Gaia Renewables REIT Limited

(Registration Number 2023/632420/06)

Annual Separate Financial Statements

for the 14 month period ended 30 April 2024

These annual separate financial statements were independently compiled by:

The Office in Stellenbosch Proprietary Limited

Chartered Accountants (SA)

These annual separate financial statements have been audited in compliance with the applicable requirements of the Companies Act, 71 of 2008.

Gaia Renewables REIT Limited

(Registration Number 2023/632420/06)
Annual Separate Financial Statements for the 14 month period ended 30 April 2024

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General Information

Country of Incorporation and Domicile	South Africa
Registration Number	2023/632420/06
Nature of Business and Principal Activities	The company performs investment activities.
Directors	N Khoza YL Labuschagne T Lister MM Nieuwoudt D Smit HA Snyman
Holding entity	Gaia Renewables Management Proprietary Limited
Registered Office	12 Meson Close Techno Park Stellenbosch 7600
Business Address	Workshop17 Snakepit Building 146 Campground Road Newlands Cape Town 7700
Postal Address	PO Box 12700 Die Boord Stellenbosch 7613
Bankers	Investec
Tax Number	9379248223
Auditors	PKF Cape Town 14 Papegaai Street Stellenbosch Central Stellenbosch 7600
Company Secretary	Marguerite Greeff (The Office in Stellenbosch Proprietary Limited) 8 Helderberg Street Stellenbosch Central Stellenbosch 7600

General Information

Preparer	The Office in Stellenbosch Proprietary Limited 8 Helderberg Street Stellenbosch Central Stellenbosch 7600
Legal Advisors	White & Case LLP
Issued	31 July 2024
ISIN	Preference A shares: ZAE400000218 Ordinary shares: ZAE400000200
CTSE Code	Preference A shares: 4GGRA Ordinary shares: 4GRRO

Audit and Risk Committee Report for the period under review

1. Introduction

The Audit and Risk Committee ("the Committee") is pleased to present its report for the 14 month period ended 30 April 2024 (FY24). The Committee is an independent statutory committee appointed by shareholders. This report considers the statutory and delegated duties in terms of the Companies Act, 71 of 2008 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
Nandi Khoza (Chairperson)
Yvette Labuschagne
Dorita Smit

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 2024 financial period at the Annual General Meeting scheduled for 13 September 2024.

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act, 71 of 2008 (the "Act") and Regulation 42 of the Companies Regulations 2011.

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, 71 of 2008, 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 separate 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 separate 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 annual separate 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;
- report on the risk management process and assess the Company's exposure to the top strategic risks;
- monitor the compliance effectiveness within the Company;
- perform duties that are attributed to it by its mandate from the Board, the Companies Act, 71 of 2008, 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 2024 financial period. 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 period under review, the Committee executed the following matters:

Reporting

- considered and agreed with the adoption of the going-concern premise in the preparation of the annual separate financial statements;
- reviewed the appropriateness of the annual separate financial statements, other reports to shareholders and other financial announcements made public;
- considered whether the annual separate financial statements fairly present the financial position of the Company as at 30 April 2024 and the results of operations and cash flows for the financial period then ended;
- considered the solvency and liquidity of the Company;
- considered accounting treatments, the appropriateness of accounting policies adopted and the effectiveness of the entity'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 annual separate 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 and challenged these where necessary. The committee is satisfied that the valuation of investments and financial liabilities performed fairly reflect the fair value of the investments and financial liabilities of the Company.

External audit

The Audit and Risk Committee nominated PKF Cape Town as the external auditor for the Company for the 14 month period ended 30 April 2024 and their appointment complies with the Companies Act, 71 of 2008 and all other applicable legal and regulatory requirements. Pieter-Louw van der Ahee has been designated as the auditor for this period.

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

Audit and Risk Committee Report for the period under review

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 group in a financial reporting oversight role during the period 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 PKF Cape Town provides.

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 in Stellenbosch Proprietary Limited ("OS") provided accounting services to the Company for the period under review. The committee is satisfied with the independence of OS and the quality of the accounting work provided by them during the period under review. The Committee has accordingly considered the management report from the external audit on such matters and is satisfied that the report confirms the adequacy and effectiveness of the systems of internal control and that there were no material breakdowns in the internal control during the financial period.

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 Proprietary Limited 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.

