

INTEGRATED ANNUAL  
REPORT 2018



# Scope of report

GAIA Infrastructure Capital Limited ("GAIA" or "the Company") is pleased to present its 2018 Integrated Annual Report to all its stakeholders. This Integrated Annual Report aims to present a balanced review of the business to date and describes how the Company aims to create sustainable value for its stakeholders.

The Integrated Annual Report covers the 12-month financial period from 1 March 2017 to 28 February 2018, the Company's financial year-end.

## BASIS OF PREPARATION

This report has been prepared in terms of:

- ▶ International Financial Reporting Standards ("IFRS");
- ▶ Companies Act of South Africa, No 71 of 2008, as amended ("Companies Act");
- ▶ JSE Listings Requirements;
- ▶ King Code of Governance of Corporate Principles for South Africa ("King IV"); and
- ▶ Consideration of certain principles contained in the International Integrated Reporting Council's Integrated Reporting Framework.

The King IV Application Register detailing the application of the King IV principles is included on the Company's website.

## INTEGRATED REPORTING

GAIA aims to adopt the guidelines outlined in the International Integrated Reporting Council's Framework as appropriate in the future. In line with the framework, the Integrated Annual Report includes all such information about matters that materially affect the Company's ability to create and sustain value over the short, medium and long term.

## ASSURANCE

This Integrated Annual Report has been reviewed and approved by the Board of Directors. The Integrated Annual Report has been signed on behalf of the Board by the Chairman, Mr KE Mbalo and the Chief Executive Officer, Ms KP Lebina.

The Company's external auditor, Deloitte, has expressed an unqualified audit opinion on the annual financial statements. Their report to shareholders of GAIA is on page 55.

The annual financial statements have been prepared under the supervision of Ms KP Lebina CA(SA), the Interim Finance Director of GAIA.

## FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements that involve inherent risks and uncertainties. If one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be different from those anticipated.

Words such as believe, anticipate, intend, seek, will, plan, could, may, endeavour, project and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements apply only as of the date on which they are made. GAIA does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

## STATEMENT OF RESPONSIBILITY

The Board acknowledges its responsibility to ensure the integrity of this Integrated Annual Report. The Directors confirm that they have collectively assessed the content of the Integrated Annual Report and believe that it addresses material issues and is a fair representation of the performance of the Company. The Board has therefore approved the Integrated Annual Report 2018.



**Eddie Mbalo**  
Non-Executive Chairman



**Prudence Lebina**  
Chief Executive Officer



For additional contact details, please see the inside back cover. GAIA welcomes feedback and any suggestions for the Company's future reports.

Please forward any comments to:  
Tel: +27 (0) 11 684 1230  
Email: [info@gaia-ic.com](mailto:info@gaia-ic.com)



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## About GAIA

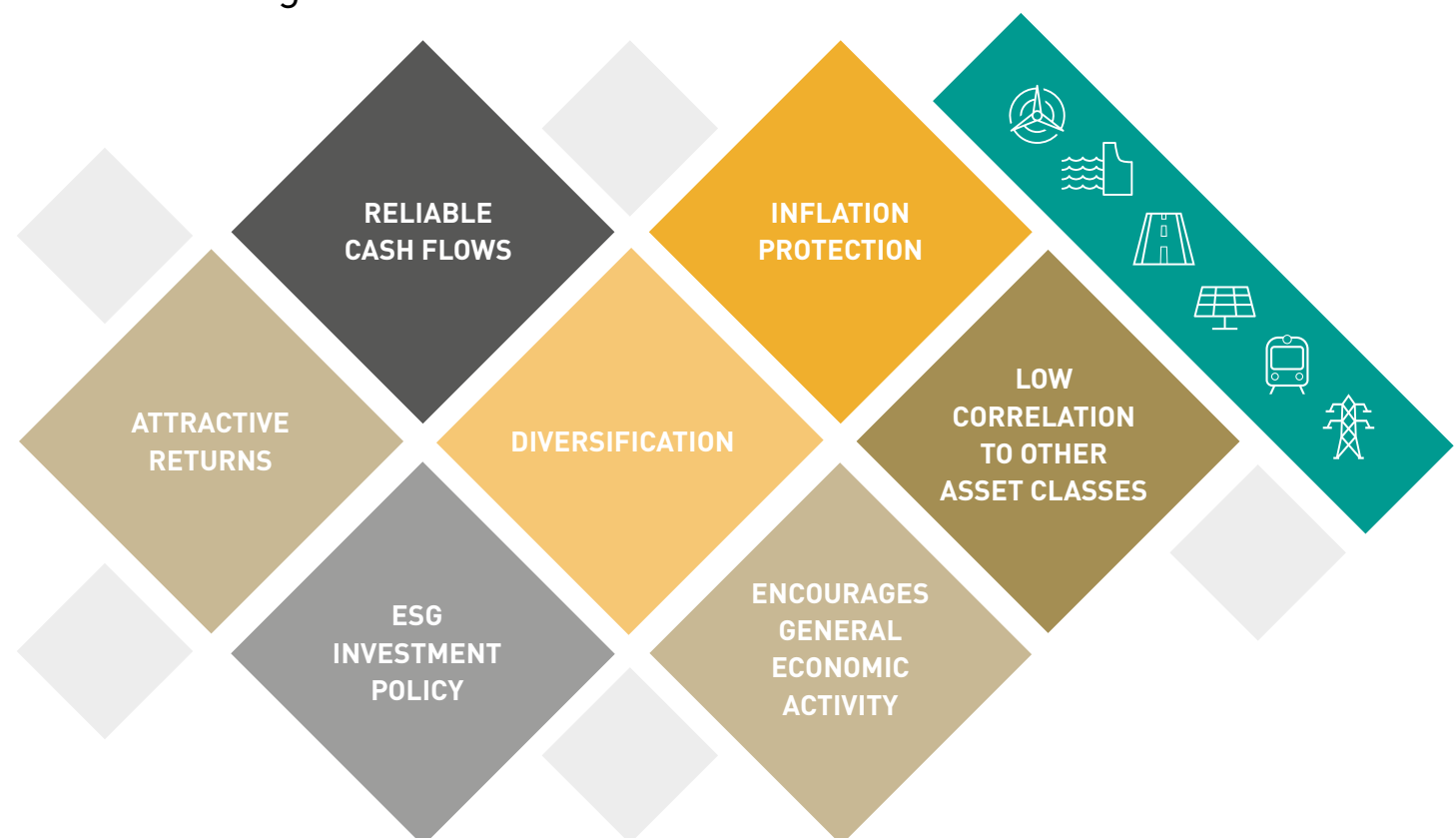
GAIA is an infrastructure investment holding company listed on the Main Board of the JSE. The Company's investment mandate is to invest in Southern African, diversified large-scale energy, transport and water and sanitation infrastructure assets with low risk, uncorrelated inflation-linked cash flows.

GAIA transferred to the Investment Services sector of the JSE in January 2017 after completing the acquisition of an effective see-through economic interest of 25.2% in Dorper Wind Farm.

GAIA invests in operational and/or near operational infrastructure assets offering a target investment return of CPI +6% before fees. GAIA's objective is to provide investors with an uncorrelated, predictable, inflation-linked and long-term yielding investment whilst providing investors with liquidity for their investments. The Company provides an opportunity to the savings industry to match their long-term capital with cash income streams. GAIA will continue to focus on making investments in various infrastructure projects through equity and debt instruments that meet the required returns.

GAIA has appointed GAIA Infrastructure Partners (Pty) Limited ("ManCo") as its exclusive investment manager to manage its investment portfolio in accordance with Section 15 of the JSE Listings Requirements. The relationship between GAIA and ManCo is governed by a shareholder approved management agreement. In terms of the management agreement, ManCo acts on behalf of GAIA in sourcing, negotiating, concluding and executing investment opportunities for the Company. All investment decisions require the approval of the Board. GAIA's Board ensures all investments achieve optimum results in their endeavour to deliver on the Company's overall long-term objectives.

## Investing in infrastructure





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## STRATEGIC OVERVIEW

## Salient features 2018



Headline earnings  
per share  
**up 19.5%** to  
78.4 cents per share



Total revenue up  
15.5% to  
**R62.0 million**



Tangible net asset  
value per share at  
**R10.56**  
pre-final dividend  
declaration



Net cash of  
**R26.7 million**

Maintenance of an inflationary increase in  
dividends to shareholders with a final cash  
dividend declaration of **42.0 cents** per share

Second investment concluded in the  
year under review:  
**the Noblesfontein Transaction**

Transition from Special Purpose Acquisition  
Company to fully fledged **investment  
holding company**

Strong pipeline of new  
investment opportunities **yielding above  
target investment return**

**5.3% inflationary dividend growth**

Gross assets under management growth from  
**R503.9 million to R763.7 million**

## Investment case

### A COMPELLING INVESTMENT CASE

Real asset class with  
uncorrelated and predictable  
inflation-linked returns



Developing a **diversified portfolio**  
of operating assets

**Low risk**, uncorrelated investment with  
predictable inflation-linked cash flows

Target investment return of  
at least **CPI +6.0%\***

*\* Before costs over contract term.*

**Target predictable and stable**  
dividend policy linked to inflation

**Strong management team** with  
infrastructure experience and dealmaking  
track record

**Significant pipeline** of  
exclusive value accretive  
infrastructure assets

# Investment Policy

## INVESTMENT POLICY

GAIA's Investment Policy is to invest in large-scale infrastructure assets in Southern Africa's energy, transport and water and sanitation sectors. Investments have to meet the following criteria:

- ▶ Investments with a targeted return of CPI +6% – before costs over the term of the offtake agreement (or concession).
- ▶ Investments in operational or near operational projects – the latter being projects not more than six months from commercial operation.
- ▶ Investments with visible environmental, social and governance policy appreciation.
- ▶ Investments with low investment risk and inflation-linked, predictable long-term cash generation profiles.
- ▶ Investments of not less than R50 000 000 (fifty million Rand) per investment.
- ▶ Investments into ordinary equity or any other financial instruments, whether directly or indirectly, giving economic benefits and returns that are expected to meet the target investment returns, and the realisation thereof.
- ▶ Investments with acceptable third-party credit risk exposure.

In addition, it's GAIA's objective to pursue value-adding management and directorship roles to optimise the potential of all underlying assets.

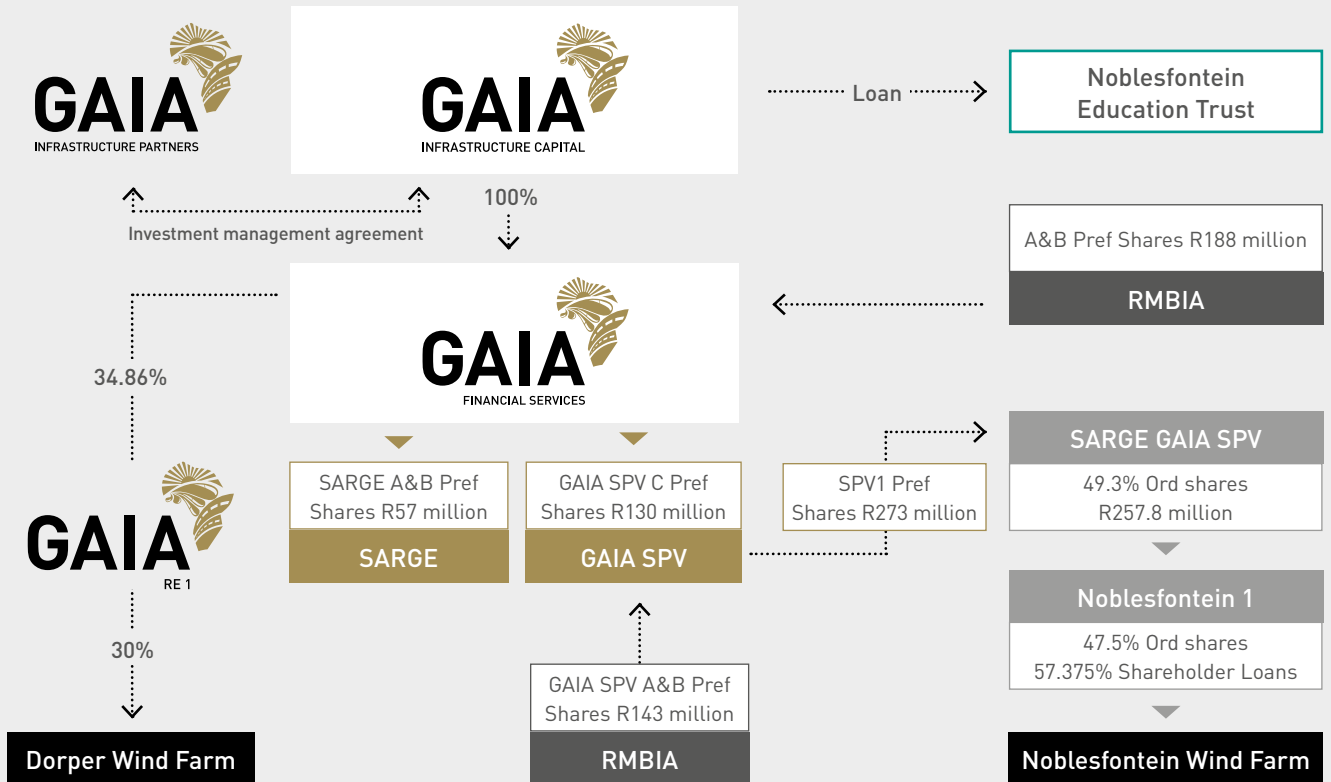
## SHAREHOLDER APPROVALS

- ▶ All transactions concluded in accordance with the Investment Policy will be regarded as being in the ordinary course of business, unless circumstances dictate otherwise.
- ▶ Shareholder approval will consequently not be required for non-related-party transactions (including for the avoidance of doubt the enforcement of provisions in agreements relating to such transactions) of any size to the extent such transactions entered in the ordinary course of business of GAIA.
- ▶ Shareholder approval will be required for related-party transactions in accordance with the thresholds and requirements for such approvals contained in the JSE's Listings Requirements, irrespective of whether such transactions are in the ordinary course of business or not.
- ▶ The JSE's Listings Requirements pertaining to shareholder approvals and communications will apply if any transaction is categorised as a reverse takeover in terms of the Listings Requirements.

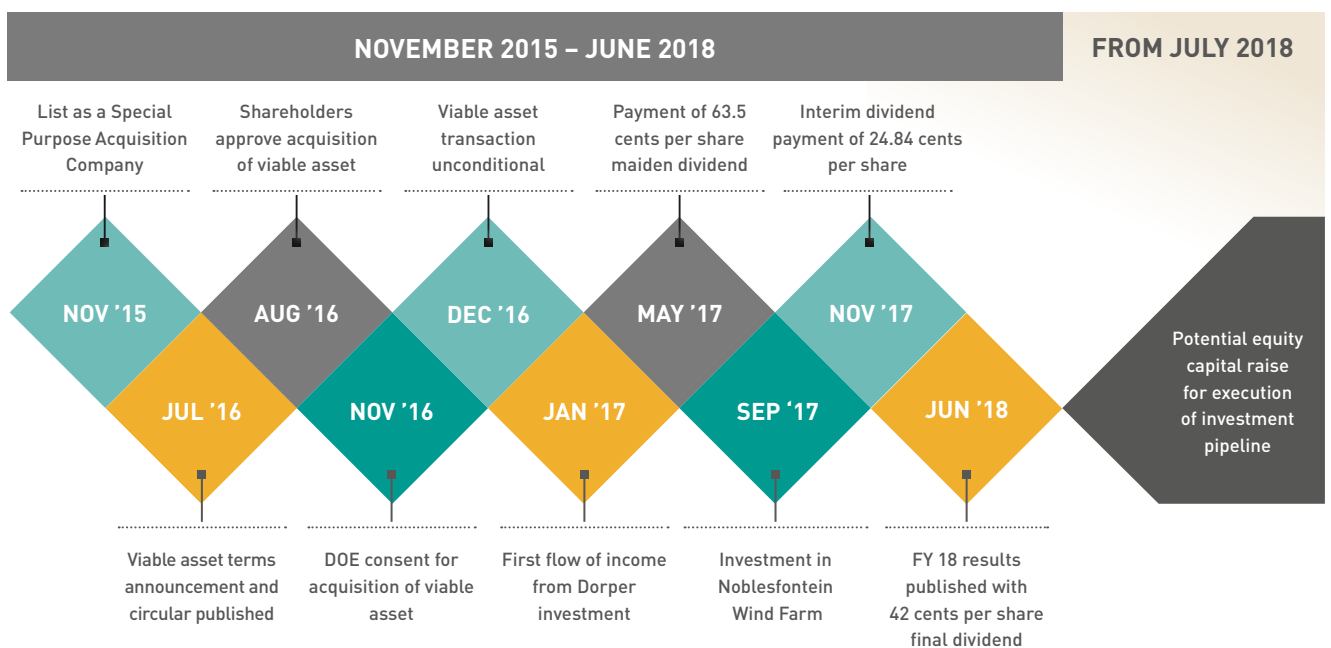
## COMMUNICATION OF TRANSACTIONS

- ▶ Communications with shareholders will be made in accordance with the JSE Listings Requirements, as applicable, in respect of all related-party transactions (including small related-party transactions) – irrespective of whether such transactions are in the ordinary course of business or not.
- ▶ Communications with shareholders will be made in accordance with the JSE Listings Requirements, as applicable, in respect of all non-related-party transactions, except that no circulars will be required for any size transaction as long as the requirements of paragraph 4.2 are met. For the avoidance of doubt it is recorded that in respect of transactions less than 10%, GAIA will consider the obligation of disclosure pursuant to paragraph 3.4(a) of the JSE Listings Requirements in the event that any transaction constitutes price sensitive information (applied individually or on a cumulative basis).
- ▶ Notwithstanding the above provisions, the information required to be disclosed for a prelisting statement must be provided if required by the JSE Listings Requirements; and the JSE Listings Requirements will apply if any transaction is categorised as a reverse take-over in terms of the JSE Listings Requirements.
- ▶ All transactions will be summarised for shareholders in the interim and final results announcements and in the Integrated Annual Report.

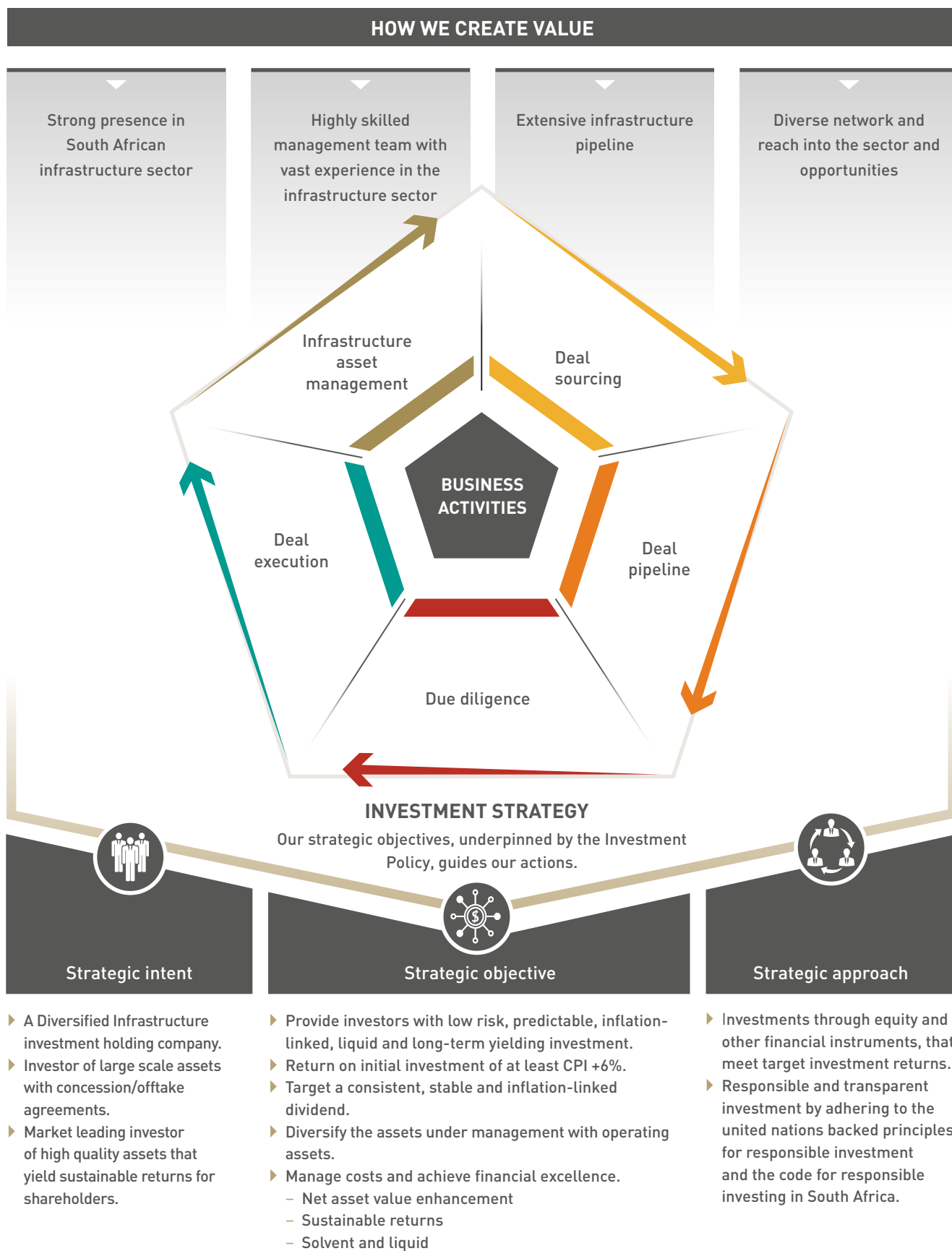
## Group structure



## How we got here



## Business model and strategy



## How we operate

The Board is responsible for GAIA's strategic objectives, business and investment strategies and overall supervision of the Company. The Board approves the terms and conditions of the management agreement with ManCo.



**Management**  
Operations and strategic  
formation and delivery

**Audit and Risk  
Committee**  
Integrity of financial  
statements and reporting  
process

**Board of Directors**  
Oversight of strategy and  
delivery

**Internal and External  
Audit**  
Objective assurance of  
risk and governance

## Stakeholder review

GAIA is committed to creating and maintaining inclusive, honest and mutually beneficial relationships and partnerships with all its stakeholders. The Company recognises the benefits of strong long-term relationships with its stakeholders and it is through engagement with stakeholders that the Company can shape its long-term direction. The stakeholders of our investee companies, providers of capital and Government are equally fundamental to GAIA's success and the Company is committed to ongoing engagement with all its stakeholders.

Stakeholder group	Our commitment	Stakeholder issues	How we engage
<b>Investors – present and future</b>	It is GAIA's primary responsibility to shareholders to deliver acceptable return on their investment. The Company is committed to timely and transparent communication through regular investor interaction.	<ul style="list-style-type: none"> <li>▶ Financial performance</li> <li>▶ Dividend Policy</li> <li>▶ Transparent disclosure</li> <li>▶ Management ability to deliver</li> <li>▶ Share price performance</li> <li>▶ Strategic intent</li> <li>▶ Asset quality, yields and valuation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Interim and annual results announcements and presentations</li> <li>▶ Website</li> <li>▶ Roadshows</li> <li>▶ Ad hoc meetings</li> <li>▶ Investor conferences</li> <li>▶ AGM</li> </ul>
<b>Local communities</b>	Ensuring the support and buy-in of local communities for GAIA's assets to ensure constructive long-term relationships to the mutual benefit of the communities, project companies and GAIA.	<ul style="list-style-type: none"> <li>▶ Environmental, social and governance impacts</li> <li>▶ Job creation</li> <li>▶ Enterprise and local economy development</li> <li>▶ Infrastructure development</li> </ul>	<ul style="list-style-type: none"> <li>▶ Investee company engages with local communities</li> </ul>
<b>Potential investee companies</b>	GAIA's performance is directly linked to the quality and performance of the underlying investee companies. GAIA prioritises cultivating mutually beneficial relationships with these companies.	<ul style="list-style-type: none"> <li>▶ Purchase consideration</li> <li>▶ Long-term support and technical input</li> <li>▶ Value adding relationships</li> <li>▶ Asset optimisation initiatives</li> </ul>	<ul style="list-style-type: none"> <li>▶ Board representation</li> <li>▶ One-on-one engagement</li> <li>▶ Management meetings</li> </ul>
<b>Government</b>	Large-scale infrastructure projects require Government commitment and strong partnerships with the private sector. GAIA's commitment to regular engagement with Government in order to ensure a strong relationship is also essential in effectively mitigating risk.	<ul style="list-style-type: none"> <li>▶ Regulatory compliance</li> <li>▶ B-BBEE</li> <li>▶ Payment of taxes</li> <li>▶ Social investment</li> <li>▶ Private sector and Government initiatives</li> </ul>	<ul style="list-style-type: none"> <li>▶ Regular meetings with relevant authorities</li> <li>▶ Monitoring regulatory changes</li> <li>▶ Timely submission of tax returns</li> </ul>
<b>Providers of capital</b>	GAIA's relationship with providers of capital is essential in ensuring the continued viability of the projects and return on investment to investors.	<ul style="list-style-type: none"> <li>▶ Ability to service debt</li> <li>▶ Solvency and liquidity</li> <li>▶ Going concern</li> <li>▶ Quality of underlying assets</li> <li>▶ Management ability to deliver</li> <li>▶ Investment returns and dividend yield</li> </ul>	<ul style="list-style-type: none"> <li>▶ Interim and annual results announcements and presentations</li> <li>▶ Website</li> <li>▶ Roadshows</li> <li>▶ Ad hoc meetings</li> </ul>
<b>Suppliers and partners</b>	GAIA's aim is to conduct business in an ethical, responsible and transparent manner.	<ul style="list-style-type: none"> <li>▶ Fair payment terms</li> <li>▶ Fair and ethical treatment</li> <li>▶ Sustainability</li> <li>▶ Preferential procurement</li> </ul>	<ul style="list-style-type: none"> <li>▶ Interaction in ordinary course of business</li> <li>▶ Contractual negotiations</li> <li>▶ Regular engagement</li> </ul>

## GAIA's stake in the Noblesfontein Wind Farm

Round 1 REIPPPP

Installed capacity of **73.8 MW**

**41 Vestas** V100 – **1.8 MW** turbines

Expected generation of **221 400 MWh** annually

Software upgrade increased turbine output to **2.0 MW**

Experienced **O&M** service provider



Since its R501 million acquisition of a 25.2% economic interest in Dorper Wind Farm in December 2016, GAIA has successfully taken its next step in pursuing investment in large-scale infrastructure assets in South Africa.

