GAIA INFRASTRUCTURE CAPITAL

Interim Financial Statements

for the period ended 31 August 2016

www.gaia-ic.com

Your Investment Partner

GAIA Infrastructure Capital Limited (Registration number 2015/115237/06)

Highlights and key metrics

November 2015

Listed as a SPAC on the JSE on 12 November 2015

Capital raising of R551 million, issued 55 150 000 shares at R10 per share

18 October 2016

Shareholders to vote on acquisition of viable asset

Shareholders to vote on a special resolution giving GAIA general authority to repurchase any shares issued by the company

As at 31 August 2016

R482 million Market capitalisation	**R8.74** Share price	**R563 million** NAV
R12.6 million Comprehensive income for the period	**R18.6 million** Interest earned on capital raised	**R10.20** Tangible net asset value per share

Directors' Report

The directors submit their report on the interim financial statements of GAIA Infrastructure Capital Limited for the period ended 31 August 2016.

1. Review of financial results and activities

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies are in terms of IFRS and have been applied consistently to that which was disclosed in the annual report for the period ended 29 February 2016.

GAIA was incorporated on 16 April 2015 and is focused on acquiring equity stakes in emerging South African infrastructure investment assets, specifically in the energy, transport and water and sanitation sectors. GAIA aims to be a leading infrastructure investment holding company of infrastructure assets in South Africa and it's investment philosophy is to invest in infrastructure assets that are operational, offer low risk with inflationary linked returns, thereby providing shareholders with predictable, inflation linked, and long-term yielding investments.

On 12 November 2015, GAIA listed as a Special Purpose Acquisition Company ("SPAC") on the Main Board of the JSE Limited ("JSE") and issued 55 150 000 shares at R10 per share, thereby raising R551.5 million. The purpose of a SPAC is to facilitate the process of raising primary capital 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.

Full details of the financial position, results of operations and cash flows of the company are set out in these interim financial statements.

GAIA is, subject to conditions precedent, in the process of acquiring a viable asset, following which GAIA shall transform from a SPAC to an investment holding company on the JSE.

Following approval by the JSE, a circular containing full details of the transaction was published on 19 September 2016. The circular also contained a notice of a general meeting to be held on 18 October 2016, at which the shareholders will be required to vote on the transaction. An outline of the transaction is provided below:

In terms of the proposed transaction, GAIA will acquire an effective see-through economic interest of 25.2% in Dorper Wind Farm (RF) (Pty) Ltd ("Dorper Wind Farm") for a total consideration (including transaction costs) of R512 643 700. GAIA will also be granted an option to acquire interests in three additional renewable energy projects in which TriAlpha Specialised Investment Trust III currently holds minority interests. Dorper Wind Farm, situated outside of Molteno in the Eastern Cape, is a successful Round 1 project in South Africa's REIPPPP, which achieved commercial operation in 2014, is fully operational and is delivering electricity into the South African grid.

Dorper Wind Farm has a 20-year Power Purchase Agreement (PPA) at a set price that escalates annually with inflation and is de-risked through a Government backed guarantee. This investment opportunity provides GAIA and its Shareholders with an operational and appropriately de-risked secondary investment opportunity. The projected cash flows are uncorrelated to the market (due to the nature of the PPA) and provide GAIA and its Shareholders with consistent and stable inflation-linked cash distributions.

The investment has been valued by applying a discounted cash flow methodology and using appropriate assumptions, it is expected that the investment will generate:

- a return of CPI+6.8% gross of ongoing fees over the term of the electricity off-take agreement with Eskom; and
- the net yield after ongoing management fees of CPI+6% equals the benchmark gross return, thereby outperforming the stated target return.

Following the implementation of the Acquisition, GAIA's targeted annualised dividend distribution rate shall be CPI plus 2.5%, which distribution rate shall be calculated with reference to GAIA's net asset value. To date the Gaia shares have been trading at a discount. The directors have therefore resolved to propose at the general meeting to be held on 18 October 2016, a special resolution giving Gaia and its subsidiaries general authority to repurchase 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 the Companies Act, the MOI and the JSE Listings Requirements.