Comments on key audit matters, addressed by PKF Cape Town in its external auditor's report

The external auditors have reported on two key audit matters in respect of their 2024 audit, being:

- valuation of investment in subsidiary – GRR Property SPV 1 (RF) Proprietary Limited; and
- the valuation of other financial liabilities - Class A Preference shares.

Audit and Risk Committee Report for the period under review

Both of these key audit matters relate to material financial statements 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 period under review. Following the audit of the financial statements, the Audit and Risk Committee recommended Board approval thereof.

On behalf of the Audit and Risk Committee

Nandi Khoza

Nandi Khoza

Audit and Risk Committee Chairperson

31 July 2024

Directors' Responsibilities and Approval

The directors are required by the Companies Act, 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual separate financial statements and related financial information included in this report. It is their responsibility to ensure that the annual separate 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 period. The external auditors are engaged to express an independent opinion on the financial statements. The annual separate 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 company 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 separate 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 annual separate 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 annual separate financial statements support the viability of the company.

The external auditors are responsible for independently auditing and reporting on the company financial statements. The financial statements have been examined by the company external auditors and their unqualified audit report is presented on pages 13 to 15.

The annual separate financial statements set out on pages 4 to 40 which have been prepared on the going concern basis, were approved by the directors and were signed on 31 July 2024 on their behalf by:

Nandi Khoza	Hendrik Snyman
N Khoza	**HA Snyman**

Place: Cape Town
Date: 31/07/2024

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I certify that to the best of my knowledge and belief, Gaia Renewables REIT Limited has lodged all returns required in terms of the Companies Act, 71 of 2008, with the Registrar of Companies for the 14 month financial period ended 30 April 2024 and that the returns are true, correct and up to date.

Marguerite Greeff

The Office in Stellenbosch Proprietary Limited
Per: Marguerite Greeff
Company Secretary
31 July 2024

Directors' Report

The directors submit their report on the annual separate financial statements of Gaia Renewables REIT Limited for the 14 month period ended 30 April 2024.

1. Incorporation

The company was incorporated on 14 March 2023 and obtained its certificate to commence business on the same day.

2. Review of financial results and activities

Main business and operations
Gaia Renewables REIT Limited 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 profit after tax for the 14 month period ended 30 April 2024 of R12,729,878.

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

Company cash flows from operating activities amounted to an outflow of R190,399 for the 14 month period ended 30 April 2024. Full details of the financial position, results of operations and cash flows of the company are set out in these annual separate financial statements.

3. Authorised and issued stated capital

Please refer to note 6 of the annual separate financial statements for details regarding the movement in authorised and issued share capital.

4. Dividends

No dividends were declared or paid to the shareholder during the period.

5. Directors

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

Directors	**Designation**	
N Khoza	Independent Non-Executive Director	Appointed 9 June 2023
YL Labuschagne	Independent Non-Executive Director	Appointed 9 June 2023
T Lister	Executive Director	Appointed 9 June 2023
MM Nieuwoudt (Chairman)	Executive Director	Appointed 14 March 2023
D Smit	Independent Non-Executive Director	Appointed 9 June 2023
HA Snyman	Executive Director	Appointed 14 March 2023

6. Events after reporting date

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

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 believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual separate financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company.

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's designated secretary is Marguerite Greeff (The Office in Stellenbosch Proprietary Limited).

Postal address
PO Box 12700
Die Boord
7613

Business address
8 Helderberg Street
Stellenbosch Central
Stellenbosch
7600

9. Holding entity

During the current financial period, Gaia Fund Managers Proprietary Limited sold its full ownership to Gaia Renewables Management Proprietary Limited.

The holding entity and their interest at the end of the period is:

	Holding
Gaia Renewables Management Proprietary Limited	100.00%

10. Interest in subsidiaries

The company holds 100% interest in GRR Property SPV 1 (RF) Proprietary Limited during the period under review. Details of the company's interests in subsidiaries are presented in the annual separate financial statements in note 3.

11. Independent Auditors

PKF Cape Town were appointed as auditors for the company for the 14 month period ended 30 April 2024, in accordance with section 90(6) of the Companies Act, 71 of 2008.

12. Consolidation of Financial Statements

The company did not prepare consolidated financial statements since it is an investment entity. Refer to accounting policy 1.3 of the annual separate financial statements for further details on the consolidation exemption.

