the retail sale level does is to underscore the fiscal integrity purpose of s 15-30(3)(c) of the LCT Act. Construing “other than” in the way just indicated serves that fiscal integrity purpose in relation to a single stage, retail sales tax.

34The appellant ’ s alternative construction of “other than” was that a use of a motor vehicle which was incidental to, and consistent with, the use of holding the vehicle as trading stock for sale or exchange in the ordinary course of trade was not an “other” purpose. The appellant submitted that the result of the construction adopted by the primary judge was to, in effect, advance the taxing point in circumstances where each assessed motor vehicles was always trading stock (and was in fact sold).

35Accepting as I do that the purpose of the LCT Act is to impose a single stage sales tax at the retail sales level, a construction of its text which leads to the imposition of that tax while the motor vehicle concerned remains held as trading stock is incongruous. Further, given that “other than” appears in a fiscal integrity measure, it is difficult to see how that purpose is served by dictating an increasing adjustment while the motor vehicle concerned remains held as trading stock.

36These considerations tell in favour of a construction of “other than” which excludes from the qualification it imposes uses which are merely incidental or subservient to a continuing use of a vehicle as trading stock.

37The primary judge referred, at [88], to the following statement made by Windeyer J in Randwick Municipal Council v Rutledge (1959) 102 CLR 54 (Randwick Municipal Council v Rutledge), at 94:

The words “exclusively” and “solely” are familiar in fiscal and rating law. Where an exemption from rating depends upon the use of land exclusively for a particular stated purpose, then the use must be for that purpose only … The question arises, for example, when part of the subject land is used for the relevant purpose and another part for a different purpose … The presence of “exclusively”, “solely”, or “only” always adds emphasis; and is not to be disregarded … When such words are present, it is a question of fact whether the land is being used for any purpose outside the stipulated purpose … As Kitto J said in Lloyd v Federal Commissioner of Taxation, such words confine the use of the property to the purpose stipulated and prevent any use of it for any purpose, however minor in importance, which is collateral or independent, as distinguished from incidental to the stipulated use. Even without such words, an exemption from rating based upon use or occupation for a particular purpose or in a particular manner can only apply when the property is so used that it can properly be described as used for that purpose or in that manner, any other user being merely incidental, or at least not inconsistent with such main user.

[citations omitted]

38Having so done, the primary judge stated, at [90], with reference to the last sentence in this passage, “[t]he last sentence of that passage, and the notion of a use being “merely incidental” and “not inconsistent” with the main use, is an observation concerning statutes which do not use language such as ‘exclusively ’ or ‘solely ’ or, to return to the present case, a statute which states that the use must be for holding as trading stock ‘and for no other purpose ’ . ” With respect, that statement is true only if one reads this last sentence in isolation from all that precedes it. The whole point of the statement made by Windeyer J in Randwick Municipal Council v Rutledge is that, even where the words “exclusively” and “solely” are employed in a use exemption, mere incidental uses do not take the user outside the exemption.

39Were there any doubt about the accuracy of this understanding of Sir Victor Windeyer ’ s statement in Randwick Municipal Council v Rutledge, and of the accuracy of his Honour ’ s summation of the effect of exemptions so qualified, this should be put to rest, by reference to a case principally relied upon by the appellant, Salvation Army (Vic) Property Trust v Fern Tree Gully Corp (1952) 85 CLR 159 (Fern Tree Gully Case). The Fern Tree Gully Case was concerned with the construction of a rating exemption where the exemption was dependent upon a use “exclusively” for charitable purposes. It offers a paradigm example of an approach to construction which allows that an ordained exclusivity of purpose of use is not transgressed by the presence of a use which is merely concomitant and incidental.

40In the Fern Tree Gully Case, at 172, after a survey of the authorities, particularly Royal Choral Society v Commissioner of Inland Revenue [1943] 2 All ER 101, the principle discerned by Dixon CJ, Williams and Webb JJ was:

If the land is used for a dual purpose then it is not used exclusively for charitable purposes although one of the purposes is charitable. But if the use of the land for a charitable purpose produces a profitable by-product as a mere incident of that use the exclusiveness of the charitable purpose is not thereby destroyed.

Particularly instructive for present purposes is their Honours ’ further observation, at 173:

There is no distinction in principle between selling the surplus proceeds of a charitable activity and making a charge for supplying a charitable activity such as an educational performance or meals and beds in a hostel for the needy, yet in the case of the Royal Choral Society it was held that the fact that the performance of plays produced a profit and in Municipal Council of Sydney v Salvation Army (N.S.W Property Trust) the fact that a charge was made in some instances for beds and meals in a hostel did not destroy the exclusiveness of the charitable purpose.

[emphasis added]

41To like effect in Fern Tree Gully Case to these passages are observations made by Fullagar J, at 185 – 186.

42The recognition, in the passage from the Fern Tree Gully Case just quoted, with reference to Municipal Council of Sydney v Salvation Army (N.S.W Property Trust) (1931) 31 SR (NSW) 585, that the fact that charges were on occasion made for meals and accommodation was not destructive of the continued, exclusive use of the land in question for charitable purposes is of particular significance by analogy for the resolution of the present case. It highlights the danger presented by compartmentalisation of evidence to the exclusion of what is revealed by the whole.

43In the United Kingdom, later rating exemption case law is canvassed but to no different effect in the recently decided London Borough of Merton Council v Nuffield Health [2023] UKSC 18 (Nuffield Health). The facts of that case are instructive for present purposes. Nuffield Health was a registered charity established “to advance, promote and maintain health and healthcare of all descriptions and to prevent, relieve and cure sickness and ill health of any kind, all for the public benefit. ” Among other things, it operated 112 fitness and wellbeing centres, including one at Merton Abbey. Its use of Merton Abbey proved controversial for rating exemption purposes. The facilities at Merton Abbey were primarily available to fee-paying Nuffield Health gym members. Nuffield Health acquired Merton Abbey on 1 August 2016, when it bought the business of Virgin Active. It applied to the London Borough of Merton Council for mandatory and discretionary rate relief. The application for mandatory relief was granted initially. However, following a visit by Council officers in November 2016, the Council withdrew the relief, because the membership fees were set at a level which excluded persons of modest means from enjoying the gym facilities. In the Council ’ s view, this meant that Merton Abbey was not being wholly or mainly used for charitable purposes (the relevant rating exemption category), because the requirement for public benefit was not satisfied. In the course of explaining why the Council ’ s appeal would be dismissed, Lord Briggs and Lord Sales SCJJ (with whom Lord Kitchin, Lord Hamblen and Lord Leggatt SCJJ agreed), stated, at [32]:

Finally, it is important to keep in mind the distinction between the fulfilment of the purposes of a charity and its lawful activities. The former is only a subset of the latter. A charity fulfils its purposes by doing what it was established to do, ie doing what it is there for. Those purposes must be exclusively charitable. In the present case that means, in a nutshell, promoting health. But most charities will also undertake incidental activities not directly concerned with the fulfilment of their purposes, but rather securing their continued existence, or their ability to survive and thrive in fulfilling their purposes. These activities may include head-office management, residential accommodation for staff, fund raising and the maintenance of an investment portfolio, any of which may include the occupation and use of real property: see Tudor on Charities, 11th ed, para 1-032.

[emphasis added]

44The point of these several authorities, and the cases discussed in them, is that a purpose which is incidental, a means to an end, does not render a use other than an exempt use even where that exemption is conditioned upon the exempt use being exclusive or “wholly or mainly”.

45The present case raises an important issue of principle concerning the construction of the LCT Act. When the retail sales tax purpose of the LCT Act and the integrity of revenue purpose of increasing adjustments are understood, there is every reason to construe “other than” in a like way to these charitable purpose exemption cases. So doing avoids, as I have already highlighted, the incongruity of LCT falling on trading stock available for sale and yet to be sold.

46Adopting this approach to the construction of s 15-30(3)(c) of the LCT Act, an analysis of the whole of the evidence discloses that the use of the assessed motor vehicles for display at a so-called “museum” was only ever a means to an end (and the same applies to the La Ferrari, even at the time of importation). The end was always their retail sale. To adopt the language of Fern Tree Gully Case, the admission fees were just a “by-product”, a “mere incident”. The appellant treated the revenue earned from car sales and admission fees as a single line item in its financial statements. In effect, the admission fees in part subsidised its retail sales operation.

47The evidence disclosed that there were no permanent static displays; rather an always evolving offering of trading stock. Vehicles moved onto and off the display area according to maintenance requirements and their sales turnover.

48When the appellant acquired the massive shed which had hitherto been a Bunnings Warehouse it adapted those premises for use to display its trading stock. The appellant was, after all, a licenced motor dealer.

49Under local government zoning laws, the appellant could operate the premises as a car showroom but not as a museum in the strict sense. It sought and obtained the requisite local government approval to operate the premises in conformity with those zoning laws. Of course such local government approval is not necessarily determinative of singularity of use of the vehicles as trading stock. But it does indicate that, from the very outset, the appellant did not set out to conduct a “museum”.

50On the evidence, the “museum concept” was the brainchild of Mr Denny. He had earlier acquired considerable experience and enjoyed great success abroad in the selling of large volumes of used motor vehicles. Mr Denny stated he had observed the marketing of vehicles at the Lincoln Hotel in Las Vegas: “A dealership had cordoned off a section of the hotel and used that section to house a collection of classic cars. The section was referred to as a ‘museum ’ , with the vehicles arranged to highlight the changing look of them at their different times of manufacture. However, despite the presentation all of the cars were for sale …” The primary judge did not gainsay Mr Denny ’ s inspiration for this “museum concept” for the sale of this boutique type of trading stock.

51It is quite obvious on the evidence that Mr Denny caused the appellant to take up this idea on a grand scale. Moreover, it is clear to the point of demonstration that the implementation of this idea was in short order conspicuously successful in causing the retail sale of the appellant ’ s trading stock. In the first full taxation year of the operation of the appellant ’ s business, the year ended 30 June 2017, the appellant ’ s gross revenue in respect of the sale of its motor vehicles was $28.5 million. In contrast, and to compare like with like, its gross revenue in that same year from admission fees to its premises was $1.32 million. Over that year, the implementation of the “museum concept” by various promotional means occasioned over 100,000 persons to visit the appellant ’ s premises. The revenue relativities and these visitor numbers underscore the veracity of oral evidence which Mr Denny gave before the primary judge in which he stated: “[w]ithout visitors, you don ’ t have sales” and “[i]f you don ’ t have the funnel feeding into the machine, you don ’ t sell”. The “museum concept” was the way in which the appellant sought to, and did, bring potential buyers in touch with its trading stock.

52Although acknowledging that he was a salesman and in fact sold cars, the primary judge (at [19]) apparently found the title “curator” given by the appellant to an employee (on the evidence, Mr Ken Grindrod) at the “museum” supportive of his conclusion that there was a use of the assessed motor vehicles “other than” as trading stock. Yet the evidence also showed that, via Mr Grindrod, the appellant sold many high value cars ranging from a Ferrari F40 (stock #1172) for $1,800,000 to an Aston Martin DB5 (stock #1740) for $1,560,000 to a Ferrari Testarossa (stock #1227) for $165,000. When one analyses the whole of the evidence, the title “curator” given to Mr Grindrod is just an aspect of the appellant ’ s overall promotional strategy for the retail sale of its boutique stock of motor vehicles. In reality, he was one of the appellant ’ s top car salesmen.

53The position in relation to such a title is no different to the operator of a “fine art gallery” specialising in the sale of valuable, modern Australian art affording one of its staff the title of “Curator of Australian Art”. That person may have a great depth of knowledge of the life and works of, for example, Charles Blackman or Ray Crooke, some of whose works are on display and offered for sale at the gallery. One reason for that person ’ s employment may be because of that knowledge. Indeed, as part of its marketing strategy, the operator of the gallery may promote either generally or to a select clientele (or both) a lecture and related viewing at its premises by this “curator” on the life and works of such an artist. That may perhaps be in conjunction with a specially curated, retrospective exhibition of examples the artist ’ s work, with each of the displayed works being on sale. Perhaps fine wine and canapés are offered to attendees. None of this means that if, on viewing a displayed artwork, an attendee sits down with that employee in order to complete the sale of one of those displayed, this “Curator of Australian Art” is not in substance a salesman or that the “gallery” is not in substance a retail art dealership.

54To focus, with respect, as did the primary judge, and in submissions the Commissioner, on aspects of promotional literature, staff titles and display in isolation is to fail to discriminate between an overarching end and its incidental means. This is exactly the same type of error made again and again by revenue and rating authorities, as revealed in the charitable purposes exemption cases. That is not to say that, as a matter of initial impression, engendered by both the name “museum” and the related “museum concept” measures, there is not a certain attraction in a conclusion that the motor vehicles were used (or intended to be used) other than as trading stock, only that such a conclusion does not survive the objective analysis of the whole of the facts and the related discounting, dictated by the true construction of s 15-30(3)(c) of the LCT Act, of incidental or subservient uses.

55Given the way in which the parties accepted that both the LCT and GST issues in the case fell for resolution, what follows from the foregoing is that the appeal should be allowed, with costs.

I certify that the preceding fifty-five (55) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Logan.

Associate:

Dated:11 August 2023

REASONS FOR JUDGMENT

WHEELAHAN AND HESPE JJ:

56This appeal concerns the appellant ’ s liability to goods and services tax (GST) and luxury car tax for the tax periods from June 2016 to November 2017 in respect of 40 cars acquired by the appellant and displayed at the Gosford Classic Car Museum (the Museum), which was owned and operated by the appellant. The appellant ’ s liability turns on whether the appellant used the cars for a purpose other than a “quotable purpose” as defined in the A New Tax System (Luxury Car Tax) Act 1999 (Cth) (LCT Act) and, in particular, whether the appellant used each of the cars for the purpose of holding the car as trading stock, other than holding it for hire or lease, and for no other purpose.

57The Commissioner conceded that each of the cars was held by the appellant as trading stock. The issue is whether, by displaying the cars at the Museum, the cars were used “for no other purpose”.

FACTS

58The primary judge ’ s findings are set out at PJ [1] to [53]. The primary judge described the Museum in some detail.

59On appeal, the appellant drew attention to the genesis of the Museum. The premises it occupied were formerly used as a Bunnings warehouse. In undertaking the modification of those premises, a consultant was retained in order to obtain necessary council approvals. In the Complying Development Certificate issued in July 2015 by the consultant, the scope of the works was described as “Adaptive Re-use – Change & Establishment of Use – Class 5, 6, 7 &8 Former BBC Hardware Store to a Class 5, 6 & 7 Heritage & Prestige Motor Vehicle Display Showroom + Storage + Sales Yard & Related Sales & Hire Offices & Public Facilities”. A modification to the complying development certificate in October 2015 added a “Memorabilia Outlet Shop + Associated Client Café + Public Entry Facilities to Museum”. A further revision in May2016 provided for a “Revised Memorabilia Outlet Shop” and “External AIR STREAM Client Café”.

60The site of the Museum was zoned Industrial 1 which, under the Gosford Local Environment Plan 2014 (the Plan), meant it was zoned as General Industrial. Uses of the land permitted with consent included “Vehicle sales or hire premises”. The term “Vehicle sales or hire premises” was defined by the Plan to mean “a building or place used for the display, sale or hire of motor vehicles, caravans, boats, trailers, ***agricultural*** machinery and the like, whether or not accessories are sold or displayed there”. Prohibited uses of land zoned General Industrial included “Commercial premises” and “Information and education facilities”. The permitted use for “Vehicle sales or hire premises” was an exception to the prohibited uses.

61A schedule to the appellant ’ s policy of industrial special risks insurance dated 23 January 2017 described the business conducted by the appellant as “[p]rincipally a Vintage Vehicle Museum, dealership, ancillery [sic] workshop including detailing, head office, Mobile Coffee Van (TPOperated), Storage of memorabilia & merchandise for sale in online store and any other activity incidental thereto”. In a subsequent renewal for the period 30 June 2017 to 31 December 2018, the schedule of insurance dated 9 February 2021 described the business as “[p]rincipally a Vintage Car Dealership, including showroom”. Mr Denny attributed the date on this schedule to the date it was likely printed.

62Mr Denny controlled the appellant. Mr Denny had successfully operated a motor vehicle dealership business in Europe, comprising some 40 sales dealerships and selling primarily used vehicles. The dealerships used a range of marketing activities, which included using café lounges, cinemas or golf-practice driving ranges at dealerships.

63In about 2013, Mr Denny came across what he “thought was a particularly clever and novel way of marketing vehicles at the Lincoln Hotel in Las Vegas”. A dealership had cordoned off a section of the hotel and used that section to house a collection of classic cars. The section was referred to as a “museum”, with the vehicles arranged to “highlight the changing look of them at their different times of manufacture”. Hanging above each row of the display were signs that read:

The Auto Collections. All of the automobiles you are currently viewing are “FOR SALE”. Please ask a sales representative for assistance THANK YOU.

64Mr Denny considered that “there was a certain panache attached to buying a luxury vehicle from such a display” as it “gave the impression of each of the vehicles displayed having a greater provenance and value than they might otherwise have”. He formed the view that:

any potential purchaser looking at these vehicles, placed within premises containing a number of other distinguished vehicles, would be more likely to be immediately impressed with the vehicle and more willing to buy at a higher price.

It was his view that presenting the vehicles for sale “in what would be called a ‘museum ’ ” would “differentiate [his] dealership from the rest of the market and achieve premium prices for the vehicles for sale”. He also “thought using the term ‘museum ’ in the proposed business name would pique interest in the dealership both in Australia and, as importantly, overseas”.

65The appellant was licensed in New South Wales as a motor vehicle dealer. Its licence disclosed its place of business as including the Museum premises address. As the holder of a motor dealer ’ s licence, it was an offence under the Motor Dealers and Repairers Act 2013 (NSW) s48(1) for the appellant to offer or display a motor vehicle for sale at a place other than notified premises.

66In around 2014, Mr Denny decided to move back to Australia to establish a “second hand motor vehicle dealership business primarily dealing in exclusive ‘high‑end ’ classic and luxury cars”.

67Between 22 May 2015 and 27 June 2020 the appellant sold over 800 vehicles with an average margin of $9,141. The Museum commenced operation on 28 May 2016. Both before and after the opening of the Museum, there were instances of cars being sold for prices in excess of $900,000.

68Each of the cars the subject of the dispute was assigned a stock number (as were each of the other cars held by the appellant) and the appellant maintained books and records which recorded potential sale prices for the cars. Each car was treated by the appellant as trading stock in the appellant ’ s income tax returns and accounting records.

69A floorplan of the Museum is reproduced as Annexure A.

70Mr Denny ’ s oral evidence was that, by increasing visiting rates, he increased sales because “[w]ithout visitors, you don ’ t have sales” but, to avoid being a “typical used car dealer”, he refrained from describing the Museum as “a showroom with cars for sale”. The Museum was “about making money… It ’ s all about moving the metal, selling the cars”.

71Under s 63 of the Motor Dealers and Repairers Act 2013 (NSW), it is an offence for a motor dealer to offer or display for sale a second hand motor vehicle unless a dealer ’ s notice (prescribed by regulation as a Form5) is attached to the motor vehicle. Prior to 6 April 2017, there was a sign on at least some of the cars in the central area saying “cars are not for sale”: PJ [50]. There was a Form 5 on the back passenger seat or back window of each car in the main area of the Museum, not visible to visitors to the display: PJ [48]. The cars in the caged semi-outdoor area were signed as “for sale” with prices displayed on each car: PJ [50].

STATUTORY FRAMEWORK

Luxury car tax

72Luxury car tax is a single stage tax that is imposed on supplies and importations of luxury cars. The tax is calculated on the value of the car that exceeds the luxury car tax threshold: LCT Act s 2-1.

73There is a system of quoting which “is designed to prevent the tax becoming payable until the car is sold or imported at the retail level”: s 2-5.

74Luxury car tax is payable on a taxable supply or taxable importation of a luxury car: ss 5-5 and7-5. A taxable supply is not made if the recipient quotes for the supply of the car or if the car is more than two years old: s 5-10(2). In the case of a car that is imported, a car is more than two years old if the car was entered for home consumption more than two years before the time of supply: s 5-10(3)(b). A taxable importation is not made if the importer quotes for the importation of the car: s 7-10(3)(a).

75Section 9-5 sets out the circumstances in which a person is entitled to quote in relation to a supply or importation of a luxury car. It relevantly provides:

9‑5Quoting

(1)You are entitled to \*quote your \*ABN in relation to a supply of a \*luxury car or an \*importation of a luxury car if, at the time of quoting, you have the intention of using the car for one of the following purposes, and for no other purpose:

(a)holding the car as trading stock, other than holding it for hire or lease; …

…

(2)However, you are not entitled to \*quote unless you are \*registered.

76If a person quotes in circumstances in which the person is not entitled to quote, the quote is nevertheless effective for the purposes of ss 5-10(2)(a) or 7-10(3)(a) unless s 9-25 applies: s9‑20. Section9‑25 applies if, at the time of the quote, the person to whom the quote is made has reasonable grounds for believing, amongst other things, that the person quoting was not entitled to quote in the particular circumstances.

77However, the LCT Act provides for adjustments to be made if circumstances occur that mean that too much or too little luxury car tax was imposed. Section 15-30(3) relevantly provides:

15‑30Changes of use—supplies of luxury cars

…

(3)You have an increasing luxury car tax adjustment if:

(a)you were supplied with a \*luxury car; and

(b)…

(i)no luxury car tax was payable on the supply because you \*quoted for the supply; …

(ii) … and

(c)you use the car for a purpose other than a \*quotable purpose.

78Section 15-35(3) relevantly provides:

15‑35Changes of use—importing luxury cars

…

(3)You have an increasing luxury car tax adjustment if

(a)you \*imported a \*luxury car; and

(b)…

(i)no luxury car tax was payable on the importation because you \*quoted for the importation; …

(ii) … and

(c)you used the car for a purpose other than a \*quotable purpose.

79“Quotable purpose” is defined in s 27-1 to mean “a use of a \*car for which you may \*quote under section 9-5”.

80In the present case, the appellant was registered for the purposes of the LCT Act and quoted for the supply or importation of the 40 cars. The Commissioner did not contend that s 9-25 applied. Accordingly, no luxury car tax was payable on the supply or importation, irrespective of whether the appellant was entitled to quote. In so far as the LCT Act is concerned, the issue was whether the appellant had “increasing luxury car tax adjustments” under ss 15-30 and 15-35 of the LCT Act. The issue turns on whether each of the 40 cars was used for a purpose other than a “quotable purpose”.

GST Act

81As the primary judge explained at PJ [60], s 69-10 of the A New Tax System (Goods and Services Tax) Act 1999 (Cth) (GST Act) limits the amount of input tax credits to which a person is entitled to no more than 1/11th of the luxury car tax “car limit”, in circumstances where the person is not entitled to quote for the purposes of the LCT Act in relation to the supply or importation. Section 69-10(1) of the GST Act provides:

69-10Amounts of input tax credits for creditable acquisitions or creditable importations of certain cars

(1)If:

(a)you are entitled to an input tax credit for a \*creditable acquisition or \*creditable importation of a \*car; and

(b)you are not, for the purposes of the A New Tax System (Luxury Car Tax) Act 1999, entitled to quote an \*ABN in relation to the supply to which the creditable acquisition relates, or in relation to the importation, as the case requires; and

(c)the \*GST inclusive market value of the car exceeds the \*car limit for the \*financial year in which you first used the car for any purpose;

the amount of the input tax credit on the acquisition or importation is the amount of GST payable on the supply or importation of the car up to 1/11 of that limit.

82In so far as the GST Act is concerned, the issue is whether the amount of input tax credits which the appellant could claim was limited by s 69-10 of the GST Act. This issue turns on whether the appellant was entitled to quote under s 9-5 of the LCT Act.

THE DECISION OF THE PRIMARY JUDGE

83Before the primary judge, the parties accepted that the LCT Act issue turned on whether, by being displayed in the Museum, each of the 40 cars was used for a purpose other than holding the car as trading stock, for the purposes of s 9-5(1). The parties also accepted that, on the facts of the present case, the GST issue was to be resolved on the same basis, notwithstanding that the GST issue was concerned with the entitlement to quote which is to be determined by the intended use at the time of quoting rather than actual use: PJ [66].

84The primary judge concluded that each car was not used for no purpose other than holding the car as trading stock. Each car was also used for the purpose of displaying the car together with other cars, as exhibits in a museum, being operated commercially as a museum: PJ [67].

APPELLANT ’ S SUBMISSIONS

85The appellant submitted that the primary judge erred in his conclusion both as a matter of statutory construction and as a finding of fact based on the evidence.

86The appellant submitted that the primary judge erred (at PJ [68]) in construing the phrase “no other purpose” in s 9-5(1) as meaning “no additional purpose” rather than “no alternative purpose”. It was submitted that if “no other purpose” is construed “in the sense of “no alternative purpose” then, because the Commissioner had conceded that the cars were held as trading stock, it necessarily followed that the appellant must succeed. Any other purpose was necessarily additional, and not an alternative, to the purpose of holding the cars as trading stock.

87The appellant submitted that the LCT Act should be construed, and even read down, so as to conform with its legislative purpose, which was to impose a tax on retail sales. The appellant relied on two cases involving wholesale sales tax to illustrate the way in which courts have construed taxation legislation in light of an ascertained legislative purpose, namely Brayson Motors Pty Ltd (in liq) v Federal Commissioner of Taxation [1985] HCA 20; (1985) 156 CLR 651 (Brayson Motors) and Deputy Commissioner of Taxation v Ellis & Clark Ltd (1934) 52 CLR 85. The appellant contended that the primary judge failed to construe the provision in accordance with the purpose of the LCT Act, which intended the tax to be imposed only on sales or imports at the retail level (relying on s 9-1 of the LCT Act). The appellant submitted that its construction of “no other purpose” was consistent with the general policy and purpose of the LCT Act.

88The appellant further submitted that the phrase “no other purpose” should not be construed as extending to a purpose which was subsidiary to and not inconsistent with the purpose of holding a car as trading stock. The appellant submitted that the exclusion of “other than holding it for hire or lease” ***suggests*** that holding for hire or lease would not otherwise be a disqualifying “other purpose”.

89The appellant contended that the primary judge failed to construe ss 15-30 and 15-35 in accordance with their headings which evidenced an intention that the sections apply only where there has been a “change of use”. Having accepted that the cars in issue were always trading stock, the appellant submitted that there was no change of use.

90The appellant contended that the legislation applies to each vehicle individually and must be tested in that way. It was submitted that as a matter of fact, having regard to the totality of the evidence, the primary judge ought to have concluded that the appellant did not use each of the cars individually for a purpose other than a quotable purpose. It was not disputed that each of the cars was held as trading stock by the appellant at all times, and the primary judge had accepted that the appellant intended to trade the cars through the Museum and did so to assist in maximising the number of sales and the sale prices. The appellant ’ s display of each of the40 cars was a display as trading stock. The appellant did not operate a museum stricto sensu having regard to the local planning laws. The “museum” concept was no more than an innovative way to market the stock to maximise profit. The fact that an entrance fee was charged did not, it was submitted, mean that the cars were held for a purpose other than a quotable purpose. Even if a visitor did not enter with the intention of purchasing a vehicle, each visitor was a potential spruiker.

91It is noted that, although before the primary judge the Commissioner had disputed that a particular car — the La Ferrari — had not been held as trading stock, the Commissioner conceded that issue before the Full Court.

CONSIDERATION

92The issue is whether each of the cars in dispute was used for a purpose other than for the quotable purpose of holding the car as trading stock, other than holding it for hire or lease, and for no other purpose. The operative terms of s 15-30 do not refer to a change in the use made of a car since the time of quotation or supply of the car but refer to use for a purpose other than a “quotable purpose” which in turn is defined to mean “a use … for which you may \*quote under section9-5”. The heading to s 15-30 does not inform the construction of s 9-5.

93We do not accept the appellant ’ s construction of “and for no other purpose” as requiring the other purpose to be exclusive or alternative to the purpose of holding the cars as trading stock. That construction is not consistent with the ordinary reading of the phrase. It is not consistent with the use of the conjunctive “and”. Most importantly, it renders the phrase “and for no other purpose” otiose. The phrase “and for no other purpose” is to be read as “solely” or “only”. Such a reading is also consistent with paragraph 1.10 of the explanatory memorandum to the bill which became the LCT Act (A New Tax System (Luxury Car Tax) Bill 1999), and which relevantly provided:

Registered entities may quote in relation to the supply or importation of a luxury car. The quoting system is designed to avoid the tax becoming payable until the car is sold or imported at the retail level. Generally, a recipient is entitled to quote if the car supplied to them is expected to be held solely as trading stock.

(Emphasis added.)

94The presence of the phrase “other than … for hire or lease” to qualify the concept of trading stock does not require the phrase “and for no other purpose” to be read otherwise than as “solely”. In respect of the exclusion, “other than … for hire or lease”, the explanatory memorandum stated (at [5.9]) that “luxury car tax is not payable if the registered recipient intends to use the car as trading stock unless it is held for hire or lease”. There is UK authority for the proposition that, if a taxpayer carries on a single trade of trading in and hiring out goods, profits from the sale of any of the goods are taxable in the same way as sales of stock in trade: Gloucester Railway Carriage and Wagon Company Ltd [1925] AC 469 at 474 – 475 (LordDunedin), cited in Spriggs v Commissioner of Taxation [2009] HCA 22; (2009) 239 CLR1 at [60], fn 58 (French CJ, Gummow, Heydon, Crennan, Kiefel and Bell JJ). It follows that as a matter of ordinary language or usage, and depending upon context, such goods are ***capable*** of being regarded as trading stock. The exclusionary words “other than … for hire or lease” in s9-5(1)(a) have the effect of ensuring that goods held for such a hiring purpose would not be considered to be held as trading stock. Read against this background, the phrase “other than … for hire or lease” qualifies those vehicles which may be regarded as “trading stock” and therefore not subject to the tax.

95The primary judge was correct (at PJ [72] – [75]) in distinguishing Brayson Motors. The LCT Act does not define a “retail” sale. The operative provisions of the LCT Act permit a deferral of tax in the circumstances that are identified by the text of s9-5(1)(a). There is no basis for importing into that provision the idea of taxing only a “retail sale” when that is not a concept that is defined by or imported into the legislation.

96In referring to “no other purpose”, s 9-5(1) does not by its terms distinguish between a dominant or main purpose, and a subsidiary purpose. As Windeyer J said in Council of the Municipality of Randwick v Rutledge (1959) 102 CLR 54 (Randwick) at 93 – 4:

The words “exclusively” and “solely” are familiar in fiscal and rating law. Where an exemption from rating depends upon the use of land exclusively for a particular stated purpose, then the use must be for that purpose only. The question arises, for example, when part of the subject land is used for the relevant purpose and another part for a different purpose. The presence of “exclusively”, “solely”, or “only” always adds emphasis; and is not to be disregarded. When such words are present, it is a question of fact whether the land is being used for any purpose outside the stipulated purpose. As Kitto J. said in Lloyd v. Federal Commissioner of Taxation, such words confine the use of the property to the purpose stipulated and prevent any use of it for any purpose, however minor in importance, which is collateral or independent, as distinguished from incidental to the stipulated use.

(Citations omitted.)

97The language used by Kitto J in Lloyd v Federal Commissioner of Taxation (1955) 93 CLR645 at 671, which WindeyerJ cited in the above passage in Randwick, is instructive. See too Ryde Municipal Council v Macquarie University (1978) 139 CLR 633 at 646 – 7 (StephenJ).

98The question that the statute invites here is whether holding the cars as trading stock was the only purpose for which the cars were used. As WindeyerJ identified in Randwick, it is a question of fact whether the cars were being used for a purpose other than as trading stock, including uses that were incidents of use as trading stock.

99The term “trading stock” is not defined in the LCT Act. It takes its ordinary meaning. Goods are held as trading stock if held by a trader for the purposes of sale or exchange in the ordinary course of trade: Commissioner of Taxation v Suttons Motors (Chullora) Wholesale Pty Ltd [1985] HCA 44; (1985) 157 CLR 277 at 281 – 2 (GibbsCJ, Wilson, Deane and DawsonJJ). See too Melbourne Car Shop Pty Ltd v Federal Commissioner of Taxation [2010] FCA 373; (2010)76 ATR 42 at 51 [23] (JessupJ); Stallion (NSW) Pty Ltd v Commissioner of Taxation [2019] FCA 1306; 2019 ATC 20-707 at 22,036 [245] (ThawleyJ). The Commissioner conceded that all the cars were held for the purpose of resale and therefore were held as trading stock. The issue is only whether, in addition to being held as trading stock, they were held for some “other purpose”. Was the use of the cars as displays in the Museum a further or additional use to their being held as trading stock, or was the use of the cars as displays in the Museum no more than part of their being held as trading stock?

100The question is not whether the use of each of the cars as part of a display at the Museum was a subsidiary or ancillary purpose, or collateral to the purpose of holding each car as trading stock. Rather, the question is whether the use of each of the cars as part of such a display was an incident of holding that car as trading stock, such that its display was part of its use as trading stock and was part of a singular purpose. The issue is therefore one of fact and degree.

101It may readily be accepted that displaying an item for sale is an incident of holding that item as trading stock. An item of trading stock is not held for an additional purpose merely because it is displayed on a shop shelf or in a shop window, rather than held in the shop ’ s storage room. A car does not cease to be used solely as trading stock merely because it is displayed in a car dealership showroom. It may also be accepted that the mere deployment of a novel (as opposed to conventional) manner of displaying cars does not result in any particular car being held for a purpose other than as trading stock.

102However, the nature of and manner in which the cars here were displayed went much further than simply displaying the cars as for sale in a showroom in a novel way to appeal to a niche market. The display of the cars achieved a commercial end in and of itself by attracting as many visitors as possible. The nature of the display was that of an exhibition marketed to visitors as a destination in and of itself. The entrance fee charged was more than nominal. Adults were charged $20 each and $12 for each child. Family tickets were $55. The primary judge rejected Mr Denny ’ s evidence that the charging of the admission fee was to discourage tyre kickers: PJ[80]. About one year after it opened, the Museum attracted its 100,000th visitor, and the display of the cars by the Museum generated in excess of $1.32 million in admission fees in its first full financial year of operation. Fees were also charged for external parties to stage events such as corporate functions at the Museum. Although the appellant sought to emphasise that the Museum operated at a loss, the evidence of such a loss was based entirely on a marked up notation by the in-house bookkeeper to a draft Australian Taxation Office (ATO) document which read “[f]or the nine months to 31 March 2017, income from admissions and merchandise sales totalled approximately $1.036m, with associated overheads and operational expenses totalling approximately $1.066m”. The “associated overheads” were not identified nor was their basis of allocation.

103A Statement of Environmental Effects prepared in November 2017 for Mr Denny in support of a proposal for the further development of the site described the existing use of the site as:

The Gosford Classic Car Museum was established in 2016, and is one of the 5 largest privately-owned car museums in the world, and is the largest in Australia and the Southern Hemisphere. The museum houses over 400 rare and classic cars from Australia and across the world, with a value of approximately $70 million. The museum is a major attraction for the Central Coast, and attracts visitors from locally, within NSW, from interstate and internationally, with up to 2,500 visitors per week. Visitors are from all ages and backgrounds, and the Museum is particularly popular for car enthusiasts and their partners and families and also for car clubs.

The dominant existing use of the site is for the display of classic motor vehicles, and most vehicles in the museum are available for sale, and a dedicated area at the rear of the museum building is used for the sale of specific vehicles, and classic car auctions are also run from the site. Within the car museum building there is also a merchandise shop, café seating area, administration office, sales office and repairs and maintenance are carried out on the display cars. The car museum currently has 32 employees.

104The proposal contemplated the construction of an additional building on the eastern side of the Museum building which was to include a dedicated “car showroom” which was described as:

The car showroom will display, and offer for sale, classic and high-end motor vehicles, including some vehicles currently on display in the museum. Most vehicles in the car museum are available for sale, and the showroom will offer a dedicated area for this to occur, and also for the sale of other luxury cars. The showroom will be located within the building on Levels 1 and 2, with an internal vehicle lift being provided to these floors. The showroom will be lit internally at night, and will be a feature of the building ’ s presentation to Manns Road. Car showrooms are a permitted use on the land.

105As the primary judge found at PJ [10] and [12] – [14], the Museum was marketed as a tourist or visitor destination, and offered a shuttle service and parking for buses. The Museum patrons covered a wide demographic, including families with children, retirees and young people. The appellant promoted its Museum as a tourist attraction to the public generally, including through its website and by social media. It had marketing staff whose role was to promote the Museum and who invited media to attend with a view to promoting the Museum as a tourist attraction.

106The Museum had an extensive memorabilia shop selling, amongst other things, the Museum ’ s own branded merchandise, and housed a diner. The appellant represented the exhibition of the collection to the public as a destination or place for “car lovers”. Patrons were encouraged to photograph themselves with some of the exhibits and publish the photographs on social media. People were encouraged to come and be seen with the collection of cars. That was the commercial end secured by the Museum.

107Each of the cars formed part of a “curated collection”: PJ [17]. Mr Denny ’ s marketing strategy was to make the cars appear more appealing because they had been part of a curated collection. Up until around October 2016, the website did not state that the cars at the Museum were for sale: PJ [21]. Prior to the ATO raising questions in February 2017, there was no signage making it clear that the cars in the main display area of the Museum were for sale. The absence of such signage at that time was consistent with Mr Denny ’ s desire to create an impression that the Museum was not a car saleyard. Prior to April 2017, only the cars in the separate area at the eastern end of the site had signage making it clear the cars in that area were for sale: PJ [48] – [51]. That only some of the cars were clearly signed as for sale is also consistent with the representations made on the appellant ’ s website from around October 2016 that “[w]ith so many exceptional vehicles on the museum floor” there was stock that exceeded the appellant ’ s “direct needs” and these classic cars were available for purchase: PJ [22] – [23].

108As the primary judge said at PJ[78], the statutory question is not why the appellant engaged in the activities it did. Motive is different from purpose. The motive for a person ’ s conduct is the person ’ s reason for engaging in it. By contrast, the purpose of a person ’ s conduct is the end that is sought to be accomplished by it: Commissioner of Taxation v Sharpcan Pty Ltd [2019] HCA 36; (2019) 269 CLR 370 at 400 [49] (KiefelCJ, Bell, Gageler, Nettle and GordonJJ), citing News Ltd v South Sydney District Rugby League Football Club Ltd [2003] HCA 45; (2003) 215 CLR 563 at 573 [18] (GleesonCJ).

109Mr Denny ’ s motive in having the appellant display the cars in the manner it did may well have been to “move the metal” and to secure as high a price as possible for the cars. Mr Denny realised his subjective intention of making the cars appear more desirable to potential purchasers of the cars by exhibiting each of the cars as part of a curated “museum” collection to be seen by as many people as possible. The ***rotating*** and continually changing exhibition was intended to draw patrons beyond those interested in, or potentially interested in, purchasing a vehicle in stock. The end sought to be accomplished by displaying each of the cars as part of a collection in premises advertised as a “museum” was to attract visitors to the collection, whether they be potential purchasers or not and irrespective of whether they personally were likely to promote to others the sale of the cars. The collection attracted up to 2,500 visitors per week, typically attracting between 1,000 and 2,000 visitors per week. By contrast, the Museum received 10 to 15 sales inquiries per week (PJ [43]), some from overseas customers via the internet. The visitors were not spruikers who would, in turn, promote to others the sale of the cars. The visitors were there as visitors to the display.

110The purpose for which the cars were used is ascertained by an objective consideration of the totality of the facts and circumstances. Although, on their own, the provision of facilities such as a café or an outlet offering memorabilia do not and cannot determine the purpose for which each of the cars was used by the appellant, the existence of those facilities in conjunction with the charging of a real and not a token entrance fee, the engagement of employed and volunteer staff to provide guidance and information to visitors, and the marketing of the exhibited collection of cars as a tourist or visitor destination is not consistent with a conclusion that the cars were used for the purpose of being held as trading stock and for no other purpose. Whatever Mr Denny as the controlling mind of the appellant thought he was doing, or whatever character might be attributed to the use of the premises for local government purposes, and irrespective of whether the premises constituted a museum stricto sensu, the scale and nature of the appellant ’ s activities resulted in each of the cars being held as more than trading stock.

111We would dismiss the appeal. Although it would have been preferable for the issue of the LaFerrari to have been conceded earlier, the issue in respect of the La Ferrari ultimately turns on the same point as that decided in relation to the other cars assessed. The primary judge ’ s order as to costs should not be disturbed.

I certify that the preceding fifty-six (56) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justices Wheelahan and Hespe.

Associate:

Dated:11 August 2023

**Load-Date:** September 26, 2023

**End of Document**



[***FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 2024; Congressional Record Vol. 169, No. 185 (House - November 8, 2023)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69M6-33X1-F0YC-N3T4-00000-00&context=1516831)

Impact News Service

November 9, 2023 Thursday

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**Length:** 72657 words

**Body**

Washington: The Library of Congress, The Government of USA has issued the following house proceeding:

