Gaia Renewables 1 Limited

(Registration Number 2020/113877/06)
Annual Separate Financial Statements
for the year ended 28 February 2022

These financial statements were compiled by:
The Office Review Services (Pty) Ltd
Chartered Accountant (SA)

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Gaia Renewables 1 Limited

(Registration Number 2020/113877/06)
Annual Separate Financial Statements for the year ended 28 February 2022

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General Information

Country of Incorporation and Domicile	South Africa
Registration Number	2020/113877/06
Nature of Business and Principal Activities	The company performs investment activities.
Directors	R Meyer ALC Olivier HA Snyman L Kotze MM Nieuwoudt RC de Wit
Shareholder	Gaia Fund Managers (Pty) Ltd
Registered Office	12 Meson Close Techno Park Stellenbosch 7600
Business Address	12 Meson Close Techno Park Stellenbosch 7600
Postal Address	PO Box 12700 Die Boord Stellenbosch 7613
Bankers	First National Bank
Tax number	9364031204
Level of Assurance	These financial statements have been audited in compliance with the applicable requirements of the South African Companies Act 71 of 2008.
Auditors	Moore Stellenbosch Inc 24 Techno Avenue Techno Park Stellenbosch 7600

General Information

Company Secretary	Ilzemarie Knoetze (The Office in Stellenbosch (Pty) Ltd) 12 Meson Close Techno Park Stellenbosch 7600
Preparer	The Office Review Services (Pty) Ltd 12 Meson Close Techno Park Stellenbosch 7600
Legal Advisors	Fasken Bell Dewar Incorporated

Audit and Risk Committee Report for the year under review

1. Introduction

The Audit and Risk Committee ("the Committee") is pleased to present its report for the financial year ended 28 February 2022 (FY22). The Committee is an independent statutory committee appointed by shareholders. This report considers the statutory and delegated duties in terms of the Companies Act as well as the Committee's responsibilities in terms of the Cape Town Stock Exchange Requirements. It also addresses some of the matters that the King IV Code on Corporate Governance ("King IV") advises should be considered by the Committee. In addition to its statutory responsibilities this Committee also assists the Board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external audit functions and statutory and regulatory compliance of the company. This Committee also dealt with duties delegated in terms of risk management.

2. Membership of the Committee and attendance at Committee meetings

The Committee comprised the following members for the period under review:

Committee members
Retha Meyer (Chairperson)
Louis Kotzé
Anton-Louis Olivier

The board of the Company are standing invitees. The Committee comprises only Independent Non-Executive Directors. Shareholders will be requested to approve the appointment of the members of the Committee for the 2023 financial year at the Annual General Meeting scheduled for 16 September 2022. The Committee met three times during the past financial year.

3. Roles and responsibilities of the committee

The Committee is governed by formal terms of reference that are reviewed and updated annually, as necessary. These terms of reference guide the Committee in terms of its objectives, authority and responsibilities, both statutory and those assigned by the Board. The Committee has an independent role with accountability to both the Board and to shareholders. The Committee's roles and responsibilities include statutory and regulatory duties as per the Companies Act, the Cape Town Stock Exchange Requirements, those items recommended in the interest of good governance according to King IV as well as additional responsibilities assigned by the Board. The effectiveness of the Committee is assessed as part of the annual Board and Committee self-evaluation process.

The responsibilities of the Committee include, but are not limited to:

- review and approve for recommendation to and approval by the Board, interim reports, the annual report, the annual financial statements, accounting policies for the Company, and any other announcement regarding the results or other financial information to be made public;
- ensure that the annual financial statements and the annual integrated report comply with all statutory and regulatory requirements;
- ensure that all financial information contained in any submissions to the Board is suitable for inclusion in the financial statements in respect of any reporting period;
- assess annually the appointment of the external auditor and confirm its independence, recommend its appointment to the AGM and approve its fees;
- address the external auditor's findings and recommendations;

- review the work of the group's external auditor and to ensure the adequacy and effectiveness of the group's financial, operating compliance and risk management controls;
- report on the risk management process and assesses the Company's exposure to the top strategic risks;
- monitoring of compliance effectiveness within the Company;
- perform duties that are attributed to it by its mandate from the Board, the Companies Act, the Cape Town Stock Exchange Requirements, King IV and other regulatory requirements;
- review processes and procedures to ensure the effectiveness of internal systems of control including information and technology.

4. Activities of the committee

The Committee fulfilled its responsibilities during the 2022 financial year. The Committee is satisfied that it has conducted its affairs in accordance with its terms of reference and has discharged its responsibilities. During the financial year under review, the Committee executed the following matters:

<u>Reporting</u>

- considered and agreed with the adoption of the going-concern premise in the preparation of the annual financial statements;
- reviewed the appropriateness of the financial statements, other reports to shareholders and other financial announcements made public;
- considered whether the annual financial statements fairly present the financial position of the Company as at 28 February 2022 and the results of operations and cash flows for the financial year then ended;
- considered the solvency and liquidity of the Company;
- considered accounting treatments, the appropriateness of accounting policies adopted and the effectiveness of the Group's disclosure controls and procedures;
- considered whether any concerns were identified regarding significant legal, tax and other matters that could have a material impact on the financial statements;
- reviewed the external auditor's audit report;
- considered and noted the key audit matters as determined by the external auditor;
- reviewed the representation letter, signed by management;
- reviewed the quality and integrity of the annual report and the sustainability information before publication;
- The Committee spent time understanding the valuation methodology and various input factors and judgements applied by GAIA Fund Managers (Pty) Ltd, and challenged these where necessary. The committee is satisfied that the valuation of investments performed fairly reflect the fair value of the investments of the Company.

<u>External audit</u>

The Audit and Risk Committee nominated Moore Stellenbosch Incorporated as the external auditor for the Company for the financial year ended 28 February 2022 and their appointment complies with the Companies Act of South Africa and all other applicable legal and regulatory requirements.

Taking into consideration the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies, Moore Stellenbosch Incorporated confirmed in an annual written statement that their independence has not been impaired.

The Audit and Risk Committee was assured that no member of the external audit team was hired by the Company or any other company within the Gaia Group in a financial reporting oversight role during the year under review.

Audit and Risk Committee Report for the year under review

The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by them for the Company or any previous appointment as auditor of the Company or any other company within the Group.

The auditor does not, except as external auditor, or in rendering of permitted non-audit services, receive any direct or indirect remuneration or other benefit from the Company or any other company within the Group.

The Audit and Risk Committee reviewed and approved the external audit plan, the budgeted and final fee for the reporting period and the terms of engagement of the external auditors; and pre-approved all audit and permissible non-audit services that Moore Stellenbosch Incorporated provides.

Following the 2022 audit, Moore Stellenbosch Incorporated have been the external auditors of the Company for the year and Pieter Louw van Der Ahee has been the designated auditor for this year.

