



Condensed Interim Financial Results

for the six months ended 31 August 2020
and cash dividend declaration



Mahube Infrastructure Limited (Formerly GAIA Infrastructure Capital Limited)
(Incorporated in the Republic of South Africa) (Registration number: 2015/115237/06)
ISIN: ZAE000290763 JSE code: MHB
["Mahube" or the "Company"]



SALIENT FEATURES

Tangible net asset value per share **R11.12**

Interim gross cash dividend declaration
of **18.00 cents per share**

Gross assets under management
at **R763.0 million**

Total revenue up **132%** to **R56.5 million**,
in comparison to R24.3 million for the
comparative period last year, due to a
significant increase in the fair value of
the assets under management

Basic earnings and headline earnings per
share up **194%** to **53.17 cents per share**,
in comparison to 18.06 cents per share for
the comparative period last year

NAME CHANGE

As previously reported the Company concluded an agreement with GAIA Infrastructure Partners (Pty) Ltd ("ManCo") during April 2020 to terminate a contract in terms of which ManCo had been rendering certain management services to the Company. One of the conditions of the termination agreement was that the Company and its subsidiaries needed to change their registered names so as to remove all references to GAIA.

With reference to the SENS announcement released on 21 October 2020 relating to the finalisation of the name change, we are pleased that the Company started trading under the new name Mahube Infrastructure Limited on 4 November 2020. The subsidiary companies' names were also changed subsequently.

One of the Investee companies also changed their name from GAIA RE 1 (Pty) Ltd to Renewable Energy G (Pty) Ltd.

All the effective name changes are indicated below:

New name	Previous name	Abbreviation used in report
Mahube Infrastructure Limited	GAIA Infrastructure Capital Limited	Mahube
Mahube Capital Fund 1 (RF) (Pty) Ltd	GAIA Financial Services (RF) (Pty) Ltd	Mahube Capital Fund
Mahube Infrastructure Investment 1 (RF) (Pty) Ltd	GAIA SPV (RF) (Pty) Ltd	Mahube Infrastructure Investment
Renewable Energy G (Pty) Ltd	GAIA RE 1 (Pty) Ltd	Renewable Energy G




These name changes will not only ensure that the Company fulfils its contractual obligations to ManCo but will also align with the Company's strategy.

ABOUT MAHUBE

Mahube is an infrastructure company that offers investors exposure to infrastructure assets in Southern Africa. The vision of Mahube is to stimulate fast, inexpensive and sustainable delivery and upkeep of infrastructure on a significant scale. Mahube aims to provide investment returns that are characterised by predictable and regular cash flows generated from infrastructure assets, long-term investment into ownership and operation of assets, and blue-sky upside from providing disruptive solutions to infrastructure-related market inefficiencies.

Currently Mahube has invested in and holds equity interests in two wind farms and three solar photovoltaic farms with a collective power generation capacity of approximately 400 MW. All five renewable energy assets were licensed during Round 1 of the Renewable Energy Independent Power Procurement Programme in South Africa, each to generate electricity that they sell to Eskom under a 20-year power purchase agreement.

Gross assets under management:

Investment	Instrument	Fair value (R million)	REIPPPP asset	Indirect economic interest	REIPPPP resource
Renewable Energy G	Ordinary shares	R528.0	Dorper Jasper Lesedi Letsatsi	9.9% 4.0% 5.3% 5.3%	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #0070C0; margin-right: 5px;"></div> Wind  </div> <div style="display: flex; align-items: center; margin-top: 5px;"> <div style="width: 15px; height: 15px; background-color: #003366; margin-right: 5px;"></div> Solar  </div>
Mahube Infrastructure Investment	Preference shares	R152.1	Noblesfontein	13%	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #0070C0; margin-right: 5px;"></div> Wind  </div>
SARGE		R77.6		7%	
Noblesfontein Educational Trust	Loan	R5.3		-	
		R763.0			

FINANCIAL COMMENTARY

The sources of Mahube's revenue are the net income generated predominantly from electricity sales by each investee company that are independent power producers established as part of the South African Renewable Energy Independent Power Producer Procurement Program ("REIPPPP") with 20-year power purchase agreements ("PPA") with Eskom Holdings SOC Limited ("Eskom"). This net income flows to Mahube as revenue in the form of dividend income and interest income. The revenue that Mahube reports also includes an element of changes in the fair value of the underlying investments in the assets owned by Mahube.