In September 2017, GAIA completed an acquisition of R188 million effective 20% economic interest in the Noblesfontein Wind Farm.

The Dorper and Noblesfontein acquisitions are part of round one of the Renewable Energy Independent Power Producers Procurement Programme ("REIPPPP") which was developed to encourage private investment to help further grow South Africa's renewable energy sector.

For GAIA, the Noblesfontein Transaction further demonstrates the Company's ability to identify and conclude investments in infrastructure assets that meet its investment criteria.

These criteria include investments greater than R50 million per investment within southern Africa; and investments with a capacity to generate a return of CPI +6% (before costs) over the term of the offtake agreement (or concession). Ultimately, the main investment driver for GAIA is low investment risk combined with inflation-linked, predictable long-term cash generation profiles.

Noblesfontein, situated 25 km from Victoria West in the Northern Cape (and at the highest point between Cape Town and Johannesburg), has an installed capacity of 73.8 MW with 41 Vestas V100 turbines, each generating 1.8 MW – amounting to an expected generation of 221 400 MWh annually. Vestas, considered a leader in the wind industry, is the maintenance service provider contracted to provide maintenance services for the life of the asset. The erection of the wind turbines and completion of the wind farm was achieved in 2014.

The available energy that can be harvested at Noblesfontein is a testament to the quality of the wind resource – which is consistent and of a quality measured against its capacity factor of c.35.8% (with a number above c.25% considered economically viable).

Now in its fourth year of operation, the various assumptions associated with renewable energy projects (including that they pose risk in the initial stages) have been overcome and performance of the Noblesfontein asset has been confirmed as accurate and representative of projected long-term outcomes.



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## ANNUAL PERFORMANCE REVIEW

## Chairman's letter



**Eddie Mbalo**  
*Chairman*

“ The winds of change have recently been blowing in South Africa – following on the changes in the leadership of the ruling party and with a new president of the country and his “New Dawn”, comes new hope across all major sectors and industries. Initially the markets responded positively, the Rand strengthened against the major currencies, and there appears to be greater enthusiasm amongst local and international investors.

”

Much of the positive impact is due to the president's promise of an economic recovery plan that would take on key socio-economic challenges such as restoring business confidence; instilling Government expenditure discipline; revitalising transformation policies; reforming governance structures and financial performance of state owned enterprises (“SOEs”) and tackling corruption that has infested public and private entities in South Africa. A “New Dawn” signalling change, accountability, transparency and economic prosperity for all citizens of our country. GAIA welcomes Government's recommitment to regulatory clarity considering investors were bypassing South Africa and looking elsewhere on the continent for investment opportunities.

One of the major positive steps taken by Government over the last few months has been the finalisation of the REIPPPP. We sit with this immense potential to take advantage of renewable energy, and the REIPPPP stands at the forefront of encouraging private investment as a means to further grow in our energy sector. The new Minister of Energy, Mr Jeff Radebe's recent announcement of the signing of the power purchase agreements (“PPAs”) for 27 projects procured under the REIPPPP is Government's recommitment to regulatory clarity required to attract private sector investment in infrastructure. The signing of these 27 PPAs represents the biggest IPP procurement by the Department of Energy to date, representing a total of R56 billion of investment. The 27 projects will collectively add 2 305 MW to the country's electricity grid over the next five years, with most of the projects to begin commercial operation during the 2020/21 and 2021/22 financial years. It is further estimated that the signing of the agreements will create nearly 60 000 new jobs which will address unemployment and poverty alleviation – some of the key objectives of the National Development Plan (“NDP”).

## Chairman's letter (continued)

As an investment holding company, GAIA will continue going about its business with the kind of ardour that advanced us from being a special purpose acquisition company ("SPAC") to a fully fledged JSE-listed investment holding company over a relatively short period. GAIA will keep nurturing that spirit of optimism and growth as we strive to be a beacon in South Africa's infrastructure sector.

### INVESTMENT POLICY

At the previous Annual General Meeting ("AGM") of GAIA, shareholders reaffirmed their support for the Company in approving and adopting a revised Investment Policy. This we require in order to make investments in the ordinary course of business more efficient such that we can deliver on our strategy more effectively to the benefit of all stakeholders. The Board continues to assess and approve investment opportunities in large-scale infrastructure assets in southern Africa's energy, transport, water and sanitation sectors, in accordance with this shareholder-approved Investment Policy.

For GAIA, it is equally important to continuously cultivate value-adding management and directorship roles to further optimise our underlying assets.

### NEW INVESTMENTS

Our management team has been working hard to identify new investment opportunities in accordance with the shareholder-approved Investment Policy, with the support of the Board. During the period under review, GAIA acquired an effective economic interest of 20% in the Noblesfontein Wind Farm in the Northern Cape. GAIA is represented on the Board of the Noblesfontein Wind Farm project to add value and protect our rights as a shareholder.

With a pipeline of just under R2 billion, GAIA is on track to achieving an operational, diversified and sustainable investment portfolio.

### THE FUTURE

There are encouraging signs that economic growth is improving in South Africa, and sub-Saharan Africa is also on the same trajectory. GAIA is excited to see the number of infrastructure

initiatives coming from southern Africa, all of which play a central role of infrastructure in addressing unemployment, poverty and inequality in Africa. These initiatives can only bode well for GAIA's investment opportunities and growth.

Our exclusive and near-term investment pipeline will necessitate us to undertake a fundraising exercise during 2018/2019. The form and structure of this exercise will be such that value is retained and improved for our shareholders in the long run. GAIA's pipeline is critical for the achievement of our strategic goals and shareholder support is fundamental for this journey.

I look forward to the finalisation of the transformation of GAIA Infrastructure Partners (Pty) Limited, as the management company to GAIA, through an equity empowerment structure. This is an imperative to the ethos of GAIA in reflecting the demographics of South Africa to the benefit of all.

### ACKNOWLEDGEMENTS

Let me thank all our shareholders for their continued support of our initiatives and decisions. The strategic path that GAIA started on in 2015 remains the guide into the future, and your support in achieving our goals is encouraging.

The Board is working extremely hard to ensure the Company grows despite the current macro-economic challenges. The Chief Executive Officer has embarked on a new drive to remind our shareholders of the value of this Company, and this is beginning to bear some positive results with a key strategic imperative being able to deliver the message to shareholders.

My heartfelt gratitude to my fellow Directors, the Chief Executive Officer and her team for their dedication to the Company. GAIA is well positioned for the future under this collective leadership team.



**Eddie Mbalo**  
Chairman

## Chief Executive Officer's report



**Prudence Lebina**  
*Chief Executive Officer*

“ Despite some headwinds in the Company's transition from SPAC to an investment holding company, including the challenging capital markets environment, GAIA continues to pioneer the listed infrastructure investment sector in South Africa with a R1.7 billion exclusive investment pipeline. ”

The 2018 financial year was an exciting one of growth and operational set-up with some headwinds in the journey from SPAC to an investment holding company. The completion of the acquisition of an effective see-through economic interest of 25.2% in Dorper Wind Farm in December 2016, transitioned GAIA from a SPAC to a section 15 company in terms of the JSE Limited Listings Requirements. To facilitate further growth, ascertain regulatory compliance and efficiency in enabling the Company to deliver on its strategy, we set up GAIA to operate as a fully fledged investment holding company, with its own resources, including human capital, technology systems and office space. This set-up was at increased operating costs to the Company to ascertain independence and self-reliance. We are establishing operations that adhere to best practice standards and regulatory requirements, including effective investment, risk management and governance processes.

Further growth was through an acquisition of a new financial asset in accordance with the shareholder-approved Investment Policy and securing a largely exclusive investment pipeline demonstrating vendor confidence in engaging with GAIA and ManCo's expertise in sourcing, negotiating and executing investment opportunities. The Company successfully executed its second investment, an effective see-through economic interest of 20% in the Noblesfontein Wind Farm. The Noblesfontein investment was through preference share instruments demonstrating the Company's ability to deliver on its mandate of investing in financial instruments that give economic benefits and returns expected to meet the target investment returns to the benefit of shareholders.

In our journey to operating as an investment holding company, some headwinds, internal and external, were also experienced. The Company delayed its equity capital raise implying lack of funding required to realise the secured and attractive investment pipeline. Even though GAIA's focus is the secondary market in infrastructure investment, Government uncertainty on the

## Chief Executive Officer's report (continued)

REIPPPP and the negative public news concerning Eskom with whom the power purchase agreements on the REIPPPP projects are, had an indirect impact on the Company. We welcome the regulatory certainty that has since April 2018 been provided to the market by Government through the signature of 27 round 4 and 4.5 REIPPPP projects. A strong regulatory environment leads to market confidence. The other headwind we faced as a company was the share price trading at a substantial discount to tangible net asset value per share ("TNAVPS") and the Company not having authority from shareholders to repurchase its shares to support the share price in order to maximise shareholder value.

GAIA appointed new auditors, Deloitte, in November 2017 and the previous Finance Director resigned from the Company in February 2018. This, coupled with the new investment in the Noblesfontein Wind Farm through a preference share structure had an impact on our financial reporting and audit processes resulting in a delay in the publishing of the financial results for the year ended 28 February 2018. As a company, we are committed to ongoing engagement with our shareholders through timely and transparent communication and we are establishing a valuation process of our assets under management to avoid a repeat of non-compliance with JSE Listings Requirements.

Despite these headwinds, GAIA continues to pioneer the listed infrastructure investment sector in South Africa, providing investors with exposure to operational, high quality, de-

risked, cash generative, large-scale assets. We managed to achieve our growth and dividend policy objectives with the execution of a value accretive and income generating asset, the Noblesfontein Wind Farm. Dorper continues to perform as expected, generating dividend income in line with our forecasts. The Company continues to assess investment opportunities in accordance with our investment mandate and we maintain the belief that the current environment provides a good opportunity to invest in infrastructure assets at attractive returns.

### DIVIDEND PROMISE

GAIA announced its intention to escalate the annual dividend payment to shareholders by the rate of inflation. The Company is pleased to declare a final gross cash dividend of 42.0 cents per share bringing the total gross cash dividend for the year under review to 66.84 cents per share. We kept our dividend promise to shareholders of an inflation escalation through a 5.3% increase to the 2017 dividend payment of 63.5 cents per share.

### SHARE PRICE PERFORMANCE

GAIA's share price as at 28 February was R6.00, a discount of 43% to the TNAVPS of R10.53 as at 28 February 2018. Our objective is to maximise returns for investors and as part of this objective, the Board would like to have a share repurchase programme in place to manage this share price discount to TNAVPS and maximise value for shareholders. We continue to



engage with our shareholders on securing their support for the Company to repurchase its own shares in the market. The increased investment activity and growth in the asset portfolio should provide a catalyst to the share price.

### SHORT TO MEDIUM-TERM OBJECTIVES

GAIA continues its focus on cost containment measures without compromising on the growth of the Company. We continue to set-up to absorb further growth to ascertain our independence and self-reliance as a listed company. The Company remains confident on the outlook for infrastructure investment in South Africa and we continue to assess quality investment opportunities.

Our medium-term objectives include equity capital raise to enable the Company to realise the secured investment pipeline to further enhance shareholder value. We continue to engage existing and prospective shareholders on the risk and return profile of infrastructure as an asset class, specifically the investment case of GAIA, being one of low risk and predictable inflation-linked cash flows.

Exercise of the IK Option – the investment in the Dorper Wind Farm was through an acquisition of a 34.9% equity stake in GAIA RE 1 (Pty) Limited for R265 million and a convertible loan of R235 million. The convertible loan may be settled either through the acquisition of (i) minority interest in three (3) additional

renewable solar energy assets ("IK Option"), or (ii) additional equity exposure to the Dorper Wind Farm ("DK Option"). The Company obtained funding to invest in the Noblesfontein Wind Farm from Rand Merchant Bank Investments and Advisory Proprietary Limited ("RMBIA"). The condition to the RMBIA funding was that GAIA exercise the IK Option and the Company is currently in the process of exercising this option which will result in a diversified asset portfolio including minority interests in three REIPPPP solar assets.

GAIA is indeed excited about the year ahead.

### APPRECIATION

I would like to extend my appreciation to our stakeholders for their contribution to the progress of GAIA. I would also like to convey my heartfelt gratitude to the Chairman and the Board for their guidance and support. I specifically would like to thank the finance team and support staff for their dedication during the year.



**Prudence Lebina**  
*Chief Executive Officer*



## Finance report

The 2018 financial year was certainly one of activity and stabilisation for GAIA. Effective December 2016, the Company transitioned to a fully fledged investment holding company compared to the Company trading largely as a SPAC in the 12 months to 28 February 2017. The Dorper Wind Farm which was acquired in December 2016 performed to the satisfaction of the Company and the highlight for the year was the acquisition of an effective see-through economic interest of 20% in the Noblesfontein Wind Farm on 19 September 2017 ("the Noblesfontein Transaction").

GAIA revenue increased to R62.0 million (2017: R53.6 million) for the year under review, comprised of dividend and interest income generated from the investments in Dorper and Noblesfontein, as well as fair value movements from the Noblesfontein Transaction. Income received from Noblesfontein was included for only five (5) months of the year. The 2019 financial year will enjoy the benefits of a full year of dividend income. As anticipated in the 2017 Integrated Annual Report, the expense to revenue ratio increased as GAIA increased its capacity to enable it to absorb the growth expected from operating as an investment holding company. Profit for the year was affected by the acquisition costs incurred for the Noblesfontein Transaction, as well as other transactional costs related to its sourcing of investment opportunities in accordance with the shareholder-approved Investment Policy.

Despite the delay in the equity capital raise, the tangible net asset value per share for the year was R10.53 (2017: R10.63) as a result of dividend payments, as GAIA declared and paid dividends to shareholders of R0.88 in aggregate in the 12 months leading up to 28 February 2018. Cost containment measures continue to be one of management's key focus areas, as the Company aims to enhance value for the benefit of its shareholders, both through growth in assets under management as well as increased levels of profitability. The cost base has now been established, and expense to revenue ratio will decrease over time as full year revenue is recognised from the current assets under management and additional investments are realised through the prospective equity capital raise.

Net income for the year was R43.2 million (2017: R36.2 million) with earnings per share of 78.36 cents (2017: 65.59 cents). In alignment with our commitment to low risk and uncorrelated inflation-linked cash flows, we are most positive that our goals in terms of our investment mandate at listing will be achieved. The Board has declared a final cash dividend of R0.42 per share bringing the total dividend for the year under review to R0.668 per share, keeping the Company's promise of an inflationary increase to dividends paid.



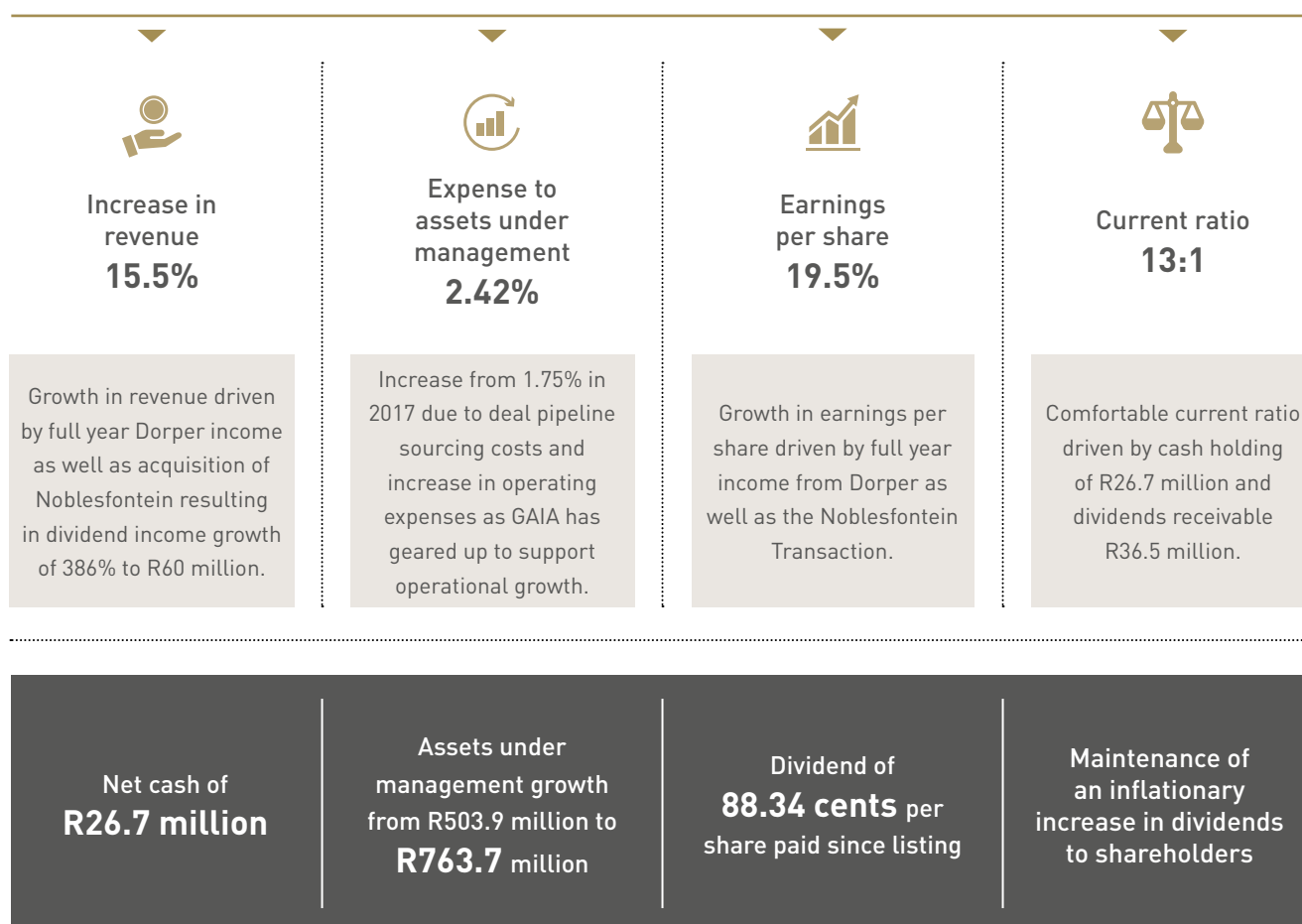
“ GAIA revenue increased to R62.0 million (2017: R53.6 million) for the year under review, comprised of dividend and interest income generated from the investments in Dorper and Noblesfontein.

”



## SALIENT POINTS

Salient points for the year ended 28 February 2018 are as follows:



## EXPENSES BY FUNCTION

	2018		2017	
	R'000	% AUM	R'000	% AUM
Corporate governance	6 139 540	0.80	3 304 128	0.66
Investment management costs	4 789 654	0.63	3 359 493	0.67
Capital raising fees	2 354 511	0.31	1 485 133	0.29
Deal pipeline sourcing costs	3 148 970	0.41	144 594	0.03
Operating expenses	2 023 318	0.26	505 265	0.10
	<b>18 455 992</b>	<b>2.42</b>	<b>8 798 612</b>	<b>1.75</b>

## OUTLOOK

The year ahead should bring increased activity in the infrastructure sector buoyed by improving business confidence in South Africa. The Company welcomes Government's regulatory certainty provided to the REIPPPP as evidenced by the signature of 27 Round 4 and Round 4.5 REIPPPP projects. In the year ahead, GAIA will continue to engage with its existing shareholders and potential investors for equity capital support to pursue the R1.7 billion diversified investment pipeline identified by ManCo.

## Finance report (continued)

### INCOME STATEMENT

Noteworthy features of the income statement are summarised below:

	2018 R'000	2017 R'000
<b>Interest income</b>	<b>4 283</b>	33 040
Decrease in interest earned due to deployment of cash to Noblesfontein Transaction and operating expenses		
<b>Dividend income</b>	<b>60 023</b>	15 563
Dividends declared from underlying assets under management: Dorper and Noblesfontein		
<b>Fair value adjustments</b>	<b>(2 596)</b>	5 083
Fair value of cash flows from underlying project companies acquired		
<b>Total revenue</b>	<b>62 019</b>	53 685
<b>Operating expenses</b>	<b>(18 456)</b>	(8 799)
Increased overhead structure geared to support growth and transaction costs		
<b>Earnings before interest and tax</b>	<b>43 561</b>	44 887
<b>Finance costs</b>	<b>(2)</b>	(5)
<b>Tax</b>	<b>(346)</b>	(8 706)
Taxation in line with taxable profits		
<b>Net profit after tax</b>	<b>43 214</b>	36 175
Increased earnings due to increased dividend income from assets under management		
<b>Earnings per share (cents)</b>	<b>78.36</b>	65.59
Improvement due to increased net profit after tax		

## BALANCE SHEET

Noteworthy figures of the balance sheet are summarised below:

	2018 R'000	2017 R'000
<b>ASSETS</b>		
Financial asset at fair value through P&L	505 790	503 680
Property, plant and equipment and deferred tax	425	–
<b>Non-current assets</b>	506 286	503 680
Financial assets	–	–
Cash and cash equivalents	26 729	84 756
<b>Trade and other receivables</b>	53 703	–
<b>Current assets</b>	80 432	84 756
<b>Total assets</b>	586 718	588 436
<b>EQUITY</b>		
Share capital	545 852	545 852
<b>Retained income</b>	34 728	40 234
	580 580	586 086
<b>LIABILITIES</b>		
Non-current liabilities		
Deferred tax	–	567
<b>Current liabilities</b>	6 137	1 783
<b>Total liabilities</b>	6 137	2 350
<b>Total equity and liabilities</b>	586 718	588 436
<b>Shares in issue</b>	55 151	55 151
<b>Tangible net asset value per share</b>	10.53	10.63



**Prudence Lebina**  
Interim Finance Director

## ManCo report



**Mich Nieuwoudt**  
Chief Investment Officer

“

These 27 projects are expected to add 2 300 MW of electricity to the grid over the next five years. Through this procurement, 58 000 new jobs will be created for South African citizens, and mostly for the youth.

”

### INVESTMENT LANDSCAPE

GAIA shares the positive sentiment that followed the signing of 27 Round 4 and Round 4.5 REIPPPP deals by the Energy Minister, Mr Jeff Radebe, worth approximately R56 billion on 4 April 2018. These projects are expected to add 2 300 MW of electricity to the grid over the next five years. Through this procurement of the 27 projects, 58 000 new jobs will be created for South African citizens, and mostly for the youth. Most of these jobs will be created during the construction period and entails the utilisation of the workforce near the projects. Furthermore, jobs will be available across the entire value chain with an additional 1 500 jobs possible in the manufacturing sector. The localisation potential of these 27 new projects is substantial. It is estimated that for the solar PV projects, around 2.8 million solar PV modules would be procured, 600 inverters and 385 transformers. In addition, for the onshore wind projects, roughly 500 wind towers and turbines would be required.

It is worth noting that GAIA's primary focus, the secondary market in infrastructure equity, continues to present significant opportunities which is not dependent on whether new infrastructure projects are continually developed.

Our investment case was buoyed by Government's renewed commitment to facilitate private sector investment into the selected infrastructure sectors in which GAIA invests:

- ▶ Energy infrastructure;
- ▶ Water and sanitation infrastructure; and
- ▶ Road and transportation infrastructure.

GAIA focuses on core infrastructure assets, defined as infrastructure assets for which the cash flows can be forecast with a low margin of error. In this regard, core infrastructure consists of assets that are:

- ▶ mature beyond their demand ramp-up phase;
- ▶ functioning in established and transparent regulatory environments;
- ▶ serving demographically and economically sound service areas; and
- ▶ long-lived with minimal obsolescence or technology risks.