It was confirmed that no unresolved issues of concern exist between the Company and the external auditors.

Internal financial and accounting controls

The Audit and Risk Committee is responsible for reporting on the Company's systems of internal, financial, and accounting controls. The Office Review Services Proprietary Limited ("ORS") provided accounting services to the Company for the period under review. The committee is satisfied with the independence of ORS and the quality of the accounting work provided by them during the period under review. The Committee has accordingly considered the reports from external audit on such matters and is satisfied that both reports confirm the adequacy and effectiveness of the Group's systems of internal control and that there were no material breakdowns in the internal control during the financial year.

Risk management and compliance

The Board has responsibility for the oversight of risk management, part of which it may delegate to the Audit and Risk Committee. The Board sets the tone and influences the culture of risk management within the organisation, including ensuring that integrated risk management and internal control systems are implemented.

The Audit and Risk Committee is appointed by the Board to assist in carrying out its responsibilities in relation to risk management and is responsible for overseeing the development, implementation and annual review of a Risk Policy and the process of risk management and ensuring that compliance forms an integral part of GAIA's risk management process.

GAIA Fund Managers (Pty) Ltd is responsible for day-to-day risk management including identifying and evaluating the significant risks faced by the Company; implementing an effective risk management process, including the identification, analysis, and evaluation of risks specific to their area of responsibility; and setting the tone and influence of the culture of risk management.

The Committee is obliged to report any material breach of a relevant legal and/or regulatory requirement in the conduct of the Company. No evidence or indication of any such breach or material non-compliance has been brought to the attention of the Committee by the external auditors or any other party.

Audit and Risk Committee Report for the year under review

Comments on key audit matters, addressed by Moore Stellenbosch Incorporated in its external auditor's report

The external auditors have reported on two key audit matters in respect of their 2022 audit, being: valuation of investment in subsidiary - TCWF Investments SPV (Proprietary) Limited and the valuation of other financial liability - Class A Preference shares.

Both of these key audit matters related to material financial statement line items and require judgement and estimates to be applied by management. The committee assessed the methodology, assumptions and judgements applied by management in dealing with each of the key audit matters. Furthermore, the committee discussed the key audit matters with the external auditors to understand their related audit processes and views. Following our assessment, we were comfortable with the conclusions reached by management and the external auditors.

5. Conclusion

The Audit and Risk Committee is satisfied that it has complied with all its legal, regulatory and other responsibilities for the year under review. Following the audit of the annual financial statements, the Audit and Risk Committee recommended Board approval thereof.

On behalf of the Audit and Risk Committee

RM

Retha Meyer

Audit and Risk Committee Chairperson

30 May 2022

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are presented in terms of the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.

The external auditors are responsible for independently auditing and reporting on the annual financial statements. The annual financial statements have been examined by the external auditors and their unmodified audit report is presented on pages 13 to 16.

The annual financial statements set out on pages 18 to 47 which have been prepared on the going concern basis, were approved by the directors and were signed on 30 May 2022 on their behalf by:

MM Nieuwoudt

MM Nieuwoudt

RC de Wit

Place of signature Cape Town

Date of signature 05/30/2022

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 of South Africa, I certify that to the best of my knowledge and belief, the Gaia Renewables 1 Limited has lodged all returns required in terms of the Companies Act, 71 of 2008, with the Registrar of Companies for the financial year ended 28 February 2022 and that the returns are true, correct and up to date.

The Offices in Stellenbosch (Pty) Ltd
Per: Ilzemarie Knoetze
Company Secretary
30 May 2022

Directors' Report

The directors submit their report on the financial statements of Gaia Renewables 1 Ltd for the year ended 28 February 2022.

1. Incorporation

The company was incorporated on 25 February 2020 and obtained its certificate to commence business on the same day

2. Review of financial results and activities

Main business and operations

Gaia Renewables 1 Ltd was incorporated in South Africa. The company performs investments activities. The company operates in South Africa.

Review of Financial Results & Activities.

The company generated a loss after tax for the year ended 28 February 2022 of R637,327 (2021: profit of R4,635,726).

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the South African Companies Act 71 of 2008.

Company cash flows from operating activities amounted to an outflow of R9 739 for the year ended 28 February 2022 (2021: R261 703). Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Authorised and issued share capital

No changes were approved or made to the authorised or issued share capital of the company during the year under review.

4. Dividend

An interim dividend of R0.77 (2021: R0.00) per Ordinary share was approved and an interim dividend of R49.80 (2021: R0.00) per Class A Preference Share were approved by the directors on 1 April 2021 in South Africa currency. A final dividend of R0.31 (2021: R0.01) per Ordinary share was approved and a final dividend of R20.04 (2021: R0.70) per Class A Preference Share were approved by the directors on 8 September 2021 in South Africa currency. Dividends were paid on 1 April 2021 and 4 October 2021, respectively, to shareholders registered in the company's register at the close of business on the declaration date.

5. Directors

The directors of the company during the year and up to the date of this report are as follows:

Directors	Designation	Changes
RC de Wit	Executive Director	
D Kennon	Independent Non-Executive Director	Resigned 27 May 2021
L Kotze	Independent Non-Executive Director	
R Meyer	Independent Non-Executive Director	
MM Nieuwoudt (Chairman)	Executive Director	
HA Snyman	Executive Director	
ALC Olivier	Independent Non-Executive Director	Appointed 27 May 2021

Directors' Report

6. Events after reporting date

All events subsequent to the date of the annual separate financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

Impact of COVID-19

The company has assessed the impact of COVID-19 on the annual separate financial statements and considered the potential impact on the business. While it is envisaged that there may be a negative impact on the performance of the company over the remainder of the financial year, the full impact of COVID-19 cannot be reasonably estimated at this time. The full impact of the COVID-19 outbreak continues to evolve at the date of this report.

Management will continue to assess the financial impact of COVID-19 and its impact on the financial condition, liquidity, operations and industry.

7. Going concern

The annual separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors have given due consideration to the potential impact of the COVID-19 pandemic on the ability to continue as a going concern. The directors believe that the pandemic will have a temporary impact on the business activities. Notwithstanding these short-term challenges, the directors are of the view that the company has sufficient resources to continue as a going concern.

The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

8. Secretary

The company designated secretary is Ilzemarie Knoetze (The Office in Stellenbosch (Pty) Ltd).

Postal address

PO Box 12700
Die Boord
7613

Business address

12 Meson Close
Techno Park
Stellenbosch
7600

Directors' Report

9. Shareholder

There have been no changes in ownership during the current financial year.

The shareholder and its interest at the end of the year is:

	Holding
Gaia Fund Managers (Pty) Ltd	100.00%

10. Interest in subsidiaries

The company holds 100% (2021: 100%) interest in TCWF Investment SPV (RF) Pty (Ltd) during the year under review. Details of the company's interests in subsidiaries are presented in the financial statements in note 3.