Interim Statement of Financial Position

	Note(s)	31 August 2016 Reviewed R	29 February 2016 Audited R
Assets			
Current assets			
Loans to related parties	4; 10	1 026	–
Financial assets	3	565 607 644	549 042 504
Current tax receivable		–	971 588
Cash and cash equivalents	5	787 496	2 347 179
		566 396 166	**552 361 271**
Equity and liabilities			
Equity			
Share capital	6	545 851 762	545 851 762
Retained income		16 726 993	4 058 528
		562 578 755	**549 910 290**
Liabilities			
Non-current liabilities			
Deferred tax		–	146 030
Current liabilities			
Trade and other payables		1 169 492	1 717 885
Loans from related parties	4; 10	58 648	587 066
Current tax payable		2 589 271	–
		3 817 411	**2 304 951**
Total liabilities		**3 817 411**	**2 450 981**
Total equity and liabilities		**566 396 166**	**552 361 271**
Shares in issue		55 151 000	55 151 000
Net asset value per share		10.20	9.97

Interim Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	31 August 2016 Reviewed R	16 April 2015 to 29 February 2016 Audited R
Operating expenses		(3 595 982)	(5 236 221)
Operating loss		**(3 595 982)**	**(5 236 221)**
Investment income	7	18 646 925	9 992 043
Finance costs		(4 473)	(45 768)
Fair value adjustment	8	2 402 562	825 077
Profit before taxation		**17 449 032**	**5 535 131**
Taxation		(4 780 567)	(1 476 603)
Profit for the period		**12 668 465**	**4 058 528**
Earnings per share information			
Basic earnings per share (cents)	9	22.97	21.54
Diluted earnings per share (cents)	9	22.97	21.54
Headlines earnings per share (cents)	9	22.97	21.54

The preparation of the interim financial statements for the 6 months ended 31 August 2016 was supervised by the financial director Tamee Soudien-Witten.

The interim financial statements have been reviewed by KPMG Inc., which issued an unmodified report which is available for inspection at the registered address of GAIA.

Interim Statement of Changes in Equity

	Share capital R	Retained income R	Total equity R
Balance at 16 April 2015	**–**	**–**	**–**
Profit for the period	–	4 058 528	4 058 528
Issue of shares	551 500 100	–	551 500 100
Transaction costs	(5 648 338)	–	(5 648 338)
Balance at 1 March 2016 – Audited	**545 851 762**	**4 058 528**	**549 910 290**
Profit for the period	–	12 668 465	12 668 465
Balance at 31 August 2016 – Reviewed	**545 851 762**	**16 726 993**	**562 578 755**

Interim Statement of Cash Flows

for the six months ended 31 August 2016

	Note(s)	31 August 2016 Reviewed R	16 April 2015 to 29 February 2016 Audited R
Cash flows from operating activities			
Cash used in operations		(4 144 374)	(3 476 350)
Investment income		18 646 925	9 992 043
Finance costs		(4 473)	(45 768)
Tax paid		(1 365 739)	(2 302 160)
Net cash from operating activities		**13 132 339**	**4 167 765**
Cash flows from investing activities			
Purchase of financial assets		–	(551 500 000)
Proceeds from disposal of financial assets		4 470 000	3 240 586
Investment income reinvested		(18 632 578)	–
Net cash from investing activities		**(14 162 578)**	**(548 259 414)**
Cash flows from financing activities			
Proceeds from share issue	6	–	551 500 100
Capitalised listing costs	6	–	(5 648 338)
Movement in related-party loans		(529 444)	587 066
Net cash from financing activities		**(529 444)**	**546 438 828**
Total cash movement for the period		**(1 559 683)**	**2 347 179**
Cash at the beginning of the period		2 347 179	–
Total cash at the end of the period	**5**	**787 496**	**2 347 179**

Accounting Policies

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The interim financial statements are prepared in accordance with International Financial Reporting Standard ("IAS") 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

The interim financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The financial statements have been prepared on the fair value basis, except for other assets. Liabilities and equity are stated at historic cost. The functional and presentation currency is the South African Rand.

The preparation of the interim financial statements for the 6 months ended 31 August 2016 was supervised by the financial director Tamee Soudien Witten.

The interim financial statements have been reviewed by KPMG Inc., which issued an unmodified report which is available for inspection at the registered address of GAIA Infrastructure Limited.

The directors take full responsibility for the preparation of the interim financial statements.

1.2 Consolidation

Basis of consolidation

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 of its investments on a fair value basis.

