GAIA
INFRASTRUCTURE CAPITAL

Reviewed Provisional Financial Results

for the year ended 29 February 2020 and cash dividend declaration

Your Investment Partner

GAIA Infrastructure Capital Ltd (Incorporated in the Republic of South Africa)
(Registration number: 2015/115237/06) Share Code: GAI ISIN ZAE000210555
("GAIA" or "the Company")

SALIENT FEATURES

Tangible NAV[1] per share at R10.74, pre-final dividend distribution, a 3.1% increase from the previous corresponding period

Gross assets under management at R758.1 million

Robust financial position with net cash at R29.2 million

Total revenue increased by 29.6% to R63.2 million primarily due to an increase in the fair value of the net AUM[2]

Basic EPS[3] and headline EPS[3] up 27.7% to 71.64 cents from 56.09 cents in the comparative period

Final gross cash dividend declaration of 15.00 cents per share

Termination of management services agreement for R18.0 million effected post year-end on 10 June 2020

1. Net asset value
2. Assets under management
3. Earnings per share

DIRECTORS' REPORT

FINANCIAL COMMENTARY

The Company's revenue for the financial year ended 29 February 2020 increased by 29.6% to R63.2 million compared to R48.7 million in the previous year. This increase was mainly as a result of the favourable change in the fair value of the financial assets and liabilities.

Operating expenses for the period were R23.2 million, which included a R8.6 million write-down of prepayment of transaction costs previously capitalised. Excluding the once-off transaction costs of R8.6 million, the operating expenses would have improved by 17.1% with expenses to gross assets under management remaining stable.

The tangible net asset value per share of the Company increased from R10.42 in the comparative reporting period to R10.74 in the current reporting period as a result of an increase in the fair value of the investments held by the Company. Basic and headline earnings per share increased by 27.7%, from 56.09 cents in the comparative reporting period to 71.64 cents per share in the current reporting period.

Effective 15 April 2020, GAIA agreed terms with GAIA Infrastructure Partners (Pty) Ltd to amend the termination fee payable and terminate the management services agreement, in consideration for payment by the Company of a reduced termination fee of R18.0 million ("The Internalisation Transaction"). The Internalisation Transaction was approved by the requisite majority of shareholders on 10 June 2020 and is consistent with global best practice of aligning the interests of the Company's management and shareholders.

DIVIDEND DISTRIBUTION

Further to the interim cash dividend of 25.00 cents per share (R13.8 million) for the six months ended 31 August 2019, paid on 23 December 2019, notice is hereby given that the Board has declared a final gross cash dividend of 15.00 cents per ordinary share (R8.3 million) for the year ended 29 February 2020. The total dividend relating to the 2020 financial year is 40.00 cents per share compared to 39.64 cents per share declared and paid in the 2019 financial year.

- The dividend has been declared from income reserves.
- The dividend withholding tax rate is 20%, and a net dividend of 12.00 cents (February 2019: 11.84 cents) per share is paid to those shareholders who are not exempt from dividend withholding tax.
- The Company's income tax number is 9473/844/17/4.
- The issued share capital at the declaration date is 55 151 000 ordinary shares.

The payment date for the dividend is 24 August 2020.

DIRECTORS' REPORT (continued)

Salient dates for the dividend will be as follows:

Last day to trade *cum* the ordinary share dividend	Tuesday, 18 August 2020
Ordinary shares commence trading *ex*-dividend	Wednesday, 19 August 2020
Ordinary share dividend record date	Friday, 21 August 2020
Payment date of ordinary share dividend	Monday, 24 August 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 August 2020 and Friday, 21 August 2020, both days inclusive.

This final dividend amounting to R8.3 million has not been recognised as a liability in the reviewed condensed annual financial results. It will be recognised in shareholders' equity for the year ending 28 February 2021.

ABOUT GAIA

GAIA is an infrastructure investment company and it offers shareholders investment exposure to large scale infrastructure assets in Southern Africa. The Company's shares are listed and traded on the Main Board of the JSE Limited. The Company is mandated to invest in operationally derisked infrastructure assets in the energy, transportation, as well as water and sanitation sectors. The Company aims to earn annualised gross real return of 6% on its invested capital. In its investment approach, the Company has regard to environmental, social and governance considerations.