11. Liquidity and solvency

The directors have performed the liquidity and solvency tests as required by the South African Companies Act 71 of 2008.

Please refer to note 7 for additional considerations.

12. Independent Auditors

Moore Stellenbosch Inc. continued in office as auditors for the company for the financial year 2022, in accordance with section 90(6) of the South African Companies Act 71 of 2008.

13. **Consolidation of Financial Statements**

The company did not prepare consolidated financial statements since it is an investment entity. Refer to note 1.2 of the financial statements for further details on the consolidation exemption.

14. **Non-current assets**

There was no change in the nature of the non-current assets of the company or in the policy regarding their use.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF GAIA RENEWABLES 1 LIMITED

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the separate financial statements of GAIA Renewables 1 Limited set out on pages 18 to 47, which comprise the separate statement of financial position as at 28 February 2022, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of GAIA Renewables 1 Limited as at 28 February 2022, and its separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors’ Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
As the financial assets and financial liabilities are measured at fair value through profit and loss and the balance is material, significant judgement and assumptions are exercised by management in determining the fair value. We consider these judgements and assumptions to be a key audit matter due to high estimation uncertainty. The valuation of the asset and liability is based on the discounted future cash flows from the underlying investment and cash available to settle the liability. There are estimations involved in the forecasting of the future cash flows, the discount rate used and the annual inflation rate. The future cash flows are highly dependent on the revenue of the underlying investment which is based on the wind forecast of the project company up until the end of the Price Purchase Agreement with Eskom in 2036. Therefore, the forecast of the cash flows is a significant assumption impacting the valuation of the financial instruments. Refer to Note 3, Investment in subsidiaries, and Note 7, Other financial liabilities on how the key audit matter was identified in the valuation of these financial instruments.	We held discussions with management to obtain an understanding of the process applied in terms of determining the fair value of the financial asset and liability. We performed the following procedures: • Evaluating GAIA Renewables 1's fair value calculations and the principles and integrity of the discounted cash flow models. • Testing the inputs used in the cash flow forecast for reliability and accuracy. • Evaluating past cash flow forecasts to the actual realised cash flows to determine the accuracy of management forecasts. • Testing management assumptions of the CPI Index, annual inflation rate and EUR:ZAR exchange rate for the long-term outlook over the remaining period of the Price Purchase Agreement (PPA) for the reasonability of it. • Testing the effect, the above assumptions have on the overall discount rate and recalculating this rate. • Re-computing of the fair values. Based on the results of the above procedures, we consider the carrying value and disclosure of the financial asset and liability measured through profit and loss to be reasonable.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "GAIA Renewables 1 Limited Annual Separate Financial Statements for the year ended 28 February 2022", which includes the Directors' Report, the Audit Committee's Report, Report of the Compiler and Certificate by the Company Secretary as required by the Companies Act of South Africa and a document titled "GAIA Renewables 1 Limited Integrated Annual Report 2022". The GAIA Renewables 1 Limited Integrated Annual Report 2022 is expected to be made available to us after the date of this auditor's report. The other information does not include the separate financial statements and our auditor's reports thereon. As soon as the annual reports are available, they will be reviewed and should any inconsistencies with the separate annual financial statements be noted, this will be reported on.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the separate 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 International Standards on Auditing 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 separate financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 our 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude 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 auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Moore Stellenbosch Incorporated has been the auditor of GAIA Renewables 1 Limited for 2 years.

Moore Stellenbosch Inc

MOORE STELLENBOSCH INCORPORATED
Registered Auditors
Per: Pieter-Louw van der Ahee (RA)
Chartered Accountant (SA)
Director

Date: 05/31/2022

24 Techno Avenue
Techno Park
STELLENBOSCH
7600

Report of the Compiler

To the Directors of Gaia Renewables 1 Limited

We have compiled the accompanying financial statements of Gaia Renewables 1 Limited based on information you have provided. These financial statements comprise the statement of financial position as at 28 February 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with International Financial Reporting Standards.

The Office Review Services (Pty) Ltd

30 May 2022

Per: Eldine Malan
Chartered Accountant (SA)

12 Meson Close
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Stellenbosch
7600

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The Office Review Services (Pty) Ltd, registration number 2013/137139/07

Statement of Financial Position

Figures in R	Notes	2022	2021 *Restated
Assets			
Non-current assets			
Investment in subsidiary	3	131,404,135	196,894,708
Current assets			
Cash and cash equivalents	4	344,166	353,905
Current tax assets	5	2	-
Total current assets		**344,168**	**353,905**
Total assets		**131,748,303**	**197,248,613**
Equity and liabilities			
Equity			
Issued capital	6	100	100
Retained income		1,816,746	4,614,077
Total equity		**1,816,846**	**4,614,177**
Liabilities			
Non-current liabilities			
Other financial liabilities	7	129,927,981	192,625,239
Current liabilities			
Trade and other payables	8	3,376	8,529
Current tax liabilities	5	-	568
Loan from subsidiary	9	100	100
Total current liabilities		**3,476**	**9,197**
Total liabilities		**129,931,457**	**192,634,436**
Total equity and liabilities		**131,748,303**	**197,248,613**

*Refer to comparative figure note 18

Statement of Profit or Loss and Other Comprehensive Income

Figures in R	Notes	2022	2021
Revenue	10	74,149,786	1,227,050
Administrative expenses	11	(281,846)	(42,340)
Other expenses	12	(1,933,553)	(738,828)
Other gains and (losses)	13	(2,793,315)	4,884,877
Profit from operating activities		**69,141,072**	**5,330,759**
Investment income	14	84,576	5,536
Finance costs	15	(69,840,000)	(700,001)
(Loss) / profit before tax		**(614,352)**	**4,636,294**
Income tax expense	16	(22,975)	(568)
(Loss) / profit for the year		**(637,327)**	**4,635,726**

Statement of Changes in Equity

Figures in R	Issued capital	Retained income	Total
Balance at 1 March 2020	100	-	100
Changes in equity			
Profit for the year	-	4,635,726	4,635,726
Total comprehensive income for the year	-	4,635,726	4,635,726
Dividend recognised as distributions to shareholder	-	(21,649)	(21,649)
Balance at 28 February 2021	**100**	**4,614,077**	**4,614,177**
Balance at 1 March 2021	100	4,614,077	4,614,177
Changes in equity			
Loss for the year	-	(637,327)	(637,327)
Total comprehensive income for the year	-	(637,327)	(637,327)
Dividend recognised as distributions to shareholder	-	(2,160,004)	(2,160,004)
Balance at 28 February 2022	**100**	**1,816,746**	**1,816,846**
Note	**6**		

Gaia Renewables 1 Limited

(Registration Number 2020/113877/06)
Annual Separate Financial Statements for the year ended 28 February 2022