The Company's revenue for the period ended 31 August 2020 increased by 132% to R56.5 million compared to R24.3 million in the corresponding period. This increase was driven by an increase in dividend income from the subsidiary company, Mahube Capital Fund as well as a result of the favourable change in the fair value of the financial assets and liabilities.

Operating expenses for the period decreased to R9.1 million compared to R14.2 million in the corresponding period. This is mainly due to an amount of R5.8 million in prepayment of transaction cost (marketable investment reports) that was written off in the corresponding period. Cost control will remain a focus area going forward.

A once-off expense of R18.0 million was incurred and paid in the period for the termination of the management services agreement with ManCo which also impacted the cash balance as at the period end.

As at 31 August 2020, Mahube's tangible NAV was R11.12 per share and earnings per share of 53.17 cents per share.

DIVIDEND DISTRIBUTION

As at 29 February 2020, Mahube's tangible NAV was R10.74 per share, following which a final dividend of 15.00 cents per share was declared and paid on 24 August 2020. For the current reporting period, Mahube's earnings per share was 53.17 cents, thereby increasing tangible NAV to R11.12 per share.

The Board has pleasure in announcing that an interim gross dividend per ordinary share of 18.00000 cents, has been declared for the six months ended 31 August 2020. Dividends are subject to Dividends Withholding Tax. The payment date for the dividend is 28 December 2020.

- ▶ Dividends have been declared from income reserves.
- ▶ Local Dividends Withholding Tax rate is 20%.
- ▶ The gross dividend amount is 18.00000 cents per ordinary share.
- ▶ The net cash dividend amount is therefore 14.400000 cents per ordinary share.
- ▶ The Company has 55 151 000 ordinary shares in issue as at the declaration date.
- ▶ The Company's income tax reference number is 9473/844/17/4.

Salient dates for the dividend will be as follows:

Last day to trade cum the ordinary share dividend	Monday, 21 December 2020
Ordinary shares commence trading ex-dividend	Tuesday, 22 December 2020
Ordinary share dividend record date	Thursday, 24 December 2020
Payment date of ordinary share dividend	Monday 28 December 2020

Share certificates may not be dematerialised or rematerialised between Tuesday 22 December 2020 and Thursday, 24 December 2020, both days inclusive.

CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 August 2020

	Notes	Unaudited six months ended 31 August 2020 R'000	Reviewed six months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
ASSETS				
Non-current assets				
Property, plant and equipment		265	331	277
Lease: Right-of-use assets		1 269	1 833	1 551
Financial assets	4	583 713	519 000	556 790
Deferred tax		89	29	89
		585 336	521 193	558 707
Current assets				
Trade and other receivables		25 089	49 311	7 340
Tax receivable		41	–	59
Cash and cash equivalents		5 085	9 573	29 196
		30 215	58 884	36 595
Total assets		615 551	580 077	595 302
EQUITY AND LIABILITIES				
Equity				
Share capital	5	545 852	545 852	545 852
Retained income		67 409	30 598	46 361
		613 261	576 450	592 213
Liabilities				
Non-current liabilities				
Lease liabilities		952	1 922	1 194
		952	1 922	1 194
Current liabilities				
Trade and other payables		826	1 193	1 383
Lease liabilities		512	512	512
		1 338	1 705	1 895
Total liabilities		2 290	3 627	3 089
Total equity and liabilities		615 551	580 077	595 302

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended 31 August 2020

		Unaudited six months ended 31 August 2020 R'000	Reviewed six months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
	Notes			
Interest income		704	239	1 854
Dividend income		28 784	25 000	25 073
Net fair value gain/(loss)		27 043	(901)	36 239
Total revenue		56 531	24 338	63 166
ManCo termination fee	6	(18 000)	-	-
Operating expenses		(9 090)	(14 216)	(23 226)
Finance costs		(102)	(130)	(247)
Taxation		(17)	(34)	(183)
Net profit for the period		29 322	9 958	39 510
Basic earnings per share (cents)	7	53.17	18.06	71.64

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six month period ended 31 August 2020

