PKF Cape Town

chartered accountants
& business advisers

Gaia Renewables 1 Limited

(Registration Number 2020/113877/06)
Annual Separate Financial Statements
for the year ended 28 February 2023

These annual separate financial statements were compiled by:
The Office in Stellenbosch Proprietary Limited
Chartered Accountant (SA)

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

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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
Holding entity	Gaia Fund Managers Proprietary Limited
Registered Office	8 Helderberg Street Stellenbosch Central Stellenbosch 7600
Business Address	Workshop17 Snakepit Building 146 Campground Road Newlands Cape Town 7700
Postal Address	PO Box 12700 Die Boord Stellenbosch 7613
Bankers	First National Bank
Tax Number	9364031204
Level of Assurance	These annual separate financial statements have been audited in compliance with the applicable requirements of the Companies Act, 71 of 2008.
Auditors	PKF Cape Town 14 Papegaai Street 7600

General Information

Company Secretary	Ilzemarie Knoetze (The Office in Stellenbosch Proprietary Limited) 8 Helderberg Street Stellenbosch Central Stellenbosch 7600
Preparer	The Office in Stellenbosch Proprietary Limited 8 Helderberg Street Stellenbosch Central Stellenbosch 7600
Legal Advisors	White & Case LLP
Issued	31 May 2023
ISIN	ZAE400000101

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 2023 (FY23). 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
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 2024 financial year at the Annual General Meeting scheduled for 27 September 2023. The Committee met three times during the past financial year.

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 Regulation 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;

Audit and Risk Committee Report for the year under review

- 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 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, 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 2023 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 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 28 February 2023 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 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 performed fairly reflect the fair value of the investments of the Company.

<u>External audit</u>

The Audit and Risk Committee nominated PKF Cape Town as the external auditor for the Company for the financial year ended 28 February 2023 and their appointment complies with the Companies Act, 71 of 2008 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, PKF Cape Town 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 entity 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 entity.

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 entity.

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.

Following the 2023 audit, PKF Cape Town 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 in Stellenbosch Proprietary Limited ("OS") 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 management report from the external audit on such matters and is satisfied that the report confirm the adequacy and effectiveness of the 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 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 2023 audit, being: valuation of investment in subsidiary - TCWF Investments SPV (RF) Proprietary Limited and the valuation of other financial liability - Class A Preference shares.

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

On behalf of the Audit and Risk Committee

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Retha Meyer

Audit and Risk Committee Chairperson

31 May 2023

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 financial year. The external auditors are engaged to express an independent opinion on the annual separate financial statements. 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 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 separate financial statements. The separate 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 44 which have been prepared on the going concern basis, were approved by the directors and were signed on 31 May 2023 on their behalf by:

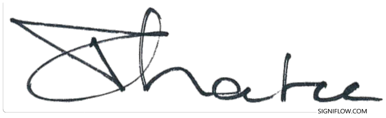
MM Nieuwoudt

RC de Wit

Place of signature: Cape Town
Date of signature: 31 May 2023

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, 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 2023 and that the returns are true, correct and up to date.



The Office in Stellenbosch Proprietary Limited
Per: Ilzemarie Knoetze
Company Secretary
31 May 2023

Directors' Report

The directors submit their report on the annual separate financial statements of Gaia Renewables 1 Limited for the year ended 28 February 2023.

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 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 year ended 28 February 2023 of R3,082,993 (2022: loss of R637,327).

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 inflow of R320 693 for the year ended 28 February 2023 (2022 outflow: R9 739). 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 share capital

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

4. Dividends

An interim dividend of R0.22 (2022: R0.77) per Ordinary share was approved and an interim dividend of R14.32 (2022: R49.80) per Class A Preference Share were approved by the directors on 13 April 2022 in South Africa currency. A final dividend of R0.16 (2022: R0.31) per Ordinary share was approved and a final dividend of R10.58 (2022: R20.04) per Class A Preference Share were approved by the directors on 16 September 2022 in South Africa currency. Dividends were paid on 3 May 2022 and 3 October 2022, respectively, to shareholders registered in the company's register at the close of business on the declaration date.