Statement of Cash Flows

Figures in R	Notes	2022	2021
Net cash flows used in operations	22	**(2,220,552)**	**(772,639)**
Dividend paid	23	(2,160,004)	(21,649)
Dividends received	10	74,149,786	1,227,050
Interest paid	15	(69,840,000)	(700,001)
Interest received	14	84,576	5,536
Income taxes paid	24	(23,545)	-
Net cash flows used in operating activities		**(9,739)**	**(261,703)**
Cash flows used in investing activities			
Purchase of investments in group companies		-	(121,384,492)
Cash flows used in investing activities		**-**	**(121,384,492)**
Cash flows from financing activities			
Proceeds from issuing shares		-	100
Proceeds from other financial liabilities		-	122,000,000
Cash flows from financing activities		**-**	**122,000,100**
Net (decrease) / increase in cash and cash equivalents		**(9,739)**	**353,905**
Cash and cash equivalents at beginning of the year		353,905	-
Cash and cash equivalents at end of the year	**4**	**344,166**	**353,905**

Accounting Policies

1. General information

Gaia Renewables 1 Limited ('the company') performs investment activities.

The company is incorporated as a Public company and domiciled in South Africa.

The company changed its name from GAIA Fund 1 Limited to Gaia Renewables 1 Limited on 7 September 2021.

Fund information

The Company was established by Gaia Fund Managers for the express purpose of providing institutional and retail investors access to infrastructure investments in South Africa.

Pursuant to the listing of the Class A Preference Shares, the Company, acting through TCWF Investment SPV, acquired its first indirect interest in an infrastructure project via the financing of RE Times's acquisition of a 16% interest in the Tsitsikamma Community Wind Farm project ("Project Company").

The Project Company is a typical Renewable Energy Independent Power Producer Procurement Programme project with a 20-year take-or-pay power purchase agreement ("PPA") with state power utility Eskom Holdings SOC Ltd ("Eskom"), backed by an explicit National Treasury-backed guarantee.

1.1 Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the South African Companies Act 71 of 2008. The financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below (including derivative instruments) at fair value through profit or loss. They are presented in Rands which is the company's functional currency.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Cape Town Stock Exchange Listings requirements.

Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Management have made critical judgements in applying accounting policies for the following:

- Fair value measurement
- Presenting financial instruments

Accounting Policies

General information continued...

The company assessed that the financial asset is an equity instrument held as a derivative asset and therefore categorised as financial assets at fair value through profit or loss. The financial liability is also recognised as a financial liability at fair value through profit or loss.

When financial assets and financial liabilities are recognised at fair value judgment is used in determining the valuation and the significant inputs. Therefore, a fair value hierarchy should be used that reflects the significance of these judgments. For both of the measurements of the investment in subsidiary (financial asset) and the preference shares liability (financial liability), the fair value was categorised as Level 3. This is that the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Key sources of estimation uncertainty

Fair value measurement

The assets and liabilities of the company are either measured at fair value or disclosure is made of their fair values.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The company has used discounted cash flow analysis for various foreign exchange contracts that are not traded in active markets.

Basis of valuation approach

The fair value approach of the financial instruments under management is determined as at the measurement date in accordance with the principles of IFRS 13, Fair Value Measurement. Fair value is defined as the price that would be received for an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that a hypothetical transaction to sell an asset takes place in the principal market or in the absence, the most advantageous market for the asset.

The primary valuation methodology for the underlying financial instruments is the discounted cash flow ("DCF"). Management uses judgement to select the most appropriate valuation method. The DCF method is used to derive the fair value, being the discounting of the expected dividend income from the investments, of an asset using reasonable assumptions on the estimations of expected future post tax cash flows (dividend income) over the term of the power purchase agreements, i.e. free cash flows to the Company. These cash flows are discounted to the present value by applying the appropriate discount rate that captures the risk inherent to the investment.

Assumptions

Resource certainty is quoted in terms of P90 and P50 exceedance levels with regards to the natural resource. P90 refers to there being a 90% chance the wind energy levels, and production will exceed that value and so too a 50% chance in the case of P50. In order to obtain debt funding and bid the project, a resource assessment was conducted by (1) the original investors as well as (2) an independent consultant in favour of the debt providers. With the project having been operational since 2016 and production to date exceeding the P50 base case, the original resource has again been verified by an independent operational energy assessment. The verified P50 base case is used in the project model to derive future cash flow forecasts of the Project and is believed to be a best guess estimate of future energy production

The project financial model utilises the long-term consensus inflation forecast dictated by the lenders to review the long-term ability of the project to service its debt obligations.

The costs within the structure with regards to operational expenses, asset management fees as well as ongoing listing fees were based on the allowable contractual deductions

Accounting Policies

General information continued...

Tax

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues 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 and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

The principal accounting policies applied in the preparation of these annual separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the company has control. The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the company. They are deconsolidated from the date that control ceases.

The company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The company recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the company is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 3 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Investment entities

An investment entity which acquires an interest in a subsidiary, joint venture or associate shall be exempt from consolidation or equity accounting in terms of amendments to IFRS 10, IFRS 12 and IAS 28 and shall measure an investment in a subsidiary, joint venture or associate at fair value through profit or loss in accordance with IFRS 9.

Accounting Policies

General information continued...

An investment entity is defined as an entity that:

• obtains funds from one or more investors for the purpose of providing those investors with investment management services

• commits to its investors that its business purpose is to invest in partners solely for returns from capital appreciation, investment income, or both; and

• measures and evaluates the performance of substantially all its investments on the fair value basis.

The Company has been deemed to meet the definition of an investment entity as per IFRS 10 based on the following

• The Company has obtained funds for the purpose of providing investors with an operational and appropriately derisked secondary investment opportunity.

• The Company commits to provide investors access to infrastructure investments on which the investors will realise capital appreciation and dividends thereon.

• The performance of the Company's investments are measured and evaluated on a fair value basis.

The entity is exempt from consolidation and will thus prepare annual separate financial statements. The investment in the subsidiary is measured at fair value through profit and loss in accordance with IFRS 9.

1.3 Financial instruments

Initial recognition of financial assets

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. The classification and measurement of debt instruments is dependent on the business model in which the financial asset is managed and its contractual cash flow characteristics. The business model refers to how the company is managing its financial instruments to generate cash flows. The company first assesses the business model before considering whether an instrument meets the definition of the contractual cash flow test. Only if the financial instruments are held in a business model to collect contractual cash flows or a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the cash flows characteristics test is performed.

Equity instruments held as derivative assets are mandatorily categorised as financial assets at financial assets at fair value through profit or loss (FVTPL).

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions:

• it is held within a business model where the objective is to hold assets to collect contractual cash flows; and

• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt instrument is classified at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions:

• it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and

• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held in this type of business model are managed to realise cash flows by both collecting contractual cash flows and selling the financial instrument. Both these activities are fundamental to achieving the objective of the business model.

