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The Company is a privately held company formed under South African statutes and taxed in terms of South African Tax Laws.

Deferred income taxes are recognized using the liability method. Under the liability method, deferred income taxes are recognized for the income consequences of temporary differences by applying enacted tax rates applicable to future years to difference between the financial statement carrying amount and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax laws or rates is recognized in income in the period that includes the enactment date.

Where there is uncertainty in income taxes a benefit is recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Based on the Company's analysis of the "more likely than not" tax positions there has been no liability recorded for uncertain tax positions at 31 December 2014 and 2013.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest and expenses, respectively. The Company has no amounts accrued for interest or penalties as of 31 December 2014 and 2013. The Company is currently not under audit by the South African Revenue Service for any open tax years.

Operating leases—lessee

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recorded in general and administrative costs in the Statement of Income and Comprehensive Loss, incurred \$0.3M and NIL in 2014 and 2013 respectively.

Contingencies

Conditions, situations or circumstances in the ordinary course of business may arise with possible gain or loss contingencies that will ultimately be resolved when one or more future events occur or fail to occur. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, that amount will be accrued. When no amount within the range is a better estimate than any other amount, however, the minimum amount in the range will be accrued. We continually evaluate uncertainties associated with loss contingencies and record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met:

- (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements; and
- (ii) the loss or range of loss can be reasonably estimated. Legal costs are expensed when incurred. Gain contingencies are not recorded until realized or realizable.

Asset retirement obligation

We operate under lease agreements that include a requirement for the removal of the wind energy systems at the end of the term of the agreement. The fair value of the future retirement cost of the Company's assets is recorded as a liability on a discounted basis when incurred. The initial recorded obligation is discounted using the Company's credit-adjusted risk free-rate and is reviewed periodically for changes in the estimated future costs underlying the obligation. Over time, the liability is accreted to its expected future value. The corresponding asset capitalized at inception is depreciated over the useful life of the facility to which the asset relates.