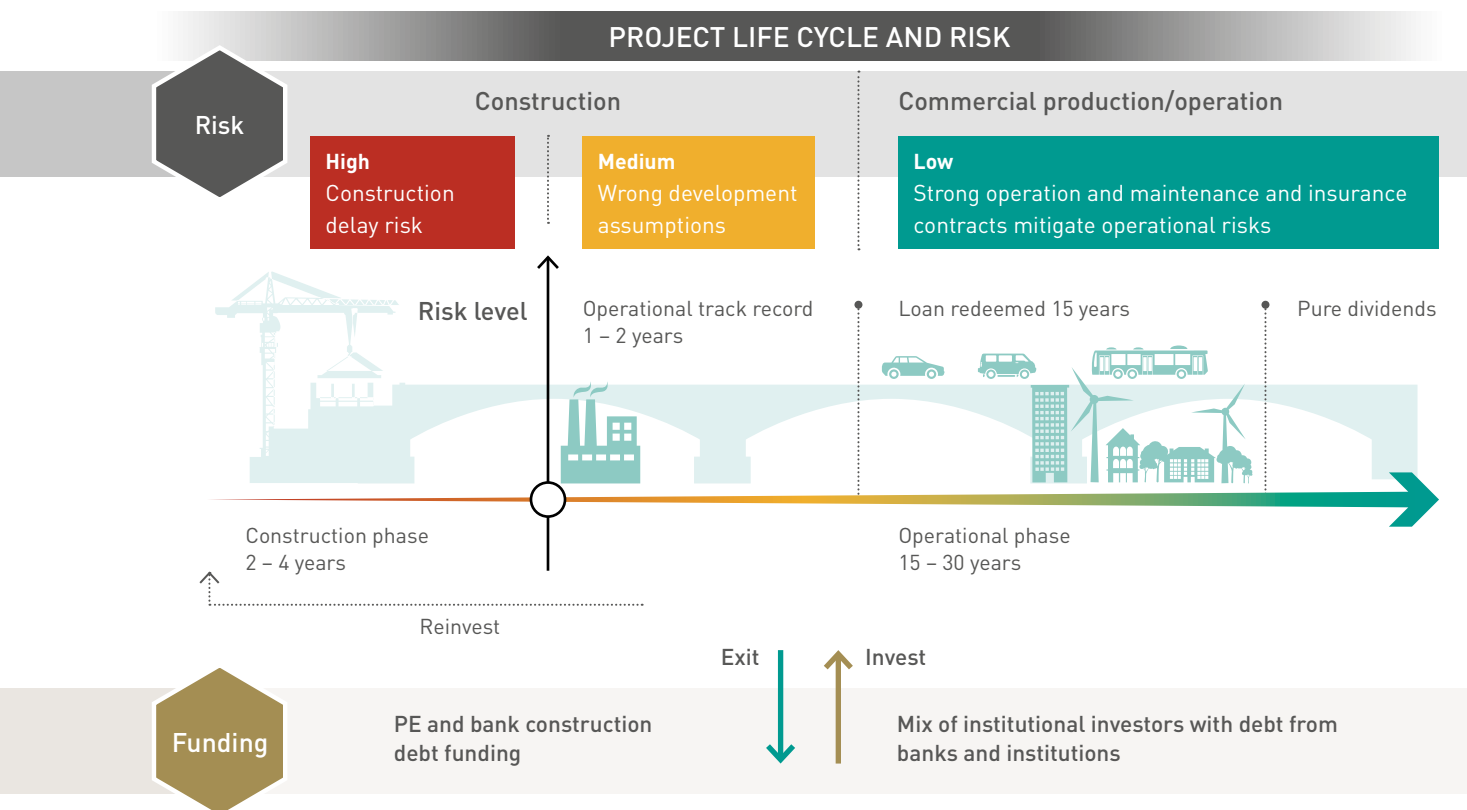


Figure 1: Infrastructure investment cycle.

## RISK AND RETURN OBJECTIVES

GAIA structures investments to deliver superior risk adjusted returns in comparison to alternative asset classes in combination with ongoing liquidity through the life of the investment by way of consistent and periodic interest and/or dividend payments.

GAIA seeks to make investments in assets that have the potential for delivering a minimum gross internal rate of return ("IRR") of CPI +6% over the life of the offtake agreement.

## NOBLESFONTEIN WIND FARM

On 19 September 2017, GAIA Financial Services acquired C Preference Shares in GAIA SPV (RF) (Pty) Limited ("GAIA SPV") for an aggregate subscription price of R130 million and, as a result, acquired an effective economic interest of 13.001% in the combined distributions linked to the ordinary shares and shareholder loan claims against Coria (PKF) Investments 28 (RF) (Pty) Limited ("Noblesfontein Wind Farm").

In addition, GAIA Financial Services entered into funding agreements with South African Renewable Green Energy (Pty) Limited ("SARGE") whereby GAIA Financial Services subscribed

for A Preference Shares and B Preference Shares in SARGE for an aggregate subscription price of R57 million (the "SARGE Transaction"). As a result of the SARGE Transaction, GAIA Financial Services acquired a further effective economic interest of 7.03% of the distributions linked to the ordinary shares in the Noblesfontein Wind Farm.

GAIA Financial Services obtained funding to facilitate, *inter alia*, its subscription for the GAIA SPV C Preference Shares and the SARGE Preference Shares by way of the issue, by GAIA Financial Services, of A Preference Shares and B Preference Shares to RMB Investments and Advisory (Pty) Limited ("RMBIA") for an aggregate subscription price of approximately R188 million in terms of the GAIA Financial Services Preference Share Subscription Agreement.

GAIA is represented on the Board of the Noblesfontein Wind Farm and remains an active shareholder participant in the project.

The plant is operating as expected and ManCo remains confident in the Noblesfontein Wind Farm management's team to execute on the forecast performance and the ability of the financial model to predict future cash flows to GAIA.

## ManCo report (continued)

### DORPER WIND FARM

The Dorper Wind Farm project continues to generate electricity and operate as expected and distribute the expected equity cash flows. GAIA is represented on the Board of Dorper Wind Farm and remains an active shareholder participant in the project.

### OUTLOOK

Our focus areas in the 2018 financial year were on completing our second asset acquisition, being our investment in the Noblesfontein Wind Farm as well as securing a qualified pipeline of infrastructure projects to fulfil our investment mandate.

In the year ahead, we will continue to focus on ensuring that the assets under our management deliver on the expected performance and dividend expectation. With regards to concluding new acquisitions in our pipeline, we continue to engage with the capital markets to raise the necessary funding required for execution of the identified investment opportunities.

### ADDING VALUE TO GAIA

ManCo's strong technical, engineering and management background enables us to assess the investment elements of transactions and we will only seek to invest in companies with experienced management teams with clear operational and corporate strategies.

We follow a disciplined investment process commencing from deal initiation to closure. The investment process includes a rigorous framework based on set criteria for evaluating opportunities, to ensure that only the best opportunities receive

funding. Central to any successful infrastructure investment is the active post-transaction value creation in underlying companies and projects. GAIA is committed to provide investment and operational advice in a manner that results in active post-deal value creation in each investment.

Asset optimisation initiatives may include:

- ▶ Project level debt restructuring;
- ▶ Project level balance sheet restructuring;
- ▶ Deploying GAIA's experience in global best practice operations and maintenance procedures; and
- ▶ Using weather-related risk and insurance products to achieve higher gearing.

With its experience to date and exposure to a number of projects, GAIA has the unique ability to draw on lessons learnt and best in practice procedures to effectively monitor and provide governance oversight to the success of the investment. By aligning itself with South Africa's strategic development planning frameworks, GAIA intends to play a crucial role in facilitating the access of infrastructure opportunities to long-term investors, in support of South Africa's development goals and to the benefit of both investors and ordinary citizens.

### INVESTMENT PIPELINE

During the year under review, we developed an extensive pipeline of investment opportunities. This includes four exclusive transactions with a total value of approximately R1.7 billion for which we will seek funding to invest in equity, debt and preference share structures.

Stage	Project	Status	Investments	Deal value (Rm)
Immediate*	Road Solar Solar	Requires lender approval	Equity	300
		Due diligence ongoing	10% equity	130
		Due diligence ongoing	35.5% equity	720
Near term*	Solar Wind Solar	Due diligence ongoing	20% equity	240
		Requires High Court approval	11% preference and 5% equity	156
		Due diligence ongoing	10% preference	104

\* GAIA exclusive mandates.



**Mich Nieuwoudt**  
Chief Investment Officer



# 03

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## GOVERNANCE REVIEW

## Board of Directors

### EXECUTIVE MANAGEMENT



**Prudence Lebina**  
Chief Executive Officer\*



**Mich Nieuwoudt**  
Chief Investment Officer



Audit and Risk Committee



Social and Ethics Committee



Remuneration Committee



Nominations Committee

### INDEPENDENT NON-EXECUTIVE DIRECTORS



**Eddie Mbalo**  
Chairman



**Nathiera Kimber**



**Sisanda Tuku**



**Lumkile Mondi**



**Thembani Bukula**

### NON-EXECUTIVE DIRECTORS



**Botha Schabert**



**Leon de Wit**



**Clive Ferreira**

\* The Chief Executive Officer is a permanent invitee to all Committees of the Board.

## EXECUTIVE MANAGEMENT

### Prudence Lebina (“Prudence”) (37) Chief Executive Officer

CA(SA), BCom, HDip Accounting

**Date of appointment:** 1 October 2015

Prudence was appointed Chief Executive Officer of GAIA on 19 October 2016 after serving as the lead Independent Non-Executive Director and Chair of the Audit and Risk Committee of the Company since listing in November 2015. She was previously head of corporate development and investor relations at Atlatsa Resources Corporation, and investor relations manager and corporate finance principal at Exxaro Resources Limited. Prudence was also an investment corporate finance banker at Deutsche Bank SA

(Pty) Limited. Prudence served her articles in the advisory department at PricewaterhouseCoopers. She is a member of the South African Institute of Chartered Accountants, Institute of Directors of South Africa, African Women Chartered Accountants and Business Women Association. Prudence is also an independent non-executive director on the Board of Iemas Financial Services (Co-Operative) Limited and Matleng Energy Solution (Pty) Limited.

### Matthys Michiel Nieuwoudt (“Mich”) (46) Chief Investment Officer

Pr Eng, BEng (Electronic), MBA

**Date of appointment:** 16 April 2015

Mich started his career in the petrochemical industry with Polifin and the defence industry with Thales, before joining PSG Investment Bank in 1999. In 2003, he joined Siemens Business Services, where he gained international experience across Europe. Mich joined Square One Group in 2005 where he

was responsible for group operations. In 2008, Mich teamed up with Botha Schabert. He worked on the Eden Island Project and mining operations in West Africa before focusing on the expansion of SAGIT Energy Ventures, a renewable energy developer.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Khalipha Edward Mbalo (“Eddie”) (55) Chairman

Television Engineering Certificate – NHK Institute: Japan

**Date of appointment:** 1 October 2015

Eddie Mbalo is an entrepreneur with high level Executive experience. He has been involved in successful business initiatives in tourism through Transfrontier Parks Destination (Pty) Limited and currently in agriculture where he is Shareholder and Director in Khaliphani Investment (Pty) Limited which owns the Khoi Klaas farm, one of the few Black farming operations in Robertson, Western Cape. Eddie is the Managing Director of Khalipha Consulting, a Film and Broadcast Media Advisory Service company. He resigned from his role as Non-Executive Director of On Digital Media, the operator of TopTV, now StarSat, where he has served as Chairman and Chief Executive Officer. He saw the Company through a business rescue process having served as consultant to the business rescue practitioner. Eddie was the inaugural Chief Executive Officer of the National Film and

Video Foundation (“NFVF”) an agency of the Department of Arts and Culture having served the institution for a period of ten years. He played a key role in the development of South Africa’s film policy and the creation of financial instruments that support the development of the film industry and in 2009, as NFVF Chief Executive Officer, he was a finalist for The Boss of The Year award. Eddie played a critical role in the drafting of the Broadcasting Act, as well as shaping the content development strategy of the South African government. At the 64th Cannes Film Festival, Eddie was awarded the African Vision Award, for his dedication as a creative defender of African Cinema. Eddie Mbalo is an entrepreneur and a director of companies in the different sectors of the economy. He is passionate about corporate governance.

### Nathiera Kimber (“Nathiera”) (46)

BA LLB, HDip Tax, Master’s degree in Tax

**Date of appointment:** 1 October 2015

Nathiera qualified as an Attorney, having completed her legal articles with Sonnenberg Hoffmann and Galombik Inc. She was later appointed as a lecturer, specialising in the law of Insolvency, Banking and Tax, in the Mercantile Law Department of the University of the Western Cape. On leaving Academia, Nathiera entered the corporate world joining Mettle (Pty) Limited, as a legal advisor, and thereafter joined PSG Investment Bank Limited, as Group Secretary at an executive level. More recently Nathiera has founded

her own investment business and has invested in, and continues to participate at an executive level, in various industries including Mining, Agriculture, Industrial Products (brick manufacture and ready-mix concrete) as well as Retail, acquiring the South African distribution rights for Barbour, the iconic British brand. Nathiera brings knowledge and experience in a wide variety of industry sectors to GAIA, which she joined as an Independent Non-Executive Director in 2015.

### Sisanda Tuku (“Sisanda”) (39)

CA(SA), BCom (Honours)

**Date of appointment:** 21 November 2016

Sisanda has more than 15 years’ experience in the financial services sector. Sisanda is an executive director and chief executive officer of Basis Points Capital South Africa, an FSB registered corporate financial advisory services company based in Johannesburg. She is responsible for leading the development and execution of the company’s long-term strategy with a view to creating value for the shareholders. She also oversees

the implementation of financial advisory mandates as well as business development. Sisanda was previously a Structured Finance Consultant at Investec Bank Limited responsible for funding transactions in the mid-market space including mergers and acquisitions, leverage buy out and black economic empowerment deals. Sisanda is a member of the South African Institute of Chartered Accountants.

## Board of Directors (continued)

### Lumkile Mondi ("Lumkile") (56)

*MA Economics, BCom (Honours), BCom Economics*

**Date of appointment:** 1 June 2017\*

Lumkile is currently a senior lecturer at the School of Economics and Business Science at the University of the Witwatersrand. He is the former Chief Economist and Divisional Executive for professional services at the Industrial Development Corporation ("IDC"). Lumkile served in President Zuma's State-Owned Enterprises Presidential Review Committee and served as a member of President Mbeki's Economic Advisory Panel. As a

fellow of the African Leadership Initiative (AU) an Aspen Institute Initiative, he is engaged in influencing leaders to be value-based in tackling poverty, inequality and unemployment. Before joining the IDC, Lumkile was the Deputy Treasurer at Transnet. Lumkile also serves on the Board of Pallinghurst Resources Limited. He is the chairman of Thelo Rolling Stock Leasing and a deputy chairman of Aerosud.

### Thembanani Bukula ("Thembanani") (54)

*BSc (Eng); post grad dip (Eng Bus Management); MSc (Math, Science and Technology Education)*

**Date of appointment:** 1 June 2017\*

Thembanani is a professional engineer with over 25 years of experience and is currently Chief Executive Officer of PowerX (Pty) Limited, a licenced electricity trader in South Africa. He was the Regulator Member primarily responsible for electricity regulation at the National Energy Regulator

of South Africa ("NERSA") from 2005 to 2016. Prior to NERSA, Thembanani served as Managing Director of various entities including Testing and Conformity Services at the South African Bureau of Standards ("SABS"), Bytes Managed Services and IJANGA Consulting Services.

## NON-EXECUTIVE DIRECTORS

### Philip Botha Schabert ("Botha") (60)

*PrEng, Hons BEng, MBA*

**Date of appointment:** 1 October 2015

Botha started as a civil engineer specialising in project management and construction. After obtaining an MBA he joined JSE-listed stockbroker Senekal Mouton and Kitshoff where he later served as Director. Botha was a founding shareholder and Director of the JSE-listed PSG Group Limited and PSG Investment Bank Holdings Limited, where he was Managing

Director until 2000. Botha has extensive investment experience in the areas of international property development, renewable energy projects, mining exploration, private equity and technology. Along with Leon de Wit, he founded GAIA Infrastructure Partners (Pty) Limited in 2012. He is a Director of various companies.

### Leon de Wit ("Leon") (63)

*BCom (Maths), Fellow of Institute of Actuaries (London, UK), Owner President Management Program Harvard Executive Business School (Boston, US)*

**Date of appointment:** 1 October 2015

Leon started his professional career at Sanlam Limited. After qualifying as an actuary, he joined Malan and Partners in Johannesburg. He spent most of his career as consulting actuary to many of the largest retirement funds in Southern Africa. He joined the PSG Group in its early years and was, *inter alia*, responsible for Channel Life Limited. In 2004, Leon left formal employment and he and his family moved to a boutique wine farm in

Stellenbosch where he has since been actively involved in special projects and community development programmes. Leon and Botha Schabert have worked on the funding of renewable energy projects by South African institutions since 2011, culminating in the establishment of GAIA Infrastructure Partners in 2012. He also serves on the boards of a number of companies.

### Clive Ferreira ("Clive") (66)

*BSc (Civil Eng), BCom, MBA*

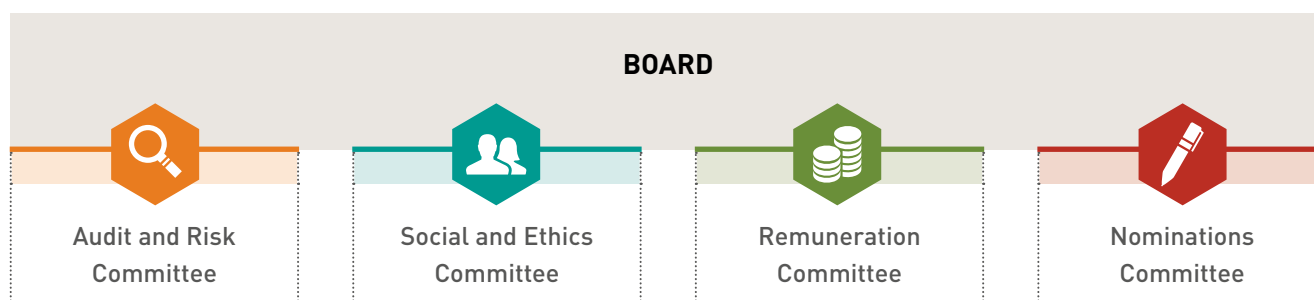
Clive started his career as a civil engineer spending ten years in construction in various parts of South Africa. He was involved with a number of large projects notably three dam constructions, six water plants and more than 1 000 km of pipelines and pump stations. After eleven years in engineering Clive switched to a career in investment banking after attaining an MBA at the University of Oregon.

Clive has 31 years' experience in corporate and project finance. He also was involved in the formation of the first Index and one of the first leverage buy-out funds in South Africa.

Clive was a founding Director of leading Financial Advisor Fieldstone Africa in 1996. Over the last 24 years he worked extensively in Africa on energy

and infrastructure-related projects. These include *inter alia* the ownership restructuring of the Cahora Bassa hydro power station, the privatisation of Metrogas, and Kelvin power station in Johannesburg as well as successful private sector concessions of the Ugandan generation and distribution assets, the development of the 180 MW Ibom gas power plant in Nigeria, two hydro projects in Zambia (Itezhi-Tezhi and Kariba North Bank Extension), the development of a new IPP in Ghana and a number of renewable solar and wind projects in South Africa and Namibia. He was also a founder member of infrastructure fund manager, GAIA.

# Corporate governance report



## INTRODUCTION

The GAIA Board, representing the GAIA Infrastructure Capital group of companies, is committed to the highest standards of corporate practice and conduct, as defined in the King IV Report on Corporate Governance™ (“King IV”).

This corporate governance report sets out the key qualitative governance principles and practices of GAIA.

## GOVERNANCE HIGHLIGHTS FOR THE YEAR UNDER REVIEW

- ▶ Annual review of the terms of reference of the Board committees;
- ▶ Approved and adopted the Gender Diversity Policy in line with the JSE Listings Requirements; The Race Policy was approved subsequent to year-end;
- ▶ Appointed two additional Independent Non-Executive Directors to the Board; and
- ▶ Approved Code of Conduct and Ethics Policies that encompass the Company’s interaction with Internal and External Stakeholders, as well as the broader society.

## THE BOARD OF DIRECTORS

The GAIA Board is the custodian and focal point of the Group’s corporate governance and acts in the best interests of GAIA and its stakeholders. The Board acted in accordance with its Board Charter, which includes the details of its roles and responsibilities. The Board, individually and collectively, cultivated a culture of integrity, competence, responsibility, accountability, fairness and transparency.

The Board appreciates that strategy, risk, performance and sustainability are interdependent, and the Board is responsible for approving a strategic direction for GAIA that addresses and integrates each of these elements.

## BOARD EVALUATION

The Board, through its Company Secretary, performed evaluations of the Board of Directors and the Board was satisfied that the evaluation process was a tool to improve its performance and

effectiveness. The evaluation questionnaire covered the key principles and practices for these types of evaluations and was completed by all Directors. The evaluation questionnaire allowed for scope and comments for areas of improvement. The results were tabled to the Nominations Committee and the Board. The results did not necessitate any remedial actions and suggest an effective and well-performing Board.

For the Board Charter and the Board committees’ terms of references, refer to the GAIA website [www.gaia-ic.com](http://www.gaia-ic.com).

## CODE OF ETHICS

The GAIA Code of Ethics ensures that behaviour is aligned with our values and addresses amongst others:

- ▶ Conflict of interest;
- ▶ Anti-bribery and anti-corruption; and
- ▶ Anti-competitive behaviour and practices.

The Company does not have a fraud and ethics hotline, but same will be considered in the next financial year.

## DEALING IN SECURITIES AND INSIDER TRADING

GAIA adopted a policy on dealings in GAIA securities in line with the requirements of the JSE Limited and the Financial Markets Act. Directors are prohibited from trading in shares during closed periods. Closed periods extend from the end of GAIA’s financial half-year and year-end until publication of the relevant results. All dealings in shares of GAIA by Directors are reported on the JSE Stock Exchange News Service (“SENS”) within 48 hours of the trade.

Director interest in securities is available on page 51 of the Integrated Annual Report.

The Board is in process of developing a Price Sensitive Information Policy.

## POLITICAL PARTY SUPPORT

GAIA endorses all principles and institutions that support a free and democratic society, but it does not donate to any political party.

## Corporate governance report (continued)

### KEY RESPONSIBILITIES OF THE BOARD

- ▶ Providing ethical leadership and direction to GAIA;
- ▶ Governing the ethics of the Company;
- ▶ Approving and monitoring the implementation of the strategic plan developed by management;
- ▶ Responsible for governance and monitoring key risk areas;
- ▶ Monitoring compliance with all relevant laws, rules, codes and standards of business practice through a Compliance Framework;
- ▶ Monitoring performance through the various Board committees established to assist in the discharging of its duties while retaining full accountability and without abdicating its own responsibilities;
- ▶ Ensuring an effective and independent Audit and Risk Committee;
- ▶ Ensuring that reports issued by the Company enable stakeholders to make informed assessments of the Company's performance and its short, medium and long-term prospects;
- ▶ Ensuring that disputes are resolved effectively and efficiently;
- ▶ Appointing and evaluating the performance of the Chief Executive Officer;
- ▶ Acting as the focal point for, and custodian of corporate governance;
- ▶ Monitoring open and prompt engagement with all key stakeholders; and
- ▶ Ensuring all shareholders are treated equitably and equally.

### COMPOSITION OF THE BOARD

The GAIA Board comprises five Independent Non-Executive Directors, three Non-Executive Directors and two Executive Directors. This composition represents the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. Members of the Board during the period under review were as follows:

Member	Position	Date
Mr Eddie Mbalo	Independent Non-Executive Director and Chairman	Appointed: 1 October 2015
Mr Thembani Bukula	Independent Non-Executive Director	Appointed: 1 June 2017
Mr Lumkile Mondli	Independent Non-Executive Director	Appointed: 1 June 2017
Ms Nathiera Kimber	Independent Non-Executive Director	Appointed: 1 October 2015
Ms Sisanda Tuku	Independent Non-Executive Director	Appointed: 21 November 2016
Mr Leon de Wit	Non-Executive Director	Appointed: 1 October 2015
Mr Botha Schabert	Non-Executive Director	Appointed: 1 October 2015
Mr Clive Ferreira	Non-Executive Director	Appointed: 1 October 2015
Ms Prudence Lebina	Chief Executive Officer	Appointed: 19 October 2016 following her appointment as Non-Executive Director on 1 October 2015
Mr Michiel Nieuwoudt	Executive Director	Appointed: 16 April 2015

*Ms Tamee Soudien-Witten resigned 9 February 2018. The Company received dispensation from the JSE Limited that the Chief Executive Officer also fulfils the role of Financial Director for the time being.*

Brief biographies of the Directors are detailed on page 27.

Each member of the Board has a fiduciary duty to act in the best interests of the Company and, in discharging such duty, ensures that the Company acts in the best interests of its stakeholders.

There is a policy evidencing a clear balance of power and authority at Board level, to ensure that no one Director has unfettered powers of decision making.

All Non-Executive Directors have the necessary skills and experience to bring judgement to bear, independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance. Non-Executive Directors have unfettered access to management and also have access to independent advice, at the Company's expense, on any matter related to their responsibilities. They receive fees for their services as Directors, as approved by shareholders each year at the Company's AGM.