	Share capital R'000	Retained income R'000	Total equity R'000
Balance at 28 February 2019 – audited	545 852	28 802	574 654
Profit for the year	–	9 958	9 958
Dividends paid	–	(8 162)	(8 162)
Balance at 31 August 2019 – reviewed	545 852	30 598	576 450
Profit for the year	–	29 552	29 552
Dividends paid	–	(13 790)	(13 790)
Balance at 29 February 2020 – audited	545 852	46 360	592 212
Profit for the year	–	29 322	29 322
Dividends paid	–	(8 273)	(8 273)
Balance at 31 August 2020 – unaudited	545 852	67 409	613 261

CONDENSED STATEMENT OF CASH FLOWS

for the six month period ended 31 August 2020

	Unaudited six months ended 31 August 2020 R'000	Reviewed six months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Cash flows (used in)/from operating activities			
Cash (used in)/generated from operations	(15 573)	9 760	43 625
Finance costs	(102)	(130)	(247)
Tax paid	–	(31)	(243)
Dividends paid	(8 273)	(8 162)	(21 950)
Net cash (used in)/from operating activities	(23 948)	1 438	21 185
Cash flows from investing activities			
Purchase of property, plant and equipment	(45)	(25)	(25)
Proceeds from sales of property, plant and equipment	5	–	–
Receipts from loan to Noblesfontein Educational Trust	119	–	284
Net cash generated/(used) in investing activities	79	(25)	259
Cash flows from financing activities			
Payments on lease liabilities	(242)	–	(408)
Net cash used in financing activities	(242)	–	(408)
Total cash movement for the period	(24 111)	1 413	21 036
Cash at the beginning of the period	29 196	8 160	8 160
Total cash at the end of the period	5 085	9 573	29 196

NOTES TO THE CONDENSED FINANCIAL RESULTS

for the six month period ended 31 August 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial results have been prepared in accordance with and contain the information required by IAS 34: *Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited Listings Requirements, and the requirements of the South African Companies Act, 71 of 2008.

The interim financial results have been prepared on the historic cost basis except that financial assets and liabilities at fair value through profit and loss are stated at their fair value. The results are presented in Rand, which is the Company's functional and presentation currency.

Accounting policies

The accounting policies and methods of computation applied in preparing these condensed interim financial statements are in terms of IFRS and are consistent with those applied in the 2020 financial statements.

1.1 Significant judgements and sources of estimation uncertainty

The preparation of condensed financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management has made critical judgements in applying accounting policies for the following:

- ▶ Fair value measurement;
- ▶ Segment reporting by applying a single reporting segment approach; and
- ▶ Investment entity exemption.

Key sources of estimation uncertainty

1.1.1 Fair value measurement

The Company makes assumptions regarding the determination of the fair value of the financial instruments. This is the major source of estimation uncertainty at the end of the reporting period. Information regarding the significant unobservable inputs into the valuation is disclosed in note 4.

The basis of valuation of the Company's investments is fair value through profit or loss ("FVTPL"). Fair value is determined at the end of each reporting period, in accordance with the valuation policy outlined below.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six month period ended 31 August 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

1.1 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

1.1.1 Fair value measurement (continued)

Basis of valuation and approach

The fair value approach of the investments under management is determined as at the measurement date in accordance with the principles of IFRS 13: *Fair Value Measurement*. Fair value is defined as the price that would be received for an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that a hypothetical transaction to sell an asset takes place in the principal market or in the absence, the most advantageous market for the asset.

The primary valuation methodology for the underlying investments under management held through Mahube Capital Fund is the discounted cash flow ("DCF"). Management uses judgement to select the most appropriate valuation method. The DCF method is used to derive the fair value, being the discounting of the expected dividend income from the investments, of an asset using reasonable assumptions on the estimations of expected future post-tax cash flows (dividend income) over the term of the power purchase agreements, i.e. free cash flows to the Company. These cash flows are discounted to the present value by applying the appropriate discount rate that captures the risk inherent to the investment. The Company uses sum of the parts valuation method to measure the fair value of Mahube Capital Fund.