After year end a dividend of R0.10 per Ordinary share was approved and a dividend of R6.77 per Class A Preference Share was approved by the directors on 17 March 2023 in South Africa currency. Dividends were paid on 3 April 2023 to shareholders registered in the company's register at the close of business on the declaration date.

5. Directors

There have been no changes to the directorate for the period under review.

Directors' Report

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

Directors	Designation
RC de Wit	Executive Director
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

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.

After year end a dividend of R0.10 per Ordinary share was approved and a dividend of R6.77 per Class A Preference Share was approved by the directors on 17 March 2023 in South Africa currency. Dividends were paid on 3 April 2023 to shareholders registered in the company's register at the close of business on the declaration date.

The directors are not aware of any other 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.

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 designated secretary is Ilzemarie Knoetze (The Office in Stellenbosch Proprietary Limited).

Postal address
PO Box 12700
Die Boord
7613

Directors' Report

Business address
8 Helderberg Street
Stellenbosch Central
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9. Holding entity

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

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

	Holding
Gaia Fund Managers Proprietary Limited	100.00%

10. Interest in subsidiaries

The company holds 100% (2022: 100%) interest in TCWF Investment SPV (RF) Proprietary Limited during the year under review. Details of the company's interests in subsidiaries are presented in the annual separate financial statements in note 3.

11. Liquidity and solvency

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

12. Independent Auditors

PKF Cape Town were appointed as auditors for the company for the financial year 2023, in accordance with section 90(6) of the 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 accounting policy 1.2 of the annual separate financial statements for further details on the consolidation exemption.

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Independent Auditor's Report

To the Shareholders 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 17 to 44, which comprise the separate statement of financial position as at 28 February 2023, separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and 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 2023, and its separate financial performance and separate 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 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 Power Purchase Agreement with Eskom in 2036. Therefore, the forecast of the cash flows is a significant assumption impacting the valuation of the 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.

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Partners: FE Wesson - MJ Strydom - JH Kotze - M Louw - M Oosthuizen - I Steinmann - J Lochner - CH Eales - PL van der Ahee

Refer to Note 3, Investment in subsidiary, and Note 6, Other financial liabilities on how the key audit matter was identified in the valuation of these financial instruments.	• 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 Power 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 2023", which includes the Audit and Risk Committee Report, Certificate by the Company Secretary, Directors' Report and the Report of the Compiler, as required by the Companies Act 71 of 2008 and a document titled “Gaia Renewables 1 Limited Integrated Annual Report 2023”. The Gaia Renewables 1 Limited Integrated Annual Report 2023 is expected to be made available to us after the date of this auditor’s report. 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. The other information does not include the separate financial statements and our auditor's report thereon.

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 the 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 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 ISA’s 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 ISAs, 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 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 1 Limited for one year.

PKF Cape Town

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PKF Cape Town
PL van der Ahee
Partner
Registered Auditor

31 May 2023
STELLENBOSCH

The Office
Member of the SFO Group

Report of the Compiler

To the Directors of Gaia Renewables 1 Limited

We have compiled the accompanying annual separate financial statements of Gaia Renewables 1 Limited based on information you have provided. These annual separate financial statements comprise the statement of financial position as at 28 February 2023, 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 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 May 2023**

Per: Eldine Malan
Chartered Accountant CA (SA)

8 Helderberg Street
Stellenbosch Central
Stellenbosch
7600

Statement of Financial Position

Figures in R	Notes	2023	2022
Assets			
Non-current assets			
Investment in subsidiary	3	135,485,793	131,404,135
Current assets			
Cash and cash equivalents	4	664,759	344,166
Current tax assets		-	2
Total current assets		**664,759**	**344,168**
Total assets		**136,150,552**	**131,748,303**
Equity and liabilities			
Equity			
Issued capital	5	100	100
Retained income		4,129,739	1,816,746
Total equity		**4,129,839**	**1,816,846**
Liabilities			
Non-current liabilities			
Other financial liabilities	6	131,992,399	129,927,981
Current liabilities			
Trade and other payables	7	27,420	3,376
Current tax liabilities		894	-
Loan from subsidiary	8	-	100
Total current liabilities		**28,314**	**3,476**
Total liabilities		**132,020,713**	**129,931,457**
Total equity and liabilities		**136,150,552**	**131,748,303**

