



Building Community Wealth

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")

2021

REVIEWED PROVISIONAL CONDENSED FINANCIAL STATEMENTS

for the year ended 28 February 2021
and cash dividend declaration

Salient features

Dividends received up 119% to R54.9 million from R25.1 million in the comparative period last year

Total revenue down 29.3% to R44.7 million in comparison to R63.2 million for the comparative period last year, due to an unfavourable adjustment to financial assets measured at fair value

Basic earnings and headline earnings per share down 69.7% to 21.71 cents per share in comparison to 71.64 cents for the comparative period last year

Tangible NAV per share at R10.63

Final cash dividend declaration of 32.00 cents per share

Gross assets under management at R754.2 million

Directors' report

FINANCIAL COMMENTARY

The Company's underlying investments performed well for financial year ended 28 February 2021 resulting in an increase in dividend income to R54.9 million from R25.1 million in the comparative period. Despite the healthy growth in dividend income, the Company's revenue for the year decreased by 29.3% to R44.7 million compared to R63.2 million in the previous year. This decrease in revenue was the result of the unfavourable change in the fair value of the financial assets. The unfavourable adjustment was caused by the adverse impact on asset valuations, of future expectations of general price inflation (i.e. consumer price index).

Operating expenses for the period decreased to R14.3 million compared to R23.2 million in the corresponding period. This is mainly due to an amount of R8.6 million in prepayment of transaction cost (marketable investment reports) that was written off in the previous corresponding period, as well as success on cost savings initiatives undertaken during the 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 that the Company has in place with Gaia Infrastructure Partners (Pty) Ltd. This expense further impacted the cash balance as at the period end.

The tangible net asset value per share of the Company decreased from R10.74 in the comparative reporting period to R10.63 in the current reporting period as a result of the decrease in the fair value of the investments held by the Company. Basic and headline earnings per share decreased by 69.7%, from 71.64 cents in the comparative reporting period to 21.71 cents per share in the current reporting period. The decrease resulted from the unfavourable fair value adjustment and the termination fee paid.

DIVIDEND DISTRIBUTION

Further to the interim cash dividend of 18.00 cents per share (R9.9 million) for the six months ended 31 August 2020, which was paid on 28 December 2020, notice is hereby given that the Board has declared a final gross cash dividend of 32.00000 cents per ordinary share (R17.6 million) for the year ended 28 February 2021. The total dividend relating to the 2021 financial year is 50.00 cents per share compared to 40.00 cents per share declared and paid in the 2020 financial year.

- ▶ The dividend has been declared from income reserves.
- ▶ The dividend withholding tax rate is 20%, and a net dividend of 25.60000 cents (February 2020: 12.00 cents) per share is paid to those shareholders who are not exempt from dividend withholding tax.
- ▶ The Company's income tax number is 9473/844/17/4.
- ▶ The issued share capital at the declaration date is 55 151 000 ordinary shares.

The payment date for the dividend is Monday, 26 July 2021.

Directors' report (continued)

Salient dates for the dividend will be as follows:

Last day to trade <i>cum</i> the ordinary share dividend	Tuesday, 20 July 2021
Ordinary shares commence trading <i>ex-dividend</i>	Wednesday, 21 July 2021
Ordinary share dividend record date	Friday, 23 July 2021
Payment date of ordinary share dividend	Monday, 26 July 2021




Share certificates may not be dematerialised or rematerialised between Wednesday, 21 July 2021 and Friday, 23 July 2021, both days inclusive.

This final dividend amounting to R17.6 million has not been recognised as a liability in the reviewed condensed annual financial results. It will be recognised in shareholders' equity for the year ending 28 February 2022.

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
Mahube Capital Fund	Ordinary shares	R528.6	Dorper	9.9%	Wind 
			Jasper	4.0%	
			Lesedi	5.3%	Solar 
			Letsatsi	5.3%	
Mahube Infrastructure Investment	Preference shares	R138.8	Noblesfontein	13%	Wind 
SARGE		R81.3		7%	
Noblesfontein					
Educational Trust	Loan	R5.5		–	
		R754.2			

Condensed statement of financial position

as at 28 February 2021

	Notes	Reviewed 28 February 2021 R	Audited 29 February 2020 R
Assets			
Non-current assets			
Property, plant and equipment		204 406	276 605
Lease: Right-of-use assets		986 846	1 550 758
Financial assets	4	545 089 756	556 789 636
Deferred tax		114 001	89 040
		546 395 009	558 706 039
Current assets			
Trade and other receivables	5	35 521 805	7 340 063
Tax receivable		–	59 480
Cash and cash equivalents		6 340 772	29 196 275
		41 862 577	36 595 818
Total assets		588 257 586	595 301 857
Equity and liabilities			
Equity			
Share capital	6	545 851 762	545 851 762
Retained income		40 135 886	46 360 183
		585 987 648	592 211 945
Liabilities			
Non-current liabilities			
Lease liabilities		561 081	1 194 227
Current liabilities			
Trade and other payables		953 441	1 383 620
Tax payable		122 270	–
Lease liabilities		633 146	512 065
		1 708 857	1 895 685
Total liabilities		2 269 938	3 089 912
Total equity and liabilities		588 257 586	595 301 857