Mr. WOMACK. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days to revise and extend their remarks and to include extraneous material on H.R 4664, and that I may include tabular material on the same. The SPEAKER pro tempore (Mr. Thompson of Pennsylvania). Is there objection to the request of the gentleman from Arkansas? There was no objection. The SPEAKER pro tempore. Pursuant to House Resolution 847 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the state of the Union for the consideration of the bill, H.R 4664. The Chair appoints the gentleman from New York (Mr. Williams) to preside over the Committee of the Whole. {time} 0912 In the Committee of the Whole Accordingly, the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R 4664) making appropriations for financial services and general government for the fiscal year ending September 30, 2024, and for other purposes, with Mr. Williams of New York in the chair. The Clerk read the title of the bill. The CHAIR. Pursuant to the rule, the bill is considered read the first time. General debate shall be confined to the bill and shall not exceed 1 hour equally divided and controlled by the chair and ranking minority member on the Committee on Appropriations or their respective designees. The gentleman from Arkansas (Mr. Womack) and the gentleman from Maryland (Mr. Hoyer) each will control 30 minutes. The Chair recognizes the gentleman from Arkansas. Mr. WOMACK. Mr. Chairman, I yield myself such time as I may consume. Mr. Chairman, I am pleased to begin consideration of H.R 4664, the fiscal [[Page H5551]] year 2024 Financial Services and General Government appropriations bill. Before I get into details, I would like to recognize the hard work of Chairwoman Granger on this bill, and the entire appropriations process. We are one step closer to passing the last remaining few appropriations bills. I also want to thank my good friend, Ranking Member Steny Hoyer, for his input on this bill. We have had many conversations. Steny is a dear friend of mine, somebody that I worked very closely with, not only with this bill, but other matters of importance to our country. I consider him a very, very dear friend, and it is an honor to have him at my side as the ranking member. Mr. Chairman, look at these people right here. This is my team. I know I am a bit prejudiced. Steny would probably say the same thing about his team. These are the best that we have. We have Lauren Flynn and her team and my personal staff. The work they have put into this process is truly remarkable. I want the American people to know how dedicated these folks are in trying to deal with the challenges that face our country on an everyday basis, in this case, the funding of our government. {time} 0915 I could not do what I do, nor could any Member of this House of Representatives, no Member can do what they do without the dedication of these people. It is not lost on me, and I want to publicly recognize them. Mr. Chairman, H.R 4664 provides $25.279 billion in nondefense discretionary spending across a number of critical agencies. The swath that we cover is incredible. It also includes $45 million in defense spending. It rejects over $6 billion in discretionary funding increases within the President's budget request. The bill represents an adequate level of funding, given our fiscal constraints. It is 7 percent below the fiscal year `23 enacted level and 2 percent below the fiscal year `22 enacted level. The bill provides the resources necessary to combat threats and protect the integrity of our financial and judicial system. We claw back over $10 billion of unused and unobligated Inflation Reduction Act IRS funding preventing the creation of a super army of IRS agents poised to target individuals and small business owners. This rescission does not touch taxpayer services or the modernization of business systems which means taxpayers will still be able to get the assistance they need to file their taxes, and the IRS can continue to modernize their systems and better protect taxpayer data from cyberattacks. We also rescind IRA money from the General Services Administration targeted to make Federal buildings greener. Instead of leading by example in the construction of sustainable buildings, GSA should lead by example by bringing their employees back to the office like the private sector. I am proud this bill requires Federal agencies to return to the office at prepandemic telework levels. We must hold the Federal workforce accountable for the quality of their work and the service they provide to the American people. The administration has been unwilling to make any real progress on this front, and we cannot afford to have vacant Federal buildings in the District and across our country. The bill demands that agencies concentrate on their core mission. Mr. Chair, let me say that again. It is important that our agencies that we fund stick to their core mission. The pursuit of job-killing, burdensome, and unnecessary regulations only serve to further bloat a Federal bureaucracy that has become, in my strong opinion, too big, too intrusive, and counterintuitive to limited government. Specifically, we turn off rulemaking in the Securities and Exchange Commission that lack proper cost-benefit analysis and aggregate income analysis. Further, we prohibit agencies like the SEC and the Consumer Financial Protection Bureau from collecting and storing personal data that is unconstitutional and serves no regulatory purpose. To be clear, the agencies under our jurisdiction perform important functions; however, many have strayed from their purpose, and the results have been a true disservice to the American people. This bill responsibly returns them to their core mission. Mr. Chair, this bill is a strong bill with funding reductions and policy wins, I urge its adoption, and I reserve the balance of my time. Mr. HOYER. Mr. Chairman, I yield myself such time as I may consume. First of all, Mr. Chairman, let me say that I echo the remarks of the chairman of this committee. The American public, I think, would be pleased and say: Look, this is how it ought to work. Mr. Womack and I have great respect for one another. We are great friends and have been long before we were chair and ranking member on this subcommittee on the Appropriations Committee. He is a person of great integrity, great insight, and a great work ethic. He is somebody who the House can be proud of. He is somebody whom I hold, as he said of me, as a dear friend. I also want to echo his comments about the staff. The public doesn't see the staff for the most part as, frankly, they don't see the overwhelming majority of Federal employees who are not known to the general public. There is a tendency to talk about bureaucracy. Bureaucracy is used as a pejorative term and not as a descriptive term, and that is unfortunate because the overwhelming--overwhelming-- majority of Federal employees carry out their duties with great fidelity to their responsibilities and to the American people. So this bill is not the bill that, for the most part, most people focus on. Nevertheless, it is one of the most important bills that we consider because all 11 other appropriation bills are reliant on the collections made through this bill, and that is why I think it is so critical. Mr. Chairman, every Member of this House ought to make it their goal to preserve America's fiscal health. Sharing that common goal, President Biden, Speaker McCarthy and 149 Republicans, and 165 Democrats--314 people, which is 75 percent essentially of this House--agreed on a plan of going forward. The first thing you do on a plan, Mr. Chair, is to decide how much are we going to spend? The President had a higher level, and some in this House and the Senate had a lower level. Speaker McCarthy and President Biden came together, and they agreed on a spending level. That is what we call, if we had done it through the regular order, a 302(a) allocation. In other words, it is what we are going to spend on the discretionary side of the ledger, which, by the way, is smaller than the mandatory side. We did that. We adopted that bill, as I said, with over 300 votes. Unfortunately, a week later that agreement was broken by the Republican side of the aisle in saying: No, we are not going to do that. We are not going to follow that agreement. We are going to fund at a much lesser level. Now, the problem with that is Republican and Democratic Members of the Senate pursued under that agreement, and so they are literally billions of dollars different than we will be when these 12 bills, assuming we pass these 12 bills, are sent over to the Senate. There are some in this House who have a theory that, well, that gives us the opportunity to negotiate for more numbers. The problem with negotiating for more numbers is that nobody believes they are real. That is not true. Some do. Some do. Some few in this body believe this is real and that they are going to somehow leverage these numbers and force the Senate and the President to do what they want them to do. The President of the United States and his administration have issued a veto threat on this bill if it were to be adopted. They are not going to have to exercise that veto because this bill is not going to be adopted. Nevertheless, I will tell you, Mr. Chair, if Mr. Womack and I were left to our own devices--and he has a different perspective than I do, and that is what makes this body work--then we would come to an agreement that we think would pass the Senate and be signed by the President. Why? It is because we would do what in a democracy you have to do, Mr. Chair. We would come together and compromise, realizing full well that we [[Page H5552]] have a Democratic President, a Democratic-controlled Senate, and a Republican almost majority. It is an absolute majority. I understand that politically. Nonetheless, it is not a majority that can always hold together, and; therefore, it can't always effect the policies that it knows are reasonable and can be adopted. Now, I said at the beginning that we ought to preserve America's fiscal health, and I believe that sincerely. The deal that we made, 67 percent of House Republicans voted for it. That bill that we have before us does not honor that agreement. As I said, it does not establish a foundation, really, for negotiation. It does nothing to avert the shutdown looming just a few days from today. Crucially, it will increase the deficit over time, and I will explain why. In fact, this legislation severely undermines the government's ability to lower the deficit and to uphold the law of the land. It defunds crucial agencies that enforce laws, regulations, and rules established to protect the American people, American families, and America's children. Those cuts include the FTC, the SEC, the Consumer Financial Protection Bureau, the Consumer Product Safety Commission, the Election Assistance Commission, and the FCC. This is essentially saying to Americans: You are on your own. We are going to reduce oversight. This bill defends justice, if you will. It dramatically cuts funding for the Federal public defender program which helps ensure every American can exercise their constitutional right to an attorney. Other law enforcement agencies face dire cuts under this legislation. Among them, Mr. Chair, is the Financial Crimes Enforcement Network. We hear a lot about fentanyl, we hear a lot about money laundering, and we hear a lot about the drug cartels making a lot of money. Mr. Chair, we created the Financial Crimes Enforcement Network, otherwise known as FinCEN, for the specific purpose of following the money. That is how Willie Sutton, obviously, got caught: tax evasion. Follow the money. We have undermined that premise in this bill. We then decrease the Office of Terrorism and Financial Intelligence. Terrorism is one of the great challenges of our time, and what do we do? We decrease the agencies that are charged with overseeing that, among other agencies. The Office of National Drug Control Policy, now you would think, Mr. Chair, given the expression that all of us have and concern we have about fentanyl, drug abuse, and drug deaths in this country, that we would beef up that office to make sure that we can, in fact, confront this scourge on our people and our country. No. We cut it. The emergency planning and security costs in this city, the Capital City, to which millions of our constituents come, are reduced. In total, this bill cuts $345 million, or 6.2 percent, below the enacted for crucial law enforcement agencies. It provides $1.32 billion, or 20.2 percent, less for law enforcement than what President Biden requested in his Office. Mr. Chair, in that context, I would ask: Who is defunding the police? Yet, Republicans have the nerve, frankly--not my chairman--some Republicans have the nerve to accuse Democrats of trying to defund law enforcement. Paring back enforcement has dire consequences for the deficit, as well, Mr. Chair. This legislation is the latest salvo in some Republicans' long campaign to defund the Internal Revenue Service. The number of annual tax returns, Mr. Chair, increased from 140.1 million in 1979 to 269 million in 2021. That is a 92 percent increase in workload. So what is our response? It is over the years to reduce from 85,000 people in 1979 trying to handle this extraordinary workload to in 2021 78,661. This is an 8 percent decrease while a 92 percent workload increase occurred. That means refunds get delayed, returns aren't audited, owed taxes go uncollected, tax cheats and lawbreakers are not held accountable, and our debt grows even bigger. Mr. Chair, if you are a business trying to get the revenue you are owed, frankly, you don't fire the collection department. If you had bad debts, you would go after them. This bill does just that. It cuts the collection department. Contrary to Republican claims, this issue isn't about raising taxes on anyone. My friend, the majority leader, opined on this floor that these agents were going to raise people's taxes. Those agents can't raise anybody's taxes. The only people who can raise or lower taxes are the people who sit in this body and across the Hall and the President of the United States. No agent can do that. {time} 0930 All the agents can do is collect what is owed under the laws that we passed. Those agents instead ensure that we each pay the share we legally owe, and they go after the cheats and lawbreakers who don't. If you are for law and order, that is what you are for. If people cheat, if people break the law, you hold them accountable. If you are going to hold them accountable, you need the personnel to do so because some of them have scads of lawyers and accountants and very complicated returns of thousands of pages. Too often, those lawbreakers are Americans with a lot of wealth and complex tax files. I am not talking about the overwhelming majority of Americans whose taxes are withheld on a weekly, biweekly, or monthly basis. I am talking about the select few who use passthroughs, shell companies, and offshore accounts to shield their vast wealth from taxation. I don't want them to pay any more than is owed, and I don't have any beef against anybody who is wealthy. What I have beef against is people who cheat and cheat their country. Harvard and Treasury experts found that there is a 12-to-1 return on investment for IRS enforcement of the top 10 percent of earners. If you spend $1, you get $12 back. That is a pretty good deal, and it makes a real difference. Years of budget and staffing cuts have limited the IRS' ability to conduct these complex audits because they are extraordinarily time consuming and complex. Millionaires were 88 percent less likely to face an audit in fiscal year 2022 than they were in fiscal year 2010. That is an almost 100 percent reduction, from essentially $9-plus to $1. The result is a backdoor tax cut, but only for those with the means and guile to exploit accounting tricks to hide profits, income, and, in the end, tax obligation. They have a duty to support their country, the national security, and the healthcare investments we make in Medicare and Social Security. This bill includes a 22.2 percent cut below the request for IRS enforcement. My chairman will correctly observe that the other items he will point out have been held relatively harmless. It is only the collection department that was cut. By the way, a recent article from just last month pointed out that the IRS now estimates that there is $688 billion in unpaid taxes. Let's think of what that would do to the deficit over time if you collected the money that was due, not that you are increasing, but that was due. That is a disservice to hardworking Americans who patriotically and conscientiously pay their taxes. This bill defunds those agencies of government that keep us safe, with a cut below the enacted of $9.6 million for the Office of National Drug Control Policy, which I talked about; $24.2 million for FinCEN, the Financial Crimes Enforcement Network; and $9.2 million for the Office of Terrorism and Financial Intelligence that confronts terrorism everywhere you find it. It disrupts the agencies that ensure the products we buy and the markets we invest in aren't overrun with fraud by undermining the independence of the Consumer Financial Protection Bureau. By cutting the Consumer Products Safety Commission, it makes it very hard for consumers, Mr. Chair, to make the determination of: Is this product safe? Has it been tested? They rely on us to make sure that, yes, it has been tested and that, yes, it is safe so it won't hurt or kill their children. They are cutting the SEC by $149 million, which disrupts the markets if people don't trust them. You didn't have an overseer in 1920. Now, you have an overseer, and people have much more trust because of that overseer. [[Page H5553]] It hampers the agencies that make those who try to get one over on the rest of us think twice and that hold these people accountable with a cut of $7 million to the FEC, $53 million to the Federal Trade Commission, and $8 million to the Federal Communications Commission, which, by the way, in part is responsible for making sure we don't get all those junk calls all the time that annoy the living daylights out of all of us. These are just some of the cuts. If Republicans want to be the party of fiscal responsibility, if they want to be the party of law enforcement, they need to shelve this bill. They know this legislation will never become law. They have loaded it with partisan poison pills, which I have not spoken of but that I am sure will be spoken of during the course of this, such as undermining a woman's right to choose. I am sure that everybody saw what happened in Ohio yesterday. Ohio, for the most part, has been a red State, but it overwhelmingly said a woman's right to choose needs to be protected. They believed in that so much that they are going to put it in the Ohio Constitution. This bill has been loaded with partisan poison pills designed to varnish American history. We don't want to talk about slavery. We don't want to make anybody feel bad about what their country did to people because of the color of their skin or their sexual orientation. This bill undermines diversity, equity, and inclusion and exacerbates the climate crisis. Mr. Chair, we will talk about a lot of this bill for the next few hours. I hope it is a few hours, not more than that. I think the chair and I will try to achieve that objective. We ought to stop this nonsense. We are going to have a lot of amendments to reduce salaries to $1. That is not a serious Congress. It is not a serious Rules Committee to have 55 amendments reducing salaries to $1. The only ones that have been approved have been approved by a voice vote. Every other one has been defeated, yet we keep dealing with these silly amendments while we undermine America's ability to collect the revenues it needs to protect the American people, play our role throughout the international community, and make America a safer and greater country. Mr. Chair, I reserve the balance of my time. Mr. WOMACK. Mr. Chair, I yield myself such time as I may consume. Mr. Chairman, as I said earlier, Steny and I are really good friends, and this goes all the way back to when I first got here. He had already been here for a long time. I won't say how much time, but quite a while, so I learn from people like that. That being said, we have a different view in many cases, sometimes about the role of the government or why we need to fund the government at levels that they would prefer. I am going to pick one issue. There are many we could talk about, but he mentioned fentanyl. Nobody in this country would argue that we don't have a fentanyl problem. Mr. Chairman, 100,000 people a year are dying as a result of this synthetic, illegal substance that is making its way across our borders. Mr. Chairman, what this side of the aisle believes is that instead of fighting the issue on the inside of the country--and let me remind you that on the High Intensity Drug Trafficking Areas program, we fund HIDTA at a level higher than the President of the United States requested. It is a little bit less than last year but higher than the President's request. I reject out of hand the notion that we are endangering the lives of Americans because all of a sudden we don't think that fentanyl is a problem. No, we believe fentanyl is a problem, but we believe the problem should be addressed at the border of this country, at our southern border, where a lot of this product is making its way across without any real effort to stop it. It is making its way into the households of America, from sea to shining sea. Then all of a sudden we get accused of wanting to cut budgets for agencies that target that illegal substance. For some reason, we are the bad guys. We think that if we had better border security, which is something that both sides of the aisle have argued about for decades, maybe we wouldn't need as much money to fight these problems interior to our country. I use that as an example, and there are others, but let's just agree on this: With the better part of a $2 trillion deficit this year, we have to address the root cause of what is causing such a difficult spot for this Nation, and that is the fiscal health of the country. Mr. Chairman, $2 trillion deficits, as far as the eye can see, are not a sustainable outcome. We are over $33 trillion in debt right now, and I guess the debt service of our country--I don't know what the current numbers are, but it is approaching a trillion dollars a year. We should think for just a moment what we could do if, instead of paying our creditors, we are able to use that trillion dollars for programs that benefit all Americans. That is a subject for a different day. Mr. Chair, I yield 3 minutes to the gentlewoman from Iowa (Mrs. Hinson), my dear friend who is a very valued member of this subcommittee and a bright, shining star in the U.S House of Representatives. Mrs. HINSON. Mr. Chair, I thank the gentleman from Arkansas for yielding me the time to speak on this very important piece of legislation today and for his leadership on this bill. It is tough to craft a bill that funds the priorities of the American people in a way that is targeted and respects taxpayers, and I appreciate the gentleman's approach to do that in a very meaningful way. Mr. Chair, it is why I am supporting this bill here today, the fiscal year 2024 Financial Services and General Government appropriations bill. This bill delivers on the promises that we have made to the American people. We are reining in out-of-control spending and regulation. We are restoring accountability for taxpayers. We are deweaponizing the Federal Government. Additionally, as the chairman mentioned, we are prioritizing national security against our foreign adversaries, both in dealing with the border and also in dealing with adversaries like China. This bill promotes a Federal Government that works for the American people. We are ensuring that bureaucrats who have been abusing the COVID-19 telework policies and are still working from home actually go back to work and get back in the office like America is. They need to start putting in 100 percent effort for the taxpayers that pay their salary. I am not sure how many of my colleagues here in the Chamber, Mr. Chair, are aware of the GAO report that came out over the summer, but it flagged that 17 of 24 Federal agencies here in Washington, D.C , were only using, on average, about 25 percent of their office space. Taxpayers fund the bill for these offices. It is $7 billion a year. The lights were on, but no one was home. We need to make sure that they are putting 100 percent effort in for the taxpayers that pay their salary. I am sure all of our offices are getting the same calls mine are about reductions in government services, and we need to make sure they are giving 100 percent. This bill also restores accountability by reining in rogue overreaching agencies like the Consumer Financial Protection Bureau that will now be subject to congressional oversight and will answer to the American taxpayer rather than being able to pursue a partisan agenda that hurts our small businesses. This bill also protects American families and small businesses by rescinding funding for President Biden's proposals to supercharge an army of IRS agents, while maintaining those very important taxpayer service operations. We don't want to see a reduction in services for our taxpayers, and when they are calling, they should not be getting a dial tone. Our bill also protects Iowa farmers from onerous regulations like the SEC's climate disclosure rule and the expansive Scope 3 emissions disclosure requirement. This would be disastrous for producers not only in my district but around the country. It would bury our hardworking farmers, who feed and fuel the world, in paperwork and compliance costs. [[Page H5554]] {time} 0945 We are also taking strong steps to ensure that we are bolstering national security against threats from our adversaries, like the Chinese Communist Party. I also serve on the Select Committee on the ***Strategic*** Competition Between the United States and the Chinese Communist Party. I think this is of utmost importance, Mr. Chair. We need to protect taxpayer resources from supporting the Wuhan Institute of Virology or any other laboratory operated by the CCP. Finally, this includes my language to require the GSA to investigate the status of Chinese surveillance equipment on Federal property. It supports efforts to remove that telecom equipment from U.S networks. The CHAIR. The time of the gentlewoman has expired. Mr. WOMACK. Mr. Chair, I yield an additional 30 seconds to the gentlewoman from Iowa. Mrs. HINSON. Mr. Chair, I think this really hits the mark in investing in the priorities I continue to hear about from my constituents. It is why I am proud to support it. Mr. HOYER. Mr. Chairman, I yield 6 minutes to the gentlewoman from Connecticut (Ms. DeLauro), the distinguished former chair and current ranking member of the Appropriations Committee. Ms. DeLAURO. Mr. Chair, I thank Chairman Womack, Ranking Member Hoyer, and the subcommittee staff, especially Matt Smith and Philip Tizzani, for all the work they do. This Financial Services and General Government bill put forth by the majority is unacceptable. The Republicans propose cutting critical agencies the American people depend on for a stable, secure, safe, and fair economy by a staggering 58 percent. My colleagues across the aisle often claim to support things like law and order, economic competition, and protecting children. Yet, their actions demonstrated by this bill ***suggest*** otherwise. Cuts to the Small Business Administration would cut off assistance and resources that help small businesses start, grow, and compete. Cuts to the Securities and Exchange Commission would benefit market manipulators and inside traders over families saving for retirement. Cuts to the Federal Trade Commission would levy higher prices on Americans and make seniors more prone to be victimized by scammers. Cuts to the Consumer Product Safety Commission would enable dangerous products to hit store shelves and enter our homes, potentially harming our children. Finally, cuts to the Internal Revenue Service would protect cheats over honest, hardworking families. We know an underfunded, understaffed, and overwhelmed IRS means the wealthiest billionaires and corporations avoid paying taxes. According to Secretary Yellen, ``In 2019, the top 1 percent of Americans was estimated to owe over one- fifth of unpaid taxes, leaving ordinary Americans to shoulder the burden.'' Furthermore, in 2021, the Institute on Taxation and Economic Policy found that at least 55 of the largest corporations in America--in a year they saw over $40 billion in pretax income--had paid no Federal corporate income taxes. Corporations like Nike, Hewlett-Packard, and Dish Network paid zero Federal income taxes. Treasury recently announced that thanks to the resources provided in the Inflation Reduction Act, the IRS is pursuing back taxes owed from about 1,600 taxpayers with incomes over $1 million. They have so far closed 100 of those cases, collecting $122 million since September. That is not a tax increase. That is collecting revenue legally owed. My colleagues on the other side of the aisle frame the debt as a problem of our investments in the American people. We have a revenue problem, and they refuse to let the IRS collect legally owed taxes from their billionaire and corporate friends to address this problem. We cannot stand for the disadvantaging of small businesses, making seniors susceptible to scammers, exposing children to dangerous products, and rigging the stock market for the well-connected and wealthiest. Earlier this year, I met with SBA Administrator Guzman. The Administration is extraordinarily concerned with how they would provide the resources America's entrepreneurs rely on to help start their businesses and grow if these cuts are enacted. Small businesses are an essential part of the American economy and really are the core to the financial security of our middle class. They define Main Street in neighborhoods across the country. This bill not only slashes funding for the IRS by $1.1 billion, but it takes back more than $10 billion in funding provided in the Inflation Reduction Act. This is on top of cuts to the IRS that the majority is pursuing as a condition for providing aid to Israel, and in addition to the $57 billion in cuts to the IRS' Inflation Reduction Act funding in the other 11 appropriations bills. These cuts would rob the Treasury of $130 billion and hand it directly to billionaires, the biggest corporations, fraudsters, and tax cheats. That is not according to me. That is according to the Congressional Budget Office. I have heard my colleagues on the other side of the aisle talk about wanting to be tough on China, and yet this bill includes no funding for the Administration's efforts to restrict outbound investment in countries like China that threaten our national security. The majority is giving a green light to the potential offshoring of critical United States' supply chains to foreign adversaries like China and Russia. Of course, the majority doesn't stop there. They have included dozens of problematic, pointless riders, including prohibitions on the SEC's climate disclosure rule, prohibitions on healthcare and abortion, micromanaging the District of Columbia's traffic laws at a level that is petty and deserves derision. The Financial Services and General Government bill is central to effectively running the Federal Government and providing services to the American people. The majority's bill instead focuses on protecting the tax dollars and priorities of billionaires and big corporations. For all these reasons, I cannot support this bill. Mr. HOYER. Mr. Chair, I yield 3 minutes to the gentlewoman from Florida (Ms. Wasserman Schultz). Ms. WASSERMAN SCHULTZ. Mr. Chair, I recognize my dear friends, Chairman Womack and Ranking Member Hoyer, and I do mean that in the truest sense of the word, for their work on this bill, which does contain several of my priorities. I do want to respond quickly to the chairman's comments about the border really being the problem with fentanyl coming across into the United States and that it is not necessary to fund the Office of National Drug Control Policy. When you focus on safety, making sure that you can keep people safe from harm that they can't avoid on their own, we need layers of protection. So it is a fool's errand to cut an office like the Office of National Drug Control Policy because we aren't doing enough, in your mind, to handle drug entries into the country from the border. It is ``both/and'' when it comes to safety, not ``either/or.'' Unfortunately, this bill, although it does contain several of my priorities, has so many misguided, toxic, and extreme provisions that it will make us all less safe and careens our government once again toward a shutdown. This is a bill that is rather unsung. I always try to come and talk about this bill. It does have a whole lot of acronym agencies that have far reach into Americans' protection, security, and safety. It is so important that we make sure we shine a little bit of a spotlight on it as a result. This bill does prioritize reducing pool and spa deaths by providing $2.5 million for programs authorized under my Virginia Graeme Baker Pool and Spa Safety Act, for which I appreciate the chairman's help. As the leading cause of unintentional death for children under 5 in the United States, drowning is clearly a public health threat that we must confront. However, sadly, overall this bill makes all of our constituents less safe. This bill handcuffs consumer watchdogs, leaving hardworking families more vulnerable to fraud or dangerous deadly products. It guts the Consumer Product Safety Commission's already paltry budget, slashing resources at an agency that has a major focus on protecting children and families. We need [[Page H5555]] to keep families safe, not make them nervous to choose products when they walk down the aisles of a store. On top of protecting scammers and cheats, this bill hurts public servants and threatens our national security. How does it do that? The same Republicans who claim to support our national defense and Armed Forces would cut the National Security Council in this bill and the Office of Terrorism and Financial Intelligence. The same Republicans who boast how tough they are on heroin and fentanyl actually cut the Office of National Drug Control Policy in this bill. Don't believe Republicans who claim to be the party of law and order, either. This bill actually underfunds multiple levels of our Federal courts and the public defenders. This bill basically waves white-collar criminals right on through to do their sketchy business by cutting the SEC and the FTC. If you want to empower scammers and cheats or get more robocallers bothering you at home by ringing your phone off the hook, vote for this bill, but if you want to protect families, vote against it. Mr. WOMACK. Mr. Chairman, I yield such time as he may consume to the gentleman from Kentucky (Mr. Barr) for the purpose of engaging in a colloquy. Mr. BARR. Mr. Chair, I thank Mr. Womack, chairman of the Financial Services and General Government Subcommittee, not only for his leadership but his rabid support of the Razorbacks. Kentucky and Arkansas have a big rivalry in basketball, but in this case we are on the same page because the chairman has rightly included in this year's FSGG appropriations bill my legislation, H.R 1382, the Taking Account of Bureaucrats' Spending Act, or the TABS Act, which would separate the Consumer Financial Protection Bureau from the Federal Reserve System, make it an independent agency and subject it, importantly, to the congressional appropriations process. The TABS Act would remedy the serious constitutional defect in the structure of the CFPB as established by the Dodd-Frank Act under which the CFPB draws its funding uniquely from the Federal Reserve instead of from Congress, like most other executive branch agencies. Specifically, Dodd-Frank delegates to the Director of the CFPB the unilateral power to decide in perpetuity how much money he wants for the agency to carry out its broad and potent regulatory and enforcement powers. The Director then requests such amount from the Fed, which is itself exempt from the congressional appropriations process, making it double insulated from accountability. The Fed is then required to provide such amount to the Bureau, no questions asked. This is a constitutional aberration, and it is a violation of the separation of powers. Although the total amount the Director can request is capped in the law, the ***cap*** is so high that it effectively grants the CFPB Director unfettered discretion over the Bureau's amount of funding and how it is spent. No other Federal agency in the entire Federal bureaucracy is funded in this manner. Indeed, there is no analogue for the CFPB anywhere in the history of the U.S executive branch. Even among self-funded agencies, the Bureau is unique. It is a perpetual self-directed, double-insulated funding structure that goes a significant step further than that enjoyed by any other agency, again, in the history of our Republic. The TABS Act would fix this. It would bring much-needed accountability to the CFPB and uphold the Constitution's separation of powers and the exclusive grants of the appropriations power to Congress. I want to make a couple of points about the TABS Act. First, the purpose of this bill is not to repeal or undermine consumer protection laws. Rather, the purpose is to address the constitutional defect in the CFPB's funding structure. No one is objecting to the utility of some Federal consumer protections, but we should also agree that the Constitution reserves to Congress the sole authority to set funding limits for the CFPB and other executive branch agencies. I note that the FY24 FSGG bill would fund the CFPB at near current levels. I also note that H.R 2798, the CFPB Transparency and Accountability Reform Act, which was marked up out of the Financial Services Committee on April 26, included the TABS Act, and authorized to be appropriated from unobligated amounts contained in the Consumer Financial Civil Penalty Fund $650 million for FY24--again, at levels comparable to what the CFPB received from the Fed this year. My friends on the other side of the aisle can't make the argument that we are trying to defund the agency, that we are trying to gut consumer protection laws because we are manifestly proving we are not doing that. We are funding the agency the way it should be. This clearly demonstrates that the TABS Act is not about eliminating consumer protections or the CFPB, but it is about upholding the Constitution. It is about defending the Congress, this institution. If this bill is enacted into law, the Bureau would continue to operate. The only difference would be that the Congress would oversee their spending in the same way it does for all other consumer protection agencies in most of the rest of the Federal Government. {time} 1000 As you know, the Supreme Court recently heard the case of Community Financial Services Association of America v. CFPB in which the agency's funding structure was challenged as violating the Constitution's separation of powers and the appropriations clause, which provides that: ``No money shall be drawn from the Treasury, but in Consequence of Appropriations made by law . . . '' If the Supreme Court strikes down the CFPB's funding structure, as it should in this case, this bill will ensure that the agency continues to operate. Following such a decision by the Court, chaos would not ensue, as some have ***suggested***, nor would there be great uncertainty in the marketplace about the status of consumer protection laws and regulations. On the contrary, this legislation demonstrates that Congress is prepared to assert its appropriations power to stabilize preexisting consumer laws and make sure that the CFPB is funded with better and more meaningful oversight in the event that the Supreme Court strikes down the funding mechanism. The Founding Fathers wanted to make sure that the legislative branch--the people's elected Representatives in Congress--make the key decisions about our government, especially how tax dollars are spent. As Madison wrote in Federalist Paper No. 58: ``This power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure.'' This is a sound principle, which in the context of the CFPB or any other executive branch agency, every member of Congress, Republican and Democrat, should defend. This is not a partisan issue. This is about defending this institution and our power of the purse. I ask my friends on the other side of the aisle: If Congress passed legislation funding the Department of Defense or the CIA in the same manner as the CFPB is currently funded, would that be acceptable? Would we want those agencies to be completely unaccountable to our oversight? The appropriations process is the primary means by which Congress, on a bipartisan basis, oversees those agencies, as well as all consumer protection agencies. Now, some will say that Congress can change the CFPB's funding structure at any time so there is really no problem with the structure. Well, this is ridiculous. This is absurd. Our Constitution does not permit elected Representatives in Congress to delegate away our authority, which is textually reserved to the Congress, to some other branch of government or an executive branch official. It requires that the key decisions remain in the hands of the elected Representatives of the people. Congress cannot delegate away its responsibilities without undermining the separation of powers, even if it could pass legislation to retake such responsibilities in the future. Instead, it is the Supreme Court's duty to strike down laws that violate [[Page H5556]] the Constitution, even if Congress could remedy those violations. For example, the Supreme Court strikes down laws that violate the First Amendment or the Commerce Clause, even though Congress could remedy those violations. There is no reason why the same should not be true of laws that violate the appropriations clause. Moreover, in Seila Law, the Court struck down the infringement of the President's removal power over the director of the CFPB. I hope now it protects Congress' power as it did the President's power in Seila Law. After all, the Supreme Court's role is not just to prevent the erosion of presidential powers but also Congress' power. The reason the CFPB's funding structure is so problematic is that when Congress delegates its core responsibilities away to administrative agencies, the value of each American's vote is diminished. As Congress has delegated more responsibilities and more authorities to administrative agencies, Americans have come to increasingly believe that their votes do not matter. They see that changes in Congress don't change policies set by agencies. Lack of congressional control over the CFPB creates the opportunity for special interests to capture the CFPB who run the agency according to their own ideological vision, not according to the will of the American people. Changing the CFPB's funding structure would be an important and commonsense step in restoring faith in our democracy. It is important to recognize that the structure of the CFPB is an aberration in our government. No other agency is funded by the Federal Reserve at the level set by the director of the other agency. Now, I know a lot of people have raised concerns that striking down the funding structure of the bureau would open up the question of constitutionality of the Federal Reserve and a few other agencies that are funded through assessments or other funding streams that they incur in their operations. The funding structure of the CFPB is unique. Unlike other agencies that may be funded by a specific source of funding that they raise in the course of their operations--seigniorage in the case of the Federal Reserve; fees on banks in the case of the Comptroller of the Currency; deposit insurance premiums in the case of the Federal Deposit Insurance Corporation; tariff revenue in the case of the Customs Service--the CFPB is different. There is no analog. It determines its own funding by taking funds from the Federal Reserve. No other agency obtains its funding by taking funds in this way. Further, there is no nexus between its statutory responsibilities, consumer protection, and its funding source, the Federal Reserve. In conclusion, while there has been much debate about where to draw the constitutional line on how agencies can be funded consistent with the appropriations clause, the funding structure of the CFPB is one we should all agree goes too far. As with the Supreme Court determination in the Free Enterprise Fund case that double insulation on removal was too far with respect to limits on the presidential removal authority, the same should apply here. The funding structure of the CFPB goes too far without having to answer or raise questions about other agencies. Granting Federal agencies the authority to derive their funding from the Federal Reserve outside of the appropriations process is a dangerous precedent and is fundamentally inconsistent with the Constitution's separation of powers. The Federal Reserve seigniorage for money creation is not a piggy bank. Forcing the Federal Reserve to pay for other government operations risks compromising the Fed's monetary policy independence. For these reasons, I urge the Supreme Court of the United States to do the right thing: to vindicate the separation of powers and to uphold Congress' appropriations authority over Federal executive branch agencies. I urge my colleagues to remedy this constitutional defect, pass the Womack appropriations bill, pass the TABS Act, and restore congressional appropriations authority. Mr. WOMACK. Mr. Chairman, I yield myself such time as I may consume. I thank Mr. Barr for his kind remarks and for his hard work in drafting the TABS Act. We are pleased to include it in this year's Financial Services and General Government appropriations bill. Let me add that I fully agree with your assessment of the importance of making the CFPB part of the annual appropriations process. As you noted, most agencies are funded by Congress, including all the traditional consumer protection agencies, as you have articulated. I also agree with you that the purpose of this legislation is to uphold the Constitution. I mean, that is our oath. That is what we swear to on January 3 every other year. This is a principled action. It is not an effort to kill the CFPB. That is why this bill funds the CFPB at the level it receives now. We merely want to create an accountable funding structure for the CFPB that is like all other consumer protection agencies. That is why I will not support the amendment to eliminate the funding. That is why this is about constitutional principles, not the CFPB's existence. Finally, let me say the Appropriations Committee has a critical constitutional responsibility to oversee how the Federal Government spends taxpayer dollars. The annual process is the mechanism whereby our democracy ensures that the people's priorities are reflected in how taxpayer dollars are allocated and spent. It is my hope the Supreme Court recognizes this fact and strikes down the funding structure of the CFPB. Mr. Chairman, I reserve the balance of my time. Mr. HOYER. Mr. Chairman, I yield myself such time as I may consume. First, let me say I am sympathetic to the issue that the appropriations committee needs to conduct oversight, but I will tell everybody in this Chamber and those who are watching, this matter was a subject of very serious debate and resolution, and the resolution was we wanted to keep this agency independent and free of any political pressure. It was adopted on that basis by the House and the Senate and signed by the President of the United States. It is now the subject of a Supreme Court hearing. This is authorizing in the extreme an appropriation bill which, but for the waiver that was issued by the Rules Committee, a point of order would be applicable and would not be considered. I ***suggest*** that this is an authorizing matter. It is a matter that the Financial Services Committee needs to be seized of and report the gentleman's legislation out to the floor and that ought to be considered in the regular order. This is not the regular order for a major authorizing change, which was very controversial at the time it was raised, and it was passed to make sure that consumers are, in fact, protected and insulated from political pressure. Therefore, at such time, I will support an amendment to take this from the bill. I yield 1 minute to the gentleman from California (Mr. Levin), my friend. Mr. LEVIN. Mr. Chairman, I thank the ranking member for yielding time. Mr. Chairman, I rise today to address our country's urgent need for a Supreme Court code of ethics. Over the past year, we have seen troubling reports of Justices receiving lavish gifts from political donors with connections to cases before the Supreme Court and who stand to benefit from rulings. This is unacceptable and unethical, and it has undermined public trust in the institution. It is time for the Supreme Court to adopt and abide by a judicial code of ethics. Currently, all Federal judges must abide by a code of ethics except for Supreme Court Justices. That must change. I introduced an amendment to the Financial Services and General Government appropriations bill that would withhold $10 million in funding from the Supreme Court until the Justices adopt a code of ethics. This amendment, which I introduced with Congressman Hank Johnson, would have restored public confidence in this institution. It would have helped to solve one of the many problems our voters sent us to Washington, D.C , to fix--the corrupt power of money and politics in our judicial system. [[Page H5557]] Sadly, Republicans on the Rules Committee would not even consider my amendment in order. We must do better. Mr. WOMACK. Mr. Chairman, I yield 1 minute to the gentleman from Kentucky (Mr. Barr). Mr. BARR. Mr. Chairman, I will be brief in response to my friend, the gentleman from Maryland, who makes the arguments that the authors of the Dodd-Frank law made, which was that we designed this to be independent. Well, that is fine. That is what they wanted, but they can't do it unconstitutionally. As the Fifth Circuit said very, very well, while the defenders of the structure of the agency, of the CFPB, contend that there is no constitutional infirmity because the funding scheme was actually enacted by Congress in the Dodd-Frank law, and, therefore, it is constitutional. In essence, the bureau contends that because Congress spun the agency's funding mechanism into motion when it passed the act, voila, the appropriations clause is satisfied. That is not the way the Constitution works, Mr. Chair. This body cannot unconstitutionally delegate away our most fundamental power, which is the power of the purse. Vote for the Womack appropriations bill. Restore the power of the purse. Defend this institution. Mr. HOYER. Mr. Chairman, may I ask the chair if he has any more speakers? Mr. WOMACK. Mr. Chairman, we are prepared to close. Mr. HOYER. Mr. Chairman, I yield myself the balance of my time. Number one on this issue--it is pending before the Supreme Court. The Supreme Court can decide whether it is constitutional or not. We can't decide whether something is constitutional or not. Ultimately the Supreme Court decides that. We pass laws, and we certainly hope and expect them to be constitutional. I would, again, reiterate my opposition to the gentleman's amendment on this bill. Mr. Chairman, in closing, let me say this bill underfunds the most important aspect of the Federal Government, and that is collecting the revenues to run it in a balanced way. It undermines that effort. I urge opposition to the bill. Mr. Chair, I yield back the balance of my time. {time} 1015 Mr. WOMACK. Mr. Chairman, I yield myself the balance of my time. As I stated in my opening, I have great respect for my friend, the gentleman from Maryland (Mr. Hoyer), and his team over there. They do their work in accordance with what they feel are the emerging issues facing our country. We do the same on our side. Suffice it to say, though, what we need right now is a bill on this floor that we can use as a basis to go negotiate with our Senate counterparts at the other end of this Capitol and, hopefully, come up with a conference report that we can all live with. We know that the clock is running. America knows that, on November 17, we are going to have a continuing resolution of some form to be able to continue the work of this appropriations process. A lot of work has gone into it. We can have our differences. Those are well stated, as evidenced by the debate this morning, but we need to finish our work. We will have a big amendment process going on throughout the day today, tonight, and into tomorrow, but we need right now to finish our work on this bill, get it across the finish line, make it a basis for negotiation in the Senate, get a conference report, and finish at least this portion of the 12-bill appropriations work. That is what we are responsible for doing here today. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR (Mr. Rouzer). All time for general debate has expired. Pursuant to the rule, the bill shall be considered for amendment under the 5-minute rule. The amendment in part A of House Report 118-269 shall be considered as adopted, and the bill, as amended, shall be considered as read. The text of the bill is as follows: H.R 4664 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 2024, and for other purposes, namely: TITLE I DEPARTMENT OF THE TREASURY Departmental Offices salaries and expenses For necessary expenses of the Departmental Offices including operation and maintenance of the Treasury Building and Freedman's Bank Building; hire of passenger motor vehicles; maintenance, repairs, and improvements of, and purchase of commercial insurance policies for, real properties leased or owned overseas, when necessary for the performance of official business; executive direction program activities; international affairs and economic policy activities; domestic finance and tax policy activities, including technical assistance to State, local, and territorial entities; and Treasury-wide management policies and programs activities, $248,109,000, of which not less than $9,000,000 shall be available for the administration of financial assistance, in addition to amounts otherwise available for such purposes: Provided, That none of the funds under this heading may be used to support the activities of the Federal Insurance Office: Provided further, That of the amount appropriated under this heading-- (1) not to exceed $350,000 is for official reception and representation expenses; (2) not to exceed $258,000 is for unforeseen emergencies of a confidential nature to be allocated and expended under the direction of the Secretary of the Treasury and to be accounted for solely on the Secretary's certificate; and (3) not to exceed $34,000,000 shall remain available until September 30, 2025, for-- (A) the Treasury-wide Financial Statement Audit and Internal Control Program; (B) information technology modernization requirements; (C) the audit, oversight, and administration of the Gulf Coast Restoration Trust Fund; (D) the development and implementation of programs within the Office of Cybersecurity and Critical Infrastructure Protection, including entering into cooperative agreements; (E) operations and maintenance of facilities; and (F) international operations. committee on foreign investment in the united states fund (including transfer of funds) For necessary expenses of the Committee on Foreign Investment in the United States, $21,000,000, to remain available until expended: Provided, That the chairperson of the Committee may transfer such amounts to any department or agency represented on the Committee (including the Department of the Treasury) subject to advance notification to the Committees on Appropriations of the House of Representatives and the Senate: Provided further, That amounts so transferred shall remain available until expended for expenses of implementing section 721 of the Defense Production Act of 1950, as amended (50 U.S.C 4565), and shall be available in addition to any other funds available to any department or agency: Provided further, That fees authorized by section 721(p) of such Act shall be credited to this appropriation as offsetting collections: Provided further, That the total amount appropriated under this heading from the general fund shall be reduced as such offsetting collections are received during fiscal year 2024, so as to result in a total appropriation from the general fund estimated at not more than $0. office of terrorism and financial intelligence salaries and expenses For the necessary expenses of the Office of Terrorism and Financial Intelligence to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, weapons of mass destruction proliferators, human rights abusers, money launderers, drug kingpins, and other national security threats, $206,842,000, of which not less than $3,000,000 shall be available for addressing human rights violations and corruption, including activities authorized by the Global Magnitsky Human Rights Accountability Act (22 U.S.C 2656 note): Provided, That of the amounts appropriated under this heading, up to $16,000,000 shall remain available until September 30, 2025. cybersecurity enhancement account For salaries and expenses for enhanced cybersecurity for systems operated by the Department of the Treasury, $150,000,000, to remain available until September 30, 2026: Provided, That such funds shall supplement and not supplant any other amounts made available to the Treasury offices and bureaus for cybersecurity: Provided further, That of the total amount made available under this heading, $7,000,000 shall be available for administrative expenses for the Treasury Chief Information Officer to provide oversight of the investments made under this heading: Provided further, That such funds shall supplement and not supplant any other amounts made available to the Treasury Chief Information Officer. [[Page H5558]] department-wide systems and capital investments programs (including transfer of funds) For development and acquisition of automatic data processing equipment, software, and services and for repairs and renovations to buildings owned by the Department of the Treasury, $14,600,000, to remain available until September 30, 2026: Provided, That these funds shall be transferred to accounts and in amounts as necessary to satisfy the requirements of the Department's offices, bureaus, and other organizations: Provided further, That this transfer authority shall be in addition to any other transfer authority provided in this Act: Provided further, That none of the funds appropriated under this heading shall be used to support or supplement ``Internal Revenue Service, Operations Support'' or ``Internal Revenue Service, Business Systems Modernization''. office of inspector general salaries and expenses For necessary expenses of the Office of Inspector General in carrying out the provisions of chapter 4 of title 5, United States Code, $43,000,000, including hire of passenger motor vehicles; of which not to exceed $100,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General of the Treasury; of which up to $2,800,000 to remain available until September 30, 2025, shall be for audits and investigations conducted pursuant to section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (33 U.S.C 1321 note); and of which not to exceed $1,000 shall be available for official reception and representation expenses. treasury inspector general for tax administration salaries and expenses For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase and hire of passenger motor vehicles (31 U.S.C 1343(b)); and services authorized by 5 U.S.C 3109, at such rates as may be determined by the Inspector General for Tax Administration; $170,250,000, of which $5,000,000 shall remain available until September 30, 2025; of which not to exceed $6,000,000 shall be available for official travel expenses; of which not to exceed $500,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration; and of which not to exceed $1,500 shall be available for official reception and representation expenses. Financial Crimes Enforcement Network salaries and expenses For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-Federal and foreign government personnel to attend meetings and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; services authorized by 5 U.S.C 3109; not to exceed $25,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, $166,000,000, of which not to exceed $55,000,000 shall remain available until September 30, 2026. Bureau of the Fiscal Service salaries and expenses For necessary expenses of operations of the Bureau of the Fiscal Service, $368,155,000; of which not to exceed $8,000,000, to remain available until September 30, 2026, is for information systems modernization initiatives; and of which $5,000 shall be available for official reception and representation expenses. In addition, $225,000, to be derived from the Oil Spill Liability Trust Fund to reimburse administrative and personnel expenses for financial management of the Fund, as authorized by section 1012 of Public Law 101-380. Alcohol and Tobacco Tax and Trade Bureau salaries and expenses For necessary expenses of carrying out section 1111 of the Homeland Security Act of 2002, including hire of passenger motor vehicles, $135,038,000; of which not to exceed $6,000 shall be available for official reception and representation expenses; and of which not to exceed $50,000 shall be available for cooperative research and development programs for laboratory services; and provision of laboratory assistance to State and local agencies with or without reimbursement: Provided, That of the amount appropriated under this heading, $5,000,000 shall be for the costs of accelerating the processing of formula and label applications: Provided further, That of the amount appropriated under this heading, $5,000,000, to remain available until September 30, 2025, shall be for the costs associated with enforcement of and education regarding the trade practice provisions of the Federal Alcohol Administration Act (27 U.S.C 201 et seq.). United States Mint united states mint public enterprise fund Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments: Provided, That the aggregate amount of new liabilities and obligations incurred during fiscal year 2024 under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed $50,000,000. Community Development Financial Institutions Fund Program Account To carry out the Riegle Community Development and Regulatory Improvement Act of 1994 (subtitle A of title I of Public Law 103-325), including services authorized by section 3109 of title 5, United States Code, but at rates for individuals not to exceed the per diem rate equivalent to the rate for EX-III, $278,617,000. Of the amount appropriated under this heading-- (1) not less than $170,000,000, notwithstanding section 108(e) of Public Law 103-325 (12 U.S.C 4707(e)) with regard to Small and/or Emerging Community Development Financial Institutions Assistance awards, is available until September 30, 2025, for financial assistance and technical assistance under subparagraphs (A) and (B) of section 108(a)(1), respectively, of Public Law 103-325 (12 U.S.C 4707(a)(1)(A) and (B)), of which up to $1,600,000 may be available for training and outreach under section 109 of Public Law 103-325 (12 U.S.C 4708), of which up to $3,153,750 may be used for the cost of direct loans, and of which up to $10,000,000, notwithstanding subsection (d) of section 108 of Public Law 103-325 (12 U.S.C 4707(d)), may be available to provide financial assistance, technical assistance, training, and outreach to community development financial institutions to expand investments that benefit individuals with disabilities: Provided, That the cost of direct and guaranteed loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed $25,000,000: Provided further, That of the funds provided under this paragraph, excluding those made to community development financial institutions to expand investments that benefit individuals with disabilities and those made to community development financial institutions that serve populations living in persistent poverty counties, the Community Development Financial Institutions Fund shall prioritize Financial Assistance awards to organizations that invest and lend in high-poverty areas: Provided further, That for purposes of this section, the term ``high-poverty area'' means any census tract with a poverty rate of at least 20 percent as measured by the 2016-2020 5-year data series available from the American Community Survey of the Bureau of the Census for all States and Puerto Rico or with a poverty rate of at least 20 percent as measured by the 2010 Island areas Decennial Census data for any territory or possession of the United States; (2) not less than $30,000,000, notwithstanding section 108(e) of Public Law 103-325 (12 U.S.C 4707(e)), is available until September 30, 2025, for financial assistance, technical assistance, training, and outreach programs designed to benefit Native American, Native Hawaiian, and Alaska Native communities and provided primarily through qualified community development lender organizations with experience and expertise in community development banking and lending in Indian country, Native American organizations, Tribes and Tribal organizations, and other suitable providers; (3) not less than $35,000,000 is available until September 30, 2025, for the Bank Enterprise Award program; (4) not less than $5,000,000, notwithstanding subsections (d) and (e) of section 108 of Public Law 103-325 (12 U.S.C 4707(d) and (e)), is available until September 30, 2025, for a Healthy Food Financing Initiative to provide financial assistance, technical assistance, training, and outreach to community development financial institutions for the purpose of offering affordable financing and technical assistance to expand the availability of healthy food options in distressed communities; (5) not less than $5,000,000 is available until September 30, 2025, to provide grants for loan loss reserve funds and to provide technical assistance for small dollar loan programs under section 122 of Public Law 103-325 (12 U.S.C 4719): Provided, That sections 108(d) and 122(b)(2) of such Public Law shall not apply to the provision of such grants and technical assistance; (6) up to $33,617,000 is available for administrative expenses, including administration of Community Development Financial Institutions Fund programs and the New Markets Tax Credit Program, of which not less than $1,000,000 is for the development of tools to better assess and inform Community Development Financial Institutions investment performance and Community Development Financial Institutions program impacts, and up to $300,000 is for administrative expenses to carry out the direct loan program; and (7) during fiscal year 2024, none of the funds available under this heading are available for the cost, as defined in section 502 of the Congressional Budget Act of 1974, of commitments to guarantee bonds and notes under section 114A of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C 4713a): Provided, That commitments to guarantee bonds and notes [[Page H5559]] under such section 114A shall not exceed $500,000,000: Provided further, That such section 114A shall remain in effect until December 31, 2024: Provided further, That of the funds awarded under this heading, not less than 10 percent shall be used for awards that support investments that serve populations living in persistent poverty counties: Provided further, That for the purposes of this paragraph and paragraph (1), the term ``persistent poverty counties'' means any county, including county equivalent areas in Puerto Rico, that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the 1990 and 2000 decennial censuses and the 2016-2020 five-year data series available from the American Community Survey of the Bureau of the Census or any other territory or possession of the United States that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the 1990, 2000 and 2010 Island Areas Decennial Censuses, or equivalent data, of the Bureau of the Census. Internal Revenue Service taxpayer services For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C 3109, at such rates as may be determined by the Commissioner, $2,780,606,000, of which not to exceed $100,000,000 shall remain available until September 30, 2025, of which not less than $12,000,000 shall be for the Tax Counseling for the Elderly Program, of which not less than $28,000,000 shall be available for low-income taxpayer clinic grants, including grants to individual clinics of up to $200,000, of which not less than $40,000,000, to remain available until September 30, 2025, shall be available for the Community Volunteer Income Tax Assistance Matching Grants Program for tax return preparation assistance, and of which not less than $271,200,000 shall be available for operating expenses of the Taxpayer Advocate Service: Provided, That of the amounts made available for the Taxpayer Advocate Service, not less than $7,000,000 shall be for identity theft and refund fraud casework. enforcement For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C 1343(b)), and to provide other services as authorized by 5 U.S.C 3109, at such rates as may be determined by the Commissioner, $4,206,180,000; of which not to exceed $250,000,000 shall remain available until September 30, 2025; of which not less than $60,257,000 shall be for the Interagency Crime and Drug Enforcement program; and of which not to exceed $25,000,000 shall be for investigative technology for the Criminal Investigation Division: Provided, That the amount made available for investigative technology for the Criminal Investigation Division shall be in addition to amounts made available for the Criminal Investigation Division under the ``Operations Support'' heading. operations support For necessary expenses to operate the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance and security; the hire of passenger motor vehicles (31 U.S.C 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C 3109, at such rates as may be determined by the Commissioner; $4,100,826,000, of which not to exceed $275,000,000 shall remain available until September 30, 2025; of which not to exceed $10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed $1,000,000 shall remain available until September 30, 2026, for research; and of which not to exceed $20,000 shall be for official reception and representation expenses: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing major information technology investments in the Internal Revenue Service Integrated Modernization Business Plan portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year: Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year 2025, a summary of cost and schedule performance information for its major information technology systems. business systems modernization For necessary expenses of the Internal Revenue Service's business systems modernization program, $150,000,000, to remain available until September 30, 2026, and shall be for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C 3109: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing major information technology investments in the Internal Revenue Service Integrated Modernization Business Plan portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year. administrative provisions--internal revenue service Sec. 101. The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with taxpayers, cross-cultural relations, ethics, and the impartial application of tax law. Sec. 102. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information and protect taxpayers against identity theft. Sec. 103. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1-800 help line service for taxpayers. The Commissioner shall continue to make improvements to the Internal Revenue Service 1-800 help line service a priority and allocate resources necessary to enhance the response time to taxpayer communications, particularly with regard to victims of tax-related crimes. Sec. 104. The Internal Revenue Service shall issue a notice of confirmation of any address change relating to an employer making employment tax payments, and such notice shall be sent to both the employer's former and new address and an officer or employee of the Internal Revenue Service shall give special consideration to an offer-in-compromise from a taxpayer who has been the victim of fraud by a third party payroll tax preparer. Sec. 105. None of the funds made available under this Act may be used by the Internal Revenue Service to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States. Sec. 106. None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs. Sec. 107. None of funds made available by this Act to the Internal Revenue Service shall be obligated or expended on conferences that do not adhere to the procedures, verification processes, documentation requirements, and policies issued by the Chief Financial Officer, Human Capital Office, and Agency-Wide Shared Services as a result of the recommendations in the report published on May 31, 2013, by the Treasury Inspector General for Tax Administration entitled ``Review of the August 2010 Small Business/Self- Employed Division's Conference in Anaheim, California'' (Reference Number 2013-10-037). Sec. 108. None of the funds made available in this Act to the Internal Revenue Service may be obligated or expended-- (1) to make a payment to any employee under a bonus, award, or recognition program; or (2) under any hiring or personnel selection process with respect to re-hiring a former employee; unless such program or process takes into account the conduct and Federal tax compliance of such employee or former employee. Sec. 109. None of the funds made available by this Act may be used in contravention of section 6103 of the Internal Revenue Code of 1986 (relating to confidentiality and disclosure of returns and return information). Sec. 110. The Secretary of the Treasury (or the Secretary's delegate) may use the funds made available in this Act, subject to such policies as the Secretary (or the Secretary's delegate) may establish, to utilize direct hire authority to recruit and appoint qualified applicants, without regard to any notice or preference requirements, directly to positions in the competitive service to process backlogged tax returns and return information. Sec. 111. Notwithstanding section 1344 of title 31, United States Code, funds appropriated to the Internal Revenue Service in this Act may be used to provide passenger carrier transportation and protection between the Commissioner of Internal Revenue's residence and place of employment. Sec. 112. None of the funds made available by this or any other Act may be used to develop or provide taxpayers a free, public electronic return-filing service option, without the prior approval of the Committees on Appropriations of the House and the Senate, House Ways and Means Committee, and Senate Finance Committee. [[Page H5560]] Sec. 113. None of the funds in this Act may be used to purchase firearms or ammunition for the Internal Revenue Service above the levels in the possession of the Internal Revenue Service on July 13, 2023. Administrative Provisions--Department of the Treasury (including transfers of funds) Sec. 114. Appropriations to the Department of the Treasury in this Act shall be available for uniforms or allowances therefor, as authorized by law (5 U.S.C 5901), including maintenance, repairs, and cleaning; purchase of insurance for official motor vehicles operated in foreign countries; purchase of motor vehicles without regard to the general purchase price limitations for vehicles purchased and used overseas for the current fiscal year; entering into contracts with the Department of State for the furnishing of health and medical services to employees and their dependents serving in foreign countries; and services authorized by 5 U.S.C 3109. Sec. 115. Not to exceed 2 percent of any appropriations in this title made available under the headings ``Departmental Offices--Salaries and Expenses'', ``Office of Inspector General'', ``Financial Crimes Enforcement Network'', ``Bureau of the Fiscal Service'', and ``Alcohol and Tobacco Tax and Trade Bureau'' may be transferred between such appropriations upon the advance approval of the Committees on Appropriations of the House of Representatives and the Senate: Provided, That no transfer under this section may increase or decrease any such appropriation by more than 2 percent. Sec. 116. Not to exceed 2 percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to the Treasury Inspector General for Tax Administration's appropriation upon the advance approval of the Committees on Appropriations of the House of Representatives and the Senate: Provided, That no transfer may increase or decrease any such appropriation by more than 2 percent. Sec. 117. None of the funds appropriated in this Act or otherwise available to the Department of the Treasury or the Bureau of Engraving and Printing may be used to redesign the $1 Federal Reserve note. Sec. 118. The Secretary of the Treasury may transfer funds from the ``Bureau of the Fiscal Service--Salaries and Expenses'' to the Debt Collection Fund as necessary to cover the costs of debt collection: Provided, That such amounts shall be reimbursed to such salaries and expenses account from debt collections received in the Debt Collection Fund. Sec. 119. None of the funds appropriated or otherwise made available by this or any other Act may be used by the United States Mint to construct or operate any museum without the explicit approval of the Committees on Appropriations of the House of Representatives and the Senate, the House Committee on Financial Services, and the Senate Committee on Banking, Housing, and Urban Affairs. Sec. 120. None of the funds appropriated or otherwise made available by this or any other Act or source to the Department of the Treasury, the Bureau of Engraving and Printing, and the United States Mint, individually or collectively, may be used to consolidate any or all functions of the Bureau of Engraving and Printing and the United States Mint without the explicit approval of the House Committee on Financial Services; the Senate Committee on Banking, Housing, and Urban Affairs; and the Committees on Appropriations of the House of Representatives and the Senate. Sec. 121. Funds appropriated by this Act, or made available by the transfer of funds in this Act, for the Department of the Treasury's intelligence or intelligence related activities are deemed to be specifically authorized by the Congress for purposes of section 504 of the National Security Act of 1947 (50 U.S.C 414) during fiscal year 2024 until the enactment of the Intelligence Authorization Act for Fiscal Year 2024. Sec. 122. Not to exceed $5,000 shall be made available from the Bureau of Engraving and Printing's Industrial Revolving Fund for necessary official reception and representation expenses. Sec. 123. The Secretary of the Treasury shall submit a Capital Investment Plan to the Committees on Appropriations of the House of Representatives and the Senate not later than 30 days following the submission of the annual budget submitted by the President: Provided, That such Capital Investment Plan shall include capital investment spending from all accounts within the Department of the Treasury, including but not limited to the Department-wide Systems and Capital Investment Programs account, Treasury Franchise Fund account, and the Treasury Forfeiture Fund account: Provided further, That such Capital Investment Plan shall include expenditures occurring in previous fiscal years for each capital investment project that has not been fully completed. Sec. 124. During fiscal year 2024-- (1) none of the funds made available in this or any other Act may be used by the Department of the Treasury, including the Internal Revenue Service, to issue, revise, or finalize any regulation, revenue ruling, or other guidance not limited to a particular taxpayer relating to the standard which is used to determine whether an organization is operated exclusively for the promotion of social welfare for purposes of section 501(c)(4) of the Internal Revenue Code of 1986 (including the proposed regulations published at 78 Fed. Reg. 71535 (November 29, 2013)); and (2) the standard and definitions as in effect on January 1, 2010, which are used to make such determinations shall apply after the date of the enactment of this Act for purposes of determining status under section 501(c)(4) of such Code of organizations created on, before, or after such date. Sec. 125. Within 45 days after the date of enactment of this Act, the Secretary of the Treasury shall submit an itemized report to the Committees on Appropriations of the House of Representatives and the Senate on the amount of total funds charged to each office by the Franchise Fund including the amount charged for each service provided by the Franchise Fund to each office, a detailed description of the services, a detailed explanation of how each charge for each service is calculated, and a description of the role customers have in governing in the Franchise Fund. Sec. 126. (a) Not later than 60 days after the end of each quarter, the Office of Financial Stability and the Office of Financial Research shall submit reports on their activities to the Committees on Appropriations of the House of Representatives and the Senate, the Committee on Financial Services of the House of Representatives, and the Senate Committee on Banking, Housing, and Urban Affairs. (b) The reports required under subsection (a) shall include-- (1) the obligations made during the previous quarter by object class, office, and activity; (2) the estimated obligations for the remainder of the fiscal year by object class, office, and activity; (3) the number of full-time equivalents within each office during the previous quarter; (4) the estimated number of full-time equivalents within each office for the remainder of the fiscal year; and (5) actions taken to achieve the goals, objectives, and performance measures of each office. (c) At the request of any such Committees specified in subsection (a), the Office of Financial Stability and the Office of Financial Research shall make officials available to testify on the contents of the reports required under subsection (a). Sec. 127. In addition to amounts otherwise available, there is appropriated to the Special Inspector General for Pandemic Recovery, $12,000,000, to remain available until expended, for necessary expenses in carrying out section 4018 of the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136). Sec. 128. None of the funds made available by this or any other Act may be used to provide bonuses, raises, or promotions to any employee of the Department of Treasury until the Secretary produces a COVID-19 National Emergency expenditure report as required by section 401(c) of Public Law 94-412 . Sec. 129. None of the funds made available in this Act may be used to approve, license, facilitate, authorize, or otherwise allow, whether by general or specific license, travel-related or other transactions incident to non- educational exchanges described in section 515.565(b) of title 31, Code of Federal Regulations. Sec. 130. (a) The Secretary of the Treasury and the Secretary of Homeland Security shall provide a joint report not later than 90 days after the enactment of this Act regarding travel pursuant to sections 515.565(b), 515.560(a)(1), 515.560(c)(4)(i), and 515.561 of title 31, Code of Federal Regulations. Sec. 131. None of the funds made available by this Act may be used by the Department of the Treasury to establish a United States Central Bank Digital Currency or discontinue circulation or use of paper currency as legal tender in the United States. Sec. 132. None of the funds made available by this Act may be used by the Financial Crimes Enforcement Network to implement or promulgate beneficial ownership reporting rules pursuant to Division F of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2020, Public Law 116-283, January 1, 2021, that do not reflect Congressional intent. Sec. 133. None of the funds made available by this Act may be used to implement the single-family mortgage credit fee pricing framework of the enterprises announced by the Federal Housing Finance Agency on January 19, 2023. Sec. 134. None of the funds made available by this Act may be used to implement an outbound investment review, prohibition, or notification program until the Assistant Secretary of Treasury for Investment Security and equivalents from CFIUS member agencies provide a report to the Committees on Appropriations and Financial Services of the House of Representatives and the Committees on Appropriations and Banking, Housing, and Urban Affairs of the Senate that contains the following-- (1) A comprehensive list of Chinese technologies covered by the program that have been developed as a result of United States investments, including a description of the technologies' specifications. (2) The value of United States private equity and venture capital investments in any specific Chinese technologies that would be subject to prohibitions under the program, in absolute and relative terms with respect to non-United States investment. (3) A detailed description of know-how or other essential information that has been [[Page H5561]] transferred by United States investors in support of Chinese technologies covered by the program, including an assessment of whether the information was available to non-United States persons or eligible for potential control under the Export Control Reform Act. (4) An analysis of any estimated delay to China's development of program-related technologies as a direct result of the program's implementation. (5) Any legislative or regulatory proposals to impose secondary sanctions involving investments by foreign persons in Chinese technologies covered by the program. (6) A detailed evaluation of the effectiveness of investment restrictions administered by the Department of the Treasury with respect to Chinese Military Industrial-Complex Companies. This title may be cited as the ``Department of the Treasury Appropriations Act, 2024''. TITLE II EXECUTIVE OFFICE OF THE PRESIDENT AND FUNDS APPROPRIATED TO THE PRESIDENT The White House salaries and expenses For necessary expenses for the White House as authorized by law, including not to exceed $3,850,000 for services as authorized by 5 U.S.C 3109 and 3 U.S.C 105; subsistence expenses as authorized by 3 U.S.C 105, which shall be expended and accounted for as provided in that section; hire of passenger motor vehicles, and travel (not to exceed $100,000 to be expended and accounted for as provided by 3 U.S.C 103); and not to exceed $19,000 for official reception and representation expenses, to be available for allocation within the Executive Office of the President; and for necessary expenses of the Office of Policy Development, including services as authorized by 5 U.S.C 3109 and 3 U.S.C 107, $55,000,000. Executive Residence at the White House operating expenses For necessary expenses of the Executive Residence at the White House, $14,050,000, to be expended and accounted for as provided by 3 U.S.C 105, 109, 110, and 112-114. reimbursable expenses For the reimbursable expenses of the Executive Residence at the White House, such sums as may be necessary: Provided, That all reimbursable operating expenses of the Executive Residence shall be made in accordance with the provisions of this paragraph: Provided further, That, notwithstanding any other provision of law, such amount for reimbursable operating expenses shall be the exclusive authority of the Executive Residence to incur obligations and to receive offsetting collections, for such expenses: Provided further, That the Executive Residence shall require each person sponsoring a reimbursable political event to pay in advance an amount equal to the estimated cost of the event, and all such advance payments shall be credited to this account and remain available until expended: Provided further, That the Executive Residence shall require the national committee of the political party of the President to maintain on deposit $25,000, to be separately accounted for and available for expenses relating to reimbursable political events sponsored by such committee during such fiscal year: Provided further, That the Executive Residence shall ensure that a written notice of any amount owed for a reimbursable operating expense under this paragraph is submitted to the person owing such amount within 60 days after such expense is incurred, and that such amount is collected within 30 days after the submission of such notice: Provided further, That the Executive Residence shall charge interest and assess penalties and other charges on any such amount that is not reimbursed within such 30 days, in accordance with the interest and penalty provisions applicable to an outstanding debt on a United States Government claim under 31 U.S.C 3717: Provided further, That each such amount that is reimbursed, and any accompanying interest and charges, shall be deposited in the Treasury as miscellaneous receipts: Provided further, That the Executive Residence shall prepare and submit to the Committees on Appropriations of the House of Representatives and the Senate, by not later than 90 days after the end of the fiscal year covered by this Act, a report setting forth the reimbursable operating expenses of the Executive Residence during the preceding fiscal year, including the total amount of such expenses, the amount of such total that consists of reimbursable official and ceremonial events, the amount of such total that consists of reimbursable political events, and the portion of each such amount that has been reimbursed as of the date of the report: Provided further, That the Executive Residence shall maintain a system for the tracking of expenses related to reimbursable events within the Executive Residence that includes a standard for the classification of any such expense as political or nonpolitical: Provided further, That no provision of this paragraph may be construed to exempt the Executive Residence from any other applicable requirement of subchapter I or II of chapter 37 of title 31, United States Code. White House Repair and Restoration For the repair, alteration, and improvement of the Executive Residence at the White House pursuant to 3 U.S.C 105(d), $2,500,000, to remain available until expended, for required maintenance, resolution of safety and health issues, and continued preventative maintenance. Council of Economic Advisers salaries and expenses For necessary expenses of the Council of Economic Advisers in carrying out its functions under the Employment Act of 1946 (15 U.S.C 1021 et seq.), $4,120,000. National Security Council and Homeland Security Council salaries and expenses For necessary expenses of the National Security Council and the Homeland Security Council, including services as authorized by 5 U.S.C 3109, $12,500,000, of which not to exceed $10,000 shall be available for official reception and representation expenses. Office of Administration salaries and expenses For necessary expenses of the Office of Administration, including services as authorized by 5 U.S.C 3109 and 3 U.S.C 107, and hire of passenger motor vehicles, $106,500,000, of which not to exceed $12,800,000 shall remain available until expended for continued modernization of information resources within the Executive Office of the President: Provided, That of the amounts provided under this heading, up to $7,000,000 shall be available for a program to provide payments (such as stipends, subsistence allowances, cost reimbursements, or awards) to students, recent graduates, and veterans recently discharged from active duty who are performing voluntary services in the Executive Office of the President under section 3111(b) of title 5, United States Code, or comparable authority and shall be in addition to amounts otherwise available to pay or compensate such individuals: Provided further, That such payments shall not be considered compensation for purposes of such section 3111(b) and may be paid in advance. Office of Management and Budget salaries and expenses For necessary expenses of the Office of Management and Budget, including hire of passenger motor vehicles and services as authorized by 5 U.S.C 3109, to carry out the provisions of chapter 35 of title 44, United States Code, and to prepare and submit the budget of the United States Government, in accordance with section 1105(a) of title 31, United States Code, $116,000,000, of which not to exceed $3,000 shall be available for official representation expenses: Provided, That none of the funds appropriated in this Act for the Office of Management and Budget may be used for the purpose of reviewing any ***agricultural*** marketing orders or any activities or regulations under the provisions of the ***Agricultural*** Marketing Agreement Act of 1937 (7 U.S.C 601 et seq.): Provided further, That none of the funds made available for the Office of Management and Budget by this Act may be expended for the altering of the transcript of actual testimony of witnesses, except for testimony of officials of the Office of Management and Budget, before the Committees of the House of Representatives and the Senate on Appropriations or their subcommittees: Provided further, That none of the funds made available for the Office of Management and Budget by this Act may be expended for the altering of the annual work plan developed by the Corps of Engineers for submission to the Committees on Appropriations: Provided further, That none of the funds provided in this or prior Acts shall be used, directly or indirectly, by the Office of Management and Budget, for evaluating or determining if water resource project or study reports submitted by the Chief of Engineers acting through the Secretary of the Army are in compliance with all applicable laws, regulations, and requirements relevant to the Civil Works water resource planning process: Provided further, That the Office of Management and Budget shall have not more than 60 days in which to perform budgetary policy reviews of water resource matters on which the Chief of Engineers has reported: Provided further, That the Director of the Office of Management and Budget shall notify the appropriate authorizing and appropriating committees when the 60-day review is initiated: Provided further, That if water resource reports have not been transmitted to the appropriate authorizing and appropriating committees within 15 days after the end of the Office of Management and Budget review period based on the notification from the Director, Congress shall assume Office of Management and Budget concurrence with the report and act accordingly: Provided further, That no later than 14 days after the submission of the budget of the United States Government for fiscal year 2025, the Director of the Office of Management and Budget shall make publicly available on a website a tabular list for each agency that submits budget justification materials (as defined in section 3 of the Federal Funding Accountability and Transparency Act of 2006) that shall include, at minimum, the name of the agency, the date on which the budget justification materials of the agency were submitted to Congress, and a uniform resource locator where the budget justification materials are published on the website of the agency: Provided further, That amounts appropriated under this heading shall be available for the liquidation of valid obligations incurred for fiscal year 2017, as authorized by law, in excess of amounts that were available for obligation during such fiscal year. [[Page H5562]] Intellectual Property Enforcement Coordinator For necessary expenses of the Office of the Intellectual Property Enforcement Coordinator, as authorized by title III of the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (Public Law 110-403), including services authorized by 5 U.S.C 3109, $1,838,000. Office of the National Cyber Director salaries and expenses For necessary expenses of the Office of the National Cyber Director, as authorized by section 1752 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116-283), $21,000,000, of which not to exceed $5,000 shall be available for official reception and representation expenses. Office of National Drug Control Policy salaries and expenses For necessary expenses of the Office of National Drug Control Policy; for research activities pursuant to the Office of National Drug Control Policy Reauthorization Act of 1998, as amended; not to exceed $10,000 for official reception and representation expenses; and for participation in joint projects or in the provision of services on matters of mutual interest with nonprofit, research, or public organizations or agencies, with or without reimbursement, $18,952,000: Provided, That the Office is authorized to accept, hold, administer, and utilize gifts, both real and personal, public and private, without fiscal year limitation, for the purpose of aiding or facilitating the work of the Office. federal drug control programs high intensity drug trafficking areas program (including transfers of funds) For necessary expenses of the Office of National Drug Control Policy's High Intensity Drug Trafficking Areas Program, $296,600,000, to remain available until September 30, 2025, for drug control activities consistent with the approved strategy for each of the designated High Intensity Drug Trafficking Areas (``HIDTAs''), of which not less than $280,741,415 shall be provided to the HIDTAs designated as of September 30, 2023: Provided, That each such designated HIDTAs shall receive an equal amount of funds from the total amount provided for such designated HIDTA: Provided further, That no less than 51 percent shall be transferred to State and local entities for drug control activities and shall be obligated not later than 120 days after the date of enactment of this Act: Provided further, That up to 49 percent may be transferred to Federal agencies and departments in amounts determined by the Director of the Office of National Drug Control Policy, of which up to $4,000,000 may be used for auditing services and associated activities and $1,500,000 shall be for the Grants Management System for use by the Office of National Drug Control Policy: Provided further, That any unexpended funds obligated prior to fiscal year 2022 may be used for any other approved activities of that HIDTA, subject to reprogramming requirements: Provided further, That each HIDTA designated as of September 30, 2023, shall be funded at not less than the fiscal year 2023 base level, unless the Director submits to the Committees on Appropriations of the House of Representatives and the Senate justification for changes to those levels based on clearly articulated priorities and published Office of National Drug Control Policy performance measures of effectiveness: Provided further, That the Director shall notify the Committees on Appropriations of the initial allocation of fiscal year 2024 funding among HIDTAs not later than 45 days after enactment of this Act, and shall notify the Committees of planned uses of discretionary HIDTA funding, as determined in consultation with the HIDTA Directors, not later than 90 days after enactment of this Act: Provided further, That upon a determination that all or part of the funds so transferred from this appropriation are not necessary for the purposes provided herein and upon notification to the Committees on Appropriations of the House of Representatives and the Senate, such amounts may be transferred back to this appropriation. other federal drug control programs (including transfers of funds) For other drug control activities authorized by the Anti- Drug Abuse Act of 1988 and the Office of National Drug Control Policy Reauthorization Act of 1998, as amended, $135,450,000, to remain available until expended, which shall be available as follows: $109,000,000 for the Drug-Free Communities Program, of which not more than $12,780,000 is for administrative expenses, and of which $2,500,000 shall be made available as directed by section 4 of Public Law 107-82, as amended by section 8204 of Public Law 115-271; $3,000,000 for drug court training and technical assistance; $14,000,000 for anti-doping activities; up to $3,000,000 for the United States membership dues to the World Anti-Doping Agency; $1,250,000 for the Model Acts Program; and $5,200,000 for activities authorized by section 103 of Public Law 114-198: Provided, That amounts made available under this heading may be transferred to other Federal departments and agencies to carry out such activities: Provided further, That the Director of the Office of National Drug Control Policy shall, not fewer than 30 days prior to obligating funds under this heading for United States membership dues to the World Anti- Doping Agency, submit to the Committees on Appropriations of the House of Representatives and the Senate a spending plan and explanation of the proposed uses of these funds. Unanticipated Needs For expenses necessary to enable the President to meet unanticipated needs, in furtherance of the national interest, security, or defense which may arise at home or abroad during the current fiscal year, as authorized by 3 U.S.C 108, $1,000,000, to remain available until September 30, 2025. Information Technology Oversight and Reform (including transfer of funds) For necessary expenses for the furtherance of integrated, efficient, secure, and effective uses of information technology in the Federal Government, $8,000,000, to remain available until expended: Provided, That the Director of the Office of Management and Budget may transfer these funds to one or more other agencies to carry out projects to meet these purposes. Special Assistance to the President salaries and expenses For necessary expenses to enable the Vice President to provide assistance to the President in connection with specially assigned functions; services as authorized by 5 U.S.C 3109 and 3 U.S.C 106, including subsistence expenses as authorized by 3 U.S.C 106, which shall be expended and accounted for as provided in that section; and hire of passenger motor vehicles, $4,839,000. Official Residence of the Vice President operating expenses (including transfer of funds) For the care, operation, refurnishing, improvement, and to the extent not otherwise provided for, heating and lighting, including electric power and fixtures, of the official residence of the Vice President; the hire of passenger motor vehicles; and not to exceed $90,000 pursuant to 3 U.S.C 106(b)(2), $311,000: Provided, That advances, repayments, or transfers from this appropriation may be made to any department or agency for expenses of carrying out such activities. Administrative Provisions--Executive Office of the President and Funds Appropriated to the President (including transfer of funds) Sec. 201. From funds made available in this Act under the headings ``The White House'', ``Executive Residence at the White House'', ``White House Repair and Restoration'', ``Council of Economic Advisers'', ``National Security Council and Homeland Security Council'', ``Office of Administration'', ``Special Assistance to the President'', and ``Official Residence of the Vice President'', the Director of the Office of Management and Budget (or such other officer as the President may designate in writing), may, with advance approval of the Committees on Appropriations of the House of Representatives and the Senate, transfer not to exceed 10 percent of any such appropriation to any other such appropriation, to be merged with and available for the same time and for the same purposes as the appropriation to which transferred: Provided, That the amount of an appropriation shall not be increased by more than 50 percent by such transfers: Provided further, That no amount shall be transferred from ``Special Assistance to the President'' or ``Official Residence of the Vice President'' without the approval of the Vice President. Sec. 202. (a) During fiscal year 2024, any Executive order or Presidential memorandum issued or revoked by the President shall be accompanied by a written statement from the Director of the Office of Management and Budget on the budgetary impact, including costs, benefits, and revenues, of such order or memorandum. (b) Any such statement shall include-- (1) a narrative