Accounting Policies

General information continued...

All debt instrument financial assets that were not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the company may irrevocably designate a debt instrument financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at FVTPL. For financial assets not classified at FVTPL, transaction costs are added to or deducted from the fair value at initial recognition.

Subsequent measurement of financial assets

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is adjusted for any loss allowance. Interest income and impairment are recognised in profit or loss. The assets include receivables at amortised cost and other financial assets at amortised cost. Any gains or losses arising on the derecognition are included in profit or loss in other operating income/expense.
Financial assets at fair value through profit and loss	These assets are subsequently measured at fair value. The assets consist of an investment at fair value through profit or loss (Note 3). Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Any gains or losses arising on the derecognition are included in profit or loss in other operating income/expense.

Initial recognition of financial liabilities

Financial liabilities not measured at FVTPL on initial recognition are measured at fair value less transaction costs that are incremental and directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

The company irrevocably designate the financial liabilities to be measured at fair value through profit or loss.

Subsequent measurement of other financial liabilities

Financial liabilities at amortised cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. The liabilities include trade and other payables (refer to note 8) Any gains or losses arising on the derecognition are included in profit or loss in other operating income/expense.
Financial liabilities at fair value through profit or loss	These liabilities are subsequently measured at fair value. Net fair value gains and losses, including any interest expense are recognised in profit or loss (note 7).

Expected credit losses

The expected credit loss (ECL) model applies to financial assets measured at amortised cost, for example loans and advances, trade and other receivables, and cash and cash equivalents held by the company. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

Accounting Policies

General information continued...

The company applies the general approach for all types of financial assets measured at amortised cost. In terms of the general expected credit loss approach the company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring. The ECL impairment loss allowance is determined as a probability weighted amount based on the consideration of the current available reasonable and supportive forecast of forwarding looking information.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Write off policy

The company writes off a financial instrument at amortised cost when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Determining when to write off financial assets is a matter of judgement and incorporates both quantitative and qualitative information. Indicators to write-off the asset include when interest repayments are 120 days past due and there is no reasonable expectation of recovery, as well as discussions with counterparties to the instruments. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

For presentation on the statement of financial position, the ECL allowances are deducted from the gross carrying amount of the assets as disclosed. ECLs are included in operating expenses in profit or loss.

Credit risk

Details of the credit risk of financial assets are included in the financial instruments and risk management note (note 25).

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when it is transferred and the transfer qualifies for derecognition.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Levies in arrears are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses.

Accounting Policies

General information continued...

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When levies in arrears are uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Levies in arrears are classified as loans and receivables.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. For the purpose of the cash flow statements, total cash at end of the year includes bank overdraft.

Trade and other payables

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 25 for details of risk exposure and management thereof.

1.4 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Accounting Policies

General information continued...

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.5 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at no par value and classified as stated capital in equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Dividends declared are recognised in equity.

Preference shares which carry non-discretionary dividend obligations, should be classified as liabilities. The dividends on these preference shares are taken to the Statement of Profit and Loss or Other Comprehensive Income as interest expense. Please refer to note 7.

1.6 Revenue

Dividend income is presented as revenue in the Statement of Profit and Loss and Other Comprehensive Income as the dividends that the entity receives are in the ordinary course of the entity's business.

1.7 Investment income

Interest income, including interest from non-derivative financial assets at fair value through profit or loss, is recognised, in profit or loss, using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Company will estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Dividend income or expense is recognised when the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed or received at the end of the reporting period.

Accounting Policies

General information continued...

1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period which they are incurred.

1.9 Statement of cash flows

The statement of cash flows is prepared on the direct method, whereby the major classes of gross cash receipts and gross cash payments are disclosed.

For purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held on call with banks net of bank overdrafts, all of which are available for use by the company unless otherwise stated.

Investing and financing activities that do not require the use of cash and cash equivalents are excluded from the statement of cash flows.

Notes to the Annual Financial Statements

Figures in R	2022	2021

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations, but they do not have a material effect on the company's financial statements:

Standard/ Interpretation:

- IAS 1: Presentation of Financial Statements: Disclosure initiative (Effective date: 1 January 2020)
- IAS 8: Accounting Policies, Changes in Accounting, Estimates & Errors: Disclosure initiative (Effective date: 1 January 2020)

2.2 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 March 2022 or later periods:

Scope and expected impact:	Effective date:	Standard/Interpretation
IAS 1: Amendments to clarify the classification of liabilities	Years beginning on or after 1 January 2023	The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS1) affect only the representation of the liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendment is not expected to have a material impact on the Company.

3. Investment in subsidiary

3.1 The amounts included on the statement of financial position comprise the following:

Name of company	Country of incorporation	Principal activity	% holding 2022	% holding 2021	Fair value 2022	Fair value 2021
TCWF Investments SPV (RF) (Pty) Ltd	South Africa	Investment activities	100%	100%	131,404,135	196,894,708

The company's voting power is in direct proportion to its percentage shareholding.

The carrying amount of investments in subsidiaries is shown at fair value. During the current year, there were no impairments of investments in the company (2021: Rnil).

Subsidiaries pledged as security

As security for the due and punctual payment and performance of the Secured Obligations, the company has agreed, with effect from the Preference Share Subscription Date, to pledge all of the shares which it holds in TCWF Investment SPV (RF) (Pty) Ltd and cede in securitatem debiti all of the Ceded Rights attaching to the shares and the Claims in favour of the Cessionary (as agent on behalf of the Holders), on the terms and conditions contained in the Agreement. There are no restrictions on the transfer of funds in the form of cash dividends.

Investment in subsidiary continued...

Fair value information of investment in subsidiary

Gaia Renewables 1 has adopted an accounting policy of measuring its investments at fair value through profit or loss in accordance with IFRS 9 with fair value movements on its assets recognised in the Statement of Profit or Loss. The investment in TCWF Investments SPV (RF) (Pty) Ltd is measured at fair value on a stand alone basis and Gaia Renewables 1 uses some of the parts valuation method to measure fair value in its investment in TCWF Investments SPV (RF) (Pty) Ltd.

Valuation of investment in subsidiary

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date. The quoted market price used for financial assets is the current bid price. These instruments are included in level 1.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly. If all significant inputs are required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: Applies inputs which are not based on observable market data. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation.

The primary valuation methodology for the underlying investments held by the Fund is the discounted cash flow (“DCF”) methodology. Some of the significant inputs into the discounted cash flow model may not be observable in the market and are derived from market prices or rates or are based on assumptions. This valuation model therefore requires a higher degree of management judgement and estimation in determination of fair value.