Statement of Profit or Loss and Other Comprehensive Income

Figures in R	Notes	2023	2022
Revenue	9	27,799,092	74,149,786
Administrative expenses	10	(398,599)	(281,846)
Other expenses	11	(1,467,932)	(1,933,553)
Other gains and (losses)	12	2,017,240	(2,793,315)
Profit from operating activities		**27,949,801**	**69,141,072**
Investment income	13	44,929	84,576
Finance costs	14	(24,900,000)	(69,840,000)
Profit / (loss) before tax		**3,094,730**	**(614,352)**
Income tax expense	15	(11,737)	(22,975)
Profit / (loss) for the year		**3,082,993**	**(637,327)**

Statement of Changes in Equity

Figures in R	Issued capital	Retained income	Total
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)
Dividends recognised as distributions to holding entity	-	(2,160,004)	(2,160,004)
Balance at 28 February 2022	**100**	**1,816,746**	**1,816,846**
Balance at 1 March 2022	100	1,816,746	1,816,846
Changes in equity			
Profit for the year	-	3,082,993	3,082,993
Total comprehensive income for the year	-	3,082,993	3,082,993
Dividends recognised as distributions to holding entity	-	(770,000)	(770,000)
Balance at 28 February 2023	**100**	**4,129,739**	**4,129,839**
Note	**5**		

Statement of Cash Flows

Figures in R	Notes	2023	2022
Net cash flows used in operations	19	**(1,842,487)**	**(2,220,552)**
Dividends paid	20	(770,000)	(2,160,004)
Dividends received	9	27,799,092	74,149,786
Interest paid	14	(24,900,000)	(69,840,000)
Interest received	13	44,929	84,576
Income taxes paid	21	(10,841)	(23,545)
Net cash flows from / (used in) operating activities		**320,693**	**(9,739)**
Net cash flows used in financing activities			
Repayment of loan		(100)	-
Net cash flows used in financing activities		**(100)**	**-**
Net increase / (decrease) in cash and cash equivalents		**320,593**	**(9,739)**
Cash and cash equivalents at beginning of the year		344,166	353,905
Cash and cash equivalents at end of the year	**4**	**664,759**	**344,166**

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 Proprietary Limited 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 (RF) Proprietary Limited, acquired its first indirect interest in an infrastructure project via the financing of RE Times (RF) Proprietary Limited's acquisition of a 16% interest in the Tsitsikamma Community Wind Farm (RF) Proprietary Limited ("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 Limited ("Eskom"), backed by an explicit National Treasury-backed guarantee.

1.1 Basis of preparation and summary of significant 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. These accounting policies are consistent with the previous period. 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.

Significant judgements and sources of estimation uncertainty

The preparation of annual separate 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 annual separate financial statements, are outlined as follows:

- Fair value measurement
- Classification of financial liability
- Classification of investment in subsidiary (Refer to 1.2 Consolidation)

Accounting Policies

General information continued...

The company assessed that the financial asset is categorised as a financial asset 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 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 (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.

Refer to notes 3 and 6 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 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.

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.

Accounting Policies

General information continued...

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.

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 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
- 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 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.

1.3 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.

Accounting Policies

General information continued...

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.

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. 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. The company manages financial assets and liabilities on the basis of its net exposure to market risks and credit risk, and therefor offsets the fair value adjustments in the Statement of Profit or Loss and Other Comprehensive Income.

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.

Accounting Policies

General information continued...

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 6.

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 7) 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 6). The company manages financial assets and liabilities on the basis of its net exposure to market risks and credit risk, and therefor offsets the fair value adjustments in the Statement of Profit or Loss and Other Comprehensive Income.