1.1.2 Segment reporting

Mahube is an investment entity holding most of its investments in operational infrastructure assets on which its revenue is earned. All the investee entities are independent power producers established as part of the South African Renewable Energy Independent Power Producer Procurement Programme ("REIPPPP") with 20-year power purchase agreements ("PPA") with Eskom Holdings SOC Limited ("Eskom") The PPAs are guaranteed by the South African National Treasury and the expected return is the same for the investment portfolio. Based on this, any operating segment that would be identifiable based on how Mahube is structured and the nature of its assets were aggregated into a single operating segment because the economic characteristics of these investments are similar, and all have the same geographical location. IFRS 8.12 permits aggregation of segments on this basis. The chief operating decision maker makes decision and assesses Mahube's performance based on the investment portfolio entirely. On this basis Mahube considers itself as a single operating segment, and therefore no entity specific disclosure related to segment reporting was provided.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

1.1 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

1.1.3 Investment entity exemption

Management applied our judgement in terms of IFRS 10 and came to the conclusion that the Company does meet the IFRS 10 requirements of an investment entity. Management has reached this conclusion on the basis that Mahube Capital Fund:

- ▶ has the purpose of providing investment management services to its investors being Mahube and RMB Investment and Advisory (Pty) Ltd;
- ▶ has committed to invest funds solely for the purpose of generating returns from capital appreciation, investment income, or both; and
- ▶ it evaluates performance of its investments primarily on a fair value basis.

Mahube is an investment entity listed on the JSE that:

- ▶ commits to its investors that its business purpose is to invest in operational infrastructure assets in Southern Africa for returns from investment income;
- ▶ obtains funds from various equity investors to provide them with investment management services; and
- ▶ measures and evaluates the performance of substantially all its investments on a fair value basis.

Mahube meets the definition of an investment entity as per IFRS 10 based on the following:

- ▶ The Company has obtained funds from various investors for the purpose of providing them with an operational and appropriately derisked secondary investment opportunity for investment income.
- ▶ The Company's business purpose, which was communicated directly to investors, is investing in infrastructure assets that are operational or near operation, offer low risk with inflationary linked investment returns.
- ▶ The performance of the subsidiary's investments are measured and evaluated on a fair value basis.

Mahube Capital Fund also meets the definition of an investment entity as:

- ▶ Mahube Capital Fund has obtained funds for the purpose of providing investors (Mahube as ordinary shareholder and RMB Investment and Advisory (Pty) Ltd as preference shareholder) with an operational and appropriately derisked secondary investment opportunity.
- ▶ Mahube Capital Funds' business purpose, which was communicated directly to investors, is investing in infrastructure assets that are operational or near operation, offer low risk with inflationary linked investment returns.
- ▶ The performance of Mahube Capital Funds' investments are measured and evaluated on a fair value basis.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six month period ended 31 August 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

1.1 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

1.1.3 Investment entity exemption (continued)

The investments are not held indefinitely as the intention is to hold the investments until the end of the power purchase or concession agreements of the underlying project companies. If not exited earlier Mahube will hold the investments until the end of the power purchase or concession agreements, post which the equity interests will be liquidated or sold in the secondary market.

The exit strategy with respect to the equity interest in Mahube Capital Fund is to liquidate the entity when all its underlying investments have ceased to generate cash inflows which are linked to the period when the last underlying Power Purchase Agreement is due to expire, currently being 2035; or unbundle the underlying interests to shareholders through a distribution in specie. Management's intention is to set up any future infrastructure projects in a new structure and not to utilise the existing Mahube Capital Fund.

In light of the above, in terms of IFRS 10.31 Mahube Capital Fund is in compliance with IFRS 10 in terms of meeting the requirement for an investment entity exemption and therefore measure its investments at fair value.

An investment entity which acquires an interest in a subsidiary shall be exempt from consolidation or equity accounting in terms of amendments to IFRS 10 and IAS 28 and shall measure an investment in a subsidiary at fair value through profit or loss.

2. PREPARATION

The interim condensed financial results have been prepared internally under the supervision of the Financial Director, P Lewis CA(SA), and approved by the Board.

The Directors take full responsibility for the preparation of the interim financial results.

The interim condensed financial results were not audited by the Company's external auditors.

3. NEW STANDARDS AND INTERPRETATION

No new standards or interpretations were issued that will have a significant impact on the Company.