PKF Cape Town

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53 Willie van Schoor Avenue
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Independent Auditor's Report

To the Shareholders of Gaia Renewables REIT Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gaia Renewables REIT Limited (the company) set out on pages 16 to 38, which comprise the statement of financial position as at 30 April 2024, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gaia Renewables REIT Limited as at 30 April 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
The investment in subsidiary and the preference shares issued (other financial liabilities) are measured at fair value through profit and loss. The year-end balance of these line items are material and significant judgement and assumptions are applied by management in determining these fair values. We consider these judgements and assumptions to be a key audit matter due to the high estimation uncertainty.
The valuation of the investment in subsidiary and the preference shares issued (other financial liabilities) is based on the discounted future cash flows from the underlying investment and cash available to settle the liabilities. 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 solar forecast of the project company up until the end of the 20-year Power Purchase Agreement. Therefore, the forecast of the cash flows is a significant assumption impacting the valuation of the investment in subsidiary and the preference shares issued (other financial liabilities).
Refer to Note 3, Investment in subsidiary, and Note 7, Other financial liabilities for how the key audit matter was identified in the valuation of these financial instruments.
</td><td>
We held discussions with management to obtain an understanding of the process applied in terms of determining the fair value of the investment in subsidiary and the preference shares issued (other financial liabilities).
We performed the following procedures:

Obtaining the report from the management’s expert regarding the work done on the arithmetical accuracy of the fair value model and performing the following procedures:

Assessing the competence, expertise and objectivity of the expert;
Reviewing the reasonableness of the expert's assumptions and methods;
Reviewing the completeness and accuracy of the source data used; and
Evaluating the relevance and reasonableness of the expert’s findings.

Testing the inputs used in the cash flow forecast for reliability and accuracy by comparing the various inputs to the project due diligence reports.
Testing management assumptions of the CPI Index and annual inflation rate for the long-term outlook over the remaining period of the Power Purchase Agreement (PPA) for the reasonability thereof.
Agreeing the internal rate of return to the signed asset management agreement.
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 of the investment in subsidiary and the preference shares issued (other financial liabilities) measured through profit and loss to be reasonable.
</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Gaia Renewables REIT Limited Annual Separate Financial Statements for the 14 month period ended 30 April 2024", which includes the Report of the Audit and Risk Committe, Certificate by the Company Secretary and Directors' Report as required by the Companies Act 71 of 2008 and the Report of the Compiler. It further includes a document titled “Gaia Renewables REIT Limited Integrated Annual Report 2024”. The “Gaia Renewables REIT Limited Integrated Annual Report 2024” is expected to be made available to us after the date of this auditor’s report. As soon as the document titled “Gaia Renewables REIT Limited Integrated Annual Report 2024” is made available, it will be considered for information that is materially inconsistent with the financial statements or our knowledge obtained during the audit, or appears to be otherwise materially misstated, and will be reported on, if necessary. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, 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. For other information, excluding the “Gaia Renewables REIT Limited Integrated Annual Report 2024” which is not yet available, we have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 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 financial statements, including the disclosures, and whether the 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 financial statements of the current period 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 04 December 2015, we report that PKF Cape Town has been the auditor of Gaia Renewables REIT Limited for one year.

PKF Cape Town

PKF Cape Town
PL van der Ahee
Partner
Registered Auditor

31 July 2024
STELLENBOSCH

SFO

Report of the Compiler

To the Directors of Gaia Renewables REIT Limited

We have compiled the accompanying annual separate financial statements of Gaia Renewables REIT Limited based on information you have provided. These annual separate financial statements comprise the statement of financial position as at 30 April 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the 14 month period then ended, and a summary of material 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 annual separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These annual separate 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 annual separate financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these annual separate financial statements are prepared in accordance with International Financial Reporting Standards.