In the valuation for the investments, management’s judgement and estimation is required for:

• Selection of the appropriate valuation model to be used, in this case the discounted cash flow model;

• Assessment and determination of the expected cash flows (dividend income and preference dividend) from the underlying investments; and

• Selection of the appropriate discount rates.

The value of the investment in TCWF Investments SPV (RF) (Pty) Ltd was determined using the discounted cash flow valuation models. Assumptions and inputs used in valuation techniques include CPI and investor premium used in estimating discount rates.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. Investment in subsidiaries are recognised at fair value through profit or loss for which the carrying amounts equal its fair value.

As at 28 February 2022, the fair value measurement of shares held by the Company in TCWF Investments SPV (RF) (Pty) Ltd is categorised into Level 3.

Investment in subsidiary continued...

Assumptions

Discount rate	15.72% (2021: 15.71%)	The investment in subsidiary is valued on a real basis, as such the real rate of 10.42% (2021: 10.41%) was used plus 4.8% (2021: 4.8%) Consumer Price Index.
Cash flow	Expected dividends	Investee entities make distributions from profits which are made up of revenue net operating expenses.
Discount period	Remaining term of the 20-year Price Purchase Agreement with Eskom	Investment period of the Price Purchase Agreement with Eskom.

Reconciliation of assets measured at level 3

2022	Opening balance	Additions	Fair value through profit/(loss)	Closing balance
Assets				
Financial assets at fair value through profit/(loss)				
Investment in subsidiary	196,894,708	-	(65,490,573)	131,404,135
				131,404,135

2021	Opening balance	Additions	Fair value through profit/(loss)	Closing balance
Assets				
Financial assets at fair value through profit/(loss)				
Investment in subsidiary	-	121,384,592	75,510,116	196,894,708
				196,894,708

Sensitivity of fair value measurement to changes in unobservable inputs

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably reflect possible alternative assumptions would have the following effects on net assets.

Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity change in significant unobservable inputs	1% decrease in unobservable input	1% increase in unobservable input
Investment in TCWF Investments SPV (RF) (Pty) Ltd Discounted cash flow	Discount rate	15.72%	The estimated fair value would increase if the discount rate decreased.	7,599,983	(6,861,311)

Notes to the Annual Financial Statements

Figures in R	2022	2021

Investment in subsidiary continued...

Significant observable/unobservable inputs are developed as follows:

Discount rate: The discount rate uses the latest CPI rate assumption and adds a risk margin. The risk margin set equal to the real internal rate of return achieved during the acquisition of the asset.

CPI rate: The consensus macroeconomic view as compiled by PWC from various sources was utilised in setting the CPI rate outlook.

CPI index: The CPI index uses a base value of 1 as at the asset acquisition date. It is then adjusted periodically with the actual observed inflation (as provided by Stats SA), and projected into the future using the forecasted CPI rate.

3.2 Interests in unconsolidated subsidiaries

The company is classified as an investment entity, and therefore applies the consolidation exemption. All investments are measured at fair value through profit and loss.

4. Cash and cash equivalents

4.1 Cash and cash equivalents included in current assets:

	2022	2021
Cash		
Bank balances	344,166	353,905

4.2 Net cash and cash equivalents

	2022	2021
Current assets at amortised cost	344,166	353,905

The banker of the company is First National Bank.

5. Current tax assets and liabilities

Current tax assets and liabilities comprise the following balances

	2022	2021
Net current tax asset from all items being set off	2	-
Total current tax asset per the statement of financial position	**2**	**-**
Net current tax liability from all items being set off	-	(568)
Total current tax liability per the statement of financial position	**-**	**(568)**

Notes to the Annual Financial Statements

Figures in R	2022	2021

6. Stated capital

Authorised and issued stated capital

Authorised

2 000 000 Ordinary no par value shares
1 000 000 Class A Preference shares
1 000 000 Unspecified Class C shares
1 000 000 Unspecified Class D shares
1 000 000 Unspecified Class E shares
1 000 000 Unspecified Class F shares

	2022	2021
Issued		
2 000 000 Ordinary no par value shares	100	100
Reconciliation of number of shares issued:		
Reported at 1 March	2,000,000	-
Issue of ordinary shares	-	2,000,000
Closing balance as at 28 February	**2,000,000**	**2,000,000**

Refer to note 7 for preference share issued.

Class A Preference shareholders:

	Shares	Shares %
• FRB ITF Kruger Ci Prudential Fund	379,508	38%
• FRB ITF Kruger Ci Balanced Fund [FRBKPF001]	549,180	55%
• FRB ITF Kruger Ci Equity Fund [FRBKPF001]	71,312	7%
	1,000,000	100%

Preference shares rights:
Each Preference Share shall confer upon the holder thereof the right to have Preference Dividends declared and paid out of any funds that are available to be distributed to the preference shareholders and the Manager (Gaia Fund Managers (Pty) Ltd).

The Preference Dividends, if any, shall be paid in priority to any distributions to the Manager in respect of the ordinary shares in the issued share capital of the Company, or any other holder of such ordinary shares at the applicable time.

7. Other financial liabilities

7.1 Other financial liabilities comprise:

	2022	2021
1 000 000 Class A Preference shares	129,927,981	192,625,239
Non-current portion of other financial liabilities	129,927,981	192,625,239
	129,927,981	**192,625,239**

*Refer to comparative figure note 18

Notes to the Annual Financial Statements

Figures in R	2022	2021

Other financial liabilities continued...

7.2 Disclosures

Fair value information of other financial liabilities

The Company has adopted an accounting policy of measuring its investments at fair value through profit or loss in accordance with IFRS 9 with fair value movements on its assets recognised in the Statement of Profit or Loss and Other Comprehensive Income. The preference share liabilities is measured at fair value on a stand alone basis and the Company uses some of the parts valuation method to measure the fair value of the preference shares.

Valuation of other financial liabilities

For other financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date. The quoted market price used for financial assets is the current bid price. These instruments are included in level 1.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly. If all significant inputs are required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: Applies inputs which are not based on observable market data. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation.

The primary valuation methodology for the underlying investments held by the Fund is the discounted cash flow (“DCF”) methodology. Some of the significant inputs into the discounted cash flow model may not be observable in the market and are derived from market prices or rates or are based on assumptions. This valuation model therefore requires a higher degree of management judgement and estimation in determination of fair value.

In the valuation for the investments, management’s judgement and estimation is required for:

• Selection of the appropriate valuation model to be used, in this case the discounted cash flow model;

• Assessment and determination of the expected cash flows (dividend income and preference dividend) from the underlying investments; and

• Selection of the appropriate discount rates.

The value of the preference shares was determined using the discounted cash flow valuation models. Assumptions and inputs used in valuation techniques include CPI and investor premium used in estimating discount rates.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. Preference shares are recognised at fair value through profit or loss for which the carrying amounts equal its fair value.

As at 28 February 2022, the fair value measurement of the preference shares is categorised into Level 3.