The Company's current asset base is predominantly held through its subsidiary, GAIA Financial Services (RF) (Pty) Ltd. The two companies have the same investment objectives. This asset base comprises interests in two wind farms and three solar photo voltaic farms that were licensed in round 1 of the Renewable Energy Independent Power Producer Procurement Programme ("REIPPPP") in South Africa.

Gross assets under management, mostly held through GAIA Financial Services:

Investment	Instrument	**Fair value (R million)**	REIPPPP Asset	**Indirect Economic Interest**	**REIPPPP Resource**
GAIA RE1	Ordinary Shares	R515.5	Dorper	9.9%	Wind
			Jasper	4.0%	Solar
			Lesedi	5.3%	
			Letsatsi	5.3%	
GAIA SPV	Preference shares	R154.2	Noblesfontein	13%	Wind
SARGE		R83.0		7%	
Noblesfontein Educational Trust	Loan	R5.4		–	
		R758.1			

CONDENSED STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

	Notes	Reviewed 29 February 2020 R'000	Audited 28 February 2019 R'000
Asset			
Non-current assets			
Property, plant and equipment		277	359
Lease: Right-of-use assets	3	1 551	–
Financial assets	4	556 790	520 071
Deferred tax		89	62
		558 707	**520 492**
Current assets			
Trade and other receivables		7 340	47 769
Tax receivable		59	26
Cash and cash equivalents		29 196	8 160
		36 595	**55 955**
Total assets		**595 302**	**576 447**
Equity and liabilities			
Equity			
Share capital	5	545 852	545 852
Retained income		46 361	28 802
		592 213	**574 654**
Liabilities			
Non-current liabilities			
Lease liabilities	3	1 194	–
Current liabilities			
Trade and other payables		1 383	1 793
Lease liabilities		512	–
		1 895	**1 793**
Total liabilities		**3 089**	**1 793**
Total equity and liabilities		**595 302**	**576 447**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

	Notes	Reviewed 29 February 2020 R'000	Audited 28 February 2019 R'000
Interest income		1 854	2 063
Dividends received		25 073	32 600
Net gain from financial assets at fair value through profit or loss		36 239	14 051
Other income		–	25
Total revenue		63 166	48 739
Other operating expenses	6	(23 226)	(17 586)
Finance costs		(247)	–
Taxation		(183)	(217)
Profit for the year		**39 510**	**30 935**
Basic earnings per share (cents)	7	71.64	56.09

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

	Share capital R'000	Retained income R'000	Total equity R'000
Balance at 1 March 2018 – audited	**545 852**	**34 729**	**580 581**
Profit for the year	–	30 935	30 935
Dividends paid	–	(36 863)	(36 863)
Opening balance at 1 March 2019 – audited	**545 852**	**28 801**	**574 653**
Profit for the year	–	39 510	39 510
Dividends paid	–	(21 950)	(21 950)
Balance at 29 February 2020 – reviewed	**545 852**	**46 361**	**592 213**

CONDENSED STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

	Reviewed 29 February 2020 R'000	Audited 28 February 2019 R'000
Cash flows from operating activities		
Cash generated from operations	43 625	18 950
Finance costs	(247)	–
Tax paid	(243)	(396)
Dividends paid	(21 950)	(36 863)
Net cash from/(used in) operating activities	**21 185**	**(18 309)**
Cash flows used in investing activities		
Purchase of property, plant and equipment	(25)	(30)
Receipts/(advances) from loan to Noblesfontein Educational Trust	284	(230)
Net cash generated/(used) in investing activities	**259**	**(260)**
Cash flows used in financing activities		
Payment on lease liabilities	(408)	–
Net cash used in financing activities	**(408)**	**–**
Total cash movement for the year	**21 036**	**(18 569)**
Cash at the beginning of the year	8 160	26 729
Total cash at end of the year	**29 196**	**8 160**

NOTES TO THE CONDENSED FINANCIAL RESULTS

for the year ended 29 February 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The reviewed provisional financial results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and interpretations of IFRS, as issued by the International Accounting Standard Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited Listings Requirements, and the requirements of the South African Companies Act, 71 of 2008, and the minimum presentation and disclosure requirements of IAS 34: *Interim Financial Reporting*.

The provisional financial results 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. The results are presented in Rand, which is the Company's functional and presentation currency.