Expected credit losses

The expected credit loss (ECL) model applies to financial assets measured at amortised cost, for example 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.

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.

Credit risk

Details of the credit risk of financial assets are included in the financial instruments and risk management note (note 22).

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.

Accounting Policies

General information continued...

Cash and cash equivalents

Cash and cash equivalents are initially stated at carrying amount, which is deemed to be fair value, and subsequently carried at amortised cost which is deemed to be fair value. Cash and cash equivalents includes cash on hand and deposits held at call.

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.

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).

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.

Accounting Policies

General information continued...

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 on the ordinary shares declared are recognised in equity.

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. Dividend income is not within the scope of IFRS 15, however, because it is income in the ordinary course of the entity's business, it is presented as dividend revenue, which is separately disclosed from revenue from contracts with customers.

Dividend income 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.

1.7 Investment income

Interest is recognised, in profit or loss, using the effective interest method.

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 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	2023	2022

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, there are no new standards and interpretations that are effective for the current financial year and that are relevant to its operations.

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 2023 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
IAS 8: Change in the definition of accounting estimates	Years beginning on or after 1 January 2023	Unlikely there will be a material impact
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	Years beginning on or after 1 January 2023	Unlikely there will be a material impact

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

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 2023	% holding 2022	Fair value 2023	Fair value 2022
TCWF Investments SPV (RF) Proprietary Limited	South Africa	Investment activities	100%	100%	135,485,793	131,404,135

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. During the current year, there were no impairments of investments in the company (2022: Rnil). The subsidiary is incorporated in South Africa and shares the year-end of the
company.

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) 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 Agreement. There are no restrictions on the transfer of funds in the form of cash dividends.

Fair value information of investment in subsidiary

Gaia Renewables 1 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. The investment in TCWF Investments SPV (RF) Proprietary Limited is measured at fair value on a stand alone basis and Gaia Renewables 1 Limited uses sum-of-the-parts valuation method to measure fair value in its investment in TCWF Investments SPV (RF) Proprietary Limited.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

Investment in subsidiary continued...

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 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) Proprietary Limited 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.

As at 28 February 2023, the fair value measurement of shares held by the Company in TCWF Investments SPV (RF) Proprietary Limited is categorised into Level 3.

Assumptions

Discount rate	15.39% (2022: 15.72%)	The investment in subsidiary is valued on a real basis, as such the real rate of 10.42% (2022: 10.42%) was used plus 4.5% (2022: 4.8%) forecasted long-term 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.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

Investment in subsidiary continued...

Reconciliation of assets measured at level 3

2023	Opening balance	Fair value through profit/(loss)	Closing balance
Assets			
Financial assets at fair value through profit/(loss)			
Investment in subsidiary	131,404,135	4,081,658	135,485,793
			135,485,793

2022	Opening balance	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

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) Proprietary Limited Discounted cash flow	Discount rate	15.39%	The estimated fair value would increase if the discount rate decreased.	7,575,703	(8,780,561)

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.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

4. Cash and cash equivalents

Cash and cash equivalents included in current assets:

	2023	2022
Cash		
Bank balances	664,759	344,166

5. 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

	2023	2022
Issued		
2 000 000 Ordinary no par value shares	100	100

	2023	2022
Reconciliation of number of shares issued:		
Reported at 1 March	2,000,000	2,000,000
Closing balance as at 28 February	**2,000,000**	**2,000,000**

Refer to note 6 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 Proprietary Limited).

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.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022
6. Other financial liabilities		
6.1 Other financial liabilities comprise:		
1 000 000 Class A Preference shares	131,992,399	129,927,981
Non-current portion of other financial liabilities	131,992,399	129,927,981
	131,992,399	**129,927,981**

6.2 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 sum- 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 entity can access at measurement date. 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 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 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 discounted cash flow model;
- Assessment and determination of the expected cash flows (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.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

Other financial liabilities continued...

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 2023, the fair value measurement of the preference shares is categorised into Level 3.