The Office in Stellenbosch Proprietary Limited

31 July 2024

Per: Eldine Malan
Chartered accountant CA SA

8 Helderberg Street
Stellenbosch Central
Stellenbosch
7600

Statement of Financial Position

Figures in R	Notes	2024
Assets		
Non-current assets		
Investment in subsidiary	3	171,241,802
Deferred tax assets	4	37,634
Total non-current assets		**171,279,436**
Current assets		
Trade and other receivables		343,502
Cash and cash equivalents	5	1,509,975
Total current assets		**1,853,477**
Total assets		**173,132,913**
Equity and liabilities		
Equity		
Stated capital	6	-
Retained income		12,729,878
Total equity		**12,729,878**
Liabilities		
Non-current liabilities		
Other financial liabilities	7	160,109,669
Current liabilities		
Trade and other payables		292,489
Bank overdraft	5	877
Total current liabilities		**293,366**
Total liabilities		**160,403,035**
Total equity and liabilities		**173,132,913**

Statement of Profit or Loss and Other Comprehensive Income

Figures in R	**Notes**	**14 month period ended 30 April 2024**
Other income		343,502
Administrative expenses		(161,672)
Other expenses		(392,017)
Other (losses) and gains	8	12,831,630
Profit from operating activities		**12,621,443**
Investment income		70,807
Finance costs		(6)
Profit before tax		**12,692,244**
Income tax credit	9	37,634
Profit for the 14 month period		**12,729,878**

Statement of Changes in Equity

Figures in R	Stated capital	Retained income	Total
Changes in equity			
Profit for the 14 month period	-	12,729,878	12,729,878
Total comprehensive income for the 14 month period	-	12,729,878	12,729,878
Balance at 30 April 2024	**-**	**12,729,878**	**12,729,878**
Note	**6**		

Statement of Cash Flows

Figures in R	Notes	14 month period ended 30 April 2024
Net cash flows used in operations	10	**(261,200)**
Interest paid		(6)
Interest received		70,807
Net cash flows used in operating activities		**(190,399)**
Cash flows used in investing activities		
Purchase of investment in subsidiary	3	(149,750,000)
Cash flows used in investing activities		**(149,750,000)**
Net cash flows from financing activities		
Proceeds from other financial liabilities	7	151,449,497
Net cash flows from financing activities		**151,449,497**
Net increase in cash and cash equivalents		**1,509,098**
Cash and cash equivalents at end of the 14 month period	**5**	**1,509,098**

Accounting Policies

1. General information

Refer to the General information page for further information regarding the company.

Fund information

The REIT was established by Gaia Fund Managers Proprietary Limited for the purpose of providing a channel through which institutional and retail investors could:

- benefit from direct investments into Renewable Energy Infrastructure, whilst
- providing a tax benefit through the REIT allowing for the investment to be taxed as if the property is held directly by the investor essentially allowing the investment’s distributions to be seen as income in the hands of the investor.

1.1 Material accounting policies

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these annual separate financial statements.

1.2 Basis of preparation and summary of material accounting policies

The annual separate 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 annual separate financial statements and the Companies Act, 71 of 2008. The annual separate 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 at fair value through profit or loss. The annual separate financial statements are presented in Rands, rounded to the nearest Rand, which is the company's functional currency.

These annual separate financial statements comply with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Cape Town Stock Exchange Listings requirements.

The principal accounting policies applied in the preparation of these annual separate financial statements are set out below.

Significant judgements and sources of estimation uncertainty

The preparation of the annual separate financial statements in conformity with the 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 annual separate financial statements, are outlined as follows:

- Fair value measurement

The company assessed that the investment in subsidiary is categorised as a financial asset at fair value through profit or loss. The preference share liability is also recognised as a financial liability at fair value through profit or loss.

Accounting Policies

General information continued...

When investments in subsidiaries and preference share liabilities are recognised at fair value, judgement is used in determining the valuation and the significant inputs. Therefore, a fair value hierarchy should be used that reflects the significance of these judgements. For both of the measurements of the investment in subsidiary and the preference shares 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.

Refer to notes 3 and 7 for input details used in the estimates.

Key sources of estimation uncertainty

Fair value measurement
The fair value of financial instruments that are not traded in an active market 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 the discounted cash flow analysis for financial instruments 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 dividend discount model ("DDM"). Management uses judgement to select the most appropriate valuation method. The DDM 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 lease 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
Refer to Notes 3 and 7 where the assumptions related to the key sources of estimation uncertainty are disclosed.

1.3 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.

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

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

Accounting Policies

General information continued...

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 only prepare annual separate financial statements. The investment in the subsidiary is measured at fair value through profit and loss in accordance with IFRS 9.

1.4 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.

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.

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 the fair value at initial recognition.