Accounting policies

The accounting policies and methods of computation applied in preparing these condensed financial statements are in terms of IFRS and are consistent with those applied in the 2019 financial statements, except as noted below in note 3.

1.1 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

- Fair value measurement;
- Segment reporting by applying a single reporting segment approach; and
- Investment entity exemption.

Key sources of estimation uncertainty

1.1.1 Fair value measurement

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.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 29 February 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

1.1 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

1.1.1 Fair value measurement (continued)

The basis of valuation of the Company's investments is fair value through profit or loss ("FVTPL"). Fair value is determined at the end of each reporting period, in accordance with the valuation policy outlined below.

Basis of valuation and approach

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

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

1.1.2 Segment reporting

GAIA is an investment entity holding most of its investments in operational infrastructure assets on which its revenue is earned. All the investee entities are independent power producers established as part of the South African Renewable Energy Independent Power Producer Procurement Program ("REIPPPP") with 20-year power purchase agreements ("PPA") with Eskom Holdings SOC Limited ("ESKOM") The PPA's are guaranteed by the South African National Treasury and the expected return is the same for the investment portfolio. Based on this, any operating segment that would be identifiable based on how GAIA is structures and the nature of its asset were aggregated into a single operating segment because the economic characteristics of these investments are similar, and all have the same geographical location. IFRS 8.12 permits aggregation of segments on this basis. The chief operating decision maker makes decision and assesses GAIA's performance based on the investment portfolio entirely. On this basis GAIA consider itself as a single operating segment, and therefore no entity specific disclosure related to Segment reporting were provided.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

1.1 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

1.1.3 Investment entity exemption

Management applied our judgement in terms of IFRS 10 and came to the conclusion that GAIA does meet the IFRS 10 requirements of an investment entity. Management have reached this conclusion on the basis that GAIA FS:

- has the purpose of providing investment management services to its investors being GAIA IC and RMB Investment and Advisory (Pty) Ltd;
- has committed to invest funds solely for the purpose of generating returns from capital appreciation, investment income, or both; and
- it evaluates performance of its investments primarily on a fair value basis.

GAIA is an investment entity listed on the JSE that:

- commits to its investors that its business purpose is to invest in operational infrastructure assets in Southern Africa for returns from investment income;
- obtains funds from various equity investors to provide them with investment management services; and
- measures and evaluates the performance of substantially all its investments on a fair value basis.

GAIA meets the definition of an investment entity as per IFRS 10 based on the following:

- The Company has obtained funds from various investors for the purpose of providing them with an operational and appropriately de risked secondary investment opportunity for investment income.
- 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 subsidiary's investments are measured and evaluated on a fair value basis.

GAIA Financial Services also meets the definition of an investment entity as:

- GAIA Financial Services has obtained funds for the purpose of providing investors (GAIA IC as ordinary shareholder and RMB Investment and Advisory (Pty) Ltd as preference shareholder) with an operational and appropriately de risked secondary investment opportunity.
- GAIA Financial Services'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 GAIA Financial Services's investments are measured and evaluated on a fair value basis.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 29 February 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

1.1 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

1.1.3 Investment entity exemption (continued)

The investments are not held indefinitely as the intention is to hold the investments until the end of the power purchase or concession agreements of the underlying project companies. If not exited earlier GAIA will hold the investments until the end of the power purchase or concession agreements, post which the equity interests will be liquidated or sold in the secondary market.

The exit strategy with respect to the equity interest in GAIA FS is to liquidate the entity when all its underlying investments have ceased to generate cash inflows which is linked to the period when the last underlying Power Purchase Agreement is due to expire, currently being 2035; or unbundle the underlying interests to shareholders through a distribution in specie. Management's intention is to set up any future infrastructure projects in a new structure and not to utilise the existing GAIA FS.

In light of the above, in terms of IFRS 10.31 GAIA IC is in compliance with IFRS 10 in terms of meeting the requirement for an investment entity exemption and therefore measure its investments at fair value.

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

2. PREPARATION

The condensed provisional financial results have been prepared internally under the supervision of the Finance Director, P Lewis CA(SA), and approved by the Board.

The Directors take full responsibility for the preparation of the provisional financial statements.