Assumptions

Discount rate	13.80% (2022: 14.13%)	The other financial liability is valued on a real basis, as such the real rate of 8.9% (2022: 8.9%) was used plus 4.5% (2022: 4.8%) forecasted long-term 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 liabilities measured at level 3

2023	Opening balance	Fair value through profit/(loss)	Closing balance
Liabilities			
Financial liabilities at fair value through profit/(loss)			
Other financial liabilities	129,927,981	2,064,418	131,992,399
			131,992,399

2022	Opening balance	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

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.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

Other financial liabilities continued...

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	13.80%	The estimated fair value would increase if the discount rate decreased.	9,151,435	(8,273,101)

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.

Risk exposure:

The company's liability in preference shares exposes it to financial risks. Please refer to note 22 Financial instruments and risk management for detailed information on the company's risk exposure and the processes and policies implemented to mitigate these risks.

7. Trade and other payables

Trade and other payables comprise:

	2023	2022
Trade creditors	27,420	3,376

8. Loan from group company

Loan from group company comprises:

	2023	2022
TCWF Investments SPV (RF) Proprietary Limited	-	100

The loan is unsecured, bears interest as agreed upon from time to time and was repaid in full during the year.

9. Revenue

Revenue comprises:

	2023	2022
Dividends received from subsidiary	27,799,092	74,149,786

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

10. Administrative expenses

Administrative expenses comprise:

Accounting fees	203,934	69,000
Auditors remuneration - Fees	189,175	207,000
Bank charges	2,040	1,846
Secretarial fees	3,450	4,000
Total administrative expenses	**398,599**	**281,846**

11. Other expenses

Other expenses comprise:

Professional fees	1,467,932	1,933,553

12. Other gains and (losses)

Other gains and (losses) comprise:

Fair value gains and (losses) on assets	4,081,658	(65,490,573)
Fair value gains and (losses) on liabilities	(2,064,418)	62,697,258
Total other gains and (losses)	**2,017,240**	**(2,793,315)**

13. Investment income

Investment income comprises:

Interest received - Bank	44,929	84,576

14. Finance costs

Finance costs included in profit or loss:

Class A Preference Shares	24,900,000	69,840,000

Preference dividends:

The company paid dividends on the preference shares (classified as financial liabilities). These dividends are disclosed as finance costs in accordance with IFRS 9 of the International Financial Reporting Standards.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

15. Income tax expense

15.1 Major components of the tax expense:

Current tax		
Current year	11,737	22,975
Deferred tax		
Deferred tax	-	-
Total income tax expense	**11,737**	**22,975**

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

Profit / (loss) before tax from operations	3,094,730	(614,352)
Income tax calculated at 28.0%	866,524	(172,019)
Tax effect of		
- Exempt income	(7,783,746)	(20,761,940)
- Non-deductible expenses	521,786	619,605
- Fair value adjustments	(564,827)	782,128
- Other financial liabilities: dividend	6,972,000	19,555,200
Tax charge	**11,737**	**22,975**

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.

16. Related parties

16.1 Relationships

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

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

Related parties continued...

16.2 Related party transactions and balances

	Holding company	Subsidiary	Total
Year ended 28 February 2023			
Related party transactions			
Dividend received	-	27,799,092	**27,799,092**
Dividends paid	770,000	-	**770,000**
Professional fees paid	1,194,849	-	**1,194,849**
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**

17. Directors remuneration

	2023				
	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	-	1,303,207	-	-	1,303,207
MM Nieuwoudt	-	2,245,778	-	-	2,245,778
RC de Wit	-	562,805	-	-	562,805
	-	4,111,791	-	-	4,111,791
Non-executive					
ALC Olivier	-	-	-	30,000	30,000
L Kotze	-	-	-	40,000	40,000
R Meyer	-	-	-	40,000	40,000
	-	-	-	110,000	110,000

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

Directors remuneration continued...

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

18. Events after the 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.

After year end a dividend of R0.10 per Ordinary share was approved and a dividend of R6.77 per Class A Preference Share were approved by the directors on 17 March 2023 in South Africa currency. Dividends were paid on 3 April 2023 to shareholders registered in the company's register at the close of business on the declaration date.