Non-Executive Directors are appointed through a formal letter of appointment and are not:

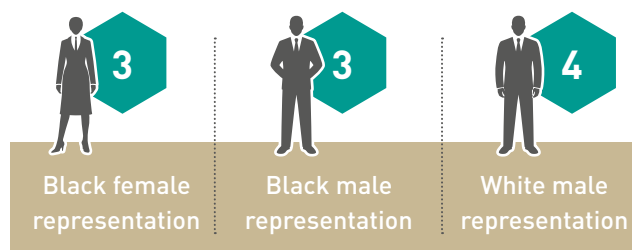
- ▶ involved in the day-to-day management of GAIA's business or have been so involved at any time during the previous financial year;
- ▶ a prescribed officer of the Company or related or interrelated company, or have been such an officer at any time during the previous three financial years;
- ▶ related to any person contemplated above;
- ▶ a representative of a shareholder that has the ability to control or significantly influence management; and
- ▶ full-time salaried employees of the Group currently or in the past.

None of the Non-Executive Directors has served, in an independent capacity, for longer than nine years and therefore no independence assessment by the Board was required.

GAIA is committed to fostering a corporate culture that embraces diversity and focuses on the composition of its Board. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. In order to foster a corporate environment where Board diversity is achievable and maintained, GAIA has adopted a Gender Diversity Policy, which aims to promote an environment that is conducive to the appointment and retention of well qualified Board members to maximise the corporate goals of GAIA.

The Non-Executive Directors of the Company who are also Directors of ManCo agreed to a reduction in their Board fees, effective until 28 February 2018, to enable the Company to appoint two Independent Non-Executive Directors in accordance with the Gender Diversity Policy.

**The Board remained satisfied with the progress against its targets on gender and race representation on the Board:**



## NOMINATION, ELECTION AND APPOINTMENT OF DIRECTORS

Appointment of Directors is a matter for the Board as a whole, assisted by a Nominations Committee, chaired by the Chairman of the Board. The process for nominating, electing and appointing Directors is formal and transparent.

### Selection of Directors

The Board considers the following when considering the nomination of a candidate for election to the Board:

- ▶ The Board size;
- ▶ The collective knowledge, skills and experience required by the Board of Directors;
- ▶ The diversity of the Board of Directors;
- ▶ Whether the candidate meets the appropriate criteria; and
- ▶ All recommended Director appointments are subject to background and reference checks.

There is a commitment from the Board to strengthen female representation on the Board and preference will be given to female candidates who meet the above criteria, when applicable.

All Non-Executive Directors are required to confirm that they have sufficient time available to fulfil the responsibilities of a Director.

All Directors are appointed at the AGM by shareholders' resolution and one third of the Non-Executive Directors are thereafter required to retire annually by rotation and if put forward for re-election and available for re-election, are considered for reappointment at the AGM.

The Board is permitted to remove a Director without shareholder approval for due cause, as set out in the provisions of the Companies Act.

Newly appointed Non-Executive Directors undergo a detailed induction process to familiarise themselves with GAIA.

# Corporate governance report (continued)

## DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The summarised meeting attendances present the meetings for the financial year ending February 2018:

Board meetings	20 April 2017	3 July 2017	20 July 2017	11 October 2017	11 December 2017	22 February 2018
Eddie Mbalo	✓	✓ (Tele)	✓	✓	✓ (Tele)	✓
Prudence Lebina	✓	✓ (Tele)	✓	✓	✓ (Tele)	✓
Tamee Soudien-Witten	✓	✓ (Tele)	✓	✓	✓ (Tele)	#
Nathiera Kimber	✓	✓ (Tele)	✓	✓	✓ (Tele)	✓
Lumkile Mondli	N/A	✓ (Tele)	✓	✓	✓ (Tele)	*
Thembani Bukula	N/A	✓ (Tele)	✓	✓	✓ (Tele)	✓
Sisanda Tuku	✓	✓ (Tele)	✓	✓	✓ (Tele)	✓
Clive Ferreira	*	✓ (Tele)	✓	✓	✓ (Tele)	✓
Leon de Wit	✓	*	✓	✓	✓ (Tele)	✓
Botha Schabert	✓	✓ (Tele)	✓	✓	✓ (Tele)	✓
Mich Nieuwoudt	✓	✓ (Tele)	✓	✓	✓ (Tele)	✓
Company Secretary	✓	✓	✓	✓	✓	✓

Audit and Risk Committee meetings	11 April 2017	10 July 2017	5 October 2017	8 February 2018
Sisanda Tuku (Chairperson)	✓	✓	✓	✓
Nathiera Kimber (Member)	✓	✓ (Tele)	*	✓
Eddie Mbalo (Member)	✓	N/M	N/M	N/M
Lumkile Mondli (Member)	N/A	✓	✓	✓
Prudence Lebina (Invitee)	✓	✓	✓	✓
Tamee Soudien-Witten (Invitee)	✓	✓ (Tele)	✓	#
Leon de Wit (Invitee)				✓
Company Secretary	✓	✓	✓	✓
External auditors	✓	✓	✓	✓
Internal auditors	✓ (Tele)	✓	✓	✓ (Tele)

Social and Ethics Committee meetings	6 April 2017	19 October 2017
Clive Ferreira	✓	✓
Nathiera Kimber	✓ (Tele)	N/A
Eddie Mbalo	✓ (Tele)	✓
Tamee Soudien-Witten	✓	✓
Prudence Lebina		✓
Company Secretary	✓	✓

Nominations Committee meetings	11 April 2017	3 July 2017
Eddie Mbalo	✓ (Tele)	✓ (Tele)
Prudence Lebina	✓ (Tele)	✓ (Tele)
Leon de Wit	✓ (Tele)	N/M
Botha Schabert	✓ (Tele)	✓ (Tele)
Thembani Bukula	N/M	*
Company Secretary	✓ (Tele)	✓ (Tele)

Remuneration Committee meeting	6 April 2017	19 October 2017	23 November 2017	30 January 2018
Nathiera Kimber	✓ (Tele)	✓	✓ (Tele)	✓ (Tele)
Clive Ferreira	✓	✓	✓ (Tele)	✓
Sisanda Tuku	✓	✓	×	✓
Tamee Soudien-Witten	✓	✓	×	×
Lumkile Mondli	N/A	✓	P (Tele)	✓
Prudence Lebina		✓	N/I	✓
Company Secretary	✓	✓	✓	✓

✓ Present × Absent \* Apology # Resigned N/I Not Invited N/A Not appointed N/M Not a member.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and responsibilities of Chairman and Chief Executive Officer remained separated. Both the Chairman and Chief Executive Officer operate under distinct mandates issued and approved by the Board that clearly differentiate the division of responsibilities within GAIA and ensures a balance of power and authority.

### CHAIRMAN: MR KE MBALO

Mr KE Mbalo is an Independent, Non-Executive Director and leads the Board of Directors to objectively and effectively discharge its governance role and responsibilities.

The role and responsibilities of the Chairman is documented in the Board Charter.

The Chairman is not a member of the Audit and Risk Committee or the Remuneration Committee. He is the Chairman of the Nominations Committee and a member of the Social and Ethics Committee.

### CHIEF EXECUTIVE OFFICER: MS KP LEBINA

The Chief Executive Officer remained responsible for the ongoing operations of GAIA. Some of her main roles and responsibilities include:

- ▶ Development of a long-term strategy for the Company;
- ▶ Recommending the business plan and budgets to the Board for approval; and
- ▶ Delegated authority granted to Chief Executive Officer to manage the Group's day-to-day business.

The Board appraises the Chairman and the Chief Executive Officer's performance annually.

### COMPANY SECRETARY

Fusion Corporate Secretarial Services (Pty) Limited ("Fusion") remained the Company Secretary of the Company since their appointment on 3 April 2017. The Board of GAIA is satisfied that Fusion has the necessary competence and qualifications

to act as a Company Secretary, with combined experience of approximately 17 years and recognises Fusion's role in entrenching good corporate governance.

The Company Secretary is responsible for ensuring proper administration of the Board as well as adherence to sound corporate governance procedures. The Company Secretary is furthermore responsible for the functions as specified in the Companies Act. All Directors have access to the advice and services of the Company Secretary and have full and timely access to information that may be relevant for the proper discharge of their duties.

The Board evaluates the competency and effectiveness of the Company Secretary, as required in terms of the JSE Listings Requirements. The evaluation process includes an assessment of the Company Secretary's eligibility, skills, knowledge and execution of duties.

The Board confirms that the Company Secretary:

- ▶ maintains an arm's length relationship with the Board, noting that the Company Secretary is not a Director of the Company and is not related to any of the Directors;
- ▶ is independent from management and does not have executive duties and responsibilities, aside from the core responsibilities of a Company Secretary; and
- ▶ is not a material shareholder of GAIA or a party to any major contractual relationship with GAIA.

The certificate that the Company Secretary is required to issue in terms of section 88(2)(e) of the Companies Act is on page 54 of the Integrated Annual Report.

## BOARD COMMITTEES

The Board, after being satisfied that the arrangement for delegation within its own structures promoted independent judgement and assisted with balance of power and effective discharge of its duties, delegated particular roles and responsibilities to the following Board committees:

- ▶ Audit and Risk Committee;
- ▶ Social and Ethics Committee;

## Corporate governance report (continued)

- ▶ Nominations Committee; and
- ▶ Remuneration Committee.

These committees still form part of the unitary Board notwithstanding its statutory duties over and above the responsibilities set out in its terms of reference. Shareholders elect the members of the Audit and Risk Committee at each AGM. The Managers' Investment Committee is appointed in terms of the shareholder-approved management agreement with GAIA.

Each committee operates according to Board-approved terms of reference, which set out its purpose, composition, roles and responsibilities, which are reviewed annually and updated where necessary. The Chairs of the respective committees are appointed by the Board.

### EXECUTIVE COMMITTEE

The GAIA Executive Committee consists of the following members:

- ▶ KP Lebina (Chief Executive Officer); and
- ▶ MM Nieuwoudt (Chief Investment Officer).

The Executive Committee's mandate is to execute the Board-approved strategy of responsibly investing in high quality assets

and oversee the operations of the Company. The Executive Committee engagement between GAIA and ManCo is one of client and service provider relationship, with the management agreement forming a basis for the relationship. The Executive Committee discusses investment opportunities, operational concerns and performance of the assets under management on a regular basis.

Highlights for the year under review:

- ▶ Invested in its second asset – 20% effective see-through economic interest in the Noblesfontein Wind Farm;
- ▶ Established relationships with debt capital providers;
- ▶ Kept the dividend return promise to shareholders by paying a maiden dividend of 63.5 cents per share and an interim dividend of 24.84 cents per share for the financial year under review;
- ▶ Kept dividend promise of inflation increase to dividend payment by declaring a final gross dividend of 42 cents per share bringing total gross dividend for the year to 66.84 cents per share;
- ▶ Enhanced the profile of GAIA by communicating with shareholders through various platforms of communication; and
- ▶ Engaged stakeholders to ascertain GAIA is a responsible corporate citizen.

## Audit and Risk Committee report

The Audit and Risk Committee is a statutory committee appointed by shareholders. In addition to its statutory responsibilities, this committee also dealt with duties delegated in terms of risk.

### The Audit and Risk Committee

comprised the following members for the period under review:



Sisanda Tuku	Independent Non-Executive Chairperson
Nathiera Kimber	Independent Non-Executive Member
Lumkile Mondl	Independent Non-Executive Member
<b>Standing Invitees:</b>	
External auditors	
Internal auditors	
<b>Chief Executive Officer who currently also fulfills the function of Financial Director (Prudence Lebina)</b>	
Leon de Wit	Non-Executive Director

Meeting attendances are available on page 32 of the Integrated Annual Report.

Summary of key focus areas, some of which were finalised subsequent to year-end:

- ▶ Approval of the interim results for the period August 2017;
- ▶ Approval of the 2017 annual financial statements;
- ▶ Reviewed and recommended for approval by the Board the Integrated Annual Report;
- ▶ Reviewed the risk register;
- ▶ As required by section 3.84(g)(iii) of the JSE Listings Requirements, obtained information listed in paragraph 22.15(h) of the JSE Listings Requirements in the appointment of new external auditors, Deloitte, and satisfied itself that the external auditor and the audit partner, P Ndlovu, had the necessary accreditation and were suitable for the re-appointment;
- ▶ Approval of the risk-based internal and external audit scopes and budgets;
- ▶ Satisfied itself with the independence and objectivity of the external auditor and other requirements in terms of section 94(8) of the Companies Act and the principles and recommended practices contained in the King IV Report;
- ▶ Satisfied itself with the independence of the internal audit function and further that the internal auditor had the ability to fulfil its duties as per the King IV report;
- ▶ Reviewed its terms of reference;
- ▶ Reviewed the going concern status of GAIA;
- ▶ Committee evaluation with satisfactory results;
- ▶ Recommending the approval of the 2018/2019 budget;
- ▶ Approval of the 2018 annual financial statements;
- ▶ Considered and satisfied itself that the Company has adequate financial reporting procedures to ensure the timely and accurate preparation of the annual financial statements, free

from material error and that these procedures are operating as intended;

- ▶ Assessed the appropriateness of the expertise and experience of the Financial Director and the finance function; and
- ▶ Considered the JSE's proactive monitoring report and supervision of improved disclosures, and the applicability of the issues raised to GAIA.

In terms of risk management, through consultation with the internal and external auditors, the Audit and Risk Committee ensures that management's processes and procedures are adequate to identify, assess and manage GAIA's risks.

### EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Audit and Risk Committee as a whole considered and commented on GAIA's annual financial statements and accounting practices. The Board considered, reviewed and discussed the Group annual financial statements with the independent external auditors and finance team. The Board is satisfied that the Group annual financial statements comply with International Financial Reporting Standards as well as the SAICA Financial Reporting Standards Council, and the requirements of the Companies Act as disclosed in Note 1.1 of the annual financial statements.

After agreeing that the going concern premise was appropriate, the Board approved the Group annual financial statements on 11 June 2018. The annual financial statements will be open for discussion at the upcoming AGM. The Chairperson of the Committee, and in the instance of her absence, the other members of the Audit and Risk Committee, will attend the AGM to answer questions falling under the mandate of this committee.

## Audit and Risk Committee report (continued)

### EXPERTISE AND EXPERIENCE OF THE FINANCE DIRECTOR

The Committee is satisfied that the Chief Executive Officer also acts as Financial Director for the time being, in terms of dispensation provided by the JSE Limited. She has the expertise and experience required of a Financial Director and the Committee recommended her ongoing appointment to the Board of Directors. This was confirmed by the Board.

### NON-AUDIT SERVICES

There were no non-audit services for the period under review.

Summary of key focus areas for the next financial year:

- ▶ IT governance; and
- ▶ Business disruption and disaster recovery.

### CONCLUSION

The Committee is committed to ensuring that the financial results of GAIA fairly represent the performance of the Group and that adequate controls are maintained over the next financial year.



**Sisanda Tuku**

*Chairperson of the Audit and Risk Committee*

25 June 2018

## Social and Ethics Committee report

### The Social and Ethics Committee

comprised the following members for the period under review:



C Ferreira	Chairperson	Non-Executive
KE Mbalo	Member	Independent Non-Executive
T Bukula*	Member	Independent Non-Executive
TD Soudien-Witten**	Member	Financial Director
KP Lebina	Permanent Invitee	Chief Executive Officer

\* T Bukula was appointed as a member of the Social and Ethics Committee on 22 May 2018.

\*\* TD Soudien-Witten resigned on 9 February 2018.

The Social and Ethics Committee ("Committee") assists the Board in monitoring GAIA's performance as a good and responsible corporate citizen. This is done by monitoring the sustainable development practices of the Company as set out below, thereby assisting the Board in achieving one of its values of doing ethical business.

The primary purpose of this committee is:

1. to monitor the Company's activities with regard to social and economic standing and development; good corporate citizenship; the environment, health and public safety; consumer relationships; and compliance laws.
2. draw matters within its mandate to the attention of the Board; and
3. report to shareholders on matters within its mandate.

The Committee is also responsible for monitoring the Company's activities in respect of compliance with applicable legislation and prevailing codes of best practice, for matters relating to transformation (including employment equity and B-BBEE), labour and employment.

Meeting attendances are available on page 32 of the Integrated Annual Report.

In the execution of its duties, the Social and Ethics Committee has reviewed the sustainable development practices of the Company, specifically relating to:

- ▶ The Company's Socio-Economic Development and Enterprise Development activities;
- ▶ The Socio-Economic Development and Enterprise Development activities of the companies GAIA invests in;
- ▶ Ethics and compliance;
- ▶ Stakeholder relations;
- ▶ Broad-based black economic empowerment; and
- ▶ Environmental impact assessments, specifically relating to the Dorper wind farm and surrounding communities.

Summary of key focus areas for the next financial period:

- ▶ Formalising a Health, Safety and Environmental Statement and Policy, as well as a Social Policy;
- ▶ Implementation of a B-BBEE Policy and improving GAIA's B-BBEE rating;
- ▶ Further development of GAIA's socio-economic development and enterprise development activities;
- ▶ Environmental impact assessments of the Noblesfontein wind farm and surrounding communities; and
- ▶ Continue with the monitoring of the environmental impact at the Dorper wind farm.

### SOCIO-ECONOMIC DEVELOPMENT: COMMUNITY, SOCIAL AND ENVIRONMENTAL ISSUES

GAIA is committed to making a difference in the communities it invests and operates. Recent Socio-Economic Development initiatives includes the launch of the LunchBox fund in the Molteno and Sterkstroom communities. The Social and Ethics Committee will continue to monitor the progress of the Community Development Plan for the Molteno and Sterkstroom Community Development Trust.

### TERMS OF REFERENCE

The Social and Ethics Committee operated in accordance with its Board Approved Terms of Reference. Following the review by the Social and Ethics Committee, the said committee is of the view that, in all material respects, the Committee has achieved its objectives for the financial year ended 28 February 2018.

Signed on behalf of the Social and Ethics Committee by:

**Clive Ferreira**  
Chairperson

25 June 2018

## Remuneration Committee report

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



N Kimber	Chairperson	Independent Non-Executive Director
S Tuku	Member	Independent Non-Executive Director
L Mondl	Member	Independent Non-Executive Director
C Ferreira	Member	Non-Executive Director

The Remuneration Committee acts independently but is accountable to both the Board and shareholders. The Remuneration Committee does not assume the functions of management, which remain the responsibility of the Executive Directors and other members of management.

The functions of the Remuneration Committee include overseeing the establishment and implementation of the Company's remuneration policy and philosophy and ensuring that it promotes the achievement of strategic objectives. The Remuneration Committee is also responsible for making recommendation on the remuneration policies and practices for the Executive Directors, senior management and Non-Executive Directors.

### YEAR UNDER REVIEW

The Remuneration Committee performed the following duties and responsibilities during the year, according to its terms of reference:

- ▶ reviewed the Company's remuneration policy for approval by the Board, which will be put to a non-binding vote by shareholders at the 2018 AGM;
- ▶ reviewed and approved the remuneration of the Chief Executive officer, as an Executive Director of the Company;
- ▶ considered the remuneration of Non-Executive Directors for proposal to shareholders; and
- ▶ considered the results of the evaluation of the performance of the Chief Executive Officer.

### KEY FOCUS AREAS FOR NEXT FINANCIAL PERIOD

- ▶ Implementing Key Performance Indicators and Key Performance Areas as part of the Chief Executive Officer's new employment agreement; and
- ▶ Assist the Nominations Committee with formalising succession planning for key Executives, as well as succession planning for the Board and its committees.

### REMUNERATION POLICY AND PHILOSOPHY

The remuneration policy is being submitted to shareholders at the AGM to be held on 26 July 2018 for approval by non-binding advisory vote.

GAIA and its subsidiary ("GAIA Financial Services RF (Pty) Limited") are committed to ensuring that its remuneration practices enable the Company to:

- ▶ Ensure that GAIA attracts and retains exceptional talent;
- ▶ Motivate and reward the exceptional talent for developing and implementing the Company's strategy;
- ▶ Evaluate remuneration packages against market-related surveys;
- ▶ Motivate Directors to perform in the best interests of the Company and its stakeholders;
- ▶ Appropriately compensate Directors for the services they provide to the Company;
- ▶ Provide an appropriate level of transparency;
- ▶ Comply with all statutory and best practice requirements on labour relations;
- ▶ Perform assessments of all of the Executive Directors annually; and
- ▶ Ensure a level of equity and consistency across GAIA.

GAIA makes provision for the remuneration of the Chief Executive Officer and the Non-Executive Directors as it relates to their remuneration as members of the Board of Directors and its committees. Executive Director, Mich Nieuwoudt is employed and remunerated by the Management Company, GAIA Infrastructure Partners (Pty) Limited ("ManCo").

To ascertain independence, the Remuneration Committee annually undertakes market benchmarks for remuneration packages of the Chief Executive Officer and the Board.

The Remuneration Committee reviewed the Non-Executive Directors' remuneration at a meeting held on 30 March 2018 against market surveys on Non-Executive Directors' practices and remuneration trends. Affordability, Company size, current operating environment as well as market surveys were considered and the Board agreed to present that there should be no increase in Non-Executive Directors' remuneration for the F2019 to GAIA shareholders for consideration for approval at the upcoming AGM. The overall basis and structure of the Non-Executive Directors' remuneration remained unchanged.

#### Period ended 28 February 2019

	2018	2019
<b>Annual retainer</b>		
Chair	76 854	<b>76 854</b>
Member	76 854	<b>76 854</b>
<b>Board meeting (per meeting)</b>		
Chair	23 376	<b>23 376</b>
Member	12 809	<b>12 809</b>
<b>Committee (per meeting)</b>		
Chair	17 075	<b>17 075</b>
Member	12 809	<b>12 809</b>

Policy statement on Non-Executive Directors' fees include:

- ▶ Non-Executive Directors are remunerated per meeting in accordance with the attendance fees for scheduled meetings as agreed by shareholders on the Board's recommendation at the AGM;
- ▶ Attendance of ad hoc or special purpose committee meetings as appointed by the Board shall be remunerated on the basis applicable to an existing Committee whose purpose most closely relate to that of the special purpose or ad hoc Committee; and
- ▶ Fees for special assignments of one or more tasked members of the Board or of any Committee, which may also include travel on business locally or abroad, are to be agreed upfront with the Chairman of the Board. Travel, fares and reasonable subsistence shall be in line with GAIA's relevant policies as they apply.

The Non-Executive Directors do not have a contract of employment with GAIA but have had a detailed induction which stipulated the duties and responsibilities expected of them. Non-Executive Directors' duties are formalised in their appointment letters.

The Board conducted an internal assessment of the Board's performance for the 2018 financial year. As reported under the Corporate Governance section, no remedial action was required.

### CHIEF EXECUTIVE OFFICER'S REMUNERATION

The Chief Executive Officer's remuneration comprises the following components:

- ▶ Guaranteed remuneration, which includes the monthly basic cash salary and an additional one month basic cash salary payable annually.
- ▶ The Chief Executive Officer's remuneration is adjusted annually considering her own performance, experience, level of responsibility and Group performance.
- ▶ The Chief Executive Officer does not receive Directors' fees for attending Board and committee meetings.

The Chief Executive Officer was appointed on 1 October 2016 and was previously remunerated proportionally by GAIA and its Management Company, The Manager. The Remuneration Committee considered the financial impact on the Company of remunerating the Chief Executive Officer in full and the Committee's recommendation in this regard was approved by the Board with effect from 1 October 2017. In addition to the above and during the period under review, the Remuneration Committee undertook a market benchmark of the Chief Executive Officer's remuneration package, relative to that of peer companies as well as a detailed assessment of her performance against agreed KPIs. A 6% increase in the Chief Executive Officer's remuneration was approved by the Board with effect from 1 October 2017 following a recommendation by the Remuneration Committee to increase her remuneration based on the outcome of the Remuneration Committee's appraisal and assessment.

Directors' emoluments are detailed in Note 81 of the annual financial statements.



**Nathiera Kimber**

*Chairperson of the Remuneration Committee*

25 June 2018

## Nominations Committee report

Following the appointment of two additional Independent Non-Executive Directors, the Nominations Committee was reconstituted.

<b>The Nominations Committee</b> subsequently comprised the following members for the period under review:	KE Mbalo	Chairperson	Independent
	PB Schabot	Member	Non-Independent
	T Bukula	Member	Independent
	KP Lebina	Permanent Invitee	Chief Executive Officer



The Nominations Committee makes recommendations to the Board on various issues, such as the nomination and appointment of Non-Executive Directors and Executive Directors.

The primary purpose of this committee is to identify and evaluate suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions.

The Nominations Committee identifies a list of candidates to be considered, and establishes availability, willingness and suitability. The authority to appoint Directors remains that of the Board. Candidates identified by the Committee are interviewed by all the Non-Executive Directors before the potential appointment is referred to the Board for final decision. Appointees are ultimately referred to shareholders for election.

There were no new appointments to the Board, apart from the ones reported under the Corporate Governance section of the Integrated Annual Report.

Meeting attendances are available on page 32 of the Integrated Annual Report.

Summary of key focus areas in 2017, some of which was finalised subsequent to year-end:

- ▶ Implementation and monitoring of the Gender Diversity and Race Policy. More detail in this regard is available in the Corporate Governance Report on page 31;
- ▶ Rotation of Non-Executive Directors in line with the requirements of the Memorandum of Incorporation;
- ▶ Evaluation of the Board and Company Secretary. More detail in this regard is available in the Corporate Governance Report on page 33;
- ▶ Successfully negotiated a reduction in Non-Executive Director remuneration for PB Schabot, L de Wit and C Ferreira valid until 28 February 2018; and
- ▶ Appointment of two Independent Non-Executive Directors following transparent selection and appointment processes.

