
Table of Contents

the future cash flows expected to result from the use of the asset and its eventual disposition is performed. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. For the years ended 31 December 2014 and 2013 no impairment was recorded.

Delayed liquidated damages

Delayed liquidated damages represents amounts due from the Engineer, Procure and Construct ("EPC") contractor for revenues the Company would have earned under the PPA for the period that the EPC contractor did not meet the guaranteed substantial completion date. The Company records the delayed liquidated damages as a reduction in the purchase price of the wind and solar energy facility. Delayed liquidated damages of \$3.2M, \$1.0M and \$1.0m were recorded in 2014 for Klipheuwel-Dassiefontein Wind Energy Facility (RF) Proprietary Limited, Sevenstones 159 (RF) Proprietary Limited and Limarco 77 (RF) Proprietary Limited respectively. As of 31 December 2014, \$3.2M was owed to the Company and is included in prepaids and other current assets.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization was \$0.7M and \$4.2M as at 31 December 2014 and 2013 respectively and was determined as follows:

- (i) actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings;
- (ii) weighted average of the borrowing costs applicable to the Company on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when:

- (i) expenditures for the asset have occurred;
- (ii) borrowing costs have been incurred; and
- (iii) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization is suspended during extended periods in which active development is interrupted. Capitalization ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowings

Borrowings are classified as financial liabilities and are initially measured at fair value, and are subsequently measured at amortized cost.

Tax**Sales tax**

The Company collects Value Added Tax from its customer and remits these amounts to the South African Revenue authority. Revenue is recorded net of Value Added Tax.

F-242