summary of the budgetary impact of such order or memorandum on the Federal Government; (2) the impact on mandatory and discretionary obligations and outlays as the result of such order or memorandum, listed by Federal agency, for each year in the 5-fiscal-year period beginning in fiscal year 2024; and (3) the impact on revenues of the Federal Government as the result of such order or memorandum over the 5-fiscal-year period beginning in fiscal year 2024. (c) If an Executive order or Presidential memorandum is issued during fiscal year 2024 due to a national emergency, the Director of the Office of Management and Budget may issue the statement required by subsection (a) not later than 15 days after the date that such order or memorandum is issued. (d) The requirement for cost estimates for Presidential memoranda shall only apply for Presidential memoranda estimated to have a regulatory cost in excess of $100,000,000. Sec. 203. Not later than 30 days after the date of enactment of this Act, the Director of the Office of Management and Budget shall issue a memorandum to all Federal departments, agencies, and corporations directing compliance with the provisions in title VII of this Act. Sec. 204. In fiscal year 2024 and each fiscal year thereafter-- (1) the Office of Management and Budget shall operate and maintain the automated system required to be implemented by section 204 of the Financial Services and General Government Appropriations Act, 2022 (division E of Public Law 117-103) and shall [[Page H5563]] continue to post each document apportioning an appropriation, pursuant to section 1513(b) of title 31, United States Code, including any associated footnotes, in a format that qualifies each such document as an open Government data asset (as that term is defined in section 3502 of title 44, United States Code); and (2) the requirements specified in subsection (c), the first and second provisos of subsection (d)(1), and subsection (d)(2) of such section 204 shall continue to apply. Sec. 205. Not later than 30 days after the date of enactment of this Act, the Director of the Office of Management and Budget shall conduct an audit of appropriations and issue a report to the Committees on Appropriations of the House of Representatives and the Senate listing the unobligated amounts that remain available under the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116-123), the Families First Coronavirus Response Act (Public Law 116-127), the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136), the Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-139), Divisions M and N of the Consolidated Appropriations Act, 2021 (Public Law 116- 260), and the American Rescue Plan Act of 2021 (Public Law 117-2). Sec. 206. If, during fiscal year 2024 and each year thereafter, the President fails to submit to Congress the annual budget request to Congress on or before the first Monday in February as required by section 1105(a) of title 31, United States Code, the total amount available for obligation under the heading `Executive Office of the President and Funds Appropriated to the President' during the fiscal year in which the President failed to make such submission shall be reduced by $52,000,000 until the budget is submitted. Sec. 207. None of the funds made available in this Act under the heading ``Office of Management and Budget'' may be used to issue any waiver or otherwise carry out section 265 of the Administrative Pay-As-You-Go Act of 2023 (title III of Public Law 118-5). This title may be cited as the ``Executive Office of the President Appropriations Act, 2024''. TITLE III THE JUDICIARY Supreme Court of the United States salaries and expenses For expenses necessary for the operation of the Supreme Court, as required by law, excluding care of the building and grounds, including hire of passenger motor vehicles as authorized by 31 U.S.C 1343 and 1344; not to exceed $10,000 for official reception and representation expenses; and for miscellaneous expenses, to be expended as the Chief Justice may approve, $124,201,000, of which $1,500,000 shall remain available until expended. In addition, there are appropriated such sums as may be necessary under current law for the salaries of the chief justice and associate justices of the court. care of the building and grounds For such expenditures as may be necessary to enable the Architect of the Capitol to carry out the duties imposed upon the Architect by 40 U.S.C 6111 and 6112 under the direction of the Chief Justice, $20,420,000, to remain available until expended. United States Court of Appeals for the Federal Circuit salaries and expenses For salaries of officers and employees, and for necessary expenses of the court, as authorized by law, $38,991,000. In addition, there are appropriated such sums as may be necessary under current law for the salaries of the chief judge and judges of the court. United States Court of International Trade salaries and expenses For salaries of officers and employees of the court, services, and necessary expenses of the court, as authorized by law, $22,103,000. In addition, there are appropriated such sums as may be necessary under current law for the salaries of the chief judge and judges of the court. Courts of Appeals, District Courts, and Other Judicial Services salaries and expenses For the salaries of judges of the United States Court of Federal Claims, magistrate judges, and all other officers and employees of the Federal Judiciary not otherwise specifically provided for, necessary expenses of the courts, and the purchase, rental, repair, and cleaning of uniforms for Probation and Pretrial Services Office staff, as authorized by law, $6,050,974,000 (including the purchase of firearms and ammunition); of which not to exceed $27,817,000 shall remain available until expended for space alteration projects and for furniture and furnishings related to new space alteration and construction projects. In addition, there are appropriated such sums as may be necessary under current law for the salaries of circuit and district judges (including judges of the territorial courts of the United States), bankruptcy judges, and justices and judges retired from office or from regular active service. In addition, for expenses of the United States Court of Federal Claims associated with processing cases under the National Childhood Vaccine Injury Act of 1986 (Public Law 99- 660), not to exceed $9,975,000, to be appropriated from the Vaccine Injury Compensation Trust Fund. defender services For the operation of Federal Defender organizations; the compensation and reimbursement of expenses of attorneys appointed to represent persons under 18 U.S.C 3006A and 3599, and for the compensation and reimbursement of expenses of persons furnishing investigative, expert, and other services for such representations as authorized by law; the compensation (in accordance with the maximums under 18 U.S.C 3006A) and reimbursement of expenses of attorneys appointed to assist the court in criminal cases where the defendant has waived representation by counsel; the compensation and reimbursement of expenses of attorneys appointed to represent jurors in civil actions for the protection of their employment, as authorized by 28 U.S.C 1875(d)(1); the compensation and reimbursement of expenses of attorneys appointed under 18 U.S.C 983(b)(1) in connection with certain judicial civil forfeiture proceedings; the compensation and reimbursement of travel expenses of guardians ad litem appointed under 18 U.S.C 4100(b); and for necessary training and general administrative expenses, $1,411,116,000, to remain available until expended. fees of jurors and commissioners For fees and expenses of jurors as authorized by 28 U.S.C 1871 and 1876; compensation of jury commissioners as authorized by 28 U.S.C 1863; and compensation of commissioners appointed in condemnation cases pursuant to rule 71.1(h) of the Federal Rules of Civil Procedure (28 U.S.C Appendix Rule 71.1(h)), $59,902,000, to remain available until expended: Provided, That the compensation of land commissioners shall not exceed the daily equivalent of the highest rate payable under 5 U.S.C 5332. court security (including transfer of funds) For necessary expenses, not otherwise provided for, incident to the provision of protective guard services for United States courthouses and other facilities housing Federal court or Administrative Office of the United States Courts operations, the procurement, installation, and maintenance of security systems and equipment for United States courthouses and other facilities housing Federal court or Administrative Office of the United States Courts operations, building ingress-egress control, inspection of mail and packages, directed security patrols, perimeter security, basic security services provided by the Federal Protective Service, and other similar activities as authorized by section 1010 of the Judicial Improvement and Access to Justice Act (Public Law 100-702), $782,727,000, of which not to exceed $20,000,000 shall remain available until expended, to be expended directly or transferred to the United States Marshals Service, which shall be responsible for administering the Judicial Facility Security Program consistent with standards or guidelines agreed to by the Director of the Administrative Office of the United States Courts and the Attorney General: Provided, That funds made available under this heading may be used for managing a Judiciary-wide program to facilitate security and emergency management services among the Judiciary, United States Marshals Service, Federal Protective Service, General Services Administration, other Federal agencies, state and local governments and the public; and for purposes authorized by the Daniel Anderl Judicial Security and Privacy Act of 2022 (Public Law 117-263, Division C, Title LIX, subtitle D) and 28 U.S.C 604(a)(24). Administrative Office of the United States Courts salaries and expenses For necessary expenses of the Administrative Office of the United States Courts as authorized by law, including travel as authorized by 31 U.S.C 1345, hire of a passenger motor vehicle as authorized by 31 U.S.C 1343(b), advertising and rent in the District of Columbia and elsewhere, $107,295,000, of which not to exceed $8,500 is authorized for official reception and representation expenses. Federal Judicial Center salaries and expenses For necessary expenses of the Federal Judicial Center, as authorized by Public Law 90-219, $34,174,000; of which $1,800,000 shall remain available through September 30, 2025, to provide education and training to Federal court personnel; and of which not to exceed $1,500 is authorized for official reception and representation expenses. United States Sentencing Commission salaries and expenses For the salaries and expenses necessary to carry out the provisions of chapter 58 of title 28, United States Code, $22,503,000, of which not to exceed $1,000 is authorized for official reception and representation expenses. Administrative Provisions--the Judiciary (including transfer of funds) Sec. 301. Appropriations and authorizations made in this title which are available for salaries and expenses shall be available for services as authorized by 5 U.S.C 3109. Sec. 302. Not to exceed 5 percent of any appropriation made available for the current fiscal year for the Judiciary in this Act may be transferred between such appropriations, [[Page H5564]] but no such appropriation, except ``Courts of Appeals, District Courts, and Other Judicial Services, Defender Services'' and ``Courts of Appeals, District Courts, and Other Judicial Services, Fees of Jurors and Commissioners'', shall be increased by more than 10 percent by any such transfers: Provided, That any transfer pursuant to this section shall be treated as a reprogramming of funds under sections 604 and 608 of this Act and shall not be available for obligation or expenditure except in compliance with the procedures set forth in section 608. Sec. 303. Notwithstanding any other provision of law, the salaries and expenses appropriation for ``Courts of Appeals, District Courts, and Other Judicial Services'' shall be available for official reception and representation expenses of the Judicial Conference of the United States: Provided, That such available funds shall not exceed $11,000 and shall be administered by the Director of the Administrative Office of the United States Courts in the capacity as Secretary of the Judicial Conference. Sec. 304. Section 3315(a) of title 40, United States Code, shall be applied by substituting ``Federal'' for ``executive'' each place it appears. Sec. 305. In accordance with 28 U.S.C 561-569, and notwithstanding any other provision of law, the United States Marshals Service shall provide, for such courthouses as its Director may designate in consultation with the Director of the Administrative Office of the United States Courts, for purposes of a pilot program, the security services that 40 U.S.C 1315 authorizes the Department of Homeland Security to provide, except for the services specified in 40 U.S.C 1315(b)(2)(E). For building-specific security services at these courthouses, the Director of the Administrative Office of the United States Courts shall reimburse the United States Marshals Service rather than the Department of Homeland Security. Sec. 306. Section 3006A(d)(1) of title 18, United States Code, is amended-- (1) in subsection (d)-- (A) in paragraph (1), by inserting ``, or the attorney's law firm,'' after ``appointed pursuant to this section''; (B) in paragraph (2), by inserting ``, or the attorney's law firm,'' after ``paid to an attorney'' each place it appears; (C) in paragraph (5), by inserting ``, or the attorney's law firm'' after ``paid to the attorney''; and (2) in subsection (f), by inserting ``, or the attorney's law firm'' after ``paid to the appointed attorney''. Sec. 307. (a) Section 203(c) of the Judicial Improvements Act of 1990 (Public Law 101-650; 28 U.S.C 133 note), is amended in the matter following paragraph 12- (1) in the second sentence (relating to the District of Kansas), by striking ``32 years and 6 months'' and inserting ``33 years and 6 months''; and (2) in the sixth sentence (relating to the District of Hawaii), by striking ``29 years and 6 months'' and inserting ``30 years and 6 months''. (b) Section 406 of the Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006 (Public Law 109- 115; 119 Stat. 2470; 28 U.S.C 133 note) is amended in the second sentence (relating to the eastern District of Missouri) by striking ``30 years and 6 months'' and inserting ``31 years and 6 months''. (c) Section 312(c)(2) of the 21st Century Department of Justice Appropriations Authorization Act (Public Law 107-273; 28 U.S.C 133 note), is amended-- (1) in the first sentence by striking ``21 years'' and inserting ``22 years''; (2) in the second sentence (relating to the central District of California), by striking ``20 years and 6 months'' and inserting ``21 years and 6 months''; and (3) in the third sentence (relating to the western district of North Carolina), by striking ``19 years'' and inserting ``20 years''. This title may be cited as the ``Judiciary Appropriations Act, 2024''. TITLE IV DISTRICT OF COLUMBIA Federal Funds federal payment for resident tuition support For a Federal payment to the District of Columbia, to be deposited into a dedicated account, for a nationwide program to be administered by the Mayor, for District of Columbia resident tuition support, $40,000,000, to remain available until expended: Provided, That such funds, including any interest accrued thereon, may be used on behalf of eligible District of Columbia residents to pay an amount based upon the difference between in-State and out-of-State tuition at public institutions of higher education, or to pay up to $2,500 each year at eligible private institutions of higher education: Provided further, That the awarding of such funds may be prioritized on the basis of a resident's academic merit, the income and need of eligible students and such other factors as may be authorized: Provided further, That the District of Columbia government shall maintain a dedicated account for the Resident Tuition Support Program that shall consist of the Federal funds appropriated to the Program in this Act and any subsequent appropriations, any unobligated balances from prior fiscal years, and any interest earned in this or any fiscal year: Provided further, That the account shall be under the control of the District of Columbia Chief Financial Officer, who shall use those funds solely for the purposes of carrying out the Resident Tuition Support Program: Provided further, That the Office of the Chief Financial Officer shall provide a quarterly financial report to the Committees on Appropriations of the House of Representatives and the Senate for these funds showing, by object class, the expenditures made and the purpose therefor. federal payment for emergency planning and security costs in the district of columbia For a Federal payment of necessary expenses, as determined by the Mayor of the District of Columbia in written consultation with the elected county or city officials of surrounding jurisdictions, $28,000,000, to remain available until expended, for the costs of providing public safety at events related to the presence of the National Capital in the District of Columbia, including support requested by the Director of the United States Secret Service in carrying out protective duties under the direction of the Secretary of Homeland Security, and for the costs of providing support to respond to immediate and specific terrorist threats or attacks in the District of Columbia or surrounding jurisdictions. federal payment to the district of columbia courts For salaries and expenses for the District of Columbia Courts, including the transfer and hire of motor vehicles, $301,210,000 to be allocated as follows: for the District of Columbia Court of Appeals, $15,655,000, of which not to exceed $2,500 is for official reception and representation expenses; for the Superior Court of the District of Columbia, $144,035,000, of which not to exceed $2,500 is for official reception and representation expenses; for the District of Columbia Court System, $90,210,000, of which not to exceed $2,500 is for official reception and representation expenses; and $51,310,000, to remain available until September 30, 2025, for capital improvements for District of Columbia courthouse facilities: Provided, That funds made available for capital improvements shall be expended consistent with the District of Columbia Courts master plan study and facilities condition assessment: Provided further, That, in addition to the amounts appropriated herein, fees received by the District of Columbia Courts for administering bar examinations and processing District of Columbia bar admissions may be retained and credited to this appropriation, to remain available until expended, for salaries and expenses associated with such activities, notwithstanding section 450 of the District of Columbia Home Rule Act (D.C Official Code, sec. 1-204.50): Provided further, That notwithstanding any other provision of law, all amounts under this heading shall be apportioned quarterly by the Office of Management and Budget and obligated and expended in the same manner as funds appropriated for salaries and expenses of other Federal agencies: Provided further, That 30 days after providing written notice to the Committees on Appropriations of the House of Representatives and the Senate, the District of Columbia Courts may reallocate not more than $9,000,000 of the funds provided under this heading among the items and entities funded under this heading: Provided further, That the Joint Committee on Judicial Administration in the District of Columbia may, by regulation, establish a program substantially similar to the program set forth in subchapter II of chapter 35 of title 5, United States Code, for employees of the District of Columbia Courts. federal payment for defender services in district of columbia courts (including rescission of funds) For payments authorized under section 11-2604 and section 11-2605, D.C Official Code (relating to representation provided under the District of Columbia Criminal Justice Act), payments for counsel appointed in proceedings in the Family Court of the Superior Court of the District of Columbia under chapter 23 of title 16, D.C Official Code, or pursuant to contractual agreements to provide guardian ad litem representation, training, technical assistance, and such other services as are necessary to improve the quality of guardian ad litem representation, payments for counsel appointed in adoption proceedings under chapter 3 of title 16, D.C Official Code, and payments authorized under section 21-2060, D.C Official Code (relating to services provided under the District of Columbia Guardianship, Protective Proceedings, and Durable Power of Attorney Act of 1986), $46,005,000, to remain available until expended: Provided, That funds provided under this heading shall be administered by the Joint Committee on Judicial Administration in the District of Columbia: Provided further, That, notwithstanding any other provision of law, this appropriation shall be apportioned quarterly by the Office of Management and Budget and obligated and expended in the same manner as funds appropriated for expenses of other Federal agencies: Provided further, That of the unobligated balances from prior year appropriations made available under this heading, $25,000,000, are hereby rescinded not later than September 30, 2024. federal payment to the court services and offender supervision agency for the district of columbia For salaries and expenses, including the transfer and hire of motor vehicles, of the [[Page H5565]] Court Services and Offender Supervision Agency for the District of Columbia, as authorized by the National Capital Revitalization and Self-Government Improvement Act of 1997, $287,271,000, of which not to exceed $2,000 is for official reception and representation expenses related to Community Supervision and Pretrial Services Agency programs, and of which not to exceed $25,000 is for dues and assessments relating to the implementation of the Court Services and Offender Supervision Agency Interstate Supervision Act of 2002: Provided, That, of the funds appropriated under this heading, $202,289,000 shall be for necessary expenses of Community Supervision and Sex Offender Registration, to include expenses relating to the supervision of adults subject to protection orders or the provision of services for or related to such persons, of which $4,253,000 shall remain available until September 30, 2026, for costs associated with the relocation under replacement leases for headquarters offices, field offices, and related facilities: Provided further, That, of the funds appropriated under this heading, $84,982,000 shall be available to the Pretrial Services Agency, of which $2,503,000 shall remain available until September 30, 2026, for costs associated with relocation under a replacement lease for headquarters offices, field offices, and related facilities: Provided further, That notwithstanding any other provision of law, all amounts under this heading shall be apportioned quarterly by the Office of Management and Budget and obligated and expended in the same manner as funds appropriated for salaries and expenses of other Federal agencies: Provided further, That amounts under this heading may be used for programmatic incentives for defendants to successfully complete their terms of supervision. federal payment to the district of columbia public defender service For salaries and expenses, including the transfer and hire of motor vehicles, of the District of Columbia Public Defender Service, as authorized by the National Capital Revitalization and Self-Government Improvement Act of 1997, $57,329,000, of which $3,000,000 shall remain available until September 30, 2026, for costs associated with relocation under a replacement lease for headquarters offices, field offices, and related facilities: Provided, That notwithstanding any other provision of law, all amounts under this heading shall be apportioned quarterly by the Office of Management and Budget and obligated and expended in the same manner as funds appropriated for salaries and expenses of Federal agencies: Provided further, That the District of Columbia Public Defender Service may establish for employees of the District of Columbia Public Defender Service a program substantially similar to the program set forth in subchapter II of chapter 35 of title 5, United States Code, except that the maximum amount of the payment made under the program to any individual may not exceed the amount referred to in section 3523(b)(3)(B) of title 5, United States Code: Provided further, That for the purposes of engaging with, and receiving services from, Federal Franchise Fund Programs established in accordance with section 403 of the Government Management Reform Act of 1994, as amended, the District of Columbia Public Defender Service shall be considered an agency of the United States Government: Provided further, That the District of Columbia Public Defender Service may enter into contracts for the procurement of severable services and multiyear contracts for the acquisition of property and services to the same extent and under the same conditions as an executive agency under sections 3902 and 3903 of title 41, United States Code. federal payment to the criminal justice coordinating council For a Federal payment to the Criminal Justice Coordinating Council, $2,150,000, to remain available until expended, to support initiatives related to the coordination of Federal and local criminal justice resources in the District of Columbia. federal payment for judicial commissions For a Federal payment, to remain available until September 30, 2025, to the Commission on Judicial Disabilities and Tenure, $330,000, and for the Judicial Nomination Commission, $300,000. federal payment for school improvement For a Federal payment for a school improvement program in the District of Columbia, $52,500,000, to remain available until expended, for payments authorized under the Scholarships for Opportunity and Results Act (division C of Public Law 112-10): Provided, That, to the extent that funds are available for opportunity scholarships and following the priorities included in section 3006 of such Act, the Secretary of Education shall make scholarships available to students eligible under section 3013(3) of such Act (Public Law 112-10; 125 Stat. 211) including students who were not offered a scholarship during any previous school year: Provided further, That within funds provided for opportunity scholarships, up to $1,750,000 shall be for the activities specified in sections 3007(b) through 3007(d) of the Act and up to $500,000 shall be for the activities specified in section 3009 of the Act. federal payment for the district of columbia national guard For a Federal payment to the District of Columbia National Guard, $600,000, to remain available until expended for the Major General David F. Wherley, Jr. District of Columbia National Guard Retention and College Access Program. federal payment for testing and treatment of hiv/aids For a Federal payment to the District of Columbia for the testing of individuals for, and the treatment of individuals with, human immunodeficiency virus and acquired immunodeficiency syndrome in the District of Columbia, $4,000,000. federal payment to the district of columbia water and sewer authority For a Federal payment to the District of Columbia Water and Sewer Authority, $8,000,000, to remain available until expended, to continue implementation of the Combined Sewer Overflow Long-Term Plan: Provided, That the District of Columbia Water and Sewer Authority provides a 100 percent match for this payment. district of columbia funds Local funds are appropriated for the District of Columbia for the current fiscal year out of the General Fund of the District of Columbia (``General Fund'') for programs and activities set forth under the heading ``District of Columbia Budget for the Fiscal Year ending September 30, 2024'' and at the rate set forth under such heading, as included in the Fiscal Year 2024 Local Budget Act of 2023 submitted to Congress by the District of Columbia, as amended as of the date of enactment of this Act: Provided, That notwithstanding any other provision of law, except as provided in section 450A of the District of Columbia Home Rule Act (section 1- 204.50a, D.C Official Code), sections 816 and 817 of the Financial Services and General Government Appropriations Act, 2009 (secs. 47-369.01 and 47-369.02, D.C Official Code), and provisions of this Act, the total amount appropriated in this Act for operating expenses for the District of Columbia for fiscal year 2024 under this heading shall not exceed the estimates included in the Fiscal Year 2024 Budget Request Act of 2023 submitted to Congress by the District of Columbia, as amended as of the date of enactment of this Act or the sum of the total revenues of the District of Columbia for such fiscal year: Provided further, That the amount appropriated may be increased by proceeds of one-time transactions, which are expended for emergency or unanticipated operating or capital needs: Provided further, That such increases shall be approved by enactment of local District law and shall comply with all reserve requirements contained in the District of Columbia Home Rule Act: Provided further, That the Chief Financial Officer of the District of Columbia shall take such steps as are necessary to assure that the District of Columbia meets these requirements, including the apportioning by the Chief Financial Officer of the appropriations and funds made available to the District during fiscal year 2024, except that the Chief Financial Officer may not reprogram for operating expenses any funds derived from bonds, notes, or other obligations issued for capital projects. This title may be cited as the ``District of Columbia Appropriations Act, 2024''. TITLE V INDEPENDENT AGENCIES Administrative Conference of the United States salaries and expenses For necessary expenses of the Administrative Conference of the United States, authorized by 5 U.S.C 591 et seq., $3,523,000, to remain available until September 30, 2025, of which not to exceed $1,000 is for official reception and representation expenses. Consumer Financial Protection Bureau salaries and expenses For necessary expenses to carry out the authorities of the Consumer Financial Protection Bureau, $635,000,000 to remain available until expended. administrative provisions--consumer financial protection bureau Sec. 501. Section 1017 of the Consumer Financial Protection Act of 2010 (12 U.S.C 5497) is amended-- (1) in subsection (a)-- (A) by amending the heading of such subsection to read as follows: ``BUDGET, FINANCIAL MANAGEMENT, AND AUDIT.--''; (B) by striking paragraphs (1), (2), and (3); (C) by redesignating paragraphs (4) and (5) as paragraphs (1) and (2), respectively; and (D) by striking subparagraphs (E) and (F) of paragraph (1), as so redesignated; (2) by striking subsections (b) and (c); (3) by redesignating subsections (d) and (e) as subsections (b) and (c), respectively; and (4) in subsection (c), as so redesignated-- (A) by striking paragraphs (1), (2), and (3) and inserting the following: -- ``(1) AUTHORIZATION of appropriations.--There is authorized to be appropriated to the Bureau $650,000,000 for fiscal year 2024 to carry out the authorities of the Bureau.''; and (B) by redesignating paragraph (4) as paragraph (2). Sec. 502. (a) In General.--The Consumer Financial Protection Act of 2010 (12 U.S.C 5481 et seq.) is amended-- (1) in section 1011--- (A) in subsection (a)-- (i) by striking ``in the Federal Reserve System,''; and (ii) by striking ``independent bureau'' and inserting ``independent agency''; [[Page H5566]] (B) by striking subsections (b), (c), and (d); (C) by redesignating subsection (e) as subsection (j); (D) in subsection (j), as so redesignated, by striking ``, including in cities in which the Federal reserve banks, or branches of such banks, are located,''; and (E) by inserting after subsection (a) the following new subsections: ``(b) AUTHORITY TO PRESCRIBE REGULATIONS.--The commission of the Bureau may prescribe such regulations and issue such orders in accordance with this title as the Bureau may determine to be necessary for carrying out this title and all other laws within the Bureau's jurisdiction and shall exercise any authorities granted under this title and all other laws within the Bureau's jurisdiction. ``(c) COMPOSITION OF THE COMMISSION.-- ``(1) IN GENERAL.--The management of the Bureau shall be vested in a commission, which shall be composed of 5 members who shall be appointed by the President, by and with the advice and consent of the Senate, and at least 2 of whom shall have private sector experience in the provision of consumer financial products and services. ``(2) STAGGERING.--The members of the commission shall serve staggered terms, which initially shall be established by the President for terms of 1, 2, 3, 4, and 5 years, respectively. ``(3) TERMS.-- ``(A) IN general.--Except with respect to the initial staggered terms described under paragraph (2), each member of the commission, including the Chair, shall serve for a term of 5 years. ``(B) REMOVAL.--The President may remove any member of the commission for inefficiency, neglect of duty, or malfeasance in office. ``(C) VACANCIES.--Any member of the commission appointed to fill a vacancy occurring before the expiration of the term to which that member's predecessor was appointed (including the Chair) shall be appointed only for the remainder of the term. ``(D) CONTINUATION of service.--Each member of the commission may continue to serve after the expiration of the term of office to which that member was appointed until a successor has been appointed by the President and confirmed by the Senate, except that a member may not continue to serve more than 1 year after the date on which the term of that member would otherwise expire. ``(E) OTHER employment prohibited.--No member of the commission shall engage in any other business, vocation, or employment. ``(d) AFFILIATION.--Not more than three members of the commission shall be members of any one political party. ``(e) CHAIR OF THE COMMISSION.-- ``(1) INITIAL CHAIR.--The first member and Chair of the commission shall be the individual serving as Director of the Bureau of Consumer Financial Protection on the day before the date of the enactment of this subsection. Such individual shall serve until the President has appointed all 5 members of the commission in accordance with subsection (c). ``(2) SUBSEQUENT CHAIR.--Of the 5 members appointed in accordance with subsection (c), the President shall appoint 1 member to serve as the subsequent Chair of the commission. ``(3) AUTHORITY.--The Chair shall be the principal executive officer of the commission, and shall exercise all of the executive and administrative functions of the commission, including with respect to-- ``(A) the appointment and supervision of personnel employed under the commission (other than personnel employed regularly and full time in the immediate offices of members of the commission other than the Chair); ``(B) the distribution of business among personnel appointed and supervised by the Chair and among administrative units of the commission; and ``(C) the use and expenditure of funds. ``(4) LIMITATION.--In carrying out any of the Chair's functions under the provisions of this subsection, the Chair shall be governed by general policies of the commission and by such regulatory decisions, findings, and determinations as the commission may by law be authorized to make. ``(5) REQUESTS OR ESTIMATES RELATED TO APPROPRIATIONS.-- Requests or estimates for regular, supplemental, or deficiency appropriations on behalf of the commission may not be submitted by the Chair without the prior approval of the commission. ``(6) DESIGNATION.--The Chair shall be known as both the `Chair of the commission' of the Bureau and the `Chair of the Bureau'. ``(f) INITIAL QUORUM ESTABLISHED.--For the 6 month period beginning on the date of enactment of this subsection, the first member and Chair of the commission described under subsection (e)(1) shall constitute a quorum for the transaction of business until the President has appointed all 5 members of the commission in accordance with subsection (c). Following such appointment of 5 members, the quorum requirements of subsection (g) shall apply. ``(g) NO IMPAIRMENT BY REASON OF VACANCIES.--No vacancy in the members of the commission after the establishment of an initial quorum under subsection (f) shall impair the right of the remaining members of the commission to exercise all the powers of the commission. Three members of the commission shall constitute a quorum for the transaction of business, except that if there are only 3 members serving on the commission because of vacancies in the commission, 2 members of the commission shall constitute a quorum for the transaction of business. If there are only 2 members serving on the commission because of vacancies in the commission, 2 members shall constitute a quorum for the 6-month period beginning on the date of the vacancy which caused the number of commission members to decline to 2. ``(h) SEAL.--The Bureau shall have an official seal. ``(i) COMPENSATION.-- ``(1) CHAIR.--The Chair shall receive compensation at the rate prescribed for level I of the Executive Schedule under section 5313 of title 5, United States Code. ``(2) OTHER MEMBERS OF THE COMMISSION.--The 4 other members of the commission shall each receive compensation at the rate prescribed for level II of the Executive Schedule under section 5314 of title 5, United States Code.''; (2) in section 1012(c)-- (A) in the heading, by striking ``AUTONOMY OF THE BUREAU'' and inserting ``COORDINATION WITH THE BOARD OF GOVERNORS''; (B) by striking ``(1) COORDINATION WITH THE BOARD OF GOVERNORS.--''; and (C) by striking paragraphs (2), (3), (4), and (5); and (3) in section 1014(b), by striking ``Not fewer than 6 members shall be appointed upon the recommendation of the regional Federal Reserve Bank Presidents, on a ***rotating*** basis.'' and inserting ``Not fewer than half of all members shall have private sector experience in the provision of consumer financial products and services.''. (b) DEEMING OF NAME.--Any reference in a law, regulation, document, paper, or other record of the United States to the Director of the Bureau of Consumer Financial Protection, except in subsection (e)(1) of section 1011 of the Consumer Financial Protection Act of 2010 (12 U.S.C 5491), as added by this Act, shall be deemed a reference to the commission leading and governing the Bureau of Consumer Financial Protection, as described under section 1011 of the Consumer Financial Protection Act of 2010. (c) CONFORMING AMENDMENTS.-- (1) CONSUMER FINANCIAL PROTECTION ACT OF 2010.-- (A) IN general.--Except as provided under subparagraph (B), the Consumer Financial Protection Act of 2010 (12 U.S.C 5481 et seq.) is amended-- (i) by striking ``Director of the Bureau'' each place such term appears, other than where such term is used to refer to a Director other than the Director of the Bureau of Consumer Financial Protection, and inserting ``Bureau''; (ii) by striking ``Director'' each place such term appears and inserting ``Bureau'', other than where such term is used to refer to a Director other than the Director of the Bureau of Consumer Financial Protection; and (iii) in section 1002, by striking paragraph (10). (B) EXCEPTIONS.-- (i) IN general.--The Consumer Financial Protection Act of 2010 (12 U.S.C 5481 et seq.) is amended-- (I) in section 1013(c)(3)-- (aa) by striking ``Assistant Director of the Bureau for'' and inserting ``Head of the Office of''; and (bb) in subparagraph (B), by striking ``Assistant Director'' and inserting ``Head of the Office''; (II) in section 1013(g)(2)-- (aa) by striking ``ASSISTANT DIRECTOR'' and inserting ``HEAD OF THE OFFICE''; and (bb) by striking ``an assistant director'' and inserting ``a Head of the Office of Financial Protection for Older Americans''; (III) in section 1016(a), by striking ``Director of the Bureau'' and inserting ``Chair of the Bureau''; and (IV) by striking section 1066. (ii) CLERICAL amendment.--The table of contents for the Dodd-Frank Wall Street Reform and Consumer Protection Act is amended by striking the item relating to section 1066. (2) DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT.--The Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C 5301 et seq.) is amended-- (A) in section 111(b)(1)(D), by striking ``Director'' and inserting ``Chair''; and (B) in section 1447, by striking ``Director of the Bureau'' each place such term appears and inserting ``Chair of the Bureau''. (3) ELECTRONIC FUND TRANSFER ACT.--Section 921(a)(4)(C) of the Electronic Fund Transfer Act (15 U.S.C 1693o- 2(a)(4)(C)), as added by section 1075(a)(2) of the Consumer Financial Protection Act of 2010, is amended by striking ``Director of the Bureau of Consumer Financial Protection'' and inserting ``Chair of the Bureau of Consumer Financial Protection''. (4) EXPEDITED FUNDS AVAILABILITY ACT.--The Expedited Funds Availability Act (12 U.S.C 4001 et seq.) is amended by striking ``Director of the Bureau'' each place such term appears and inserting ``Bureau''. (5) FEDERAL DEPOSIT INSURANCE ACT.--Section 2 of the Federal Deposit Insurance Act (12 U.S.C 1812) is amended by striking ``Director of the Consumer Financial Protection Bureau'' each place such term appears and inserting ``Chair of the Bureau of Consumer Financial Protection''. (6) FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL ACT OF 1978.-- [[Page H5567]] Section 1004(a)(4) of the Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C 3303(a)(4)) is amended by striking ``Director of the Consumer Financial Protection Bureau'' and inserting ``Chair of the Bureau of Consumer Financial Protection''. (7) FINANCIAL LITERACY AND EDUCATION IMPROVEMENT ACT.-- Section 513 of the Financial Literacy and Education Improvement Act (20 U.S.C 9702) is amended by striking ``Director'' each place such term appears and inserting ``Chair''. (8) HOME MORTGAGE DISCLOSURE ACT OF 1975.--Section 307 of the Home Mortgage Disclosure Act of 1975 (12 U.S.C 2806 et seq) is amended by striking ``Director of the Bureau of Consumer Financial Protection'' each place such term appears and inserting ``Bureau of Consumer Financial Protection''. (9) INTERSTATE LAND SALES FULL DISCLOSURE ACT.--The Interstate Land Sales Full Disclosure Act (15 U.S.C 1701 et seq) is amended-- (A) in section 1402-- (i) by striking paragraph (1); and (ii) by redesignating paragraphs (2) through (12) as paragraphs (1) through (11), respectively; (B) in section 1403(c)-- (i) by striking ``him'' and inserting ``the Bureau''; and (ii) by striking ``he'' and inserting ``the Bureau''; (C) in section 1407-- (i) in subsection (c), by striking ``he'' and inserting ``the Bureau''; and (ii) in subsection (e), by striking ``Director or anyone designated by him'' and inserting ``Bureau''; (D) in section 1411(a)-- (i) by striking ``his findings'' and inserting ``the findings of the Bureau''; and (ii) by striking ``his recommendation'' and inserting ``the recommendation of the Bureau''; (E) in section 1415-- (i) in subsection (a), by striking ``he may, in his discretion,'' and inserting ``the Bureau may, in the discretion of the Bureau,''; (ii) in subsection (b)-- (I) ) by striking ``in his discretion'' each place such term appears and inserting ``in the discretion of the Bureau''; (II) by striking ``he deems'' and inserting ``the Bureau determines''; and (III) by striking ``he may deem'' and inserting ``the Bureau may determine''; and (iii) in subsection (c), by striking ``the Director, or any officer designated by him,'' and inserting ``the Bureau''; (F) in section 1416(a)-- (i) by striking ``Director of the Bureau of Consumer Financial Protection who may delegate any of his'' and inserting ``Bureau of Consumer Financial Protection, which may delegate any''; (ii) by striking ``his administrative'' and inserting ``administrative''; and (iii) by striking ``himself'' and inserting ``the commission of the Bureau''; (G) in section 1418a(b)(4), by striking ``Secretary's determination'' and inserting ``determination of the Bureau''; and (H) by striking ``Director'' each place such term appears and inserting ``Bureau''. (10) REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974.-- Section 5 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C 2604) is amended-- (A) by striking ``The Director of the Bureau of Consumer Financial Protection (hereafter in this section referred to as the `Director')'' and inserting ``The Bureau of Consumer Financial Protection (hereafter in this section referred to as the `Bureau')''; and (B) by striking ``Director'' each place such term appears and inserting ``Bureau''. (11) S.A.F.E MORTGAGE LICENSING ACT OF 2008.--The S.A.F.E Mortgage Licensing Act of 2008 (12 U.S.C 5101 et seq.) is amended-- (A) by striking ``Director'' each place such term appears in headings and text and inserting ``Bureau of Consumer Financial Protection''; and (B) in section 1503, by striking paragraph (10). (12) TITLE 44, UNITED STATES CODE.--Section 3513(c) of title 44, United States Code, is amended by striking ``Director of the''. Sec. 503. None of the funds made available by this Act may be used to implement section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Consumer Product Safety Commission salaries and expenses For necessary expenses of the Consumer Product Safety Commission, including hire of passenger motor vehicles, services as authorized by 5 U.S.C 3109, but at rates for individuals not to exceed the per diem rate equivalent to the maximum rate payable under 5 U.S.C 5376, purchase of nominal awards to recognize non-Federal officials' contributions to Commission activities, and not to exceed $4,000 for official reception and representation expenses, $139,050,000, of which $2,500,000 shall remain available until expended, to carry out the program, including administrative costs, required by section 1405 of the Virginia Graeme Baker Pool and Spa Safety Act (Public Law 110-140; 15 U.S.C 8004), and of which $2,000,000 shall remain available until expended, to carry out the program, including administrative costs, required by section 204 of the Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022 (title II of division Q of Public Law 117-103). administrative provisions--consumer product safety commission Sec. 510. During fiscal year 2024, none of the amounts made available by this Act may be used to finalize or implement the Safety Standard for Recreational Off-Highway Vehicles published by the Consumer Product Safety Commission in the Federal Register on November 19, 2014 (79 Fed. Reg. 68964) until after-- (1) the National Academy of Sciences, in consultation with the National Highway Traffic Safety Administration and the Department of Defense, completes a study to determine-- (A) the technical validity of the lateral stability and vehicle handling requirements proposed by such standard for purposes of reducing the risk of Recreational Off-Highway Vehicle (referred to in this section as ``ROV'') rollovers in the off-road environment, including the repeatability and reproducibility of testing for compliance with such requirements; (B) the number of ROV rollovers that would be prevented if the proposed requirements were adopted; (C) whether there is a technical basis for the proposal to provide information on a point-of-sale hangtag about a ROV's rollover resistance on a progressive scale; and (D) the effect on the utility of ROVs used by the United States military if the proposed requirements were adopted; and (2) a report containing the results of the study completed under paragraph (1) is delivered to-- (A) the Committee on Commerce, Science, and Transportation of the Senate; (B) the Committee on Energy and Commerce of the House of Representatives; (C) the Committee on Appropriations of the Senate; and (D) the Committee on Appropriations of the House of Representatives. Sec. 511. None of the funds appropriated by this Act may be used by the Consumer Product Safety Commission to prohibit the use of or sale of gas-powered stoves, cooktops, ranges, or ovens in the United States. Election Assistance Commission salaries and expenses For necessary expenses to carry out the Help America Vote Act of 2002 (Public Law 107-252), $20,000,000, of which $1,500,000 shall be made available to the National Institute of Standards and Technology for election reform activities authorized under the Help America Vote Act of 2002. Federal Communications Commission salaries and expenses For necessary expenses of the Federal Communications Commission, as authorized by law, including uniforms and allowances therefor, as authorized by 5 U.S.C 5901-5902; not to exceed $4,000 for official reception and representation expenses; purchase and hire of motor vehicles; special counsel fees; and services as authorized by 5 U.S.C 3109, $381,950,000, to remain available until expended: Provided, That $381,950,000 of offsetting collections shall be assessed and collected pursuant to section 9 of title I of the Communications Act of 1934, shall be retained and used for necessary expenses and shall remain available until expended: Provided further, That the sum herein appropriated shall be reduced as such offsetting collections are received during fiscal year 2024 so as to result in a final fiscal year 2024 appropriation estimated at $0: Provided further, That any offsetting collections received in excess of $381,950,000 in fiscal year 2024 shall not be available for obligation: Provided further, That remaining offsetting collections from prior years collected in excess of the amount specified for collection in each such year and otherwise be coming available on October 1, 2023, shall not be available for obligation: Provided further, That, notwithstanding 47 U.S.C 309(j)(8)(B), proceeds from the use of a competitive bidding system that may be retained and made available for obligation shall not exceed $136,167,000 for fiscal year 2024: Provided further, That, of the amount appropriated under this heading, not less than $12,686,000 shall be for the salaries and expenses of the Office of Inspector General. administrative provisions--federal communications commission Sec. 520. Section 302 of the Universal Service Antideficiency Temporary Suspension Act is amended by striking ``December 31, 2023'' each place it appears and inserting ``December 31, 2024''. Sec. 521. None of the funds appropriated by this Act may be used by the Federal Communications Commission to modify, amend, or change its rules or regulations for universal service support payments to implement the February 27, 2004, recommendations of the Federal-State Joint Board on Universal Service regarding single connection or primary line restrictions on universal service support payments. Sec. 522. None of the funds made available by this Act may be used by the Federal Communications Commission or the Universal Service Administrative Company to update the currently applicable minimum service standards for fixed or mobile broadband Internet access services pursuant to 47 C.F.R Sec. 54.408 without further consideration through notice and comment rulemaking procedures of the impact these minimum standards have on affordability and consumer choice and to reduce the support level pursuant to 47 C.F.R Sec. 54.403(a)(2): Provided [[Page H5568]] further, That, the FCC shall consider through notice and comment rulemaking procedures the impact that the support level for voice service as set forth in 47 C.F.R Sec. 54.403(a)(2) has on low-income consumers' access to public safety. Federal Deposit Insurance Corporation office of the inspector general For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, $46,500,000, to be derived from the Deposit Insurance Fund or, only when appropriate, the FSLIC Resolution Fund. Federal Election Commission salaries and expenses For necessary expenses to carry out the provisions of the Federal Election Campaign Act of 1971, $74,500,000, of which not to exceed $5,000 shall be available for reception and representation expenses. Federal Labor Relations Authority salaries and expenses For necessary expenses to carry out functions of the Federal Labor Relations Authority, pursuant to Reorganization Plan Numbered 2 of 1978, and the Civil Service Reform Act of 1978, including services authorized by 5 U.S.C 3109, and including hire of experts and consultants, hire of passenger motor vehicles, and including official reception and representation expenses (not to exceed $1,500) and rental of conference rooms in the District of Columbia and elsewhere, $28,000,000: Provided, That public members of the Federal Service Impasses Panel may be paid travel expenses and per diem in lieu of subsistence as authorized by law (5 U.S.C 5703) for persons employed intermittently in the Government service, and compensation as authorized by 5 U.S.C 3109: Provided further, That, notwithstanding 31 U.S.C 3302, funds received from fees charged to non-Federal participants at labor-management relations conferences shall be credited to and merged with this account, to be available without further appropriation for the costs of carrying out these conferences. Federal Permitting Improvement Steering Council environmental review improvement fund For necessary expenses of the Environmental Review Improvement Fund established pursuant to section 41009(d) of Public Law 114-94, $9,775,000, to remain available until expended. Federal Trade Commission salaries and expenses For necessary expenses of the Federal Trade Commission, including uniforms or allowances therefor, as authorized by 5 U.S.C 5901-5902; services as authorized by 5 U.S.C 3109; hire of passenger motor vehicles; and not to exceed $2,000 for official reception and representation expenses, $376,530,000, to remain available until expended: Provided, That not to exceed $300,000 shall be available for use to contract with a person or persons for collection services in accordance with the terms of 31 U.S.C 3718: Provided further, That, not more than $165,000,000 shall be for the Bureau of Competition: Provided further, That, none of the funds made available to the Federal Trade Commission and used by the Bureau of Consumer Protection shall be reprogrammed to the Bureau of Competition: Provided further, That, notwithstanding any other provision of law, not to exceed $278,000,000 of offsetting collections derived from fees collected for premerger notification filings under the Hart- Scott-Rodino Antitrust Improvements Act of 1976 (15 U.S.C 18a), regardless of the year of collection, shall be retained and used for necessary expenses in this appropriation: Provided further, That, notwithstanding any other provision of law, not to exceed $14,000,000 in offsetting collections derived from fees to implement and enforce the Telemarketing Sales Rule, promulgated under the Telemarketing and Consumer Fraud and Abuse Prevention Act (15 U.S.C 6101 et seq.), shall be credited to this account, and be retained and used for necessary expenses in this appropriation: Provided further, That the sum herein appropriated from the general fund shall be reduced as such offsetting collections are received during fiscal year 2024 so as to result in a final fiscal year 2024 appropriation from the general fund estimated at no more than $84,530,000: Provided further, That none of the funds made available to the Federal Trade Commission may be used to implement subsection (e)(2)(B) of section 43 of the Federal Deposit Insurance Act (12 U.S.C 1831t). administrative provisions--federal trade commission Sec. 530. None of the funds appropriated by this Act may be used to finalize, implement or enforce the rulemaking entitled ``Motor Vehicle Dealers Trade Regulation Rule'' (87 Fed. Reg. 42012 (July 13, 2022)). Sec. 531. None of the funds in this Act may be used to finalize or enforce the ``Trade Regulation on the Use of Earnings Claims'' or the ``Review of the Business Opportunity Rule'' rulemakings without a clear statement of need or unless overlapping rulemaking and improvements in self- regulation and consumer protection of industries that would be impacted is considered. Sec. 532. None of the funds in this Act may be used to implement, administer, or enforce the July 9, 2021 Statement of the Commission on the Withdrawal of the Statement of Enforcement Principles Regarding 'Unfair Methods of Competition' under section 5 of the Federal Trade Commission Act. Sec. 533. None of the funds in this Act may be used to implement, administer, or enforce the October 25, 2021, Statement of the Commission on Use of Prior Approval Provisions in Merger Orders. General Services Administration real property activities federal buildings fund limitations on availability of revenue (including transfers of funds) Amounts in the Fund, including revenues and collections deposited into the Fund, shall be available for necessary expenses of real property management and related activities not otherwise provided for, including operation, maintenance, and protection of Federally owned and leased buildings; rental of buildings in the District of Columbia; restoration of leased premises; moving governmental agencies (including space adjustments and telecommunications relocation expenses) in connection with the assignment, allocation, and transfer of space; contractual services incident to cleaning or servicing buildings, and moving; repair and alteration of Federally owned buildings, including grounds, approaches, and appurtenances; care and safeguarding of sites; maintenance, preservation, demolition, and equipment; acquisition of buildings and sites by purchase, condemnation, or as otherwise authorized by law; acquisition of options to purchase buildings and sites; conversion and extension of Federally owned buildings; preliminary planning and design of projects by contract or otherwise; construction of new buildings (including equipment for such buildings); and payment of principal, interest, and any other obligations for public buildings acquired by installment purchase and purchase contract; in the aggregate amount of $9,297,817,000, of which-- (1) $28,290,000 shall remain available until expended for construction and acquisition (including funds for sites and expenses, and associated design and construction services), in addition to amounts otherwise provided for such purposes, the San Juan, Clemente Ruiz-Nazario U.S Courthouse and Federico Degetau Federal Building in Puerto Rico: Provided, That each of the foregoing limits of costs on construction and acquisition projects may be exceeded to the extent that savings are effected in other such projects, but not to exceed 20 percent of the amounts included in a transmitted prospectus, if required, unless advance approval is obtained from the Committees on Appropriations of the House of Representatives and the Senate of a greater amount; (2) $568,848,000 shall remain available until expended for repairs and alterations, including associated design and construction services, in addition to amounts otherwise provided for such purposes, of which-- (A) $106,405,000 is for Major Repairs and Alterations as follows: Kentucky: Paducah, Federal Building and U.S courthouse, $40,479,000; Oklahoma: Oklahoma City, William J. Holloway, Jr. U.S Courthouse and Post Office, $65,926,000; (B) $388,710,000 is for Basic Repairs and Alterations; and (C) $73,733,000 is for Special Emphasis Programs: Provided, That funds made available in this or any previous Act in the Federal Buildings Fund for Repairs and Alterations shall, for prospectus projects, be limited to the amount identified for each project, except each project in this or any previous Act may be increased by an amount not to exceed 20 percent unless advance approval is obtained from the Committees on Appropriations of the House of Representatives and the Senate of a greater amount: Provided further, That additional projects for which prospectuses have been fully approved may be funded under this category only if advance approval is obtained from the Committees on Appropriations of the House of Representatives and the Senate: Provided further, That the amounts provided in this or any prior Act for ``Repairs and Alterations'' may be used to fund costs associated with implementing security improvements to buildings necessary to meet the minimum standards for security in accordance with current law and in compliance with the reprogramming guidelines of the appropriate Committees of the House and Senate: Provided further, That the difference between the funds appropriated and expended on any projects in this or any prior Act, under the heading ``Repairs and Alterations'', may be transferred to ``Basic Repairs and Alterations'' or used to fund authorized increases in prospectus projects: Provided further, That the amount provided in this or any prior Act for ``Basic Repairs and Alterations'' may be used to pay claims against the Government arising from any projects under the heading ``Repairs and Alterations'' or used to fund authorized increases in prospectus projects; (3) $5,719,298,000 for rental of space to remain available until expended; and (4) $2,981,381,000 for building operations to remain available until expended: Provided, That the total amount of funds made available from this Fund to the General Services Administration shall not be available for expenses of any construction, repair, alteration and acquisition project for which a prospectus, if required by 40 U.S.C 3307(a), has not been approved, except that necessary [[Page H5569]] funds may be expended for each project for required expenses for the development of a proposed prospectus: Provided further, That funds available in the Federal Buildings Fund may be expended for emergency repairs when advance approval is obtained from the Committees on Appropriations of the House of Representatives and the Senate: Provided further, That amounts necessary to provide reimbursable special services to other agencies under 40 U.S.C 592(b)(2) and amounts to provide such reimbursable fencing, lighting, guard booths, and other facilities on private or other property not in Government ownership or control as may be appropriate to enable the United States Secret Service to perform its protective functions pursuant to 18 U.S.C 3056, shall be available from such revenues and collections: Provided further, That revenues and collections and any other sums accruing to this Fund during fiscal year 2024, excluding reimbursements under 40 U.S.C 592(b)(2), in excess of the aggregate new obligational authority authorized for Real Property Activities of the Federal Buildings Fund in this Act shall remain in the Fund and shall not be available for expenditure except as authorized in appropriations Acts. general activities government-wide policy For expenses authorized by law, not otherwise provided for, for Government-wide policy associated with the management of real and personal property assets and certain administrative services; Government-wide policy support responsibilities relating to acquisition, travel, motor vehicles, information technology management, and related technology activities; and services as authorized by 5 U.S.C 3109; and evaluation activities as authorized by statute; $68,720,000. operating expenses For expenses authorized by law, not otherwise provided for, for Government-wide activities associated with utilization and donation of surplus personal property; disposal of real property; agency-wide policy direction and management; and services as authorized by 5 U.S.C 3109; $50,955,000, of which not to exceed $7,500 is for official reception and representation expenses. civilian board of contract appeals For expenses authorized by law, not otherwise provided for, for the activities associated with the Civilian Board of Contract Appeals, $9,580,000, of which $2,000,000 shall remain available until expended. office of inspector general For necessary expenses of the Office of Inspector General and services as authorized by 5 U.S.C 3109, $69,000,000: Provided, That not to exceed $1,500,000 shall be available for information technology enhancements related to providing modern technology case management solutions: Provided further, That not to exceed $50,000 shall be available for payment for information and detection of fraud against the Government, including payment for recovery of stolen Government property: Provided further, That not to exceed $2,500 shall be available for awards to employees of other Federal agencies and private citizens in recognition of efforts and initiatives resulting in enhanced Office of Inspector General effectiveness. allowances and office staff for former presidents For carrying out the provisions of the Act of August 25, 1958 (3 U.S.C 102 note), and Public Law 95-138, $5,500,000. federal citizen services fund (including transfer of funds) For expenses authorized by 40 U.S.C 323 and 44 U.S.C 3604; and for expenses authorized by law, not otherwise provided for, in support of interagency projects that enable the Federal Government to enhance its ability to conduct activities electronically, through the development and implementation of innovative uses of information technology; $55,000,000, to be deposited into the Federal Citizen Services Fund: Provided, That the previous amount may be transferred to Federal agencies to carry out the purpose of the Federal Citizen Services Fund: Provided further, That the appropriations, revenues, reimbursements, and collections deposited into the Fund shall be available until expended for necessary expenses of Federal Citizen Services and other activities that enable the Federal Government to enhance its ability to conduct activities electronically in the aggregate amount not to exceed $150,000,000: Provided further, That appropriations, revenues, reimbursements, and collections accruing to this Fund during fiscal year 2024 in excess of such amount shall remain in the Fund and shall not be available for expenditure except as authorized in appropriations Acts: Provided further, That, of the total amount appropriated, up to $5,000,000 shall be available for support functions and full-time hires to support activities related to the Administration's requirements under title II of the Foundations for Evidence-Based Policymaking Act of 2018 (Public Law 115-435): Provided further, That the transfer authorities provided herein shall be in addition to any other transfer authority provided in this Act. pre-election presidential transition For activities authorized by the Presidential Transition Act of 1963, as amended, not to exceed $10,413,000, to remain available until September 30, 2025: Provided, That such amounts may be transferred to ``Acquisition Services Fund'' or ``Federal Buildings Fund'' to reimburse obligations incurred for the purposes provided herein in fiscal years 2023 and 2024: Provided further, That amounts made available under this heading shall be in addition to any other amounts available for such purposes. asset proceeds and space management fund For carrying out section 16(b) of the Federal Assets Sale and Transfer Act of 2016 (40 U.S.C 1303 note), $4,000,000, to remain available until expended. working capital fund (including transfer of funds) For the Working Capital Fund of the General Services Administration, $4,000,000, to remain available until expended, for necessary costs incurred by the Administrator to modernize rulemaking systems and to provide support services for Federal rulemaking agencies. administrative provisions--general services administration (including transfer of funds) Sec. 540. Funds available to the General Services Administration shall be available for the hire of passenger motor vehicles. Sec. 541. Funds in the Federal Buildings Fund made available for fiscal year 2024 for Federal Buildings Fund activities may be transferred between such activities only to the extent necessary to meet program requirements: Provided, That any proposed transfers shall be approved in advance by the Committees on Appropriations of the House of Representatives and the Senate. Sec. 542. Except as otherwise provided in this title, funds made available by this Act shall be used to transmit a fiscal year 2025 request for United States Courthouse construction only if the request: (1) meets the design guide standards for construction as established and approved by the General Services Administration, the Judicial Conference of the United States, and the Office of Management and Budget; (2) reflects the priorities of the Judicial Conference of the United States as set out in its approved Courthouse Project Priorities plan; and (3) includes a standardized courtroom utilization study of each facility to be constructed, replaced, or expanded. Sec. 543. None of the funds provided in this Act may be used to increase the amount of occupiable square feet, provide cleaning services, security enhancements, or any other service usually provided through the Federal Buildings Fund, to any agency that does not pay the rate per square foot assessment for space and services as determined by the General Services Administration in consideration of the Public Buildings Amendments Act of 1972 (Public Law 92-313). Sec. 544. From funds made available under the heading ``Federal Buildings Fund, Limitations on Availability of Revenue'', claims against the Government of less than $250,000 arising from direct construction projects and acquisition of buildings may be liquidated from savings effected in other construction projects with prior notification to the Committees on Appropriations of the House of Representatives and the Senate. Sec. 545. In any case in which the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate adopt a resolution granting lease authority pursuant to a prospectus transmitted to Congress by the Administrator of the General Services Administration under 40 U.S.C 3307, the Administrator shall ensure that the delineated area of procurement is identical to the delineated area included in the prospectus for all lease agreements, except that, if the Administrator determines that the delineated area of the procurement should not be identical to the delineated area included in the prospectus, the Administrator shall provide an explanatory statement to each of such committees and the Committees on Appropriations of the House of Representatives and the Senate prior to exercising any lease authority provided in the resolution. Sec. 546. With respect to projects funded under the heading ``Federal Citizen Services Fund'', the Administrator of General Services shall submit a spending plan and explanation for each project to be undertaken to the Committees on Appropriations of the House of Representatives and the Senate not later than 60 days after the date of enactment of this Act. Sec. 547. (a) None of the funds made available by this Act for the General Services Administration or any other Federal agency may be obligated or expended for the leasing of facilities for temporary or permanent use by the United States Space Command for headquarters operations until the report required under subsection (b) is submitted. (b) The Administrator of the General Services Administration, in coordination with the Secretary of the Air Force, shall submit to the Committees on Appropriations of the House of Representatives and the Senate a report on all leased facilities associated with the United States Space Command headquarters. Harry S Truman Scholarship Foundation salaries and expenses For payment to the Harry S Truman Scholarship Foundation Trust Fund, established by section 10 of Public Law 93-642, $2,500,000, to remain available until expended. [[Page H5570]] Merit Systems Protection Board salaries and expenses (including transfer of funds) For necessary expenses to carry out functions of the Merit Systems Protection Board pursuant to Reorganization Plan Numbered 2 of 1978, the Civil Service Reform Act of 1978, and the Whistleblower Protection Act of 1989 (5 U.S.C 5509 note), including services as authorized by 5 U.S.C 3109, rental of conference rooms in the District of Columbia and elsewhere, hire of passenger motor vehicles, direct procurement of survey printing, and not to exceed $2,000 for official reception and representation expenses, $47,000,000, to remain available until September 30, 2025, and in addition not to exceed $2,345,000, to remain available until September 30, 2025, for administrative expenses to adjudicate retirement appeals to be transferred from the Civil Service Retirement and Disability Fund in amounts determined by the Merit Systems Protection Board. Morris K. Udall and Stewart L. Udall Foundation morris k. udall and stewart l. udall trust fund (including transfer of funds) For payment to the Morris K. Udall and Stewart L. Udall Foundation, pursuant to the Morris K. Udall and Stewart L. Udall Foundation Act (20 U.S.C 5601 et seq.), $1,800,000, to remain available for direct expenditure until expended, of which, notwithstanding sections 8 and 9 of such Act, up to $1,000,000 shall be available to carry out the activities authorized by section 6(7) of Public Law 102-259 and section 817(a) of Public Law 106-568 (20 U.S.C 5604(7)): Provided, That all current and previous amounts transferred to the Office of Inspector General of the Department of the Interior will remain available until expended for audits and investigations of the Morris K. Udall and Stewart L. Udall Foundation, consistent with the Inspector General Act of 1978, as amended, and for annual independent financial audits of the Morris K. Udall and Stewart L. Udall Foundation pursuant to the Accountability of Tax Dollars Act of 2002 (Public Law 107-289): Provided further, That previous amounts transferred to the Office of Inspector General of the Department of the Interior may be transferred to the Morris K. Udall and Stewart L. Udall Foundation for annual independent financial audits pursuant to the Accountability of Tax Dollars Act of 2002 (Public Law 107-289). environmental dispute resolution fund For payment to the Environmental Dispute Resolution Fund to carry out activities authorized in the Environmental Policy and Conflict Resolution Act of 1998, $3,296,000, to remain available until expended. National Archives and Records Administration operating expenses For necessary expenses in connection with the administration of the National Archives and Records Administration and archived Federal records and related activities, as provided by law, and for expenses necessary for the review and declassification of documents, the activities of the Public Interest Declassification Board, the operations and maintenance of the electronic records archives, the hire of passenger motor vehicles, and for uniforms or allowances therefor, as authorized by law (5 U.S.C 5901), including maintenance, repairs, and cleaning, $427,250,000, of which $30,000,000 shall remain available until expended for expenses necessary to enhance the Federal Government's ability to electronically preserve, manage, and store Government records. office of inspector general For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Reform Act of 2008, Public Law 110-409, 122 Stat. 4302-16 (2008), and the Inspector General Act of 1978, and for the hire of passenger motor vehicles, $6,400,000. repairs and restoration For the repair, alteration, and improvement of archives facilities, and museum exhibits, related equipment for public spaces, and to provide adequate storage for holdings, $8,000,000, to remain available until expended. national historical publications and records commission grants program For necessary expenses for allocations and grants for historical publications and records as authorized by 44 U.S.C 2504, $10,000,000, to remain available until expended. National Credit Union Administration community development revolving loan fund For the Community Development Revolving Loan Fund program as authorized by 42 U.S.C 9812, 9822, and 9910, $3,500,000 shall be available until September 30, 2024, for technical assistance to low-income designated credit unions. Office of Government Ethics salaries and expenses For necessary expenses to carry out functions of the Office of Government Ethics pursuant to the chapter 131 of tile 5, United States Code, the Ethics Reform Act of 1989, and the Representative Louise McIntosh Slaughter Stop Trading on Congressional Knowledge Act of 2012, including services as authorized by 5 U.S.C 3109, rental of conference rooms in the District of Columbia and elsewhere, hire of passenger motor vehicles, and not to exceed $1,500 for official reception and representation expenses, $22,377,000. Office of Personnel Management salaries and expenses (including transfers of trust funds) For necessary expenses to carry out functions of the Office of Personnel Management (OPM) pursuant to Reorganization Plan Numbered 2 of 1978 and the Civil Service Reform Act of 1978, including services as authorized by 5 U.S.C 3109; medical examinations performed for veterans by private physicians on a fee basis; rental of conference rooms in the District of Columbia and elsewhere; hire of passenger motor vehicles; not to exceed $2,500 for official reception and representation expenses; and payment of per diem and/or subsistence allowances to employees where Voting Rights Act activities require an employee to remain overnight at his or her post of duty, $164,934,000: Provided, That of the total amount made available under this heading, $1,167,805 may be made available for strengthening the capacity and capabilities of the acquisition workforce (as defined by the Office of Federal Procurement Policy Act, as amended (41 U.S.C 4001 et seq.)), including the recruitment, hiring, training, and retention of such workforce and information technology in support of acquisition workforce effectiveness or for management solutions to improve acquisition management; and in addition $174,714,000 for administrative expenses, to be transferred from the appropriate trust funds of OPM without regard to other statutes, including direct procurement of printed materials, for the retirement and insurance programs: Provided further, That the provisions of this appropriation shall not affect the authority to use applicable trust funds as provided by sections 8348(a)(1)(B), 8958(f)(2)(A), 8988(f)(2)(A), and 9004(f)(2)(A) of title 5, United States Code: Provided further, That no part of this appropriation shall be available for salaries and expenses of the Legal Examining Unit of OPM established pursuant to Executive Order No. 9358 of July 1, 1943, or any successor unit of like purpose: Provided further, That the President's Commission on White House Fellows, established by Executive Order No. 11183 of October 3, 1964, may, during fiscal year 2024, accept donations of money, property, and personal services: Provided further, That such donations, including those from prior years, may be used for the development of publicity materials to provide information about the White House Fellows, except that no such donations shall be accepted for travel or reimbursement of travel expenses, or for the salaries of employees of such Commission: Provided further, That not to exceed 5 percent of amounts made available under this heading may be transferred to an information technology working capital fund established for purposes authorized by subtitle G of title X of division A of the National Defense Authorization Act for Fiscal Year 2018 (Public Law 115-91; 40 U.S.C 11301 note): Provided further, That the OPM Director shall notify, and receive approval from, the Committees on Appropriations of the House of Representatives and the Senate at least 15 days in advance of any transfer under the preceding proviso: Provided further, That amounts transferred to such a fund under such transfer authority from any organizational category of OPM shall not exceed 5 percent of each such organizational category's budget as identified in the report required by section 608 of this Act: Provided further, That amounts transferred to such a fund shall remain available for obligation through September 30, 2027. office of inspector general salaries and expenses (including transfer of trust funds) For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, including services as authorized by 5 U.S.C 3109, hire of passenger motor vehicles, $5,150,000, and in addition, not to exceed $28,083,000 for administrative expenses to audit, investigate, and provide other oversight of the Office of Personnel Management's retirement and insurance programs, to be transferred from the appropriate trust funds of the Office of Personnel Management, as determined by the Inspector General: Provided, That the Inspector General is authorized to rent conference rooms in the District of Columbia and elsewhere. Office of Special Counsel salaries and expenses For necessary expenses to carry out functions of the Office of Special Counsel, including services as authorized by 5 U.S.C 3109, payment of fees and expenses for witnesses, rental of conference rooms in the District of Columbia and elsewhere, and hire of passenger motor vehicles, $31,904,000. Privacy and Civil Liberties Oversight Board salaries and expenses For necessary expenses of the Privacy and Civil Liberties Oversight Board, as authorized by section 1061 of the Intelligence Reform and Terrorism Prevention Act of 2004 (42 U.S.C 2000ee), $13,700,000, to remain available until September 30, 2025. Public Buildings Reform Board salaries and expenses For salaries and expenses of the Public Buildings Reform Board in carrying out the [[Page H5571]] Federal Assets Sale and Transfer Act of 2016 (Public Law 114- 287), $3,605,000, to remain available until expended. Securities and Exchange Commission salaries and expenses For necessary expenses for the Securities and Exchange Commission, including services as authorized by 5 U.S.C 3109, the rental of space (to include multiple year leases) in the District of Columbia and elsewhere, and not to exceed $3,500 for official reception and representation expenses, $1,999,663,000, to remain available until expended; of which not less than $20,050,000 shall be for the Office of Inspector General; of which not to exceed $275,000 shall be available for a permanent secretariat for the International Organization of Securities Commissions; and of which not to exceed $100,000 shall be available for expenses for consultations and meetings hosted by the Commission with foreign governmental and other regulatory officials, members of their delegations and staffs to exchange views concerning securities matters, such expenses to include necessary logistic and administrative expenses and the expenses of Commission staff and foreign invitees in attendance including: (1) incidental expenses such as meals; (2) travel and transportation; and (3) related lodging or subsistence; and of which not more than $644,719,000 shall be for the Division of Enforcement. In addition to the foregoing appropriation, for move, replication, and related costs associated with a replacement lease for the Commission's District of Columbia headquarters facilities, not to exceed $25,243,000, to remain available until expended; and for move, replication, and related costs associated with a replacement lease for the Commission's Atlanta Office facilities, not to exceed $14,415,000, to remain available until expended. For purposes of calculating the fee rate under section 31(j) of the Securities Exchange Act of 1934 (15 U.S.C 78ee(j)) for fiscal year 2024, all amounts appropriated under this heading shall be deemed to be the regular appropriation to the Commission for fiscal year 2024: Provided, That fees and charges authorized by section 31 of the Securities Exchange Act of 1934 (15 U.S.C 78ee) shall be credited to this account as offsetting collections: Provided further, That not to exceed $1,999,663,000 of such offsetting collections shall be available until expended for necessary expenses of this account; not to exceed $25,243,000 of such offsetting collections shall be available until expended for move, replication, and related costs under this heading associated with a replacement lease for the Commission's District of Columbia headquarters facilities; and not to exceed $14,415,000 of such offsetting collections shall be available until expended for move, replication, and related costs under this heading associated with a replacement lease for the Commission's Atlanta Office facilities: Provided further, That the total amount appropriated under this heading from the general fund for fiscal year 2024 shall be reduced as such offsetting fees are received so as to result in a final total fiscal year 2024 appropriation from the general fund estimated at not more than $0: Provided further, That if any amount of the appropriation for move, replication, and related costs associated with a replacement lease for the Commission's District of Columbia headquarters facilities or if any amount of the appropriation for move, replication, and related costs associated with a replacement lease for the Commission's Atlanta Regional Office facilities is subsequently de-obligated by the Commission, such amount that was derived from the general fund shall be returned to the general fund, and such amounts that were derived from fees or assessments collected for such purpose shall be paid to each national securities exchange and national securities association, respectively, in proportion to any fees or assessments paid by such national securities exchange or national securities association under section 31 of the Securities Exchange Act of 1934 (15 U.S.C 78ee) in fiscal year 2024. administrative provisions--securities and exchange commission Sec. 550. None of the funds made available in this Act may be used to finalize, implement, or enforce the proposed rule entitled ``The Enhancement and Standardization of Climate- Related Disclosures for Investors'' (87 Fed. Reg. 21334 (April 11, 2022)) or any substantially similar rule. Sec. 551. None of the funds made available in this Act may be used to finalize, implement, or enforce the rulemaking entitled ``Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting'' (87 Fed. Reg. 77172 (December 16, 2022)). Sec. 552. None of the funds made available by this Act may be used to finalize, implement, or enforce the rulemaking entitled ``Regulation Best Execution'', ``Order Competition Rule'', and ``Regulation NMS: Minimum Pricing Increments, Access Fees, and Transparency of Better Priced Order''. Sec. 553. None of the funds made available by this Act may be used by the Commission to compel a private company to make a public offering under the Securities Act of 1933 by amending the ``held of record'' definition under section 12(g)(1) of the Securities Exchange Act of 1934. Sec. 554. None of the funds made available by Act may be used by the Securities and Exchange Commission to finalize, implement, or enforce the rulemaking entitled ``Safeguarding Advisory Client Assets'' (88 Fed. Reg. 14672 (March 9, 2023)). Sec. 555. (a) None of the funds made available by this Act may be used, during the 270-day period beginning on the date of enactment of this Act, to collect, or implement any program that would collect, retail investor personally identifiable information (in this section referred to as ``PII'') by the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Consolidated Audit Trail, LLC, Customer Account Information System, or any other legal entity under Securities and Exchange Committee Rule 613. (b) The Comptroller General of the United States shall submit a report to Congress, not later than 270 days after the date of the enactment of this Act, on analysis of-- (1) the privacy concerns, the constitutionality, and the current law in the Federal judicial circuits and the Supreme Court regarding the legality of the collection of retail investor PII by a regulator without any evidence of wrongdoing; and (2) whether Congress has given the SEC the implicit or explicit statutory authority to create a national database that collects the PII of retail investors. Sec. 556. None of the funds made available by this Act may be used to finalize, implement, or enforce the rulemaking entitled ``Amendments Regarding the Definition of ``Exchange'' and Alternative Trading Systems (ATSs) That Trade U.S Treasury and Agency Securities, National Market System (NMS) Stocks, and Other Securities''. Selective Service System salaries and expenses For necessary expenses of the Selective Service System, including expenses of attendance at meetings and of training for uniformed personnel assigned to the Selective Service System, as authorized by 5 U.S.C 4101-4118 for civilian employees; hire of passenger motor vehicles; services as authorized by 5 U.S.C 3109; and not to exceed $1,000 for official reception and representation expenses; $31,300,000: Provided, That during the current fiscal year, the President may exempt this appropriation from the provisions of 31 U.S.C 1341, whenever the President deems such action to be necessary in the interest of national defense: Provided further, That none of the funds appropriated by this Act may be expended for or in connection with the induction of any person into the Armed Forces of the United States. Small Business Administration salaries and expenses For necessary expenses, not otherwise provided for, of the Small Business Administration, including hire of passenger motor vehicles as authorized by sections 1343 and 1344 of title 31, United States Code, and not to exceed $3,500 for official reception and representation expenses, $278,378,000, of which not less than $15,000,000 shall be available for examinations, reviews, and other lender oversight activities: Provided, That the Administrator is authorized to charge fees to cover the cost of publications developed by the Small Business Administration, and certain loan program activities, including fees authorized by section 5(b) of the Small Business Act: Provided further, That, notwithstanding 31 U.S.C 3302, revenues received from all such activities shall be credited to this account, to remain available until expended, for carrying out these purposes without further appropriations: Provided further, That the Small Business Administration may accept gifts in an amount not to exceed $4,000,000 and may co-sponsor activities, each in accordance with section 132(a) of division K of Public Law 108-447, during fiscal year 2024: Provided further, That $6,100,000 shall be available for the Loan Modernization and Accounting System, to be available until September 30, 2024: Provided further, That $20,500,000 shall be available for costs associated with the certification of small business concerns owned and controlled by veterans or service-disabled veterans under sections 36A and 36 of the Small Business Act (15 U.S.C 657f-1; 657f), respectively, and section 862 of Public Law 116-283, to be available until September 30, 2024. entrepreneurial development programs For necessary expenses of programs supporting entrepreneurial and small business development, $299,250,000, to remain available until September 30, 2024: Provided, That $140,000,000 shall be available to fund grants for performance in fiscal year 2024 or fiscal year 2025 as authorized by section 21 of the Small Business Act: Provided further, That $41,000,000 shall be for marketing, management, and technical assistance under section 7(m) of the Small Business Act (15 U.S.C 636(m)(4)) by intermediaries that make microloans under the microloan program: Provided further, That $20,000,000 shall be available for grants to States to carry out export programs that assist small business concerns authorized under section 22(l) of the Small Business Act (15 U.S.C 649(l)). office of inspector general For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, $32,020,000. office of advocacy For necessary expenses of the Office of Advocacy in carrying out the provisions of title II of Public Law 94-305 (15 U.S.C 634a et seq.) and the Regulatory Flexibility Act of 1980 (5 [[Page H5572]] U.S.C 601 et seq.), $9,466,000, to remain available until expended. business loans program account (including transfer of funds) For the cost of direct loans, $6,000,000, to remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That subject to section 502 of the Congressional Budget Act of 1974, during fiscal year 2024 commitments to guarantee loans under section 503 of the Small Business Investment Act of 1958 and commitments for loans authorized under subparagraph (C) of section 502(7) of the Small Business Investment Act of 1958 (15 U.S.C 696(7)) shall not exceed, in the aggregate, $12,500,000,000: Provided further, That during fiscal year 2024 commitments for general business loans authorized under paragraphs (1) through (35) of section 7(a) of the Small Business Act shall not exceed $32,500,000,000 for a combination of amortizing term loans and the aggregated maximum line of credit provided by revolving loans: Provided further, That during fiscal year 2024 commitments to guarantee loans for debentures under section 303(b) of the Small Business Investment Act of 1958 shall not exceed $5,000,000,000: Provided further, That during fiscal year 2024, guarantees of trust certificates authorized by section 5(g) of the Small Business Act shall not exceed a principal amount of $15,000,000,000. In addition, for administrative expenses to carry out the direct and guaranteed loan programs, $163,000,000, which may be transferred to and merged with the appropriations for Salaries and Expenses. disaster loans program account (including transfers of funds) For administrative expenses to carry out the direct loan program authorized by section 7(b) of the Small Business Act, $178,000,000, to be available until expended, of which $1,600,000 is for the Office of Inspector General of the Small Business Administration for audits and reviews of disaster loans and the disaster loan programs and shall be transferred to and merged with the appropriations for the Office of Inspector General; of which $168,000,000 is for direct administrative expenses of loan making and servicing to carry out the direct loan program, which may be transferred to and merged with the appropriations for Salaries and Expenses; and of which $8,400,000 is for indirect administrative expenses for the direct loan program, which may be transferred to and merged with the appropriations for Salaries and Expenses: Provided, That, of the funds provided under this heading, $143,000,000 shall be for major disasters declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C 5122(2)): Provided further, That the amount for major disasters under this heading is designated by the Congress as being for disaster relief pursuant to section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of 1985. administrative provisions--small business administration (including transfers of funds) Sec. 560. Not to exceed 5 percent of any appropriation made available for the current fiscal year for the Small Business Administration in this Act may be transferred between such appropriations, but no such appropriation shall be increased by more than 10 percent by any such transfers: Provided, That any transfer pursuant to this paragraph shall be treated as a reprogramming of funds under section 608 of this Act and shall not be available for obligation or expenditure except in compliance with the procedures set forth in that section. Sec. 561. Not to exceed 3 percent of any appropriation made available in this Act for the Small Business Administration under the headings ``Salaries and Expenses'' and ``Business Loans Program Account'' may be transferred to the Administration's information technology system modernization and working capital fund (IT WCF), as authorized by section 1077(b)(1) of title X of division A of the National Defense Authorization Act for Fiscal Year 2018, for the purposes specified in section 1077(b)(3) of such Act, upon the advance approval of the Committees on Appropriations of the House of Representatives and the Senate: Provided, That amounts transferred to the IT WCF under this section shall remain available for obligation through September 30, 2027. Sec. 562. None of the funds made available by this Act may be used to carry out an enforcement action against a recipient of Federal assistance for a major disaster or emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C 5121 et seq.) in any case in which such recipient-- (1) is unable to make monthly repayments for a duplication of benefits under section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C 5155); and (2) has not yet received Community Development Block Grant funds for which such recipient is eligible. Sec. 563. None of the funds made available in this Act may be used by the Small Business Administration to further fund or transfer funds to the Community Navigator Pilot Program established under section 5004 of the American Rescue Plan Act of 2021 (15 U.S.C 9013). Sec. 564. None of the funds made available in this Act may be used by the Small Business Administration to fund climate change initiatives. United States Postal Service payment to the postal service fund For payment to the Postal Service Fund for revenue forgone on free and reduced rate mail, pursuant to subsections (c) and (d) of section 2401 of title 39, United States Code, $35,424,000: Provided, That mail for overseas voting and mail for the blind shall continue to be free: Provided further, That none of the funds made available to the Postal Service by this Act shall be used to implement any rule, regulation, or policy of charging any officer or employee of any State or local child support enforcement agency, or any individual participating in a State or local program of child support enforcement, a fee for information requested or provided concerning an address of a postal customer: Provided further, That none of the funds provided in this Act shall be used to consolidate or close small rural and other small post offices: Provided further, That the Postal Service may not destroy, and shall continue to offer for sale, any copies of the Multinational Species Conservation Funds Semipostal Stamp, as authorized under the Multinational Species Conservation Funds Semipostal Stamp Act of 2010 (Public Law 111-241). office of inspector general salaries and expenses (including transfer of funds) For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, $274,467,000, to be derived by transfer from the Postal Service Fund and expended as authorized by section 603(b)(3) of the Postal Accountability and Enhancement Act (Public Law 109-435). United States Tax Court salaries and expenses (including transfer of funds) For necessary expenses, including contract reporting and other services as authorized by 5 U.S.C 3109, and not to exceed $3,000 for official reception and representation expenses, $46,375,000, of which $1,000,000 shall remain available until expended: Provided, That the amount made available under 26 U.S.C 7475 shall be transferred and added to any amounts available under 26 U.S.C 7473, to remain available until expended, for the operation and maintenance of the United States Tax Court: Provided further, That travel expenses of the judges shall be paid upon the written certificate of the judge. TITLE VI GENERAL PROVISIONS--THIS ACT (including rescission of funds) Sec. 601. None of the funds in this Act shall be used for the planning or execution of any program to pay the expenses of, or otherwise compensate, non-Federal parties intervening in regulatory or adjudicatory proceedings funded in this Act. Sec. 602. None of the funds appropriated in this Act shall remain available for obligation beyond the current fiscal year, nor may any be transferred to other appropriations, except for transfers made pursuant to the authority in section 3173(d) of title 40, United States Code, unless expressly so provided herein. Sec. 603. The expenditure of any appropriation under this Act for any consulting service through procurement contract pursuant to 5 U.S.C 3109, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law. Sec. 604. None of the funds made available in this Act may be transferred to any department, agency, or instrumentality of the United States Government, except pursuant to a transfer made by, or transfer authority provided in, this Act or any other appropriations Act. Sec. 605. None of the funds made available by this Act shall be available for any activity or for paying the salary of any Government employee where funding an activity or paying a salary to a Government employee would result in a decision, determination, rule, regulation, or policy that would prohibit the enforcement of section 307 of the Tariff Act of 1930 (19 U.S.C 1307). Sec. 606. No funds appropriated pursuant to this Act may be expended by an entity unless the entity agrees that in expending the assistance the entity will comply with chapter 83 of title 41, United States Code. Sec. 607. No funds appropriated or otherwise made available under this Act shall be made available to any person or entity that has been convicted of violating chapter 83 of title 41, United States Code. Sec. 608. Except as otherwise provided in this Act, none of the funds provided in this Act, provided by previous appropriations Acts to the agencies or entities funded in this Act that remain available for obligation or expenditure in fiscal year 2024, or provided from any accounts in the Treasury derived by the collection of fees and available to the agencies funded by this Act, shall be available for obligation or expenditure through a reprogramming of funds that: (1) creates a new program; (2) eliminates a program, project, or activity; (3) increases funds or personnel for any program, project, or activity for which funds have been denied or restricted by the Congress; (4) proposes to use [[Page H5573]] funds directed for a specific activity by the Committee on Appropriations of either the House of Representatives or the Senate for a different purpose; (5) augments existing programs, projects, or activities in excess of $5,000,000 or 10 percent, whichever is less; (6) reduces existing programs, projects, or activities by $5,000,000 or 10 percent, whichever is less; or (7) creates or reorganizes offices, programs, or activities unless prior approval is received from the Committees on Appropriations of the House of Representatives and the Senate: Provided, That prior to any significant reorganization, restructuring, relocation, or closing of offices, programs, or activities, each agency or entity funded in this Act shall consult with the Committees on Appropriations of the House of Representatives and the Senate: Provided further, That not later than 60 days after the date of enactment of this Act, each agency funded by this Act shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate to establish the baseline for application of reprogramming and transfer authorities for the current fiscal year: Provided further, That at a minimum the report shall include: (1) a table for each appropriation, detailing both full-time employee equivalents and budget authority, with separate columns to display the prior year enacted level, the President's budget request, adjustments made by Congress, adjustments due to enacted rescissions, if appropriate, and the fiscal year enacted level; (2) a delineation in the table for each appropriation and its respective prior year enacted level by object class and program, project, and activity as detailed in this Act, in the accompanying report, or in the budget appendix for the respective appropriation, whichever is more detailed, and which shall apply to all items for which a dollar amount is specified and to all programs for which new budget authority is provided, as well as to discretionary grants and discretionary grant allocations; and (3) an identification of items of special congressional interest: Provided further, That the amount appropriated or limited for salaries and expenses for an agency shall be reduced by $100,000 per day for each day after the required date that the report has not been submitted to the Congress. Sec. 609. Except as otherwise specifically provided by law, not to exceed 50 percent of unobligated balances remaining available at the end of fiscal year 2024 from appropriations made available for salaries and expenses for fiscal year 2024 in this Act, shall remain available through September 30, 2025, for each such account for the purposes authorized: Provided, That a request shall be submitted to the Committees on Appropriations of the House of Representatives and the Senate for approval prior to the expenditure of such funds: Provided further, That these requests shall be made in compliance with reprogramming guidelines. Sec. 610. (a) None of the