Summary of key focus areas for the next financial period:

- ▶ Formalising succession planning for key executives, including succession planning for the Board and its committees;
- ▶ Review of professional indemnity and Directors' and officers' liability insurance;
- ▶ Consider changes to the composition of the Board while considering optimal composition of the Board to address all aspects of diversity including race and gender; and
- ▶ Review the options available for ongoing training and development of Directors.

### ROTATION OF DIRECTORS

The Nominations Committee considered the eligibility and past contributions of the Non-Executive Directors who offered to retire by rotation, while offering themselves for re-election, in line with the requirements of the Company's Memorandum of Incorporation. In this regard, the Nominations Committee recommended the eligibility of Mr Clive Ferreira, Mr Eddie Mbalo and Mr Leon de Wit to the Board of Directors. Shareholders will be requested to consider the reappointment of these individuals at the upcoming AGM.

### TERMS OF REFERENCE

The Nominations Committee operated in accordance with its Board Approved Terms of Reference. Following the review by the Nominations Committee, the said committee is of the view that, in all material respects, the Committee has achieved its objectives for the financial year ended 28 February 2018.

Signed on behalf of the Nominations Committee by:

**Eddie Mbalo**  
Chairperson

25 June 2018

## Risk management, systems of control and internal audit

GAIA's risk management process, systems of control and internal audit are set out in the committee report on page 42.

### CONFLICT OF INTEREST AND SHARE DEALINGS

Directors are aware that when a matter is considered by a Board in which they individually have a direct or indirect interest, this should be disclosed prior to the Board meeting. These disclosures are noted by the Board when necessary, and recorded in the minutes of a Board meeting.

All directors, officers and employees of the Group are advised of closed and prohibited periods in terms of the requirements of the JSE. Directors, employees, consultants and agents are

prohibited from trading in the Company's securities during closed and prohibited periods.

Directors are required to obtain written clearance from the Chairman of the Board prior to dealing in the Company's shares. The Chairman of the Board is required to obtain approval from the Chairman of the Audit and Risk Committee before undertaking any share dealings. It is also mandatory for directors to notify the Company Secretary of any dealings in the Company's shares. This information is then disclosed on the Securities Exchange News Services ("SENS") of the JSE within 48 hours of the trade being effected. The Company Secretary maintains a record of share dealings throughout the year.

### OTHER REPORTING REQUIREMENTS

<b>Insider trading</b>	GAIA observes a closed period from just before the end of the accounting period to the announcement of the interim or annual results. During this time, no director may be in possession of unpublished price-sensitive information, trade directly or indirectly in the shares of GAIA.
<b>Going concern</b>	The Board considers and assesses GAIA's going concern basis in the preparation of the annual and interim financial statements. In addition, the solvency and liquidity requirements per the Companies Act are considered. The Board is satisfied that GAIA will continue as a going concern into the foreseeable future.
<b>Material litigation</b>	During the financial year, GAIA was not involved in any material litigation or arbitration proceedings nor are the directors aware of any pending or threatened legal issues, which may have a material impact on GAIA's financial position.
<b>Political party contributions</b>	No political party contributions were made in the period under review. GAIA endorses all principles and institutions that support a free and democratic society but does not make donations to any political party.

### LEGAL AND COMPLIANCE

The Board ensures that GAIA complies with all applicable laws and considers adherence to all relevant industry charters, codes and standards. The Audit and Risk Committee manages compliance in accordance with a framework that has been approved by the Board. During the reporting period, no judgments, damages, penalties or fines were recorded or levied against GAIA or its directors.

### IT GOVERNANCE

GAIA ensures that the ManCo complies with all relevant IT laws, rules, codes and standards. The IT function at GAIA focuses on being an enabler to business, aligning with business initiatives, creating fluidity, and assisting in providing a competitive operational edge to business.

### KING CODE

GAIA is committed to the principles of transparency, integrity, fairness and accountability.

GAIA is fully committed to applying King IV in all respects. A register on King IV compliance is available on the Company's website at [www.gaia-ic.com](http://www.gaia-ic.com).

### RISK MANAGEMENT

GAIA has an integrated Risk and Compliance Framework in place that aims to identify, assess, communicate and report GAIA's risks. This includes the process of independent audit assurance with regards to the implementation and adherence to GAIA's policies, plans, procedures and controls.

The framework ensures that GAIA achieves the level of strategic and operational efficiency and compliance as required by the Board.

The implementation of the Risk and Compliance Framework focuses on integration of regulatory compliance (with risk management and internal audit) into business planning, execution and management.

## Risk management, systems of control and internal audit (continued)

### Risk management process – establishing context for our risk environment

<b>RISK IDENTIFICATION</b>	<ul style="list-style-type: none"> <li>▶ Identify treatment for risk that does not meet acceptable tolerance level on risk matrix</li> <li>▶ Prioritise risk for monitoring and review</li> <li>▶ Escalate priority 1 and 2 risks as required</li> </ul>
<b>RISK EVALUATION</b>	<ul style="list-style-type: none"> <li>▶ Determine whether controlled risk is acceptable using risk matrix</li> <li>▶ Determine whether controlled risk needs further treatment</li> <li>▶ Prioritise risk treatment</li> </ul>
<b>RISK ANALYSIS</b>	<ul style="list-style-type: none"> <li>▶ Determine level of risk</li> <li>▶ Likelihood of it occurring</li> <li>▶ Consequence if it were to occur</li> <li>▶ Control in place to mitigate risk</li> </ul>
<b>COMMUNICATE AND CONSULT</b>	<ul style="list-style-type: none"> <li>▶ Monitor and review strategic risks – Quarterly</li> <li>▶ Operational risks – Monthly</li> </ul>

### KEY RISKS

Strategic	Mitigation
<b>Access to funding to conclude deals</b>	<ul style="list-style-type: none"> <li>▶ Developing multiple funding channels: equity, debt, preference share structure.</li> <li>▶ Communication with the broader market to understand infrastructure as an asset class.</li> <li>▶ Effective communication of GAIA investment case.</li> </ul>
<b>Management of infrastructure assets</b>	<ul style="list-style-type: none"> <li>▶ GAIA is an active equity investor and through its membership on the Board of directors of investee companies, GAIA participates in the decision making of those companies.</li> <li>▶ GAIA has a defined methodology for measuring and reporting on asset performance. In depth performance reports are provided to the Board on a quarterly basis for review.</li> <li>▶ Where deemed necessary, the Board will take appropriate actions to ascertain asset performance levels meet expectation.</li> </ul>
<b>Succession planning</b>	<ul style="list-style-type: none"> <li>▶ The Board is represented by both founders as well as independent members.</li> <li>▶ Succession planning being formalised through mapping of positions, key functions and identifying individuals to replace key roles.</li> </ul>
<b>Manager non-performance</b>	<ul style="list-style-type: none"> <li>▶ Quarterly review of ManCo's performance in accordance with the management agreement.</li> <li>▶ Service level checklist drawn up using the shareholder approved management agreement.</li> </ul>

## INTERNAL AUDIT

The Group has adopted a Combined Assurance Model based on three lines of defence which makes use of the following assurance providers:

- ▶ Management provides the Audit and Risk committee with assurance that the risk management plan is integrated and functioning as part of the daily operations.
- ▶ The internal assurance providers (Board Committees) assess the effectiveness of the internal control and risk management processes.
- ▶ The external assurance providers (outsourced internal auditors and the external auditors) provide assurance on specific aspects of the Group's operations.

The Audit and Risk Committee monitors, supervises and evaluates the effectiveness of the internal audit function taking account of the risks documented in the risk register and approved by the committee. The Audit and Risk Committee meetings are attended by the internal and external auditors, the Group CEO and Group Financial Director, as well as other Board members and invitees as considered appropriate by the Chair of the Audit and Risk Committee.

Both the external and internal auditors have unrestricted access to the Audit and Risk Committee, which ensures that their independence is in no way impaired.

The internal audit function has been established to assist the Board and executive management with the achievement of their objectives and has been outsourced to BDO Advisory Services (Pty) Limited. Internal Audit is the primary independent

assurance provider on the adequacy and effectiveness of the Group's governance, risk management and internal control structures, systems and processes.

## SCOPE OF WORK AND OVERALL OPINION

As internal auditors, BDO has performed certain assignments based on risks identified and documented in the Group's risk register. There were no undue scope limitations or impairments to our independence.

In our professional judgement, the company's approach to risk management is appropriate for the organisation at the current stage of its life cycle. BDO reviewed certain internal controls over operations and related activities and found these to be adequate and effective in all significant respects. Where appropriate, we provided recommendations to further improve and mature some of the controls.

## INTERNAL AUDIT ASSURANCE STATEMENT

Internal Audit provides reasonable, but not absolute assurance in respect of the scope of their duties and approved audit plan. This does not supersede the Board's and management's responsibility for the ownership, design, implementation, monitoring and reporting of governance, risk management and internal controls.



**BDO Risk Advisory Services**

*Internal Auditor*



# 04

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## ANNUAL FINANCIAL STATEMENTS

## Directors' responsibility statement

The Board is responsible for the preparation and fair presentation of the annual financial statements of the Company, comprising the statement of financial position at 28 February 2018, and the statement of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and Interpretations of IFRS standards, as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and the Directors' report.

The annual financial statements are based upon appropriate accounting policies consistently applied throughout the Company and supported by reasonable and prudent judgements and estimates. The Board acknowledges 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.

The Board is also responsible for such internal controls as the Board determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Board has made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the Company, set out on pages 58 to 83 which have been prepared on a going concern basis, were approved by the Board on 11 June 2018 and signed on their behalf by:



**Ms Prudence Lebina**  
*Authorised Director*



**Mr Eddie Mbalo**  
*Authorised Director*

## Audit and Risk Committee report

This report is provided by the Audit and Risk Committee appointed in respect of the 2018 financial year of GAIA Infrastructure Capital Limited ("the Company").

The Audit and Risk Committee is a committee of the Board of Directors ("the Board"), and serves in an advisory capacity to the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, risk management and internal controls, the review of financial information and the preparation of the consolidated annual financial statements. This includes satisfying the Board that adequate internal, operating and financial controls are in place.

### TERMS OF REFERENCE

The Audit and Risk Committee has adopted formal terms of reference that have been updated and approved by the Board, and has executed its duties during the past financial year in compliance with these terms of reference.

### MEMBERS OF THE AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee are all Independent Non-Executive Directors of the Company and include:

Director	Qualification	Date of appointment
Sisanda Tuku	CA(SA)	21 November 2016
Nathiera Kimber	BA LLB, LLM (Tax)	1 October 2015
Lumkile Mondli	MA Economics, BCom (Honours), BCom Economics	1 June 2017

The Audit and Risk 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 and Regulation 42 of the Companies Regulation, 2011.

### MEETINGS HELD BY THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee met five times to consider matters concerning the year under review. The attendance was as follows:

	11 April 2017	10 July 2017	8 February 2018	8 May 2018	8 June 2018
Sisanda Tuku	Yes	Yes	Yes	Yes	Yes
Nathiera Kimber	Yes	Yes	Yes	Yes	Yes
Lumkile Mondli	N/A	Yes	Yes	Yes	Yes
Eddie Mbalo	Yes	N/A	N/A	N/A	N/A

Mr Eddie Mbalo was replaced by Mr Lumkile Mondli on 1 June 2017.

### STATUTORY DUTIES

In execution of its statutory duties, as required in terms of the Companies Act of South Africa, during the past financial year the Audit and Risk Committee has:

- Ensured the appointment as external auditor of the Company a registered auditor who, in the opinion of the Audit and Risk Committee, is independent of the Company;
- Determined the fees to be paid to the external auditor and such auditor's terms of engagement;
- Ensured that the appointment of the external auditor complies with the Companies Act of South Africa and any other legislation relating to the appointment of such auditor;
- Determined the nature and extent of any non-audit services which the auditor may provide to the Company or such services that the auditor may not provide to the Company or related company;
- Pre-approved any proposed contract with the auditor for the provision of non-audit services to the Company;
- Considered the independence of the external auditor and has concluded that the external auditor has been independent of the Company throughout the year taking into account all other non-audit services performed and circumstances known to the Audit and Risk Committee;
- Received and dealt appropriately with any complaints relating to the accounting practices and internal audit of the Company, the content or auditing of its annual financial statements, the internal financial controls of the Company, or to any related matter;
- Made submissions to the Board on any matter concerning the Company's accounting policies, financial controls, records and reporting.

The Audit and Risk Committee has considered the key audit matter, valuation of investments, for the current financial year.

- The Committee spent time understanding the valuation methodology and various input factors and judgements applied by management, 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.

- ▶ Following the 2018 audit, Deloitte & Touche ("Deloitte") have been the external auditors of the Company for one year and P Ndlovu has been designated auditor for one year.

## EXTERNAL AUDITOR

The Audit and Risk Committee nominated Deloitte as the external auditor for the Company for the financial year ended 28 February 2018 and their appointment complies with the Companies Act of South Africa and all other applicable legal and regulatory requirements.

Taking into consideration the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies, Deloitte 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 Group in a financial reporting oversight role during the year under review.
- ▶ The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by them for the Company or any previous appointment as auditor of the Company or any other company within the Group.
- ▶ The auditor does not, except as external auditor, or in rendering of permitted non-audit services, receive any direct or indirect remuneration or other benefit from the Company or any other company within the Group.
- ▶ The Audit and Risk Committee reviewed and approved the external audit plan, the budgeted and final fee for the reporting period and the terms of engagement of the external auditors; and pre-approved all audit and permissible non-audit services that Deloitte provides.

The quality of the external audit process was reviewed and the Audit and Risk Committee concluded it to be satisfactory.

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

## INTERNAL AUDIT

The Audit and Risk Committee nominated BDO Risk Advisory Services ("the Internal Auditor") as the internal auditor for the Company for the financial year ended 28 February 2018 and their appointment complies with the Companies Act and all other applicable legal and regulatory requirements.

The Audit and Risk Committee:

- ▶ reviewed and approved the internal audit plan, the budgeted and final fee for the reporting period and the terms of engagement of the internal auditors;
- ▶ pre-approved all audit and permissible non-audit services that the Internal Auditor provides; and
- ▶ considered the written report and submissions of the findings made by the Internal Auditor with regards to the Internal Audit performed in October 2017.
- ▶ No adverse findings were reported by the Internal Auditor and the Audit and Risk Committee has reported such to the Board.
- ▶ The Internal Audit Charter was tabled and approved on 24 November 2016.

## FINANCE DIRECTOR

In compliance with paragraph 3.59 of the JSE Limited Listings Requirements, shareholders are advised that Ms Tamee Soudien-Witten resigned as Finance Director and as an Executive Director of the Board of GAIA, with effect from 9 February 2018.

The Board of GAIA is in the process of identifying a suitable successor to fill the position of Finance Director and until such time, the Chief Executive Officer of GAIA, Ms Prudence Lebina, will assume the duties and responsibilities of interim Finance Director.

The Audit and Risk Committee reviewed the performance and confirmed the suitability and expertise of the Interim Finance Director, P Lebina. The Audit and Risk Committee further considered the appropriateness of the expertise, diversity and adequacy of resources of the Company's financial function and the effectiveness of the senior members of management responsible for the financial function.

## FINANCIAL STATEMENTS AND CONCLUSION

Following the audit of the financial statements, the Audit and Risk Committee recommends that the Board approves the said statements.

On behalf of the Audit and Risk Committee



**Ms Sisanda Tuku**

*Audit and Risk Committee Chair*

## Directors' report

The Board submits their report on the annual financial statements of the Company for the year ended 28 February 2018.

### REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The Company is focused on acquiring equity stakes in emerging Southern African infrastructure assets, specifically in the energy, transport and water and sanitation sectors. The Company aims to be a leading investment holding company of infrastructure assets in South Africa. The Company's investment philosophy is to invest in infrastructure assets that are operational or near operational, offer low risk and yield inflationary linked returns.

On listing, the Company issued 55 150 000 shares at R10 per share, thereby raising R551.5 million.

The purpose of listing was to give institutional investors access to an attractive alternative asset class that is usually only accessed through illiquid private equity investments.

The Company invests substantially all its assets through its wholly owned subsidiary GAIA Financial Services (RF) (Pty) Limited ("GAIA Financial Services"). The two companies have the same investment objectives and are collectively referred to as "the Group".

### SALIENT FEATURES

- ▶ Total revenue up 15.5% to R62 million;
- ▶ Dividend income from assets under management up 286.7% to R60 million;
- ▶ Headline earnings per share up 19.5% to 78.36 cents per share;
- ▶ Dividend of 88.34 cents per share paid since listing;
- ▶ Tangible net asset value per share at R10.53;
- ▶ Net cash of R26.7 million; and
- ▶ Additional asset acquired September 2017 with 20% effective economic interest.

On 19 September 2017, the Company acquired, through GAIA Financial Services, an effective economic interest of 20% in the combined distributions linked to the ordinary shares and shareholder loan claims against Coria (PKF) Investments 28 (RF) (Pty) Limited ("Noblesfontein Wind Farm") for a consideration of R188 million and transaction costs of R6.4 million ("Noblesfontein Acquisition"). Further detail on the acquisition is included below.

Operating expenses have increased to R18.5 million (2017: R8.8 million) as the Company sets itself up to operate as a fully fledged investment holding company and continue to explore investment opportunities in accordance with its investment policy. In the process of its transition, GAIA increased its capacity to enable it to absorb expected growth of operating as an investment holding company, compared to the 12 months to February 2017 of the Company trading largely as a special purpose acquisition company ("SPAC").

Profit before finance costs and tax is R43.6 million (2017: R44.9 million) and comprehensive income for the period is R43.2 million (2017: R36.2 million).

### PERFORMANCE OF ASSETS

#### Dorper Wind Farm

Dorper's asset performance has been consistent with the forecast figures on total electricity production for the period 1 March 2017 to 28 February 2018.

The average actual capacity factor was also consistent with average forecast capacity factor at 33%. A 33% capacity factor represents the wind farm's measure of possible theoretical production as compared to its actual production.

GAIA Infrastructure Partners (Pty) Limited ("ManCo") expressed satisfaction with Dorper Wind Farm's board model's ability to accurately forecast the Farm's performance.

#### Noblesfontein Wind Farm

Noblesfontein Wind Farm is viewed by ManCo as a very high performing asset and have no concerns regarding its ability to reach its expected performance. Actual capacity for the period held is at 33.6%.

## ACQUISITION OF NOBLESFONTEIN WIND FARM

On 19 September 2017, GAIA Financial Services acquired C Preference Shares in Business Venture Investments No. 3010 (Pty) Limited which was renamed to GAIA SPV (RF) (Pty) Limited ("GAIA SPV") for an aggregate subscription price of R130 million and, as a result, acquired an effective economic interest of 13.001% in the combined distributions linked to the ordinary shares and shareholder loan claims against Coria (PKF) Investments 28 (RF) (Pty) Limited ("Noblesfontein Wind Farm").

In addition, GAIA Financial Services entered into funding agreements with South African Renewable Green Energy (Pty) Limited ("SARGE") whereby GAIA Financial Services subscribe for A Preference Shares and B Preference Shares in SARGE for an aggregate subscription price of R58 million (the "SARGE Transaction"). As a result of the SARGE Transaction, GAIA Financial Services acquired a further effective economic interest of 7.03% of the distributions linked to the ordinary shares in the Noblesfontein Wind Farm.

The Roux Family Trust currently holds 100% of the issued ordinary shares in GAIA SPV and has granted GAIA Financial Services an irrevocable call option ("Call Option") in terms of which GAIA Financial Services has an option to purchase all of the ordinary shares in GAIA SPV for a purchase price of R100.

GAIA Financial Services obtained funding to facilitate, *inter alia*, its subscription for the GAIA SPV C Preference Shares; and subscription for the SARGE Preference Shares by way of the issue, by it, of A Preference Shares and B Preference Shares to RMB Investments and Advisory (Pty) Limited ("RMBIA") for an aggregate subscription price of approximately R188 million in terms of the GAIA Financial Services Preference Share Subscription Agreement.

The investments and liabilities are held in the financial statements of GAIA Financial Services as follows:

### Financial assets held at fair value through profit or loss

	2018 R	2017 R
South African Renewable Green Energy (Pty) Limited		
– "A" Preference Shares	64 494 737	–
– "B" Preference Shares	24 215 253	–
GAIA SPV (RF) (Pty) Limited		
– "C" Preference Shares	129 918 547	–
– Call option	39 303 525	–
	<b>257 932 062</b>	<b>–</b>
Financial liability held at fair value through profit or loss		
RMB Investments and Advisory (Pty) Limited "A" Preference Shares	212 399 882	
"B" Preference Shares	24 978 330	–
	<b>237 378 212</b>	<b>–</b>

## OUTLOOK

ManCo has secured a qualified pipeline of investment opportunities, which include a number of high-quality assets in the energy, transport, water and sanitation sectors for which it will require funding from the capital markets. These are in line with the GAIA's investment mandate and offer shareholders an opportunity to invest in low risk assets that yield a stable and sustainable return, growing in line with inflation.

# Directors' report (continued)

## SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the year under review.

Shareholding spread as at 28 February 2018	Number of shareholders	Number of shares	%
General public: Individual shareholding less than 5%	873	10 248 639	18.65%
Government Employees Pension Fund	1	22 663 222	41.09%
Specialised Listed Infrastructure Equity	1	19 247 699	34.90%
Directors of GAIA Infrastructure Capital Limited	5	2 991 440	5.36%
	<b>880</b>	<b>55 151 000</b>	<b>100%</b>

## SHAREHOLDER ANALYSIS

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	125	14.22	51 635	0.09
1 001 – 10 000 shares	591	67.24	2 581 877	4.68
10 001 – 100 000 shares	144	16.38	3 147 855	5.71
100 001 – 1 000 000 shares	15	1.71	5 157 112	9.35
1 000 001 shares and over	4	0.46	44 211 521	80.17
<b>Totals</b>	<b>879</b>	<b>100.00</b>	<b>55 150 000</b>	<b>100.00</b>
<b>Distribution of shareholders</b>				
Banks/broker	4	0.46	788 955	1.43
Close corporations	9	1.02	46 143	0.08
Endowment funds	3	0.34	13 182	0.02
Individuals	637	72.47	4 176 167	7.57
Insurance companies	2	0.23	443 606	0.80
Mutual funds	7	0.80	618 290	1.12
Other corporations	8	0.91	36 916	0.07
Private companies	31	3.53	4 159 160	7.54
Private equity	1	0.11	19 247 699	34.90
Retirement funds	3	0.34	22 928 199	41.57
Trusts	174	19.80	2 691 683	4.88
<b>Totals</b>	<b>879</b>	<b>100.00</b>	<b>55 150 000</b>	<b>100.00</b>
<b>Public/non-public shareholders</b>				
Non-public shareholders	8	0.91	44 883 080	81.38
Directors and associates	5	0.57	2 972 159	5.39
Strategic holder more than 10%	3	0.34	41 910 921	75.99
Public shareholders	871	99.09	10 266 920	18.62
<b>Totals</b>	<b>879</b>	<b>100.00</b>	<b>55 150 000</b>	<b>100.00</b>
<b>Beneficial shareholders holding 3% or more</b>				
Government Employees Pension Fund			22 663 222	41.09
<b>Specialised Listed Infrastructure Equity En Commandite Partnership</b>				
			19 247 699	34.90
BL Projects (Pty) Limited			2 300 600	4.17
<b>Totals</b>			<b>44 211 521</b>	<b>80.17</b>

## DIVIDEND DISTRIBUTION

The Company's dividend policy is to pay a consistent and stable inflationary linked return. At its discretion, the Board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board may pass on the payment of dividends.

An interim dividend of 24.84 cents per share was declared on 11 October 2017.

Dividend tax will be withheld from the amount of the gross interim dividend of 24.84 cents per share at a rate of 20% unless a shareholder qualifies for exemption. After the dividend tax has been withheld, the net interim dividend will be 19.87 cents per share. The Company had a total of 55 151 000 shares in issue at the declaration date.

## DIRECTORATE

The Directors in office at the date of this Integrated Annual Report are as follows:

Directors	Office	Appointed	Resigned
Eddie Mbalu	Chairperson	1 October 2015	
Leon de Wit	Non-Executive Director	1 October 2015	
Nathiera Kimber	Independent Non-Executive Director	1 October 2015	
Prudence Lebina	Chief Executive Officer ("CEO")	1 October 2015	
Clive Ferreira	Non-Executive Director	1 October 2015	
Botha Schabert	Non-Executive Director	1 October 2015	
Tamee Soudien-Witten	Finance Director ("FD")	1 October 2015	9 February 2018
Mich Nieuwoudt	Chief Investment Officer ("CIO")	19 April 2015	
Sisanda Tuku	Independent Non-Executive Director	21 November 2016	
Lumkile Mondi	Independent Non-Executive Director	1 June 2017	
Thembani Bukula	Independent Non-Executive Director	1 June 2017	

In accordance with paragraph 3.59(a) of the Listings Requirements of the JSE Limited, shareholders are advised that Mr Lumkile Mondi and Mr Thembani Bukula were appointed as Independent Non-Executive Directors to the Board with effect from 1 June 2017.

In compliance with paragraph 3.59 of the JSE Limited Listings Requirements, shareholders are advised that Ms Tamee Soudien-Witten resigned as Finance Director and as an Executive Director of the Board, with effect from 9 February 2018.