Figures in R	2022	2021

Other financial liabilities continued...

Assumptions

Discount rate	14.13% (2021: 14.13%)	The other financial liability is valued on a real basis, as such the real rate of 8.9% (2021: 8.9%) was used plus 4.8% (2021: 4.8%) Consumer Price Index.
Cash flow	Expected dividends	Investee entities make distributions from profits which are made up of revenue net operating expenses.
Discount period	Remaining term of the 20-year Price Purchase Agreement with Eskom	Investment period of the Price Purchase Agreement with Eskom

Reconciliation of assets measured at level 3

2022	Opening balance	Additions	Fair value through profit/(loss)	Closing balance
Liabilities				
Financial liabilities at fair value through profit/(loss)				
Other financial liabilities	192,625,239	-	(62,697,258)	129,927,981
				129,927,981

2021	Opening balance	Additions	Fair value through profit/(loss)	Closing balance
Liabilities				
Financial liabilities at fair value through profit/(loss)				
Other financial liabilities	-	122,000,000	70,625,239	192,625,239
				192,625,239

Sensitivity of fair value measurement to changes in unobservable inputs

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably reflect possible alternative assumptions would have the following effects on net assets.

Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity change in significant unobservable inputs	1% decrease in unobservable input	1% increase in unobservable input
Other financial liabilities Discounted cash flow	Discount rate	14.13%	The estimated fair value would increase if the discount rate decreased.	8,240,393	(7,409,265)

Notes to the Annual Financial Statements

Figures in R	2022	2021

Other financial liabilities continued...

Significant observable/unobservable inputs are developed as follows:

Discount rate: The discount rate uses the latest CPI rate assumption and adds a risk margin. The risk margin set equal to the real internal rate of return achieved during the acquisition of the asset.

CPI rate: The consensus macroeconomic view as compiled by PWC from various sources was utilised in setting the CPI rate outlook.

CPI index: The CPI index uses a base value of 1 as at the asset acquisition date. It is then adjusted periodically with the actual observed inflation (as provided by Stats SA), and projected into the future using the forecasted CPI rate.

8. Trade and other payables

Trade and other payables comprise:

Trade creditors	3,376	8,529

9. Loan from group company

Loan from group company comprises:

TCWF Investments SPV (RF) (Pty) Ltd	100	100

The loan is unsecure, bears interest as agreed upon from time to time
and is repayble within the next twelve months

10. Revenue

Revenue comprises:

Dividends received from subsidiary	74,149,786	1,227,050

11. Administrative expenses

Administrative expenses comprise:

Accounting fees	69,000	38,672
Auditors remuneration - Fees	207,000	-
Bank charges	1,846	2,543
Secretarial fees	4,000	1,125
Total administrative expenses	**281,846**	**42,340**

12. Other expenses

Other expenses comprise:

Postage	-	173
Professional fees	1,933,553	738,655
Total other expenses	**1,933,553**	**738,828**

Notes to the Annual Financial Statements

Figures in R	2022	2021

13. Other gains and (losses)

Other gains and (losses) comprise:

Fair value gains and (losses) on assets	(65,490,573)	75,510,116
Fair value gains and (losses) on liabilities	62,697,258	(70,625,239)
Total other gains and (losses)	**(2,793,315)**	**4,884,877**

14. Investment income

Investment income comprises:

Interest received - bank	84,576	5,536

15. Finance costs

Finance costs included in profit or loss:

Class A Preference Shares	69,840,000	700,000
Bank overdraft	-	1
Total finance costs	**69,840,000**	**700,001**

16. Income tax expense

16.1 Major components of the tax expense:

Current tax		
Current year	22,975	568

16.2 The income tax for the year can be reconciled to the accounting (loss) / profit as follows:

(Loss) / profit before tax from operations	(614,352)	4,636,294
Income tax calculated at 28.0%	(172,019)	1,298,162
Tax effect of		
- Exempt income	(20,761,940)	(343,574)
- Non-deductible expenses	619,605	217,745
- Fair value adjustments	782,128	(1,367,766)
- Other financial liabilities: dividend	19,555,200	196,000
Tax charge	**22,975**	**568**

Notes to the Annual Financial Statements

Figures in R	2022	2021

Income tax expense continued...

Deferred tax

Given that the investment in subsidiary is part of an investment structure, it is very unlikely that the shares will be sold to an external party. The fair value adjustments are determined on the inflows which is purely the dividend income. The dividend income is exempt as it is local dividend income. Therefore, the fair value adjustments will not be taxed in the future as all fair value adjustments eventually realise in the form of dividends.

17. Related parties

17.1 Relationships

Holding company	GAIA Fund Managers (Pty) Ltd
Subsidiary	TCWF Investment SPV (Pty) Ltd
Key members	RC de Wit
	ALC Olivier
	L Kotze
	R Meyer
	MM Nieuwoudt
	HA Snyman

17.2 Related party transactions and balances

	Holding company	Subsidiary	Total
Year ended 28 February 2022			
Related party transactions			
Dividend received	-	74,149,786	**74,149,786**
Dividends paid	2,160,006	-	**2,160,006**
Professional fees paid	1,605,090	-	**1,605,090**
Outstanding loan accounts			
Amounts payable	-	100	**100**
Year ended 28 February 2021			
Related party transactions			
Dividend received	-	1,227,050	**1,227,050**
Dividends paid	21,649	-	**21,649**
Professional fees paid	632,716	-	**632,716**
Outstanding loan accounts			
Amounts payable	5,152	100	**5,252**

Notes to the Annual Financial Statements

Figures in R	2022	2021

18. Comparative figures

The comparative figures of the current portion of the other financial liabilities have been reclassified to non-current liabilities as management is of the opinion that this reclassification will give the users of the financial statement a fair presentation.

The effects of the changes are as follows:	R	R
Statement of Financial Position		
Non-current liabilities		
Other financial liabilities	-	71,417,859
Current liabilities		
Other financial liabilities	-	(71,417,859)

19. Directors remuneration

2022

	Remuneration paid to directors		Directors fees paid to directors		
	Paid by the company	Paid by a company within the group	Paid by the company	Paid / payable by a company within the group	Total
Executive					
HA Snyman	-	1,431,340	-	-	1,431,340
MM Nieuwoudt	-	4,223,795	-	-	4,223,795
RC de Wit	-	1,168,114	-	-	1,168,114
	-	6,823,249	-	-	6,823,249
Non-executive					
ALC Olivier	-	-	-	20,000	20,000
L Kotze	-	-	-	30,000	30,000
R Meyer	-	-	-	30,000	30,000
	-	-	-	80,000	80,000

2021

	Remuneration paid to directors		Directors fees paid to directors		
	Paid by the company	Paid by a company within the group	Paid by the company	Paid / payable by a company within the group	Total
Executive					
HA Snyman	-	1,226,685	-	-	1,226,685
MM Nieuwoudt	-	2,631,429	-	-	2,631,429
RC de Wit	-	1,850,000	-	-	1,850,000
	-	5,708,114	-	-	5,708,114

Notes to the Annual Financial Statements

Figures in R				2022	2021
Directors remuneration continued...					
Non-executive					
D Kennon	-	-	-	10,000	10,000
L Kotze	-	-	-	10,000	10,000
R Meyer	-	-	-	10,000	10,000
	-	-	-	30,000	30,000

D Kennon resigned as independent non-executive director on 27 May 2021 and ALC Olivier was appointed as independent non-executive director in his place on 27 May 2021.