Accounting Policies

General information continued...

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. These assets consist of cash and cash equivalents and trade and other receivables. 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 in subsidiary (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. The company manages financial assets on the basis of its net exposure to market risks, and therefore offsets the fair value adjustments in the Statement of Profit or Loss and Other Comprehensive Income when permissible.

Initial recognition of financial liabilities

Financial liabilities at amortised cost are recognised when the company becomes a party to the contractual provisions of the instrument. The instruments are measured, at initial recognition, at fair value plus transaction costs, if any.

Financial liabilities at fair value through profit or loss are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

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, classified as finance costs. Please refer to note 7.

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. 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. The liabilities consist of preference shares classified as other financial liabilities (note 7). The company manages financial liabilities on the basis of its net exposure to market risks, and therefore offsets the fair value adjustments in the Statement of Profit or Loss and Other Comprehensive Income when permissible.

Expected credit losses

The expected credit loss (ECL) model applies to financial assets measured at amortised cost, for example cash and cash equivalents and trade and other receivables 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 financial assets.

Accounting Policies

General information continued...

Credit risk

Details of the credit risk of financial assets are included in the financial instruments and risk management note (note 16).

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, 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.

1.5 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.

Gaia Renewables REIT Limited was listed as a Real Estate Investment Trust (REIT). As a result, section 25BB of the Income Tax Act applies to qualifying REIT income and expenses. The legislation provides that capital gains on sale of immovable properties are not taxable and previous building allowances claimed will be recouped at the company tax rate. All rental income and dividends from property subsidiaries will be taxed at 27% and any qualifying distribution paid from these taxable profits will be deductible at 27%. Should the entities' assets be sold or the entity wound up, there could be a tax liability to the value of the recoupments previously claimed.

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).

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.

No deferred tax was recognised on the fair value adjustments to the investments held in the property companies, as defined in section 25BB of the Income Tax Act. These assets do not attract capital gains tax.

Accounting Policies

General information continued...

Tax expenses

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

1.6 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.

Class A preference shares are classified as financial liabilities in accordance with IAS 32 read together with IFRS 9. Refer to Note 6 of the annual separate financial statements.

Dividends on the ordinary shares declared are recognised in equity.

1.7 Statement of cash flows

The statement of cash flows is prepared on the indirect method, whereby the cash flows from operating activities are derived by adjusting the net profit or loss for the period, taking into account non-cash items, changes in working capital, and other operating activities. The cash flows from investing and financing activities are then separately 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 Separate Financial Statements

Figures in R	2024

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current period

The following new standards and interpretations are effective for the current financial period and are relevant to its operations:

Standard/Interpretation	Effective date:	Expected impact
Definition of Accounting Estimates - Amendments to IAS 8	Years beginning on or after 1 January 2023	Unlikely to have a material impact, but additional disclosures could be required.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	Years beginning on or after 1 January 2023	Unlikely to have a material impact, but additional disclosures could be required.

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 May 2024 or later periods:

Standard/Interpretation	Effective date:	Expected impact
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	Years beginning on or after 1 January 2024	Unlikely there will be a material impact
IFRS 18 Presentation and Disclosures in Financial Statements	Years beginning on or after 1 January 2027	Direct effect on financial statements. The new standard introduces three sets of requirements on improved comparability in the statement of profit or loss and other comprehensive income, enhanced transparency of management-defined performance measures and improvements on the grouping of information in the financial statements.

3. Investment in subsidiary

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

Name of company	Country of incorporation	Principal activity	% holding 2024	Fair value 2024
GRR Property SPV 1 (RF) Proprietary Limited	South Africa	Investment activities	100%	171,241,802

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

The carrying amount of the investment in subsidiary is shown at fair value. The subsidiary is incorporated in South Africa and shares the period-end of the company.

Fair value information of investment in subsidiary

Gaia Renewables REIT Limited 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.

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 entity 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 company is the dividend discount model ("DDM") methodology. Some of the significant inputs into the dividend discount 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 dividend discount model;
• Assessment and determination of the expected cash flows (dividend income) from the underlying investments; and
• Selection of the appropriate 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.

Notes to the Annual Separate Financial Statements

Figures in R **2024**

Investment in subsidiary continued...

As at 30 April 2024, the fair value measurement of shares held by the Company in GRR Property SPV 1 (RF) Proprietary Limited is categorised into Level 3.

