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Table of Contents**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 of ownership remain with the lessor are charged to the statement of operations and comprehensive income on a straight-line basis over the period of the lease.

**Income taxes**

Income tax balances are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those basis differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in operations in the period that includes the enactment date.

Deferred income taxes arise primarily because of differences in the bases of assets or liabilities between financial statement accounting and tax accounting which are known as basis differences. Management records the tax effect of these basis differences as deferred tax assets (generally items that can be used as a tax deduction or credit in future periods) and deferred tax liabilities (generally items that will be taxable in future periods but have not yet been recorded in the combined statement of operations and comprehensive income).

Management regularly reviews the deferred tax assets, including unused tax benefits, for realizability, taking into consideration all available evidence, both positive and negative, including historical pre-tax and taxable income, projected future pre-tax and taxable income, and the expected timing of the reversals of existing basis differences. In arriving at these judgments, the weight given to the potential effect of all positive and negative evidence is commensurate with the extent to which it can be objectively verified. Valuation allowances are established when management determines that it is more likely than not that some portion, or all of the deferred tax asset, will not be realized.

Management has made the best estimates of certain income tax amounts included in the combined financial statements. Application of the accounting policies and estimates, however, involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In determining these estimates, management considers various factors, which include how accurate the estimate or assumptions have been in the past, how much the estimate or assumptions have changed, and how likely such change may have a material impact.

Interest and penalties are accounted for as income tax.

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