The reviewed condensed provisional financial results were reviewed by the Company's external auditor, Deloitte & Touche. A copy of their unmodified review conclusion is available from the Company's registered office and can be sent by email, upon request. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the external auditor. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

3. NEW STANDARDS AND INTERPRETATION

Standards and interpretations effective and adopted in the current period

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

Standard/ Interpretation	Effective date years beginning on or after	Impact: Reviewed 12 months ended 29 February 2020 R'000
IFRS 16: *Leases*	1 January 2019	The adoption of this standard has not had a material impact on the results of the Company, but has resulted in more disclosure than would have previously been provided in the financial statements. On transition to IFRS 16, the Company recognised a right-to-use asset and a lease liability of R2.1 million.

4. FINANCIAL ASSETS

Financial assets at fair value through profit or loss

	Reviewed 12 months ended 29 February 2020	Audited 12 months ended 28 February 2019
GAIA Financial Services (RF) Proprietary Limited		
The Company owns 100% equity interest in GAIA FS	551 374 511	515 135 490
Financial assets at amortised cost		
Noblesfontein Educational Trust	5 415 125	4 935 467
The loan shall accrue interest at a rate equal to the aggregate of CPI plus 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.		
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.		
Total other financial assets	**556 789 636**	**520 070 957**

4. FINANCIAL ASSETS (continued)

Financial assets at fair value through profit or loss (continued)

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. All investments in GAIA Financial Services are measured at fair value on a standalone basis and GAIA uses sum of the parts valuation method to measure fair value at its investment in GAIA Financial Services.

Fair value information of underlying investments held through GAIA Financial Services

GAIA Financial Services' interest in GAIA RE 1

GAIA Financial Services holds a 33% equity interest in GAIA RE 1.

The Company funded the acquisition of its indirect economic interest in Dorper Wind Farm and Intikon Solar Assets (Jasper, Lesedi and Letsatsi Solar PV Farms), through a R501 million loan to GAIA Financial Services. This loan is interest free, unsecured and is not repayable for at least 15 years after the effective date of 28 September 2016.

GAIA RE 1 holds 30% of the issued share capital in Dorper Wind Farm and 100% in Intikon Solar (Pty) Ltd ("Intikon Solar") which holds indirect economic interests in the Intikon Solar Assets, being Jasper Solar PV Farm (4.0%), Lesedi Solar PV Farm (5.3%) and Letsatsi Solar PV Farm (5.3%).

GAIA Financial Services' interest in Noblesfontein Wind Farm

On 19 September 2017, GAIA Financial Services acquired C Preference Shares 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 subscribe 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.

GAIA Financial Services owns 100% of the issued ordinary shares in GAIA SPV for a nominal value 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.

4. FINANCIAL ASSETS (continued)

Valuation of underlying renewable investments

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 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.

The Company uses a valuation model that was developed by an experienced independent third party 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 a higher degree of management judgement and estimation in determination of fair value.

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

- Selection of the appropriate valuation model to be used, in this case the discounted cash flow model;
- Assessment and determination of the expected cash flows (dividend income in the form of equity dividend and preference dividend) from the underlying investments under management; and
- Selection of the appropriate discount rates.

The fair value estimate obtained from the discounted cash flow models 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 value of the investment in the ordinary shares of GAIA RE 1 (Dorper Wind Farm and Intikon Solar) was determined using the discounted cash flow valuation models. Assumptions and inputs used in valuation techniques include CPI and investor premium used in estimating discount rates.

The value of the indirect investment in the preference shares in SARGE and GAIA SPV was also calculated using the discounted cash flow valuation model. The assumptions and inputs used included CPI rate, prime rate and JIBAR. JIBAR and prime rate are linked, so only prime rate is considered for sensitivity purposes.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 29 February 2020

4. FINANCIAL ASSETS (continued)

Valuation of underlying renewable investments (continued)

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 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. Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

As at 29 February 2020, the fair value measurement of shares held by the Company in GAIA Financial Services is categorised into Level 3. The fair value of underlying investments under management in GAIA Financial Services is determined using sum of the parts valuation at reporting date and are also categorised into Level 3.

The valuations for the investments under management were performed using the same valuation methodology because all investments are held in infrastructure assets with the same risk profile, same expected return profile, the period of the investments is the same and the investee entities all have PPA agreements with Eskom. Therefore, the assumptions used in determining the fair values are the same and are presented in the table below:

Assumptions

Discount rate	12.408% (2019: 12.778%)	REIPPPP projects are valued on a real basis, as such the real rate of 6.75% (2019: 7%) was used plus 5.6% CPI (2019: 5.4%).
Cash flow	Expected dividends	Investee entities make distributions from profits which are made up of revenue from net operating expenses. Revenue from power generation is charged at a fixed tariff per the PPA and is subject to an annual escalation with CPI.
Discount period	Remaining term of the 20-year PPA	Investment period of the PPA.