Assumptions

Discount rate	12.12%	The investment in subsidiary is valued on a real basis, as such the real rate of forecast long-term South African CPI plus investor premium built into the model is converted to the nominal rate used which includes the time value of money. This rate is used to discount the dividend cash flows over the investment period.
Cash flow	Expected dividends	Investee entities make distributions from profits which are made up of revenue net operating expenses. These expected dividends are calculated using the P50 model which takes into account all relevant factors relating to the generation capacity of the investee using historical data to predict the future dividend cash flows.
Discount period	Remaining term of the 20 year sub-lease agreements	Investment period of the sub-lease agreements entered into by GRR Property SPV 1 (RF) Proprietary Limited for a period of 20 years from the Commencement Date of the lease agreements.

Reconciliation of assets measured at level 3

2024	Opening balance	Additions	Fair value through profit/(loss)	Closing balance
Assets				
Financial assets at fair value through profit/(loss)				
Investment in subsidiary	-	149,750,000	21,491,802	171,241,802
	-	**149,750,000**	**21,491,802**	**171,241,802**

Investment in subsidiary continued...

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
GRR Property SPV 1 (RF) Proprietary Limited Dividend cash flow	Discount rate	12.12%	The estimated fair value would increase if the discount rate decreased.	8,225,445	(7,491,831)
	Dividend cash flows	Year-on-year changes for updates in historical information.	The estimated fair value would decrease if the cash flows decreased.	(1,712,418)	1,712,418

Significant observable/unobservable inputs are developed as follows:

Discount rate: The discount rate is calculated by converting the real rate of forecast long-term CPI plus investor premium built into the model to the nominal rate used which includes the time value of money. The investor premium is the real Internal Rate of Return (IRR) expected to be received by the investors calculated on the future cash inflows using an IRR formula. The consensus macroeconomic view as compiled by PWC from various sources was utilised in setting the CPI rate.

Cash flows: These expected dividends are calculated using the P50 model which takes into account all relevant factors relating to the generation capacity of the investee using historical data to predict the future dividend cash flows.

4. Deferred tax

4.1 The analysis of deferred tax assets

Deferred tax assets:	
- Deferred tax assets	37,634
	37,634
Net deferred tax assets	**37,634**

Details of of deferred tax assets

Deferred tax arising from assessed losses carried forward	37,634
Total deferred tax asset per the statement of financial position	**37,634**

4.2 Reconciliation of deferred tax movements

	Deferred tax	Total
Opening balance at 14 March 2023	-	-
(Charged) / credited to profit or loss	37,634	**37,634**
Closing balance at 30 April 2024	**37,634**	**37,634**

Notes to the Annual Separate Financial Statements

Figures in R	2024

5. Cash and cash equivalents

Cash and cash equivalents included in current assets and (liabilities):

Cash	
Bank balances	1,509,975
Bank overdraft	(877)
	1,509,098

Credit quality of cash at bank

The credit quality of cash at bank can be assessed by reference to external credit ratings about counterparty default rates:

Credit rating by Fitch
Investec Bank Limited - F1+ (zaf)

Notes to the Annual Separate Financial Statements

Figures in R	2024

6. Stated capital

Authorised and issued stated capital

Authorised

100,000,000 Ordinary no par value shares
10,000 Class A Preference shares

Issued and fully paid	
100,000,000 Ordinary no par value shares	-

Reconciliation of number of ordinary shares issued:	
Reported at 14 March	-
Issue of ordinary shares	100,000,000
Closing balance as at 30 April	**100,000,000**

Refer to note 7 for preference share issued.

Class A Preference shareholders:

	Shares	Shares %
• FRB ITF Kruger Ci Prudential Fund	1100	36%
• FRB ITF Kruger Ci Balanced Fund	1700	56%
• FRB ITF Kruger Ci Equity Fund	200	7%
• CapiCraft-Peresec Prime Brokers Proprietary Limited	29	1%
	3,029	**100%**

Preference shares rights:

Each Class A 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.

The Preference Dividends, if any, shall be paid in priority to any distributions 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.

Class A preference shares are classified as financial liabilities in accordance with IAS 32 read together with IFRS 9.