GAIA Infrastructure Capital Ltd meets the definition of an investment entity and therefore does not consolidate its investment in subsidiary GAIA Financial Services (Pty) Ltd.

1.3 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial liabilities measured at amortised cost

1. Summary of significant accounting policies *(continued)*

1.3 Financial instruments *(continued)*

Classification *(continued)*

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Regular way purchases of financial assets are accounted for at trade date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

GAIA Infrastructure Capital Ltd will derecognise a financial liability when its contractual obligations are discharged, cancelled or expire.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1. Summary of significant accounting policies *(continued)*

1.3 Financial instruments *(continued)*

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently recorded at amortised cost which approximates its fair value.

Notes to the Interim Financial Statements

2. Interest in subsidiary

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.

GAIA Infrastructure Capital Ltd meets the definition of an investment entity and therefore will not consolidate its investment in subsidiaries.

At 31 August 2016 GAIA Infrastructure Capital Ltd has a 100% equity holding in GAIA Financial Services (Pty) Ltd. At present GAIA Financial Services (Pty) Ltd has not yet begun trading and as such the carrying value at period end is nil.

	31 August 2016 Reviewed R	29 February 2016 Audited R
3. Financial assets		
At fair value through profit or loss		
Unit Trust Investment – Coronation Jibar Plus Fund	–	549 042 504
Unit Trust Investment – Coronation Money Market Fund	565 607 644	–
	565 607 644	**549 042 504**
Current assets		
At fair value through profit/(loss)	**565 607 644**	**549 042 504**
4. Loans to/(from) related parties		
GAIA Infrastructure Partners (Pty) Ltd	(58 648)	(587 066)
GAIA Financial Services (Pty) Ltd	1 026	–
	(57 622)	**(587 066)**
The loan from GAIA Infrastructure Partners (Pty) Ltd is unsecured, has no fixed terms of repayment and bears interest at prime plus 2.5%.		
The loan to GAIA Financial Services (Pty) Ltd is unsecured, interest free and has no fixed terms of repayment.		
Current assets	1 026	–
Current liabilities	(58 648)	(587 066)
	(57 622)	**(587 066)**
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances held by First National Bank	**787 496**	**2 347 179**

	31 August 2016 Reviewed R	29 February 2016 Audited R
6. Share capital		
Reconciliation of number of shares issued:		
Opening balance	55 151 000	–
Shares issued on incorporation on 16 April 2015	–	1 000
Shares issued on date of listing on 13 November 2015	–	55 150 000
	55 151 000	**55 151 000**
Issued		
55 151 000 no par value shares, net of capitalising cost	**545 851 762**	**545 851 762**
7. Investment income		
Interest income		
From investments in financial assets:		
First National Bank	14 347	–
Unit trusts – Coronation Jibar Plus Unit Trust Fund	–	9 992 043
Unit trusts – Coronation Money Market Fund	18 632 578	–
Total interest income	**18 646 925**	**9 992 043**
8. Fair value adjustment		
Increase in value of Coronation Jibar Unit Trust Fund	**2 402 562**	**825 077**

9. 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 after tax effect.

	31 August 2016 Reviewed R	29 February 2016 Audited R
Basic earnings per share (cents per share)	**22.97**	**21.54**

Basic earnings per share was based on earnings of R12 668 465 and weighted average number of ordinary shares of 55 151 000, calculated based on 1 000 shares issued on 16 April 2015 and 55 150 000 shares issued on 12 November 2015.

The current period's earnings per share should be viewed in the context of the following:

- GAIA Infrastructure Capital Ltd has not yet acquired a viable asset and therefore income earned is not indicative of the company's future performance capability.

9. Earnings per share *(continued)*

Diluted earnings per share

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.

	31 August 2016 Reviewed R	29 February 2016 Audited R
Diluted earnings per share (cents per share)	**22.97**	**21.54**

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. 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.

	31 August 2016 Reviewed R	29 February 2016 Audited R
Headline earnings per share (cents)	22.97	21.54
Diluted headline earnings per share (cents)	22.97	21.54

10. Related parties

Relationships

GAIA Infrastructure Partners (Pty) Ltd has been appointed as Manager of GAIA Infrastructure Capital Ltd and therefore has significant influence.

GAIA Infrastructure Partners (Pty) Ltd holds 1 000 shares in GAIA Infrastructure Capital Ltd.