4. FINANCIAL ASSETS (continued)

Reconciliation of financial assets at fair value through profit or loss measured at Level 3

	Opening balance	Gains/(losses) in profit or loss	Total
2020			
GAIA Financial Services (RF) Proprietary Limited	515 135 490	36 239 021	551 374 511
2019			
GAIA Financial Services (RF) Proprietary Limited	501 084 871	14 050 619	515 135 490

The change in gains or losses (net gain) 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 gain from financial instruments at fair value through profit or loss.

Sensitivity of fair value measurement to changes in unobservable inputs

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

Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity to changes in significant unobservable inputs	1% decrease in unobservable input	1% increase in unobservable input
Dorper Wind Farm					
Discounted cash flow	Discount rate	12.408%	The estimated fair value would increase if the discount rate decreased	15 052 680	(13 657 009)
Intikon Solar					
Discounted cash flow	Discount rate	12.408%	The estimated fair value would increase if the discount rate decreased	20 259 145	(18 420 796)

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 29 February 2020

Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity to changes in significant unobservable inputs	1% decrease in unobservable input	1% increase in unobservable input
C – Preference shares					
Discounted cash flow	CPI rate	Market consistent CPI curve	The estimated fair value would decrease if the CPI rate decreased	(10 202 148)	9 320 584
Discounted cash flow	Prime rate and CPI rate	Prime interest rate curve	The estimated fair value would decrease if the prime and CPI rate decreased	(4 118 211)	3 710 804
Discounted cash flow	Discount rate	12.408%	The estimated fair value would increase if the discount rate decreased	12 304 503	(10 990 526)
SARGE A and B – Preference shares					
Discounted cash flow	CPI rate	Market consistent CPI curve	The estimated fair value would decrease if the CPI rate decreased	(420 205)	437 894
Discounted cash flow	Prime rate and CPI rate	Prime interest rate curve	The estimated fair value would decrease if the prime and CPI rate decreased	629 567	(531 526)
Discounted cash flow	Discount rate	12.408%	The estimated fair value would increase if the discount rate decreased	5 871 172	(5 339 191)

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 both Dorper and Intikon Solar stage of life, using South African data, substantiated by international findings. None of the financial assets that are fully performing have been renegotiated in the last year.

4. FINANCIAL ASSETS (continued)

CPI rate

An independently constructed market consistent CPI curve was applied at valuation date, using inflation linked swap yields as at 29 February 2020 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.

5. SHARE CAPITAL

Authorised

6 000 000 000 ordinary no par value shares.

	2020 R'000	2019 R'000
Issued and fully paid		
55 151 000 no par value shares, net of share issue cost	545 852	545 852

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 29 February 2020

6. OTHER OPERATING EXPENSES

Total operating expenses consists of the following:

	Reviewed 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Accounting fees	229	377
Audit fees	139	224
Circulars and publications	516	512
Depreciation	671	96
Directors fees	1 412	1 579
Employee costs	4 572	4 560
Insurance	394	294
JSE annual fees	300	207
Lease expenses	–	822
Management fee	4 568	4 845
Market and financial data	185	165
Other expenses	443	410
Professional fees	574	2 924
Secretarial fees	486	393
Transaction cost*	8 639	–
Travel and accommodation	98	178
	23 226	**17 586**

** These includes a write-down of R8.6 million prepayment for transaction costs related to due diligence costs incurred in the exploration of infrastructure investment opportunities, which previously had been capitalised.*

7. EARNINGS PER SHARE

In the year under review, earnings per share increased by 28% to 71.64 cents per share compared to 56.09 cents per share in the corresponding period.

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.

7. EARNINGS PER SHARE (continued)

Basic earnings per share

	Reviewed 12 months ended 29 February 2020	Audited 12 months ended 28 February 2019
Basic earnings per share From continued operations (cents)	71.64	56.09

Basic earnings per share was based on earnings of R39 509 660 (2019: R30 935 474) and weighted average number of ordinary shares of 55 151 000 (2019: 55 151 000).