7. Other financial liabilities

7.1 Other financial liabilities comprise:

3,029 Class A Preference shares	160,109,669
Non-current portion of other financial liabilities	160,109,669
	160,109,669

Other financial liabilities continued...

7.2 Disclosures

Fair value information of other financial liabilities

The Company has adopted an accounting policy of measuring its preference share liabilities at fair value through profit or loss in accordance with IFRS 9 with fair value movements 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 the same 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 entity can access at measurement date. The quoted market price used for financial liabilities 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 applied held by the company is the dividend discount model ("DDM") methodology. Some of the significant inputs into the dividend discount 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 of issued preference shares management’s judgement and estimation is required for:

• Selection of the appropriate valuation model to be used, in this case the dividend discount model;
• Assessment and determination of the expected cash flows (preference dividend) to the preference shareholders; and
• Selection of the appropriate 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 30 April 2024, the fair value measurement of the preference shares is categorised into Level 3.

Other financial liabilities continued...

Assumptions

Discount rate	12.12%	The other financial liability is valued on a real basis, as such the real rate of forecast long-term South African CPI plus investor premium built into the model is converted to the nominal rate used which includes the time value of money. This rate is used to discount the dividend cash flows over the investment period.
Cash flow	Expected dividends	The expected dividends are the dividends received from the investment in subsidiary less approved operating expenses calculated at a sweep rate of 97%.
Discount period	Remaining term of the 20 year sub-lease agreements	Investment period of the sub-lease agreements entered into by GRR Property SPV 1 (RF) Proprietary Limited for a period of 20 years from the Commencement Date of the lease agreements

Reconciliation of liabilities measured at level 3

2024	Opening balance	Additions	Fair value through profit/(loss)	Closing balance
Liabilities				
Financial liabilities at fair value through profit/(loss)				
Other financial liabilities	-	151,449,497	8,660,172	160,109,669
	-	**151,449,497**	**8,660,172**	**160,109,669**

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 Dividend cash flow	Discount rate	12.12%	The estimated fair value would increase if the discount rate decreased.	7,701,273	(7,013,035)
	Dividend cash flows	Year-on-year changes for updates in historical information.	The estimated fair value would decrease if the cash flows decreased.	(1,601,097)	1,601,097

Significant observable/unobservable inputs are developed as follows:

Discount rate: The discount rate is calculated by converting the real rate of forecast long-term CPI plus investor premium built into the model to the nominal rate used which includes the time value of money. The investor premium is the real Internal Rate of Return (IRR) expected to be received by the investors calculated on the future cash inflows using an IRR formula. The consensus macroeconomic view as compiled by PWC from various sources was utilised in setting the CPI rate.

Cash flows: These expected dividends are calculated using the dividends received from the investment in subsidiary less approved operating expenses calculated at a sweep rate of 97%.

Notes to the Annual Separate Financial Statements

Figures in R	2024

Other financial liabilities continued...

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 GRR Property SPV 1 (RF) Proprietary Limited 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 Preference Share Subscription Agreement. There are no restrictions on the transfer of funds in the form of cash dividends.

Risk exposure:

The company's liability in preference shares exposes it to financial risks. Please refer to note 16 Financial instruments and risk management for detailed information on the company's risk exposure and the processes and policies implemented to mitigate these risks.

8. Other gains and (losses)

Other gains and (losses) comprise:

Fair value gains on assets (Investment in subsidiary through profit or loss)	21,491,802
Fair value losses on liabilities (Other financial liabilities through profit or loss)	(8,660,172)
Total other gains and (losses)	**12,831,630**

9. Income tax (credit)

9.1 Major components of the tax expense:

Deferred tax	
Deferred tax	(37,634)
Total income tax (credit)	**(37,634)**

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

Profit before tax from operations	12,692,244
Income tax calculated at 27%	3,426,906
Tax effect of	
- Fair value adjustments	(3,464,540)
Tax charge	**(37,634)**

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.