An annual management fee is paid to GAIA Infrastructure Partners (Pty) Ltd in quarterly instalments. The annual management fee is calculated by multiplying the total subscription value by 0.5%.

	31 August 2016 Reviewed R	29 February 2016 Audited R
10. Related parties *(continued)*		
Related-party balances		
Loan accounts – owing (to)/by related parties		
GAIA Infrastructure Partners (Pty) Ltd	(58 648)	(587 066)
GAIA Financial Services (Pty) Ltd	1 026	–
The loan from GAIA Infrastructure Partners (Pty) Ltd is unsecured, has no fixed terms of repayment and bears interest at prime plus 2.5%.		
The loan to GAIA Financial Services (Pty) Ltd is unsecured, interest free and has no fixed terms of repayment.		
Related-party transactions		
Interest paid to (received from) related parties		
GAIA Infrastructure Partners (Pty) Ltd	4 469	45 767
Management fees		
GAIA Infrastructure Partners (Pty) Ltd	1 584 694	936 376

11. Contingencies

If GAIA Infrastructure Capital Ltd is unable to acquire a viable asset within 24 months, as prescribed in the JSE Listings Requirements' Section 4.37, shareholders would receive distribution pro rata to their holdings of accrued interest, less permitted expenses.

12. Events after the reporting period

GAIA is, subject to conditions precedent, in the process of acquiring a viable asset, following which GAIA shall transform from a SPAC to an investment holding company on the JSE.

Following approval by the JSE, a circular containing full details of the transaction was published on 19 September 2016. The circular also contained a notice of a general meeting to be held on 18 October 2016, at which the shareholders will be required to vote on the transaction.

13. Comparative figures

GAIA Infrastructure Capital Ltd was incorporated on 16 April 2015 and listed on the JSE on 12 November 2015. It had no trading activities prior to listing and no interim report was issued for the period ended 31 August 2015. Therefore, the results for the period 16 April 2015 to 29 February 2016 have been presented as comparative figures in the Statements of Profit and Loss and Other Comprehensive Income, Changes in Equity and Cash Flows.

14. Segmental Information

At 31 August 2016, GAIA Infrastructure Capital Ltd has no reportable segments as the company has not acquired viable assets.

General Information

Country of incorporation and domicile

South Africa

Directorate

The directors in office at the date of this report are as follows:

Directors		Appointment date	Resignation date
L De Wit (Chairman)	Executive Chairman	1 October 2015	
N Kimber	Independent Non-Executive Director	1 October 2015	
KP Lebina	Independent Non-Executive Director	1 October 2015	
RB Makhubela	Independent Non-Executive Director	1 October 2015	31 July 2016
C Ferreira	Non-Executive Director	1 October 2015	
PB Schabort	Non-Executive Director	1 October 2015	
KE Mbalo	Independent Non- Executive Director	1 October 2015	
TD Soudien-Witten	Finance Director	1 October 2015	
MM Nieuwoudt	Chief Investment Officer	19 April 2015	
JR Oliphant	Managing Director	1 October 2015	19 April 2016

The following changes have been made to the Board of Directors:

- Mr. Makhubela has resigned as independent non-executive director with effect from 31 July 2016
- Ms. Prudence Lebina ("Prudence") has been appointed as Chief Executive Officer, effective 1 October 2016.
- Mr. Eddie Mbalo ("Eddie") has been appointed as an Independent Non-Executive Chairman of the Company with effect from 19 October 2016. Eddie will replace Leon de Wit, who will continue to serve on the Board

The Board appointed a nomination committee, chaired by Mr. Eddie Mbalo, on 11 August 2016. The nomination committee has tasked by the Board to fill the resultant vacancies on the Board.

General Information *(continued)*

Registered office
37 Vineyard Road
Claremont
7708

Business address
37 Vineyard Road
Claremont
7708

Postal address
PO Box 44721
Claremont
7735

Bankers
FirstRand Bank Ltd

Auditors
KPMG Inc.
Chartered Accountants (S.A.)
Registered Auditors

Secretary
Exceed (Cape Town) Inc.

Company registration number
2015/115237/06

Tax reference number
9473/844/17/4

Level of assurance
These interim financial statements have been reviewed in accordance with the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

Preparer
The interim financial statements were independently compiled under the supervision of
Tamee Soudien-Witten CA(SA)

Issued
28 September 2016

Sponsor
PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)