funds made available in this Act may be used by the Executive Office of the President to request-- (1) any official background investigation report on any individual from the Federal Bureau of Investigation; or (2) a determination with respect to the treatment of an organization as described in section 501(c) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code from the Department of the Treasury or the Internal Revenue Service. (b) Subsection (a) shall not apply-- (1) in the case of an official background investigation report, if such individual has given express written consent for such request not more than 6 months prior to the date of such request and during the same presidential administration; or (2) if such request is required due to extraordinary circumstances involving national security. Sec. 611. The cost accounting standards promulgated under chapter 15 of title 41, United States Code shall not apply with respect to a contract under the Federal Employees Health Benefits Program established under chapter 89 of title 5, United States Code. Sec. 612. For the purpose of resolving litigation and implementing any settlement agreements regarding the nonforeign area cost-of-living allowance program, the Office of Personnel Management may accept and utilize (without regard to any restriction on unanticipated travel expenses imposed in an appropriations Act) funds made available to the Office of Personnel Management pursuant to court approval. Sec. 613. No funds appropriated by this Act shall be available to pay for an abortion, or the administrative expenses in connection with any health plan under the Federal employees health benefits program which provides any benefits or coverage for abortions. Sec. 614. The provision of section 613 shall not apply where the life of the mother would be endangered if the fetus were carried to term, or the pregnancy is the result of an act of rape or incest. Sec. 615. In order to promote Government access to commercial information technology, the restriction on purchasing nondomestic articles, materials, and supplies set forth in chapter 83 of title 41, United States Code (popularly known as the Buy American Act), shall not apply to the acquisition by the Federal Government of information technology (as defined in section 11101 of title 40, United States Code), that is a commercial item (as defined in section 103 of title 41, United States Code). Sec. 616. Notwithstanding section 1353 of title 31, United States Code, no officer or employee of any regulatory agency or commission funded by this Act may accept on behalf of that agency, nor may such agency or commission accept, payment or reimbursement from a non-Federal entity for travel, subsistence, or related expenses for the purpose of enabling an officer or employee to attend and participate in any meeting or similar function relating to the official duties of the officer or employee when the entity offering payment or reimbursement is a person or entity subject to regulation by such agency or commission, or represents a person or entity subject to regulation by such agency or commission, unless the person or entity is an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code. Sec. 617. (a)(1) Notwithstanding any other provision of law, an Executive agency covered by this Act otherwise authorized to enter into contracts for either leases or the construction or alteration of real property for office, meeting, storage, or other space must consult with the General Services Administration before issuing a solicitation for offers of new leases or construction contracts, and in the case of succeeding leases, before entering into negotiations with the current lessor. (2) Any such agency with authority to enter into an emergency lease may do so during any period declared by the President to require emergency leasing authority with respect to such agency. (b) For purposes of this section, the term ``Executive agency covered by this Act'' means any Executive agency provided funds by this Act, but does not include the General Services Administration or the United States Postal Service. Sec. 618. (a) There are appropriated for the following activities the amounts required under current law: (1) Compensation of the President (3 U.S.C 102). (2) Payments to-- (A) the Judicial Officers' Retirement Fund (28 U.S.C 377(o)); (B) the Judicial Survivors' Annuities Fund (28 U.S.C 376(c)); and (C) the United States Court of Federal Claims Judges' Retirement Fund (28 U.S.C 178(l)). (3) Payment of Government contributions-- (A) with respect to the health benefits of retired employees, as authorized by chapter 89 of title 5, United States Code, and the Retired Federal Employees Health Benefits Act (74 Stat. 849); and (B) with respect to the life insurance benefits for employees retiring after December 31, 1989 (5 U.S.C ch. 87). (4) Payment to finance the unfunded liability of new and increased annuity benefits under the Civil Service Retirement and Disability Fund (5 U.S.C 8348). (5) Payment of annuities authorized to be paid from the Civil Service Retirement and Disability Fund by statutory provisions other than subchapter III of chapter 83 or chapter 84 of title 5, United States Code. (b) Nothing in this section may be construed to exempt any amount appropriated by this section from any otherwise applicable limitation on the use of funds contained in this Act. Sec. 619. None of the funds made available in this Act may be used by the Federal Trade Commission to complete the draft report entitled ``Interagency Working Group on Food Marketed to Children: Preliminary Proposed Nutrition Principles to Guide Industry Self-Regulatory Efforts'' unless the Interagency Working Group on Food Marketed to Children complies with Executive Order No. 13563. Sec. 620. (a) The head of each executive branch agency funded by this Act shall ensure that the Chief Information Officer of the agency has the authority to participate in decisions regarding the budget planning process related to information technology. (b) Amounts appropriated for any executive branch agency funded by this Act that are available for information technology shall be allocated within the agency, consistent with the provisions of appropriations Acts and budget guidelines and recommendations from the Director of the Office of Management and Budget, in such manner as specified by, or approved by, the Chief Information Officer of the agency in consultation with the Chief Financial Officer of the agency and budget officials. Sec. 621. None of the funds made available in this Act may be used in contravention of chapter 29, 31, or 33 of title 44, United States Code. Sec. 622. None of the funds made available in this Act may be used by a governmental entity to require the disclosure by a provider of electronic communication service to the public or remote computing service of the contents of a wire or electronic communication that is in electronic storage with the provider (as such terms are defined in sections 2510 and 2711 of title 18, United States Code) in a manner that violates the Fourth Amendment to the Constitution of the United States. Sec. 623. No funds provided in this Act shall be used to deny an Inspector General funded under this Act timely access to any records, documents, or other materials available to the department or agency over which that Inspector General has responsibilities under chapter 4 of title 5, United States Code, or to prevent or impede that Inspector General's access to such records, documents, or other materials, under any provision of law, except a provision of law that expressly [[Page H5574]] refers to the Inspector General and expressly limits the Inspector General's right of access. A department or agency covered by this section shall provide its Inspector General with access to all such records, documents, and other materials in a timely manner. Each Inspector General shall ensure compliance with statutory limitations on disclosure relevant to the information provided by the establishment over which that Inspector General has responsibilities under the chapter 4 of title 5, United States Code. Each Inspector General covered by this section shall report to the Committees on Appropriations of the House of Representatives and the Senate within five calendar days any failures to comply with this requirement. Sec. 624. None of the funds appropriated by this Act may be used by the Federal Communications Commission to modify, amend, or change the rules or regulations of the Commission for universal service high-cost support for competitive eligible telecommunications carriers in a way that is inconsistent with paragraph (e)(5) or (e)(6) of section 54.307 of title 47, Code of Federal Regulations, as in effect on July 15, 2015: Provided, That this section shall not prohibit the Commission from considering, developing, or adopting other support mechanisms as an alternative to Mobility Fund Phase II: Provided further, That any such alternative mechanism shall maintain existing high-cost support to competitive eligible telecommunications carriers until support under such mechanism commences. Sec. 625. (a) None of the funds made available in this Act may be used to maintain or establish a computer network unless such network blocks the viewing, downloading, and exchanging of pornography. (b) Nothing in subsection (a) shall limit the use of funds necessary for any Federal, State, Tribal, or local law enforcement agency or any other entity carrying out criminal investigations, prosecution, adjudication activities, or other law enforcement- or victim assistance-related activity. Sec. 626. None of the funds appropriated or other-wise made available by this Act may be used to pay award or incentive fees for contractors whose performance has been judged to be below satisfactory, behind schedule, over budget, or has failed to meet the basic requirements of a contract, unless the Agency determines that any such deviations are due to unforeseeable events, government-driven scope changes, or are not significant within the overall scope of the project and/or program and unless such awards or incentive fees are consistent with section 16.401(e)(2) of the Federal Acquisition Regulation. Sec. 627. (a) None of the funds made available under this Act may be used to pay for travel and conference activities that result in a total cost to an Executive branch department, agency, board, or commission funded by this Act of more than $500,000 at any single conference unless the agency or entity determines that such attendance is in the national interest and advance notice is transmitted to the Committees on Appropriations of the House of Representatives and the Senate that includes the basis of that determination. (b) None of the funds made available under this Act may be used to pay for the travel to or attendance of more than 50 employees, who are stationed in the United States, at any single conference occurring outside the United States unless the agency or entity determines that such attendance is in the national interest and advance notice is transmitted to the Committees on Appropriations of the House of Representatives and the Senate that includes the basis of that determination. Sec. 628. None of the funds made available by this Act may be used for first-class or business-class travel by the employees of executive branch agencies funded by this Act in contravention of sections 301-10.122 through 301-10.125 of title 41, Code of Federal Regulations. Sec. 629. In addition to any amounts appropriated or otherwise made available for expenses related to enhancements to [*www.oversight.gov*](http://www.oversight.gov), $850,000, to remain available until expended, shall be provided for an additional amount for such purpose to the Inspectors General Council Fund established pursuant to section 11(c)(3)(B) of the Inspector General Act of 1978: Provided, That these amounts shall be in addition to any amounts or any authority available to the Council of the Inspectors General on Integrity and Efficiency under section 424 of title 5, United States Code. Sec. 630. None of the funds made available by this Act may be obligated on contracts in excess of $5,000 for public relations, as that term is defined in Office and Management and Budget Circular A-87 (revised May 10, 2004), unless advance notice of such an obligation is transmitted to the Committees on Appropriations of the House of Representatives and the Senate. Sec. 631. Federal agencies funded under this Act shall clearly state within the text, audio, or video used for advertising or educational purposes, including emails or Internet postings, that the communication is printed, published, or produced and disseminated at U.S taxpayer expense. The funds used by a Federal agency to carry out this requirement shall be derived from amounts made available to the agency for advertising or other communications regarding the programs and activities of the agency. Sec. 632. When issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money, all grantees receiving Federal funds included in this Act, shall clearly state-- (1) the percentage of the total costs of the program or project which will be financed with Federal money; (2) the dollar amount of Federal funds for the project or program; and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources. Sec. 633. None of the funds made available by this Act shall be used by the Securities and Exchange Commission to finalize, issue, or implement any rule, regulation, or order regarding the disclosure of political contributions, contributions to tax exempt organizations, or dues paid to trade associations. Sec. 634. Not later than 45 days after the last day of each quarter, each agency funded in this Act shall submit to the Committees on Appropriations of the House of Representatives and the Senate a quarterly budget report that includes total obligations of the Agency for that quarter for each appropriation, by the source year of the appropriation. Sec. 635. None of the funds made available by this Act may be used to procure electric vehicles, electric vehicle batteries, electric vehicle charging stations or infrastructure. Sec. 636. None of the funds made available by this Act may be used to carry out section 205 of Executive Order No. 14008 (relating to tackling climate crisis at home and abroad) until a stable supply of domestic-mined critical minerals can be achieved. Sec. 637. None of the funds made available by this Act may be used to carry out any program, project, or activity that promotes or advances Critical Race Theory or any concept associated with Critical Race Theory. Sec. 638. None of the funds appropriated or otherwise made available by this Act may be made available to implement, administer, apply, enforce, or carry out the Equity Action Plans of the Department of Treasury, the Federal Communications Commission, the General Services Administration, the Office of Personnel Management or any other Federal agency diversity, equity, or inclusion initiative, as well as Executive Order No. 13985 of January 20, 2021 (86 Fed. Reg. 7009, relating to advancing racial equity and support for underserved communities through the Federal Government), Executive Order No. 14035 of June 21, 2021 (86 Fed. Reg. 34596, relating to diversity, equity, inclusion, and accessibility in the Federal workforce), or Executive Order No. 14091 of February 16, 2023 (88 Fed. Reg. 10825, relating to further advancing racial equity and support for underserved communities through the Federal Government). Sec. 639. None of the funds made available by this Act may be made available to support, directly or indirectly, the Wuhan Institute of Virology, or any laboratory owned or controlled by the governments of the People's Republic of China, the Republic of Cuba, the Islamic Republic of Iran, the Democratic People's Republic of Korea, the Russian Federation, the Bolivarian Republic of Venezuela under the regime of Nicolas Maduro Moros, or any other country determined by the Secretary of State to be a foreign adversary. Sec. 640. None of the funds made available by this Act may be used to enforce the requirements in section 316(b)(4)(D) of the Federal Election Campaign Act of 1971 (52 U.S.C 30118(b)(4)(D)) that the solicitation of contributions from member corporations stockholders and executive or administrative personnel, and the families of such stockholders or personnel, by trade associations must be separately and specifically approved by the member corporation involved prior to such solicitation, and that such member corporation does not approve any such solicitation by more than one such trade association in any calendar year. Sec. 641. (a) In General.--Notwithstanding section 7 of title 1, United States Code, section 1738C of title 28, United States Code, or any other provision of law, none of the funds provided by this Act or any other Act shall be used in whole or in part to take any discriminatory action against a person, wholly or partially, on the basis that such person speaks, or acts, in accordance with a sincerely held religious belief, or moral conviction, that marriage is, or should be recognized as, a union of one man and one woman. (b) Discriminatory Action Defined.--As used in subsection (a), a discriminatory action means any action taken by the Federal Government to-- (1) alter in any way the Federal tax treatment of, or cause any tax, penalty, or payment to be assessed against, or deny, delay, or revoke an exemption from taxation under section 501(a) of the Internal Revenue Code of 1986 of, any person referred to in subsection (a); (2) disallow a deduction for Federal tax purposes of any charitable contribution made to or by such person; (3) withhold, reduce the amount or funding for, exclude, terminate, or otherwise make unavailable or deny, any Federal grant, contract, subcontract, cooperative agreement, guarantee, loan, scholarship, license, certification, accreditation, employment, or other similar position or status from or to such person; [[Page H5575]] (4) withhold, reduce, exclude, terminate, or otherwise make unavailable or deny, any entitlement or benefit under a Federal benefit program, including admission to, equal treatment in, or eligibility for a degree from an educational program, from or to such person; or (c) Accreditation; Licensure; Certification.--The Federal Government shall consider accredited, licensed, or certified for purposes of Federal law any person that would be accredited, licensed, or certified, respectively, for such purposes but for a determination against such person wholly or partially on the basis that the person speaks, or acts, in accordance with a sincerely held religious belief or moral conviction described in subsection (a). Sec. 642. Of the unobligated balances available in Public Law 117-169, $6,065,000,000 available under section 10301(1)(A)(ii); $4,101,000,000 available under section 10301(1)(A)(iii); and $3,210,000,000 available under sections 60502, 60503, and 60504 as of the date of the enactment of this Act are rescinded. TITLE VII GENERAL PROVISIONS--GOVERNMENT-WIDE Departments, Agencies, and Corporations (including transfers of funds) Sec. 701. No department, agency, or instrumentality of the United States receiving appropriated funds under this or any other Act for fiscal year 2024 shall obligate or expend any such funds, unless such department, agency, or instrumentality has in place, and will continue to administer in good faith, a written policy designed to ensure that all of its workplaces are free from the illegal use, possession, or distribution of controlled substances (as defined in the Controlled Substances Act (21 U.S.C 802)) by the officers and employees of such department, agency, or instrumentality. Sec. 702. Unless otherwise specifically provided, the maximum amount allowable during the current fiscal year in accordance with section 1343(c) of title 31, United States Code, for the purchase of any passenger motor vehicle (exclusive of buses, ambulances, law enforcement vehicles, protective vehicles, and undercover surveillance vehicles), is hereby fixed at $30,126 except station wagons for which the maximum shall be $31,266: Provided, That these limits may be exceeded by not to exceed $7,775 for police-type vehicles: Provided further, That the limits set forth in this section may not be exceeded by more than 5 percent for electric or hybrid vehicles purchased for demonstration under the provisions of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976: Provided further, That the limits set forth in this section may be exceeded by the incremental cost of clean alternative fuels vehicles acquired pursuant to Public Law 101-549 over the cost of comparable conventionally fueled vehicles: Provided further, That the limits set forth in this section shall not apply to any vehicle that is a commercial item and which operates on alternative fuel, including but not limited to electric, plug-in hybrid electric, and hydrogen fuel cell vehicles. Sec. 703. Appropriations of the executive departments and independent establishments for the current fiscal year available for expenses of travel, or for the expenses of the activity concerned, are hereby made available for quarters allowances and cost-of-living allowances, in accordance with 5 U.S.C 5922-5924. Sec. 704. Unless otherwise specified in law during the current fiscal year, no part of any appropriation contained in this or any other Act shall be used to pay the compensation of any officer or employee of the Government of the United States (including any agency the majority of the stock of which is owned by the Government of the United States) whose post of duty is in the continental United States unless such person: (1) is a citizen of the United States; (2) is a person who is lawfully admitted for permanent residence and is seeking citizenship as outlined in 8 U.S.C 1324b(a)(3)(B); (3) is a person who is admitted as a refugee under 8 U.S.C 1157 or is granted asylum under 8 U.S.C 1158 and has filed a declaration of intention to become a lawful permanent resident and then a citizen when eligible; or (4) is a person who owes allegiance to the United States: Provided, That for purposes of this section, affidavits signed by any such person shall be considered prima facie evidence that the requirements of this section with respect to his or her status are being complied with: Provided further, That for purposes of paragraphs (2) and (3) such affidavits shall be submitted prior to employment and updated thereafter as necessary: Provided further, That any person making a false affidavit shall be guilty of a felony, and upon conviction, shall be fined no more than $4,000 or imprisoned for not more than 1 year, or both: Provided further, That the above penal clause shall be in addition to, and not in substitution for, any other provisions of existing law: Provided further, That any payment made to any officer or employee contrary to the provisions of this section shall be recoverable in action by the Federal Government: Provided further, That this section shall not apply to any person who is an officer or employee of the Government of the United States on the date of enactment of this Act, or to international broadcasters employed by the Broadcasting Board of Governors, or to temporary employment of translators, or to temporary employment in the field service (not to exceed 60 days) as a result of emergencies: Provided further, That this section does not apply to the employment as Wildland firefighters for not more than 120 days of nonresident aliens employed by the Department of the Interior or the USDA Forest Service pursuant to an agreement with another country. Sec. 705. Appropriations available to any department or agency during the current fiscal year for necessary expenses, including maintenance or operating expenses, shall also be available for payment to the General Services Administration for charges for space and services and those expenses of renovation and alteration of buildings and facilities which constitute public improvements performed in accordance with the Public Buildings Act of 1959 (73 Stat. 479), the Public Buildings Amendments of 1972 (86 Stat. 216), or other applicable law. Sec. 706. In addition to funds provided in this or any other Act, all Federal agencies are authorized to receive and use funds resulting from the sale of materials, including Federal records disposed of pursuant to a records schedule recovered through recycling or waste prevention programs. Such funds shall be available until expended for the following purposes: (1) Acquisition, waste reduction and prevention, and recycling programs as described in Executive Order No. 14057 (December 8, 2021), including any such programs adopted prior to the effective date of the Executive Order. (2) Other Federal agency environmental management programs, including, but not limited to, the development and implementation of hazardous waste management and pollution prevention programs. (3) Other employee programs as authorized by law or as deemed appropriate by the head of the Federal agency. Sec. 707. Funds made available by this or any other Act for administrative expenses in the current fiscal year of the corporations and agencies subject to chapter 91 of title 31, United States Code, shall be available, in addition to objects for which such funds are otherwise available, for rent in the District of Columbia; services in accordance with 5 U.S.C 3109; and the objects specified under this head, all the provisions of which shall be applicable to the expenditure of such funds unless otherwise specified in the Act by which they are made available: Provided, That in the event any functions budgeted as administrative expenses are subsequently transferred to or paid from other funds, the limitations on administrative expenses shall be correspondingly reduced. Sec. 708. No part of any appropriation contained in this or any other Act shall be available for interagency financing of boards (except Federal Executive Boards), commissions, councils, committees, or similar groups (whether or not they are interagency entities) which do not have a prior and specific statutory approval to receive financial support from more than one agency or instrumentality. Sec. 709. None of the funds made available pursuant to the provisions of this or any other Act shall be used to implement, administer, or enforce any regulation which has been disapproved pursuant to a joint resolution duly adopted in accordance with the applicable law of the United States. Sec. 710. During the period in which the head of any department or agency, or any other officer or civilian employee of the Federal Government appointed by the President of the United States, holds office, no funds may be obligated or expended in excess of $5,000 to furnish or redecorate the office of such department head, agency head, officer, or employee, or to purchase furniture or make improvements for any such office, unless advance notice of such furnishing or redecoration is transmitted to the Committees on Appropriations of the House of Representatives and the Senate. For the purposes of this section, the term ``office'' shall include the entire suite of offices assigned to the individual, as well as any other space used primarily by the individual or the use of which is directly controlled by the individual. Sec. 711. Notwithstanding 31 U.S.C 1346, or section 708 of this Act, funds made available for the current fiscal year by this or any other Act shall be available for the interagency funding of national security and emergency preparedness telecommunications initiatives which benefit multiple Federal departments, agencies, or entities, as provided by Executive Order No. 13618 (July 6, 2012). Sec. 712. (a) None of the funds made available by this or any other Act may be obligated or expended by any department, agency, or other instrumentality of the Federal Government to pay the salaries or expenses of any individual appointed to a position of a confidential or policy-determining character that is excepted from the competitive service under section 3302 of title 5, United States Code, (pursuant to schedule C of subpart C of part 213 of title 5 of the Code of Federal Regulations) unless the head of the applicable department, agency, or other instrumentality employing such schedule C individual certifies to the Director of the Office of Personnel Management that the schedule C position occupied by the individual was not created solely or primarily in order to detail the individual to the White House. (b) The provisions of this section shall not apply to Federal employees or members of the armed forces detailed to or from an element of the intelligence community (as that [[Page H5576]] term is defined under section 3(4) of the National Security Act of 1947 (50 U.S.C 3003(4))). Sec. 713. No part of any appropriation contained in this or any other Act shall be available for the payment of the salary of any officer or employee of the Federal Government, who-- (1) prohibits or prevents, or attempts or threatens to prohibit or prevent, any other officer or employee of the Federal Government from having any direct oral or written communication or contact with any Member, committee, or subcommittee of the Congress in connection with any matter pertaining to the employment of such other officer or employee or pertaining to the department or agency of such other officer or employee in any way, irrespective of whether such communication or contact is at the initiative of such other officer or employee or in response to the request or inquiry of such Member, committee, or subcommittee; (2) removes, suspends from duty without pay, demotes, reduces in rank, seniority, status, pay, or performance or efficiency rating, denies promotion to, relocates, reassigns, transfers, disciplines, or discriminates in regard to any employment right, entitlement, or benefit, or any term or condition of employment of, any other officer or employee of the Federal Government, or attempts or threatens to commit any of the foregoing actions with respect to such other officer or employee, by reason of any communication or contact of such other officer or employee with any Member, committee, or subcommittee of the Congress as described in paragraph (1); (3) unjustifiably refuses to comply with a duly issued and valid congressional subpoena. Sec. 714. (a) None of the funds made available in this or any other Act may be obligated or expended for any employee training that-- (1) does not meet identified needs for knowledge, skills, and abilities bearing directly upon the performance of official duties; (2) contains elements likely to induce high levels of emotional response or psychological stress in some participants; (3) does not require prior employee notification of the content and methods to be used in the training and written end of course evaluation; (4) contains any methods or content associated with religious or quasi-religious belief systems or ``new age'' belief systems as defined in Equal Employment Opportunity Commission Notice N-915.022, dated September 2, 1988; or (5) is offensive to, or designed to change, participants' personal values or lifestyle outside the workplace. (b) Nothing in this section shall prohibit, restrict, or otherwise preclude an agency from conducting training bearing directly upon the performance of official duties. Sec. 715. No part of any funds appropriated in this or any other Act shall be used by an agency of the executive branch, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes, and for the preparation, distribution or use of any kit, pamphlet, booklet, publication, radio, television, or film presentation designed to support or defeat legislation pending before the Congress, except in presentation to the Congress itself. Sec. 716. None of the funds appropriated by this or any other Act may be used by an agency to provide a Federal employee's home address to any labor organization except when the employee has authorized such disclosure or when such disclosure has been ordered by a court of competent jurisdiction. Sec. 717. None of the funds made available in this or any other Act may be used to provide any non-public information such as mailing, telephone, or electronic mailing lists to any person or any organization outside of the Federal Government without the approval of the Committees on Appropriations of the House of Representatives and the Senate. Sec. 718. No part of any appropriation contained in this or any other Act shall be used directly or indirectly, including by private contractor, for publicity or propaganda purposes within the United States not heretofore authorized by Congress. Sec. 719. (a) In this section, the term ``agency''-- (1) means an Executive agency, as defined under 5 U.S.C 105; (2) includes a military department, as defined under section 102 of such title; and (3) includes the United States Postal Service. (b) Unless authorized in accordance with law or regulations to use such time for other purposes, an employee of an agency shall use official time in an honest effort to perform official duties. An employee not under a leave system, including a Presidential appointee exempted under 5 U.S.C 6301(2), has an obligation to expend an honest effort and a reasonable proportion of such employee's time in the performance of official duties. Sec. 720. Notwithstanding 31 U.S.C 1346 and section 708 of this Act, funds made available for the current fiscal year by this or any other Act to any department or agency, which is a member of the Federal Accounting Standards Advisory Board (FASAB), shall be available to finance an appropriate share of FASAB administrative costs. Sec. 721. Notwithstanding 31 U.S.C 1346 and section 708 of this Act, the head of each Executive department and agency is hereby authorized to transfer to or reimburse ``General Services Administration, Government-wide Policy'' with the approval of the Director of the Office of Management and Budget, funds made available for the current fiscal year by this or any other Act, including rebates from charge card and other contracts: Provided, That these funds shall be administered by the Administrator of General Services to support Government-wide and other multi-agency financial, information technology, procurement, and other management innovations, initiatives, and activities, including improving coordination and reducing duplication, as approved by the Director of the Office of Management and Budget, in consultation with the appropriate interagency and multi- agency groups designated by the Director (including the President's Management Council for overall management improvement initiatives, the Chief Financial Officers Council for financial management initiatives, the Chief Information Officers Council for information technology initiatives, the Chief Human Capital Officers Council for human capital initiatives, the Chief Acquisition Officers Council for procurement initiatives, and the Performance Improvement Council for performance improvement initiatives): Provided further, That the total funds transferred or reimbursed shall not exceed $15,000,000 to improve coordination, reduce duplication, and for other activities related to Federal Government Priority Goals established by 31 U.S.C 1120, and not to exceed $17,000,000 for Government-wide innovations, initiatives, and activities: Provided further, That the funds transferred to or for reimbursement of ``General Services Administration, Government-Wide Policy'' during fiscal year 2024 shall remain available for obligation through September 30, 2025: Provided further, That not later than 90 days after enactment of this Act, the Director of the Office of Management and Budget, in consultation with the Administrator of General Services, shall submit to the Committees on Appropriations of the House of Representatives and the Senate, the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Oversight and Accountability of the House of Representatives a detailed spend plan for the funds to be transferred or reimbursed: Provided further, That the spend plan shall, at a minimum, include: (I) the amounts currently in the funds authorized under this section and the estimate of amounts to be transferred or reimbursed in fiscal year 2024; (ii) a detailed breakdown of the purposes for all funds estimated to be transferred or reimbursed pursuant to this section (including total number of personnel and costs for all staff whose salaries are provided for by this section); (iii) where applicable, a description of the funds intended for use by or for the benefit of each executive council; and (iv) where applicable, a description of the funds intended for use by or for the implementation of specific laws passed by Congress: Provided further, That no transfers or reimbursements may be made pursuant to this section until 15 days following notification of the Committees on Appropriations of the House of Representatives and the Senate by the Director of the Office of Management and Budget. Sec. 722. Notwithstanding any other provision of law, a woman may breastfeed her child at any location in a Federal building or on Federal property, if the woman and her child are otherwise authorized to be present at the location. Sec. 723. Notwithstanding 31 U.S.C 1346, or section 708 of this Act, funds made available for the current fiscal year by this or any other Act shall be available for the interagency funding of specific projects, workshops, studies, and similar efforts to carry out the purposes of the National Science and Technology Council (authorized by Executive Order No. 12881), which benefit multiple Federal departments, agencies, or entities: Provided, That the Office of Management and Budget shall provide a report describing the budget of and resources connected with the National Science and Technology Council to the Committees on Appropriations, the House Committee on Science, Space, and Technology, and the Senate Committee on Commerce, Science, and Transportation 90 days after enactment of this Act. Sec. 724. Any request for proposals, solicitation, grant application, form, notification, press release, or other publications involving the distribution of Federal funds shall comply with any relevant requirements in part 200 of title 2, Code of Federal Regulations: Provided, That this section shall apply to direct payments, formula funds, and grants received by a State receiving Federal funds. Sec. 725. (a) Prohibition of Federal Agency Monitoring of Individuals' Internet Use.--None of the funds made available in this or any other Act may be used by any Federal agency-- (1) to collect, review, or create any aggregation of data, derived from any means, that includes any personally identifiable information relating to an individual's access to or use of any Federal Government Internet site of the agency; or (2) to enter into any agreement with a third party (including another government agency) to collect, review, or obtain any aggregation of data, derived from any means, that includes any personally identifiable information relating to an individual's access to or use of any nongovernmental Internet site. (b) Exceptions.--The limitations established in subsection (a) shall not apply to-- [[Page H5577]] (1) any record of aggregate data that does not identify particular persons; (2) any voluntary submission of personally identifiable information; (3) any action taken for law enforcement, regulatory, or supervisory purposes, in accordance with applicable law; or (4) any action described in subsection (a)(1) that is a system security action taken by the operator of an Internet site and is necessarily incident to providing the Internet site services or to protecting the rights or property of the provider of the Internet site. (c) Definitions.--For the purposes of this section: (1) The term ``regulatory'' means agency actions to implement, interpret or enforce authorities provided in law. (2) The term ``supervisory'' means examinations of the agency's supervised institutions, including assessing safety and soundness, overall financial condition, management practices and policies and compliance with applicable standards as provided in law. Sec. 726. (a) None of the funds appropriated by this Act may be used to enter into or renew a contract which includes a provision providing prescription drug coverage, except where the contract also includes a provision for contraceptive coverage. (b) Nothing in this section shall apply to a contract with-- (1) any of the following religious plans: (A) Personal Care's HMO; and (B) OSF HealthPlans, Inc.; and (2) any existing or future plan, if the carrier for the plan objects to such coverage on the basis of religious beliefs. (c) In implementing this section, any plan that enters into or renews a contract under this section may not subject any individual to discrimination on the basis that the individual refuses to prescribe or otherwise provide for contraceptives because such activities would be contrary to the individual's religious beliefs or moral convictions. (d) Nothing in this section shall be construed to require coverage of abortion or abortion-related services. Sec. 727. The United States is committed to ensuring the health of its Olympic, Pan American, and Paralympic athletes, and supports the strict adherence to anti-doping in sport through testing, adjudication, education, and research as performed by nationally recognized oversight authorities. Sec. 728. Notwithstanding any other provision of law, funds appropriated for official travel to Federal departments and agencies may be used by such departments and agencies, if consistent with Office of Management and Budget Circular A- 126 regarding official travel for Government personnel, to participate in the fractional aircraft ownership pilot program. Sec. 729. Notwithstanding any other provision of law, none of the funds appropriated or made available under this or any other appropriations Act may be used to implement or enforce restrictions or limitations on the Coast Guard Congressional Fellowship Program, or to implement the proposed regulations of the Office of Personnel Management to add sections 300.311 through 300.316 to part 300 of title 5 of the Code of Federal Regulations, published in the Federal Register, volume 68, number 174, on September 9, 2003 (relating to the detail of executive branch employees to the legislative branch). Sec. 730. Notwithstanding any other provision of law, no executive branch agency shall purchase, construct, or lease any additional facilities, except within or contiguous to existing locations, to be used for the purpose of conducting Federal law enforcement training without the advance approval of the Committees on Appropriations of the House of Representatives and the Senate, except that the Federal Law Enforcement Training Centers is authorized to obtain the temporary use of additional facilities by lease, contract, or other agreement for training which cannot be accommodated in existing Centers facilities. Sec. 731. Unless otherwise authorized by existing law, none of the funds provided in this or any other Act may be used by an executive branch agency to produce any prepackaged news story intended for broadcast or distribution in the United States, unless the story includes a clear notification within the text or audio of the prepackaged news story that the prepackaged news story was prepared or funded by that executive branch agency. Sec. 732. None of the funds made available in this Act may be used in contravention of section 552a of title 5, United States Code (popularly known as the Privacy Act), and regulations implementing that section. Sec. 733. (a) In General.--None of the funds appropriated or otherwise made available by this or any other Act may be used for any Federal Government contract with any foreign incorporated entity which is treated as an inverted domestic corporation under section 835(b) of the Homeland Security Act of 2002 (6 U.S.C 395(b)) or any subsidiary of such an entity. (b) Waivers.-- (1) In general.--Any Secretary shall waive subsection (a) with respect to any Federal Government contract under the authority of such Secretary if the Secretary determines that the waiver is required in the interest of national security. (2) Report to congress.--Any Secretary issuing a waiver under paragraph (1) shall report such issuance to Congress. (c) Exception.--This section shall not apply to any Federal Government contract entered into before the date of the enactment of this Act, or to any task order issued pursuant to such contract. Sec. 734. During fiscal year 2024, for each employee who-- (1) retires under section 8336(d)(2) or 8414(b)(1)(B) of title 5, United States Code; or (2) retires under any other provision of subchapter III of chapter 83 or chapter 84 of such title 5 and receives a payment as an incentive to separate, the separating agency shall remit to the Civil Service Retirement and Disability Fund an amount equal to the Office of Personnel Management's average unit cost of processing a retirement claim for the preceding fiscal year. Such amounts shall be available until expended to the Office of Personnel Management and shall be deemed to be an administrative expense under section 8348(a)(1)(B) of title 5, United States Code. Sec. 735. (a) None of the funds made available in this or any other Act may be used to recommend or require any entity submitting an offer for a Federal contract to disclose any of the following information as a condition of submitting the offer: (1) Any payment consisting of a contribution, expenditure, independent expenditure, or disbursement for an electioneering communication that is made by the entity, its officers or directors, or any of its affiliates or subsidiaries to a candidate for election for Federal office or to a political committee, or that is otherwise made with respect to any election for Federal office. (2) Any disbursement of funds (other than a payment described in paragraph (1)) made by the entity, its officers or directors, or any of its affiliates or subsidiaries to any person with the intent or the reasonable expectation that the person will use the funds to make a payment described in paragraph (1). (b) In this section, each of the terms ``contribution'', ``expenditure'', ``independent expenditure'', ``electioneering communication'', ``candidate'', ``election'', and ``Federal office'' has the meaning given such term in the Federal Election Campaign Act of 1971 (52 U.S.C 30101 et seq.). Sec. 736. None of the funds made available in this or any other Act may be used to pay for the painting of a portrait of an officer or employee of the Federal Government, including the President, the Vice President, a Member of Congress (including a Delegate or a Resident Commissioner to Congress), the head of an executive branch agency (as defined in section 133 of title 41, United States Code), or the head of an office of the legislative branch. Sec. 737. (a)(1) Notwithstanding any other provision of law, and except as otherwise provided in this section, no part of any of the funds appropriated for fiscal year 2024, by this or any other Act, may be used to pay any prevailing rate employee described in section 5342(a)(2)(A) of title 5, United States Code-- (A) during the period from the date of expiration of the limitation imposed by the comparable section for the previous fiscal years until the normal effective date of the applicable wage survey adjustment that is to take effect in fiscal year 2024, in an amount that exceeds the rate payable for the applicable grade and step of the applicable wage schedule in accordance with such section; and (B) during the period consisting of the remainder of fiscal year 2024, in an amount that exceeds, as a result of a wage survey adjustment, the rate payable under subparagraph (A) by more than the sum of-- (i) the percentage adjustment taking effect in fiscal year 2024 under section 5303 of title 5, United States Code, in the rates of pay under the General Schedule; and (ii) the difference between the overall average percentage of the locality-based comparability payments taking effect in fiscal year 2024 under section 5304 of such title (whether by adjustment or otherwise), and the overall average percentage of such payments which was effective in the previous fiscal year under such section. (2) Notwithstanding any other provision of law, no prevailing rate employee described in subparagraph (B) or (C) of section 5342(a)(2) of title 5, United States Code, and no employee covered by section 5348 of such title, may be paid during the periods for which paragraph (1) is in effect at a rate that exceeds the rates that would be payable under paragraph (1) were paragraph (1) applicable to such employee. (3) For the purposes of this subsection, the rates payable to an employee who is covered by this subsection and who is paid from a schedule not in existence on September 30, 2023, shall be determined under regulations prescribed by the Office of Personnel Management. (4) Notwithstanding any other provision of law, rates of premium pay for employees subject to this subsection may not be changed from the rates in effect on September 30, 2023, except to the extent determined by the Office of Personnel Management to be consistent with the purpose of this subsection. (5) This subsection shall apply with respect to pay for service performed after September 30, 2023. (6) For the purpose of administering any provision of law (including any rule or regulation that provides premium pay, retirement, life insurance, or any other employee benefit) that requires any deduction or contribution, or that imposes any requirement or limitation on the basis of a rate of salary or basic pay, the rate of salary or basic pay payable after the application of this subsection shall be treated as the rate of salary or basic pay. [[Page H5578]] (7) Nothing in this subsection shall be considered to permit or require the payment to any employee covered by this subsection at a rate in excess of the rate that would be payable were this subsection not in effect. (8) The Office of Personnel Management may provide for exceptions to the limitations imposed by this subsection if the Office determines that such exceptions are necessary to ensure the recruitment or retention of qualified employees. (b) Notwithstanding subsection (a), the adjustment in rates of basic pay for the statutory pay systems that take place in fiscal year 2024 under sections 5344 and 5348 of title 5, United States Code, shall be-- (1) not less than the percentage received by employees in the same location whose rates of basic pay are adjusted pursuant to the statutory pay systems under sections 5303 and 5304 of title 5, United States Code: Provided, That prevailing rate employees at locations where there are no employees whose pay is increased pursuant to sections 5303 and 5304 of title 5, United States Code, and prevailing rate employees described in section 5343(a)(5) of title 5, United States Code, shall be considered to be located in the pay locality designated as ``Rest of United States'' pursuant to section 5304 of title 5, United States Code, for purposes of this subsection; and (2) effective as of the first day of the first applicable pay period beginning after September 30, 2023. Sec. 738. (a) The head of any Executive branch department, agency, board, commission, or office funded by this or any other appropriations Act shall submit annual reports to the Inspector General or senior ethics official for any entity without an Inspector General, regarding the costs and contracting procedures related to each conference held by any such department, agency, board, commission, or office during fiscal year 2024 for which the cost to the United States Government was more than $100,000. (b) Each report submitted shall include, for each conference described in subsection (a) held during the applicable period-- (1) a description of its purpose; (2) the number of participants attending; (3) a detailed statement of the costs to the United States Government, including-- (A) the cost of any food or beverages; (B) the cost of any audio-visual services; (C) the cost of employee or contractor travel to and from the conference; and (D) a discussion of the methodology used to determine which costs relate to the conference; and (4) a description of the contracting procedures used including-- (A) whether contracts were awarded on a competitive basis; and (B) a discussion of any cost comparison conducted by the departmental component or office in evaluating potential contractors for the conference. (c) Within 15 days after the end of a quarter, the head of any such department, agency, board, commission, or office shall notify the Inspector General or senior ethics official for any entity without an Inspector General, of the date, location, and number of employees attending a conference held by any Executive branch department, agency, board, commission, or office funded by this or any other appropriations Act during fiscal year 2024 for which the cost to the United States Government was more than $20,000. (d) A grant or contract funded by amounts appropriated by this or any other appropriations Act may not be used for the purpose of defraying the costs of a conference described in subsection (c) that is not directly and programmatically related to the purpose for which the grant or contract was awarded, such as a conference held in connection with planning, training, assessment, review, or other routine purposes related to a project funded by the grant or contract. (e) None of the funds made available in this or any other appropriations Act may be used for travel and conference activities that are not in compliance with Office of Management and Budget Memorandum M-12-12 dated May 11, 2012 or any subsequent revisions to that memorandum. Sec. 739. None of the funds made available in this or any other appropriations Act may be used to increase, eliminate, or reduce funding for a program, project, or activity as proposed in the President's budget request for a fiscal year until such proposed change is subsequently enacted in an appropriation Act, or unless such change is made pursuant to the reprogramming or transfer provisions of this or any other appropriations Act. Sec. 740. None of the funds made available by this or any other Act may be used to implement, administer, enforce, or apply the rule entitled ``Competitive Area'' published by the Office of Personnel Management in the Federal Register on April 15, 2008 (73 Fed. Reg. 20180 et seq.). Sec. 741. None of the funds appropriated or otherwise made available by this or any other Act may be used to begin or announce a study or public-private competition regarding the conversion to contractor performance of any function performed by Federal employees pursuant to Office of Management and Budget Circular A-76 or any other administrative regulation, directive, or policy. Sec. 742. (a) None of the funds appropriated or otherwise made available by this or any other Act may be available for a contract, grant, or cooperative agreement with an entity that requires employees or contractors of such entity seeking to report fraud, waste, or abuse to sign internal confidentiality agreements or statements prohibiting or otherwise restricting such employees or contractors from lawfully reporting such waste, fraud, or abuse to a designated investigative or law enforcement representative of a Federal department or agency authorized to receive such information. (b) The limitation in subsection (a) shall not contravene requirements applicable to Standard Form 312, Form 4414, or any other form issued by a Federal department or agency governing the nondisclosure of classified information. Sec. 743. (a) No funds appropriated in this or any other Act may be used to implement or enforce the agreements in Standard Forms 312 and 4414 of the Government or any other nondisclosure policy, form, or agreement if such policy, form, or agreement does not contain the following provisions: ``These provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obligations, rights, or liabilities created by existing statute or Executive order relating to (1) classified information, (2) communications to Congress, (3) the reporting to an Inspector General or the Office of Special Counsel of a violation of any law, rule, or regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or (4) any other whistleblower protection. The definitions, requirements, obligations, rights, sanctions, and liabilities created by controlling Executive Orders and statutory provisions are incorporated into this agreement and are controlling.'': Provided, That notwithstanding the preceding provision of this section, a nondisclosure policy form or agreement that is to be executed by a person connected with the conduct of an intelligence or intelligence-related activity, other than an employee or officer of the United States Government, may contain provisions appropriate to the particular activity for which such document is to be used. Such form or agreement shall, at a minimum, require that the person will not disclose any classified information received in the course of such activity unless specifically authorized to do so by the United States Government. Such nondisclosure forms shall also make it clear that they do not bar disclosures to Congress, or to an authorized official of an executive agency or the Department of Justice, that are essential to reporting a substantial violation of law. (b) A nondisclosure agreement may continue to be implemented and enforced notwithstanding subsection (a) if it complies with the requirements for such agreement that were in effect when the agreement was entered into. (c) No funds appropriated in this or any other Act may be used to implement or enforce any agreement entered into during fiscal year 2024 which does not contain substantially similar language to that required in subsection (a). Sec. 744. None of the funds made available by this or any other Act may be used to enter into a contract, memorandum of understanding, or cooperative agreement with, make a grant to, or provide a loan or loan guarantee to, any corporation that has any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability, where the awarding agency is aware of the unpaid tax liability, unless a Federal agency has considered suspension or debarment of the corporation and has made a determination that this further action is not necessary to protect the interests of the Government. Sec. 745. None of the funds made available by this or any other Act may be used to enter into a contract, memorandum of understanding, or cooperative agreement with, make a grant to, or provide a loan or loan guarantee to, any corporation that was convicted of a felony criminal violation under any Federal law within the preceding 24 months, where the awarding agency is aware of the conviction, unless a Federal agency has considered suspension or debarment of the corporation and has made a determination that this further action is not necessary to protect the interests of the Government. Sec. 746. (a) Notwithstanding any official rate adjusted under section 104 of title 3, United States Code, the rate payable to the Vice President during calendar year 2024 shall be the rate payable to the Vice President on December 31, 2023, by operation of section 747 of division E of Public Law 117-328. (b) Notwithstanding any official rate adjusted under section 5318 of title 5, United States Code, or any other provision of law, the payable rate during calendar year 2024 for an employee serving in an Executive Schedule position, or in a position for which the rate of pay is fixed by statute at an Executive Schedule rate, shall be the rate payable for the applicable Executive Schedule level on December 31, 2023, by operation of section 747 of division E of Public Law 117- 328. Such an employee may not receive a rate increase during calendar year 2024, except as provided in subsection (i). (c) Notwithstanding section 401 of the Foreign Service Act of 1980 (Public Law 96-465) or any other provision of law, a chief of mission or ambassador at large is subject to subsection (b) in the same manner as other employees who are paid at an Executive Schedule rate. [[Page H5579]] (d)(1) This subsection applies to-- (A) a noncareer appointee in the Senior Executive Service paid a rate of basic pay at or above the official rate for level IV of the Executive Schedule; or (B) a limited term appointee or limited emergency appointee in the Senior Executive Service serving under a political appointment and paid a rate of basic pay at or above the official rate for level IV of the Executive Schedule. (2) Notwithstanding sections 5382 and 5383 of title 5, United States Code, an employee described in paragraph (1) may not receive a pay rate increase during calendar year 2024, except as provided in subsection (i). (e) Notwithstanding any other provision of law, any employee paid a rate of basic pay (including any locality based payments under section 5304 of title 5, United States Code, or similar authority) at or above the official rate for level IV of the Executive Schedule who serves under a political appointment may not receive a pay rate increase during calendar year 2024, except as provided in subsection (i). This subsection does not apply to employees in the General Schedule pay system or the Foreign Service pay system, to employees appointed under section 3161 of title 5, United States Code, or to employees in another pay system whose position would be classified at GS-15 or below if chapter 51 of title 5, United States Code, applied to them. (f) Nothing in subsections (b) through (e) shall prevent employees who do not serve under a political appointment from receiving pay increases as otherwise provided under applicable law. (g) This section does not apply to an individual who makes an election to retain Senior Executive Service basic pay under section 3392(c) of title 5, United States Code, for such time as that election is in effect. (h) This section does not apply to an individual who makes an election to retain Senior Foreign Service pay entitlements under section 302(b) of the Foreign Service Act of 1980 (Public Law 96-465) for such time as that election is in effect. (i) Notwithstanding subsections (b) through (e), an employee in a covered position may receive a pay rate increase upon an authorized movement to a different covered position only if that new position has higher-level duties and a pre-established level or range of pay higher than the level or range for the position held immediately before the movement. Any such increase must be based on the rates of pay and applicable limitations on payable rates of pay in effect on December 31, 2023, by operation of section 747 of division E of Public Law 117-328. (j) Notwithstanding any other provision of law, for an individual who is newly appointed to a covered position during the period of time subject to this section, the initial pay rate shall be based on the rates of pay and applicable limitations on payable rates of pay in effect on December 31, 2023, by operation of section 747 of division E of Public Law 117-328. (k) If an employee affected by this section is subject to a biweekly pay period that begins in calendar year 2024 but ends in calendar year 2025, the bar on the employee's receipt of pay rate increases shall apply through the end of that pay period. (l) For the purpose of this section, the term ``covered position'' means a position occupied by an employee whose pay is restricted under this section. (m) This section takes effect on the first day of the first applicable pay period beginning on or after January 1, 2024. Sec. 747. In the event of a violation of the Impoundment Control Act of 1974, the President or the head of the relevant department or agency, as the case may be, shall report immediately to the Congress all relevant facts and a statement of actions taken: Provided, That a copy of each report shall also be transmitted to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General on the same date the report is transmitted to the Congress. Sec. 748. (a) Each department or agency of the executive branch of the United States Government shall notify the Committees on Appropriations and the Budget of the House of Representatives and the Senate and any other appropriate congressional committees if-- (1) an apportionment is not made in the required time period provided in section 1513(b) of title 31, United States Code; (2) an approved apportionment received by the department or agency conditions the availability of an appropriation on further action; or (3) an approved apportionment received by the department or agency may hinder the prudent obligation of such appropriation or the execution of a program, project, or activity by such department or agency. (b) Any notification submitted to a congressional committee pursuant to this section shall contain information identifying the bureau, account name, appropriation name, and Treasury Appropriation Fund Symbol or fund account. Sec. 749. Notwithstanding section 1346 of title 31, United States Code, or section 708 of this Act, funds made available by this or any other Act to any Federal agency may be used by that Federal agency for interagency funding for coordination with, participation in, or recommendations involving, activities of the U.S Army Medical Research and Development Command, the Congressionally Directed Medical Research Programs and the National Institutes of Health research programs. Sec. 750. (a)(1) Not later than 100 days after the date of enactment of this Act, the Director of the Office of Management and Budget (in this section referred to as the ``Director''), in coordination with the Architectural and Transportation Barriers Compliance Board and the Administrator of General Services (in this section referred to as the ``Administrator''), shall disseminate amended or updated criteria and instructions to any Federal department or agency (in this section referred to as an ``agency'') covered by section 508 of the Rehabilitation Act of 1973 (29 U.S.C 794d) for the evaluation required pursuant to paragraph (3)(B). (2) Such criteria and instructions shall-- (A) include, at minimum, requirements that information technologies and digital services must- (i) conform to the technical standards referenced in subsection (a)(2)(A) of such section 508, as determined by appropriate conformance testing; and (ii) be accessible to and usable by individuals with disabilities as determined from consultation with individuals with disabilities, including those with visual, auditory, tactile, and cognitive disabilities, or members of any disability organization; and (B) provide guidance to agencies regarding the types and format of data and information to be submitted to the Director and the Administrator pursuant to paragraph (3), including how to submit such data and information, the metrics by which compliance will be assessed in the reports required in subsection (b), and any other directions necessary for agencies to demonstrate compliance with accessibility standards for electronic and information technology procured and in use within an agency, as required by such section 508. (3) Not later than 225 days after the date of enactment of this Act, the head of each agency shall-- (A) evaluate the extent to which the electronic and information technology of the agency are accessible to and usable by individuals with disabilities described in subsection (a)(1) of such section 508 compared to the access to and use of the technology and services by individuals described in such section who are not individuals with disabilities; (B) evaluate the electronic and information technology of the agency in accordance with the criteria and instructions provided in paragraph (1); and (C) submit a report containing the evaluations jointly to the Director and the Administrator. (b)(1) Not later than 1 year after the date of enactment of this Act, and annually thereafter, the Administrator, in consultation with the Director, shall prepare and submit to the Committees on Appropriations and Homeland Security and Governmental Affairs of the Senate and the Committees on Appropriations and Oversight and Accountability of the House of Representatives a report that shall include-- (A) a comprehensive assessment (including information identifying the metrics and data used) of compliance by each agency, and by the Federal Government generally, with the criteria and instructions disseminated under subsection (a)(1); (B) a detailed description of the actions, activities, and other efforts made by the Administrator over the year preceding submission to support such compliance at agencies and any planned efforts in the coming year to improve compliance at agencies; and (C) a list of recommendations that agencies or Congress may take to help support that compliance. (2) The Administrator shall ensure that the reports required under this subsection are made available on a public website and are maintained as an open Government data asset (as that term is defined in section 3502 of title 44, United States Code). Sec. 751. Notwithstanding 31 U.S.C 1346 and section 708 of this Act, the head of each Executive department and agency is hereby authorized to transfer to or reimburse ``General Services Administration, Federal Citizen Services Fund'' with the approval of the Director of the Office of Management and Budget, funds made available for the current fiscal year by this or any other Act, including rebates from charge card and other contracts: Provided, That these funds, in addition to amounts otherwise available, shall be administered by the Administrator of General Services to carry out the purposes of the Federal Citizen Services Fund and to support Government-wide and other multi-agency financial, information technology, procurement, and other activities, including services authorized by 44 U.S.C 3604 and enabling Federal agencies to take advantage of information technology in sharing information: Provided further, That the total funds transferred or reimbursed shall not exceed $15,000,000 for such purposes: Provided further, That the funds transferred to or for reimbursement of ``General Services Administration, Federal Citizen Services Fund'' during fiscal year 2024 shall remain available for obligation through September 30, 2025: Provided further, That not later than 90 days after enactment of this Act, the Administrator of General Services, in consultation with the Director of the Office of Management and Budget, shall submit to the Committees on Appropriations of the House of Representatives and the Senate a detailed spend plan for the funds to be transferred or reimbursed: Provided further, That the spend plan shall, [[Page H5580]] at a minimum, include: (i) the amounts currently in the funds authorized under this section and the estimate of amounts to be transferred or reimbursed in fiscal year 2024; (ii) a detailed breakdown of the purposes for all funds estimated to be transferred or reimbursed pursuant to this section (including total number of personnel and costs for all staff whose salaries are provided for by this section); and (iii) where applicable, a description of the funds intended for use by or for the implementation of specific laws passed by Congress: Provided further, That no transfers or reimbursements may be made pursuant to this section until 15 days following notification of the Committees on Appropriations of the House of Representatives and the Senate by the Director of the Office of Management and Budget. Sec. 752. (a) Any non-Federal entity receiving funds provided in this or any other appropriations Act for fiscal year 2024 that are specified in the disclosure table submitted in compliance with clause 9 of rule XXI of the Rules of the House of Representatives or Rule XLIV that is included in the report or explanatory statement accompanying any such Act shall be deemed to be a recipient of a Federal award with respect to such funds for purposes of the requirements of 2 CFR 200.334, regarding records retention, and 2 CFR 200.337, regarding access by the Comptroller General of the United States. (b) Nothing in this section shall be construed to limit, amend, supersede, or restrict in any manner any requirements otherwise applicable to non-Federal entities described in paragraph (1) or any existing authority of the Comptroller General. Sec. 753. None of the funds made available by this Act or any other Act may be provided to States, cities, or localities that allow non-citizens to vote in Federal elections. Sec. 754. None of the funds made available by this Act, or any other Act, may be used to make investments under the Thrift Savings Plan in certain mutual funds that make investment decisions based primarily on environmental, social, or governance criteria. Sec. 755. None of the funds appropriated or otherwise made available by this Act or any other Act may be available to-- (a) classify or facilitate the classification of any communications by a United States person as mis-, dis-, or mal-information; or (b) partner with or fund nonprofit or other organizations that pressure or recommend private companies to censor lawful and constitutionally protected speech of United States persons, including recommending the censoring or removal of content on social media platforms. Sec. 756. None of the funds made available by this Act or any other Act shall be used or transferred to another Federal agency, board, or commission to recruit, hire, promote, or retain any person who either has been convicted of a Federal or State child pornography charge, has been convicted of any other Federal or State sexual assault charge or has been formally disciplined for using Federal resources to access, use, or sell child pornography. Sec. 757. None of the funds made available by this Act or any other Act may be provided for insurance plans in the Federal Employees Health Benefits program to cover the cost of surgical procedures or puberty blockers or hormone therapy for the purpose of gender affirming care. Sec. 758. None of the funds made available by this or any other Act may be used to implement, administer, or otherwise carry out Executive Order 14019 (86 Fed. Reg. 13623; relating to promoting access to voting), except for sections 7, 8, and 10 of such Order. Sec. 759. None of the funds made available by this or any other Act may be obligated or expended until each agency reinstates and applies the telework policies, practices, and levels of the agency as in effect on December 31, 2019, within thirty days after the date of enactment of this Act. In this section-- (1) the term ``agency'' has the meaning given that term in section 105 of title 5, United States Code; and (2) the term ``telework'' has the meaning given in section 6501 of such title, and includes remote work. Sec. 760. Except as expressly provided otherwise, any reference to ``this Act'' contained in any title other than title IV or VIII shall not apply to such title IV or VIII. TITLE VIII GENERAL PROVISIONS--DISTRICT OF COLUMBIA (including transfers of funds) Sec. 801. There are appropriated from the applicable funds of the District of Columbia such sums as may be necessary for making refunds and for the payment of legal settlements or judgments that have been entered against the District of Columbia government. Sec. 802. None of the Federal funds provided in this Act shall be used for publicity or propaganda purposes or implementation of any policy including boycott designed to support or defeat legislation pending before Congress or any State legislature. Sec. 803. (a) None of the Federal funds provided under this Act to the agencies funded by this Act, both Federal and District government agencies, that remain available for obligation or expenditure in fiscal year 2024, or provided from any accounts in the Treasury of the United States derived by the collection of fees available to the agencies funded by this Act, shall be available for obligation or expenditures for an agency through a reprogramming of funds which-- (1) creates new programs; (2) eliminates a program, project, or responsibility center; (3) establishes or changes allocations specifically denied, limited or increased under this Act; (4) increases funds or personnel by any means for any program, project, or responsibility center for which funds have been denied or restricted; (5) re-establishes any program or project previously deferred through reprogramming; (6) augments any existing program, project, or responsibility center through a reprogramming of funds in excess of $3,000,000 or 10 percent, whichever is less; or (7) increases by 20 percent or more personnel assigned to a specific program, project or responsibility center, unless prior approval is received from the Committees on Appropriations of the House of Representatives and the Senate. (b) The District of Columbia government is authorized to approve and execute reprogramming and transfer requests of local funds under this title through November 7, 2024. Sec. 804. None of the Federal funds provided in this Act may be used by the District of Columbia to provide for salaries, expenses, or other costs associated with the offices of United States Senators or United States Representatives under section 4(d) of the District of Columbia Statehood Constitutional Convention Initiatives of 1979 (D.C Law 3-171; D.C Official Code, sec. 1-123). Sec. 805. Except as otherwise provided in this section, none of the funds made available by this Act or by any other Act may be used to provide any officer or employee of the District of Columbia with an official vehicle unless the officer or employee uses the vehicle only in the performance of the officer's or employee's official duties. For purposes of this section, the term ``official duties'' does not include travel between the officer's or employee's residence and workplace, except in the case of-- (1) an officer or employee of the Metropolitan Police Department who resides in the District of Columbia or is otherwise designated by the Chief of the Department; (2) at the discretion of the Fire Chief, an officer or employee of the District of Columbia Fire and Emergency Medical Services Department who resides in the District of Columbia and is on call 24 hours a day; (3) at the discretion of the Director of the Department of Corrections, an officer or employee of the District of Columbia Department of Corrections who resides in the District of Columbia and is on call 24 hours a day; (4) at the discretion of the Chief Medical Examiner, an officer or employee of the Office of the Chief Medical Examiner who resides in the District of Columbia and is on call 24 hours a day; (5) at the discretion of the Director of the Homeland Security and Emergency Management Agency, an officer or employee of the Homeland Security and Emergency Management Agency who resides in the District of Columbia and is on call 24 hours a day; (6) the Mayor of the District of Columbia; and (7) the Chairman of the Council of the District of Columbia. Sec. 806. (a) None of the Federal funds contained in this Act may be used by the District of Columbia Attorney General or any other officer or entity of the District government to provide assistance for any petition drive or civil action which seeks to require Congress to provide for voting representation in Congress for the District of Columbia. (b) Nothing in this section bars the District of Columbia Attorney General from reviewing or commenting on briefs in private lawsuits, or from consulting with officials of the District government regarding such lawsuits. Sec. 807. None of the Federal funds contained in this Act may be used to distribute any needle or syringe for the purpose of preventing the spread of blood borne pathogens in any location that has been determined by the local public health or local law enforcement authorities to be inappropriate for such distribution. Sec. 808. Nothing in this Act may be construed to prevent the Council or Mayor of the District of Columbia from addressing the issue of the provision of contraceptive coverage by health insurance plans, but it is the intent of Congress that any legislation enacted on such issue should include a ``conscience clause'' which provides exceptions for religious beliefs and moral convictions. Sec. 809. (a) None of the Federal funds contained in this Act may be used to enact or carry out any law, rule, or regulation to legalize or otherwise reduce penalties associated with the possession, use, or distribution of any schedule I substance under the Controlled Substances Act (21 U.S.C 801 et seq.) or any tetrahydrocannabinols derivative. (b) No funds available for obligation or expenditure by the District of Columbia government under any authority may be used to enact any law, rule, or regulation to legalize or otherwise reduce penalties associated with the possession, use, or distribution of any schedule I substance under the Controlled Substances Act (21 U.S.C 801 et seq.) or any tetrahydrocannabinols derivative for recreational purposes. Sec. 810. No funds available for obligation or expenditure by the District of Columbia government under any authority shall be expended for any abortion except where the life [[Page H5581]] of the mother would be endangered if the fetus were carried to term or where the pregnancy is the result of an act of rape or incest. Sec. 811. (a) No later than 30 calendar days after the date of the enactment of this Act, the Chief Financial Officer for the District of Columbia shall submit to the appropriate committees of Congress, the Mayor, and the Council of the District of Columbia, a revised appropriated funds operating budget in the format of the budget that the District of Columbia government submitted pursuant to section 442 of the District of Columbia Home Rule Act (D.C Official Code, sec. 1-204.42), for all agencies of the District of Columbia government for fiscal year 2024 that is in the total amount of the approved appropriation and that realigns all budgeted data for personal services and other-than-personal services, respectively, with anticipated actual expenditures. (b) This section shall apply only to an agency for which the Chief Financial Officer for the District of Columbia certifies that a reallocation is required to address unanticipated changes in program requirements. Sec. 812. No later than 30 calendar days after the date of the enactment of this Act, the Chief Financial Officer for the District of Columbia shall submit to the appropriate committees of Congress, the Mayor, and the Council for the District of Columbia, a revised appropriated funds operating budget for the District of Columbia Public Schools that aligns schools budgets to actual enrollment. The revised appropriated funds budget shall be in the format of the budget that the District of Columbia government submitted pursuant to section 442 of the District of Columbia Home Rule Act (D.C Official Code, sec. 1-204.42). Sec. 813. (a) Amounts appropriated in this Act as operating funds may be transferred to the District of Columbia's enterprise and capital funds and such amounts, once transferred, shall retain appropriation authority consistent with the provisions of this Act. (b) The District of Columbia government is authorized to reprogram or transfer for operating expenses any local funds transferred or reprogrammed in this or the four prior fiscal years from operating funds to capital funds, and such amounts, once transferred or reprogrammed, shall retain appropriation authority consistent with the provisions of this Act. (c) The District of Columbia government may not transfer or reprogram for operating expenses any funds derived from bonds, notes, or other obligations issued for capital projects. Sec. 814. None of the Federal funds appropriated in this Act shall remain available for obligation beyond the current fiscal year, nor may any be transferred to other appropriations, unless expressly so provided herein. Sec. 815. Except as otherwise specifically provided by law or under this Act, not to exceed 50 percent of unobligated balances remaining available at the end of fiscal year 2023 from appropriations of Federal funds made available for salaries and expenses for fiscal year 2024 in this Act, shall remain available through September 30, 2025, for each such account for the purposes authorized: Provided, That a request shall be submitted to the Committees on Appropriations of the House of Representatives and the Senate for approval prior to the expenditure of such funds: Provided further, That these requests shall be made in compliance with reprogramming guidelines outlined in section 803 of this Act. Sec. 816. (a)(1) During fiscal year 2025, during a period in which neither a District of Columbia continuing resolution or a regular District of Columbia appropriation bill is in effect, local funds are appropriated in the amount provided for any project or activity for which local funds are provided in the Act referred to in paragraph (2) (subject to any modifications enacted by the District of Columbia as of the beginning of the period during which this subsection is in effect) at the rate set forth by such Act. (2) The Act referred to in this paragraph is the Act of the Council of the District of Columbia pursuant to which a proposed budget is approved for fiscal year 2025 which (subject to the requirements of the District of Columbia Home Rule Act) will constitute the local portion of the annual budget for the District of Columbia government for fiscal year 2025 for purposes of section 446 of the District of Columbia Home Rule Act (sec. 1-204.46, D.C Official Code). (b) Appropriations made by subsection (a) shall cease to be available-- (1) during any period in which a District of Columbia continuing resolution for fiscal year 2025 is in effect; or (2) upon the enactment into law of the regular District of Columbia appropriation bill for fiscal year 2025. (c) An appropriation made by subsection (a) is provided under the authority and conditions as provided under this Act and shall be available to the extent and in the manner that would be provided by this Act. (d) An appropriation made by subsection (a) shall cover all obligations or expenditures incurred for such project or activity during the portion of fiscal year 2025 for which this section applies to such project or activity. (e) This section shall not apply to a project or activity during any period of fiscal year 2025 if any other provision of law (other than an authorization of appropriations)-- (1) makes an appropriation, makes funds available, or grants authority for such project or activity to continue for such period; or (2) specifically provides that no appropriation shall be made, no funds shall be made available, or no authority shall be granted for such project or activity to continue for such period. (f) Nothing in this section shall be construed to affect obligations of the government of the District of Columbia mandated by other law. Sec. 817. (a) Section 244 of the Revised Statutes of the United States relating to the District of Columbia (sec. 9- 1201.03, D.C Official Code) does not apply with respect to any railroads installed pursuant to the Long Bridge Project. (b) In this section, the term ``Long Bridge Project'' means the project carried out by the District of Columbia and the Commonwealth of Virginia to construct a new Long Bridge adjacent to the existing Long Bridge over the Potomac River, including related infrastructure and other related projects, to expand commuter and regional passenger rail service and to provide bike and pedestrian access crossings over the Potomac River. Sec. 818. Not later than 45 days after the last day of each quarter, each Federal and District government agency appropriated Federal funds in this Act shall submit to the Committees on Appropriations of the House of Representatives and the Senate a quarterly budget report that includes total obligations of the Agency for that quarter for each Federal funds appropriation provided in this Act, by the source year of the appropriation. Sec. 819. None of the funds available for obligation or expenditure by the District of Columbia government under any authority may be used to carry out the Reproductive Health Non-Discrimination Amendment Act of 2014 (D.C Law 20-261) or to implement any rule or regulation promulgated to carry out such Act. Sec. 820. (a) Section 602(a) of the District of Columbia Home Rule Act (sec. 1 206.02(a), D.C Official Code) is amended-- (1) by striking ``or'' at the end of paragraph (9); (2) by striking the period at the end of paragraph (10) and inserting ``; or ;'' and (3) by adding at the end the following new paragraph: ``(11) enact any act, resolution, rule, regulation, guidance, or other law to permit any person to carry out any activity, or to reduce the penalties imposed with respect to any activity, to which subsection (a) of section 3 of the Assisted Suicide Funding Restriction Act of 1997 (42 U.S.C 14402) applies (taking into consideration subsection (b) of such section).''. (b) The Death With Dignity Act of 2016 (D.C Law 21 182) is hereby repealed. Sec. 821. (a) No later than 60 calendar days after the date of the enactment of this Act the District of Columbia shall submit a report to the Committees regarding the District of Columbia's enforcement of the Partial Birth Abortion Ban Act. (b) The report submitted shall include: (1) how health care providers within the District of Columbia are alerted to their responsibility to comply with the Partial Birth Abortion Ban Act; (2) how the District of Columbia responds to potential violations; (3) how many potential violations have been investigated in the District of Columbia in the past five years; (4) whether the District of Columbia preserved each child's remains for appropriate examination during the investigation; (5) whether the District of Columbia conducted a thorough investigation of the death of each child and what each investigation showed; (6) whether the Chief Medical Examiner was directed to perform an autopsy on each child to determine the method and cause of death in accordance with section 2906 of the Establishment of the Office of the Chief Medical Examiner Act of 2000 (sec. 5-1405 of D.C Official Code); (7) whether the District of Columbia directed a subsequent autopsy to be completed by an independent, licensed pathologist to confirm the findings of the Chief Medical Examiner; and (8) whether the District of Columbia ensured the proper and respectful burial of each child. Sec. 822. No later than 30 calendar days after the date of the enactment of this Act, the Committee directs the District of Columbia to submit a report to the Committees on Appropriations regarding maternity care access for D.C residents. The report should be organized by ward, birth rate, pregnancy-related death rate, and maternal death rate. The report should also include, organized by ward, the number of facilities providing prenatal care, the number of facilities with maternity units, the number of facilities with neonatal intensive care units, and the number of facilities of each type that accept Medicaid. Sec. 823. None of the funds available for obligation or expenditure by the District of Columbia government under any authority may be used by the District of Columbia to enact or carry out any law which prohibits motorists from making right turns on red, including ``Safer Streets Amendment Act of 2022 D.C Law 24-0214). Sec. 824. None of the funds available for obligation or expenditure by the District of Columbia government under any authority [[Page H5582]] may be used to carry out title IX of the Fiscal Year 1997 Budget Support Act of 1996 (sec. 50-2209.01 et seq., D.C Official Code. Sec. 825. (a) Section 5 of the Corrections Oversight Improvement Omnibus Amendment Act of 2022 (D.C Law 24-344) is repealed, and the provision of law amended by such section (section 16-5505, District of Columbia Official Code) is restored as if such section had not been enacted into law. (b) Subsection (a) shall take effect as if included in the enactment of the Corrections Oversight Improvement Omnibus Amendment Act of 2022. Sec. 826. None of the funds available for obligation or expenditure by the District of Columbia government under any authority may be used to carry out the Comprehensive Policing and Justice Reform Amendment Act of 2022 (D.C Law 24-345). Sec. 827. An individual who has a valid weapons carry permit from any United States state or territory may possess and carry a concealed handgun in the area governed by the District of Columbia and Washington Metropolitan Area Transit Authority (WMATA). Sec. 828. The Scholarships for Opportunity and Results Act (division C of Public Law 112-10) is amended in section 3014 (sec. 38--1853.14 D.C Official Code)-- (1) In subsection (a) In the matter preceding paragraph (1), by striking ``through fiscal year 2023'' and inserting ``through fiscal year 2027''; (2) In paragraph (1), by striking ``one-third'' and inserting ``one-half''; (3) In paragraph (2), by striking ``one-third'' and inserting ``one-sixth''; and (4) In paragraph (3), by striking ``one-third'' and inserting ``one-third''. Sec. 829. Except as expressly provided otherwise, any reference to ``this Act'' contained in this title or in title IV shall be treated as referring only to the provisions of this title or of title IV. TITLE IX ADDITIONAL GENERAL PROVISIONS spending reduction account Sec. 901. $0. This division may be cited as the ``Financial Services and General Government Appropriations Act, 2024''. The Acting CHAIR. All points of order against provisions of the bill are waived. No further amendment to the bill, as amended, shall be in order except those printed in part B of House Report 118-269, amendments en bloc described in section 3 of House Resolution 847, and pro forma amendments described in section 4 of this resolution. Each further amendment printed in part B of the report shall be considered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment except as provided by section 4 of House Resolution 847, and shall not be subject to a demand for division of the question. It shall be in order at any time for the chair of the Committee on Appropriations or her designee to offer amendments en bloc consisting of further amendments printed in part B of the report not earlier disposed of. Amendments en bloc shall be considered as read, shall be debatable for 20 minutes equally divided and controlled by the chair and ranking minority member of the Committee on Appropriations or their respective designees, shall not be subject to amendment, except as provided by section 4 of House Resolution 847, and shall not be subject to a demand for division of the question. During consideration of the bill for amendment, the chair and ranking minority member of the Committee on Appropriations or their respective designees may offer up to 10 pro forma amendments each at any point for the purpose of debate. Amendments En Bloc No. 1 Offered by Mr. Womack of Arkansas Mr. WOMACK. Mr. Chair, pursuant to House Resolution 847, I offer amendments en bloc. The Acting CHAIR. The Clerk will designate the amendments en bloc. Amendments en bloc consisting of amendment Nos. 1, 3, 4, 5, 6, 7, 8, 10, 13, 14, 17, 20, 22, 23, 29, 33, 34, 36, 66, 67, 71, and 75 printed in part B of House Report 118-269, offered by Mr. Womack of Arkansas: amendment no. 1 offered by mr. molinaro of new york Page 2, line 22 after the dollar amount, insert ``(increased by $10,000,000) (reduced by $10,000,000)''. amendment no. 3 offered by mr. gottheimer of new jersey Page 5, line 9, after the first dollar amount, insert ``(increased by $3,000,000)''. Page 99, line 11, after the first dollar amount, insert ``(decreased by $3,000,000)''. Page 102, line 5, after the first dollar amount, insert ``(decreased by $3,000,000)''. amendment no. 4 offered by mr. gottheimer of new jersey Page 5, line 9, after the first dollar amount, insert ``(increased by $90,000) (reduced by $90,000)''. amendment no. 5 offered by mr. gottheimer of new jersey Page 5, line 9, after the first dollar amount, insert ``(increased by $37,000,000)''. Page 99, line 11, after the dollar amount, insert ``(reduced by $37,000,000)''. Page 102, line 5, after the dollar amount, insert ``(reduced by $37,000,000)''. amendment no. 6 offered by mr. schweikert of arizona Page 7, line 23, after the dollar amount, insert ``(reduced by $1,000,000) (increased by $1,000,000)''. amendment no. 7 offered by mrs. beatty of ohio Page 8, line 18, after the dollar amount, insert ``(increased by $1,000,000) (reduced by $1,000,000)''. amendment no. 8 offered by mr. david scott of georgia Page 8, line 18, after the dollar amount, insert ``(increased by $1,000,000) (decreased by $1,000,000)''. amendment no. 10 offered by ms. waters of california Page 10, line 23, after the dollar amount, insert ``(reduced by $62,861,000) (increased by $62,861,000)''. amendment no. 13 offered by mr. schweikert of arizona Page 16, line 2, after the dollar amount, insert ``(reduced by $1,000,000)(increased by $1,000,000)''. amendment no. 14 offered by mr. hudson of north carolina Page 16, line 12 after the first dollar amount, insert ``(reduced by $5,000,000) (increased by $5,000,000)''. amendment no. 17 offered by mrs. ramirez of illinois Page 41, line 23, after the dollar amount, insert ``(reduced by $27,200,000)''. Page 41, line 23, after the dollar amount, insert ``(increased by $27,200,000)''. amendment no. 20 offered by mr. david scott of georgia Page 73, line 14, after the dollar amount, insert ``(increased by $2,000,000) (decreased by $2,000,000)''. amendment no. 22 offered by ms. williams of georgia Page 91, line 8, after the dollar amount, insert ``(reduced by $1,000,000)(increased by $1,000,000)''. amendment no. 23 offered by mr. molinaro of new york Page 95, line 25, after the dollar amount, insert ``(increased by $50,000,000) (reduced by $50,000,000)''. amendment no. 29 offered by mr. lucas of oklahoma Page 119, line 21, after the dollar amount, insert ``(reduced by $1,000,000,000) (increased by $1,000,000,000)''. amendment no. 33 offered by mr. castro of texas Page 132, line 12, after the dollar amount, insert ``(increased by $5,000,000) (reduced by $5,000,000)''. amendment no. 34 offered by mr. gottheimer of new jersey Page 132, line 12, after the first dollar amount insert the following: ``(increased by $1,000,000) (reduced by $1,000,000)''. amendment no. 36 offered by mr. neguse of colorado Page 132, line 12, after the dollar amount, insert ``(reduced by $5,000,000) (increased by $5,000,000)''. amendment no. 66 offered by ms. jayapal of washington At the end of the bill (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used for the sale or transfer of the National Archives facility located at 6125 Sand Point Way NE, Seattle, Washington, 98115. amendment no. 67 offered by mrs. kim of california At the end of the bill (before the short title), insert the following: Sec. \_\_\_. None of the funds made available by this Act, including titles IV and VIII, may be used to oppose a proposal to admit Taiwan as a member of the International Monetary Fund. amendment no. 71 offered by mr. molinaro of new york Page 132, line 12 after the dollar amount, insert ``(reduced by $10,000,000) (increased by $10,000,000)''. amendment no. 75 offered by ms. moore of wisconsin Page 133, line 9, after the first dollar amount, insert ``(increased by $500,000) (reduced by $500,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Arkansas (Mr. Womack) and the gentleman from Maryland (Mr. Hoyer) each will control 10 minutes. The Chair recognizes the gentleman from Arkansas. [[Page H5583]] Mr. WOMACK. Mr. Chairman, I rise in support of this bipartisan en bloc amendment that has the endorsement of my colleagues on both sides of the aisle. Breaking news: This en bloc has proven that Democrats and Republicans can work together and find common solutions--on some things anyway. The amendments set forth in this en bloc highlight the priorities in the Financial Services and General Government bill that address critical policies to strengthen our economy and bolster our workforce, and I look forward to incorporating these amendments into my bill. Mr. Chair, I thank my colleague and good friend Ranking Member Hoyer for his consultation and all Members who have worked with me on this bill. Mr. Chair, I urge a ``yes'' vote on the en bloc amendment, and I reserve the balance of my time. Mr. HOYER. Mr. Chairman, I reserve the balance of my time. Mr. WOMACK. Mr. Chairman, I yield 2 minutes to the gentleman from New York (Mr. Molinaro). Mr. MOLINARO. Mr. Chairman, let me highlight three amendments within the en bloc that are particular to communities in districts like mine. First, financial literacy is critically important, particularly in rural communities like the ones I represent in upstate New York. The best path forward for someone to achieve independence is obviously hard work and good financial decisionmaking. Amendment No. 1 encourages the Department of the Treasury to continue to invest in financial literacy initiatives for students and, in particular, reach young people in rural communities like those in upstate New York. I was shocked, Mr. Chairman, upon becoming a Member of Congress, that there are constituents within many districts across the country, in particular in upstate New York, who were not receiving actual mail delivery. I know this is perhaps not unique to my district. However, with thousands of individuals who have moved into upstate New York, the Catskill region communities, the post office has yet to acknowledge their very existence, whether it is simply offering them a physical mailing address or delivering their mail. Amendment No. 71 that I have submitted would address this glaring oversight and, quite frankly, incompetence within Sullivan County in upstate New York in my district, where the United States Postal Service has completely ignored these constituents and where thousands of them are not yet able to receive mail. Therefore, this amendment highlights the need that the American taxpayer should be entitled to the constitutionally recognized delivery of mail service. Lastly, amendment No. 23 addresses for senior citizens spam calls and targeted fraud cases. The FTC data shows that consumers lost an estimated $8.8 billion to scams in 2022. My amendment encourages the FTC to coordinate with other agencies like the DOJ and the FCC to ensure our data is protected and seniors are not victims. Mr. HOYER. Mr. Chairman, I yield 2 minutes to the gentlewoman from Ohio (Mrs. Beatty). Mrs. BEATTY. Mr. Chairman, I thank the gentleman from Maryland (Mr. Hoyer) for yielding. Mr. Chair, I rise in support of the en bloc amendment, which highlights the importance of the Financial Crimes Enforcement Network, FinCEN, to protect our financial system from illicit activities, combat money laundering, and promote the United States' national security. As we speak, oligarchs, kleptocrats, and other criminals are using anonymous shell companies to engage in money laundering, terrorist financing, tax fraud, corruption, bribery, and other illicit activities. FinCEN is working tirelessly to implement the Corporate Transparency Act's beneficial ownership rule to increase transparency and, yes, to follow the money to pursue bad actors, from Russian oligarchs to drug traffickers and, more recently, terrorist groups. Particularly in the wake of the recent Hamas attack, it is evident how vital the bureau's work is to direct and deter financial streams for terrorist groups, so I ask that we support this amendment. Unfortunately, House Republican's Financial Services and General Government Appropriations Act cuts FinCEN's funding by more than 12 percent and would necessitate significant personnel layoffs. My colleagues across the aisle claim to prioritize national security while simultaneously undermining the very offices at the Treasury tasked with safeguarding our financial system. This office is already stretched thin, working hard to fulfill its mandate with the limited resources it has. Let's not further hamstring the bureau's national security efforts with a 12-percent budget cut. Mr. Chairman, I urge my colleagues to support my amendment. Mr. WOMACK. Mr. Chairman, I am prepared to close, and I reserve the balance of my time. Mr. HOYER. Mr. Chairman, I support the gentleman's amendment, and I yield back the balance of my time. Mr. WOMACK. Mr. Chairman, I yield back the balance of my time. Ms. WILLIAMS of Georgia. Mr. Chair, I am proud to have introduced a bipartisan amendment to the Financial Services and General Government Appropriations bill to highlight the importance of protecting election workers with my friends, Congressmen Mike Levin, Juan Ciscomani, Sean Casten, and Chris DeLuzio. From the failed former President doxxing Ruby Freeman and Shaye Moss to the Fulton County election director, registration chief, and their staff getting death threats and being called every racial slur imaginable, my state has become ground zero for harassment and attacks on election workers. Y'all, when I say Georgia is the center of the political universe, this is not what I usually have in mind. The Federal government needs to step up to protect election workers: the foot soldiers of our democracy. They ensure our constituents' voices are heard at the ballot box smoothly and efficiently, and ensure we all get election results quickly and reliably. But because of the constant attacks and harassment they face, election workers are leaving their jobs at a terrifying rate, depriving our constituents of their right to a well-functioning democratic system. That's why I'm so grateful for this bipartisan group of Members who have come together to advocate for anti-doxxing protections and data and physical security resources for election workers, so that we support them the way they support our democracy. The Acting CHAIR. The question is on the amendments en bloc offered by the gentleman from Arkansas (Mr. Womack). The amendments en bloc was agreed to. Amendment No. 2 Offered by Mr. Molinaro The Acting CHAIR. It is now in order to consider amendment No. 2 printed in part B of House Report 118-269. Mr. MOLINARO. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 4, line 6, after the dollar amount, insert ``(increased by $21,000,000) (reduced by $21,000,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from New York (Mr. Molinaro) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from New York. Mr. MOLINARO. Mr. Chair, the Committee on Foreign Investments in the United States, CFIUS, is the chief body responsible for monitoring foreign financial influence in our Nation and the national security risk it poses. My amendment would direct CFIUS to evaluate the rising threat of U.S ***agricultural*** operations owned by adversarial nations. Food security is national security, and recent reports have indicated a disturbing trend of increased ownership of farm operations by entities with ties to the Chinese and Russian Governments, which is alarming and dangerous. Whether it is actual farmland or advanced agribusinesses, adversarial control over these entities provides adversaries the opportunity to spy on our military assets, steal revolutionary ag technology and research, and undermine the United States food system. This issue has garnered bipartisan support on the ***Agriculture*** Committee because it is essential for the protection of American ***agriculture*** and for the protection of our family farms. CFIUS could be a critical tool in better evaluating this risk and improving our response to this threat. [[Page H5584]] Mr. Chairman, I urge my colleagues to adopt this amendment, and I reserve the balance of my time. Mr. HOYER. Mr. Chairman, I rise in opposition to this amendment. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chair, this amendment, of course, is an add and subtract and will have no fiscal impact, and the policies do bear problems on this side of the aisle as to the implications they may have. Mr. Chairman, I reserve the balance of my time. Mr. MOLINARO. Mr. Chairman, sending a powerful message to our adversaries that America's food security is our national security is important and critical. Mr. Chairman, I yield back the balance of my time. Mr. HOYER. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from New York (Mr. Molinaro). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Mr. MOLINARO. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from New York will be postponed. Amendment No. 9 Offered by Mr. Grothman The Acting CHAIR. It is now in order to consider amendment No. 9 printed in part B of House Report 118-269. Mr. GROTHMAN. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: In title I, strike the item relating to ``Community development financial institutions fund program account''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Wisconsin (Mr. Grothman) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Wisconsin. Mr. GROTHMAN. Mr. Chairman, this amendment eliminates funding for the Department of the Treasury's Community Development Financial Institutions Fund. This amendment, if passed, would save $280 million in fiscal year 2024. Let me emphasize one more time that in putting together all these appropriations bills, the goal of all Members should be to reduce the level of spending. In the year that has just wrapped up, we are borrowing 22 percent of every dollar spent. If you are borrowing 22 percent of every dollar spent, you have a big problem. Even if we stick to the numbers that we agreed to in raising the debt limit bill, next year, the amount we are borrowing will be equal to 23 percent of every dollar spent. Mr. Chair, we have a real crisis here. Things are getting worse and worse as we go through these appropriations bills, so we should be looking for fewer ways to spend money and return it to the Treasury. The CDFI Fund provides grants to community development financial institutions, community development entities, and other private financial institutions. As a result of that, this amendment not only saves money but saves money by taking away money from a fund that frequently results in public-private partnerships. {time} 1030 I think there is nothing worse than public-private partnerships, because it means what you are doing is you wind up enriching already wealthy people at the expense of the taxpayer and allowing people in the community to become wealthier, not by necessarily doing something that is better for the community or successful in the free market. You become wealthier by schmoozing with the local elected officials. I think it is corporate welfare. I don't like corporate welfare. I think over time, more and more people are getting wealthy, not by providing something that would be winnable in the free market, but they do something by taking advantage of grants and credits offered by the government. I will quote The Heritage Foundation: ``The only rigorous empirical assessment of the NMTC to date found the program to be largely ineffective at meeting its goals of increasing community investment and development. The study found that most CDE investments were relocated investments rather than new net investments''--in other words, transferring one business to another area--``***suggesting*** that `all NMTC investments do not likely represent new funds to low-income communities.' '' President Trump tried to eliminate this in his 2021 budget, showing that President Trump was sometimes a President who was pushing for less spending. In his budget, they noted that the CDFI fund was created to jump-start an industry at a time when CDFIs had limited access to private capital. The CDFI industry now has ready access to capital needed to extend credit and offer financial services to underserved communities, eliminating the need for such grants. In the interest of ending cronyism, saving some tax dollars, stopping government waste, and getting rid of a program that I think too frequently makes wealthy development types still wealthier, I urge a ``yes'' vote on this amendment. Mr. Chair, I reserve the balance of my time. Mr. WOMACK. Mr. Chair, I claim the time in opposition to the gentleman's amendment. The Acting CHAIR. The gentleman from Arkansas is recognized for 5 minutes. Mr. WOMACK. Mr. Chair, Community Development Financial Institutions stimulate economic growth and create and sustain employment opportunities in rural and low-income areas, like a lot of America. The CDFI fund ensures CDFIs are able to provide these underserved communities access to capital by awarding certified CDFIs with tax credits and monetary support. I am proud that my own State greatly benefits from the CDFI fund and have seen the far-reaching impact it has had on the community. Defunding the program would only serve to harm the most vulnerable communities in America. So it is under that pretense, Mr. Chairman, that I oppose the amendment, and I reserve the balance of my time. Mr. GROTHMAN. Mr. Chair, I will just make one more point here. Assuming some of this money benefits Americans, not just the wealthy wheeler-dealers, we right now--at least if Wisconsin is any indication--have huge surpluses in our State coffers. If it is a good idea, it should be handled by the States, not by the Federal Government that is broke out of its mind. One of the reasons we are so broke is too many of my colleagues don't look at the Constitution and realize that some things are supposed to be handled by the State and local government and other things are supposed to be handled by the Federal Government. By the time you drip the money down from the Federal Government, there is a huge amount of waste there. In any event, in the interest of trying to keep our dollar the strong currency it has been throughout our lifetime, I urge adoption of this amendment and send these programs back to the States. Mr. Chair, I reserve the balance of my time. Mr. WOMACK. Mr. Chair, for the reasons stated previously, I urge rejection of the amendment, and I yield back the balance of my time. Mr. GROTHMAN. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Wisconsin (Mr. Grothman). The question was taken; and the Acting Chair announced that the noes appeared to have it. Mr. GROTHMAN. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Wisconsin will be postponed. Amendment No. 11 Offered by Mr. Schweikert The Acting CHAIR. It is now in order to consider amendment No. 11 printed in part B of House Report 118-269. [[Page H5585]] Mr. SCHWEIKERT. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 133, line 9, after the dollar amount, insert ``(reduced by $1,000,000) (increased by $1,000,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Arizona (Mr. Schweikert) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Arizona. Mr. SCHWEIKERT. Mr. Chair, a couple years ago, we dove into post offices, particularly those that did not appear to be financially vibrant and surviving. We realized much of the data we were working on had holes in it. We couldn't get certain lease costs or were they real estate owned. All I am trying to do here is just get updated data, because at some point we are going to go back through. You have all been watching the accounts. We are going to go back through that discussion again of how we shore up the finances of the U.S postal system. It would be nice if we go into that having actually high-quality information and the optionality that information would provide us. That is as complicated as this one is. Mr. Chair, I reserve the balance of my time. Mr. HOYER. Mr. Chair, I claim the time in opposition. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chair, I recognize my friend and thank him once again for his courtesy on the floor. I reluctantly oppose his amendment. The United States Postal Service is a service. Every one of us knows that there are some of the facilities that serve rural areas, in particular, that on a cost basis would not be there if it were not a service and we did not deem the rural areas needing service. Therefore, it is across the enterprise itself that we are looking at their finances. Therefore, to put the United States Post Office to the pretty extensive analytical chore of determining each post office, particularly in rural areas--now, I represent some rural and some suburban, but I think this would be a burden and add paperwork without giving us a result. When I say not giving us a result, Mr. Chair, let us say that post office A, B, and C were making a profit and D, E, and F, if you look at the unit, that is the single post office, were not making a profit, but nevertheless that neighborhood needs to be served. It is the overall profit or loss of the postal department providing the service to all Americans that I think is the criteria that we ought to be looking at. Mr. Chair, I reserve the balance of my time. Mr. SCHWEIKERT. Mr. Chair, what the ranking member is saying is fair. The goal here is to have much better information, because the reality is we are going to go back through that uncomfortable exercise again. It is probably a year or 2, maybe 3 years out. The world has changed. This is one of the great difficulties we have around here, and it is sometimes hard to accept. In a weird way, we are sort of a protection racket. We protect incumbent models of business, incumbent processes, incumbent bureaucracies, but how many of us are now paying our bills on this thing? How many of us are communicating on this thing and not licking an envelope with the risk of a paper cut? Come on, that was funny. The world is different. I know we have a certain sensitivity to the history and to the communities, but we are going to have to deal with the financial realities that is modern America. That is all I am trying to do. If we are going to deal with those, let's have quality information so we understand. Mr. Chair, I yield back the balance of my time. Mr. HOYER. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Arizona (Mr. Schweikert). The amendment was agreed to. Amendment No. 12 Offered by Mrs. Bice The Acting CHAIR. It is now in order to consider amendment No. 12 printed in part B of House Report 118-269. Mrs. BICE. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 16, line 2, after the dollar amount, insert ``(reduced by $5,000) (increased by $5,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentlewoman from Oklahoma (Mrs. Bice) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Oklahoma. Mrs. BICE. Mr. Chair, I rise today in support of this amendment. My amendment directs the Commissioner of the Internal Revenue Service to provide Congress with the quantity and types of weapons, weapons systems, ammunition, explosive devices, armored vehicles, drones, UAVs, and chemical weapons, such as tear gas, in their possession. Since taking office, the Biden administration has repeatedly attempted to supercharge an already weaponized IRS. According to the watchdog organization Open The Books, the IRS has spent over $35 million since 2006 to stockpile weapons, ammunition, and gear. Nearly one-third of this $35 million, or roughly $10 million, has been spent in the last 3 years alone. The report also mentions the purchase of tactical lighting, optical sights, ballistic helmets, and similar items. This is not a new issue, and it is not new to Oklahomans. The late Dr. Tom Coburn, the godfather of oversight and a great Oklahoman, previously raised similar questions and never received adequate responses from the IRS. In July, I sent a letter to IRS Commissioner Daniel Werfel requesting information on this issue, including: Details on the accounts that the IRS had used to purchase such weapons, gear, and ammunition. Data on the quantity and types of items used in the possession of the IRS. Information on the specific types of modifications to IRS-issued weapons that had been approved, and the number of these requests that have been approved. This is vital information, because part 9 of the Internal Revenue Manual, titled Criminal Investigation, outlines modifications that can be made to weapons and the process for exceptions. Proper oversight dictates that we understand the process and the practice. The IRS still has not replied to my letter. They must be reminded that Congress controls the power of the purse and has oversight authority. Americans are rightly concerned by the IRS's lack of accountability, and they are frustrated that agencies continue to abuse their power. Mr. Chair, it comes down to transparency. I fully recognize the historical significance of the IRS and their ability to take down criminal entities. However, the IRS needs to tell the American people exactly what capabilities they have. When the IRS audits an American business or individual, they first and foremost ask for an asset inventory list. If you don't have one, it is a serious problem. Why does the same agency refuse to provide their own asset list? What are the materials stockpiled? This is increasingly concerning as we look at recent funding increases due to the so-called Inflation Reduction Act in which the Biden administration provided millions of dollars to hire tens of thousands of new agents. I will remind my colleagues of the strict rules and processes that are in place on our military as it relates to firearms and munitions. Every military commander must keep a detailed and precise record of munitions, both spent and otherwise. They are expected to measure to the ounce and can receive significant punishment if those numbers do not match up. The IRS should be no different. Today, the number of armed Federal agents is rapidly approaching the size of the United State Marine Corps. The lines have been blurred between the IRS's role as a regulatory tax agency and a law enforcement agency. The American taxpayers are providing the funding for these assets. The least they deserve is an accounting of their purchases. My amendment provides much-needed transparency on this issue. [[Page H5586]] Mr. Chair, I reserve the balance of my time. Mr. HOYER. Mr. Chair, I rise in opposition to the amendment. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chair, this is a continuation of the majority party's contention that there are these thousands of agents that are going to be at your door armed to the teeth and ready to intimidate you. {time} 1045 That is not true. It is a good political scenario, but it is again the demonizing of people who are trying to catch tax cheats, tax dodgers, criminals, drug dealers, and others; many of whom are very dangerous people and who are very heavily armed themselves. This is a defund the police argument that the Republicans are making. Why? Because they want to somehow intimidate. Frankly, I don't care much about getting this information. I think this information is certainly worthwhile having. It is not worthwhile in terms of its intent to continue ad nauseam and contend something that is not true. Most of the agents that are going to be hired and have been hired are accountants, tax attorneys, and investigators to go through these voluminous tax returns that are filed by corporations and individuals. We could have included this in the report language. This is an add-in and then add-out language. It has no fiscal impact. It is unnecessary. Here we are some 10 days from the close-down of government. We are spending time on a number of these amendments, some of which votes have been asked for, while we twiddle our thumbs until February 17, without having resolved that issue. I think it is unfortunate that we continue to misrepresent to the American public that we are trying to make sure that people who do not pay their taxes do not put a greater burden on patriotic Americans-- small, medium, and large--who do pay their taxes, and to somehow give this misnomer or mischaracterization or misinformation that somehow, as they have said over and over again, these armed 87,000 agents-- absolutely untrue--are going to be at somebody's door trying to collect their taxes. We are trying to collect taxes from some pretty bad people. The agents we asked to do that work are doing it for their country and putting themselves in harm's way. Some assertion that somehow the IRS has become an army of agents showing up at doors with machine guns is absolutely wrong. I hear it all the time. Apparently, it makes good politics. Apparently, some don't believe that people ought to pay their fair share of taxes, that drug dealers who try to hide their money ought to not have somebody come to their door or come to their place of illegal business and say: You are a lawbreaker. You are a criminal. You owe us and the American people money, legally. You are doing it illegally and avoiding your taxes. I hope that this aspersion that somehow the IRS has become this armed army that is assaulting the American people is retracted by those who, for political purposes, continue to spew this argument. It is not fair to those people we ask to conduct the law enforcement business of America. Mr. Speaker, I urge my colleagues to vote ``no'' on this amendment. I reserve the balance of my time. Mrs. BICE. Mr. Chairman, they could prove that they are not hiding anything and not stockpiling weapons by providing the report that I requested. Mr. Speaker, I yield the balance of my time to the gentleman from Arkansas (Mr. Womack). Mr. WOMACK. Mr. Chair, let me correct the record on one thing my friend said. He referred to the continuing resolution that expires not February 17, but this month, November 17. I just didn't want him to give the American people the appearance that we had a lot more time because we don't. Mr. HOYER. Mr. Chair, I can assure my friend, I understood the proximity of the date being this month on November 17. Mr. WOMACK. Exactly. Mr. HOYER. Mr. Chair, if I said February, I thank the gentleman for correcting me. Mr. WOMACK. Mr. Speaker, I rise in support of the gentlewoman's amendment. In full committee we had a robust discussion. I think the information we are working on right now is back in 2018 from the GAO. It is time for the IRS Commissioner to give us this information. Mr. Speaker, I congratulate the gentlewoman for the Bedlam battle victory that they had this past week. Mr. Speaker, I yield back the balance of my time. Mr. HOYER. Mr. Speaker, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentlewoman from Oklahoma (Mrs. Bice). The amendment was agreed to. Amendment No. 15 Offered by Mrs. Harshbarger The Acting CHAIR. It is now in order to consider amendment No. 15 printed in part B of House Report 118-269. Mrs. HARSHBARGER. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 23, beginning on line 12, strike ``above the levels in the possession of the Internal Revenue Service on July 13, 2023''. The Acting CHAIR. Pursuant to House Resolution 847, the gentlewoman from Tennessee (Mrs. Harshbarger) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Tennessee. Mrs. HARSHBARGER. Mr. Chair, I yield myself such time as I may consume. Mr. Chair, I rise to address the Biden administration's reckless decision to use taxpayer dollars to purchase weapons and ammunition for the IRS, which is a tax collection agency. Last year, the American people were shocked to learn that the Biden administration was providing billions of dollars to the IRS to hire 80,000 new agents, whose job it will be to go after hardworking, middle-class Americans. The IRS should be focused on assisting our constituents with tax compliance and ensuring Americans receive their entitled refund, not focusing on arming its agents with the aim of further extorting the American taxpayer. The majority of Americans don't trust the government to be good stewards of their tax dollars. Arming the IRS certainly will not inspire new hope in our system. Let me make one thing clear. Washington does not have a tax collection problem. It has a spending problem. By disarming our tax collectors, this amendment offers us an opportunity to refocus the image of the IRS and restore faith in our government. After all, under President Biden, our agencies have been weaponized enough. Mr. Chair, I reserve the balance of my time. Mr. WOMACK. Mr. Chairman, I claim the time in opposition to the gentlewoman's amendment. The Acting CHAIR. The gentleman from Arkansas is recognized for 5 minutes. Mr. WOMACK. Mr. Chair, as I mentioned before in the previous debate, we had a robust debate in full committee and adopted an amendment which capped IRS firearms and ammunition levels as of July 13, 2023. I think that is reasonable. This amendment would remove that ***cap***. I understand that some of my colleagues have concerns about Federal agencies holding vast amounts of firepower. We need to be careful not to deprive our agencies of the ability to purchase firearms to carry out their lawful duties. Mr. Speaker, it is under that circumstance that I oppose the amendment, and I reserve the balance of my time. Mrs. HARSHBARGER. Mr. Chairman, I understand why the IRS criminal investigation agents carry weapons. I am looking at a 2019 report where it was reported that by the end of 2017 the IRS already had 4,487 guns and over 5 million rounds of ammunition. I don't know what they need that for. When we have more agents carrying weapons than we do marines carrying weapons, that is a problem. Mr. Chairman, I reserve the balance of my time. Mr. HOYER. Will the gentleman yield? [[Page H5587]] Mr. WOMACK. I yield to the gentleman from Maryland, the ranking member of the subcommittee. Mr. HOYER. Mr. Chairman, I adopt not only his premise that we have language in the bill that was fully debated in committee that will achieve the knowledge that we need. In addition, I would reiterate, we need to respect law enforcement-- whether it is called IRS agents--because people are breaking the law. For whatever reasons, people who are tax cheats or drug dealers laundering money or some ilk like that, any dangerous group of people, particularly when they have got criminal gains, are not paying any taxes, although, it is clearly owed. It is unfortunate that we continue to, A, defund those folks and limit them. I think the chairman is absolutely right in his objection to this. It demeans the officers who are risking their lives to do the duty that we have given them and they have a sworn responsibility to do. If they were called the Rolling Heights Police Department, and you said we are going to ***cap*** their weapons and do this, I think people on your side of the aisle, with all due respect, would be standing up and saying they are defunding the Rolling Hills Police Department. Isn't that awful? Because they are called IRS agents who enforce the law, they confront crimes, that somehow they are lesser law enforcement officers and are at lesser risk, I think that is not the case. Mr. Chairman, I join the chairman in opposition. Mr. WOMACK. Mr. Chairman, I would say, notwithstanding the fact that these Federal agencies engage in law enforcement activities, whether it is IRS or FBI, it doesn't make any difference. They are engaged in some very dangerous activities. Notwithstanding the fact that they are engaged in activities, we should all remember that part of their mission is also to train for these dangerous circumstances. There are training events and weapons qualifications and all kinds of thing that require the expense of ammunition, maybe not for a nefarious target down range, but in order to be able to make them better at their trade should that circumstance present itself. Mr. Chairman, it is under those conditions that I reluctantly oppose the gentlewoman's amendment. I yield back the balance of my time. Mrs. HARSHBARGER. Mr. Chairman, the last thing I heard is that we have a couple people who haven't paid taxes. Hunter Biden is one, and more than likely so is President Biden. The IRS should not be the agency that goes after criminals. That is an agency called the FBI. If they want to enforce the border with guns, then go after the 8 million plus illegals that are coming across the border and also the known terrorists that we have in this country. Mr. Chairman, this is my amendment, and I yield back the balance of my time. The Acting CHAIR (Mr. Crawford). The question is on the amendment offered by the gentlewoman from Tennessee (Mrs. Harshbarger). The question was taken; and the Acting Chair announced that the noes appeared to have it. Mrs. HARSHBARGER. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentlewoman from Tennessee will be postponed. Amendment No. 16 Offered by Mr. Davidson The Acting CHAIR. It is now in order to consider amendment No. 16 printed in part B of House Report 118-269. Mr. DAVIDSON. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of the bill (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used by the Department of the Treasury to design or develop a Central Bank Digital Currency, or establish a United States Central Bank Digital Currency as legal tender. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Ohio (Mr. Davidson) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Ohio. Mr. DAVIDSON. Mr. Chairman, this amendment expands upon the base tax. The base tax says that none of these funds may be used to establish a central bank digital currency. A central bank digital currency shouldn't be established. Establishing could mean that it has already been created and waiting in the wings just in case we need it. For ``Star Wars'' fans, imagine if we let the empire build the Death Star, as long as they promise not to turn it on. Let's not do that. Let's not build this thing in the first place. We shouldn't design it or develop it. It shouldn't exist. That is the point of this amendment. Stop wasting your time on something that the American people don't want and Congress hasn't authorized. I think the base tax sort of gets at that, but I wanted to expand upon that to be clear. We don't even want it to exist. Why is this important? On March 9 of 2022, the Biden administration released an executive order outlining the administration's approach to the risks stemming from digital assets and blockchain technology. This included a directive to explore a United States central bank digital currency. {time} 1100 On March 1, 2023, the Under Secretary for Domestic Finance Nellie Lang gave a speech focusing on the administration's efforts thus far to design and develop a central bank digital currency: `` . . . a CBDC would involve both a new form of central bank money and, potentially, a new set of payment rails. Both real time payment systems and CBDCs present opportunities to build a more efficient, competitive, and inclusive U.S payment system.'' She announced the creation of the Treasury-led CBDC Working Group to complement the Fed's work on the U.S CBDC. These are excerpts from her speech. Meanwhile, the Federal Reserve has made substantial steps toward developing a central bank digital currency, as well. They have done numerous research on projects on the design, but the San Francisco Fed is actually recruiting and hiring for a senior crypto architect of a central bank digital currency to develop a U.S central bank digital currency. Article I, Section 8 of the Constitution is clear. The authority for creating money rests with this body, and we clearly aren't authorizing that. In testimony the chairman of the Federal Reserve has made it clear that they couldn't actually establish it without congressional authorization. We want them to stop building it. What is a central bank digital currency? It is a corruption of the concept of money from its proper use as a store of value and a means of exchange into a tool for coercion and control. The version that is being studied is the same version that the Chinese Communist Party is implementing in China, which is a centrally managed, centrally controlled database. Now, I am not saying the United States would automatically do the same things China is doing with it, but it would have the same features where the central government actually sees every single transaction. There is no intermediary. In fact, the central government becomes the intermediary between the person and their own property. It would have a claim on it, but their claim would rest with the Federal Government. We do not need that kind of money in the United States. We don't want that kind of money in the United States. It is Orwellian, and it is dystopian. Every dystopian future has some version of corrupted money where the money itself is used as a tool for coercion and control. In fact, the Book of Revelation, what I consider Scripture, talks about this, and in our time we are seeing the technology that could do it. In over 100 countries this kind of design and development work is underway. The United States should not partake in it. It is always depicted as evil, and we should have no part in it. Mr. Chair, I urge adoption of this amendment. To be very clear, not only do we not want it established, we do not want it to exist. [[Page H5588]] Mr. Chair, I reserve the balance of my time. Mr. HOYER. Mr. Chairman, I claim the time in opposition. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chair, I have a credit card in my pocket. It is a piece of plastic, and I am sure that 150 years ago or 100 years ago somebody said: Well, that plastic is not money. Nonetheless, very frankly, most of us no longer carry significant sums of money because we use our credit cards. Now, I am not an expert on this. This is an authorizing issue. The authorizers on the Financial Services Committee and the experts who deal with this should be deciding whether we ought to even look at it, and that is what this amendment would preclude, looking at an option. Now, I am sure it is much more complicated than my simple analogy of a credit card, but I guarantee you, Mr. Chairman, if people 100 years ago were told that you can spend this plastic, they would have said: Are you crazy? Now, I don't know whether or not Treasury or the Federal Reserve will see something that makes it more efficient and effective to transfer money from one place to another, which is what we do with a credit card. We transfer from our bank not by going to the bank and doing a withdrawal slip, we do it by giving somebody plastic, and they then put it in the system and the system puts my money from my account into the seller's account. Now, I don't know that that is so simplistic as to be inaccurate, but I do say, Mr. Chairman, that it is putting your head in the sand in a very technological age in which we live in which things may be made more effective, more accurate, and more user-friendly. I don't know the answer to that. Nevertheless, I certainly don't believe that we ought to say: Don't look at the options. So I would oppose this amendment. I am sure it is well-meaning, and I certainly believe the gentleman is concerned about what China does, and I don't know exactly what they do. I heard his brief explanation, but the fact of the matter is looking at an option--and the gentleman is correct, we would have to approve that option. We, the Congress of United States, the Representatives of the American people, and the Senate, would have to approve that option, and we would have authority over that because, as he said, that is what the Constitution says. Nonetheless, not looking at options I don't think is a good policy for this country, for any business, or for any family. Look at your options. Mr. Chair, I urge us to reject this amendment, and I reserve the balance of my time. Mr. DAVIDSON. Mr. Chairman, the gentleman's argument is not against the language of this text. The gentleman's argument is about studying something or researching it, and the clear language does not prohibit research or study. It does prevent designing or developing it. We don't want them to create it. Research all you like, Mr. Chairman, understand how evil it is. I assure the gentleman I am actually an expert on this field, and I am on the authorizing committee. We have as a committee passed language that prohibits the use of a central bank digital currency by the United States of America. So the appropriation is aligning with the work of our authorizing committee. This is not legislating or it wouldn't have been made in order. It is a simple prohibition of the use of funds to do certain activities. We don't want them to create this. They can research, they can come and say: We have studied this, and we think there are some really interesting ideas, and here is a proposal for something that might exist someday. Mr. Chairman, we simply don't want them to create it, and I yield back the balance of my time. Mr. HOYER. Is the gentleman opposed to the working group that now exists? Mr. DAVIDSON. Will the gentleman yield? Mr. HOYER. I yield to the gentleman from Ohio. Mr. DAVIDSON. The working group I think is within the purview of study and research. We just want to make sure that they don't cross the line into designing and developing, and it looks like they are starting to do that. We don't want them to create something and say: See, it already exists. We didn't appropriate money for them to do that. We didn't tell them to create it. We just want to be more clear on what we want you to do. By all means, research. Mr. HOYER. Reclaiming my time. First, the gentleman is an expert and knows much more than I do about this. I take that as a given. Secondly, he is on the authorizing committee. That committee has full authority to do that. He says it wouldn't be in order. It is not authorizing, but it says none of the funds, which means that whatever is going on can't use any funds to do this. He says it is about creating and not studying. I hear him, but this is an authorizing issue, and it ought to be in the hands and the consideration of the committee of jurisdiction. Apparently, it hasn't moved, which is why the gentleman is now trying to get it through by a backdoor, in effect, of saying none of the funds can be used for the purposes that are ongoing. So, Mr. Chairman, I oppose this amendment, I urge its rejection, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Ohio (Mr. Davidson). The amendment was agreed to. Amendment No. 18 Offered by Mr. Perry The Acting CHAIR. It is now in order to consider amendment No. 18 printed in part B of House Report 118-269. Mr. PERRY. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 73, line 14, after the dollar amount, insert ``(reduced by $635,000,000)''. Page 217, line 16, after the dollar amount, insert ``(increased by $635,000,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Pennsylvania (Mr. Perry) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Pennsylvania. Mr. PERRY. Mr. Chairman, ever since its ill-advised inception and inclusion in the Dodd-Frank Act, Republicans have been largely unified about many, many issues with the Consumer Financial Protection Bureau. Its unconstitutional, unaccountable leadership structure has been litigated before the Supreme Court. Its unaccountable funding structure--chiefly, the fact that its funding comes from the Federal Reserve and not the duly elected Members of Congress--will likely be addressed during the Court's October session. None of us know, nor should we presume to know, what the Court will decide on the latter issue. Nevertheless, as written, the underlying bill addresses concerns with the funding structure by funding the CFPB through the regular appropriations process. This amendment retains that provision at a level of zero. Mr. Chairman, I reserve the balance of my time. Mr. HOYER. Mr. Chair, I claim the time in opposition. The Acting CHAIR. The gentleman is recognized for 5 minutes. Mr. HOYER. Mr. Chair, I rise in strong opposition to this amendment. The CFPB is vital in safeguarding the interests of American consumers. You are on your own. That is the ongoing message that Americans hear from our Republican colleagues. You are on your own, and we are not going to protect you. The CFPB serves as an independent agency dedicated to ensuring that financial products and services are fair, transparent, and free from deceptive practices. Very frankly, we are dealing with trillion-dollar financial institutions. There is no consumer except the most expert who can, on their own, make sure they are getting a fair shake and who can, on their own, make sure they are not getting rolled and make sure that they are not being ripped off. That is what this agency is supposed to do. By holding financial institutions accountable, the CFPB protects consumers from predatory lending, fraud, and other forms of financial exploitation. That is the little guy. That is the little guy who can't do it for himself or [[Page H5589]] herself and is counting on us to make sure that what is represented to them is, in fact, fair and not, as I said, ripping them off. The CFPB promotes fair and transparent financial markets by enforcing regulations and consumer protection laws. This oversight helps maintain the integrity of the financial system, fostering trust and confidence among consumers and businesses alike. If we don't have it, if we zero fund it, then guess what, Mr. Chairman? Confidence is going to go away. Guess what, Mr. Chairman? Financial institutions--some very small, some medium size, the large, maybe they will get away with it, they will be able to sustain themselves--but the financial system will lack confidence, and we know that confidence is critical to the financial community and our economy operating effectively. The CFPB conducts investigations, issues fines, and enforces compliance to deter companies from engaging in harmful or fraudulent activities, ultimately reducing the risk of financial crises and market instability. Mr. Chairman, I urge my colleagues on both sides of the aisle to oppose this amendment. Very frankly, as I have said in the past, in the twenties, we didn't have these--the 1920s, not the 2020s. In the 1920s we didn't have any of these protection agencies. The reason they were created in the thirties was to try to stabilize the markets. Very frankly, we have had an extraordinary market for the most part. Now, I have been here when we have had some real downturns, and confidence was lost. Nevertheless, if we eliminate CFPB and other like agencies or, frankly, reduce the resources that some agencies like the SEC have to make sure that our markets are safe, secure, and transparent, then our economy is not going to be the kind of economy, frankly, that we want. Very frankly, our economy is not going to be the kind that we have now in terms of a pretty vital, vibrant market creating some 13 million, 14 million jobs over the last 24 months. So, Mr. Chairman, this is not about politics. This is about our economy, its stability, and the confidence that people have in it. I urge my colleagues on both sides of the aisle to vote ``no'' on this amendment, and I reserve the balance of my time. Mr. PERRY. Mr. Chairman, it is amazing to me somehow this country made it a couple hundred years without the CFPB, and now we can't wake up in the morning without it. The CFPB operates off a fundamentally flawed assumption that our fellow Americans, the little guy, is a rube and they lack the agency and the intelligence to choose products and services that fit their needs and, instead, must be infantalized while further empowering a government that does not have their best interests at heart. Their vilification of mundane services provided by banks and credit unions leaves our constituents with fewer and more expensive options. Mr. Chairman, I yield such time as he may consume to the gentleman from Florida (Mr. Donalds). {time} 1115 Mr. DONALDS. Mr. Chair, we should be in support of this amendment for one very important reason: The CFPB is unconstitutional. It is an agency that was given legislative powers through Dodd-Frank, one of the worst pieces of financial regulatory legislation ever to come through this Chamber, and it has no accountability and no oversight from Members of Congress. They go to the Federal Reserve to get their money. They go out to the public, and they actually are writing regulations that Congress has not even contemplated and putting out oversight that Congress has never actually voted for. They are doing it with no oversight from the people's body. Just yesterday, the CFPB went to Apple, Google, and the payment firms and came up with new proposed rules on digital wallets when this Chamber has not even come out with legislation around digital wallets or digital assets. We have not done that work in the people's House, so to allow an agency like this to continue to operate with no oversight, to go in and out of any company they choose to based upon the whims of Mr. Chopra, is not constitutional. Furthermore, it is not befitting for an agency under the government of, by, and for the people. Let me also add that the bill presented by Mr. Barr from Kentucky is a good step in the right direction because it would at least give Congress Article I oversight powers over the CFPB and allow us to do the thing that Mr. Perry is arguing for, which is zeroing out this agency and eliminating it altogether. Let's speak to the consumer protections that the gentleman from Maryland has talked about. Before CFPB, consumer protections actually were within the purview of all the other Federal agencies that are under the oversight guise of Congress. CFPB was created so that they wouldn't have to come here for oversight. I have no problem with making sure that consumers are protected, but not by a rogue, unconstitutional agency that should not exist. Mr. HOYER. Mr. Chair, we had this discussion a little earlier on Mr. Barr's legislation. This is before the Supreme Court. You are making a representation that this is unconstitutional. You are going to find out the answer to that probably by early summer of next year. We will be in session. We can respond to that. This is a matter that ought to be considered out of the Financial Services Committee and reported to the floor, and we ought to consider it. This was not adopted without thought. You may disagree with the conclusion that was arrived at, but it had a lot of discussion. By the way, for those of you who have not been here a long time, it had a conference. You may not know what a conference is, but what a conference is, is we pass legislation, the Senate passes legislation, and they go meet. We hardly do that anymore, unfortunately. That is sad, in my view. I have been here for a long time, and conferences are good. That is the way the process ought to work, as opposed to just putting something here and zero funding an agency that was created. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. Members are reminded to direct their remarks to the Chair rather than to other Members. Mr. PERRY. Mr. Chair, I remind everybody that the CFPB was an all- Democrat conference. There were no Republicans. Mr. Chair, I yield 1 minute to the gentleman from South Carolina (Mr. Norman). Mr. NORMAN. Mr. Chair, I fully support Chairman Perry's amendment. This agency is a rogue agency. Let me give an example to my friend to my left. The CFPB is irresponsible and reckless. In February 2023, a CFPB employee made an unauthorized transfer of records to a personal email account containing personal information of 256,000 customers. It affected over 45 institutions. We sat with Mr. Chopra during a hearing. He is unregulated. I don't know if you have ever been on a bank board, but they are the most regulated group. Do you know who pays the price, the fines, that they come up with through vague, in today's world, climate change? All these customers up here that are trying to borrow money. It never should have existed. To keep it funded and to keep it as it exists with the personnel, we are going backward. Mr. Chair, I fully support this amendment. Mr. PERRY. Mr. Chair, I yield the remainder of my time to the gentleman from Kentucky (Mr. Barr). Mr. BARR. Mr. Chair, I thank my friend from Pennsylvania, and I compliment and applaud him for introducing a very legitimate amendment to address the unconstitutional structure of the agency and the fact that they are a rogue agency. There is no greater critic of the CFPB than me. Ask Mr. Chopra about that. However, I reluctantly rise in opposition, which may surprise my colleagues on the other side of the aisle, to the amendment. It is not because the agency doesn't deserve a check the way Mr. Perry wants but because it is important for this institution that we assert, in the long run, the appropriations power of this body. That is why I support the Womack bill, which funds the agency and deprives the Court of the excuse to uphold the agency. [[Page H5590]] Mr. PERRY. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. Perry). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Mr. HOYER. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Pennsylvania will be postponed. Amendment No. 19 Offered by Mrs. Ramirez The Acting CHAIR. It is now in order to consider amendment No. 19 printed in part B of House Report 118-269. Mrs. RAMIREZ. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 73, line 14, after the dollar amount, insert ``(increased by $635,000,000) (reduced by $635,000,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentlewoman from Illinois (Mrs. Ramirez) and a Member opposed each will control 5 minutes. The Chair recognizes the gentlewoman from Illinois. Mrs. RAMIREZ. Mr. Chair, the bottom line is this: Undermining the Consumer Financial Protection Bureau harms Americans' financial security. That is why today I am offering my amendment supporting the Consumer Financial Protection Bureau, the CFPB, and its independence, which is essential in protecting Americans from predatory practices. I offer this amendment at the urging of the Illinois Coalition For Immigrant and Refugee Rights, an invaluable organization in my district. Established after the 2008 financial crisis, the CFPB protects Americans from predatory financial practices and lenders while fighting discrimination in the financial sector. In its first 12 years, the CFPB has been able to return or restore over $17.5 billion to American consumers in compensation, canceled debts, and other relief. It has filed over 4 million complaints against companies on behalf of consumers. My amendment affirms that Congress should not meddle in an independent agency and acknowledges the importance of the Bureau in protecting consumers from exploitative practices, including when it comes to questionable, crushing medical debt. The CFPB's work is incredibly important, especially as medical debt continues to burden communities in my State of Illinois and disproportionately impacts Black and Brown people. Across the country, 41 percent of U.S adults currently have unpaid medical or dental bills. I know many of them, and many of them are in my own family. During my time serving as executive director of an organization that worked to advance economic opportunity, I have seen medical debt destroy individual's and families' financial security and rob them of their financial futures. Medical debt puts people in impossible positions. They have to choose between seeking necessary healthcare and paying for their basic needs like food, housing, and heat when it is 20 degrees in Chicago. While we could solve the challenge of crushing medical debt through universal healthcare and Medicare for All, medical debt continues to plague the American people. We have to protect our communities from abusive and deceitful practices that compound the challenges that everyday Americans face when navigating medical emergencies. One of those deceitful practices is deferred interest medical credit cards. Research from CFPB is exposing the exploitive practices around these medical credit cards, which have average interest rates 10 times higher than our average credit cards. Let's think about that. Our credit cards already have extremely high interest rates. These are 10 times higher. Patients seeking medical help who are given this option are almost always unaware of the exploitative charges and costs if the full balance is not paid by their deadline. The CFPB's vital role also includes cracking down on debt collectors who try to trick and coerce patients into paying medical debt that unlawfully exceeds cost ***caps***. CFPB has been working to remove medical debt from credit reports as medical debt should never be an indicator of someone's worth and should never limit a person's opportunity for a prosperous and thriving life, including access to safe, stable housing and employment opportunities. That is why, Mr. Chair, it is critical for the CFPB to maintain its independence from congressional meddling so that it can continue to address practices that are harming consumers, especially predatory lending that leads to medical debt, and to hold bad actors accountable. As someone who is deeply concerned with housing access and affordability, CFPB's work to remove medical debt from credit reports would literally change the outcome for thousands of working families. It would improve the credit scores of millions of Americans, opening up access to rental housing, insurance, the purchase of their first home, and even employment for many who experience barriers due to their low credit scores. We know that CFPB has reported that debt collectors use inaccurate or outdated information about their medical debt. It is clear that the CFPB serves an essential function in protecting hardworking, everyday Americans from predatory practices and financial exploitation. Let me say this loud and clear: An attack on the CFPB is an attack on everyday Americans and working families. We must protect the independent funding of the CFPB, and we have to reject every assault on its funding structure. We have to allow CFPB to move forward with its number one job of protecting the American consumer. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentlewoman from Illinois (Mrs. Ramirez). The amendment was agreed to. Amendment No. 21 Offered by Mr. Ogles The Acting CHAIR. It is now in order to consider amendment No. 21 printed in part B of House Report 118-269. Mr. OGLES. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 88, line 25, after the first dollar amount, insert ``(reduced by $13,050,000)''. Page 217, line 16, after the first dollar amount, insert ``(increased by $13,050,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Tennessee (Mr. Ogles) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Tennessee. Mr. OGLES. Mr. Chair, my amendment reduces funding for the Consumer Product Safety Commission, CPSC, to fiscal year 2019 levels, something that Republicans have made a central piece of any spending arrangements in this Congress. Under the Democrats' fiscal year 2023 omnibus, which every Republican last year voted against, Congress appropriated over $152 million. The fiscal year 2019 appropriation for CPSC was $127 million, which, when measured against the proposed appropriation in this bill, represents a relatively modest $12 million cut. No one opposes the good intentions behind the CPSC. In fact, this amendment doesn't gut the agency at all. Everyone here wants to make sure that our fellow citizens are safe. However, it is fair to say that the CPSC has certainly gone well beyond basic consumer protection. Earlier this year, the CPSC indicated that they planned to take action on banning gas stoves. Obviously, that effort failed, but the fact that the CPSC even considered taking action on gas stoves--heaven forbid that the American people feed themselves--is an indication of just how far this agency has gone off the rails. If an agency can regulate indoor air, what can't they regulate? Mr. Chair, I reserve the balance of my time. Mr. HOYER. Mr. Chair, I claim the time in opposition to the amendment. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. [[Page H5591]] Mr. HOYER. Mr. Chair, helping the consumer does not seem to be the objective of the amendments that are made to this bill. My colleagues have heard numerous statements by Ranking Member Wasserman Schultz and others about how the consumer is confronted with extraordinarily complicated and big agencies, and relying on the fact that what is being sold to them or given to them--sold to them, for the most part--is safe to use. They don't have labs to analyze whether that is the case. They don't have researchers able to understand that. It is not that they are dumb. Somebody said that I thought that they were rubes. That is baloney. I think they are smart, bright people. {time} 1130 They don't have the capacity to really know what is in that product. They can't analyze it. They don't know what toxins may or may not be in it. That is what this agency is about. This would reduce the Consumer Product Safety Commission's funding below the fiscal year 2019 levels. Well, that was now 5 years ago. We are doing the fiscal year 2024 budget now. It clearly would harm individual consumers who rely on their work, period. It would harm the Commission's ability to halt dangerous imports from China, investigate deaths associated with consumer products, and research emerging hazards. This cut of $13 million would bring the CPSC's funding level down from its fiscal year 2023 funding level of $153 million to its fiscal year 2019 level of $127 million, a 20 percent reduction. Well, consumer, you are on your own. That is what the mantra is: Consumer, you are on your own. I hope that the committee chair would oppose this. As you know, these levels are significantly below the President's budget. Last year, 32 million people sought medical attention for an injury related to a consumer product. Mr. Chair, 32 million people sought redress for an injury related to consumer products. There were an estimated 57,000 deaths in 2021 related to consumer products. Under this amendment, imports of consumer goods would be significantly slowed. Companies seeking help with recalls would face significant delays, and CPSC's efforts to address the online sale of dangerous recalled products would be greatly harmed. Consumer, you are on your own. That is unfortunate because the consumer--our constituents, our fellow Americans--needs to have confidence. They need to have confidence in the banking. They need to have confidence in products that are sold to them, so they have the confidence to buy them, to let their children use them, to have them present in their homes and in their businesses, and, yes, even in their cars. Mr. Chair, I urge us, as protectors of consumers--not Republicans and Democrats, but as people who want to protect consumers--to reject this amendment. I reserve the balance of my time. Mr. OGLES. Mr. Chairman, I agree, and I think we all can agree that we want to keep consumers safe, but this is a modest $12 million cut to an agency that has gone beyond its purview. I live in a rural community. I live back in a valley on top of a hill, and on occasion we have ice storms, so having a gas stove is important to me and my family. In rural America, having gas stoves, propane, is important to America, and yet this agency tried to ban gas stoves. Why? Because they are driven by a political agenda far beyond their mission statement of keeping Americans safe. This is why we need a modest cut to a rogue agency, to send them a message to get back on track to do their job and quit pushing the woke Biden administration's agenda. I reserve the balance of my time. Mr. HOYER. Mr. Chairman, first of all, let me address the gas stoves. That was a sidebar comment. It wasn't anything about taking gas stoves out of people's homes or out of their yard or anything of that nature. It was a political gem that has been seized on by the majority party to pretend somehow that there was an active effort to take away their Weber from their yard. It is absolutely untrue. It was a sidebar comment by one commissioner about we need to look at gas stoves. It is like defunding the police or the IRS being an army. Furthermore, this is not a minor cut. This is a 20 percent cut. Not this amendment, but when you add it to that which was reduced in the bill itself, it is a 20 percent cut in protecting consumers. I think that is a pretty big cut. I urge its rejection, and I yield back the balance of my time. Mr. OGLES. Mr. Chairman, I guess that is Common Core math because attempting to block an increase isn't a cut. We are talking about $12 million off the current appropriations. That is a modest cut. By the way, the gas stoves, that was attempted through rulemaking. So my colleague, who I greatly respect, must assume that the American people are stupid because they attempted to regulate and ban gas stoves. That is a fact. It can't be disputed. I am appalled that that was even mentioned, even in passing. That being said, it should be noted that two Democrat Presidents reduced the size of this agency's budget--both Carter and Clinton--at a time when bipartisan support was there for fiscal restraint. That is what we are asking for. That is what we should do. We should send them a message that enough is enough. Mr. Chairman, I urge adoption of my amendment. We are in a crisis in this country. Our southern border is overrun, spending is out of control, and agencies have gone woke. This President has failed us. It is time we get our fiscal house in order. Mr. Chair, I urge adoption of my amendment, and I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Tennessee (Mr. Ogles). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Mr. HOYER. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Tennessee will be postponed. Mr. HOYER. Mr. Chairman, I have a pro forma amendment at the desk. I rise as the designee of the ranking member. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chair, I think my friend has left the floor. Maybe he hasn't left the floor, but let me read this message. They are going to reject it out of hand because it comes from the CPSC. The message says: For what it is worth, we never proposed a gas stove ban, period. Total nonsense. We had one commissioner say something in an interview, and then the chair shot it down, but there is no staff working on anything like this, no proposal to do anything like this. Same as saying that Congress is doing something because one Member of Congress is introducing the bill. Defund the police. An army of thousands from the IRS. They ought to stop scaring the American people and giving them misinformation. That gas stove story is baloney that the gentleman talked about. But it is a really great political talking point they think because the guy with the Weber stove in their yard is going to think the Feds are out to get my Weber. Baloney. However, it is a good talking point because if someone keeps saying a lie over and over and over again, maybe somebody will believe it. I try to tell the truth when I am on the floor. The Bible tells me the truth shall set you free. Be honest with America. Mr. Chair, I yield back the balance of my time. Amendment No. 24 Offered by Mr. Perry The Acting CHAIR. It is now in order to consider amendment No. 24 printed in part B of House Report 118-269. Mr. PERRY. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 95, line 25, after the dollar amount, insert ``(reduced by $66,830,000)''. Page 217, line 16, after the dollar amount, insert ``(increased by $66,830,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Pennsylvania (Mr. Perry) and a Member opposed each will control 5 minutes. [[Page H5592]] The Chair recognizes the gentleman from Pennsylvania. Mr. PERRY. Mr. Chairman, this amendment reduces the amount available for salaries and expenses of the Federal Trade Commission to FY19 levels at just over $306 million. It should come as no surprise that I disagree with the Biden administration's weaponization of the Federal Trade Commission. Much like other Biden administration approaches to financial services regulation, the FTC policies under Chair Lina Khan threaten to disrupt entire sectors of the American economy by moving away from the consumer welfare standard toward arbitrary metrics that aim to break up companies--or stop them from merging--simply because they are too big. I mean, we can't even be bothered, as my friend on the other side of the aisle says, with the consumer not having the capacity to determine what is in their best interests, which is affronting enough. I mean, all us dumb rubes out here in America, we don't know what the heck we are going to do without the government to tell us what to do. We can't even do that now. We just have to come up with arbitrary things that we don't like and then weigh in. The FTC has targeted the following standard businesses and business practices, citing several concerns, including, the charging of advertising and other fees to sellers that sell on Amazon or advertise using online platforms. Mr. Chairman, when you want to buy something, it is going to cost you something. Somebody has to pay for that. That is how business is done. Other FTC concerns include the use of noncompete clauses in contracts, and the idea that mergers themselves--rather than downstream effects on consumers--negatively impact consumers. Unfortunately, this government seems focused on killing successful American business instead of staying out of its way. Most, if not all, of these practices are agreed upon in contracts between two willing parties. If you don't like what is in the contract provisions, whether it is a noncompete clause or you have to pay for your advertising, there is a simple remedy not involving the government: Just don't sign the contract. It is pretty easy. In the last couple years, the level of FTC salaries and expenses has increased from just over $300 million to $430 million in FY23. That is $130 million in extra salaries and expenses. I don't need to tell everybody here, I hope, but we are $33.7 trillion in debt--the last time I checked the debt clock, 2 days ago--and there ain't no end in sight. As my young daughter told me when she looked at the debt clock for the first time, she said, Well, it doesn't stop. Yeah, no kidding. It doesn't stop, because this place just keeps spending like there is no tomorrow. If we keep going, there might not be a tomorrow for this country. I appreciate that the bill's author wrote it at a lower level than FY24. It shouldn't be too tall a request to lower that number even further to prepandemic levels when, oh, by the way, just a couple years ago, the government was still too big and was spending more money than it took in then, especially given the questionable tactics of this administration's FTC. Mr. Chair, I reserve the balance of my time. Mr. HOYER. Mr. Chair, I claim the time in opposition. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chair, You are on your own, consumer. You are on your own, Mom. You are on your own, Dad. That is what they said in the 1920s. I keep repeating it: You are on your own. The markets went wild, and they crashed, and millions and millions and millions of people suffered badly. This bill already cuts FTC, and this amendment brings salaries and expenses down to its fiscal year 2019 levels, that is to say that it cuts in half the complement of employees at the FTC. That is not a nick. That is a you are on your own. Boy, the pleaders for doing things that are not legitimate, Mr. Chairman, must be a long line. We don't want to be regulated. Now, I am not calling anybody a rube, but I will tell you, maybe you can. When I go to the gas station and I put the pump on, and the gas goes in, there is not a single way that I can tell whether that product is what they say it is. Do you know what I rely on, Mr. Chairman? I rely on--both at the State and Federal level--that somebody is checking on that gas to make sure it is not going to blow up my car. I can't do that. I rely on the government to do it, to make sure that I am safe, to make sure my car is not damaged when I pull that pump and some liquid goes into it. {time} 1145 Why do I presume that? Not because the gasoline company says it is, because the gasoline company may have some incentive to, hey, maybe shortchange a little bit of this and shortchange a little bit of that. If somebody is checking, that incentive is eliminated. Just like when people are checking on making sure you are paying your taxes or doing the speed limit on the road. They think somebody's checking, so they are more likely to do that. They are more likely to pay their taxes. To the extent that the other side continues to try to nip away at the protections for the consumers and the investors and the purchasers of food and drugs and other items of consumer products, to the extent that we erode that, we are going to erode this economy, and we are going to diminish the quality of life for people and their security. This agency was reduced significantly by this committee, and this is not just a nick at it. It is a cut of the muscle and the ability to do the job consumers and constituents, we call them, expect it to do for them, their families, and their children. I oppose this amendment and urge its rejection. Mr. Chairman, I reserve the balance of my time. Mr. PERRY. Mr. Chairman, the good gentleman from the State of Maryland says, well, you are on your own. You are on your own. I don't know. Mr. HOYER. Will the gentleman yield? Mr. PERRY. I yield to the gentleman from Maryland. Mr. HOYER. Mr. Perry says that. I don't say that. Mr. PERRY. Well, the gentleman said it over and over again--you are on your own, implying that we are saying you are on your own. In 2019, we were on our own somehow, I guess, because that is what this goes back to. Somehow, we made it to 2023, by the grace of God, I guess, because the good gentleman also refers to the twenties, so I imagine it is the 1920s. Well, it is the 2020s, and things have changed a little bit. I know that my good friend from the other side of the aisle and I are a little bit older, but neither of us were around in 1920. Things have changed a little bit. Now, as a young man, I pumped gas for a living. I do know the difference between gasoline and diesel and kerosene because I have a nose, and I can read. Sure. Do mistakes happen? Do people put gasoline in diesel and diesel in gasoline? They changed the size of the nozzle, by the way, in case you can't figure that out. If you can read, and most people in America can read, they can figure it out. The point is, we are not a bunch of rubes, and we don't need the government to figure out all this stuff for us. We don't need the government wiping our rear end every time we go to the bathroom, but that is what you would have us believe, that that is what we need, that Americans are so dumb, they can't do it without the Federal Government. Somehow this country survived a couple hundred years, and not only survived, became the greatest country on the planet, and it wasn't because the Federal Government was wiping our rear end the whole way. I urge adoption, and I yield the balance of my time. Mr. HOYER. Mr. Chairman, I don't know that I am going to dignify that with an extensive response. I think the American public are very bright, but they don't have assets. You may smell the gasoline. You may be an expert on gasoline. I know what gasoline smells like. I put it in my lawn mower. I put it in my chain saw. I put it in my car. I have no idea beyond the smell what is in there. [[Page H5593]] That is my point. My point is they expect us to be making sure that when that big gas tanker rolls in that gas station and puts that liquid in there that it is something they can use in their car and it won't hurt their car and it won't hurt them. That is my point. Don't misrepresent my position as saying Americans are dumb. They are not dumb. They are smart. They are smart enough to know that they need somebody checking up on the quality of that gas before they put it in their car. Mr. Chairman, I urge a ``no'' vote and yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. Perry). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Mr. HOYER. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Pennsylvania will be postponed. The Chair understands that amendment No. 25 will not be offered. Amendment No. 26 Offered by Mr. Brecheen The Acting CHAIR. It is now in order to consider amendment No. 26 printed in part B of House Report 118-269. Mr. BRECHEEN. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 99, line 11, after the dollar amount, insert ``(reduced by $12,735,000)''. Page 102, line 5, after the dollar amount, insert ``(reduced by $12,735,000)''. Page 217, line 16, after the dollar amount, insert ``(increased by $12,735,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Oklahoma (Mr. Brecheen) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Oklahoma. Mr. BRECHEEN. Mr. Chairman, this amendment is going to return funding for the General Services Administration, GSA, real property activities of the Federal buildings fund back to fiscal year 2019 levels. It is a modest cut of $12.7 million. For context, this amendment would cut 0.5 percent of the entire bill. I will repeat that: 0.5 percent is what this amendment proposes. This is one-half of one percent. This amendment returns spending for this specific funding back to pre-COVID discretionary spending levels. To my colleagues, discretionary outlays by our Federal Government totaled $1.7 trillion last year, and last year's deficit was $1.7 trillion. That means 100 percent of discretionary spending is borrowed from our kids and our grandkids. That means 100 percent of all that we are discussing these last many weeks is borrowed money. We have to start cutting significantly. Can we not go back to fiscal year 2019 as a start? Is that not enough government that we experienced in 2019? This amendment cuts a modest $12.7 million from a $5.7 billion allotted amount for rental space that is not even being fully utilized by our Federal agencies. The Government Accountability Office, GAO, released a report titled Federal Real Property Preliminary Results that show Federal buildings remain underutilized due to longstanding challenges and increased telework. This report assessed 24 different Federal agencies' and departments' use of building space. The review was conducted between January and March of this year, long after the COVID-19 pandemic ended. Mr. Chairman, 17 of those 24 agencies the GAO identified and listed utilized only 25 percent or less of their headquarter building capacity. Even on the higher range, these agencies only used between 39 to 49 percent of their headquarters on average. For one agency the GAO did not name, GAO calculated that even if all of its agency staff were physically present in its headquarters, only 67 percent of the facilities would be occupied. The same report detailed that underutilized office space cost 24 agencies mentioned in the report $2 billion a year--$2 billion a year-- lost due to wasted office space, and that was only for maintenance and operation costs. These agencies spend over an additional $5 billion on leasing space. At a January 2023 meeting between the Federal Real Property Council, more than half of the participating agencies acknowledged that their headquarter buildings had excess space even prior to the pandemic. These are the headquarter offices. Not much less do we need to talk about the satellite offices. The GAO report also mentioned that all 24 agencies have reduced their in-office work and have not returned to prepandemic levels because of remote work. Even before the pandemic, Federal agencies struggled to determine how much space they needed to fulfill their missions. Retaining excess and underutilized space is one of the main reasons Federal real property management has remained on the GAO high-risk list since 2003. For 20 years, GAO lists this problem among its high-risk list. It is a 20-year problem. The GAO high-risk list seems to identify and help resolve serious weaknesses in areas that involve substantial resources. More than half of GSA's leases, which account for 83 million square feet, are set to expire between 2023 and 2027. Therefore, the time to reduce this inefficiency must be now. This amendment can help achieve that. Mr. Chairman, I reserve the balance of my time. Mr. HOYER. Mr. Chairman, I rise in opposition. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chairman, first of all, this bill urges every Federal agency to return people to the offices, and then where are you? Well, we don't need the offices now, so we can save money. You can't have it both ways. If you want people to return, you are going to need office space for them, and you are going to need to maintain it. By the way, operational costs are going to go up and capital costs are certainly going up when you purchase Federal space. Existing Federal space may not be in the right place, and maybe you need to go rent something, as well. Here, rental space is already cut by $158 million. It is not a nickel-and-dime there. It is a significant decrease. This amendment brings that total down to fiscal year, as has been said, 2019 levels. I don't know. I haven't read the amendment, so I don't know whether it keeps rental costs down to 2019 levels or construction costs down to 2019 levels or other expenses attributable to the maintenance and acquisition of property. I think it doesn't and, obviously, constitutionally it couldn't do that. Reducing the revenues without reducing the costs is going to cause, obviously, a very substantial imbalance in the ability of GSA to operate effectively. This cut would bring the GSA's rental of space funding level down from fiscal year 2023 to fiscal year 2019 $5.4 billion, a 3 percent reduction. It is six times higher than a 0.5 reduction, but, nevertheless, not insignificant. GSA plays a critical role, as all of us know, in managing Federal real estate procurement and tech services, by the way, including our own offices. Reduced funding may lead to delays, inefficiencies, and increased costs in government activities. The chairman is not here, but I know that he believed, because that is what he proposed and that is what was adopted, that the appropriate reduction was $158 million. Now, in addition to that, of course, we had an agreement at 2023 levels, and 149 Republicans voted for that agreement. I don't know whether the gentleman who offered this amendment, Mr. Chairman, was one of them. It doesn't really matter. A large number of us voted for that--314 Members in total. Mr. Chairman, 75 percent of the Congress voted for a level of funding, which the Senate is doing because they believe that is the appropriate level. In light of the fact that it has already been reduced very substantially, [[Page H5594]] I would strongly oppose this amendment and urge the Congress to reject it and the House to reject it. Remember, they have office space, and they are worried about their own office space either as rented in the private sector or in public buildings. They pay an offset in the public buildings. Each Member should think of what has happened to their costs and act accordingly and don't expect others in the Federal Government to do what we are not doing ourselves. I would ask my colleagues to reject this amendment and stay with the reduction that has been made which I, frankly, think is excessive myself, but, nevertheless, a very substantial reduction already. Going to fiscal year 2019 levels was not contemplated by anybody that voted just a short while ago on the agreed funding levels in this bill. Now, I want to be fair. The agreed funding levels were not by item. It was an overall ***cap***. Contemplating a cut of this nature is going to severely undermine the ability to operate in an efficient, effective way. GSA, I think, does that and needs the resources to do it on behalf of all Americans. Getting those people back in offices is a good optic, but reducing the ability to maintain those at the same time is not good business. Mr. Chairman, I reserve the balance of my time. {time} 1200 Mr. BRECHEEN. Mr. Chairman, let me reiterate that, this last year, GAO said 17 of the 24 agencies that they surveyed used only 25 percent of their headquarters office space. That means 75 percent of office space in the headquarters of the largest agencies is vacant. This is just returning back to 2019 levels. We are talking about $12 million in cuts for what the GAO says is a $7 billion problem. For 20 years, they have been talking about this, so much so that it has been on their high-risk list for years. If we are going to account for a $1.7 trillion deficit, can we start by cutting millions out of billion-dollar problems? Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Oklahoma (Mr. Brecheen). The amendment was agreed to. Amendment No. 27 Offered by Mr. Burlison The Acting CHAIR. It is now in order to consider amendment No. 27 printed in part B of House Report 118-269. Mr. BURLISON. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 115, line 22, after the dollar amount, insert ``(reduced by $20,000) (increased by $20,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Missouri (Mr. Burlison) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Missouri. Mr. BURLISON. Mr. Chairman, I rise in support of this amendment, which would increase/decrease funding to express that the Office of Personnel Management should renew the security clearance of David Grusch. Mr. Grusch formerly served as a National Reconnaissance Office representative to the UAP Task Force, from 2019 to 2021. He recently testified before Congress, claiming that partial fragments and even intact vehicles have been found for decades by the Federal Government, our allies, and defense contractors. According to Mr. Grusch, objects and vehicles retrieved are of ``exotic origin . . . based on the vehicle morphologies and material science testing and the possession of unique atomic arrangements and radiological signatures.'' Mr. Grusch also told us that the U.S is in possession of ``nonhuman spacecraft'' and dead pilots. Finally, Mr. Grusch told us that he has spoken with intelligence officials whom the U.S military had briefed about football field-sized aircraft, that the U.S Government transferred some crashed UAPS to a defense contractor, and that intelligence officials were also briefed on malevolent activity from extraterrestrial beings. Now, of course, all of this was very interesting to me and a number of my colleagues on the Committee on Oversight and Accountability. My first question for Mr. Grusch, when I had the opportunity, was to say that those were pretty incredible claims, but I am from the Show-Me State, so he would have to show me. I requested specific information that could not be conveyed in that hearing but in a secure setting. Unfortunately, he is unable to provide us with any supporting evidence to back up his claims because his security clearance has lapsed. My understanding is that Mr. Grusch did go through the proper channels by turning over classified information to the IC inspector general. He ultimately filed a complaint to the IC inspector general, alleging that the information he presented to the IC has been illegally withheld from Congress. Mr. Chair, I would like to know more about these claims, and so would a number of my colleagues on both sides of the aisle. I am certainly pleased that the Committee on Oversight and Accountability is working hard to bring in the relevant inspector general so we can cut through all the roadblocks that have been presented since Mr. Grusch stepped forward. We need to cover all possible angles here, and if we can get Mr. Grusch in a SCIF with an active security clearance, that would go a long way. This amendment simply expresses support for the Office of Personnel Management to renew the security clearance of David Grusch so that he can show us his work. As a freshman Member, I have seen a lot of these increase/decrease amendments. While on its face they appear to not do anything, it is my understanding that the agencies generally pay attention to the legislative history and intent, which is why I am offering this amendment. Mr. Chair, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Missouri (Mr. Burlison). The amendment was agreed to. The Acting CHAIR. The Chair understands that amendment number 28 will not be offered. Amendment No. 30 Offered by Mr. Schweikert The Acting CHAIR. It is now in order to consider amendment No. 30 printed in part B of House Report 118-269. Mr. SCHWEIKERT. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: Page 127, line 20, after the dollar amount, insert ``(reduced by $1,000,000) (increased by $1,000,000)''. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Arizona (Mr. Schweikert) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Arizona. Mr. SCHWEIKERT. Mr. Chairman, I thank my friend and colleague from Arizona and the ranking member. Mr. Chairman, we remember the EIDL loans from during the pandemic. We have some documents that say there may be as much as $62 billion in impairment. Understand that there is a difference between impairment and delinquency behind those. We actually have an intense concern on some of the articles and other things that have come to our attention that the collection--look, this is never a happy conversation when you are talking about going out and collecting loans, but this is money that is owed to the hardworking taxpayers. It is only fair. We made a deal. We actually believe if we take the mean of some of the reports we have been best able to get, there is about $33 billion that is ready for, functionally, some type of hard collection. They are substantially delinquent. We are here fighting over dollars. We are fighting over pennies sometimes. If there are billions of dollars out there that are owed back to the Small Business Administration and those things, we have the legal obligation to go collect. That is the deal. The amendment is trying to move away from an article in The Washington Post that was basically saying the Small Business Administration had either slowed down or stopped pursuing [[Page H5595]] collections. Let's go collect the money. As we are lifting every seat cushion around here trying to find resources, there is a stack of resources here. The other thing it would also help us understand is how much fraud ultimately there was in the program, but without the collection efforts, you actually cannot truly document those numbers. Mr. Chairman, I reserve the balance of my time. Mr. HOYER. Mr. Chairman, I claim the time in opposition. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chairman, I would make an observation. I understand what the gentleman is saying. The IRS says there are $688 billion. That is not chump change, not behind the sofa cushion, $688 billion. They say that if they have the resources, they can collect a large sum of that, which is really what the gentleman is looking to do in this amendment with this agency. Mr. Chair, this bill provides for a 23-percent cut in enforcement on moneys that are due and owing under the current law to the Government of the United States. The gentleman and previous speakers have said how concerned they are with the deficit. I would think that--again, I will use the collection department of a corporation as the example--you would want to collect that money. If the principle that the gentleman espouses is a good one, and I frankly think it is, then we ought to apply that to that $688 billion, which would have a substantial impact on collections. Let's say we just collected a third of that. That would be more money than all of these cuts combined and perhaps all of these bills. I find it confusing and contradictory that the gentleman would want to collect these debts--of course, the agency says it would cost more to collect than would be collected. That is their position. Whether that is true or not, I am not arguing that, but that is their position, as I understand it. In the case of the $688 billion, it is, essentially, if you are at the upper end, $1 of expenditure for $12 of revenue. Frankly, at the lower end, it is much less, $1 to maybe $1.67 or $1.87 That is a relatively small return on the investment but a big return on the bigger taxpayers, whether they are corporate or individual. Mr. Chair, I think the principle the gentleman enunciates is a good one. I hope he would pursue it in talking about the IRS' ability to oversee very complicated and lengthy returns that have resources that are not very transparent and are from sources that aren't withdrawn because that might in fact help us get to where he wants to get in reducing that debt. Mr. Chairman, I reserve the balance of my time. Mr. SCHWEIKERT. Mr. Chairman, may I inquire as to how much time is remaining. The Acting CHAIR. The gentleman from Arizona has 3 minutes remaining. Mr. SCHWEIKERT. Mr. Chair, let me say to the gentleman from Maryland that he will be happy to know that he actually accepted, en bloc, two of my amendments. Mr. Chair, I am blessed to chair the Oversight Subcommittee of the Ways and Means Committee, and within there is the use of technology. We have actually had to deal with the reality, if you are actually reading some of the reports that are coming from the IRS, that they can't seem to hire the people to do the audits. Apparently, there is a shortage of people with accounting and that type of talent. We actually brought two amendments--both made it into the en bloc, so I appreciate that--to actually go and use AI and technology to talk about exactly what the gentleman from Maryland said. I actually believe in many ways that is more ethical and moral because I can audit an algorithm. I can't audit someone's heart or their personal politics. We actually have demonstrations also on the customer service side with the use of chat AI and those things, but that is IRS. We are here talking about the Small Business Administration. I am trying to be intellectually consistent. We did our amendments there to pursue a rational use of technology. If it is true that there may be, according to this article, an estimated $62 billion in past due pandemic loans, if it costs more than $62 billion for the Small Business Administration to go collect $62 billion, the world has come to an end. I mean, let's be intellectually consistent here. This agency has the legal obligation to collect these loans. My fear is there may have been so much fraud that there is almost this discomfort of peeling back the onion and saying one-third of the book or 20 percent of book, whatever it is, will never be performing loans. Mr. Chairman, to my friend from Maryland, this is actually just moving some money around so the Small Business Administration does what they are actually supposed to be doing and what is actually already part of the loan. We are actually moving some resources so it can be accomplished. Mr. Chairman, I yield back the balance of my time. Mr. HOYER. Mr. Chairman, I yield back the balance of my time. The Acting CHAIR. The question is on the amendment offered by the gentleman from Arizona (Mr. Schweikert). The amendment was agreed to. The Acting CHAIR. It is now in order to consider amendment No. 31 printed in part B of House Report 118-269. It is now in order to consider amendment No. 32 printed in part B of House Report 118-269. The Chair understands that amendment No. 35 will not be offered. Amendment No. 37 Offered by Mr. Barr The Acting CHAIR. It is now in order to consider amendment No. 37 printed in part B of House Report 118-269. Mr. BARR. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: At the end of the bill (before the short title), insert the following: Sec. \_\_. None of the funds appropriated or otherwise made available by this Act may be made available to implement or enforce General License No. 8H, issued by the Office of Foreign Assets Control on October 25, 2023. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Kentucky (Mr. Barr) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Kentucky. Mr. BARR. Mr. Chairman, my amendment would prohibit the Treasury Department from issuing General License No. 8H, which was issued by the Office of Foreign Asset Control on October 25. It represents a fundamental policy shift in our approach to Russia and ending its aggression against Ukraine. This amendment is a recognition that the Biden Treasury Department's Russian oil price ***cap*** policy has failed. It is not curbing Moscow's war spending because the ***cap*** has proven unenforceable, especially outside of the G7. Russian oil is trading well above the ***cap***, funneling billions of dollars and, in fact, trillions of rubles into Putin's war machine. {time} 1215 It is also a recognition that President Biden and Climate Czar John Kerry's climate agenda and war on American energy has come in direct conflict with our national security and our efforts to counter Russian aggression. Their climate policies have limited the tools available to them and pushed our country into pursuing a woefully ineffective price ***cap*** strategy in lieu of closing the huge loophole they created for energy-related transactions in their sanctions on Russian banks. That is right. For the Americans watching on television who have been given the impression that President Biden is being tough on Moscow, the truth is, they are allowing oil sales to finance the war. That is the Biden policy, to create a huge loophole for energy-related transactions that allows Putin to finance this war. License number 8H is an extension of authorizations by this administration going back to the very start of the war in Ukraine. It permits U.S persons to engage in any transaction with sanctioned Russian financial institutions if the transaction involves Russian energy. This is the Biden administration's weak policy toward Russia. It includes not only Russian energy sales but even production, refinement, [[Page H5596]] and transport. Despite sanctions, again, on Russia's leading banks, including restrictions on the Central Bank, OFAC licensing has exempted dealings that support the most vital source of export earnings for Moscow. Why this administration punishes American energy but rewards Putin's energy is beyond comprehension. This is simply perverse. On the one hand, the Biden administration is greenlighting Russia's efforts to earn hard currency for its war machine even as it asks Congress for billions of dollars to defend and reconstruct Ukraine. The left hand destroys while the right hand rebuilds, but somehow the administration is stumped that this war grinds on without end. Had Biden continued the Trump administration's energy dominance strategy, he would not be as constrained as he is today, and global energy markets would be far less dependent on Russian oil and gas, making a full embargo or sanctions without a general license far less painful for us and our allies. My amendment says enough is enough. If we really want to help the Ukrainian freedom fighters, we have to end Russia's ability to wage war. That means cutting off every avenue available for it to fund its hostilities. As The Wall Street Journal reported just this week, Russian tax revenues for oil and gas surpassed $17 billion last month, an increase of 25 percent from the previous year. These revenues are bolstering Moscow's abilities to threaten Ukraine with the government planning to increase military spending by 70 percent next year. Under my amendment, the United States will not be complicit in these energy sales. It will ensure that sanctioned Russian banks are, in fact, sanctioned. The loopholes that Russia has enjoyed for over a year, thanks to President Biden, will be closed, and we will send a signal to the world that turning a blind eye to Russian exports is over. At the same time, passage of this amendment must be viewed in the broader context of the administration's multilateral efforts to ensure the continued supply of Russian energy. Even if we close off the U.S and its financial system from these transactions, the Treasury Department has convinced our European allies to roll back EU sanctions under a price ***cap*** scheme for oil. Treasury's own data has shown that the price ***cap*** still allows Russia to earn billions of dollars each month in oil sales. Moreover, with Urals crude prices rising, the World Bank recently concluded that the price ***cap*** ``appears increasingly unenforceable.'' The only way to counteract this trend will be to acknowledge once and for all that the war in Ukraine will not end until Russian energy dries up. That means enforcing sanctions, not rolling them back. The first place to start is here at home with OFAC licensing. My amendment is an important step toward this goal. If you want to get tough on Putin, stop his energy exports. Mr. Chair, I urge my colleagues to support this measure and bring energy dominance back to the United States. The Acting CHAIR. The time of the gentleman from Kentucky has expired. Mr. HOYER. Mr. Chair, I claim the time in opposition to the amendment. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chair, if you want to get tough on Putin, don't elect one of his friends President of the United States. This legislation that has been offered, as I understand it, wants to see a full sanction and prohibition on dealing with Russian oil. That may be a worthy objective, but I think the way to do it is to do it. We can pass legislation on that. As I understand it, 8H is one of the principle ways in which we implement sanctions that we urge. To do away with that ability without replacing it--and I may be wrong in what I am saying, so the gentleman can correct me--does not seem to be a worthwhile objective. In other words, if you need more, let's legislate more sanctions. We can do that. Don't take away sanctions that currently exist, even though, as the gentleman hypothesizes, they are not as effective as they ought to be. I hear what he is saying. I very much want to help Ukraine. I hope your Speaker brings Ukraine to the floor pretty soon. That is really going to help Ukraine. We need to do it sooner rather than later. We have 300 votes on average to help Ukraine on his side and my side of the aisle, Mr. Chairman. It seems to me that is the way we ought to go about it, rather than trying to do it through what is a relatively clumsy, in one sense, way of accomplishing an objective with which I may agree. I don't know all the ramifications of that, and I don't have the information from Treasury as to what adverse impact they think it will have. It seems to me the way to do it is to do it and do it through the legislative process and have that debate and know the consequences of the action that the gentleman proposes. For that reason, I am opposing the amendment and urge its rejection. Mr. Chair, I yield to the gentleman from Kentucky (Mr. Barr). Mr. BARR. Mr. Chair, I appreciate the sentiment, and I am with Mr. Hoyer on providing support for Ukraine, but the 8H license is actually the loophole. It is the exception to the sanctions. I give President Biden credit and Secretary Yellen credit and Wally Adeyemo credit for the sanctions on Russian banks and the Central Bank. The problem is the huge loophole they have created with the general license. What my amendment proposes to do--and I just came from a meeting with Deputy Treasury Secretary Adeyemo, a great patriot--but what we are trying to say is the price ***cap*** is not working; close the loophole, sanction Russian energy exports. I offer that as a bipartisan amendment. Mr. HOYER. Mr. Chair, reclaiming my time. Let me ask something. As I understand it--again, not having the information that he has available to him--one of the reasons those exemptions are given is because of the fear that there will be a substantial price hike if that oil is not on the market and that price hike will then go to what a lot of his colleagues have been talking about, these awful prices at the pump. Am I correct? I yield to the gentleman. Mr. BARR. Mr. Chair, to answer the question, that is a very good question. That is the key question. To the administration's credit, they are trying to solve this difficult question: How do we impose sanctions on Russia and Putin without hurting our allies? Mr. HOYER. And our consumers. Mr. BARR. And us, because unfortunately our allies are overdependent on Russian sources of energy. The problem is because of this price ***cap*** scheme that they have concocted, Russian oil is trading above the ***cap***, so it is not exactly affecting anything. The truth is, there are two solutions. Number one is to decrease our and our allies' dependence on Russian gas by increasing our own production. This is where the administration's climate agenda is in conflict with our national security. Secondly, the general license is the problem. If they repealed the general license and did what Treasury does all the time on sanctions and to help our allies in case-by-case scenarios with a special license--let's say, for Germany in a particular case, okay, that is fine; they retain that authority, Treasury would--but a general license that says Putin can sell all of his energy with no ramifications whatsoever through a general license is not tough on Russia. The Acting CHAIR. The time of the gentleman from Maryland has expired. The Acting CHAIR. The question is on the amendment offered by the gentleman from Kentucky (Mr. Barr). The question was taken; and the Acting Chair announced that the ayes appeared to have it. Mr. BARR. Mr. Chair, I demand a recorded vote. The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Kentucky will be postponed. Amendment No. 38 Offered by Mr. Barr The Acting CHAIR. It is now in order to consider amendment No. 38 printed in part B of House Report 118-269. Mr. BARR. Mr. Chair, I have an amendment at the desk. The Acting CHAIR. The Clerk will designate the amendment. The text of the amendment is as follows: [[Page H5597]] At the end of the bill (before the short title), insert the following: Sec. \_\_. None of the funds made available by this Act may be used to implement, administer, or enforce Executive Order 14008 titled ``Tackling the Climate Crisis at Home and Abroad'' (January 27, 2021) or any rule or regulation to implement such Order. The Acting CHAIR. Pursuant to House Resolution 847, the gentleman from Kentucky (Mr. Barr) and a Member opposed each will control 5 minutes. The Chair recognizes the gentleman from Kentucky. Mr. BARR. Mr. Chair, my amendment prohibits funds from being used to implement the Biden administration's January 2021 executive order titled ``Tackling the Climate Crisis at Home and Abroad.'' The Biden administration issued this executive order under the guise of protecting United States' national security and foreign policy, yet Republicans see right through this. This executive order is yet another example of the Biden administration's effort to circumvent the people's House and advance their radical anti-American energy agenda by depriving the energy industry of the financing it needs from our capital markets. Perhaps if we want to work in our national security interests, Mr. Chair, we should bring energy independence and dominance back to the United States by promoting, not working to prevent, the financing of the very capital-intensive energy sector. We should block misguided ESG initiatives where the ultimate goal is to politicize the allocation of capital and steer investments into the Democrats' desired climate transition. To protect national security interests, we should pass H.R 1 and unleash American energy not just for our economy but for our national security. Instead, unsurprisingly, the Biden administration releases this executive order that calls for the U.S to rejoin the Paris Agreement, creates a National Climate Task Force consisting of members from multiple Federal agencies, including the Secretary of the Treasury and the Secretary of Defense, which will result in agencies taking their eye off the ball of real systemic risks in our financial system and global stability to focus on political initiatives and calls for a government-wide approach to the climate crisis. What might be the most egregious is the executive order's call to tamper with financial flows to align with a pathway toward low greenhouse gas emissions and climate-resilient development. The Biden administration is calling for the government to put its thumb on the scale of free-flowing capital, pick winners and losers, and pursue an agenda to starve energy companies of the financing that they need and redirect capital into speculative green energy technologies that, frankly, are unproven and will not actually fix the climate. This is in direct contradiction with our national security interests, increases our energy dependence on our adversaries, and is once again showing us Democrats are exploiting the most envied capital system in the world to pursue their most radical and detrimental agendas. My amendment will put a stop to this. Mr. Chair, I urge my colleagues, for the interest of our economy but also for the interests of national security, to support this amendment, and I yield back the balance of my time. Mr. HOYER. Mr. Chair, I rise in opposition to the amendment. The Acting CHAIR. The gentleman from Maryland is recognized for 5 minutes. Mr. HOYER. Mr. Chair, first of all, our economy is doing better than almost any economy in the world. I have had numerous debates, Mr. Chair, or discussions with the majority leader in the last Congress. He kept talking to me about American energy. I kept pointing out to him, almost every time he raised it, we were producing more energy than we had under the previous President, and yet they kept wringing their hands about how we were undermining the energy industry. Now, at the same time we are not undermining the energy industry, we are also trying to deal with an extraordinary crisis that confronts the global community, and that is climate change. This amendment blocks any whole-of-government strategy led by the White House to build a resilience both at home and abroad against the impacts of climate change. Nationwide, communities are already facing severe impacts that will continue to intensify. In 2022, there were 18 separate billion-dollar weather and climate disasters that impacted the United States: hurricanes, floods, wildfires, droughts, among other events.