4. FINANCIAL ASSETS

	Unaudited six months ended 31 August 2020 R'000	Reviewed six months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Mahube Capital Fund	578 417	514 235	551 374
The Company owns 100% equity interest in Mahube Capital Fund			
Financial assets at amortised cost			
Noblesfontein Educational Trust	5 296	4 765	5 415
The loan shall accrue interest at a rate equal to the aggregate of CPI plus 7% net of taxes applied as a nominal annual compounded monthly in arrears rate, and calculated on the loan outstanding principal for that interest period. The loan is secured by a cession of any shares held by Noblesfontein Educational Trust in Noblesfontein Wind Farm.			
The Company extended the loan to the Noblesfontein Educational Trust, having taken it over from the previous shareholder at an interest rate, and with repayment terms more beneficial than market rates and terms, in order to benefit the beneficiaries of the trust, being members of the local Noblesfontein community.			
Total financial assets	583 713	519 000	556 790

The Company has adopted an accounting policy of measuring its investments at fair value through profit or loss with fair value movements on its assets under management recognised in the statement of profit or loss. All investments in Mahube Capital Fund are measured at fair value on a standalone basis and the Company uses sum of the parts valuation method to measure fair value at its investment in Mahube Capital Fund.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six month period ended 31 August 2020

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments held through Mahube Capital Fund

Mahube Capital Funds' interest in Renewable Energy G

Mahube Capital Fund holds a 33% equity interest in Renewable Energy G

The Company funded the acquisition of its indirect economic interest in Dorper Wind Farm and Intikon Solar Assets (Jasper, Lesedi and Letsatsi Solar PV Farms), through a R501 million loan to Mahube Capital Fund. This loan is interest free, unsecured and is not repayable for at least 15 years after the effective date of 28 September 2016.

Renewable Energy G holds 30% of the issued share capital in Dorper Wind Farm and 100% in Intikon Solar (Pty) Ltd ("Intikon Solar") which holds indirect economic interests in the Intikon Solar Assets, being Jasper Solar PV Farm (4.0%), Lesedi Solar PV Farm (5.3%) and Letsatsi Solar PV Farm (5.3%).

Mahube Capital Funds' interest in Noblesfontein Wind Farm

On 19 September 2017, Mahube Capital Fund acquired C Preference Shares in Mahube Infrastructure Investment for an aggregate subscription price of R130 million and, as a result, acquired an effective economic interest of 13.001% in the combined distributions linked to the ordinary shares and shareholder loan claims against Noblesfontein Wind Farm.

In addition, Mahube Capital Fund entered into funding agreements with SARGE whereby Mahube Capital Fund subscribe for A Preference Shares and B Preference Shares in SARGE for an aggregate subscription price of R57 493 127. As a result of the SARGE Transaction, Mahube Capital Fund acquired a further effective economic interest of 7.03% of the distributions linked to the ordinary shares in the Noblesfontein Wind Farm.

Mahube Capital Fund owns 100% of the issued ordinary shares in Mahube Infrastructure Investment for a nominal value of R100.

Mahube Capital Fund obtained funding to facilitate, inter alia, its subscription for the Mahube Infrastructure Investment C Preference Shares; and subscription for the SARGE Preference Shares by way of the issue, by it, of A Preference Shares and B Preference Shares to RMBIA for an aggregate subscription price of approximately R188 million in terms of the Mahube Capital Fund Preference Share Subscription Agreement.

Valuation of underlying renewable investments

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments held through Mahube Capital Fund (continued)

Level 3 applies inputs which are not based on observable market data. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company uses a valuation model that was developed by an experienced independent third party during the bidding process for the rights of the project. This model has been developed from recognised valuation models and the developers' experience regarding the valuation of renewable energy projects. Some of the significant inputs into the discounted cash flow model may not be observable in the market and are derived from market prices or rates or are based on assumptions. This valuation model therefore requires a higher degree of management judgement and estimation in determination of fair value.

In the valuation for the investments, management's judgement and estimation is required for:

- ▶ Selection of the appropriate valuation model to be used, in this case the discounted cash flow model;
- ▶ Assessment and determination of the expected cash flows (dividend income in the form of equity dividend and preference dividend) from the underlying investments under management; and
- ▶ Selection of the appropriate discount rates.

The fair value estimate obtained from the discounted cash flow models will only be adjusted for factors such as liquidity risk and model uncertainty to the extent that the Company believes that a third party market participant would take them into account in pricing a transaction. No such adjustments were deemed necessary in the valuation of the investments in underlying renewable assets.

The value of the investment in the ordinary shares of Renewable Energy G (Dorper Wind Farm and Intikon Solar) was determined using the discounted cash flow valuation models. Assumptions and inputs used in valuation techniques include CPI and investor premium used in estimating discount rates.

