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## Core Energy (RF) Proprietary Limited and Erika Energy (RF) Proprietary Limited Notes to the unaudited combined financial statements

For the three months ended March 31, 2015

### 1. Nature of operations

The Operating Entities (the "Operating Entities") comprise Core Energy (RF) Proprietary Limited ("Core") and Erika Energy (RF) Proprietary Limited ("Erika"). The Operating Entities are not a single stand-alone legal entity, but are a combination of entities that are under common control of SunEdison Green Power Renewable Energy Southern Africa Proprietary Limited ("SEGP Renewable Energy Southern Africa (Pty) Ltd").

#### **Basis of presentation**

The accompanying unaudited combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The following notes should be read in conjunction with the accounting policies and other disclosures as set forth in the notes to the Operating Entities' combined financial statements for the year ended December 31, 2014. Interim results are not necessarily indicative of results for a full year.

In the opinion of management, the accompanying unaudited combined financial statements contain all material adjustments consisting of normal and recurring accruals necessary to present fairly the Operating Entities' unaudited combined financial position as of March 31, 2015, and the results of operations, comprehensive income and cash flows for the three months ended March 31, 2015, and 2014. During the three months ended March 31, 2015 and 2014, there were no material transactions among the combined entities that required elimination. The Operating Entities' functional and presentation currency is the South African Rand ("ZAR").

### 2. Summary of significant accounting policies

#### **Use of estimates**

In preparing the unaudited combined financial statements, the Operating Entities used estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements. Such estimates also affect the reported amounts of revenues, expenses and cash flows during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

#### **Revenue**

##### *Power purchase agreements*

Substantially all of the Operating Entities' revenues are obtained through the sale of energy to Eskom pursuant to terms of the PPAs. Concentration risk does exist as the Operating Entities transact with only one customer, namely Eskom. This concentration risk cannot be mitigated due to the limitations of the energy market within South Africa. All PPAs are accounted for as operating leases, have no minimum lease payments and all of the rental income under these leases are contingent rental recorded as income when the electricity is delivered.

#### **Leases**

The land on which the solar energy systems are situated is leased under operating lease agreements with a lease term of 25 years. Rentals applicable to operating leases, where substantially all of the benefits and risks

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