**Load-Date:** November 13, 2023

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[***Palestinian death toll passes 1,500 – as it happened***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69CJ-35M1-DY4H-K0Y4-00000-00&context=1516831)

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**Highlight:** This blog is closed. Israel-Hamas war live: latest updates

**Body**

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This blog is now closed. We have launched a new blog at the link below:

Related: [*Israel-Hamas war live: Israeli military tells Gaza city residents to evacuate ahead of operation ‘in coming days’*](https://www.theguardian.com/world/live/2023/oct/13/israel-hamas-war-live-updates-news-gaza-palestine-evacuations-military)

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Summary

It is shortly after 7am in Gaza City and Tel Aviv. Here is where things stand:

The United Nations says it has been told by the Israeli military that some 1.1 million Palestinians in Gaza should relocate to the enclave’s south within the next 24 hours, a request it considers to be impossible “without devastating humanitarian consequences.” “The United Nations considers it impossible for such a movement to take place without devastating humanitarian consequences,” UN spokesman Stephane Dujarric said in a statement.“The United Nations strongly appeals for any such order, if confirmed, to be rescinded avoiding what could transform what is already a tragedy into a calamitous situation,” the UN spokesperson said. Dujarric said the order by the Israeli military also applied to all UN staff and those sheltered in UN facilities, including schools, health centres and clinics.The Israeli air force has dropped 6,000 bombs on Gaza since Saturday, it said late on Thursday. “Dozens of fighter jets and helicopters attacked a series of terrorist targets of the Hamas terrorist organisation throughout the Gaza Strip. So far, the IAF has dropped about 6,000 bombs against Hamas targets,” the IAF said on X. The attacks have killed 1,500 Palestinians, a third of them children, according to the Palestinian health ministry. 6,600 have been wounded.The UN called for $294m for ‘urgent needs’ in Gaza and the occupied West Bank. The United Nations has issued an emergency appeal for $294m to address “the most urgent needs” in Gaza and the occupied West Bank, where more than 400,000 Palestinians have fled their homes in recent days. The funds would be used to help more than 1.2 million people, the UN Office for the Coordination of Humanitarian Affairs said, adding that recent fighting in the region had left aid groups without adequate resources.Israel’s parliament approved Prime Minister Benjamin Netanyahu’s emergency unity government on Thursday, including a number of centrist opposition lawmakers, to display its determination to fight the war with Hamas in Gaza.As Israel’s unity government was sworn in, Prime Minister Benjamin Netanyahu delivered a [*speech*](https://www.facebook.com/IsraeliPM/posts/pfbid0ZJqy8d4Lxib3W5VTHXdzauPPpFP2RrRTUf2gp2hlXvB1gKLNpRmnDFErXTU49ynl) in which he promised, referring to hostages taken by Hamas, “We will not slacken in the effort to bring them back home.” Referring to Hamas, he called for countries that “maintain their presence” to face sanctions. As he ended the speech, he said, “Difficult days await us”.More than 1,300 people, including 222 soldiers, have been killed in Israel, according to the military. The majority of the dead were killed in a single day, when Hamas fighters broke through the border and attacked Israeli civilians. Scores of Israeli and foreign hostages were taken back to Gaza. Israel says it has so far identified 97 of them.Israeli bombing has destroyed eleven mosques, damaged 90 schools, according to the UN. It has also destroyed 752 residential and non-residential buildings, comprising 2,835 housing units, the UN says, citing numbers from the Gaza Ministry of Public Works and Housing. Another nearly 1,800 housing units have been damaged beyond repair and rendered uninhabitable, it said. The UN agency also voiced alarm at the significant destruction of civilian infrastructure damaged in the shelling.More than 423,000 people have been forced to flee their homes in the Gaza Strip, the United Nations said, following heavy Israeli bombardments in retaliation for Hamas’s attacks. As of late Thursday, the number of displaced in Gaza rose by 84,444 people to reach 423,378, the UN humanitarian agency OCHA said in a statement sent on Friday.Hundreds of Australians are preparing to get on repatriation flights out of Israel, with two planes to depart Tel Aviv for London in the next 24 hours. Prime Minister Anthony Albanese said 1600 people had registered in Israel or the West Bank, including 19 in Gaza, for repatriation in what was an “extraordinary logistical exercise”.Iran’s foreign minister, Hossein Amir-Abdollahian, warned that the “continuation of war crimes against Palestine and Gaza” could open a new front of war, and that Israel will be “responsible for the consequences”.

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block-time published-time 5.15am BST

Israeli envoy says 'UN’s response to Israel’s early warning to the residents of Gaza is shameful'

Back now to the IDF warning the UN that 1.1 million people should leave north Gaza in the next 24 hours.

Israel’s military did not immediately provide comment on the warning, which came as it amassed tanks near the Gaza border and pounded the enclave with air strikes. But appearing to confirm a warning took place, Israel’s ambassador to the U.N., Gilad Erdan, told Reuters: “The UN’s response to Israel’s early warning to the residents of Gaza is shameful.” Erdan said the UN should focus on condemning Hamas and supporting Israel’s right to self-defence.

The UN response that he refereed to was a statement from UN spokesman Stephane Dujarric, saying, “The United Nations considers it impossible for such a movement to take place without devastating humanitarian consequences,” and that, “The United Nations strongly appeals for any such order, if confirmed, to be rescinded avoiding what could transform what is already a tragedy into a calamitous situation”.

block-time published-time 5.11am BST

Kirby also told CNN that the US speaking to the Israeli military hourly about the hostages taken by Hamas.

“I can tell you that we are in literally hourly contact with our Israeli counterparts about the hostage situation, we’ve offered expertise and counsel, of course, they know how to do hostage recovery very, very well,” he said.

“We’re mindful of the delicate nature of this hostage situation, because they’re most likely being held somewhere in Gaza. It’s a war zone, it’s a combat zone that greatly complicates efforts to find them and to and to work on their release.”

block-time published-time 5.01am BST

White House National Security Spokesperson John Kirby has told CNN that the US is “working very hard hour by hour” to make sure that there is a way for Palestinians to leave Gaza safely.

“Whether or not there’s a ground incursion — and I’ll let the Israelis speak to their operations — we want to make sure that there’s a way for people who live in Gaza who want to get out to do it, and to do it safely and quickly, so we’re working on this very, very hard hour by hour,” Kirby said.

“We believe that there should be an opportunity for civilians in Gaza to leave now, yesterday, I mean, immediately.”

block-time published-time 4.53am BST

The Israeli military says it is preparing for a possible ground operation in Gaza but that political leadership has not yet decided on one. Lt. Col. Richard Hecht told reporters Thursday that forces “are preparing for a ground maneuver if decided.”

However, the evacuation order, if true, appears to indicate that a ground offensive may be imminent.

The military has invested tremendous resources for such a scenario, the Associated Press reports, even building a training base in its southern desert meant to replicate Gaza’s urban landscape.

Forces operating inside Gaza might have a better chance of killing top Hamas leaders and [*rescuing hostages*](https://apnews.com/article/israel-palestinians-hostages-gaza-war-822b214252a77f3c3556bb71d9ce7c89) , but such an assault all but guarantees far higher casualties on both sides. And it would involve street-by-street battles with Hamas militants who’ve had years to prepare tunnels and traps, AP reports.

block-time published-time 4.49am BST

IDF Spokesperson Jonathan Conricus will deliver a situational update at 7:40am local time, just under an hour from now.

enltr?? Join us [*pic.twitter.com/rhw21lVuQP*](https://t.co/rhw21lVuQP)

— Israel Defense Forces (@IDF) [*October 13, 2023*](https://twitter.com/IDF/status/1712675917133475905?ref_src=twsrc%5Etfw)

block-time published-time 4.44am BST

The New York Times reports, “Israeli military officers conveyed the information to the leaders of the UN Office of the Coordination of Humanitarian Affairs and the Department of Safety and Security in Gaza just before midnight local time on Friday, the UN statement said. The UN was told that the marker dividing the north from south was Wadi Gaza, the statement said.”

block-time published-time 4.42am BST

Meanwhile the President of Brazil, which holds the ***rotating*** presidency of the UN Security Council, has appealed to his Israeli counterpart for the establishment of a humanitarian corridor to enable people in the Gaza Strip to flee to Egypt, he said Thursday.

The comments by Luiz Inacio Lula da Silva add Brazil to the voices of European foreign ministers and the World Health Organization that have called for the establishment of a route to either allow people to flee the Palestinian enclave or let humanitarian aid flow in.

He did not appear to be speaking in response to the IDF order saying 1.1 million people should evacuate in the next 24 hours.

“I recently spoke on the phone with the President of Israel Isaac Herzog,” Lula said on X, formerly Twitter. “I conveyed my call for a humanitarian corridor so that people who want to leave the Gaza Strip through Egypt can be safe.”

block-time published-time 4.37am BST

A Hamas official has told Reuters that the relocation warning is “fake propaganda” and has urged Gazans “not to fall for it”, the news agency reports.

block-time updated-timeUpdated at 5.06am BST

block-time published-time 4.36am BST

More now on that news, via Reuters:

Israel’s military informed the United Nations late on Thursday, New York time, that the 1.1 million Palestinians in Gaza should relocate to the enclave’s south within the next 24 hours, a UN spokesman said, in what Palestinians fear could be a precursor to a planned Israeli ground offensive. The Israeli military did not immediately provide comment on the warning, which came as Israel amassed tanks near the Gaza border and pounded the Palestinian enclave with air strikes following a deadly Hamas militant attack in Israel. “The United Nations considers it impossible for such a movement to take place without devastating humanitarian consequences,” UN spokesman Stephane Dujarric said in a statement. “The United Nations strongly appeals for any such order, if confirmed, to be rescinded avoiding what could transform what is already a tragedy into a calamitous situation,” he said. Dujarric said the order by the Israeli military also applied to all U.N. staff and those sheltered in UN facilities, including schools, health centres and clinics. Israel’s mission to the United Nations in New York did not immediately respond to a request for comment.

block-time updated-timeUpdated at 4.40am BST

block-time published-time 4.32am BST

IDF request is 'impossible' says UN

If you’re just joining us, Reuters is reporting that the United Nations says it has received an order from the Israeli Defence Forces saying that “the entire population of Gaza north of Wadi Gaza should relocate to southern Gaza within the next 24 hours.”

This amounts to 1.1 million people, according to the report.

The UN spokesperson Stéphane Dujarric has reportedly said in a statement, “The United Nations considers it impossible for such a movement to take place without devastating humanitarian consequences.”

block-time published-time 4.25am BST

Reuters correspondent for the UN, Michelle Nichols, is also reporting the news that the UN has been informed by the IDF that 1.1 million people should evacuate from northern Gaza in the next 24 hours, a task the UN spokesperson said was “impossible”.

block-time published-time 4.14am BST

This is what Axios reports that it has been told by UN spokesperson Stéphane Dujarric:

“ Today, just before midnight local time, team leaders of the UN Office of the Coordination of Humanitarian Affairs and the Department of Safety and Security in Gaza were informed by their liaison officers in the Israeli military that the entire population of Gaza north of Wadi Gaza should relocate to southern Gaza within the next 24 hours,” Dujarric told Axios.

“This amounts to approximately 1.1 million people. The same order applied to all UN staff and those sheltered in UN facilities – including schools, health centers and clinics,” Dujarric said.

“The United Nations considers it impossible for such a movement to take place without devastating humanitarian consequences,” Dujarric added.

“The United Nations strongly appeals for any such order, if confirmed, to be rescinded avoiding what could transform what is already a tragedy into a calamitous situation.”

block-time published-time 4.09am BST

We are working to find out as much as we can about the reported evacuation order for 1.1 million people in Gaza.

Axios is reporting the news of that the IDF has notified the UN that all Palestinians and UN staff north of Wadi Gaza must evacuate – and that this means 1.1m people.

It appears that Axios has spoken directly to UN spokesperson Stéphane Dujarric, the news organisation also reports that it has spoken to “another source with direct knowledge”.

It is unclear if the Reuters report is based on a statement seen by Reuters.

Axios interpreted the order as a sign that Israel would shortly launch a ground offensive.

The Guardian has not seen a statement from the UN Secretary General’s spokesperson or from the IDF confirming that this order was received.

More shortly.

block-time published-time 3.50am BST

Israeli military has told 1.1 millions Gazans to move to south, UN says

Reuters reports that the United Nations says it has been told by the Israeli military that some 1.1 million Palestinians in Gaza should relocate to the enclave’s south within the next 24 hours.

“The United Nations considers it impossible for such a movement to take place without devastating humanitarian consequences,” UN spokesman Stephane Dujarric said in a statement.

“The United Nations strongly appeals for any such order, if confirmed, to be rescinded avoiding what could transform what is already a tragedy into a calamitous situation,” he said.

Dujarric said the order by the Israeli military also applied to all UN staff and those sheltered in UN facilities, including schools, health centres and clinics.

block-time updated-timeUpdated at 4.09am BST

block-time published-time 3.48am BST

In a further show of support for Israel, a US official has confirmed that defense secretary Lloyd Austin plans to visit on Friday, a day after secretary of state Antony Blinken was in Israel to meet with prime minister Benjamin Netanyahu.

Earlier the defence department said Austin had spoken by phone with his Israeli counterpart Yoav Gallant on Thursday “to receive updates on Israel Defense Forces operations to defend the Israeli people and territory from Hamas’ terrorist attack.”

The Secretary underscored his commitment to ensuring Israel has it what it needs to defend itself and reiterated his commitment to deterring actors that may seek to escalate this conflict.

block-time published-time 3.35am BST

Among those killed in Israeli strikes on the Shati refugee camp, the AP reports, was Yasser al-Masri, whose body arrived along with those of his wife and infant daughter. Medics circulated photos of al-Masri and his daughter, covered in filth in the same body bag.

His friends shared his final Facebook post before Israel’s warplanes struck.

“I only have a few hours before my phone dies because we’re without electricity,” he wrote. “There is no light at night except the moon. Please forgive me. I forgive all of you.”

block-time published-time 3.24am BST

The Associated Press has spoken to Palestinians at hospitals in Gaza. Here is what they are experiencing:

“It is not possible, under any circumstances, to continue this work,” said Mohammad Abu Selim, Shifa Hospital’s general director. “The patients are now on the streets. The wounded are on the streets. We cannot find a bed for them.”

With resources stretched thin, clinics understaffed and ambulances taking hours to get victims to medical care because airstrikes have ravaged the streets, some say it’s not worth the trip.

“We know that if a case is critical, they just won’t survive,” said Khalil Abu Yehiya, a 28-year-old teacher whose neighbour’s home was bombed in Thursday’s airstrikes on the Jabaliya refugee camp.

When more heavy bombardment hit the Shati refugee camp just north of Gaza City along the Mediterranean coast, a new wave of wounded streamed into the hospital complex — toddlers with bruises and bandages, men with makeshift tourniquets, young girls with blood caked on their faces. Because Shifa’s intensive care unit was full, some lay in the hospital corridors, pressed up against the walls to clear aisles for staff and stretchers.

“I’ve been to many places and seen horrors and shelling. Not this level of insanity,” said 36-year-old local photojournalist Attia Darwish as he watched the wounded pour into the hospital.

block-time published-time 2.57am BST

US law enforcement agencies have escalated security measures to safeguard Jewish and Muslim communities ahead of global pro-Palestinian protests expected on Friday, Reuters reports, but have urged members of the public to go about their daily routines. Police in the two most populous US cities - New York and Los Angeles - said they would step up patrols, especially around synagogues and Jewish community centers, though authorities insisted they were unaware of any specific, or credible threats. “There’s no reason to feel afraid. No one should feel they have to alter their normal lives,” New York Governor Kathy Hochul said at a news briefing on Thursday. New York City Mayor Eric Adams said his office had directed city police to “surge additional resources to schools and houses of worship to ensure they are safe and that our city remains a place of peace.” Adams said extra police patrols were being deployed in Jewish and Muslim communities alike.

block-time published-time 2.47am BST

UN calls for $294m for 'urgent needs' in Gaza, occupied West Bank

The United Nations has issued an emergency appeal for $294m to address “the most urgent needs” in Gaza and the occupied West Bank, where more than 400,000 Palestinians have fled their homes in recent days.

The funds would be used to help more than 1.2 million people, the UN Office for the Coordination of Humanitarian Affairs said, adding that recent fighting in the region had left aid groups without adequate resources.

block-time published-time 2.37am BST

Netanyahu: 'Difficult days await'

As Israel’s unity government was sworn in, Prime Minister Benjamin Netanyahu delivered a [*speech*](https://www.facebook.com/IsraeliPM/posts/pfbid0ZJqy8d4Lxib3W5VTHXdzauPPpFP2RrRTUf2gp2hlXvB1gKLNpRmnDFErXTU49ynl) in which he promised, referring to hostages taken by Hamas, “We will not slacken in the effort to bring them back home.”

“At the same time, we are united in the same great determination against the abhorrent and murderous enemy,” he said.

Referring to Hamas, he called for countries that “maintain their presence” to face sanctions.

As he ended the speech, he said, “Difficult days await us”.

Here is some of the speech:

Strength of will and endurance are synonyms for the Jewish people. We will also meet this current test, even though it is almost too difficult to bear. The Shabbat of the 7th of October will be etched as a cursed and dark day in the annals of nations. For us, the Jewish people, it is the most harrowing day since the Holocaust.

…

We will find these accursed murders […] with full force and we will defeat them. We will wipe them off the face of the earth. The time will come when we will rebuild the destroyed communities. We will rebuild the area around the Gaza Strip and we will restore it as a flourishing and prosperous area.

…

My friends, difficult days await us but we will not be deterred and we will not give in.

block-time published-time 2.24am BST

Israeli death toll stands at 1,300

More than 1,300 people, including 222 soldiers, have been killed in Israel, according to the military.

The toll has not been seen since [*the 1973 war*](https://apnews.com/article/today-in-history-health-egypt-middle-east-al-jolson-02220690b4795580aa7629cd321b83c1) with [*Egypt*](https://apnews.com/hub/egypt) and [*Syria*](https://apnews.com/hub/syria) that lasted weeks, Reuters reports.