Reconciliation of profit for the period to basic earnings

	Reviewed 12 months ended 29 February 2020	Audited 12 months ended 28 February 2019
Profit for the period attributable to equity holders (R'000)	39 510	30 935

Headline earnings per share is calculated using Saica Circular 01/2019. The calculation of headline earnings per ordinary share is based on the weighted average of 55 151 000 (2019: 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.

There were no potential dilutive shares in issue, or headline adjustments required, therefore diluted earnings per share, headline earnings per share, and diluted headline earnings per share were in line with basic earnings per share.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 29 February 2020

8. RELATED PARTIES

Relationships	
Subsidiary	GAIA Financial Services (RF) (Pty) Ltd
Investments	GAIA RE1 (Pty) Ltd GAIA SPV (RF) Ltd

During the year GAIA Infrastructure Partners (Pty) Ltd was the appointed Management Company ("ManCo") of the Company. ManCo Ltd holds 1 000 shares in the Company.

A management fee calculated as 0.8% of the enterprise value was paid to ManCo in quarterly instalments. On 15 April 2020, GAIA agreed terms with ManCo to amend the termination fee payable and terminate the management services agreement, in consideration for payment by the Company of a reduced termination fee of R18 million. The transaction was effected on 10 June 2020. The management of the Company's investments is now internal.

	Reviewed 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Financial assets at fair value through profit or loss		
GAIA Financial Services (RF) (Pty) Ltd	551 374	515 135
Amounts included in trade receivable regarding related parties		
GAIA Financial Services (RF) (Pty) Ltd	–	1 611
GAIA Financial Services (RF) (Pty) Ltd	6 937	37 565
GAIA SPV (RF) Pty Ltd	403	226
GAIA RE 1 Proprietary Ltd	–	12
Management fees paid to related parties		
GAIA Infrastructure Partners (Pty) Ltd	4 568	4 845
Dividend income		
GAIA Financial Services (RF) (Pty) Ltd	25 000	32 600

9. GOING CONCERN

The provisional financial results 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.

10. SUBSEQUENT EVENTS

On 15 April 2020, the Company and ManCo (collectively "the Parties") agreed terms to amend the termination fee payable and terminate the management services agreement dated 27 October 2015 concluded between the Parties, in consideration for payment by the Company of a reduced termination fee of R18 million, ("the Transaction"). The Transaction was approved by the Company's shareholders on 10 June 2020.

Due to the outbreak and continuing spread of the novel coronavirus ("COVID-19"), the South African President announced a national lockdown for the Republic of South Africa, from midnight Thursday, 26 March 2020 to 30 April 2020, and subsequently relaxed the restrictions to Level 4, and from 1 June the restrictions were further relaxed to Level 3. Under these restrictions most South Africans are required to work remotely. One of GAIA's top priorities is to protect the health and safety of our stakeholders and would continue to closely monitor developments around COVID-19.

The Company is invested in renewable energy businesses, which have been declared an essential service by Government. Management has assessed the impact of COVID-19 on the sustainability of the business and has reasonable expectation that the Group will have adequate resources to continue in existence for the next 12 months from the date of approval of the condensed financial statements and therefore the condensed financial statements were prepared on a going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business in the foreseeable future. There is currently no expected material impact on the Company's investments under management and this assessment will be reviewed on an ongoing basis.

The Board is not aware of any other material event which occurred after the reporting date and up to the date of this report.

On behalf of the Board

P Lewis
Financial Director

29 July 2020
Johannesburg

GAIA
INFRASTRUCTURE CAPITAL

GENERAL **INFORMATION**

Country of incorporation and domicile
South Africa

Directors
GS Maseneke (Chief Executive Officer)
P Lewis (Financial Director)
KE Mbalo* (Chairman)
S Tuku*
T Bukula*
K Breytenbach*
** Independent Non-Executive*

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

Sponsor
Sasfin Capital
(a member of the Sasfin Group)

Bankers
FirstRand Bank Ltd

Auditors
Deloitte & Touche

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue, Rosebank
Johannesburg, 2196

Company secretary
Fusion Corporate Secretarial Services (Pty) Ltd
Unit 7, Block C
Southdowns Office Park
Karee Street, Irene
Pretoria, 0169

Company registration number
2015/115237/06

Tax reference number
9473/844/17/4