The Board is in the process of identifying a suitable successor to fill the position of Finance Director and until such time, the Chief Executive Officer, Ms Prudence Lebina, will assume the duties and responsibilities of interim Finance Director.

## DIRECTORS' INTERESTS IN SHARES

As at 28 February 2018, the Directors of the Company held direct and indirect beneficial interests in 5.42% (2017: 5.39%) of its issued ordinary shares.

### Interests in shares

Directors	2017 shareholding	Direct	Indirect	Total shareholding	% shareholding
Leon de Wit	1 179 222	–	1 179 222	1 152 977	2.09%
Clive Ferreira	461 100	461 100	–	461 100	0.84%
Botha Schabert	1 334 962	56 469	1 294 649	1 344 300	2.44%
	<b>2 975 284</b>	<b>517 569</b>	<b>2 473 871</b>	<b>2 991 440</b>	<b>5.42%</b>

## Directors' report (continued)

Movement in number of shares	Opening balance	Purchases	Disposals	Closing balance
BL Projects (Pty) Limited	2 300 600	–	–	2 300 600
Mr Clive Ferreira	461 100	–	–	461 100
Mr Botha Schabort	40 313	16 156	–	56 469
Familia Asset Managers (Pty) Limited	57 844	–	–	57 844
Botha and Nives Schabort Family Trust	115 427	–	–	115 427
	<b>2 975 284</b>	<b>16 156</b>	<b>–</b>	<b>2 991 446</b>

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

- ▶ BL Projects (Pty) Limited is owned collectively by Mr Leon de Wit (Non-Executive Director) and Mr Botha Schabort (Non-Executive Director).
- ▶ Mr Leon de Wit (Non-Executive Director) and Mr Botha Schabort (Non-Executive Director) hold an indirect share in Familia Asset Managers (Pty) Limited.
- ▶ Mr Botha Schabort (Non-Executive Director) is a beneficiary of the Botha and Nives Schabort Family Trust.

The register of interests of Directors and others in shares of the Company is available on request.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment was purchased from ManCo in October 2017. At 28 February 2018, the Company's investment in property, plant and equipment amounted to R424 639 (2017: RNil), of which R453 600 (2017: RNil), before depreciation, was added in the current year through additions.

Leasehold improvements were incurred in moving premises to the Company's business address, 4 The High Street, Melrose Arch.

Property, plant and equipment is made up of leasehold property, furniture and fittings and computers.

### SPECIAL RESOLUTIONS

The following special resolutions were passed during the Annual General Meeting held on 29 August 2017:

- ▶ Resolved in terms of section 66(9) of the Companies Act that the Company be and is hereby authorised to remunerate its Non-Executive Directors for their services as Directors on the basis set out in the minutes, provided that this authority will be valid until the next Annual General Meeting of the Company.
- ▶ Resolved in terms of section 45(3)(a)(iii) of the Companies Act, as a general approval, that the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related") will herein have the meaning attributed to it in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the Board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next Annual General Meeting of the Company.

### EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any material facts or circumstances that have arisen between the reporting date and the date of this Integrated Annual Report which affect the financial position of the Company as reflected in these financial statements.

### DIVIDEND DECLARATION

The Board previously announced its intention to increase the annual dividend payment by the rate of inflation. On 11 June 2018, the Board declared a final gross cash dividend of R0.42 (R0.336 net of dividend withholding tax) per share for the period ended 28 February 2018. The dividend has been declared from the Company's income reserves. The dividend will be paid on or about 9 July 2018.

The Company paid its interim cash dividend of R0.2484 per share for the six months ended 31 August 2017, paid in November 2017. The final gross cash dividend of R0.42 per share brings the total dividend for the 2018 financial year to R0.6684 cents per share, which is 5.3% more than the R0.635 comparable dividend for the 2017 financial year.

## GOING CONCERN

The Board believes that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The Board has 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 Board is not aware of any new material changes that may adversely impact the Company. The Board is 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.

## AUDITORS

In accordance with provisions of paragraph 3.78 of the JSE Limited Listings Requirements, shareholders are advised that Deloitte have been appointed as the Company's external auditors replacing KPMG Incorporated ("KPMG"), with Mr P Ndlovu as designated audit partner for the current financial year ended 28 February 2018.

Following the recent reputational concerns regarding KPMG, the Board deemed it best to terminate the services of the audit firm.

## SECRETARY

The Company Secretary is Fusion Corporate Secretarial Services.

Postal address	Business address
PO Box 68528	Southdown Office Park Block C Unit 7
Highveld	7 Karee Street, Centurion, Pretoria
0169	0169

## DIRECTORS' FEES 2018

Non-executive fees	Directors' fees R	Committees' fees R	Total R
Leon de Wit	104 607	21 348	125 955
Nathiera Kimber	134 832	101 113	235 945
Clive Ferreira	91 798	58 346	150 144
Botha Schabert	113 147	12 809	125 956
Eddie Mbalo	217 113	106 738	323 851
Sisanda Tuku	134 832	138 563	273 395
Lumkile Mondli	84 270	89 888	174 158
Thembani Bukula	84 270	22 472	106 742
	<b>964 869</b>	<b>551 277</b>	<b>1 516 146</b>

Ms Prudence Lebina was the only executive who was employed directly by the Company and by ManCo. Effective 1 November 2017, Ms Prudence Lebina is only employed by the Company.

Ms Prudence Lebina received total earnings of R420 000 from ManCo and R2 385 600 from the Company.

All other executives are paid by ManCo in terms of the management agreement between the Company and ManCo.

Executive Directors' remuneration	Remuneration R	Bonus R	Travel allowance R	Total R
Prudence Lebina (Chief Executive Officer)	2 583 000	222 600	–	2 805 600
Mich Nieuwoudt (Chief Investment Officer)	1 915 200	818 410	64 800	2 798 410
Tamee Soudien-Witten (Finance Director) (resigned 9 February 2018)	1 604 533	171 902	–	1 776 435
	<b>6 102 733</b>	<b>1 212 912</b>	<b>64 800</b>	<b>7 380 445</b>

## Company Secretary's certification

### DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(E) OF THE COMPANIES ACT

In terms of section 88(2)(e) of the Companies Act of South Africa 71 of 2008, as amended, I certify that, to the best of my knowledge, the Company has lodged all such returns and notices as are required of a public company for the year ended 28 February 2018 and that all such returns are true, correct and up to date.



**Fusion Corporate Secretarial Services**

*Company Secretary*

25 June 2018

# Independent auditor's report

## TO THE DIRECTORS OF GAIA INFRASTRUCTURE CAPITAL LIMITED

### REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

#### Opinion

We have audited the annual financial statements of GAIA Infrastructure Capital Limited set out on pages 58 to 83, which comprise the statement of financial position as at 28 February 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of GAIA Infrastructure Capital Limited as at 28 February 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual 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 annual 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 annual financial statements of the current period. These matters were addressed in the context of our audit of the annual 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 the matter was addressed in the audit
<p><b>Valuation of financial assets through profit and loss</b></p> <p>The carrying value of financial assets through profit and loss is R501 million at year-end (R503 million in 2017) (Note 4). This represents fair value of investment in GAIA Financial Services (RF) Proprietary Limited.</p> <p>The valuation of GAIA Financial Services is based on its net asset value, consisting of fair value of its financial assets less the carrying amounts of its liabilities.</p> <p>The fair value of financial assets is based on future cash flows of its underlying investments, and the use of appropriate discount rates. There is estimation involved in forecasting and discounting future cash flows, with the growth rates and discount rates being the most significant assumptions impacting the valuation.</p> <p>As the financial asset at fair value through profit and loss balance is material to the annual financial statements, and significant judgement is exercised by the Directors in determining the fair value, the evaluation thereof is considered to be a key audit matter.</p>	<p>In assessing the fair value of financial assets of GAIA Financial Services, we obtained assessed fair valuation of the underlying investments and performed the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Evaluating the Company's fair value calculations and the principles and integrity of the discounted cash flow model.</li> <li>▶ Testing of inputs into the cash flow forecast against the Company's strategic plans.</li> <li>▶ Comparing the growth rates used to strategic plans and historical performance.</li> <li>▶ Testing the assumptions used to calculate the discount rates and recalculating those rates.</li> <li>▶ Use our valuation specialists to re-computing of the fair value.</li> </ul> <p>Based on the results of the above procedures, we consider the carrying value and the disclosure of financial assets through profit and loss to be reasonable.</p>

#### OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Audit Committee's Report as required by the Companies Act 71 of 2008 of South Africa, which we obtained prior to the date of this report.

## Independent auditor's report (continued)

Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 ANNUAL FINANCIAL STATEMENTS

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

In preparing the annual 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 ANNUAL FINANCIAL STATEMENTS

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

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

- ▶ Identify and assess the risks of material misstatement of the annual 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 annual 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

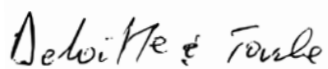
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, related safeguards.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte has been the auditor of GAIA Infrastructure Capital Limited for 1 year.

The logo for Deloitte & Touche, featuring the company name in a stylized, handwritten-style script.

**Deloitte**

*Registered auditors*

**Per P Ndlovu**

*Partner*

22 June 2018

# Statement of financial position

as at 28 February 2018

	Note(s)	2018 R	2017 R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	424 639	–
Financial assets	4	505 789 987	503 680 415
Deferred tax	5	71 268	–
		<b>506 285 894</b>	<b>503 680 415</b>
<b>Current assets</b>			
Cash and cash equivalents	6	26 728 694	84 755 945
Trade and other receivables	7	53 703 012	–
		<b>80 431 706</b>	<b>84 755 945</b>
<b>Total assets</b>		<b>586 717 600</b>	<b>588 436 360</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	8	545 851 762	545 851 762
Retained income		34 728 077	40 233 869
		<b>580 579 839</b>	<b>586 085 631</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax	5	–	567 854
<b>Current liabilities</b>			
Trade and other payables	9	5 976 495	1 539 602
Current tax payable		161 266	243 273
		<b>6 137 761</b>	<b>1 782 875</b>
<b>Total liabilities</b>		<b>6 137 761</b>	<b>2 350 729</b>
<b>Total equity and liabilities</b>		<b>586 717 600</b>	<b>588 436 360</b>
Net asset value per share (Rand)		10.53	10.63

## Statement of profit or loss and other comprehensive income

for the year ended 28 February 2018

	Note(s)	2018 R	2017 R
Interest income	10	4 283 757	33 039 564
Dividend income	11	60 023 045	15 562 635
Other income		307 388	–
Net (loss)/gain from financial assets at fair value through profit or loss	12	(2 595 544)	5 082 978
<b>Total revenue</b>		<b>62 018 646</b>	<b>53 685 177</b>
Total operating expenses	13	(18 455 992)	(8 798 612)
<b>Operating profit before finance cost</b>		<b>43 562 654</b>	<b>44 886 565</b>
Finance costs	14	(1 689)	(5 088)
<b>Profit before taxation</b>		<b>43 560 965</b>	<b>44 881 477</b>
Taxation	15	(346 364)	(8 706 137)
<b>Profit for the year</b>		<b>43 214 601</b>	<b>36 175 340</b>
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>43 214 601</b>	<b>36 175 340</b>
<b>Earnings per share information</b>			
Basic earnings per share (cents)	16	78.36	65.59
Diluted earnings per share (cents)	16	78.36	65.59

## Statement of changes in equity

for the year ended 28 February 2018

	Share capital R	Retained income R	Total equity R
<b>Balance at 1 March 2016</b>	<b>545 851 762</b>	<b>4 058 529</b>	<b>549 910 291</b>
Profit for the year	–	36 175 340	36 175 340
Other comprehensive income	–	–	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>36 175 340</b>	<b>36 175 340</b>
<b>Balance at 1 March 2017</b>	<b>545 851 762</b>	<b>40 233 869</b>	<b>586 085 631</b>
Profit for the year	–	43 214 601	43 214 601
Other comprehensive income	–	–	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>43 214 601</b>	<b>43 214 601</b>
Dividends paid	–	(48 720 393)	(48 720 393)
<b>Balance at 28 February 2018</b>	<b>545 851 762</b>	<b>34 728 077</b>	<b>580 579 839</b>

Note(s)

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# Statement of cash flows

for the year ended 28 February 2018

	Note(s)	2018 R	2017 R
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	17	(3 078 959)	39 625 306
Finance costs		(1 689)	(5 088)
Dividends paid		(48 720 393)	–
Tax paid	18	(1 067 494)	(7 069 452)
<b>Net cash from operating activities</b>		<b>(52 868 535)</b>	<b>32 550 766</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(453 600)	–
Investment in financial asset at fair value through profit or loss		–	(501 000 000)
Investment in financial asset at amortised cost		(4 705 116)	–
<b>Net cash (used in)/generated by investing activities</b>		<b>(5 158 716)</b>	<b>(501 000 000)</b>
<b>Cash flows from financing activities</b>			
Repayment of related-party loans		–	(587 066)
<b>Net cash from financing activities</b>		<b>–</b>	<b>(587 066)</b>
<b>Total cash movement for the year</b>		<b>(58 027 251)</b>	<b>(469 036 300)</b>
Cash at the beginning of the year		84 755 945	553 792 245
<b>Total cash at the end of the year</b>	<b>6</b>	<b>26 728 694</b>	<b>84 755 945</b>

# Accounting policies

## CORPORATE INFORMATION

The Company was incorporated on 16 April 2015 and successfully listed as a SPAC on the Main Board of the JSE on 12 November 2015. The Company is focused on acquiring equity stakes in emerging Southern African infrastructure assets, specifically in the energy, transport and water and sanitation sectors. The Company aims to be a leading investment holding company of infrastructure assets in South Africa. The Company's investment philosophy is to invest in infrastructure assets that are operational or near operational, offer low risk and yield inflationary linked returns.

On listing, the Company issued 55 150 000 shares at R10 per share, thereby raising R551.5 million. A SPAC is a special purpose vehicle established for facilitating the primary capital raising process to enable the acquisition of viable assets in pursuit of a listing on the JSE.

The purpose of listing was to give institutional investors access to an attractive alternative asset class that is usually only accessed through illiquid private equity investments.

The Company invests substantially all its assets through its wholly owned subsidiary GAIA Financial Services. The two companies have the same investment objectives.

On 20 December 2016, the Company acquired through GAIA Financial Services an effective see-through economic interest of 25.2% in Dorper for a consideration R501 million and transaction costs of R11.6 million. On completion of the Dorper Acquisition, the Company transferred to the Investment Services sector on the Main Board of the JSE.

In terms of the acquisition agreements the Company through its wholly owned subsidiary GAIA Financial Services acquired a 34.9% equity stake in GAIA RE 1 for R265 million and a convertible loan of R235 million. GAIA RE 1 acquired a 30% equity stake in Dorper. The convertible loan may be settled in one of two ways, which could potentially trigger the acquisition of minority interest in three (3) additional renewable energy projects by the Group or the conversion of the convertible loan into additional ordinary shares in GAIA RE 1. The option was exercisable no sooner than 1 July 2017 and an extension has been granted to allow the option to be exercised no later than 30 June 2018.

On 14 August 2017, the Company issued a cautionary announcement on SENS notifying shareholders regarding a proposed acquisition by the Company of an economic interest in a large, operating wind project commissioned as part of Round 1 of the South African Renewable Energy Independent Power Producer Procurement Programme ("REIPPPP").

As per the SENS announcement issued on 19 September 2017, GAIA Financial Services acquired C Preference Shares in Business Venture Investments No. 3010 (Pty) Limited ("GAIA SPV") for an aggregate subscription price of R130 million and, as a result, acquired an effective economic interest of 13.001% in the combined distributions linked to the ordinary shares and shareholder loan claims against Coria (PKF) Investments 28 (RF) (Pty) Limited ("Noblesfontein Wind Farm").

In addition, GAIA Financial Services has entered into funding agreements with South African Renewable Green Energy (Pty) Limited ("SARGE") whereby GAIA Financial Services has subscribed for A Preference Shares and B Preference Shares in SARGE for an aggregate subscription price of R57 493 127 (the "SARGE Transaction"). As a result of the SARGE Transaction, GAIA Financial Services has acquired a further effective economic interest of 7.03% of the distributions linked to the ordinary shares in the Noblesfontein Wind Farm.

The Roux Family Trust currently holds 100% of the issued ordinary shares in GAIA SPV and has granted GAIA Financial Services an irrevocable call option ("Call Option") in terms of which GAIA Financial Services has an option to purchase all of the ordinary shares in GAIA SPV for a purchase price of R100.

GAIA Financial Services obtained funding to facilitate, *inter alia*, its subscription for the GAIA SPV C Preference Shares; and subscription for the SARGE Preference Shares by way of the issue, by it, of A Preference Shares and B Preference Shares to RMBIA for an aggregate subscription price of approximately R188 million in terms of the GAIA Financial Services Preference Share Subscription Agreement.

# Accounting policies (continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 1.1 Statement of compliance

The financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements, as issued by Financial Reporting Standards Council and the requirements of the South African Companies Act, 2008. The financial statements comply with IFRS as issued by the International Accounting Standards Board.

### 1.2 Basis of preparation

The financial statements have been prepared on the historic cost basis except that financial assets and liabilities at fair value through profit and loss are stated at their fair value. They are presented in Rands, which is the Company's functional and presentation currency. Amounts are rounded to the nearest Rand.

These accounting policies are consistent with the previous period.

### 1.3 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the 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

Management have made a critical judgement in applying accounting policy for the valuation of investments, apart from making fair value estimations that may have significant effect on the financial statements. Investments are measured at fair value through profit and loss, however, management continued to measure a convertible loan made by GAIA Financial Services in respect of the Dorper Wind Farm investment at amortised cost. Management could not support fair valuation of the conversion of this convertible loan at the moment as certain conditions precedents relating to certain third parties have not yet been met.

#### Key sources of estimation uncertainty

##### Fair value estimation

The Company makes assumptions regarding the determination of the fair value of the financial instruments. This is the major source of estimation uncertainty at the end of the reporting period, information regarding the significant unobservable inputs into the valuation is disclosed in Note 4.

### 1.4 Subsidiary

The Company controls its subsidiary, GAIA Financial Services, through a holding of 100% (2017: 100%) of its ordinary shares. The subsidiary is not consolidated, refer to 1.5 Investment entities.

### 1.5 Investment entities

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

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 a 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's business purpose, which was communicated directly to investors, is investing in infrastructure assets that are operational or near operation, offer low risk with inflationary linked investment returns.
- ▶ The performance of the Company's investments are measured and evaluated on a fair value basis.

## 1.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the Company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	5 years
Furniture and fixtures	Straight line	5 years
Computer equipment	Straight line	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

## Accounting policies (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.7 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- ▶ the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ▶ the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- ▶ the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- ▶ the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- ▶ the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- ▶ the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between

that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "investment income" line item.

#### **Equity instruments designated as at FVTOCI**

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- ▶ it has been acquired principally for the purpose of selling it in the near term; or
- ▶ on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- ▶ it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment income" in profit or loss.

#### **Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- ▶ Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- ▶ Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

## Accounting policies (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.7 Financial instruments (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item. Fair value is determined in the manner described in Note 4.

##### **Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

##### **Financial liabilities and equity instruments**

###### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

###### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- ▶ it has been acquired principally for the purpose of repurchasing it in the near term; or
- ▶ on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- ▶ it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- ▶ such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ▶ the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- ▶ it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other gains and losses" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in Note 4.

## 1.8 Share 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 classified as equity.

Transaction costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 1.9 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

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, goodwill that arises on initial recognition in a business combination.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates expected to be applied to temporary differences when they reverse, based on tax laws enacted or substantively enacted at the reporting date.

## Accounting policies (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.9 Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised only to the extent that it is probably that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

##### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- ▶ a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or directly in equity; or
- ▶ a business combination.

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

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

#### 1.10 Interest income

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

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

Interest received or receivable and interest paid or payable are recognised in profit or loss as interest income and interest expense, respectively.

#### 1.11 Dividend paid to shareholders

Dividends payable is recognised as a liability in the period in which the dividends are declared. A dividend declared after period-end is not charged against total equity at the reporting date as no liability exists.

#### 1.12 Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated at fair value through profit or loss is recognised in profit or loss in a separate line item.

#### 1.13 Net gain from financial instruments at fair value through profit or loss

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes, but excludes interest and dividend income.

#### 1.14 Fees and commission expenses

Fees and commission expenses are recognised in profit or loss as the related services are performed.

# Notes to the annual financial statements

for the year ended 28 February 2018

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/interpretation:	Effective date: Years beginning on or after	Expected impact:
Amendments to IFRS 12: Annual Improvements to IFRS 2014 – 2016 cycle	1 January 2017	The impact of the standard is not material.
Amendments to IAS 7: Disclosure initiative	1 January 2017	The impact of the standard is not material.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	The impact of the amendments is not material.

### 2.2 Standards and interpretations early adopted

The Company has chosen to early adopt the following standards and interpretations:

#### IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

# Notes to the annual financial statements (continued)

for the year ended 28 February 2018

## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### 2.2 Standards and Interpretations early adopted (continued)

- ▶ The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Company has early adopted the standard for the first time in the 2018 annual financial statements.

The impact of the standard is not material.

### 2.3 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 2018 or later periods:

#### IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Company are as follows:

Company as lessee:

- ▶ Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight-line or other systematic basis.
- ▶ The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- ▶ The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- ▶ The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- ▶ The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- ▶ Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- ▶ The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- ▶ The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- ▶ Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

- ▶ Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 Leases.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Company expects to adopt the standard for the first time in the 2020 annual financial statements.

It is unlikely that the standard will have a material impact on the Company's annual financial statements.

#### IFRS 15 Revenue From Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- ▶ Identify the contract(s) with a customer
- ▶ Identify the performance obligations in the contract
- ▶ Determine the transaction price
- ▶ Allocate the transaction price to the performance obligations in the contract
- ▶ Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Company expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the Company's annual financial statements.

	2018			2017		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>						
Furniture and fixtures	209 863	(16 075)	193 788	–	–	–
Computer equipment	7 861	(1 092)	6 769	–	–	–
Leasehold improvements	235 876	(11 794)	224 082	–	–	–
<b>Total</b>	<b>453 600</b>	<b>(28 961)</b>	<b>424 639</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Opening balance R	Additions R	Depreciation R	Total R
<b>2018</b>				
<b>Reconciliation of property, plant and equipment</b>				
Furniture and fixtures	–	209 863	(16 075)	193 788
Computer equipment	–	7 861	(1 092)	6 769
Leasehold improvements	–	235 876	(11 794)	224 082
	<b>–</b>	<b>453 600</b>	<b>(28 961)</b>	<b>424 639</b>

# Notes to the annual financial statements (continued)

for the year ended 28 February 2018

	2018 R	2017 R
<b>4. FINANCIAL ASSETS</b>		
<b>At fair value through profit or loss – designated</b>		
GAIA Financial Services (RF) (Pty) Limited	501 084 871	503 680 415

## GAIA Financial Services interest in Dorper

The Company funded the acquisition of its effective see-through economic interest of 25.2% of Dorper, through a R501 million loan to GAIA Financial Services. The loan was financed using the proceeds from the partial disposal of the Company's unit trust investment. This loan is interest-free, unsecured and has no fixed terms of repayment.

The acquisition was concluded on 20 December 2016.

The residual capital is held in a money market fund as per Note 6.

The acquisition entailed the subscription for the ordinary shares in GAIA RE 1 equal to 34.9% (R265 036 179) economic and voting interest of the issued share capital and the advancing of a convertible loan (R235 963 821) to GAIA RE 1 which will effectively give the Company an economic interest of 84.2% in GAIA RE 1.

The convertible loan may be settled in one of two ways, which could potentially trigger the acquisition of minority interest in three (3) additional renewal energy projects ("IK Option") by the Group or the conversion of the convertible loan into additional ordinary shares in GAIA RE 1 ("DK Option"). The option may be exercised no sooner than 1 July 2017 and an extension has been granted to allow the option to be exercised no later than 30 June 2018. GAIA has adopted an accounting policy of measuring its investments at fair value through profit or loss with fair value movements on its assets under management recognised in the Statement of Profit or Loss. However, the R235 million convertible loan has been recognised at amortised cost with the fair value movement on the investment to be recognised on conversion of the convertible loan into equity interest(s), i.e. on exercise of either the IK or DK Option.

GAIA RE 1 holds 30% of the issued share capital in Dorper, the 84.2% economic interest in GAIA RE 1 equates to a 25.2% effective see-through economic interest in Dorper.

## GAIA Financial Services interest in Noblesfontein Wind Farm

On 19 September 2017, GAIA Financial Services acquired C Preference Shares in GAIA SPV for an aggregate subscription price of R130 million and, as a result, acquired an effective economic interest of 13.001% in the combined distributions linked to the ordinary shares and shareholder loan claims against Noblesfontein Wind Farm.

In addition, GAIA Financial Services entered into funding agreements with SARGE whereby GAIA Financial Services subscribed for A Preference Shares and B Preference Shares in SARGE for an aggregate subscription price of R57 493 127. As a result of the SARGE Transaction, GAIA Financial Services acquired a further effective economic interest of 7.03% of the distributions linked to the ordinary shares in the Noblesfontein Wind Farm.

The Roux Family Trust currently holds 100% of the issued ordinary shares in GAIA SPV and has granted GAIA Financial Services an irrevocable call option ("Call Option") in terms of which GAIA Financial Services has an option to purchase all of the ordinary shares in GAIA SPV for a purchase price of R100.