Notes to the Annual Separate Financial Statements

Figures in R	2024
10. Cash flows from operating activities	
Profit/(Loss) before tax	**12,692,244**
Adjustments for:	
Interest received	(70,807)
Dividends received	-
Finance costs	6
Fair value gains and (losses)	(12,831,630)
Change in operating assets and liabilities:	
Adjustments for increase in trade accounts receivable	(343,502)
Adjustments for increase in trade accounts payable	292,489
Net cash flows used in operations	**(261,200)**

11. Related parties

11.1 Relationships

Ultimate holding entity	Gaia Management Holdings Proprietary Limited
Holding entity of Gaia Renewables Management Proprietary Limited	Gaia Fund Managers Proprietary Limited
Holding entity	Gaia Renewables Management Proprietary Limited
Subsidiary	GRR Property SPV 1 (RF) Proprietary Limited
Entity under mutual control	GRR Opco 1 (RF) Proprietary Limited
Key members	N Khoza
	YL Labuschagne
	T Lister
	MM Nieuwoudt
	D Smit
	HA Snyman

11.2 Related party transactions and balances

	Ultimate holding entity	Subsidiary	Total
14 month period ended 30 April 2024			
Related party transactions			
Professional fees	97,395	-	**97,395**
Recoveries	-	(343,502)	**(343,502)**
Outstanding balances for related party transactions			
Amounts receivable	-	(343,502)	**(343,502)**

12. Directors remuneration

2024					
	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*	-	1,452,832	-	-	1,452,832
MM Nieuwoudt**	-	2,252,170	-	-	2,252,170
T Lister**	-	1,203,289	-	-	1,203,289
	-	**4,908,291**	**-**	**-**	**4,908,291**
Non-executive					
N Khoza	-	-	20,000	-	20,000
YL Labuschagne	-	-	-	-	-
D Smit	-	-	20,000	-	20,000
	-	**-**	**40,000**	**-**	**40,000**

* This remuneration comprises of basic salaries
** This remuneration comprises of consulting fees

13. Events after the reporting date

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

14. 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 believe that the company has adequate financial resources to continue in operation for theforeseeable future and accordingly the annual separate financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company.

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 Separate Financial Statements

Figures in R **2024**

15. Comparative figures

The entity was incorporated on 14 March 2023 and therefore, the financial period consists of 14 months. As this is the first year of operations, no comparative figures are disclosed within the annual separate financial statements. Given the above considerations, the future financial periods may not be comparable to the current period as the current period spans 14 months.

16. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Company – 2024	Notes	Fair value through profit or loss	Amortised cost	Total
Non-current assets				
Investment in subsidiary	3	171,241,802	-	171,241,802
Current assets				
Trade and other receivables		-	343,502	343,502
Cash and cash equivalents	5	-	1,509,098	1,509,098
		171,241,802	**1,852,600**	**173,094,402**

Categories of financial liabilities

Company – 2024	Notes	Fair value through profit or loss	Amortised cost	Total
Non-current liabilities				
Other financial liabilities	7	160,109,669	-	160,109,669
Current liabilities				
Trade and other payables		-	292,489	292,489
		160,109,669	**292,489**	**160,402,158**

Capital risk management

The Company’s objective when managing capital (which includes stated capital, other financial liabilities, 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 meet and 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.

Financial instruments and risk management continued...

Prior to declaring any dividends, the Company conducts solvency and liquidity tests to ensure compliance. Furthermore, the company ensures a minimum solvency ratio of 1:1 at all times. Additionally, the Company maintains sufficient capital reserves to cover a minimum of six months' worth of operational expenses.

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)

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 and 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. Refer to Note 5.

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

2024	Note	Gross carrying amount	Credit loss allowance	Amortised cost
Financial instrument				
Cash and cash equivalents	5	1,509,098	-	1,509,098
Trade and other receivables		343,502	-	343,502
		1,852,600	**-**	**1,852,600**

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.

Financial instruments and risk management continued...

The Class A preference shares liability is an estimation based on discounted future cash flows as per P50 model (refer to note 3 and 7). 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. Given the nature of the Preference share subscription agreement, dividends cannot be paid in excess of dividends received, therefore the core business model does not expose the entity to liquidity risk.

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.

2024	**Notes**	**Less than 1 year**	**2 - 5 years**	**More than 5 years**	**Total cash flows**	**Carrying amount**
			R	**R**	**R**	**R**
Non-current liabilities						
Other financial liabilties	7	40,192,238	70,744,485	225,587,317	336,524,039	160,109,669
Current liabilities						
Trade and other payables		292,488	-	-	292,488	292,488
		40,484,726	**70,744,485**	**225,587,317**	**336,816,527**	**160,402,157**

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. Please refer to note 3 and note 7.