The majority of the dead were killed in a single day, when Hamas fighters broke through the border and attacked Israeli civilians.

Scores of Israeli and foreign hostages were taken back to Gaza. Israel says it has so far identified 97 of them.

block-time published-time 2.15am BST

In Australia, police in the state of New South Wales, home to Sydney, have applied for “extraordinary powers” to search protesters without reason and arrest and charge people who refuse to identify themselves at Sunday’s planned pro-Palestinian rally.

The acting commissioner, David Hudson, said he believed the threshold for using the powers introduced after the 2005 Cronulla riots had been met and he would seek to have them enabled before the rally in Sydney’s Hyde Park.

“These powers are extraordinary – these powers are seldom used,” he said on Friday.

Hudson urged people against attending [*the planned protest*](https://www.theguardian.com/australia-news/2023/oct/12/sydney-pro-palestine-march-rally-replaced-static-demonstration-hyde-park) and warned against a repeat of [*Monday night’s march*](https://www.theguardian.com/australia-news/2023/oct/10/pro-palestine-rally-sydney-opera-house-protest-australia-leaders-condemn-anti-jewish-chants) in which some people chanted antisemitic slurs and let off flares on the steps of the Opera House.Hudson said the force was getting legal advice over its ability to use the powers, which included provisions to lock the city down.

“Just because they’re available, does not necessarily mean they have to be used and we will not use the full extent of the powers which can lock the city down,” he said.

Related: [*Sydney police want ‘extraordinary’ powers to search pro-Palestine protesters and demand ID*](https://www.theguardian.com/australia-news/2023/oct/13/sydney-police-search-powers-pro-palestine-protest-id-hyde-park-israel-hamas-war)

block-time published-time 1.58am BST

Israeli bombing has destroyed eleven mosques, damaged 90 schools

Israel’s bombing campaign has destroyed 752 residential and non-residential buildings, comprising 2,835 housing units, the UN says, citing numbers from the Gaza Ministry of Public Works and Housing.

Another nearly 1,800 housing units have been damaged beyond repair and rendered uninhabitable, it said.

The UN agency also voiced alarm at the significant destruction of civilian infrastructure damaged in the shelling.

Palestinian men carrying bread walk past damaged cars and a crater in front of a school run by the United Nations Relief and Works Agency for Palestine refugees following Israeli airstrikes targeting Gaza City on 9 October 2023. Photograph: Mahmud Hams/AFP/Getty Images

At least 90 educational facilities, including 20 UNRWA schools and 70 schools run by the Palestinian Authority, have also been struck and damaged, with one of the schools completely destroyed.

“Eleven mosques were targeted and destroyed, while seven churches and mosques sustained damage,” OCHA said.

Water and sanitation facilities have been also hit, it said, adding that since the hostilities began, six water wells, three water pumping stations, one water reservoir, and one desalination plant serving more than 1,100,000 people were damaged by air strikes.

block-time published-time 1.50am BST

More than 423,000 people displaced in Gaza: UN

More than 423,000 people have been forced to flee their homes in the Gaza Strip, the United Nations said, following heavy Israeli bombardments in retaliation for Hamas’s attacks.

As of late Thursday, the number of displaced in Gaza rose by 84,444 people to reach 423,378, the UN humanitarian agency OCHA said in a statement sent on Friday.

“Heavy Israeli bombardments, from the air, sea and land, have continued almost uninterrupted,” OCHA said in its update.

“Multiple residential buildings in densely populated areas have been targeted and destroyed during the past 24 hours.”

block-time published-time 1.43am BST

Israel has dropped 6,000 bombs on Gaza since Saturday

The Israeli air force has dropped 6,000 bombs on Gaza since Saturday, it said late on Thursday.

“Dozens of fighter jets and helicopters attacked a series of terrorist targets of the Hamas terrorist organisation throughout the Gaza Strip. So far, the IAF has dropped about 6,000 bombs against Hamas targets,” the IAF said on X.

The attacks have killed 1,500 Palestinians, a third of them children, according to the Palestinian health ministry. 6,6000 have been wounded.

The Washington Post has spoken to military experts who have called the number of strikes “staggering”. The number of munitions is more than the US used in a month of its campaign against ISIS in Iraq and Syria, and almost what the US used in its most intensive year of strikes in Afghanistan:

‘Israel is dropping in less than a week what the US was dropping in Afghanistan in a year, in a much smaller, much more densely populated area, where mistakes are going to be magnified,’ said Marc Garlasco, a military adviser at the Dutch organisation PAX for Peace and a former UN war crimes investigator in Libya.

The highest number of bombs dropped in one year during the war in Afghanistan was just over 7,423, Garlasco said, citing public records from US Air Forces Central Command. During the entire war in Libya, NATO reported dropping more than 7,600 bombs and missiles from planes, according to a UN report.

During the air campaign against the Islamic State in 2014 through 2019, the US-led coalition dropped 2,000 to 5,000 munitions per month across all of Iraq and Syria, military affairs journalist Wesley Morgan [*pointed out*](https://x.com/wesleysmorgan/status/1712506126762197457?s=20) Thursday on X, the platform formerly known as Twitter, citing a Rand Corp. [*report.*](https://www.rand.org/pubs/research_reports/RRA388-1.html)

block-time updated-timeUpdated at 2.00am BST

block-time published-time 1.34am BST

Here is video footage from Gaza, as Israel mounts wave after wave of attack on what it claims are Hamas targets.

Since Saturday, 1500 Palestinians have been killed, a third of them children:

block-time published-time 1.31am BST

Scalise drops out of House Speaker race

And in breaking news from the US: Congressman Steve Scalise has said he is ending his bid to become the House speaker after failing to secure enough votes to win the gavel.

Scalise told his fellow Republican colleagues at a closed-door meeting late on Thursday of his decision.

Next steps are uncertain as the House is now essentially closed, while the Republican majority tries to elect a speaker after ousting Kevin McCarthy from the job.

The move followed a day of closed-door meetings that moved Scalise no closer to overcoming the entrenched divisions imperiling his quest for the speakership.

The House is entering its second week without a speaker and is essentially unable to function. Lawmakers want Congress to deliver a strong statement of support for Israel in the war with Hamas, but a bipartisan resolution has been sidelined by the stalemate in the House.

Related: [*Republican Steve Scalise drops out of House speaker race*](https://www.theguardian.com/us-news/2023/oct/12/republican-steve-scalise-drops-out-of-house-speaker-race)

block-time updated-timeUpdated at 5.10am BST

block-time published-time 1.27am BST

Australia’s foreign minister, Penny Wong, has urged Australians wanting to leave Israel not to delay.

“This is a very difficult situation... the United States and other parties are seeking to establish humanitarian access, humanitarian corridors, and Australia supports those efforts,” she told reporters in Adelaide.

block-time published-time 1.26am BST

Hundreds of Australians preparing to catch repatriation flights

AAP: Hundreds of Australians are preparing to get on repatriation flights out of Israel, with two planes to depart Tel Aviv for London in the next 24 hours.

Prime Minister Anthony Albanese said 1600 people had registered in Israel or the West Bank, including 19 in Gaza, for repatriation in what was an “extraordinary logistical exercise”.

The government has organised two Qantas flights that are due to depart Ben Gurion International Airport on Friday for London. A third flight has also been chartered.

Australian Prime Minister Anthony Albanese speaks during a visit to the St Kilda Shule in Melbourne on 11 October 2023. Photograph: James Ross/AFP/Getty Images

From there, the government will look at what assistance can be provided to get people back to Australia, with Mr Albanese flagging that Qantas is exploring the option of adding flights home via Singapore.

“The first flight from Qantas will leave to London, it will carry 220 passengers... we’re doing all that we can, this is an extraordinary logistical exercise while a war is going on,” he told Nine’s Today Show on Friday.

An estimated 10,000 Australians citizens are in Israel, including dual citizens and tourists.

block-time updated-timeUpdated at 1.26am BST

block-time published-time 1.12am BST

Meanwhile in the US, the [*House of Representatives*](https://www.theguardian.com/us-news/house-of-representatives) remained without a speaker on Thursday, as the fractious Republican majority refused to unite behind their party’s chosen nominee, congressman Steve Scalise of Louisiana.

A day after narrowly becoming House Republicans’ candidate for speaker in a secret ballot vote, Scalise appeared no closer to overcoming the entrenched divisions imperiling his quest for the gavel.

The House is entering its second week without a speaker and is essentially unable to function, and the political pressure increasingly is on Republicans to reverse course, reassert majority control and govern in Congress.

Action is needed to fund the government or face the threat of a federal shutdown in a month. Lawmakers also want Congress to deliver a strong statement of support for Israel in the war with Hamas, but a bipartisan resolution has been sidelined by the stalemate in the House.

The White House is expected to soon ask for money for Israel, Ukraine and the backfill of the US weapons stockpile.

block-time published-time 12.58am BST

Israel’s parliament approves national unity government

In case you missed this earlier: Israel’s parliament approved Prime Minister Benjamin Netanyahu’s emergency unity government on Thursday, including a number of centrist opposition lawmakers, to display its determination to fight the war with Hamas in Gaza.

The government, approved after Saturday’s attack by the militant Islamist group Hamas that governs the Gaza Strip, underlines the suspension of normal political rules during one of the most serious crises in Israel’s history.

block-time published-time 12.57am BST

Gaza hospitals 'in a critical situation'

“We are in a critical situation,” Ashraf al-Qidra, the spokesman for the Gaza Health Ministry, has told the Associated Press.

“Ambulances can’t get to the wounded, the wounded can’t get to intensive care, the dead can’t get to the morgue.”

block-time published-time 12.49am BST

Gaza morgue has run out of room

The morgue at Gaza’s biggest hospital overflowed Thursday as bodies came in faster than relatives could claim them, the Associated Press reports:

The morgue at Gaza City’s Shifa hospital can only handle some 30 bodies at a time, and workers had to stack corpses three high outside the walk-in cooler and put dozens more, side by side, in the parking lot. Some were placed in a tent, and others were sprawled on the cement, under the sun.

“The body bags started and just kept coming and coming and now it’s a graveyard,” Abu Elias Shobaki, a nurse at Shifa, told AP, referring to the parking lot.

“I am emotionally, physically exhausted. I just have to stop myself from thinking about how much worse it will get.”

A Palestinian youth mourns the death of a relative in an Israeli air strike outside the morgue of al-Shifa hospital in Gaza City on 12 October 2023. Photograph: Mohammed Abed/AFP/Getty Images

Lines of white body bags — soles of bare feet sticking out from one, a bloodied arm from another — brought the scale and intensity of Israel’s retaliation on Gaza into sharp relief. Hospital officials asked stricken family members to identify their loved ones. Some peered into the body bags, then collapsed into tears or screams.

block-time published-time 12.35am BST

Israel and White House condemn Trump remarks

In case you missed this earlier, Israel and the White House on Thursday condemned remarks by Donald Trump in which he praised the Iran-backed militant group Hezbollah and criticised Israeli Prime Minister Benjamin Netanyahu over the Hamas attack. Trump called the Lebanese Hezbollah, a sworn enemy of Israel, “very smart” and accused Netanyahu of being “not prepared” for the Hamas attack, which also killed 22 Americans. Israeli Communications Minister Shlomo Karhi said Trump’s comments to supporters and in a television interview on Wednesday night showed he could not be relied on. It is “shameful that a man like that, a former US president, abets propaganda and disseminates things that wound the spirit of Israel’s fighters and its citizens,” Karhi told Israel’s Channel 13. White House deputy press secretary Andrew Bates called Trump’s comments “dangerous and unhinged.” “It’s completely lost on us why any American would ever praise an Iran-backed terrorist organisation as ‘smart’,” Bates said. Democratic President Joe Biden has condemned the Hamas attack as “an act of sheer evil” and declared his unwavering support for Israel.

block-time published-time 12.22am BST

Will Hezbollah join the war?

AP has taken a look at whether Lebanon’s Hezbollah is likely to join the war.

Hezbollah, which like Hamas is supported by Iran, has so far been on the fence about joining the fighting between Israel and the Gaza Strip’s Islamic militant rulers.

While Israel’s political and military leaders weigh the next move, they are nervously watching Hezbollah on Israel’s northern border and have sent troop reinforcements to the area. Hezbollah, with an arsenal of tens of thousands of rockets and missiles ***capable*** of hitting virtually anywhere in Israel, is viewed as a far more formidable foe than Hamas.

Israel is anxious that opening a new front in the country’s north could change the tide of the war, with Hezbollah’s military caliber far superior to that of Hamas. But the fighting could be equally devastating for Hezbollah and Lebanon.

Israel is especially worried about Hezbollah’s precision-guided missiles, which are believed to be aimed at ***strategic*** targets like natural gas rigs and power stations.

Qassim Qassir, a Lebanese analyst close to the group, said Hezbollah “will not allow Hamas’ destruction and won’t leave Gaza alone to face a ground incursion.”

“When the situation requires further escalation, then Hezbollah will do so,” he told The Associated Press.

But the possibility of a new front in Lebanon also brings back bitter memories of a vicious monthlong war between Hezbollah and Israel in 2006 that ended in a stalemate and a tense detente between the two sides. Lebanon is in the fourth year of a crippling economic crisis and is bitterly divided between Hezbollah and its allies and opponents, paralyzing the political system.

block-time published-time 12.05am BST

UK Prime Minister speaks to Netanyahu

UK Prime Minister Rishi Sunak spoke to Israel’s Benjamin Netanyahu on Thursday evening to reaffirm the country’s support for Israel following Hamas’ attack, a Downing Street spokesperson said on Thursday. The leaders discussed Israel‘s response against Hamas in Gaza and Sunak confirmed the UK had authorised the sending of a significant support package to the region, including RAF surveillance aircraft, two Royal Navy ships, and three Merlin helicopters.

This is Helen Sullivan taking over our live coverage of the Israel-Hamas war.

block-time published-time 12.00am BST

Summary

It’s 2am in Gaza City and Tel Aviv. Here’s where we stand:

Israel began the long and sorrowful process of [*burying the victims*](https://www.theguardian.com/world/2023/oct/12/there-are-no-wreaths-left-israel-begins-burial-of-victims-of-hamas-attacks) of the weekend’s attacks by Hamas. The most recent death toll in Israel stands at 1,200. Israel’s military spokesperson said the government has been [*able to*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527b2038f0889b52d8c2945#block-6527b2038f0889b52d8c2945) [*confirm*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527b2038f0889b52d8c2945#block-6527b2038f0889b52d8c2945) the identities of 97 people taken hostage into Gaza during the attack by Hamas. More than 100 are believed to have been taken.More than 1,500 Palestinians have been killed by Israeli strikes since Saturday, Gaza’s health ministry [*said*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65284f5b8f0889b52d8c31e2#block-65284f5b8f0889b52d8c31e2) on Thursday. Among them are 500 children and 276 women, it said. A further 6,612 were wounded in Israeli airstrikes on the Palestinian enclave, the ministry said.More than 338,000 people have been [*forced to flee*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-652861048f08868e610b9d56#block-652861048f08868e610b9d56) their homes in the Gaza Strip, the UN [*said*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?filterKeyEvents=false&page=with:block-65276cde8f08868e610b922b#block-65276cde8f08868e610b922b) on Thursday [*,*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?filterKeyEvents=false&page=with:block-65276cde8f08868e610b922b#block-65276cde8f08868e610b922b) as heavy Israeli bombardments [*continue to hit*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?filterKeyEvents=false&page=with:block-652783f58f08868e610b92ec#block-652783f58f08868e610b92ec) the Palestinian enclave.The Egyptian president, Abdel Fattah El-Sisi, said Gazans must “stay steadfast and remain on their land” amid growing calls for Cairo to allow safe passage to civilians fleeing Gaza. The only viable exit for Gazans to flee is through the Rafah border crossing between Egypt and Gaza, but Egypt has rejected any move to set up safe corridors for refugees fleeing Gaza.The World Health Organization said it has documented [*34 attacks on health care*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-652865b28f0830b0d91d8ddf#block-652865b28f0830b0d91d8ddf) in Gaza since last Saturday that have resulted in the death of 11 health workers, 16 injuries, and damages to 19 health facilities and 20 ambulances. In a statement on Thursday, the WHO warned that the health system in the Gaza Strip is “at breaking point”, and that “time is running out to prevent a humanitarian catastrophe”.The UN’s World Food Programme (WFP) said the situation in the Gaza Strip is “dire” and [*“devastating”*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65280e5b8f0889b52d8c2eb8#block-65280e5b8f0889b52d8c2eb8) and warned that crucial supplies were running dangerously low after Israel imposed a total blockade on the territory. Israel’s energy minister, Israel Katz, said [*no power, water or fuel will be allowed into Gaza*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527a3b78f08868e610b93cd#block-6527a3b78f08868e610b93cd) until Israeli hostages are returned home.Human Rights Watch said it had [*concluded*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65286d6e8f08868e610b9db4#block-65286d6e8f08868e610b9db4) Israel used white phosphorus in military operations over the Gaza City port and two rural locations along the Israel-Lebanon border this week. Israel’s use of white phosphorus in crowded civilian areas “poses a high risk of excruciating burns and lifelong suffering” , the organisation warned.A ground offensive will be launched on Gaza“when opportune and fit for our purposes”, the IDF spokesperson Jonathan Conricus said in an update early on Thursday.Israeli strikes have killed three journalists so far, and two others died as a result of gunshot wounds, [*according to*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527f22f8f08868e610b97f8#block-6527f22f8f08868e610b97f8) Reporters without Borders. Some 12 workers with the UN Palestinian refugee agency have been killed in Israeli airstrikes on the Gaza Strip, the organisation has said.The Palestinian president, Mahmoud Abbas, spoke to the king of Jordan, Abdullah II, on Thursday. Abbas stressed “the rejection of … killing civilians or abusing them [*on both sides”*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527fd308f0830b0d91d88c5#block-6527fd308f0830b0d91d88c5) and called for the release of civilians, prisoners and detainees.Two police officers were wounded after a shooting attack near the Herod’s Gate entrance to the Jerusalem old city, Israeli police said. The gunman used a makeshift submachine gun in the attack, according to police. Officers returned fire and [*“neutralised”*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65282ffe8f08868e610b9bb8#block-65282ffe8f08868e610b9bb8) him, police said.The US secretary of state, Antony Blinken, said the attacks by Hamas had “harrowing echoes” of Nazi massacres, as he [*stood alongside*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527d73f8f0889b52d8c2ba8#block-6527d73f8f0889b52d8c2ba8) the Israeli prime minister, Benjamin Netanyahu, in Jerusalem in an act of public solidarity. Blinken vowed that the US would stand for ever alongside Israel, and said he would use his tour of the region to urge all parties, especially Hezbollah, not to broaden the conflict or open a second front. The death toll of US citizens in Israel [*now stands at 27,*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-652847e98f08868e610b9c6a#block-652847e98f08868e610b9c6a) the White House said on Thursday. The number of Americans unaccounted for is 14.Iran ’s foreign minister, Hossein Amir-Abdollahian, warned that the “continuation of war crimes against Palestine and Gaza” could open a new front of war, and that Israel will be “responsible for the consequences”. Abdollahian arrived in the Lebanese capital Beirut on Thursday, where he was received by the Lebanese militant group Hezbollah and Hamas.Syria said Israeli forces launched simultaneous missile attacks on the airports in its capital Damascus and the northern city of Aleppo on Thursday. “Bursts of missiles” hit the two airports at the same time, a Syrian military source was [*cited as saying*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527d8548f0889b52d8c2bbe#block-6527d8548f0889b52d8c2bbe) in what he said was a bid to distract the world’s attention from Israel’s war with Hamas militants in Gaza.The UK will deploy patrol and surveillance aircraft and two Royal Navy ships to the eastern Mediterranean “to support Israel”, the government said. Maritime patrol and surveillance aircraft will begin flying in the region “to [*track threats to regional stability”,*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65282d168f0830b0d91d8c04#block-65282d168f0830b0d91d8c04) Downing Street said.The US and Qatar have agreed to deny Iran’s access to any of the $6bn (£4.9bn) funds that were [*part of a prisoner swap deal*](https://www.theguardian.com/world/2023/sep/18/us-iran-prisoner-swap-deal) between the Biden administration and Tehran last month, the US deputy treasury secretary, Wally Adeyemo, [*reportedly*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-652833318f0830b0d91d8c29#block-652833318f0830b0d91d8c29) told House Democrats.Emmanuel Macron said France is [*“doing everything possible”*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65283f2c8f0889b52d8c3149#block-65283f2c8f0889b52d8c3149) for the citizens missing in Israel, in a televised address on Thursday evening. “France will never abandon its children,” the French president said. Thirteen French citizens were killed in Hamas attacks on Israel at the weekend. Another 17, including children, are reported missing. Several are believed to be being held hostage in Gaza.The British government is organising flights to repatriate British nationals from Israel, with the [*first due to leave*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527e0768f08868e610b9732#block-6527e0768f08868e610b9732) from Tel Aviv on Thursday. British nationals will be invited to take up seats on the flights along with dual nationals, and dependants if travelling with a British national normally resident in the UK.The British children of elderly hostages abducted by Hamas [*pleaded for their return*](https://www.theguardian.com/uk-news/2023/oct/12/british-children-of-hamas-hostages-plead-for-their-parents-return) as they described the invasion of Israel as a “second Holocaust”. Seventeen British nationals are feared dead or missing after the weekend’s atrocities.Officials across Europe[*scrambled to curtail*](https://www.theguardian.com/world/2023/oct/12/scholz-pledges-zero-tolerance-as-antisemitic-incidents-rise-in-europe) any spillover of tensions from the Israel-Hamas war, with Germany pledging a “zero tolerance” approach to antisemitism and France banning pro-Palestinian protests amid concerns for public order.France’s president, Emmanuel Macron, warned that antisemitic acts and defending terrorism would be dealt with “severely” in France, in a televised address on the Israel-Palestine crisis on Thursday evening.Two Jewish schools in north-west London are [*set to close temporarily*](https://www.theguardian.com/uk-news/2023/oct/12/two-jewish-schools-in-london-to-close-over-security-fears) because of safety fears after the crisis in Israel and Gaza, as ministers announced £3m for a charity that helps protect Jewish community sites.

block-time published-time 11.52pm BST

Iran warns crimes against Palestinians could open 'a new front' in war

Iran’s foreign minister, Hossein Amir-Abdollahian, warned that the “continuation of war crimes against Palestine and Gaza” could open a new front of war, and that Israel will be “responsible for the consequences”.

Speaking through a translator in televised remarks on Thursday, Abdollahian said:

Some Western officials have questioned if there is an intention to open a new front against the Zionist entity. Of course, in light of the continuation of these circumstances that are war crimes.

The Iranian minister said the displacement of Palestinians and cutting water and electricity to the Gaza Strip are considered war crimes. He added:

The continuation of war crimes against Palestine and Gaza will receive a response from the rest of the axis. And naturally, the Zionist entity and its supporters will be responsible for the consequences of that.

Abdollahian arrived in the Lebanese capital Beirut on Thursday, where he was received by the Lebanese militant group Hezbollah, Hamas, among other pro-Iran groups. He is scheduled to meet Lebanese officials on Friday before heading to Damascus, AFP reported.

block-time updated-timeUpdated at 4.40am BST

block-time published-time 11.44pm BST

Hungary has evacuated a further 65 citizens from Israel, foreign minister Péter Szijjártó said.

The evacuated Hungarians are en route by ship to Cyprus, from where they will be flown back to Hungary, he said in a statement.

Earlier this week, Hungary had evacuated 325 people, including 46 children, from Israel by air. Szijjártó said in an earlier statement on Thursday:

We would like it if they could come home as soon as possible.

block-time updated-timeUpdated at 4.36am BST

block-time published-time 11.31pm BST

Egypt's Sisi says Gazans must 'remain on their land' amid calls to allow civilians to leave

The Egyptian president, Abdel Fattah El-Sisi, said Gazans must “stay steadfast and remain on their land” amid growing calls for Cairo to allow safe passage to civilians fleeing Gaza.

Israel has bombarded the Gaza Strip since Saturday and appears poised to send ground troops into the Hamas-controlled enclave where [*1,500 Palestinians*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?filterKeyEvents=false&page=with:block-65284f5b8f0889b52d8c31e2#block-65284f5b8f0889b52d8c31e2) – including 500 children – have been killed in the past few days.

The only viable exit for Gazans to flee is through the Rafah border crossing between Egypt and Gaza, the only passage in and out of the enclave that is not controlled by Israel.

Egypt has long restricted the flow of Gazans on to its territory, and previously insisted the two sides resolve conflicts within their borders.

Cairo has discussed plans with the US and others to provide humanitarian aid through the Rafah crossing, but rejected any move to set up safe corridors for refugees fleeing Gaza.

Egypt is committed to ensuring the delivery “of aid, both medical and humanitarian at this difficult time”, Sisi said in a speech at a military ceremony on Thursday. But Gazans must “stay steadfast and remain on their land”, he said.

The Rafah crossing has been closed since Tuesday after Israeli bombardments hit on the Palestinian side, Reuters reported on Wednesday, citing officials in Gaza and Egyptian sources.

block-time updated-timeUpdated at 4.35am BST

block-time published-time 11.16pm BST

Jordan ’s foreign minister, Ayman Safadi, said Israel’s denial of entry of aid to Gaza was a breach of “humanitarian values and principles” and called for a lifting of the siege.

Safadi, in comments on state media and quoted by Reuters, said ending the siege of the Palestinian enclave was the responsibility of the international community.

block-time updated-timeUpdated at 11.43pm BST

block-time published-time 11.10pm BST

Israel used white phosphorus in attacks in Gaza and Lebanon, says Human Rights Watch

Human Rights Watch said it had concluded Israel used white phosphorus in military operations in Lebanon and Gaza this week.

In a [*statement*](https://www.hrw.org/news/2023/10/12/israel-white-phosphorus-used-gaza-lebanon) , HRW said it had verified videos from Tuesday and Wednesday “showing multiple airbursts of artillery-fired white phosphorus” over the Gaza City port and two rural locations along the Israel-Lebanon border. The organisation said it also interviewed two witnesses of the Gaza attack.

Israel’s use of white phosphorus in military operations in Gaza and Lebanon “puts civilians at risk of serious and long-term injuries”, it said.

White phosphorus has a “significant incendiary effect” that can “severely burn” people, HRW warned. The use of white phosphorus in Gaza, one of the world’s most densely populated areas, “magnifies the risk to civilians and violates the international humanitarian law”, it added.

Lama Fakih, HRW’s Middle East and North Africa director, said:

Any time that white phosphorus is used in crowded civilian areas, it poses a high risk of excruciating burns and lifelong suffering.

White phosphorus is “unlawfully indiscriminate” in populated urban areas, where it “can burn down houses and cause egregious harm to civilians”, they added.

block-time updated-timeUpdated at 11.42pm BST

block-time published-time 10.55pm BST

Drone footage shows large areas of neighbourhoods in the Gaza Strip reduced to rubble by Israeli airstrikes.

Israel has pummelled Gaza with bombs, killing more than 1,500 Palestinians, and has announced a siege of the strip in retaliation to a deadly attack by Hamas militants last weekend.

block-time published-time 10.43pm BST

Colombia’s president Gustavo Petro came under fire today from US and Israeli diplomats after making comments comparing Israel’s bombardment of Gaza to human rights atrocities carried out by the Nazis.

“We were shocked to see Colombian President [Gustavo Petro] compare the Israeli government to Hitler’s genocidal regime,” [*tweeted*](https://www.google.com/url?q=https://x.com/StateSEAS/status/1712488175531085905?s%3D20&source=gmail-imap&ust=1697743330000000&usg=AOvVaw0oPRMEQ5LdidGY7LtQtVVn) Deborah Lipstad, the US special envoy to monitor and combat antisemitism.

Petro had replied to a statement by Israeli defense minister, Yoav Gallant, on the social media platform X (formerly Twitter) on Monday in which Gallant announced a “complete siege” of Gaza in a fight against “animals”.

“This is what the Nazis said of the Jews,” Petro responded on the platform.

Petro has refused to condemn the human rights atrocities committed by Hamas in Israel and has published more than 100 posts on the conflict in the past five days.

Petro’s refusal to condemn the human rights atrocities committed by Hamas while criticising the Israeli occupation of Palestine is drawing strong criticism at home and abroad.

When Israel’s ambassador to Colombia, Gali Dagan, asked the Colombian president to condemn the “terrorist attack against innocent civilians”, Petro replied “terrorism is to kill innocent children, whether it be in Colombia or in Palestine.”

Twelve Colombian former foreign ministers signed an open letter on Thursday condemning Petro’s partisan stance on the regional conflict which they said is damaging Colombia’s ability to play a role in resolving the conflict.

“The messages from the President of the Republic and the Colombian Foreign Office are a radical break from our country’s tradition of respect for international law and multilateralism,” [*the former diplomats said*](https://www.google.com/url?q=https://x.com/sandraborda/status/1711902960932749474?s%3D20&source=gmail-imap&ust=1697743330000000&usg=AOvVaw0rnBunkwRDzTFqHvfLUti2).

block-time updated-timeUpdated at 11.38pm BST

block-time published-time 10.37pm BST

Gaza's health system 'at breaking point' after 34 attacks since Saturday, says WHO

The World Health Organization said it has documented 34 attacks on health care in Gaza since last Saturday that have resulted in the death of 11 health workers, 16 injuries, and damages to 19 health facilities and 20 ambulances.

In a [*statement*](https://www.emro.who.int/opt/news/hospitals-in-the-gaza-strip-at-a-breaking-point-warns-who.html) , the WHO warned that the health system in the Gaza Strip is “at breaking point”, and that “time is running out to prevent a humanitarian catastrophe.”

Hospitals have only “a few hours of electricity each day” as they are forced to ration depleting fuel reserves and rely on generators to sustain the most critical functions, it said. Even these functions will no longer be able to work “in a few days”, when fuel stocks are due to run out.

The impact would be devastating for the most vulnerable patients, including the injured who need lifesaving surgery, patients in intensive care units, and newborns depending on care in incubators.

The WHO called for an end to hostilities and the protection of health care and civilians against attacks, as well as the establishment of a humanitarian corridor for health and humanitarian supplies.

Without the immediate entry of humanitarian aid into Gaza – especially health services, medical supplies, food, clean water, fuel, and non-food items – humanitarian and health partners will be unable to respond to urgent needs of people who desperately need it. Each lost hour puts more lives at risk.

block-time updated-timeUpdated at 10.44pm BST

block-time published-time 10.30pm BST

Israel's public affairs minister resigns

Israel’s public affairs minister, Galit Distel Atbaryan, announced she has resigned from her post.

In a social media post, she said other governmental ministries were better equipped to handle Israel’s diplomatic efforts.

The Times of Israel [*reports*](https://www.timesofisrael.com/liveblog-october-12-2023/) that critics of Distel Atbaryan had said her ministry had no real powers or justification, and that what little it had produced had been widely mocked.

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— Galit Distel Atbaryan - ???? ????? ??????? (@GalitDistel) [*October 12, 2023*](https://twitter.com/GalitDistel/status/1712562558732005431?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 11.38pm BST

block-time published-time 10.19pm BST

More than 338,000 people have been forced to flee their homes in the Gaza Strip, the UN said, as heavy Israeli bombardments continue to hit the Palestinian enclave.

[*Interactive*](https://interactive.guim.co.uk/uploader/embed/2023/10/displaced-people-gaza/giv-134259zvhWVFVOgkB/)

block-time updated-timeUpdated at 10.21pm BST

block-time published-time 10.10pm BST

Brazil has sent one of its presidential planes to Europe in the hope of rescuing about 20 citizens who are trapped in the Gaza Strip, where more than 1,500 Palestinians have now been killed.

The Embraer aircraft took off from Brazil on Thursday afternoon and is heading to Rome, where it will wait for permission to continue to Egypt in case a humanitarian corridor is opened, allowing citizens of the South American country to flee across that country’s tightly controlled border with Gaza.

Brazilian diplomats have reportedly asked Egyptian authorities to help 20-or-so of its citizens leave the Palestinian territory. Thirteen of the Brazilians, including several children, are currently sheltering in a Catholic school in Gaza which Brazilian authorities have asked Israeli officials not to bomb.

“Our goal right now is to save lives,” Celso Amorim, Luiz Inácio Lula da Silva’s top foreign policy advisor, told the newspaper O Globo.

Nearly 500 Brazilians have so far been evacuated from Israel on three government flights.

On Wednesday the Brazilian president, Luiz Inácio Lula da Silva, called for an end to “the insanity of war”.

block-time updated-timeUpdated at 10.15pm BST

block-time published-time 9.53pm BST

There are reports of sporadic episodes of violence or aggression occurring in other parts of Israel and other Palestinian territories further afield from Gaza and that southern region.

In Jerusalem, it appears that a Palestinian gunman began shooting near Herod’s Gate in the Old City that leads to and from the Muslim Quarter.

Israeli border police secure the area outside the Shalem police station and Herod’s Gate in the Old City of Jerusalem on 12 October. Photograph: Alexi J Rosenfeld/Getty Images

Two border police officers were wounded and the fate of the gunman is not yet established, the Guardian’s [*Beth McKernan*](https://www.theguardian.com/profile/bethan-mckernan) reports.

enltrTwo Palestinian media outlets reporting a Palestinian gunman opened fire near Herod's Gate in the Old City, injuring two border police officers. Attacker was either injured or killed.

— Bethan McKernan (@mck\_beth) [*October 12, 2023*](https://twitter.com/mck_beth/status/1712525916851650859?ref_src=twsrc%5Etfw)

And in Masafer Yatta, a group of Palestinian hamlets in the southern portion of the occupied West Bank, south of Jerusalem and Hebron, Beth has relayed an ominous report from Palestinian journalist Basel Adra that Jewish settlers have donned uniforms as cover to then attack Palestinian residents.

enltrBasel is a fantastic journalist in Masafer Yatta that i trust. There have been several reports of settlers donning fatigues or reservists uniforms and entering Palestinian villages in WB today. Sharing this as an FYI for people there and reporter colleagues for their safety [*https://t.co/2LGc7hAla8*](https://t.co/2LGc7hAla8)

— Bethan McKernan (@mck\_beth) [*October 12, 2023*](https://twitter.com/mck_beth/status/1712528414697984376?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 10.09pm BST

block-time published-time 9.31pm BST

Hamas hints Iran, Hezbollah not involved in decision to attack Israel

Hamas just gave an unprecedented briefing in English to world media, via Telegram, the Guardian’s Jerusalem correspondent, [*Beth McKernan*](https://www.theguardian.com/profile/bethan-mckernan) is reporting on the hop, via X/Twitter.

enltrHamas just gave unprecedented briefing in English to world media on Telegram. I won't go into details but main news points: - no hostage file will be opened until aggression on Gaza stops -commitment to treat prisoners in accordance with IHL (hmm)

— Bethan McKernan (@mck\_beth) [*October 12, 2023*](https://twitter.com/mck_beth/status/1712557306284835263?ref_src=twsrc%5Etfw)

She says that the militant group that controls Gaza said that “the decision to launch a military operation was entirely Palestinian.”

The subtext appears to be that Hamas allies Iran and the Lebanese group Hezbollah were not involved in Saturday’s surprise and merciless assault on Israel by militants breaking out of Gaza to launch their attack.

enltrOh and I forgot last point -- "decision to launch a military operation was entirely Palestinian" ie Iran and Hezbollah not involved

— Bethan McKernan (@mck\_beth) [*October 12, 2023*](https://twitter.com/mck_beth/status/1712562460534693938?ref_src=twsrc%5Etfw)

Bethan also reports that Hamas made spurious claims that Israeli civilians weren’t deliberately targeted and that the attacks were aimed entirely at Israeli Defence Force (IDF) bases.

enltr- Saturday was a "defensive action" in which only IDF bases were targeted. "We would like to stress there were clear instructions to avoid targeting civilians and killing them. Civilians were caught in the middle" (clearly untrue)

— Bethan McKernan (@mck\_beth) [*October 12, 2023*](https://twitter.com/mck_beth/status/1712557991663403325?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 9.32pm BST

block-time published-time 8.59pm BST

Palestinian death toll rises to more than 1,500 in Gaza

The number of Palestinians killed has risen to 1,537, according to Gaza’s health ministry. That includes 500 children and 276 women, it said.

A further 6,612 were wounded in Israeli airstrikes on the Palestinian enclave, the ministry said.

The latest count is up from 1,417 Palestinians and 6,238 wounded [*earlier today*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527f0098f0830b0d91d8834#block-6527f0098f0830b0d91d8834).

block-time updated-timeUpdated at 9.11pm BST

block-time published-time 8.42pm BST

Joe Biden and Donald Trump continued to clash over the Israel-Hamas war on Thursday as a White House spokesperson rebuked the former US president for what he called “dangerous and unhinged” comments about the conflict.

Speaking in Florida on Wednesday, Trump, the Republican frontrunner to take on Biden next year, called Hezbollah – a Lebanese group also backed by Iran and supportive of Hamas – “very smart” and the Israeli defense minister, Yoav Gallant, “a jerk”.

Benjamin Netanyahu, the Israeli prime minister, had been “hurt very badly”, Trump said, adding:

He was not prepared. He was not prepared and Israel was not prepared. And under Trump, they wouldn’t have had to be prepared.

Those comments prompted a stern reaction from the White House. “Statements like this are dangerous and unhinged,” said Andrew Bates, the deputy White House press secretary.

It’s completely lost on us why any American would ever praise an Iran-backed terrorist organisation as ‘smart’ or have any objection to the United States warning terrorists not to attack Israel.

block-time published-time 8.33pm BST

The US will arrange charter flights from Friday for American citizens seeking to leave Israel, the White House confirmed.

The Biden administration will provide charter flights to cities in Europe, said John Kirby, spokesperson for the national security council, adding: “We know there is a demand signal out there.”

A US state department email, seen by Reuters, said it plans to offer transit options beginning on Friday “but it will take some period of time to schedule everyone seeking to depart”. The email also says:

Americans will be asked to sign an agreement to repay the US government prior to departure and should be prepared to arrange your own lodging and onward travel from Greece, Germany or Cyprus to your final destination.

block-time updated-timeUpdated at 8.39pm BST

block-time published-time 8.26pm BST

Number of US citizens killed in Israel rises to 27

The death toll of US citizens in Israel now stands at 27, the White House said on Thursday.

The number of Americans unaccounted for is 14, John Kirby, spokesperson for the national security council, said at a White House briefing.

Earlier today, the US secretary of state, Antony Blinken, said at least 25 Americans were confirmed killed.

block-time updated-timeUpdated at 8.39pm BST

block-time published-time 8.17pm BST

Here are some of the latest images sent over the news wires from Israel and Palestine.

Palestinians inspect the rubble of the Yassin mosque, which was destroyed by an Israeli airstrike on Shati refugee camp in Gaza City. Photograph: Adel Hana/AP An Israeli soldier near Beeri, a kibbutz where 270 revellers were killed by Hamas militants during the Supernova music festival on Saturday. Photograph: Aris Messinis/AFP/Getty Images An Israeli airstrike taking place in Gaza City on Thursday. Photograph: Mahmud Hams/AFP/Getty Images People in Ashkelon, southern Israel, take cover from rockets fired from the Gaza Strip. Photograph: Léo Corrêa/AP

block-time updated-timeUpdated at 8.33pm BST

block-time published-time 8.05pm BST

Two Jewish schools in north-west London are set to close temporarily [*because of safety fears*](https://www.theguardian.com/uk-news/2023/oct/12/two-jewish-schools-in-london-to-close-over-security-fears) brought about by the crisis in Israel and Gaza, as ministers announced £3m for a charity that helps protect Jewish community sites.

The extra support for the Community Security Trust (CST) was announced after a roundtable discussion in Downing Street involving ministers, police and the charity, which recorded a [*quadrupling of antisemitic incidents*](https://www.theguardian.com/education/2023/oct/11/englands-jewish-schools-take-extra-security-precautions) in the UK since Hamas’s attack on Israel.

The meeting was chaired by the home secretary, Suella Braverman, who asked police leaders to consider using their existing section 14 powers under the Public Order Act “where appropriate” to stop people blocking roads, including outside Jewish monuments and buildings such as the Israeli embassy.

No 10 said the additional money – which brings the total funding for Jewish community protection for 2023-24 to £18m – would enable the CST to place additional guards at schools it supports and allow for additional security staff outside synagogues on Friday nights and Saturday mornings when Jewish communities are marking the sabbath.

block-time updated-timeUpdated at 8.12pm BST

block-time published-time 7.54pm BST

Emmanuel Macron ’s address came after Gérald Darmanin, the French interior minister, banned pro-Palestinian demonstrations in the country on the grounds that they were a threat to public order.

In a message to local prefects – official state representatives – Darmanin said organisers of such banned demonstrations, protests or marches should “face arrest”.

On Thursday morning, Darmanin said there had been more than 100 “antisemitic acts” reported in France since Saturday. These were mostly graffiti-based, but also included physical attacks and people having been arrested with weapons in front of Jewish schools and synagogues. Police have arrested 24 people, he added.

He added there had been an “outpouring of hatred” on the internet, the worst of which was being investigated by police.

block-time updated-timeUpdated at 8.07pm BST

block-time published-time 7.48pm BST

Macron: France 'doing everything possible' to find 17 missing citizens in Israel

Emmanuel Macron warned that antisemitic acts and defending terrorism would be dealt with “severely” in France, in a televised address on the Israel-Palestine crisis on Thursday evening.

The French president said the country should not give in to “any form of hate” and remain united. “Let us not add national divisions to international divisions,” he said.

Macron said the conflict was not between Israel and Palestine, but between “terrorists and a country with democratic values”.

While offering his “firm and complete” support to Israel, which he said had every right to respond, he said that response had to be “strong and fair”.

Israel has the right to defend itself … but with targeted actions that preserve the civilian populations. That is the duty of democracies.

Thirteen French citizens were killed in Hamas attacks on Israel at the weekend. Another 17, including children, are reported missing. Several are believed to be being held hostage in Gaza.

“My thoughts are with the families this evening. I want to tell them that France is doing everything possible alongside the Israeli authorities and our partners to bring them back safely to their homes,” Macron said.

France will never abandon its children.

block-time updated-timeUpdated at 8.17pm BST

block-time published-time 7.37pm BST

The EU has sent [*a second missive*](https://www.theguardian.com/technology/2023/oct/09/x-twitter-elon-musk-disinformation-israel-hamas) to Elon Musk, the owner of X, formerly Twitter, over the alleged spread of illegal “terrorist and violent content” on the platform in the wake of Hamas’s attack on Israel on Saturday.

The letter comes just hours after the X chief executive, Linda Yaccarino, responded to [*a letter*](https://ec.europa.eu/commission/presscorner/detail/en/IP_23_4953) two days ago giving it 24 hours to demonstrate how it was complying with new laws that make platform owners responsible for their content in the EU.

Those that don’t face a fine or a complete ban in the EU.

The EU commissioner Thierry Breton gave X two deadlines to return with evidence and warns that if the commission is not satisfied it can launch formal proceedings under the Digital Services Act, which came into force in August.

Yaccarino told Breton that X had taken down “hundreds of Hamas affiliated accounts” and had responded to 80 take-down notices from within the EU since the conflict erupted in Israel.

block-time updated-timeUpdated at 7.43pm BST

block-time published-time 7.30pm BST

Summary

It’s 9.30pm in Gaza City and Tel Aviv. Here’s where things stand:

Israel began the long and sorrowful process of [*burying the victims*](https://www.theguardian.com/world/2023/oct/12/there-are-no-wreaths-left-israel-begins-burial-of-victims-of-hamas-attacks) of the weekend’s attacks by Hamas. The most recent death toll in Israel stands at 1,200. Israel’s military spokesperson said the government has been [*able to*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527b2038f0889b52d8c2945#block-6527b2038f0889b52d8c2945) [*confirm*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527b2038f0889b52d8c2945#block-6527b2038f0889b52d8c2945) the identities of 97 people taken hostage into Gaza during the attack by Hamas. More than 100 are believed to have been taken.More than 1,400 Palestinians have been killed by Israeli strikes since Saturday, Gaza’s health ministry [*said*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527f7bd8f0889b52d8c2d54#block-6527f7bd8f0889b52d8c2d54) on Thursday. Among them are 447 children and 248 women, it said.Israeli strikes have killed three journalists so far, and two others died as a result of gunshot wounds, [*according to*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527f22f8f08868e610b97f8#block-6527f22f8f08868e610b97f8) Reporters without Borders. Some 12 workers with the UN Palestinian refugee agency have been killed in Israeli airstrikes on the Gaza Strip, the organisation has said.More than 338,000 people have been forced to flee their homes in the Gaza Strip, the UN [*said*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?filterKeyEvents=false&page=with:block-65276cde8f08868e610b922b#block-65276cde8f08868e610b922b) on Thursday [*,*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?filterKeyEvents=false&page=with:block-65276cde8f08868e610b922b#block-65276cde8f08868e610b922b) as heavy Israeli bombardments [*continue to hit*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?filterKeyEvents=false&page=with:block-652783f58f08868e610b92ec#block-652783f58f08868e610b92ec) the Palestinian enclave.The UN’s World Food Programme (WFP) said the situation in the Gaza Strip is “dire” and [*“devastating”*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65280e5b8f0889b52d8c2eb8#block-65280e5b8f0889b52d8c2eb8) and warned that crucial supplies were running dangerously low after Israel imposed a total blockade on the territory. Israel’s energy minister, Israel Katz, said [*no power, water or fuel will be allowed into Gaza*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527a3b78f08868e610b93cd#block-6527a3b78f08868e610b93cd) until Israeli hostages are returned home.A ground offensive will be launched on Gaza“when opportune and fit for our purposes”, the IDF spokesperson Jonathan Conricus said in an update early on Thursday.The Palestinian president, Mahmoud Abbas, spoke to the king of Jordan, Abdullah II, on Thursday. Abbas stressed “the rejection of … killing civilians or abusing them [*on both sides”*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527fd308f0830b0d91d88c5#block-6527fd308f0830b0d91d88c5) and called for the release of civilians, prisoners and detainees.Two police officers were wounded after a shooting attack near the Herod’s Gate entrance to the Jerusalem old city, Israeli police said. The gunman used a makeshift submachine gun in the attack, according to police. Officers returned fire and [*“neutralised”*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65282ffe8f08868e610b9bb8#block-65282ffe8f08868e610b9bb8) him, police said.The US secretary of state, Antony Blinken, said the attacks by Hamas had “harrowing echoes” of Nazi massacres, as he [*stood alongside*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527d73f8f0889b52d8c2ba8#block-6527d73f8f0889b52d8c2ba8) the Israeli prime minister, Benjamin Netanyahu, in Jerusalem in an act of public solidarity. Blinken vowed that the US would stand for ever alongside Israel, and said he would use his tour of the region to urge all parties, especially Hezbollah, not to broaden the conflict or open a second front.Syria said Israeli forces launched simultaneous missile attacks on the airports in its capital Damascus and the northern city of Aleppo on Thursday. “Bursts of missiles” hit the two airports at the same time, a Syrian military source was [*cited as saying*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527d8548f0889b52d8c2bbe#block-6527d8548f0889b52d8c2bbe) in what he said was a bid to distract the world’s attention from Israel’s war with Hamas militants in Gaza.The UK will deploy patrol and surveillance aircraft and two Royal Navy ships to the eastern Mediterranean “to support Israel”, the government said. Maritime patrol and surveillance aircraft will begin flying in the region “to [*track threats to regional stability”,*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65282d168f0830b0d91d8c04#block-65282d168f0830b0d91d8c04) Downing Street said.The US and Qatar have agreed to deny Iran’s access to any of the $6bn (£4.9bn) funds that were [*part of a prisoner swap deal*](https://www.theguardian.com/world/2023/sep/18/us-iran-prisoner-swap-deal) between the Biden administration and Tehran last month, the US deputy treasury secretary, Wally Adeyemo, [*reportedly*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-652833318f0830b0d91d8c29#block-652833318f0830b0d91d8c29) told House Democrats.The British government is organising flights to repatriate British nationals from Israel, with the [*first due to leave*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527e0768f08868e610b9732#block-6527e0768f08868e610b9732) from Tel Aviv on Thursday. British nationals will be invited to take up seats on the flights along with dual nationals, and dependants if travelling with a British national normally resident in the UK.The British children of elderly hostages abducted by Hamas [*pleaded for their return*](https://www.theguardian.com/uk-news/2023/oct/12/british-children-of-hamas-hostages-plead-for-their-parents-return) as they described the invasion of Israel as a “second Holocaust”. Seventeen British nationals are feared dead or missing after the weekend’s atrocities.Officials across Europe[*scrambled to curtail*](https://www.theguardian.com/world/2023/oct/12/scholz-pledges-zero-tolerance-as-antisemitic-incidents-rise-in-europe) any spillover of tensions from the Israel-Hamas war, with Germany pledging a “zero tolerance” approach to antisemitism and France banning pro-Palestinian protests amid concerns for public order.

block-time updated-timeUpdated at 8.19pm BST

block-time published-time 7.17pm BST

The British children of elderly hostages abducted by Hamas have pleaded for their return as they described the invasion of Israel as a “second Holocaust”.

The parents of Sharone Lifschitz, 52, and the mother of Noam Sagi, 53, were abducted after Hamas gunmen stormed the Nir Oz kibbutz near the border with Gaza on Saturday.

At an emotional press conference in London, Sagi said:

People who survived the Holocaust find themselves facing another one … We are bleeding, we are in pain, we are hurting and we are in disbelief.

block-time published-time 7.05pm BST

US and Qatar agree to deny Iran access to $6bn fund

The US and Qatar have agreed to deny Iran’s access to any of the $6bn (£4.9bn) funds that were part of a prisoner swap deal between the Biden administration and Tehran last month, US deputy treasury secretary Wally Adeyemo told House Democrats, according to multiple reports.

Adeyemo told lawmakers that those funds would not be touched anytime soon, CNN [*reported*](https://www.cnn.com/2023/10/12/politics/us-qatar-iran-funds/index.html) , citing a congressional source.

Joe Biden had been under pressure to refreeze [*$6bn of Iranian oil revenues*](https://www.theguardian.com/world/2023/sep/18/us-iran-prisoner-swap-deal) released last month amid accusations that Iran played a key role in last weekend’s deadly attack on Israel by Hamas.

The US president faced bipartisan calls to freeze the funds, even as US intelligence sources have sought to dampen speculation of close Iranian involvement.

block-time published-time 6.54pm BST

Finance ministers from the G7 group of leading industrial nations who have been meeting in Morocco delayed a press conference amid a dispute over language around the Israel-Hamas war.

A G7 source said Japan – the current G7 chair – was at odds with the group’s other members, the US, the UK, France, Germany, Italy and Canada.

Officials at the event in Marrakech were trying to come up with a form of words acceptable to all.

The Japanese finance minister, Sun’ichi Suzuki, said that because the Israel-Hamas conflict was not on the original agenda there were different views about what to say and it had taken longer than expected to craft a response.

When the statement was eventually released it was strongly supportive of Israel, saying:

We unequivocally condemn the recent terror attacks by Hamas on the state of Israel and express our solidarity with the Israeli people.

block-time updated-timeUpdated at 7.11pm BST

block-time published-time 6.46pm BST

Police officers injured in shooting attack in Jerusalem

Two police officers have been wounded after a shooting attack near the Herod’s Gate entrance to the Jerusalem old city, Israeli police said.

The gunman used a makeshift submachine gun in the attack, according to police. Officers returned fire and “neutralised” him, police said.

One police officer was seriously injured and the other was slightly injured, they said.

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— ????? ????? (@IL\_police) [*October 12, 2023*](https://twitter.com/IL_police/status/1712519901833839060?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 7.02pm BST

block-time published-time 6.38pm BST

Sunak says UK deployment will 'ensure regional stability and prevent further escalation'

In a statement, the UK prime minister, Rishi Sunak, said:

We must be unequivocal in making sure the types of horrific scenes we have seen this week will not be repeated. Alongside our allies, the deployment of our world-class military will support efforts to ensure regional stability and prevent further escalation.

Our military and diplomatic teams across the region will also support international partners to re-establish security and ensure humanitarian aid reaches the thousands of innocent victims of this barbaric attack from Hamas terrorists.

block-time updated-timeUpdated at 6.44pm BST

block-time published-time 6.35pm BST

Here’s more on [*the announcement*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-652829488f0889b52d8c3091#block-652829488f0889b52d8c3091) that the UK will send surveillance aircraft and two Royal Navy ships to the eastern Mediterranean “to support Israel”.

The military package includes P8 aircraft, surveillance assets, two Royal Navy ships – RFA Lyme Bay and RFA Argus – three Merlin helicopters and a company of Royal Marines.

Maritime patrol and surveillance aircraft will begin flying in the region from tomorrow to track threats to regional stability, including monitoring activity such as the “transfer of weapons to terrorist groups”, Downing Street said.

A Royal Navy task group will be moved to the eastern Mediterranean next week as a contingency measure to support humanitarian efforts, it said.

The British armed forces will be on standby to “deliver practical support to Israel and partners in the region, and offer deterrence and assurance”, Downing Street said.

block-time updated-timeUpdated at 6.47pm BST

block-time published-time 6.18pm BST

UK to send Royal Navy ships and aircraft to support Israel

The UK will deploy patrol and surveillance aircraft and two Royal Navy ships to the eastern Mediterranean “to support Israel”, the government confirmed.

Maritime patrol and surveillance aircraft will begin flying in the region “to track threats to regional stability”, according to No 10.

The Times [*first reported*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65281cb58f0830b0d91d8b14#block-65281cb58f0830b0d91d8b14) the news.

block-time updated-timeUpdated at 6.32pm BST

block-time published-time 6.07pm BST

Two Jewish schools in London to close 'for safety of children' – report

Two Jewish schools in London will close for the safety of children, Sky News is [*reporting*](https://news.sky.com/story/israel-gaza-war-latest-hamas-palestine-sky-news-live-blog-12978800) , after a spike in reported incidents of antisemitism in Britain after the outbreak of war in Israel.

Torah Vodaas primary school and Ateres Beis Yaakov primary school, both in north London, informed parents on Thursday that they would not reopen until Monday, it said.

The report cites Rabbi Feldman, of Torah Vodaas in Edgware, as saying that while there was “no specific threat to our school”, it was “not a decision that has been taken lightly”.

block-time updated-timeUpdated at 6.15pm BST

block-time published-time 5.55pm BST

Blinken: World seeing 'new evidence of Hamas' depravity and the inhumanity every day'

The US secretary of state, Antony Blinken, says the US is working “as hard as we can” to ensure there will not be a second or third front to the conflict.

He reiterates a [*warning*](https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/10/10/remarks-by-president-biden-on-the-terrorist-attacks-in-israel-2/) by the US president, Joe Biden, that no state or non-state actor should take advantage of the situation.

Blinken says it is “vitally important” that democracies like the US and Israel respect and follow international humanitarian law. “It’s what distinguishes us from terrorist organisations like Hamas, which have absolutely no regard for the rule of law, for humanitarian rules and rights for any basic standards of human decency,” he says.

Asked about the [*photographs and videos*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-652820fa8f0830b0d91d8b5d#block-652820fa8f0830b0d91d8b5d) that Israeli officials showed him, Blinken said he had an opportunity to see some of them but “unfortunately there are many, many others”.

Every day, the world is seeing new evidence of the depravity and the inhumanity of Hamas. Depravity and inhumanity directed at babies, at small children, young adults and elderly people, people with disabilities. The list goes on.

block-time updated-timeUpdated at 6.04pm BST

block-time published-time 5.44pm BST

The US secretary of state, Antony Blinken, says [*he and Israel’s leadership*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-65281de58f0830b0d91d8b23#block-65281de58f0830b0d91d8b23) discussed ways to address the humanitarian needs of the people living in Gaza.

Hamas is using civilians in Gaza as human shields and is intentionally putting them in harms way to protect themselves, he says.

Blinken says civilians should not be used as targets of military operations while Israel “conducts its legitimate security operations to defend itself from terrorism”.

He says they spoke about possibilities for safe passage for civilians out of Gaza. “That’s a discussion that we will pursue in the coming days,” he says.

block-time updated-timeUpdated at 5.52pm BST

block-time published-time 5.39pm BST

The US secretary of state, Antony Blinken, says Israeli officials showed him photographs and videos of people killed by Hamas.

“It’s hard to find the right words. It’s beyond what anyone would ever want to imagine,” he said.

A baby, an infant, riddled with bullets. Soldiers beheaded. Young people burned alive in their cars … I could go on, but it’s simply depravity in the worst imaginable way.

block-time updated-timeUpdated at 5.52pm BST

block-time published-time 5.36pm BST

Blinken: US stands shoulder to shoulder with Israel

US secretary of state, Antony Blinken, says he has seen up-close the “genuinely inspiring” solidarity of the Israeli people in response to the Hamas attack.

Everywhere he has visited during his trip to Israel, he has met people who have been touched in one way or another by the attack, he says.

We’ve encountered a nation knit together by grief, but also a nation united. The United States shares that resolve. We stand shoulder to shoulder with the people of Israel.

He says he will go on to Jordan where he will meet its king, Abdullah II, and the Palestinian president, Mahmoud Abbas , and will later visit with leaders in Saudi Arabia, the United Arab Emirates, Egypt and Qatar.

Blinken says he will continue to press countries during each of these engagements “to help prevent the conflict from spreading” and to discuss how “to continue to make real our affirmative vision for a region that’s more peaceful, more prosperous, more secure, more integrated”.

block-time updated-timeUpdated at 5.46pm BST

block-time published-time 5.30pm BST

Blinken: US is doing everything it can to secure release of hostages

The US secretary of state, Antony Blinken, is speaking from Tel Aviv after meetings with Israel’s prime minister, Benjamin Netanyahu, its president, Isaac Herzog, and members of the country’s new emergency government.

Blinken says he discussed in detail what Israel needs in order to defend itself, its people and how the US can help to meet those needs. The US is delivering on those needs, he says.

He says he met with families of US citizens who were killed or taken hostage last weekend. “Their loss is immeasurable,” he says. “No one should have to endure what they’re going through.”

He says the US is “doing everything we can” to secure the release of the hostages taken by Hamas, and that the US deputy special envoy for hostage affairs, Steve Gillen, will stay on the ground to support the efforts.

block-time updated-timeUpdated at 5.37pm BST

block-time published-time 5.23pm BST

Britain will send two Royal Navy vessels to the eastern Mediterranean and begin surveillance flights over Israel in a show of military support designed to reassure Israel, the Times is [*reporting*](https://www.thetimes.co.uk/article/uk-sends-royal-navy-vessels-and-spy-planes-to-support-israel-bn57rfbmw).

Two Royal Fleet Auxiliary vessels, RFA Argus and RFA Lyme Bay, will be sent to the region as part of a littoral response group, the paper writes.

block-time updated-timeUpdated at 6.49pm BST

block-time published-time 5.13pm BST

Political turmoil in Washington has left the US without key diplomats [*across the Middle East*](https://foreignpolicy.com/2023/10/09/theres-no-american-ambassador-in-israel/) and raised concerns that years of congressional dysfunction are taking their toll on US leadership.

A devastating weekend attack on Israel by Hamas gunmen has shaken the region and come at a moment when there is no US ambassador in place in Israel, Egypt, Kuwait, Lebanon or Oman.

In addition, the US Agency for International Development (USAid), which leads the government effort to help countries recovering from disaster, has been lacking an assistant administrator for the Middle East for nearly three years. The role is critical for dispatching emergency economic and humanitarian aid to the region. The state department’s coordinator for counter-terrorism, who spearheads efforts to defeat terrorism overseas, has also been awaiting confirmation for the better part of two years.

Such devastating vacancies in US government have been thrown into stark relief by what one senator called “an all-hands-on-deck moment in history”, but come against the backdrop of worsening obstruction, budget showdowns and Republican infighting on Capitol Hill.

[*Read the full report by our Washington DC bureau chief David Smith.*](https://www.theguardian.com/world/2023/oct/12/us-israel-gaza-dysfunction-democracy)

Related: [*Dysfunction in Washington leaves Middle East without key US diplomats*](https://www.theguardian.com/world/2023/oct/12/us-israel-gaza-dysfunction-democracy)

block-time updated-timeUpdated at 5.24pm BST

block-time published-time 4.59pm BST

The first military plane evacuating Canadians out of Israel has left Tel Aviv, the Canadian defence minister, Bill Blair, has said. About 130 passengers are on board, he added.

The Canadian government is working to retrieve its citizens, permanent residents and their families from Israel.

Planes will take passengers to Athens, ministers said earlier in the week. From there, commercial flights will be able to return them to Canada.

enltrWe’re working tirelessly to assist Canadians in Israel, the West Bank, and Gaza. I can confirm that the first [*@CanadianForces*](https://twitter.com/CanadianForces?ref_src=twsrc%5Etfw) evacuation flight has departed from Tel Aviv with approximately 130 passengers on board. We will continue to be there for Canadians who need help.

— Bill Blair (@BillBlair) [*October 12, 2023*](https://twitter.com/BillBlair/status/1712468512038637834?ref_src=twsrc%5Etfw)

block-time updated-timeUpdated at 5.05pm BST

block-time published-time 4.46pm BST

As part of our coverage of the conflict in Israel and Gaza, we would like to hear from people in the UK who have family there.

Do you have relatives in Israel or Gaza, and are you in contact with them? How has your family been affected?

[*Share your experience*](https://www.theguardian.com/world/2023/oct/12/people-in-the-uk-have-you-been-affected-by-the-israel-hamas-war)

Related: [*People in the UK: have you been affected by the Israel-Hamas war?*](https://www.theguardian.com/world/2023/oct/12/people-in-the-uk-have-you-been-affected-by-the-israel-hamas-war)

block-time updated-timeUpdated at 4.46pm BST

block-time published-time 4.42pm BST

The US “hopes and expects” the Israeli military to “do the right things” in prosecuting its war against Hamas, but will not place any conditions on its security assistance to Israel, US defence secretary, Lloyd Austin, said.

“In terms of conditions that we would place on the security assistance that we’re providing to Israel, we have not placed any conditions on the provision of this equipment,” Austin said at Nato headquarters in Brussels on Thursday.

This is a professional military, led by professional leadership, and we would hope and expect that they would do the right things in the prosecution of their campaign.

block-time updated-timeUpdated at 4.49pm BST

block-time published-time 4.34pm BST

'The situation is devastating': UN warns food and water in Gaza will run out 'very soon'

The UN’s World Food Programme (WFP) called the situation in the Gaza Strip “dire” and warned that crucial supplies were running dangerously low after Israel imposed a total blockade on the territory.

The situation is “devastating” at the moment in Gaza, the WFP’s Palestine country director, Samer Abdeljaber, said in an interview on Thursday.

We’re seeing shortages of fuel, of water [and] electricity. We are seeing our shelters that are overcrowded. We don’t have capacity.