GAIA Financial Services obtained funding to facilitate, *inter alia*, its subscription for the GAIA SPV C Preference Shares; and subscription for the SARGE Preference Shares by way of the issue, by it, of A Preference Shares and B Preference Shares to RMBIA for an aggregate subscription price of approximately R188 million in terms of the GAIA Financial Services Preference Share Subscription Agreement.

	2018 R	2017 R
<b>Financial assets held at amortised cost</b>		
Noblesfontein Educational Trust	4 705 116	–

#### 4. FINANCIAL ASSETS (continued)

The loan shall accrue interest at a rate equal to the aggregate of CPI +7% net of taxes applied as a nominal annual compounded monthly in arrears rate, and calculated on the loan outstanding principal for that interest period. The loan is secured by a cession of any shares held by Noblesfontein Educational Trust in Noblesfontein Wind Farm.

	2018 R	2017 R
<b>Total other financial assets</b>	<b>505 789 987</b>	<b>503 680 415</b>
The Company extended the loan to the Noblesfontein Educational Trust, having taken it over from the previous shareholder at an interest rate, and with repayment terms more beneficial than market rates and terms, in order to benefit the beneficiaries of the trust, being members of the local Noblesfontein community.		
<b>Non-current assets</b>		
Designated as at fair value through profit or loss	501 084 871	503 680 415
Loans and receivables at amortised cost	4 705 116	–
	<b>505 789 987</b>	<b>503 680 415</b>

##### Fair value estimation

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 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

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. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

##### Valuation of underlying renewable assets

The value of the investment in the ordinary shares of Dorper was determined using the discounted cash flow valuation model. Assumptions and inputs used in valuation techniques include long-term CPI forecast and determination of an investor premium used in estimating discount rates.

The value of the investment in the preference shares in SARGE and GAIA SPV as well as the Call Option in GAIA SPV was also calculated using the discounted cash flow valuation model. The assumptions and inputs used included CPI rate, prime rate and JIBAR.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the prices that would be received to sell the investments in underlying renewable assets in an orderly transaction between market participants at the measurement date.

The Company uses a valuation model that are developed by experienced independent third parties during the bidding process for the rights of the project, this model has been developed from recognised valuation models and the developers' experience regarding the valuation of renewable energy projects.

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 additional management judgement and estimation in determination of fair value.

# Notes to the annual financial statements (continued)

for the year ended 28 February 2018

## 4. FINANCIAL ASSETS (continued)

### Valuation of underlying renewable assets (continued)

In the valuation for the investment in Dorper 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 from the investment in Dorper; and
- ▶ selection of the appropriate discount rate.

The fair value estimate obtained from the discounted cash flow model will only be adjusted for factors such as liquidity risk and model uncertainty to the extent that the Company believes that a third-party market participant would take them into account in pricing a transaction. No such adjustments were deemed necessary in the valuation of the investments in underlying renewable assets.

The Company has an established control framework with respect to the measurement of fair values.

Specific controls include:

- ▶ verification of observable pricing inputs;
- ▶ a review and approval process for new models and changes to such models;
- ▶ analysis and investigation of significant valuation movements; and
- ▶ review of unobservable inputs and valuation adjustments.

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. All fair value measurements below are recurring.

	2018 R	2017 R
<b>Level 3</b>		
GAIA Financial Services (RF) (Pty) Limited	501 084 871	503 680 415

As at 28 February 2018, the fair value measurement of shares held by the Company in GAIA Financial Services is categorised into Level 3. The fair value of investments in its 100% subsidiary is determined using unadjusted net asset value of GAIA Financial Services at the reporting date.

2018	Opening balance	Loss in profit or loss	Total
Reconciliation of financial assets at fair value through profit or loss measured at Level 3			
GAIA Financial Services (RF) (Pty) Limited	503 680 415	(2 595 544)	501 084 871

2017	Acquisitions	Gains in profit or loss	Total
Reconciliation of financial assets at fair value through profit or loss measured at Level 3			
GAIA Financial Services (RF) (Pty) Limited	501 000 000	2 680 415	503 680 415

The change in unrealised gains or losses (net loss) for the period is included in profit or loss for financial assets held at the reporting date. These gains and losses are recognised in profit or loss as a net (loss)/gain from financial instruments at fair value through profit or loss.

The downward adjustment in fair value is as a result of the increase in dividend distributions from GAIA Financial Services to the Company, which is declared from equity.

#### 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 possible alternative assumptions would have the following effects on net assets.

Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity to changes in significant unobservable inputs	1% decrease in unobservable input	1% increase in unobservable input
<b>Dorper</b> Discounted cash flow	Discount rate	12.778%	The estimated fair value would increase if the discount rate decreased	18 043 629	(13 323 232)
<b>Noblesfontein Wind Farm</b> Discounted cash flow	CPI rate	Market consistent CPI curve	The estimated fair value would increase if the CPI rate decreased	(3 753 504)	4 115 512
	Prime rate and discount rate	Prime interest rate curve	The estimated fair value would increase if the prime rate and discount rate decreased	6 374 178	(6 415 095)
	JIBAR and discount rate	JIBAR rate	The estimated fair value would increase if the JIBAR and discount rate decreased	(4 713 185)	4 455 759

#### Significant observable/unobservable inputs used in measuring fair value

Significant observable/unobservable inputs are developed as follows:

##### Discount rate

Represents the rate used to discount projected levered or unlevered forecast cash flows for an asset to determine their present values. Their discounted present value cash flows are determined as their fair value at reporting date. GAIA RE 1 uses a discount rate that appropriately captures Dorper's stage-of-life, using South African data, substantiated by international findings.

##### CPI rate

An independently constructed market-consistent CPI curve was applied at valuation date, using inflation-linked swap yields as at 28 February 2018 obtained from Bloomberg.

##### Prime rate

A prime rate interest curve as at valuation date using the following co-integration approach:

- The historical prime ZAR prime index and the three month Johannesburg Interbank Agreed Rate ("JIBAR3m") index obtained from Bloomberg.
- Ordinary least squares ("OLS"), more commonly known as linear regression analysis, performed on monthly historical data.
- The alpha and beta coefficients of the regression equation were used as a representative of the expected relationship between the ZAR prime rate and the JIBAR3m rate in order to construct the remainder of the prime rate. The approach is in line with market accepted approaches.

##### Cost of equity discount rate

Discount curve using a raw interpolation bootstrapping algorithm and the quoted yields at valuation date to South African government fixed rate bonds and treasury bills.

# Notes to the annual financial statements (continued)

for the year ended 28 February 2018

	2018 R	2017 R
<b>5. DEFERRED TAX</b>		
<b>Deferred tax asset/(liability)</b>		
Property, plant and equipment	4 095	–
Fair value adjustment on financial assets	(19 011)	(600 412)
Accrual for audit fees	86 184	32 558
<b>Total deferred tax asset/(liability)</b>	<b>71 268</b>	<b>(567 854)</b>
<b>Reconciliation of deferred tax asset/(liability)</b>		
At the beginning of the year	(567 854)	(146 030)
Deductible temporary difference movement on tangible fixed assets	4 095	(7 830)
Movement in capital loss on disposal of financial assets available for set off against future taxable capital gains	–	–
Movement in temporary difference on fair value adjustment on financial assets	581 401	(446 552)
Increase in deductible temporary difference on accruals	53 626	32 558
	<b>71 268</b>	<b>(567 854)</b>

GAIA's intention is to hold its investments to maturity, however, the Company has adopted a conservative approach of recognising deferred tax at the capital gains tax rate on fair value movements of its investments.

	2018 R	2017 R
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of:		
Cash on hand	296	–
Bank balances held by First National Bank	4 001 904	1 090 872
Money market funds	22 726 494	83 665 073
	<b>26 728 694</b>	<b>84 755 945</b>

Cash and cash equivalents are not measured at fair value through profit or loss as these are short-term financial assets whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

## Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired, can be assessed by reference to external credit ratings. The credit rating of FirstRand Bank Limited, the holding company of First National Bank, as assigned by Moody's Investor Service on local currency deposit ratings, is as noted below:

	2018 R	2017 R
Credit rating		
P3	26 728 398	84 755 945

P3: Indicates that the capacity for timely payment on issues with this designation is acceptable, relative to other South African obligors.

A bank guarantee issued to Melrose Arch in December 2017 to the value of R200 000 is in place for the deposit on the lease. The lease is in place for five years and will terminate in November 2022.

	2018 R	2017 R
<b>7. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	9 913 203	–
Prepayment of share issue costs	2 774 314	–
Dividends receivable	36 465 446	–
Marketable investment reports	4 550 049	–
	<b>53 703 012</b>	<b>–</b>
<b>8. SHARE CAPITAL</b>		
<b>Authorised</b>		
6 000 000 000 ordinary no par value shares		
<b>Issued and fully paid</b>		
55 151 000 no par value shares, net of share issue cost	545 851 762	545 851 762
<b>9. TRADE AND OTHER PAYABLES</b>		
Trade payables	5 491 971	1 423 322
Other payables	484 524	116 280
	<b>5 976 495</b>	<b>1 539 602</b>
<b>10. INTEREST INCOME</b>		
<b>Interest income from financial assets carried at amortised cost</b>		
Money market funds	3 561 421	32 133 707
Cash and cash equivalents	369 154	905 857
Noblesfontein Educational Trust	353 182	–
	<b>4 283 757</b>	<b>33 039 564</b>
<b>11. DIVIDEND INCOME</b>		
Dividend income is received from GAIA Financial Services' income, which in turn received income from the underlying investments in Dorper and Noblesfontein.		
Dividend received	60 023 045	15 562 635
<b>12. NET (LOSS)/GAIN ON FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Financial asset – unit trusts – unrealised gain movement	–	(825 077)
Financial asset – unit trusts – realised gain	–	3 227 640
Financial asset – GAIA Financial Services (RF) (Pty) Limited	(2 595 544)	2 680 415
	<b>(2 595 544)</b>	<b>5 082 978</b>
<b>13. TOTAL OPERATING EXPENSES</b>		
<b>Total operating expenses consist of the following:</b>		
Accounting fees	733 213	360 992
Audit fees	444 389	306 297
Circulars and publications	688 973	588 070
Depreciation	28 961	–
Director fees	1 516 147	1 089 125
JSE annual fees	189 370	210 370
Management fees	4 789 654	3 359 493
Other operating expenses	1 148 571	448 301
Professional fees	1 008 776	655 491
Rent	591 370	164 566
Salaries	3 344 175	945 000
Secretarial fees	366 182	318 914
Transaction costs	2 987 239	–
Travel and accommodation	618 972	351 993
	<b>18 455 992</b>	<b>8 798 612</b>

# Notes to the annual financial statements (continued)

for the year ended 28 February 2018

Expenses by function	2018 R	% of assets under management	2017 R	% of assets under management
<b>13. TOTAL OPERATING EXPENSES (continued)</b>				
Corporate governance	6 139 540	0.80%	3 304 128	0.66%
Investment management costs	4 789 654	0.63%	3 359 493	0.67%
Capital raising costs	2 354 511	0.31%	1 485 133	0.29%
Deal pipeline sourcing costs	3 148 970	0.41%	144 594	0.03%
Operating expenses	2 023 317	0.26%	505 264	0.10%
	<b>18 455 992</b>	<b>2.42%</b>	<b>8 798 612</b>	<b>1.75%</b>

	2018 R	2017 R
<b>14. FINANCE COSTS</b>		
Interest on related-party loans	1 463	5 084
Bank	226	4
	<b>1 689</b>	<b>5 088</b>
<b>15. TAXATION</b>		
Major components of the tax expense		
<b>Current</b>		
Local income tax – current period	947 859	8 284 313
Local income tax – recognised in current tax for prior periods	37 628	–
	<b>985 487</b>	<b>8 284 313</b>
<b>Deferred</b>		
Originating and reversing temporary differences	(639 123)	421 824
	<b>346 364</b>	<b>8 706 137</b>
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense:		
Accounting profit	43 560 965	44 881 477
Tax at the applicable tax rate of 28% (2017: 28%)	12 197 070	12 566 814
<b>Tax effect of adjustments on taxable income</b>		
Non-taxable income – dividends	(16 806 453)	(4 492 081)
Non-taxable portion of capital gains	145 350	(120 722)
Expenses attributable to exempt income	4 772 768	752 126
Underprovision of income tax – 2017	37 629	–
	<b>346 364</b>	<b>8 706 137</b>

## 16. EARNINGS PER SHARE

### Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Profit or loss attributable to the ordinary equity holders is determined as profit or loss after adjusting for the tax effect.

	2018 R	2017 R
<b>Basic earnings per share</b>		
From continuing operations (cents per share)	78.36	65.59
Basic earnings per share was based on earnings of R43 214 601 (2017: R36 175 340) and weighted average number of ordinary shares of 55 151 000 (2017: 55 151 000).		
<b>Reconciliation of profit for the period to basic earnings</b>		
Profit for the period attributable to equity holders of GAIA Infrastructure Capital Limited	43 214 601	36 175 340
<b>Diluted earnings per share</b>		
In the determination of diluted earnings per share, profit or loss attributable to the equity holders and the weighted average number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.		
<b>Diluted earnings per share</b>		
From continuing operations (cents per share)	78.36	65.59

Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.

#### Headline earnings and diluted headline earnings per share

Headline earnings per share is calculated using Circular 2/2015. The calculation of headline earnings per ordinary share is based on the weighted average of 55 151 000 (2017: 55 151 000) ordinary shares in issue during the year, and headline earnings calculated as follows:

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and diluted headline earnings by the weighted average number of ordinary shares outstanding during a period.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable remeasurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

	2018 R	2017 R
Headline earnings per share (cents)	78.36	65.59
Diluted headline earnings per share (cents)	78.36	65.59
<b>Reconciliation between earnings and headline earnings</b>		
Basic earnings	43 214 601	36 175 340
<b>Reconciliation between diluted earnings and diluted headline earnings</b>		
Diluted earnings	43 214 601	36 175 340
<b>17. CASH (USED IN)/GENERATED FROM OPERATIONS</b>		
Profit before taxation	43 560 965	44 881 477
<b>Adjustments for:</b>		
Depreciation	28 961	–
Finance costs	1 689	5 088
Fair value adjustments on financial assets		
<b>Changes in working capital:</b>		
Trade and other receivables	(53 703 012)	–
Trade and other payables	4 436 894	(178 281)
	<b>(3 078 959)</b>	<b>39 625 306</b>

# Notes to the annual financial statements (continued)

for the year ended 28 February 2018

	2018 R	2017 R
<b>18. TAX PAID</b>		
Balance at the beginning of the year	(243 273)	971 588
Current tax for the year recognised in profit or loss	(985 487)	(8 284 313)
Balance at the end of the year	161 266	243 273
	<b>(1 067 494)</b>	<b>(7 069 452)</b>

## 19. RELATED PARTIES

### Relationships

Common directors	GAIA Fund Managers (Pty) Limited
Subsidiary	GAIA Financial Services (RF) (Pty) Limited

GAIA Infrastructure Partners (Pty) Limited has been appointed as the Management Company ("ManCo") of the Company and therefore has significant influence.

GAIA Infrastructure Partners (Pty) Limited holds 1 000 shares in the Company.

A management fee calculated as 0.8% of the enterprise value is paid to GAIA Infrastructure Partners (Pty) Limited in quarterly instalments.

	2018 R	2017 R
<b>Related-party balances</b>		
<b>Financial assets at fair value through profit or loss</b>		
GAIA Financial Services (RF) (Pty) Limited	501 084 871	503 680 415
<b>Amounts included in trade receivable/(trade payable) regarding related parties</b>		
GAIA Infrastructure Partners (Pty) Limited	(3 950 639)	(1 155 631)
GAIA Fund Managers (Pty) Limited	(293 979)	–
GAIA Financial Services (Pty) Limited	7 708 053	–
GAIA Fund Managers (Pty) Limited	55 150	–
<b>Related-party transactions</b>		
Interest paid to related parties		
GAIA Infrastructure Partners (Pty) Limited	120	5 084
GAIA Fund Managers (Pty) Limited	1 343	–
<b>Rent recovered from related parties</b>		
GAIA Fund Managers (Pty) Limited	243 100	–
<b>Management fees paid to related parties</b>		
GAIA Infrastructure Partners (Pty) Limited	4 789 654	3 359 493
<b>Dividend income</b>		
GAIA Financial Services (RF) (Pty) Limited	60 023 045	15 562 635

Executive	Remuneration R	Bonus R	Travel allowance R	Total R
<b>2018</b>				
Prudence Lebina (Chief Executive Officer)	2 583 000	222 600	–	2 805 600
Mich Nieuwoudt (Chief Investment Officer)	1 915 200	818 410	64 800	2 798 410
Tamee Soudien-Witten (Finance Director) (resigned: 9 February 2018)	1 604 533	171 902	–	1 776 435
	<b>6 102 733</b>	<b>1 212 912</b>	<b>64 800</b>	<b>7 380 445</b>
<b>2017</b>				
Prudence Lebina (Chief Executive Officer)	1 050 000	210 000	–	1 260 000
Mich Nieuwoudt (Chief Investment Officer)	1 735 200	1 200 000	64 800	3 000 000
Tamee Soudien-Witten (Finance Director) (resigned: 9 February 2018)	1 193 659	60 000	–	1 253 659
John Oliphant (Managing Director) (resigned: 14 April 2016)	237 390	–	–	237 390
	<b>4 216 249</b>	<b>1 470 000</b>	<b>64 800</b>	<b>5 751 049</b>

Ms Prudence Lebina is the only executive who is employed directly by the Company and ManCo. Effective 1 November 2017, Ms Prudence Lebina is only employed by the Company.

Ms Prudence Lebina received total earnings of R420 000 from ManCo and R2 385 600 from the Company.

All other executives are paid by ManCo in terms of the management agreement between the Company and ManCo.

Non-executive	Directors' fees R	Committees R	Total R
<b>2018</b>		fees	
Eddie Mbalo	217 113	106 738	323 851
Nathiera Kimber	134 832	101 113	235 945
Clive Ferreira	91 798	58 346	150 144
Botha Schabort	113 147	12 809	125 956
Leon de Wit	104 607	21 348	125 955
Sisanda Tuku	134 832	138 563	273 395
Lumkile Mondli	84 270	89 888	174 158
Thembani Bukula	84 270	22 472	106 742
	<b>964 869</b>	<b>551 277</b>	<b>1 516 146</b>
<b>2017</b>			
Eddie Mbalo	152 862	76 528	229 390
Leon de Wit	162 831	24 168	186 999
Nathiera Kimber	106 000	67 130	173 130
Prudence Lebina (until 30 September 2016)	66 250	14 130	80 380
Romeo Makhubela	37 100	–	37 100
Clive Ferreira	120 840	40 276	161 116
Botha Schabort	132 924	24 168	157 092
Sisanda Tuku	40 457	38 860	79 317
	<b>819 264</b>	<b>285 260</b>	<b>1 104 524</b>

# Notes to the annual financial statements (continued)

for the year ended 28 February 2018

	Note(s)	Financial assets at fair value through amortised profit (loss) R	Financial assets at amortised cost R	Financial liabilities at amortised cost R	Total R
<b>21. CATEGORIES OF FINANCIAL INSTRUMENTS</b>					
Categories of financial instruments – carrying value as at 28 February 2018					
<b>Assets</b>					
<b>Non-current assets</b>					
Financial assets	4	501 084 871	4 705 116	–	505 789 987
<b>Current assets</b>					
Trade and other receivables	7	–	53 703 012	–	53 703 012
Cash and cash equivalents	6	–	26 728 694	–	26 728 694
		–	<b>80 431 706</b>	–	<b>80 431 706</b>
<b>Total assets</b>		<b>501 084 871</b>	<b>85 136 822</b>	–	<b>586 221 693</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	9	–	–	5 976 494	5 976 494
<b>Total liabilities</b>		–	–	<b>5 976 494</b>	<b>5 976 494</b>
Categories of financial instruments – carrying value as at 28 February 2017					
<b>Assets</b>					
<b>Non-current assets</b>					
Financial assets	4	503 680 415	–	–	503 680 415
<b>Current assets</b>					
Cash and cash equivalents	6	–	84 755 945	–	84 755 945
<b>Total assets</b>		<b>503 680 415</b>	<b>84 755 945</b>	–	<b>588 436 360</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	9	–	–	1 539 603	1 539 603
<b>Total liabilities</b>		–	–	<b>1 539 603</b>	<b>1 539 603</b>

## 22. RISK MANAGEMENT CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

### Liquidity risk

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

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

## 22. RISK MANAGEMENT CAPITAL RISK MANAGEMENT (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year
<b>At 28 February 2018</b>	
Trade and other payables	5 976 494
<b>At 28 February 2017</b>	
Trade and other payables	1 539 602

### Interest rate risk

The Company has an exposure to interest rate and credit risk through its investment in Coronation Money Market Unit Trust Fund through its underlying investments in interest-bearing funds. Fund performance is monitored closely and the fund manager is engaged regularly with regards to performance and risk mitigation strategies employed.

The table below reflects the interest rate sensitivity analysis. The analysis was calculated by increasing or decreasing the Company's interest rate by 100 basis points assuming all other variables remain constant.

	Increase in basis points	Effect of pretax profit	Decrease in basis points	Effect on pretax profit
Money market fund	100	505 853	(100)	(500 013)

### Credit risk

"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.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

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

Financial instrument	2018	2017
Cash and cash equivalents	4 001 904	1 090 872
Money market funds	22 726 494	83 665 073

## 23. GOING CONCERN

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

## 24. EVENTS AFTER THE REPORTING PERIOD

No material facts or circumstances have arisen between the reporting date and the date of this Integrated Annual Report which affect the financial position of the Company as reflected in these financial statements.

### Dividend declaration

The Board previously announced its intention to increase the annual dividend payment by the rate of inflation. On 11 June 2018, the Board declared a final gross cash dividend of R0.42 (R0.336 net of dividend withholding tax) per share for the period ended 28 February 2018. The dividend has been declared from the Company's income reserves. The dividend will be paid on or about 9 July 2018.

The Company paid its interim cash dividend of R0.2484 per share for the six months ended 31 August 2017 paid in November 2017. The final gross cash dividend of R0.42 per share brings the total dividend for the 2018 financial year to R0.6684 per share, which is 5.3% more than the R0.635 comparable dividend for the 2017 financial year.



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## SHAREHOLDERS' INFORMATION

## Shareholders' diary

Integrated Annual Report published on website	<b>Friday, 29 June 2018</b>
Notice of AGM to shareholders	<b>Friday, 29 June 2018</b>
AGM	<b>Wednesday, 29 August 2018</b>
GAIA Infrastructure Capital Limited will be in closed period	<b>Friday, 31 August 2018</b>
GAIA Infrastructure Capital Limited interim results published	<b>Monday, 5 November 2018</b>

*Dates are subject to change.*

# Notice of Annual General Meeting

## GAIA INFRASTRUCTURE CAPITAL LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 2015/115237/06

JSE share code: GAI

ISIN: ZAE000210555

("GAIA" or "the Company")

Notice is hereby given of the Annual General Meeting (AGM) of shareholders of GAIA Infrastructure Capital Limited to be held at The African Pride Hotel, 1 Melrose Street, Melrose Arch, Johannesburg, 2196, on Wednesday, 29 August 2018, at 10:00.

## PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

## AGENDA

- ▶ Presentation of the audited annual financial statements of the Company, including the reports of the Directors and the Audit and Risk Committee, for the year ended 28 February 2018. The Integrated Annual Report, of which this notice forms part, contains the summarised Group financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on GAIA Infrastructure Capital Limited's website at [www.gaia-ic.com](http://www.gaia-ic.com), or a printed copy may be requested and obtained in person, at no charge, at the registered office of GAIA Infrastructure Capital Limited during office hours.
- ▶ To consider and, if deemed fit, approve, with or without modification, the following ordinary and special resolutions:

## REPORT ON THE SOCIAL AND ETHICS COMMITTEE

The Company's Social and Ethics Committee report, included on page 36 of the Integrated Annual Report, will serve as the Social and Ethics Committee's report to the Company's shareholders on the matters within its mandate at the AGM. Any specific questions to the Committee may be sent to the Company Secretary prior to the AGM.

### Note:

For any of the ordinary resolutions numbers 1 to 7 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. The endorsement of the Company's remuneration policy and remuneration implementation report, as contemplated in ordinary resolutions 7 and 8 (inclusive) requires a non-binding advisory vote. The voting percentages required to pass the remaining resolutions are set out below such respective resolutions.

## 1. RETIREMENT AND RE-ELECTION OF DIRECTORS

### 1.1 Ordinary resolution number 1

**"RESOLVED** that KE Mbalo who retires by rotation in terms of the Memorandum of Incorporation of the Company ("MOI") and, being eligible, offers himself for re-election, be and is hereby re-elected as Director."

### 1.2 Ordinary resolution number 2

**"RESOLVED** that L de Wit who retires by rotation in terms of the MOI and, being eligible, offers himself for re-election, be and is hereby re-elected as Director."

### 1.3 Ordinary resolution number 3

**"RESOLVED** that C Ferreira who retires by rotation in terms of the MOI and, being eligible, offers himself for re-election, be and is hereby re-elected as Director."

The reason for ordinary resolutions numbers 1 to 3 (inclusive) is that the MOI, the JSE Listings Requirements and, to the extent applicable, the Companies Act, require that a component of the Non-Executive Directors rotate at every AGM of the Company and, being eligible, may offer themselves for re-election as Directors.