The directors are not aware of any other 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.

19. Cash flows from operating activities

	2023	2022
Profit/(Loss) before tax	**3,094,730**	**(614,352)**
Adjustments for:		
Interest received	(44,929)	(84,576)
Dividends received	(27,799,092)	(74,149,786)
Finance costs	24,900,000	69,840,000
Fair value gains and losses	(2,017,240)	2,793,315
Change in operating assets and liabilities:		
Adjustments for increase / (decrease) in trade accounts payable	24,044	(5,153)
Net cash flows from operations	**(1,842,487)**	**(2,220,552)**

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

20. Dividends paid

An interim dividend of R0.22 (2022: R0.77) per Ordinary share was approved and an interim dividend of R14.32 (2022: R49.80) per Class A Preference Share were approved by the directors on 13 April 2022 in South Africa currency. A final dividend of R0.16 (2022: R0.31) per Ordinary share was approved and a final dividend of R10.58 (2022: R20.04) per Class A Preference Share were approved by the directors on 16 September 2022 in South Africa currency. Dividends were paid on 3 May 2022 and 3 October 2022, respectively, to shareholders registered in the company's register at the close of business on the declaration date.

Please refer to note 18 for dividends declared after year end.

Dividends paid are calculated as follows:

	2023	2022
Dividends declared and paid	(770,000)	(2,160,004)

21. Income tax paid

Income tax paid

	2023	2022
Amounts receivable / (payable) at the beginning of the year	2	(568)
Amounts (receivable) / payable at the end of the year	894	(2)
Taxation expense (credit)	(11,737)	(22,975)
	(10,841)	(23,545)

22. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Company – 2023	Notes	Fair value through profit or loss	Amortised cost	Total
Non-current assets				
Investment in subsidiary	3	135,485,793	-	135,485,793
Current assets				
Cash and cash equivalents	4	-	664,759	664,759
		135,485,793	664,759	136,150,552

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

Financial instruments and risk management continued...

Categories of financial liabilities

Company – 2023	Notes	Fair value through profit or loss	Amortised cost	Total
Non-current liabilities				
Other financial liabilities	6	131,992,399	-	131,992,399
Current liabilities				
Trade and other payables	7	-	27,420	27,420
		131,992,399	27,420	132,019,819

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	6	129,927,981	-	129,927,981
Current liabilities				
Trade and other payables	7	-	3,377	3,377
Loan from subsidiary	8	-	100	100
		129,927,981	3,477	129,931,458

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 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.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

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 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.

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

2023	Note	Gross carrying amount	Credit loss allowance	Amortised cost
Financial instrument				
Cash and cash equivalents	4	664,759	-	664,759
		664,759	-	664,759

Financial instrument

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

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.

Notes to the Annual Separate Financial Statements

Figures in R	2023	2022

Financial instruments and risk management continued...

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 analyzes 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.

2023	Notes	Less than 1 year	2 - 5 years	More than 5 years	Total cash flows	Carrying amount
		R	R	R	R	R
Non-current liabilities						
Other financial liability	6	16,404,398	43,237,264	351,604,411	411,246,074	131,922,399
Current liabilities						
Trade and other payables		27,420	-	-	27,420	27,420
		16,431,818	43,237,264	351,604,411	411,273,494	131,949,819

2022	Notes	Less than 1 year	2 - 5 years	More than 5 years	Total cash flows	Carrying amount
		R	R	R	R	R
Non-current liabilities						
Other financial liability	6	24,897,556	53,366,733	330,732,879	408,997,168	129,927,981
Current liabilities						
Trade and other payables		3,377	-	-	3,377	3,377
		24,900,933	53,366,733	330,732,879	409,000,545	129,931,358

Comparative figures

The maturity analysis of the other financial liabilities for the comparative figures have been disclosed in this note, as management is of the opinion that this disclosure will give the users of the annual separate financial statements a fair presentation. The disclosure have no effect on the figures disclosed for the other financial liabilities in the Statement of Financial Position.

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.

Financial instruments and risk management continued...

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 6.