The value of the indirect investment in the preference shares in SARGE and Mahube Infrastructure Investment was also calculated using the discounted cash flow valuation model. The assumptions and inputs used included CPI rate, prime rate and JIBAR. JIBAR and prime rate are linked, so only prime rate is considered for sensitivity purposes.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the prices that would be received to sell the investments in underlying renewable assets in an orderly transaction between market participants at the measurement date.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six month period ended 31 August 2020

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments held through Mahube Capital Fund (continued)

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring. Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

As at 31 August 2020, the fair value measurement of shares held by the Company in Mahube Capital Fund is categorised into Level 3. The fair value of underlying investments under management in Mahube Capital Fund is determined using sum of the parts valuation at reporting date and are also categorised into Level 3.

The valuations for the investments under management were performed using the same valuation methodology because all investments are held in infrastructure assets with the same risk profile, same expected return profile, the period of the investments is the same and the investee entities all have PPA agreements with Eskom. Therefore, the assumptions used in determining the fair values are the same and are presented in the table below:

Assumptions

Discount rate	12.088%	REI PPPP projects are valued on a real basis, as such the real rate of 6.75% (2019: 6.75%) was used plus 5.0% CPI (2019: 5.7%).
Cash flow	Expected dividends	Investee entities make distributions from profits which are made up of revenue from net operating expenses. Revenue from power generation is charged at a fixed tariff per the PPA and is subject to an annual escalation with CPI.
Discount period	Remaining term of the 20-year PPA	Investment period of the PPA.

4. FINANCIAL ASSETS (continued)

Reconciliation of financial assets at fair value through profit or loss measured at Level 3

	Opening balance R'000	Gains in profit or loss R'000	Total R'000
Mahube Capital Fund	551 374	27 043	578 417

The change in gains or losses (net gain) for the period is included in profit or loss for financial assets held at the reporting date. These gains and losses are recognised in profit or loss as a net gain from financial instruments at fair value through profit or loss.

Sensitivity of fair value measurement to changes in unobservable inputs

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably reflect possible alternative assumptions would have the following effects on net assets:

Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity to changes in significant unobservable inputs	1% decrease in unobservable input	1% increase in unobservable input
Dorper Wind Farm					
Discounted cash flow	Discount rate	12.088%	The estimated fair value would increase if the discount rate decreased	14 842 451	(13 512 003)
Intikon Solar					
Discounted cash flow	Discount rate	12.088%	The estimated fair value would increase if the discount rate decreased	19 352 309	(17 643 632)

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six month period ended 31 August 2020

4. FINANCIAL ASSETS (continued)

Sensitivity of fair value measurement to changes in unobservable inputs (continued)

Valuation technique	Significant unobservable inputs	Estimates for unobservable inputs	Sensitivity to changes in significant unobservable inputs	1% decrease in unobservable input	1% increase in unobservable input
C – Preference shares					
Discounted cash flow	CPI rate	Market consistent CPI curve	The estimated fair value would decrease if the CPI rate decreased	(3 660 746)	2 871 768
Discounted cash flow	Discount rate	12.088%	The estimated fair value would increase if the discount rate decreased	10 735 943	(9 662 287)
SARGE A and B – Preference shares					
Discounted cash flow	CPI rate	Market consistent CPI curve	The estimated fair value would decrease if the CPI rate decreased	(2 565 428)	2 779 676
Discounted cash flow	Discount rate	12.088%	The estimated fair value would increase if the discount rate decreased	5 110 698	(4 660 632)

Significant observable/unobservable inputs are developed as follows:

Discount rate

Represents the rate used to discount projected levered or unlevered forecast cash flows for an asset to determine their present values. Their discounted present value cash flows are determined as their fair value at reporting date. Renewable Energy G uses a discount rate that appropriately captures both Dorper and Intikon Solar stage of life, using South African data, substantiated by international findings. None of the financial assets that are fully performing have been renegotiated in the last year.

4. FINANCIAL ASSETS (continued)

Significant observable/unobservable inputs are developed as follows: (continued)

CPI rate

An independently constructed market consistent CPI curve was applied at valuation date, using inflation linked swap yields as at 31 August 2020.

Prime rate

A prime rate interest curve as at valuation date using the following co-integration approach:

The historical prime ZAR prime index and the three-month Johannesburg Interbank Agreed Rate ("JIBAR3m") index.