## 2. RE-APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

### Note:

For avoidance of doubt, all references to the Audit and Risk Committee of the Company is a reference to the Audit Committee as contemplated in the Companies Act.

### 2.1 Ordinary resolution number 4

**"RESOLVED** that Ms S Tuku, being eligible, be and is re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company ("the Board"), until the conclusion of the next AGM of the Company."

### 2.2 Ordinary resolution number 5

**"RESOLVED** that Mrs N Kimber, being eligible, be and is hereby re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board, until the conclusion of the next AGM of the Company."

### 2.3 Ordinary resolution number 6

**"RESOLVED** that Mr L Mondhi, being eligible, be and is hereby re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board, until the conclusion of the next AGM of the Company."

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the Company, being a public listed company, must appoint an Audit Committee and the Companies Act requires that Independent Non-Executive Directors of the Company be appointed, or re-appointed, as members of such Audit Committee as the case may be, at each AGM of a Company.

A brief *curriculum vitae* of each of the Directors up for election to the Audit and Risk Committee appears on pages 27 to 28 of the Integrated Annual Report.

## 3. RE-APPOINTMENT OF AUDITOR

### 3.1 Ordinary resolution number 7

**"RESOLVED** that Deloitte, and the designated audit partner, is hereby re-appointed as external auditor of the Company for the ensuing year on the recommendation of the Audit and Risk Committee of the Company."

The reason for ordinary resolution number 7 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the AGM of the Company as required by the Companies Act.

## 4. NON-BINDING ENDORSEMENT OF GAIA INFRASTRUCTURE CAPITAL LIMITED'S REMUNERATION POLICY AND IMPLEMENTATION REPORT

### 4.1 Ordinary resolution number 8

**"RESOLVED** that the Company's remuneration policy as set out on page 38 of the Integrated Annual Report, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 8 is that King IV and the Listings Requirements recommend that the remuneration policy of the Company be endorsed through a non-binding advisory vote by shareholders each year.

### 4.2 Ordinary resolution number 9

**"RESOLVED** that the Company's implementation report in regard to its remuneration policy, as contained in this Integrated Annual Report, be and is hereby endorsed by way of a non-binding advisory vote."

#### Reason for and effect of ordinary resolution number 9

The reason for ordinary resolution number 9 is that King IV and the Listings Requirements recommend that every year the Company's remuneration be disclosed in three parts, namely:

- ▶ a background statement;
- ▶ an overview of the remuneration policy; and
- ▶ an implementation report,

and that shareholders be requested to pass separate non-binding advisory votes on the policy and the implementation report at the AGM. Voting on the above two resolutions enables shareholders to express their views on the remuneration policy adopted and on its implementation.

## Notice of Annual General Meeting (continued)

### 4. NON-BINDING ENDORSEMENT OF GAIA INFRASTRUCTURE CAPITAL LIMITED'S REMUNERATION POLICY AND IMPLEMENTATION REPORT (continued)

#### 4.2 Ordinary resolution number 9 (continued)

The Remuneration Committee prepared, and the Board considered and accepted the remuneration policy and implementation report thereon, as set out in this Integrated Annual Report.

The remuneration policy also records the measures the Board will adopt, in the event that, either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights exercised by shareholders. In such event, the Company will, in its announcement of the results of the resolutions of the AGM, provide dissenting shareholders with information as to how to engage with the Company in relation to this matter and the timing of such engagement.

### 5. GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

#### 5.1 Ordinary resolution number 10

**"RESOLVED** that the Board be and is hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Company's MOI, the Companies Act and the JSE Listings Requirements, provided that:

- (a) the equity securities which are the subject of this general authority be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- (b) the equity securities must be issued to public shareholders, as defined in the JSE Listings Requirements, and not to related parties;
- (c) the equity securities which are the subject of this general authority:
  - (1) may not, in aggregate, exceed 10% of the Company's issued ordinary equity securities as at the date of the AGM (excluding treasury shares), being the equivalent of 5 515 100 equity securities provided that:
    - ▶ any equity securities issued in terms of this general authority must be deducted from the initial number of equity securities available under this general authority; and
    - ▶ in the event of a subdivision or consolidation of issued equity securities during the period of this general authority, the general authority must be adjusted accordingly to represent the same allocation ratio;
- (d) the general authority shall be valid until the next AGM of the Company, or for 15 (fifteen) months from the date on which the general authority for such ordinary resolution was passed, whichever period is shorter subject to the JSE Listings Requirements and any other restrictions set out in this authority;
- (e) the maximum discount at which equity securities may be issued is 10% of the weighted average traded price of such equity securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the equity securities. The JSE must be consulted for a ruling if the Company's securities have not traded in such 30 business day period;
- (f) an announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five percent) or more of the number of securities in issue prior to the general issue for cash, in accordance with section 11.22 of the JSE Listings Requirements; and
- (g) this authority includes any options/convertible securities that are convertible into an existing class of equity securities, where appropriate."

For entities listed on the JSE Limited ("JSE") wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to share incentive schemes which schemes have been duly approved by the JSE and by the shareholders of the Company), it is necessary for the Board to obtain prior authority of the shareholders in accordance with the JSE Listings Requirements and the MOI of the Company. Accordingly, the reason for ordinary resolution number 10 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

## 6. REMUNERATION OF NON-EXECUTIVE DIRECTORS

### 6.1 Special resolution number 1

**“RESOLVED**, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its Non-Executive Directors for their services as Directors on the basis set out below (exclusive of value-added tax), provided that this authority will be valid until the next AGM of the Company.”

	2019	2018	2017
<b>Retainer</b>			
Chairman	76 854	76 854	72 504
Non-Executive Director	76 854	76 854	72 504
<b>Attendance fees per meeting</b>			
Board Chairman	23 376	23 376	22 053
Board Non-Executive Director	12 809	12 809	12 084
Audit and Risk Committee Chairman	17 075	17 075	16 108
Audit and Risk Committee Member	12 809	12 809	12 084
Nomination Committee Chairman	17 075	17 075	16 108
Nomination Committee Member	12 809	12 809	12 084
Social and Ethics Committee Chairman	17 075	17 075	16 108
Social and Ethics Committee Member	12 809	12 809	12 084
Remuneration Committee Chairman	17 075	17 075	16 108
Remuneration Committee Member	12 809	12 809	12 084

In July 2017, GAIA's Non-Independent Non-Executive Directors agreed to a one-third reduction in their Board and committee fees from 1 July 2017 to 28 February 2018. Effective 1 March 2018, the Non-Independent Non-Executive Directors are entitled to their Board and committee fees in full.

The reason for special resolution number 1 is for the Company to obtain the approval of shareholders, by way of a special resolution, for the payment of remuneration to its Non-Executive Directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the Company will be able to pay its Non-Executive Directors for the services they render to the Company as Directors without requiring further shareholder approval until the next AGM of the Company.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

## 7. INTER-COMPANY FINANCIAL ASSISTANCE

### 7.1 Special resolution number 2

**“RESOLVED**, in terms of section 45(3)(a)(iii) of the Companies Act, as a general approval, that the Board be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance (“financial assistance” will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the Board may deem fit to any company or corporation wheresoever incorporated that is related or inter-related (“related” or “inter-related” will herein have the meaning attributed to it in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the Board may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the Company.”

The reason for and effect of special resolution number 2 is to grant the Board of the Company the authority, until the next AGM, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

## Notice of Annual General Meeting (continued)

### 7. INTER-COMPANY FINANCIAL ASSISTANCE (continued)

#### 7.2 Special resolution number 3

**"RESOLVED**, in terms of section 44(3)(a)(iii) of the Companies Act, as a general approval, that the Board be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related to the Company ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the Board may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next AGM of the Company."

The reason for and effect of special resolution number 3 is to grant the Directors the authority, until the next AGM of the Company, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, *inter alia*, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the Board confirms that it will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 2 and 3 above:

- ▶ the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);
- ▶ the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- ▶ the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- ▶ all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's MOI have been met.

### 8. GENERAL AUTHORITY TO REPURCHASE SHARES

#### 8.1 Special resolution number 4

**"RESOLVED**, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase or purchase, as the case may be, any of the shares issued by the Company, upon such terms and conditions and in such amounts as the Directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the MOI and the JSE Listings Requirements, including, *inter alia*, that:

- ▶ the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);

- ▶ this general authority shall only be valid until the next AGM of the Company, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution;
- ▶ when the Company, or a subsidiary of the Company, has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made in accordance with section 11.27 of the JSE Listings Requirements;
- ▶ the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the beginning of the financial year;
- ▶ a resolution has been passed by the Board approving the purchase, that the Company and its subsidiaries has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Company and its subsidiaries ("the Group");
- ▶ the general repurchase is authorised by the Company's MOI;
- ▶ repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such 5 (five) business day period;
- ▶ the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- ▶ the Company or its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and will be executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

The reason for and effect of special resolution number 4 is to grant the Board a general authority in terms of the Company's MOI and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 4. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a *pro rata* repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

## 9. OTHER BUSINESS

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the Company.

### Information relating to the special resolutions

1. The Board and/or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the Board, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Company and its subsidiaries would not be compromised as to the following:
  - ▶ the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the repurchase;
  - ▶ the assets of the Group will be in excess of the liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited financial statements of the Group;
  - ▶ the share capital and reserves of the Group will remain adequate for the purpose of the business of the Group for a period of 12 months after the repurchase; and
  - ▶ the working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the repurchase.

For the purpose of considering special resolution number 4 and in compliance with paragraph 11.26 of the JSE Listings Requirements, general information in respect of major shareholders, material changes and the share capital of the Company is contained in the Integrated Annual Report of which this notice forms part, as well as the full set of financial statements, being available on GAIA's website at [www.gaia-ic.com](http://www.gaia-ic.com) or which may be requested and obtained in person, at no charge, at the registered office of the Company during office hours.

## Notice of Annual General Meeting (continued)

### 9. OTHER BUSINESS (continued)

#### Information relating to the special resolutions (continued)

2. The Directors, whose names appear on page 26 of the Integrated Annual Report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given in special resolution number 4 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information required by the JSE Listings Requirements.
3. Special resolutions numbers 2, 3 and 4 are renewals of resolutions taken at the previous AGM held on 29 August 2017.

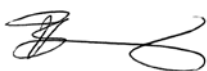
#### VOTING

1. The Directors have determined that the record date on which shareholders must be recorded as such in the Share Register maintained by the transfer secretaries of the Company ("the Share Register") for purposes of being entitled to receive this notice is Friday, 22 June 2018.
2. The Directors have determined that the record date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at this AGM is Friday, 24 August 2018, with the last day to trade being Tuesday, 21 August 2018.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the Chairman of the AGM that the person is either a shareholder or a proxy for a shareholder and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholders from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the Company at the address given below by not later than 10:00 on Monday, 27 August 2018 (for administrative purposes only), provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the Chairman of the AGM at any time prior to the commencement of the AGM.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.
9. Equity securities held by a share trust or scheme, and unlisted securities will not have their votes taken into account at the AGM for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

### **Electronic participation by shareholders**

Should any shareholder (or representative or proxy for a shareholder) wish to participate in the AGM electronically, that shareholder should apply in writing (including details on how the shareholder or representative (including proxy) can be contacted) to the transfer secretaries, at the address above, to be received by the transfer secretaries at least seven business days prior to the AGM (thus to be confirmed) for the transfer secretaries to arrange for the shareholder (or representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or representative or proxy) with details on how to access the AGM by means of electronic participation.

By order of the Board



**Fusion Corporate Secretarial Services (Pty) Limited**

Registration number 2000/011257/21

**Company Secretary**

25 June 2018

### **REGISTERED OFFICE**

Unit 7, Block C, Southdowns Office Park  
22 Karee Street  
Highveld, Centurion  
0157

PO Box 68528  
Highveld  
0169

### **TRANSFER SECRETARIES**

Computershare Investor Services (Pty) Limited  
Registration number 2004/003647/07  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
2196

PO Box 61051  
Marshalltown  
2107

[illegible]

# Form of proxy

## GAIA INFRASTRUCTURE CAPITAL LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 2015/115237/06

JSE share code: GAI ISIN: ZAE000210555

("GAIA" or "the Company")

### TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WHO HOLD THROUGH A CENTRAL SECURITIES DEPOSITORY PARTICIPANT ("CSDP") OR BROKER WHO HAVE SELECTED "OWN-NAME" REGISTRATION ONLY

If you are a shareholder referred to above, and entitled to attend and vote at the Annual General Meeting, you can appoint a proxy or proxies to attend, vote, and speak in your stead at the Annual General Meeting of GAIA Infrastructure Capital Limited unable to attend the AGM of shareholders of the Company to be held at 10:00 on Wednesday, 29 August 2018 at The African Pride Hotel, 1 Melrose Street, Melrose Arch, Johannesburg, 2196 or at any adjournment or postponement of that meeting. A proxy need not be a shareholder of the Company.

If you are an ordinary shareholder and have dematerialised your ordinary shares through a CSDP (and have not selected "own-name" registration in the sub-register maintained by a CSDP), do not complete this form of proxy but instruct your CSDP to issue you with the necessary authority to attend the Annual General Meeting, or if you do not wish to attend, provide your CSDP with your voting instructions in terms of your custody agreement entered into with it.

I/We (please print names in full)

of (address) (contact number)

being the holder/s of shares in

the Company, do hereby appoint:

1. or, failing him/her
2. or, failing him/her
3. the Chairman of the AGM, as my/our proxy to attend, participate in, speak and, on a poll, vote on my/our behalf at the AGM of shareholders to be held at 10:00 on Wednesday, 29 August 2018 at The African Pride Hotel, 1 Melrose Street, Melrose Arch, Johannesburg, 2196 or at any adjournment or postponement of that meeting, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed, with or without modification, at such meeting:

#### Number of shares

	For	Against	Abstain
<b>1. Retirement, re-election and confirmation of appointment of Directors</b>			
1.1 Ordinary resolution number 1: Re-election of KE Mbalo who retires by rotation			
1.2 Ordinary resolution number 2: Re-election of L de Wit who retires by rotation			
1.3 Ordinary resolution number 3: Re-election of C Ferreira who retires by rotation			
<b>2. Re-appointment of the members of the Audit and Risk Committee of the Company</b>			
2.1 Ordinary resolution number 4: Re-appointment of Ms Tuku as member of the Audit and Risk Committee			
2.2 Ordinary resolution number 5: Re-appointment of Mrs N Kimber as member of the Audit and Risk Committee			
2.3 Ordinary resolution number 6: Re-appointment of Mr L Mondl as member of the Audit and Risk Committee			
<b>3. Re-appointment of auditor</b>			
3.1 Ordinary resolution number 7: Re-appointment of Deloitte			
<b>4. Non-binding endorsement of GAIA Infrastructure Capital Limited's remuneration policy</b>			
4.1 Ordinary resolution number 8: Non-binding endorsement of GAIA Infrastructure Capital Limited's remuneration policy			
4.2 Ordinary resolution number 9: Non-binding endorsement of GAIA Infrastructure Capital Limited's implementation report			
<b>5. General authority to issue shares for cash</b>			
5.1 Ordinary resolution number 10: General authority to issue shares for cash			
<b>6. Remuneration of Non-Executive Directors</b>			
6.1 Special resolution number 1: Remuneration of Non-Executive Directors			
<b>7. Inter-company financial assistance</b>			
7.1 Special resolution number 2: Inter-company financial assistance			
7.2 Special resolution number 3: Financial assistance for the subscription/or acquisition of shares in the Company or a related or inter-related company			
<b>8. General authority to repurchase shares</b>			
8.1 Special resolution number 4: Authority to repurchase shares			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast.

If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at this day of 2018

Signature Assisted by me, where applicable (name and signature)

Please read the notes overleaf.

## Notes to the form of proxy

*(which include, inter alia, a summary of the rights established by section 58 of the Companies Act, as amended (Companies Act))*

1. A GAIA Infrastructure Capital Limited shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the Chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A GAIA Infrastructure Capital Limited shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the Chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
4. It is recommended that the proxy forms should be lodged with the transfer secretaries of the Company, Computershare Investor Services (Pty) Limited, Rosebank Towers 15 Biermann Avenue, Rosebank, 2196 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, to be received by them not later than Monday, 27 August 2018 at 10:00 (for administrative purposes only) provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the AGM/General Meeting prior to the commencement of the AGM/General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.  
  
The form may also be emailed to [proxy@computershare.co.za](mailto:proxy@computershare.co.za)
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

### SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- ▶ a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder
- ▶ a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy
- ▶ irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder
- ▶ any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise
- ▶ if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company
- ▶ a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's Memorandum of Incorporation ("MOI"), or the instrument appointing the proxy, provides otherwise
- ▶ if the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's MOI to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing; and (ii) paid any reasonable fee charged by such company for doing so.

## Definitions and interpretations

Unless the context indicates otherwise, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and vice versa, the singular includes the plural and vice versa and the following words and expressions bear the meanings assigned to them below:

<b>“Auditors and Independent Reporting Accountants”</b>	Deloitte, chartered accountants (SA), a partnership incorporated under the laws of South Africa being the auditors and independent reporting accountants of GAIA Infrastructure Capital Limited;
<b>“Basel III”</b>	the International Framework for Liquidity Risk Measurement, Standards and Monitoring published by the Basel Committee on Banking Supervision;
<b>“Board” or “Directors”</b>	the Board of Directors of GAIA Infrastructure Capital Limited;
<b>“B-BBEE”</b>	Broad-Based Black Economic Empowerment;
<b>“Code for Responsible Investing in South Africa”</b>	the code issued by the Committee on Responsible Investing by Institutional Investors in South Africa in February 2012, a forum formed by stakeholder members of the Institute of Directors in Southern Africa, giving guidance on how institutional investors should execute investment analysis and investment activities and exercise rights so as to promote good corporate governance;
<b>“Common Monetary Area”</b>	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
<b>“Companies Act”</b>	Companies Act of South Africa, No 71 of 2008, as amended;
<b>“CPI”</b>	the Consumer Price Index for all urban areas published by Statistics South Africa from time to time;
<b>“CSDP”</b>	a central securities depository participant, accepted as a participant in terms of the Financial Markets Act, with whom a shareholder holds a dematerialised share account;
<b>“Custody agreement”</b>	a custody mandate agreement between a person and a CSDP or broker, regulating their relationship in respect of dematerialised shares held on GAIA Infrastructure Capital Limited’s uncertificated securities register and administered by a CSDP or broker on behalf of that person;
<b>“Dematerialised shareholders”</b>	Shareholders who hold dematerialised shares;
<b>“Dematerialised shares”</b>	Shares which have been incorporated into the Strate system and which are no longer evidenced by certificates or other physical documents of title;
<b>“DOE”</b>	The Department of Energy is the department of the South African government responsible for energy policy;
<b>“Dorper Wind Farm” or “Dorper”</b>	Dorper Wind Farm (RF) (Pty) Limited, registration number 2009/022085/07, a private company duly incorporated in accordance with the laws of South Africa, with its place of incorporation being Porterville and its address being 3rd Floor, South Tower, Nelson Mandela Square, Sandton;
<b>“ESG”</b>	Environmental, social and governance;
<b>“Eskom”</b>	Eskom Holdings SOC Limited (Registration number 2002/015527/06), a public company incorporated under the laws of South Africa;
<b>“Exchange Control Regulations”</b>	the Exchange Control Regulations, 1961, as amended from time to time, issued in terms of Section 9 of the Currency and Exchanges act, No 9 of 1933, as amended from time to time;
<b>“Financial Markets Act”</b>	the Financial Markets Act, No 19 of 2012, as amended from time to time;
<b>“GAIA” or “the Company”</b>	GAIA Infrastructure Capital Limited (Registration number 2015/115237/06), a public company incorporated under the laws of South Africa (previously GAIA Capital (Pty) Limited which was converted from a private company to a public company on 16 April 2015;
<b>“GAIA Financial Services”</b>	GAIA Financial Services (RF) (Pty) Limited (Registration number 2015/212709/07), a private company incorporated under the laws of South Africa on 22 July 2015, being a wholly owned subsidiary of GAIA Infrastructure Capital Limited with 1 000 ordinary no par value shares in issue and which was acquired as a shelf company by GAIA Infrastructure Capital Limited on 4 August 2015;

## Definitions and interpretations (continued)

<b>"GAIA Group"</b>	GAIA Infrastructure Capital Limited and its wholly owned subsidiary, GAIA Financial Services;
<b>"GAIA Infrastructure Partners (Pty) Limited" or "ManCo"</b>	GAIA Infrastructure Partners (Pty) Limited (Registration number 2012/093632/07), a private company incorporated under the laws of South Africa (previously GAIA Energy (Pty) Limited);
<b>"GDP"</b>	gross domestic product;
<b>"Government"</b>	the National Government of South Africa;
<b>"IFRS"</b>	International Financial Reporting Standards;
<b>"Income Tax Act"</b>	the Income Tax Act, No 58 of 1962, as amended from time to time;
<b>"IRP"</b>	The DOE's Integrated Resource Plan for Electricity (IRP 2010 – 2030), which was updated in 2017 and defines South Africa's road map for the country's future electricity planning;
<b>"JSE"</b>	JSE Limited (Registration number 2005/022939/06), licensed as an exchange under the Financial Markets Act, and a public private placement company incorporated under the laws of South Africa;
<b>"JSE Listings Requirements"</b>	the JSE Listings Requirements, as amended from time to time;
<b>"King IV"</b>	the King Report on Corporate Governance for South Africa, 2009, as amended or replaced from time to time;
<b>"Management agreement"</b>	the management agreement entered into between GAIA Infrastructure Capital Limited, GAIA Financial Services and ManCo on or about October 2015 in terms of which ManCo provides the services to GAIA Infrastructure Capital Limited and GAIA Financial Services;
<b>"Manager"</b>	GAIA Infrastructure Partners (Pty) Limited;
<b>"NAV"</b>	Net Asset Value;
<b>"Noblesfontein Wind Farm" or Noblesfontein"</b>	Coria (PKF) Investment 28 (RF) (Pty) Limitd, registration number 2011/108105/07, a private company duly incorporated in accordance with the laws of South Africa, with address at Cape Town, Alphen Park, Constantia Main Road;
<b>"Rand" or "R"</b>	South African rand, the official currency of South Africa;
<b>"Register"</b>	GAIA Infrastructure Capital Limited's securities register maintained by the transfer secretaries, including the relevant sub-registers of the CSDPs administering the subregisters of GAIA Infrastructure Capital Limited, and the register of disclosures in relation to GAIA Infrastructure Capital Limited;
<b>"REIPPPP"</b>	the Renewable Energy Independent Power Producers Procurement Programme currently managed by the Department of Energy of the Republic of South Africa;
<b>"SENS"</b>	the Securities Exchange News Service of the JSE;
<b>"Shareholders"</b>	registered holders of shares;
<b>"Shares"</b>	ordinary no par value shares in the share capital of GAIA Infrastructure Capital Limited;
<b>"SPAC"</b>	a special purpose acquisition company as envisaged in the JSE Listings Requirements, being a special purpose vehicle established to facilitate the primary capital raising process to enable the acquisition of viable assets in pursuit of a listing on the Main Board of the JSE;
<b>"Strate"</b>	Strate (Pty) Limited (Registration number 1998/022242/07), a private company incorporated under the laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
<b>"Transfer secretaries" or "Computershare"</b>	Computershare Investor Services (Pty) Limited (Registration number 2004/003647/07), a private company incorporated under the laws of South Africa; "viable asset/s" asset/s which meet the Investment Policy and acquisition criteria; and
<b>"TriAlpha"</b>	the trustees from time to time of the TriAlpha Specialised Investments Trust III, a trust duly registered with the Master of the High Court of South Africa (Master's Reference number IT3288/2010).

[illegible]

[illegible]

# Corporate information

## KEY DATA

GAIA Infrastructure Capital Limited  
Share code: GAI  
ISIN: ZAE000210555

## COUNTRY OF INCORPORATION AND DOMICILE

South Africa

## REGISTERED OFFICE

37 Vineyard Road  
Claremont, 7708

## BUSINESS ADDRESS

3rd Floor, Penthouse 5  
4 The High Street  
Melrose Arch  
Johannesburg, 2196

PO Box 44721  
Claremont, 7735

## PRIMARY BANKERS

FirstRand Bank Limited  
Registration number: 1929/001225/06

25th Floor, Portside Building  
5 Buitengracht Street  
Cape Town, 8001

PO Box 695  
Cape Town, 8000

## AUDITORS

Deloitte & Touche  
Deloitte Place, The Woodlands  
20 Woodlands Drive  
Woodmead, Sandton  
Johannesburg, 2052

## COMPANY SECRETARY AND REGISTERED OFFICE

Fusion Corporate Secretarial Services (Pty) Limited  
Registration number: 2007/008376/07

Unit 7, Block C  
Southdowns Office Park  
22 Karee Street  
Highveld, Centurion, 0157

PO Box 68528  
Highveld, 0169

## COMPANY REGISTRATION NUMBER

2015/115237/06

## TAX REFERENCE NUMBER

9473/844/17/4

## LEVEL OF ASSURANCE

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

## PREPARER

The financial statements were compiled under the supervision of: Prudence Lebina

Chartered Accountant (S.A.)

## ISSUED

29 June 2018



**Registered address**

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**Website:** [www.gaia-ic.com](http://www.gaia-ic.com)