20. Events after the reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

Impact of COVID-19

The company has assessed the impact of COVID-19 on the annual separate financial statements and considered the potential impact on the business. While it is envisaged that there may be a negative impact on the performance of the company over the remainder of the financial year, the full impact of COVID-19 cannot be reasonably estimated at this time. The full impact of the COVID-19 outbreak continues to evolve at the date of this report.

Management will continue to assess the financial impact of COVID-19 and its impact on the financial condition, liquidity, operations and industry.

21. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors have given due consideration to the potential impact of the COVID-19 pandemic on the company's ability to continue as a going concern. The directors believe that the pandemic will have a temporary impact on the business activities. Notwithstanding these short-term challenges, the directors are of the view that the company has sufficient resources to continue as a going concern.

The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

Notes to the Annual Financial Statements

Figures in R	2022	2021

22. Cash flows from operating activities

(Loss)/profit before tax	**(614,352)**	**4,636,294**
Adjustments for:		
Interest received	(84,576)	(5,536)
Dividends received	(74,149,786)	(1,227,050)
Finance costs	69,840,000	700,001
Fair value gains and losses	2,793,315	(4,884,877)
Change in operating assets and liabilities:		
Adjustments for (decrease) / increase in trade accounts payable	(5,153)	8,529
Net cash flows from operations	**(2,220,552)**	**(772,639)**

23. Dividend paid

An interim dividend of R0.77 (2021: R0.00) per Ordinary share was approved were approved by the directors on 1 April 2021 in South Africa currency. A final dividend of R0.31 (2021: R0.01) per Ordinary share was approved were approved by the directors on 8 September 2021 in South Africa currency. Dividends were paid on 1 April 2021 and 4 October 2021, respectively, to shareholders registered in the company's register at the close of business on the declaration date.

Dividend paid are calculated as follows:

Dividend declared and paid	(2,160,004)	(21,649)

24. Income tax paid

Income tax paid

Amounts receivable / (payable) at the beginning of the year	(568)	-
Amounts (receivable) / payable at the end of the year	(2)	568
Taxation expense (credit)	(22,975)	(568)
	(23,545)	-

Notes to the Annual Financial Statements

Figures in R	2022	2021

25. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Company – 2022	Notes	Fair value through profit or loss	Amortised cost	Total
Non-current assets				
Investment in subsidiary	3	131,404,135	-	131,404,135
Current assets				
Cash and cash equivalents	4	-	344,166	344,166
		131,404,135	344,166	131,748,301

Categories of financial liabilities

Company – 2022	Notes	Fair value through profit or loss	Amortised cost	Total
Non-current liabilities				
Other financial liabilities	7	129,927,981	-	129,927,981
Current liabilities				
Trade and other payables	8	-	3,377	3,377
Loan from subsidiary	10	-	100	100
		129,927,981	3,477	129,931,458

Categories of financial assets

Company – 2021	Notes	Fair value through profit or loss	Amortised cost	Total
Non-current assets				
Investment in subsidiary	3	196,894,708	-	196,894,708
Current assets				
Cash and cash equivalents	4	-	353,905	353,905
		196,894,708	353,905	197,248,613

Categories of financial liabilities

Company – 2021	Notes	Fair value through profit or loss	Amortised cost	Total
Non-current liabilities				
Other financial liabilities	7	192,625,239	-	192,625,239

Financial instruments and risk management continued...

Current liabilities				
Trade and other payables	8	-	8,529	8,529
Loan from subsidiary	10	-	100	100
		192,625,239	8,629	192,633,868

The carrying amounts of the financial instruments approximate their fair values.

Capital risk management

The Company’s objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Company’s ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

To maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk (interest rate and price risk)

Credit risk

The directors have overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, 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 company's activities.

“Credit risk” is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Company, resulting in a financial loss to the Company.

The company is mainly exposed to credit risk on cash equivalents. Credit risk exposure arising on cash and cash equivalents is managed by the company through dealing with well established financial institutions with high credit ratings. The company considers credit risk on cash and cash equivalents to be minimal.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non performance by these counterparties. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

Financial assets exposed to credit risk at year-end were as follows:

Notes to the Annual Financial Statements

Figures in R	2022	2021

Financial instruments and risk management continued...

2022	Note	Gross carrying amount	Credit loss allowance	Amortised cost
Financial instrument				
Cash and cash equivalents	4	344,166	-	344,166
		344,166	-	344,166

Financial instrument

2021	Note	Gross carrying amount	Credit loss allowance	Amortised cost
Financial instrument				
Cash and cash equivalents	4	353,905	-	353,905
		353,905	-	353,905

Liquidity risk

"Liquidity risk" is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risk through an ongoing review of future commitments and expenses compared to available cash to meet those commitments. Cash flow forecasts are prepared and presented to the Board for approval.

There are no significant changes in the risk management policies and processes of the liquidity risk from the previous year.

The class A preference shares liability is an estimation based on discounted future cash flows as per P50 model. (Refer to Key sources of estimation uncertainty, assumptions paragraph) The company is expected to receive a dividend based on the P50 model from its subsidiary. The expected dividend receivable will service the expected operational expense as well as the class A preference share liability. The company will therefore be able to meet its obligation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2022	**Notes**	**Less than 1 year**	**Total cash flows**	**Carrying amount**
		R	**R**	**R**
Current liabilities				
Trade and other payables	8	3,377	3,377	3,377
		3,377	3,377	3,377

2021	**Notes**	**Less than 1 year**	**Total cash flows**	**Carrying amount**
		R	**R**	**R**
Current liabilities				
Trade and other payables	8	8,529	8,529	8,529
		8,529	8,529	8,529

Financial instruments and risk management continued...

Market risk

Market risk arises through the use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The company is not exposed to significant market risk, including price risk and interest rate risk. The company’s investee entities have entered into a 20-year Power Purchase Agreement (PPA) with Eskom under the South African REIPPPP, with the PPA guaranteed by the South African National Treasury. Under this agreement the price for the electricity generated (Electricity Tariff) by the investee entities is agreed upfront on signature of the PPA and escalates annually by inflation for the duration of the agreement.

Please refer to note 3 and note 7.