Ordinary Least Squares ("OLS"), more commonly known as linear regression analysis, performed on monthly historical data.

The alpha and beta coefficients of the regression equation were used as a representative of the expected relationship between the ZAR prime rate and the JIBAR3m rate in order to construct the remainder of the prime rate. The approach is in line with market accepted approaches.

Cost of equity discount rate

Discount curve using a raw interpolation bootstrapping algorithm and the quoted yields at valuation date to South African government fixed rate bonds and treasury bills.

5. SHARE CAPITAL

Authorised

6 000 000 000 ordinary no par value shares.

	Unaudited six months ended 31 August 2020 R'000	Reviewed six months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Issued and fully paid			
55 151 000 no par value shares, net of share issue cost	545 852	545 852	545 852

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six month period ended 31 August 2020

6. MANCO TERMINATION FEE

Effective 15 April 2020, Mahube agreed terms with GAIA Infrastructure Partners (Pty) Ltd to amend the termination fee payable and terminate the management services agreement, in consideration for payment by the Company of a reduced termination fee of R18.0 million ("The Internalisation Transaction"). The Internalisation Transaction was approved by the requisite majority of shareholders on 10 June 2020 and the amount was paid over subsequently.

7. EARNINGS PER SHARE

In the period under review, earnings per share increased by 194% to 53.17 cents per share compared to 18.06 cents per share in the corresponding period.

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 tax effect.

	Unaudited six months ended 31 August 2020	Reviewed six months ended 31 August 2019	Audited 12 months ended 29 February 2020
Basic earnings per share From continued operations (cents)	53.17	18.06	71.64

Basic earnings per share was based on earnings of R29 321 712 (2019: R9 958 467) and weighted average number of ordinary shares of 55 151 000 (2019: 55 151 000).

Reconciliation of profit for the period to basic earnings

	Unaudited six months ended 31 August 2020	Reviewed six months ended 31 August 2019	Audited 12 months ended 29 February 2020
Profit for the period attributable to equity holders (R'000)	29 322	9 958	39 510

Headline earnings per share is calculated using SAICA Circular 01/2019. The calculation of headline earnings per ordinary share is based on the weighted average of 55 151 000 (2019: 55 151 000) ordinary shares in issue during the year, and headline earnings calculated as follows:

7. EARNINGS PER SHARE (continued)

Reconciliation of profit for the period to basic earnings (continued)

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.

There were no potential dilutive shares in issue, or headline adjustments required, therefore diluted earnings per share, headline earnings per share, and diluted headline earnings per share were in line with basic earnings per share.

8. RELATED PARTIES

Relationships	
Subsidiary	Mahube Capital Fund
Investments	Renewable Energy G Mahube Infrastructure Investment

	Unaudited six months ended 31 August 2020 R'000	Reviewed six months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Financial assets at fair value through profit or loss			
Mahube Capital Fund	578 417	514 235	551 374
Amounts included in trade receivable regarding related parties			
Mahube Capital Fund	25 024	239	6 937
Mahube Infrastructure Investment	(35)	–	403
Dividend income			
Mahube Capital Fund	25 024	25 000	25 000

NOTES TO THE CONDENSED FINANCIAL RESULTS *(continued)*

for the six month period ended 31 August 2020

9. GOING CONCERN

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

10. SUBSEQUENT EVENTS

The Board is not aware of any material event which occurred after the reporting date and up to the date of this report.

On behalf of the Board

P Lewis

Financial Director

30 November 2020

Johannesburg



GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Directors

GS Moseneke (Chief Executive Officer)

P Lewis (Financial Director)

KE Mbalo* (Chairman)

S Tuku*

T Bukula*

K Breytenbach*

* *Independent Non-Executive*

Registered office

3rd Floor, Penthouse 5

4 The High Street

Melrose Arch, 2196

Sponsor

Sasfin Capital

(a member of the Sasfin Group)

Bankers

FirstRand Bank Ltd

Auditors

Deloitte & Touche

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers

15 Biermann Avenue, Rosebank

Johannesburg, 2196

Company secretary

Fusion Corporate Secretarial Services (Pty) Ltd

Unit 7, Block C

Southdowns Office Park

Karee Street, Irene

Pretoria, 0169

Company registration number

2015/115237/06

Tax reference number

9473/844/17/4