He added:

The bakeries are not going to be able to provide food for tomorrow. So tomorrow is going to be a very difficult situation for the people in the shelters and the people outside the shelters.

enltr [*#Gaza*](https://twitter.com/hashtag/Gaza?src=hash&ref_src=twsrc%5Etfw) "The situation is devastating. We are seeing shortages of fuel, water and electricity. We are seeing overcrowded shelters." [*@SamerWFP*](https://twitter.com/SamerWFP?ref_src=twsrc%5Etfw) on [*@CBCNews*](https://twitter.com/CBCNews?ref_src=twsrc%5Etfw) Power and Politics about the devastating situation in Gaza and the [*#WestBank*](https://twitter.com/hashtag/WestBank?src=hash&ref_src=twsrc%5Etfw). [*pic.twitter.com/g9cwpDE8lc*](https://t.co/g9cwpDE8lc)

— WFP Media (@WFP\_Media) [*October 12, 2023*](https://twitter.com/WFP_Media/status/1712477177537802661?ref_src=twsrc%5Etfw)

“It’s a dire situation in the Gaza Strip that we’re seeing evolve with food and water being in limited supply and quickly running out,” Brian Lander, deputy head of emergencies at WFP, told Reuters.

We’re providing food to thousands of people that have sought shelter in schools and elsewhere across the territory. But we’re going to run out very soon.

He urged Israel and Egypt to create secure corridors for agency workers to be able to bring supplies into Gaza and to make sure UN staff could work safely in the area.

We’ve seen a number of sites that are considered humanitarian, or clinics and schools that have been hit by the strikes. So … we again … we are calling on the parties to the conflict to abide by their obligations under international humanitarian law.

The International Committee of the Red Cross (ICRC) has said fuel for hospital generators in Gaza would run out shortly, adding that its stocks of aid and medicine within Gaza were stranded for want of safe passage.

Israel’s energy minister, Israel Katz, said [*earlier today*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?page=with:block-6527a3b78f08868e610b93cd#block-6527a3b78f08868e610b93cd) that no power, water or fuel would be allowed to enter Gaza until Israeli hostages are returned home.

block-time updated-timeUpdated at 8.44pm BST

block-time published-time 4.05pm BST

Here are more photos from Gaza and Israel today:

Smoke billows skyward during Israeli airstrikes in Gaza City, as raging battles between Israel and Hamas continue for a sixth day. Photograph: Mahmud Hams/AFP/Getty Images Israeli police and security forces assist a journalist taking cover during an alert for a rocket attack in Israel’s southern city of Sderot, near the Gaza Strip border. Photograph: Menahem Kahana/AFP/Getty Images Injured Palestinian children wait to be checked at a hospital. Photograph: APAImages/Shutterstock The father of Valentin Ghnassia, 23, who was killed in a battle with Hamas militants at Be’eeri, an Israeli kibbutz near the Gaza Strip, cries next to his son’s casket before it is lowered during his funeral at Mount Herzl military cemetery, Jerusalem. Photograph: Alexi J Rosenfeld/Getty Images

block-time updated-timeUpdated at 4.17pm BST

block-time published-time 3.54pm BST

Warning sirens have sounded in northern Israel.

The military said it “launched an interceptor following an aerial identification” and was investigating the cause.

block-time published-time 3.31pm BST

The German foreign minister, Annalena Baerbock, will travel to Israel tomorrow.

block-time updated-timeUpdated at 3.36pm BST

block-time published-time 3.24pm BST

Here’s a video of the press conference earlier in Tel Aviv with US secretary of state, Antony Blinken, and Israel’s prime minister, Benjamin Netanyahu.

block-time updated-timeUpdated at 3.26pm BST

block-time published-time 3.08pm BST

Palestinian president 'rejects' civilian killings, hostage taking, on both sides

The Palestinian president, Mahmoud Abbas , has spoken to the king of Jordan, Abdullah II.

Palestine’s main news network, Wafa, cited Abbas as stressing “ the need to move to political action to end the occupation and achieve peace, stressing the rejection of practices related to killing civilians or abusing them on both sides, calling for the release of civilians, prisoners and detainees, and stressing the need to stop settler terrorism against our people in Palestinian cities, villages and camps in the West Bank ”.

block-time updated-timeUpdated at 3.18pm BST

block-time published-time 2.59pm BST

Two Palestinian rights groups have released a statement accusing Israel of killing 24-year-old Attiya Fathi Al-Nabaheen, along with 12 members of his family, in a “targeted airstrike”.

Adalah, a Palestinian-run human rights group focusing on legal issues, and the Gaza-based Al Mezan Center for Human Rights said they were previously pursuing a lengthy legal battle on his behalf against the Israeli state for shooting him in 2014 – an incident that left him paraly sed from the neck down.

“At approximately 11.30 a.m on Sunday, 8 October 2023, Israeli warplanes targeted–without prior warning – the four-storey house of the Al-Nabaheen family, situated to the east of the Al-Bureij refugee camp, in Gaza’s Middle Area District,” the statement said.

“The attack also resulted in the complete destruction of the Al-Nabaheen family’s house. According to Tamir Al-Nabaheen, Attiya’s brother, who survived the targeted airstrike, the attack occurred while his children were playing with their cousins at the building’s entrance. Tragically, Tamir’s three children, as well as their cousins, were killed in the attack.”

The statement added: “Attiya Fathi Al-Nabaheen was the victim of two grave war crimes perpetrated by Israeli forces.”

block-time updated-timeUpdated at 3.01pm BST

block-time published-time 2.43pm BST

Gaza health ministry says 447 children and 248 women killed in Israeli strikes

We [*reported earlier*](https://www.theguardian.com/world/live/2023/oct/12/israel-hamas-war-live-updates-biden-hamas-attack-holocaust-gaza-displaced-palestine?filterKeyEvents=false&page=with:block-6527f0098f0830b0d91d8834#block-6527f0098f0830b0d91d8834) that the Gaza health ministry said 1,400 Palestinians had been killed by Israeli strikes since Saturday. The ministry has now provided more details:

447 children and 248 women are among the 1,417 killed by Israeli strikes in the Gaza Strip, it said.

block-time updated-timeUpdated at 2.58pm BST

block-time published-time 2.22pm BST

The international non-profit, Reporters Without Borders, has [*said*](https://rsf.org/en/five-journalists-killed-media-premises-destroyed-gaza-strip#:~:text=Five%20Palestinian%20journalists%20are%20among,by%20the%20Israel%20Defence%20Forces.) Israeli strikes have killed three journalists so far, and two others died as a result of gunshot wounds. The group did not say who shot the two.

Eleven workers with the UN Palestinian refugee agency have been killed in Israeli airstrikes on the Gaza Strip, the organisation has said.

block-time updated-timeUpdated at 2.49pm BST

block-time published-time 2.11pm BST

Gaza health ministry says Israeli strikes have killed more than 1,400 Palestinians

The health ministry in Gaza just released the updated toll from the Israeli airstrikes that began on Saturday after the Hamas attack.

It said the Israeli bombings ha d killed 1,417 Palestinians and wounded 6,238 since Saturday.

block-time updated-timeUpdated at 2.26pm BST

block-time published-time 1.47pm BST

Diplomats in Brussels have said that defence ministers at today’s Nato meeting were left stunned after the Israeli defence minister, Yoav Gallant, showed them “shocking” and “horrific” video from the Hamas attack on Israeli civilians.

Reuters reports that Gallant, who remotely attended the one-hour Nato session about Israel, briefed ministers on the attack and showed them an “uncensored video of Hamas atrocities”.

“It was horrific. It brought home to everyone the reality of what happened,” one western diplomat said.

Another source spoke of “graphic and shocking footage” and described Nato allies as united in their support for Israel.

The video had “graphic elements” with “some blurring to protect the dignity of victims”, an official in the room said.

My colleague Lili Bayer is live blogging the details of the Nato meeting [*here*](https://www.theguardian.com/world/live/2023/oct/12/nato-ministers-brussels-kosovo-middle-east-ukraine-russia-europe-live).

block-time updated-timeUpdated at 2.01pm BST

block-time published-time 1.26pm BST

Iran’s foreign minister accused Israel of seeking “genocide” by enforcing a siege against Gaza, according to Iranian state TV, before a visit to Iraq’s capital on Thursday.

“Today, the continuation of war crimes by Netanyahu and Zionists against the civilians of Gaza, besieging, cutting off water and electricity, and denying entry of medicine and food, has created conditions where the Zionists are seeking a genocide of all people in Gaza,” Reuters reports Hossein Amir-Abdollahian said.

“The war we witness today in the Gaza Strip is not just the Zionists’ war against Hamas, it is the Zionists’ war against all Palestinians.”

block-time updated-timeUpdated at 1.32pm BST

block-time published-time 1.22pm BST

Damascus and Aleppo airports reported out of action after Israeli attacks

Citing Syrian state media, Reuters has reported that following Israeli attacks, both Damascus and Aleppo airports are out of action.

More details soon …

block-time published-time 1.17pm BST

The Football Association in England has announced that there will be a period of silence held before kick-off at Wembley on Friday before England’s match with Australia, to “remember the innocent victims of the devastating events in Israel and Palestine”.

In a move which has already invited criticism, [*the FA’s statement*](https://www.thefa.com/news/2023/oct/12/statement-wembley-remembers-victims-of-conflict-in-israel-palestine-20231210) also says that “following discussions with partners and external stakeholders, we will only permit flags, replica kits and other representations of nationality for the competing nations inside Wembley Stadium for the upcoming matches against Australia and Italy”.

block-time updated-timeUpdated at 1.33pm BST

block-time published-time 1.09pm BST

Reuters has a quick snap that Germany is also planning evacuation flights – with an announcement that two flights are planned from neighbouring Jordan for Sunday.

block-time published-time 1.07pm BST

First UK evacuation flight to depart from Tel Aviv later today

The British government is organising flights to repatriate British nationals from Israel, with the first due to leave from Tel Aviv today.

The move, announced by the Foreign, Commonwealth and Development Office (FCDO), comes after a series of airlines serving the UK and Israel suspended services.

British nationals will be invited to take up seats on the flights along with dual nationals, and dependants if travelling with a British national normally resident in the UK.

The flights are paid commercial flights costing £300 ($369/€348) each, which would be charged to the family or individual taking up the seat. It added that “the children and other dependants of British diplomats will also be given seats, as we have a duty of care to our staff”.

A Rapid Deployment Team has also been sent to Israel to assist British citizens on the ground, the FCDO said in a statement.

“Vulnerable British nationals will be prioritised for these flights. At this stage we will contact those who are eligible for the flights directly and British nationals should not make their way to the airport unless they are called,” it said.

block-time updated-timeUpdated at 1.33pm BST

block-time published-time 12.39pm BST

Blinken says 25 Americans killed in Hamas attacks

In the press conference, Blinken confirmed that at least 25 Americans had been killed in the attack by Hamas militants.

block-time updated-timeUpdated at 12.52pm BST

block-time published-time 12.33pm BST

Syrian state news says Israel launched air attacks on Damascus and Aleppo airports

Reports are coming out now …

Local media in Syria had earlier reported air defences were used at the airports against attacks.

There are fears among governments that the violence could descend into a larger war, involving Israel’s neighbours, Syria and Lebanon.

block-time updated-timeUpdated at 1.34pm BST

block-time published-time 12.26pm BST

The press conference has finished with no questions taken.

block-time published-time 12.26pm BST

How Israel responds to the Hamas attack matters, says Blinken

Blinken says “Israel has the right to defend itself”, but adds: “How Israel does this matters.”

Without mentioning it directly, this is a reference to the Israeli airstrikes that are killing Palestinian civilians in Gaza.

block-time updated-timeUpdated at 12.27pm BST

block-time published-time 12.23pm BST

“We know Hamas doesn’t represent the Palestinian people,” says Blinken, adding that the militant group rules repressively.

block-time published-time 12.21pm BST

Blinken says more US arms “on the way”.

block-time published-time 12.19pm BST

Blinken agrees with Netanyahu that Hamas is “like Isis”.

block-time updated-timeUpdated at 12.24pm BST

block-time published-time 12.17pm BST

The US secretary of state, Antony Blinken, says he came to Israel as a US official but also “as a Jew”.

“I understand on a personal level,” the Hamas massacres, he said.

block-time updated-timeUpdated at 12.24pm BST

block-time published-time 12.15pm BST

Israel’s prime minister, Benjamin Netanyahu, is speaking.

He says President Biden was correct when he called what Hamas did “sheer evil”.

He says Hamas’s crimes include the “butchering of entire families”, the “burning of people alive”, and “beheadings”.

They should be treated in the same as Islamic State, he said.

block-time updated-timeUpdated at 12.23pm BST

block-time published-time 12.12pm BST

US secretary of state Antony Blinken’s press conference with Israel’s prime minister, Benjamin Netanyahu, has just started.

block-time published-time 12.08pm BST

Summary

Here is where things stand:

Washington’s top diplomat, Antony Blinken, has landed in Tel Aviv. He will meet Israeli leaders today.An Israel minister has said there will be no power, water, fuel to Gaza until the hostages held by Hamas are freed. United Nations experts have condemned the Israeli bombardment as “collective punishment”, which is [*a war crime*](https://casebook.icrc.org/a_to_z/glossary/collective-punishments). Gaza’s death toll has risen to over 1,300, the Palestinian health ministry said. The most recent death toll in Israel stands at 1,200.More than 338,000 people have been forced to flee their homes in the Gaza Strip, the United Nations said, as heavy Israeli bombardments continue to hit the Palestinian enclave.Israel’s military spokesperson has said the government has been able to confirm the identities of 97 people taken hostage into Gaza during the attack by Hamas. More than 100 are believed to have been taken.The Red Cross has been in contact with Hamas and [*Israel*](https://www.theguardian.com/world/israel) over hostages but negotiations are not believed to be ongoing.The German chancellor, Olaf Scholz, said he was working with “full force” to free all hostages, in close coordination with [*Israel*](https://www.theguardian.com/world/israel) , and would work with regional powers in an attempt to stop violence spreading further.Biden also said the US was “working on every aspect” of the hostage crisis in Israel, but that “the idea that I’m going to stand here before you and tell you what I’m doing is bizarre”.Israeli settlers have killed two Palestinians in the occupied West Bank, the Palestinian health ministry said.China’s envoy for Middle East affairs says its government is willing to work with Egypt to promote an “immediate ceasefire and cessation of violence”.A ground offensive will be launched on Gaza‘when opportune and fit for our purposes’, the IDF spokesperson, Jonathan Conricus, said in an update early on Thursday.

block-time updated-timeUpdated at 12.23pm BST

block-time published-time 12.04pm BST

At least 100 people are believed to have travelled from the UK to Israel to join the Israeli military as it mounts a retaliatory campaign against Hamas.

The Israeli embassy in the UK said it was understood those who travelled were “reservists and active duty soldiers” in the Israel Defence Forces (IDF).

A statement said: “The embassy of Israel understands that at least 100 reservists and active duty soldiers have gone back to Israel from the UK to serve in the IDF.”

The announcement came as family members of some of those held hostage by Hamas in Gaza gave an emotional press conference in London.

block-time updated-timeUpdated at 12.08pm BST

block-time published-time 11.26am BST

The British prime minister, Rishi Sunak, has offered Egypt UK support to keep the Rafah border crossing into the Gaza Strip open for humanitarian and consular reasons, including for British nationals. The prime minister spoke to the Egyptian president, Abdel Fa tah al-Sisi, this morning, Downing Street said, and acknowledged “the challenging security situation at the Rafah border crossing”. The Rafah crossing between Sinai and Gaza remains open, the Egyptian government has said in a separate statement. But it added that Egypt had asked Israel to avoid targeting the Palestinian side of the crossing after strikes that prevented normal operations there. A No 10 spokesperson said: “He expressed his condolences for the Egyptians who have lost their lives, along with so many others. The prime minister said that terrorism is an evil which must be confronted, wherever we find it. It was also important that the conflict did not spread further. He noted the importance of Egypt’s historic role in the region, including in seeking de-escalation. “The prime minister acknowledged the challenging security situation at the Rafah border crossing. He offered the UK’s support to try to manage this situation and keep the route open for humanitarian and consular reasons, including for British nationals. “The leaders agreed to remain in contact as the situation develops.”

block-time updated-timeUpdated at 12.07pm BST

block-time published-time 11.21am BST

The US secretary of state, Antony Blinken, is about to begin a press conference with Israel’s prime minister, Benjamin Netanyahu, in Tel Aviv .

block-time updated-timeUpdated at 12.05pm BST

block-time published-time 11.04am BST

The Kadoorie Mekor Haim synagogue in the Portuguese city of Porto, which is the largest Jewish place of worship on the Iberian peninsula, has been vandalised in the wake of Hamas’s attacks on Israel.

In a statement to Portugal’s Lusa news agency, the Jewish Community of Porto said the synagogue had been daubed with graffiti including the slogans “Free Palestine” and “End Israel Apartheid” on Wednesday.

“The biggest Jewish synagogue in the Iberian peninsula was vandalised today,” the statement said. “Those who hate Jews have expressed their hatred against the local Jews.”

The graffiti was later removed.

Portugal, like other European countries, has [*stepped up security around potential Jewish targets*](https://www.theguardian.com/news/2023/oct/09/governments-in-europe-bolster-security-amid-spike-in-antisemitism-online) following the atrocities in Israel.

A [*synagogue in Spain was also defaced with the words “Free Palestine”*](https://www.lavanguardia.com/local/madrid/20231010/9289451/crece-vigilancia-sinagoga-madrid-amenaza.html) over the weekend.

block-time updated-timeUpdated at 11.20am BST

block-time published-time 10.39am BST

The British Metropolitan police, which covers London, says it will not see the holding of a Palestinian flag as a criminal offence.

In a letter to London’s Jewish community, the Met deputy commissioner Dame Lynne Owen s said: “What we cannot do is interpret support for the Palestinian cause more broadly as automatically being support for Hamas or any other proscribed group, even when it follows so soon after an attack carried out by that group and when to many the link seems indisputable.

“An expression of support for the Palestinian people more broadly, including flying the Palestinian flag, does not, alone, constitute a criminal offence. “Of course, behaviour at protests goes beyond what is and isn’t seen as support for proscribed groups. I know that in the past we have seen people use these opportunities to make statements that are quite clearly antisemitic and a hate crime. “Abuse or intimidation that is religiously motivated will not be accepted and officers will act when they see it. “

On Tuesday, the British home secretary, Suella Braverman, pressed police to take tougher action against Palestinian flags, in certain circumstances, and against what is seen by some as pro-Palestinian chants.

Related: [*Waving Palestinian flag may be a criminal offence, Braverman tells police*](https://www.theguardian.com/politics/2023/oct/10/people-supporting-hamas-in-uk-will-be-held-to-account-says-rishi-sunak)

Owens stressed that support for Hamas is an offence and Met officers would take action.

London is expected to see protests this week triggered by the crisis and is home to a Jewish community which in the past has felt under-protected by police.

block-time updated-timeUpdated at 11.16am BST

block-time published-time 10.33am BST

Israeli settlers killed two Palestinians in the occupied West Bank, Palestinian health ministry says

Israeli settlers killed two Palestinians in the occupied West Bank on Thursday, the Palestinian health ministry said.

Witnesses told Reuters that the father and son were shot when settlers opened fire at the funeral of four Palestinians who were killed by armed settlers and Israeli soldiers in the village of Qusra, near the northern city of Nablus, on Wednesday.

block-time updated-timeUpdated at 10.56am BST

block-time published-time 10.25am BST

Here is a selection of images we are seeing on the wires this morning.

An Israeli man signs-up as they arrive at a weapons distribution point for people allowed to carry arms, at the Ayyelet HaShahar kibbutz, in northern Israel, near the Lebanese border. Photograph: Jalaa Marey/AFP/Getty Images The US secretary of state, Antony Blinken, arrives at Ben Gurion airport in Tel Aviv. Photograph: Jacquelyn Martin/AP A Thai national hugs family members after arriving on a flight from Israel in Bangkok. Thailand’s prime minister said the death toll of Thai nationals killed in the conflict between Israel and militant group Hamas had risen to 21. Photograph: Lillian Suwanrumpha/AFP/Getty Images Smoke billows during Israeli airstrikes in Gaza City. Photograph: Ibrahim Hams/AFP/Getty Images A Palestinian girl holds two children as she stands on a street in Gaza City. Photograph: Bashar Taleb/AFP/Getty Images People display images of victims of Hamas’s deadly attack on Israel during a vigil in Santiago, Chile. Photograph: Martin Bernetti/AFP/Getty Images

block-time updated-timeUpdated at 10.56am BST

block-time published-time 10.20am BST

The Egyptian president, Abdel Fa tah al-Sisi, has spoken with the British prime minister, Rishi Sunak about the need to ensure regularity of humanitarian relief services and aid to Palestinians in Gaza.

Israel has imposed a “complete siege” on Gaza, blocking all movement of civilians, as well as cutting off supplies of food, fuel, water and power.

Egypt has a border crossing with Gaza but it remains closed after accusations that Israeli airstrikes hit the area. The Israeli military said it could “neither confirm or deny” any attack on the crossing.

Egypt has not said whether it will allow Palestinians to flee into its territory.

block-time updated-timeUpdated at 10.54am BST

block-time published-time 10.18am BST

The family of Kim Damti, a 22-year-old Irish-Israeli woman who went missing during the Hamas [*attack on the Supernova music festival*](https://www.theguardian.com/world/2023/oct/09/how-the-hamas-attack-on-the-supernova-festival-in-israel-unfolded) , has announced that she is dead.

Laura Damti said in a social media post on Wednesday night that her sister had been killed and would be buried on Thursday in the Israeli town of Gedera. “With great sorrow and gloomy grief, I announce the killing of our angel, our flower, Kim my blood, who was murdered by the cursed terrorists,” she said.

In a statement to RT É News Damti’s family in Ireland thanked people for their support and asked for privacy.

Damti had lived in Gedera, in central Israel, and spent summer holidays in [*Ireland*](https://www.theguardian.com/world/ireland) , where her mother is from. She was one of hundreds of people massacred when Hamas militants attacked the music festival and surrounding communities.

Ireland’s president, Michael D Higgins, paid tribute to Damti and expressed condolences to the family. “Kim’s death once again reminds us what an outrageous breach of fundamental international law in conditions of conflict it is to target civilians in this way.”

The taoiseach, Leo Varadkar, said Ireland was united in mourning. “Her death, and the deaths of more than a thousand other citizens of Israel and from around the world, was senseless and barbaric.”

Kim Damti. Photograph: Facebook

block-time updated-timeUpdated at 10.40am BST

block-time published-time 9.47am BST

Israel confirms identity of 97 hostages held in Gaza

Israel’s military spokesperson has said that the government has been able to confirm the identities of 97 people taken hostage into Gaza during the attack by Hamas on Saturday.

“The military is preparing for the next stage of the war,” Daniel Hagari said in a televised press briefing, adding that 222 soldiers had been killed since Saturday.

More than 100 people are believed to have been taken.

block-time updated-timeUpdated at 10.19am BST

block-time published-time 9.40am BST

Guardian journalist Lili Bayer has spoken to Israel’s ambassador to the EU and Nato,Haim Regev, at the Nato headquarters.

They spoke after the Israeli defence minister, Yoav Gallant, briefed his Nato counterparts via videoconference this morning.

“The main message of the minister was that it was a savage attack, brutal attack by terrorists – Hamas is Isis – and we are expecting full support,” the ambassador said.

“We do not ask specific things from Nato as Nato,” he added.

“The idea,” the ambassador said, “was to share with Nato what Israel faces since the beginning, since Saturday morning – and the minister focused on that, because it’s important to understand against whom we are standing.”

“It’s black and white,” he added. “Israel is fighting against a terror group – not against anybody else.”

Regev said Israel’s defence minister did mention to his Nato counterparts that Iran is backing and financing Hamas, but that the focus of the short discussion was Gaza.

Ministers were shown a video showing atrocities, he said.

Regev said he felt there was strong backing for Israel in the meeting.

“We would like to see a statement by Nato – strong statement, strong support,” he said.

“For us, it was extremely important that the defence ministers will hear from firsthand what happened,” he added.

Asked whether Israel had asked any specific Nato members – besides the US – for equipment or ammunition, the ambassador said: “Israel is a strong country.”

“We have all the means right now that we need,” he said, noting that with the exception of the US, Israel is not asking for specific assistance.

block-time updated-timeUpdated at 10.18am BST

block-time published-time 9.26am BST

UK minister says Hamas responsible for Israeli attacks on Gaza

Hamas is responsible for the Israeli attacks being launched on Gaza, the British health secretary, Steve Barclay, has said.

He signalled “strong support” for Israel while calling for international rules of war to be “adhered” to, in a series of broadcast interviews this morning.

Asked what sympathy he had with the people of Gaza who are facing bombardment, Barclay told Sky News: “The UK does have sympathy. That’s why we contribute about 10% of the aid that is distributed in the region through the United Nations.

However, Barclay added: “Israel has a right to defend itself but also to deter future attacks from Gaza. So Hamas are responsible for what we’re seeing in Gaza.”

He added: “We agree that international law, international rules of war should be adhered to. And those are the sort of conversations I’m sure the foreign secretary [James Cleverly] was having in Israel yesterday. But we should also be very clear: it is Israel that has been attacked here.”

Gaza authorities say more than 1,200 people have been killed and more than 5,000 people have been wounded in the bombing.

block-time updated-timeUpdated at 9.31am BST

block-time published-time 9.16am BST

Elon Musk’s social media firm, X, formerly known as Twitter, has responded to the EU’s warning over the alleged spread of illegal content and disinformation in the wake of Hamas’s attack on Israel, insisting it removes fake news and accounts from the platform.

[*In a three-page letter*](https://twitter.com/GlobalAffairs/status/1712341036872380679) from its chief executive, Linda Yaccarino, X said it had “taken action to remove or label tens of thousands of pieces of content” since the attack and “removed hundreds of Hamas-affiliated accounts on the platform”.

Yaccarino added it had “responded to 80 requests to take down content from the EU within the required timelines”.

[*Hinting at a greater scale of illegal content sweeping social media*](https://www.theguardian.com/technology/2023/oct/09/x-twitter-elon-musk-disinformation-israel-hamas) , Cybara, an Israeli threat intelligence firm, identified “tens of thousands of fake profiles” on X, Facebook, Instagram and TikTok in the 48 hours after the Hamas attack.

Of 162,000 profiles it found, 40,695 were fake.

X’s Yaccarino was responding [*to a demand by Thierry Breton,*](https://www.theguardian.com/technology/2023/oct/10/eu-warns-elon-musk-over-disinformation-about-hamas-attack-on-x) the European commissioner for internal market, that X report back within 24 hours on the measures in place to prevent illegal content.

The EU has sweeping new powers to force tech companies, for the first time, to be responsible for the legality of their own content under the Digital Services Act.

He cited reports of “fake and manipulated images and facts” circulating on the platform including “repurposed old images of unrelated armed conflicts” and “military footage that actually originated from video games”.

block-time updated-timeUpdated at 9.30am BST

block-time published-time 9.00am BST

US secretary of state Antony Blinken lands in Tel Aviv

Washington’s top diplomat will meet Israeli officials today.

Blinken is expected to meet Palestinian president, Mahmoud Abbas, on Friday.

block-time updated-timeUpdated at 9.28am BST

block-time published-time 8.53am BST

Israeli minister says no power, water, fuel to Gaza until hostages freed

Israel’s energy minister, Israel Katz, has just [*tweeted*](https://twitter.com/Israel_katz/status/1712356130377113904) :

“Humanitarian aid to Gaza? No electrical switch will be turned on, no water hydrant will be opened and no fuel truck will enter until the Israeli abductees are returned home. Humanitarianism for humanitarianism. And no one will preach us morality. ”

block-time updated-timeUpdated at 9.27am BST

block-time published-time 8.42am BST

Hamas fighters still making attempts to enter Israel but have been blocked, IDF says

A spokesperson for the Israeli forces, Lt Col Richard Hecht, has just been speaking to the media. Here are the key points.

Hecht stated that strikes on Gaza last night targeted members of Hamas’s elite Nakhba force. He also said Israeli intelligence is focusing on identifying the fighters who staged the incursion “after interrogating people captured”.Hecht said the IDF intends to target Hamas senior leadership, beyond its military wing but also political figures that operate in government institutions.Hamas fighters are still attempting to enter Israeli territory by sea, he said. “We’ve intercepted a few maritime targets.”The IDF is still securing the border area around Gaza, “building little barricades with tanks and cover to slowly secure the border. It’s not hermetic,” but the IDF has “overflowed the area” with soldiers.Anyone who approaches the Gaza border, said Hecht, “will be shot. Anyone. No one’s coming in, no one’s coming out.”The IDF is “preparing ourselves for the next stages of war”, but any decision regarding a ground invasion comes from the government.Regarding ***suggestions*** of an incursion by air that occurred last night from Lebanon, Hecht described reports that gliders or drones had entered Israeli airspace as a result of a “human mistake”.The IDF has widened and intensified the scope of its bombing campaign in Gaza, Hecht said “ we are not just doing carpet bombing, although there are some people who would like to see that. We are not going for any target which is not based on intelligence. Yes, it is bigger than they have seen before, If there’s a person hiding somewhere we will notify them and people who want to leave will leave. The scale and scope of this is going to be very severe.”Asked how the IDF can notify people in Gaza when the area has no power and very little telephone connectivity, Hecht replied: “The notification is through phone calls, social media, and that’s how we’re doing it right now. There is also an option of sending (firing) a small munition on to the roof or perimeter, then people know it’s a sign for them to move.”

block-time updated-timeUpdated at 8.48am BST

block-time published-time 8.31am BST

German chancellor Scholz confirms suspending development aid

Scholz has confirmed Germany will suspend all development aid to the Palestinian Territories pending the completion of a review to ensure it best serves regional peace and Israel’s security.

“Our yardstick will be whether and how these projects best serve peace in the region and the security of Israel,” he said. “Until that review is complete we will not make available any new development cooperation resources.”

He added: “ Sadly, we can foresee the suffering of the civilian population in the Gaza strip likely growing further – but that too is the fault of Hamas and its attack on Israel.”

block-time updated-timeUpdated at 8.49am BST

block-time published-time 8.21am BST

German chancellor Scholz says working to free all hostages

The German chancellor, Olaf Scholz, said he was working with “full force” to free all hostages, in close coordination with Israel, and would work with regional powers in a bid to stop violence spreading further.

“I am in close contact with Egypt’s President Sisi, who has channels to Gaza. I will speak with Turkey’s President Erdo gan today and receive the Emir of Qatar, ” he said. “All three can play an important role in de-escalating the situation.”

block-time updated-timeUpdated at 8.36am BST

block-time published-time 8.15am BST

On Thais in Israel, my colleague in Bangkok, Navaon Siradapuvadol, has spoken to a survivor of the Hamas attack who just returned to Thailand.

Katchakorn Pudtason, who was among the first group of 15 Thais to be repatriated, landed at Bangkok’s Suvarnabhumi airport on Thursday morning.

Katchakorn was sitting alone in the back of his employer’s truck as he and colleagues made their way to the cherry farm where they worked near Gaza on Saturday. There had been conflict earlier that morning – gunfire had broken out, and a missile landed, not far away. But, after having gone to their employer’s house as a precaution, they felt it was safe to return to the farm. Things seemed to have quietened down, he said. They were not far from the farm when Katchakorn realised something wasn’t right. He heard a loud noise, like a firecracker, on the left towards the main road. He ducked down, and warned a friend that he thought they were being shot at. “Then the gun shots kept firing, bang bang.” It isn’t clear who was firing. “I think there weren’t any terrorists around, it was only soldiers who were stationed all around,” he said. He wondered if his group had been mistaken for militants. Still ducked down, he felt a sharp pain in his knee; a bullet had hit him from the left side of the car. “That moment, when I got shot, it was not as scary as the firing that came after. It was like they were firing after us. Bang, bang, bang. It was more intense than in a war movie.” Gunshots were fired across their camp at the farm where he and other workers stayed. None were taken hostage, but four were shot. One person remains in hospital Katchakorn, who is from Phayao province in northern Thailand, had worked in Israel for a year and three months, and is one of many Thais who have moved to the country to work in ***agriculture***, drawn by salaries that are much higher than back home. He lived in Moshav Mavki’im. He would earn as much as 70,000 baht (£1,575) with overtime, working on a cucumber and cherry farm – far more than the minimum wage in Thailand, which is about 10,620 baht a month. His family, he said, have cried a lot, waiting for him to return. “I told them I’m OK; I didn’t have any internal injuries,” he said. “But I can’t work. I was a breadwinner to the family.” He took on debt in order to travel to Israel, he added. He would return if it was safe and his injury is healed, he said. He felt sadness, he said, for those killed.

Katchakorn’s employer was eventually able to drive him to a safe place, and then on to hospital, which was in a state of chaos. “I saw so many people crying,” he said. Soldiers kept rushing into the emergency room. The bullet had gone through his knee, but had avoided the bone and cut the tendons. He wasn’t given any pills or injections. “I guess it’s just a little wound compared to others. So I went home and took paracetamol,” he says.

The Thai government says it believes 21 of its citizens have been killed, and 14 taken hostage. “I didn’t know how I actually survived this... I can’t believe I survived this.”

block-time updated-timeUpdated at 8.27am BST

block-time published-time 7.59am BST

A total of 16 Thai nationals have been taken hostage following the unrest in Israel, the country’s foreign ministry said on Thursday, adding two more people to the list.

block-time published-time 7.32am BST

Berlin will allow Israel to use two Heron drones the German air force has in use in the country, Germany’s defence minister, Boris Pistorius, said on Thursday ahead of a Nato meeting in Brussels. “We will provide two drones the Israelis had asked for. In addition, there are first requests for ammunition and for ships that we will now discuss with the Israelis,” Pistorius said, adding: “We stand by Israel’s side.”

block-time updated-timeUpdated at 8.20am BST

block-time published-time 7.11am BST

Norwegian Air cancels evacuation flight over lack of insurance

Norwegian Air cancelled a planned evacuation flight from Tel Aviv to Oslo on Thursday due to a lack of insurance cover, the carrier said. The airline had been due to fly Norwegians and other Nordic citizens stranded in Israel out of the country on Thursday evening. The flight had already been postponed from Wednesday. “The reason is that the insurance company that Norwegian and a number of other airlines use no longer cover flights to Tel Aviv,” Norwegian said in a statement. The airline industry in recent days faced a warning over insurance cover in the wake of the weekend attacks. Norwegian said it was working with Norway’s foreign ministry to find other solutions. On Tuesday it cancelled regular flights from the Swedish and Danish capitals to Tel Aviv until 19 December.

block-time updated-timeUpdated at 8.20am BST

block-time published-time 7.05am BST

Summary

It is 9am in Gaza City and Tel Aviv. Here is where thing stand:

Israel conducts ‘large-scale’ strike on Gaza. At around 4.30am on Thursday, Israel’s military said it was conducting a “large-scale strike” on targets belonging to Hamas in Gaza. It did not provide details. Hamas media said 15 Palestinians had been killed and several wounded in Israeli air strikes.Gaza death toll rises to over 1,200. The death toll in Gaza rose to 1,200 early Thursday, the Palestinian health ministry said, including 51 people killed in what the Israeli military called a large-scale attack in the hours before daylight. The most recent Israeli death toll stands at 1,200.Palestinian president Mahmoud Abbas will meet US secretary of state Antony Blinken on Friday, a Palestinian official said early on Thursday. Hussein al-Sheikh, secretary general of the executive committee of the Palestine Liberation Organization, also said on messaging platform X that Abbas will meet with Jordan’s King Abdullah in Amman on Thursday.More than 338,000 people have been forced to flee their homes in the Gaza Strip, the United Nations said, as heavy Israeli bombardments continue to hit the Palestinian enclave. “Mass displacement across the Gaza Strip continues,” the UN humanitarian agency OCHA said in a statement sent on Thursday. By late Wednesday, the number of displaced people in Gaza had risen by an additional 75,000 people from the figure given 24 hours earlier, reaching 338,934, it said.Red Cross says in contact with Hamas, Israel over hostages. The International Committee of the Red Cross (ICRC) is in contact with Hamas and Israel to try to negotiate the release of hostages taken into Gaza, the group said Thursday. “As a neutral intermediary we stand ready to conduct humanitarian visits; facilitate communication between hostages and family members; and to facilitate any eventual release,” Fabrizio Carboni, the ICRC’s regional director for the Near and Middle East, said in a statement.Biden decries Hamas ‘campaign of pure cruelty’. Joe Biden addressed a round table of Jewish leaders in Washington on Wednesday, where he said, “This attack was a campaign of pure cruelty, not just hate, but pure cruelty against the Jewish people, and I would argue it is the deadliest day for Jews since the Holocaust”.Biden warned Iran to ‘be careful’. During his speech to a group of Jewish community leaders in Washington, adding that the US is sending more military assistance to help Israel fight Hamas militants. Biden’s remarks marked the first time he connected the US deployment of a carrier fleet near to Israel to concerns Iran might seek to become involved, Reuters reported.Twenty-one Thai nationals have been killed in the conflict between Israel and militant group Hamas, the prime minister, Srettha Thavisin, said Thursday, up from the previous toll of 20. “The update from last night is bad news that one more Thai died, the number rises to 21,” he said. There are approximately 30,000 Thais in Israel, mostly working in the ***agriculture*** sector, according to Thailand’s labour ministry. Fears are mounting over the fate of 14 Thai citizens who have been taken hostage.Biden also said the US was “working on every aspect” of the hostage crisis in Israel, but that “the idea that I’m going to stand here before you and tell you what I’m doing is bizarre”.The Israeli air force said that it killed a senior Hamas operative overnight. In a pair of tweets, the IAF wrote on X: “Air Force aircraft killed Muhammad Abu Shamla, a senior operative from the Hamas naval formation in the Rafah Brigade. Abu Shamla’s house was also used to store naval weapons intended to carry out terrorist operations against Israel.”China’s envoy for Middle East affairs says its government is willing to work with Egypt to promote an “immediate ceasefire and cessation of violence”. According to China’s foreign ministry (Mofa), special envoy Zhai Jun spoke to Egypt’s assistant minister of the Palestine department on Tuesday. A statement from Mofa said Zhai reiterated China’s position for a two-state solution as “the fundamental solution” to achieve peace between Israel and Palestine.Israel’s ambassador to Japan said on Thursday that his host country should be “vigilant” and look at what Hamas was doing with the aid it extends to Palestinians. “Japan should be vigilant and look at what Hamas is doing with the aid,” Gilan Cohen said at a press conference. He commended Japan for acknowledging the Hamas attacks as “terrorism” and for saying Israel had a right to defend itself.A ground offensive will be launched on Gaza‘when opportune and fit for our purposes’, the IDF spokesperson, Jonathan Conricus, said in an update early on Thursday.Turkey is carrying out negotiations aimed at securing the release of Israeli civilians held by Hamas, according to reports. Talks were being carried out by Turkish officials after instructions from the president, Recep Tayyip Erdogan, according to a senior Turkish official.The UN’s secretary general, António Guterres, has called for essential “life-saving” supplies of fuel, food and water to be allowed into Gaza. Guterres, in remarks to the press on Wednesday, said he will never forget the images of the “supercharged cycle of violence and horror”. He said he was in continuous contact with leaders in the region, and warned against any “spillover” of the conflict.

That is it from me, Helen Sullivan. My colleagues in London will take you through the rest of the day’s developments.

block-time updated-timeUpdated at 8.19am BST

block-time published-time 6.47am BST

The IDF says sirens are sounding in central Israel:

enltr??Sirens sounding in central Israel??

— Israel Defense Forces (@IDF) [*October 12, 2023*](https://twitter.com/IDF/status/1712343443324776755?ref_src=twsrc%5Etfw)

block-time published-time 6.40am BST

Red Cross says ready to help 'facilitate' the release of hostages

The International Committee of the Red Cross (ICRC) is in contact with Hamas and Israel to try to negotiate the release of hostages taken into Gaza, the group said on Thursday.

At least 150 Israelis and foreigners – including soldiers, civilians, children and women – have been held hostage in the Gaza Strip since Hamas’s surprise Saturday attack on Israel. Hamas has not announced an intention to negotiate.

“As a neutral intermediary we stand ready to conduct humanitarian visits; facilitate communication between hostages and family members; and to facilitate any eventual release,” Fabrizio Carboni, the ICRC’s regional director for the Near and Middle East, said in a statement.

Hostage-taking is forbidden under international humanitarian law, and anyone detained must be released immediately, Carboni added.

Fabrizio Carboni, regional director for the Near and Middle East of the International Committee of the Red Cross (ICRC). Photograph: Denis Balibouse/Reuters

The ICRC urged “both sides to reduce the suffering of civilians”.

“The human misery caused by this escalation is abhorrent,” Carboni said.

As Gaza is deprived of electricity, “hospitals lose power, putting newborns in incubators and elderly patients on oxygen at risk. Kidney dialysis stops, and X-rays can’t be taken”, he added.

“Without electricity, hospitals risk turning into morgues.”

Drinking water, already difficult to access, has also become more scarce.

“No parent wants to be forced to give a thirsty child dirty water,” he said.

block-time updated-timeUpdated at 8.16am BST

block-time published-time 6.30am BST

Israel conducts 'large-scale' strike on Gaza

At around 4.30am on Thursday, Israel’s military said it was conducting a “large-scale strike” on targets belonging to Hamas in Gaza. It did not provide details. Hamas media said 15 Palestinians had been killed and several wounded in Israeli air strikes.

People climb over rubble in the aftermath of a strike amid the conflict with Israel in Khan Younis, in the southern Gaza Strip, 12 October 2023. Photograph: Ibraheem Abu Mustafa/Reuters

Eyewitnesses reported Israeli aircraft heavily bombarding Gaza City and Gazan authorities also reported an air strike on the Jabalia refuge camp in northern Gaza, Reuters reports. The death toll in Gaza has risen to 1,200, with around 5,600 wounded, Palestinian media reported earlier, citing Gaza‘s health ministry.

block-time updated-timeUpdated at 8.15am BST

block-time published-time 6.28am BST

Israeli ambassador says Japan should be 'vigilant' on Palestinian aid

Israel’s ambassador to Japan said on Thursday that his host country should be “vigilant” and look at what Hamas was doing with the aid it extends to Palestinians. “Japan should be vigilant and look at what Hamas is doing with the aid,” Gilan Cohen said at a press conference. He commended Japan for acknowledging the Hamas attacks as “terrorism” and for saying Israel had a right to defend itself.

block-time updated-timeUpdated at 6.39am BST

block-time published-time 6.22am BST

Egypt has been a key mediator in the region, and has been in contact with the United States and others since the surprise attack by Hamas on Saturday. Citing Egyptian security sources, Reuters reported today that it had discussed plans with the US to provide humanitarian aid through its border with the Gaza Strip, but had rejected any move to set up safe corridors for refugees fleeing the enclave. China’s Zhai is expected to have a telephone conversation with Israeli officials today, Israel’s ambassador to China, Irit Ben-Abba, told Bloomberg News. Beijing has sought to maintain a neutral position on the conflict, and more generally across the Middle East, but is under increased pressure since the conflict escalated this week. China’s government was criticised by the US Senate majority leader, Chuck Schumer, who was visiting China this week, for not supporting Israel sufficiently. After Schumer’s criticisms, China’s leader, Xi Jinping, released a stronger statement condemning “all violence and attacks on civilians”.

block-time updated-timeUpdated at 8.13am BST

block-time published-time 6.17am BST

China envoy willing to work with Egypt to promote immediate ceasefire

China’s envoy for Middle East affairs says its government is willing to work with Egypt to promote an “immediate ceasefire and cessation of violence”. According to China’s foreign ministry (Mofa), special envoy Zhai Jun spoke to Egypt’s assistant minister of the Palestine department on Tuesday. A statement from Mofa said Zhai reiterated China’s position for a two-state solution as “the fundamental solution” to achieve peace between Israel and Palestine. “The international community should make practical efforts with the utmost sense of urgency to promote it,” Zhai was quoted as saying. He also said China was willing to provide humanitarian support to Palestinian people.

block-time updated-timeUpdated at 6.22am BST

block-time published-time 6.09am BST

15 Palestinians killed, several wounded in Israeli strikes, says Hamas

Fifteen Palestinians were killed and several wounded in an Israeli air strike in Gaza, Hamas Aqsa radio said on Thursday.

The death toll in Gaza stands at over 1,200 people.

block-time updated-timeUpdated at 8.03am BST

block-time published-time 6.04am BST

In an update early on Thursday, IDF spokesperson Jonathan Conricus has said the military “can say with relative confidence” that infants were beheaded by Hamas militants who attacked kibbutz Be’eri on Saturday.

Reports of infants and other civilians being beheaded by Hamas have been repeated by Benjamin Netanyahu’s spokesperson and at least one IDF serviceman, however these reports have so far been related to the attacks in another kibbutz, Kfar Aza.

The claims were repeated by the US president, Joe Biden, in remarks made to Jewish community leaders on Wednesday, but in comments reported later by the Washington Post, a White House spokesperson clarified that neither US officials nor Biden had seen photographs or confirmed such reports independently and that Biden had “based his comments about the alleged atrocities on the claims from Netanyahu’s spokesman”.

“I never really thought that I would see and have confirmed pictures of terrorists beheading children,” Biden said.

Claims of beheadings have also been reported in Israeli and international media, but have not been independently verified by the Guardian.

On Wednesday, Yossi Landau, the head of operations for the southern region of Zaka, Israel’s volunteer civilian emergency response organization, reportedly told CBS news that he saw children and babies who had been beheaded. The location was not specified in the report.

Delivering an IDF situational update early on Thursday, Conricus, who was speaking about kibbutz Be’eri said:

Out of 1,000 Israelis who lived in this beautiful community, 100 were killed. Today, body bags, many body bags, were evacuated from that kibbutz, including those of children, and including those of babies.

We got very, very disturbing reports that came from the ground that there were babies that had been beheaded. And I admit it took us some time to really understand and to verify that report and it was hard to believe that even Hamas could perform such a barbaric act.

But after eyewitnesses came forward, and after a senior official in the Israeli coronary service Zaka came forward on record on CBS news and said ‘yes, I saw the bodies of beheaded babies’, I think we can now say with relative confidence that this is unfortunately what happened in Be’eri. This is what Hamas did to Israeli citizens.”

Hamas has not commented on the claims.

block-time updated-timeUpdated at 8.11am BST

block-time published-time 5.54am BST

'Senior Hamas operative' killed, says Israeli air force

The Israeli air force has announced on X that it killed a senior Hamas operative overnight. In a pair of tweets, the IAF wrote:

During the night (Thursday) the air force launched a wave of attacks with the aim of continuing to damage the commando force of the terrorist organization Hamas known as ‘Nachaba’, by attacking operational headquarters which were used by operatives who infiltrated the Otaf settlements last Saturday.

Also, air force aircraft killed Muhammad Abu Shamla, a senior operative from the Hamas naval formation in the Rafah Brigade. Abu Shamla’s house was also used to store naval weapons intended to carry out terrorist operations against Israel.

block-time updated-timeUpdated at 8.03am BST

block-time published-time 5.51am BST

Donald Trump used the war in Israel to test new lines of attack against Joe Biden at a Republican event on Wednesday in Palm Beach, as his campaign sought to weaponize for political gain [*the deepening conflict*](https://www.theguardian.com/world/2023/oct/10/israeli-troops-mass-on-gaza-border-as-death-toll-from-hamas-attack-passes-1000) that could still be raging around the time of the 2024 presidential election.

The [*former president’s*](https://www.theguardian.com/us-news/donaldtrump) extended remarks on Israel, at an event hosted by the longtime pro-Trump group Club 47, provided a clear insight into Trump’s intention to wield the war as a cudgel against Biden on touchstone foreign policy issues.

They also marked his most substantial remarks on the war since Hamas militants launched attacks against Israeli civilians over the weekend.

Related: [*Trump uses Israel-Hamas war to say Biden brings ‘chaos and terror’ at rally*](https://www.theguardian.com/us-news/2023/oct/12/trump-biden-israel-hamas-war-florida-event)

block-time published-time 5.45am BST

What is Hamas, the militant group that rules Gaza?

As the movement’s founding charter made clear, Hamas was dedicated from the start to extinguishing the existence of the state of Israel. It saw armed violence as part of that struggle, modelling its early armed wing on the fedayeen, Palestinian armed groups that emerged in the 1950s after the establishment of the state of Israel.

That armed wing would come to be known as the Izz ad-Din al Qassam brigades [al-Qassam brigades] who from their very beginning embraced the use of terror tactics against Israel, carrying out their first suicide bombing in 1993 in conjunction with Islamic Jihad.

But the movement attracts substantial popular support, and also incorporates teachers, surgeons, urban planners and police in its civil administration of [*Gaza*](https://www.theguardian.com/world/gaza).

The reality is Hamas is many things. While it runs Gaza’s health service, it is also a sinister organisation committed to the mass murder of Israelis. It administers the education service while its police have broken the bones of children caught wearing scarfs signalling family affiliation with the rival Fatah movement.

It runs the courts while, during the 2014 Gaza war, [*its forces abducted, tortured and murdered Palestinians*](https://www.amnesty.org/en/latest/news/2015/05/gaza-palestinians-tortured-summarily-killed-by-hamas-forces-during-2014-conflict/) accused of “collaborating” with Israel and others. It is unavoidably part of the fabric of the life in Gaza.

Related: [*What is Hamas, the militant group that rules Gaza?*](https://www.theguardian.com/world/2023/oct/12/what-is-hamas-the-militant-group-that-rules-gaza)

block-time published-time 5.38am BST

Sydney pro-Palestine march replaced with ‘static demonstration’

In Australia a planned pro-Palestine march through the streets of Sydney on Sunday has been scrapped in favour of a “static demonstration” at Hyde Park after the state premier, Chris Minns, vowed to stop any protests.

Event co-organiser Amal Naser said the decision had been made to avoid dealing with legal issues related to obtaining police protection for a march.

“We’ll be holding a static demonstration. We’re going to be out, loud and proud and we’re not going to bow down to the pressures that we’ve been experiencing from police and the premier,” she said on Thursday.

“We have full intention to march next week and every week after that as long as we need.”

Minns on Wednesday vowed to [*stop further pro-Palestinian marches*](https://www.theguardian.com/australia-news/2023/oct/11/pro-palestine-rally-sydney-sunday-protest-march-nsw-premier-chris-minns) after he’d earlier apologised for allowing Monday night’s event that ended with antisemitic slurs being hurled on the steps of the Sydney Opera House.

Related: [*Sydney pro-Palestine march replaced with ‘static demonstration’ at Hyde Park*](https://www.theguardian.com/australia-news/2023/oct/12/sydney-pro-palestine-march-rally-replaced-static-demonstration-hyde-park)

block-time published-time 5.28am BST

Report: desperation inside Gaza’s hospitals as casualties mount

In previous encounters, says Nebal Farsakh, there would always be some time without airstrikes.

“But now, there is not a single minute. That’s why the casualties keep going up and up,” says Farsakh, spokesperson for the Palestinian Red Crescent.

At Shifa hospital in [*Gaza*](https://www.theguardian.com/world/gaza) City, reporters from the Associated Press witnessed wounded people streaming through the doors as lifeless bodies arrived under bedsheets. As workers mopped up blood, and relatives rushed children with shrapnel wounds into surgery, explosions continued to thunder around the hospital.

Emergency personnel help an injured Palestinian man into Al-Shifa hospital in Gaza City following an Israeli airstrike on 11 October 2023, as raging battles between Israel and the Hamas movement continued for the fifth consecutive day. Photograph: Mohammed Abed/AFP/Getty Images

Over five days, Israeli warplanes have pummelled Gaza with an intensity that its war-weary residents had never experienced. The airstrikes have killed more than 1,100 people, according to the Gaza health ministry. Officials have not said how many civilians are among the dead, but aid workers warn that Israel’s decision to impose a “complete siege” on the crowded enclave of 2.3 million people is spawning a humanitarian catastrophe that touches nearly every one of them.

There is no clean water, and after the territory’s [*only power plant ran out of fuel on Wednesday*](https://www.theguardian.com/world/2023/oct/11/palestinians-in-gaza-fear-impact-of-siege-as-sole-power-plant-shuts-down) , electricity has become a precious commodity, while the enclave sits in near-total darkness during the night.

“This is an unprecedented scope of destruction,” says Miriam Marmur, a spokesperson for Gisha, an Israeli human rights group. “Israeli decisions to cut electricity, fuel, food and medicine supplies severely compound the risks to Palestinians and threaten to greatly increase the toll in human life.”

Related: [*‘We escaped from danger into death’: desperation inside Gaza’s hospitals as casualties mount*](https://www.theguardian.com/world/2023/oct/12/israel-hamas-war-gaza-hospitals-casualties)

block-time updated-timeUpdated at 7.19am BST

block-time published-time 5.26am BST

The Australian government is planning a third repatriation flight from [*Israel*](https://www.theguardian.com/world/israel) , anticipating “quite large demand” to flee a conflict with ramifications for “months or years to come”.

The home affairs minister, Clare O’Neil, has insisted “safety and security of Australians” is the top priority, as the government faces questions about why Qantas is conducting the flights while some other nations send their military because commercial operators will not fly.

The foreign minister, [*Penny Wong*](https://www.theguardian.com/australia-news/penny-wong) , said the decision was based on “availability” and arranging flights “as quickly as we could”.

Related: [*Australia plans third Israel repatriation flight amid ‘quite large demand’*](https://www.theguardian.com/australia-news/2023/oct/12/australia-repatriation-evacuation-flight-israel-demand-qantas)

block-time published-time 5.21am BST

Blinken expected to meet Palestinian president Abbas

The Palestinian president, Mahmoud Abbas, will meet the US secretary of state, Antony Blinken, on Friday, a Palestinian official said early on Thursday. Hussein al-Sheikh, secretary general of the executive committee of the Palestine Liberation Organization, also said on messaging platform X that Abbas will meet Jordan’s King Abdullah in Amman on Thursday.

block-time updated-timeUpdated at 8.01am BST

block-time published-time 5.14am BST

Israel’s prime minister, Benjamin Netanyahu, has long portrayed himself as a friend of Vladimir Putin. In a memoir [*published*](https://www.theguardian.com/books/2022/oct/18/bibi-review-benjamin-netanyahu-memoir-trump-obama-clinton-bush) during Russia’s war on Ukraine, Netanyahu repeatedly lauded the Russian leader for his intellect and his “particularly friendly attitude” toward the Jewish people.

Putin, too, has over the years cast himself as a loyal ally of the Israeli state, promoting cultural ties and visa-free travel between the two countries.

But [*after the worst attack on Israel in decades*](https://www.theguardian.com/world/2023/oct/09/how-did-hamas-manage-to-carry-out-its-rampage-through-southern-israel) , the much-touted friendship appears to have vanished.

Four days after the start of Hamas’s surprise attack, Putin is yet to call Netanyahu, while the Kremlin has not published a message of condolence to the country, a diplomatic gesture of goodwill that [*Russia*](https://www.theguardian.com/world/russia) routinely sends out to global leaders following deadly incidents on their soil:

Related: [*Hamas attack exposes deteriorating ties between Russia and Israel*](https://www.theguardian.com/world/2023/oct/12/hamas-attack-exposes-deteriorating-ties-between-russia-and-israel)

block-time published-time 5.02am BST

Gaza death toll rises to 1,200

The death toll in Gaza rose to 1,200 early on Thursday, the Palestinian health ministry said, including 51 people killed in what the Israeli military called a large-scale attack in the hours before daylight.

The most recent Israeli death toll stands at 1,200.

block-time updated-timeUpdated at 7.58am BST

block-time published-time 5.01am BST

Thai death toll in Israel-Gaza conflict rises to 21

AFP: Twenty-one Thai nationals have been killed in the conflict between Israel and militant group Hamas, the prime minister, Srettha Thavisin, said on Thursday, up from the previous toll of 20.

“The update from last night is bad news that one more Thai died, the number rises to 21,” he said.

There are approximately 30,000 Thais in Israel, mostly working in the ***agriculture*** sector, according to Thailand’s labour ministry.

Fears are mounting over the fate of 14 Thai citizens who have been taken hostage.

Worried families gathered on Thursday morning at Bangkok’s Suvarnabhumi international airport to await the arrival of a commercial flight carrying 15 Thais, including many wounded.

Yanisa Thaweekaew, whose son Supipat Kongkaew has worked on an Israeli avocado farm since last year, said she hadn’t slept in days.

“My son is everything to me. I was worried. He is the only son I have,” she told AFP.

“I cried every day knowing that he lived in the red zone.”

block-time updated-timeUpdated at 7.58am BST

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At Biden’s address to Jewish community leaders in Washington he also said": “I never really thought that I would see and have confirmed pictures of terrorists beheading children.”

Shortly afterwards, the White House clarified the comments, with a spokesperson telling the Washington Post that neither US officials nor Biden had seen photographs or confirmed such reports independently and that Biden had “based his comments about the alleged atrocities on the claims from Netanyahu’s spokesman,” the Washington Post reports.

Reports of infants being decapitated by Hamas have been repeated by the Israeli government and defence forces, but have not been verified independently by the Guardian.

block-time updated-timeUpdated at 7.14am BST

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More than 338,000 people displaced in Gaza: UN

More than 338,000 people have been forced to flee their homes in the Gaza Strip, the United Nations said, as heavy Israeli bombardments continue to hit the Palestinian enclave.

“Mass displacement across the Gaza Strip continues,” the UN humanitarian agency OCHA said in a statement sent on Thursday.

By late Wednesday, the number of displaced people in Gaza had risen by an additional 75,000 people from the figure given 24 hours earlier, reaching 338,934, it said.

A man sits among buildings destroyed in Israeli air strikes in Gaza. Photograph: Alaa Qraiqea/Imageslive/Zuma Press Wire/Shutterstock

Israeli forces said 1,200 people, most of them civilians, were killed in the onslaught - the worst in the country’s history.

In Gaza, officials reported more than 1,100 people have been killed in Israel’s sustained campaign of air and artillery strikes.

OCHA said nearly 220,000 people, or two-thirds of the displaced people, had sought shelter in schools run by the UN agency supporting Palestinian refugees, UNRWA.

Another nearly 15,000 people fled to schools run by the Palestinian Authority, while more than 100,000 were being sheltered by relatives, neighbours and a church and other facilities in Gaza City.

block-time updated-timeUpdated at 7.14am BST

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Biden decries Hamas ‘campaign of pure cruelty’

Joe Biden addressed a roundtable of Jewish leaders in Washington on Wednesday, where he described the bloody assault on Israel by Hamas as “the deadliest day for Jews since the Holocaust”.

“This attack was a campaign of pure cruelty, not just hate, but pure cruelty against the Jewish people, and I would argue it is the deadliest day for Jews since the Holocaust,” he said.

“Silence is complicity,” Biden said. “I refuse to be silent.” He said he had spoken again today with Israel’s prime minister, Benjamin Netanyahu, and that the US is “surging” additional military assistance to the Israel Defence Forces.

He said the US was “working on every aspect” of the hostage crisis in Israel, but that “the idea that I’m going to stand here before you and tell you what I’m doing is bizarre”.

block-time updated-timeUpdated at 7.46am BST

block-time published-time 4.45am BST

Opening summary

This is the Guardian’s live coverage of the Israel-Hamas war with me, Helen Sullivan.

Top developments this morning: US President Joe Biden has said that the Hamas attack on Israel was the “deadliest day for Jews since the Holocaust”.

Speaking to Jewish community leaders in Washington, Biden said: “This attack was a campaign of pure cruelty, not just hate, but pure cruelty against the Jewish people, and I would argue it is the deadliest day for Jews since the Holocaust.”

Meanwhile in Gaza, more than 338,000 people have been forced to flee their homes, the United Nations said, as heavy Israeli bombardments continue to hit the Palestinian enclave.

“Mass displacement across the Gaza Strip continues,” the UN humanitarian agency OCHA said in a statement sent on Thursday.

By late Wednesday, the number of displaced people in Gaza had risen by an additional 75,000 people from the figure given 24 hours earlier, reaching 338,934, it said.

The Gaza ?Strip’s sole power station has run out of fuel and, amid continuing strikes by Israel, hundreds of terrified people are seeking shelter in the entrance of the enclave’s largest hospital.

Gaza’s hospitals are running dangerously low on supplies. There is a shortage of everything from bandages to intravenous fluids, beds to essential drugs, said Richard Brennan, regional director of the World Health Organization.

“It’s almost as bad as it gets,” Brennan said. “It’s not just the damage, the destruction. It’s that psychological pressure. The constant shelling... the loss of one’s colleagues.”

More shortly. Here are the other key recent developments in the conflict:

Biden warned Iran to ‘be careful’. During his speech to a group of Jewish community leaders in Washington, adding that the US is sending more military assistance to help Israel fight Hamas militants. Biden’s remarks marked the first time he connected the US deployment of a carrier fleet near to Israel to concerns Iran might seek to become involved, Reuters reported.Biden also said the US was “working on every aspect” of the hostage crisis in Israel, but that “the idea that I’m going to stand here before you and tell you what I’m doing is bizarre”.A ground offensive will come “when opportune and fit for our purposes”, IDF spokesperson Jonathan Conricus said in an update early on Thursday.Turkey is carrying out negotiations aimed at securing the release of Israeli civilians held by Hamas, according to reports. Talks were being carried out by Turkish officials after instructions from the president, Recep Tayyip Erdogan, according to a senior Turkish official.The UN’s secretary general, António Guterres, has called for essential “life-saving” supplies of fuel, food and water to be allowed into Gaza. Guterres, in remarks to the press on Wednesday, said he will never forget the images of the “supercharged cycle of violence and horror”. He said he was in continuous contact with leaders in the region, and warned against any “spillover” of the conflict. “I appeal to all parties – and those who have an influence over those parties – to avoid any further escalation,” he said. Guterres called for the immediate release of all Israeli hostages held in Gaza, and urged that international humanitarian law to be upheld and civilians to “be protected at all times”.Israel’s new war cabinet vowed to “wipe Hamas off the face of the earth”. Israel’s prime minister Benjamin Netanyahu addressed the nation alongside the opposition party leader, Benny Gantz, after the pair agreed to form an emergency government to direct war against Hamas. The cabinet consists of Netanyahu, Gantz, and Israel’s defence minister, Yoav Gallant. During the fighting with Hamas, the emergency government will not take up any unrelated policy or laws, Netanyahu and Gantz said in a joint statement.The US has confirmed the deaths of at least 22 American citizens, a state department spokesperson said. They said. We extend our deepest condolences to the victims and to the families of all those affected. The number is up from 14 on Tuesday.17 Britons missing and feared dead in Hamas attacks. Seventeen British nationals, including children, are feared dead or missing in Israel after attacks by Hamas, [*the Guardian understands.*](https://www.theguardian.com/world/2023/oct/11/pacifist-at-his-core-britons-missing-and-feared-dead-in-hamas-attacks) The atrocities have so far claimed at least 2,100 lives.The Palestinian death toll since Saturday stands at 1,100, including 326 children, and there are 5,339 injured. At least 30 people were killed and hundreds wounded as Israel pounded the Gaza Strip with [*hundreds of airstrikes overnight*](https://www.theguardian.com/world/live/2023/oct/11/israel-hamas-war-live-updates-death-toll-us-egypt-passage-gaza?page=with:block-652636a28f08868e610b86d1#block-652636a28f08868e610b86d1) , a Hamas government official said. More than 260,000 people have fled their homes in the Gaza Strip as heavy Israeli bombardments from the air, land and sea continued, the UN said.The Israeli death toll stands at 1,200. More than 2,700 are wounded. The jump in the death toll (up by 200) is “not because there is ongoing fighting,” an IDF spokesperson said, but because “now as the time has gone by we are discovering bodies of dead Israelis in the various communities that Hamas infiltrated and where they conducted their massacres”.

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