Condensed statement of comprehensive income

for the year ended 28 February 2021

	Notes	Reviewed 28 February 2021 R	Audited 29 February 2020 R
Interest income		1 492 163	1 853 832
Dividends received		54 923 679	25 072 710
Net (loss)/gain from financial assets at fair value through profit or loss	4	(11 759 129)	36 239 020
Other income		6 384	–
Total revenue		44 663 097	63 165 562
Other operating expenses	7	(14 344 289)	(23 226 152)
ManCo termination fee	9	(18 000 000)	–
Finance costs		(188 581)	(246 634)
Taxation		(154 692)	(183 118)
Profit for the year		11 975 535	39 509 659
Basic and diluted earnings per share (cents)	8	21.71	71.64

Condensed statement of changes in equity

for the year ended 28 February 2021

	Share capital R	Retained income R	Total equity R
Balance at 1 March 2019 – audited	545 581 762	28 800 623	574 652 385
Profit for the year	–	39 509 660	39 509 660
Dividends paid	–	(21 950 100)	(21 950 100)
Opening balance at 1 March 2020 – audited	545 581 762	46 360 183	592 211 945
Profit for the year	–	11 975 535	11 975 535
Dividends paid	–	(18 199 830)	(18 199 830)
Balance at 28 February 2021 – reviewed	545 581 762	40 135 886	585 987 648

Condensed statement of cash flows

for the year ended 28 February 2021

	Reviewed 28 February 2021 R	Audited 29 February 2020 R
Cash flows (utilised in)/from operating activities		
Cash (utilised in)/generated from operations	(4 584 718)	43 624 658
Finance costs	(188 581)	(246 634)
Tax paid	2 098	(243 226)
Dividends paid	(18 199 830)	(21 950 100)
Net cash (used in)/from operating activities	(22 971 031)	21 184 698
Cash flows from investing activities		
Purchase of property, plant and equipment	(44 999)	(24 860)
Receipts from loan to Noblesfontein Educational Trust	672 592	284 834
Net cash generated in investing activities	627 593	259 974
Cash flows used in financing activities		
Payment on lease liabilities	(512 065)	(408 378)
Net cash (used) in financing activities	(512 065)	(408 378)
Total cash movement for the year	(22 855 503)	21 036 294
Cash at the beginning of the year	29 196 275	8 159 981
Total cash at the end of the year	6 340 772	29 196 275

Notes to the condensed financial results

for the year ended 28 February 2021

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The reviewed provisional financial results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and interpretations of IFRS, as issued by the International Accounting Standard Board, 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, and the minimum presentation and disclosure requirements of IAS 34: *Interim Financial Reporting*.

The provisional 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 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.

Significant judgements in applying accounting policies

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

- ▶ Fair value measurement and estimations;
- ▶ 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.

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)

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.

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.

To value these assets, we have used the discounted cash flow method ("DCF"), specifically the free cash flow to equity ("FCFE") method, discounted by a cost of equity rate that is determined with reference to the swap curve, equity risk premium (stage of life) and specific risk premia that were assessed for each investment.

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.

Key sources of significant judgment applied

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 decisions 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 were provided.

Notes to the condensed financial results (continued)

for the year ended 28 February 2021

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

1.1 Significant judgements and sources of estimation uncertainty (continued)

1.1.2 Investment entity exemption

Management applied our judgement in terms of IFRS 10 and came to the conclusion that Mahube 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
- ▶ 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 Fund'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 Mahube Capital Fund's investments are measured and evaluated on a fair value basis.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

1.1 Significant judgements and sources of estimation uncertainty (continued)

1.1.2 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 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 condensed provisional financial results have been prepared by the Finance Director, P Lewis CA(SA), and approved by the Board.

The Directors take full responsibility for the preparation of the provisional financial statements.

The reviewed condensed provisional financial results were reviewed by the Company's external auditor, BDO South Africa Incorporated. A copy of their unmodified review conclusion is available from the Company's registered office and can be sent by email, upon request. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the external auditor. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

3. NEW STANDARDS AND INTERPRETATIONS

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

Notes to the condensed financial results (continued)

for the year ended 28 February 2021

4. FINANCIAL ASSETS

Financial assets at fair value through profit or loss

	Reviewed 12 months ended 28 February 2021 R	Audited 12 months ended 29 February 2020 R
Financial assets at fair value through profit or loss		
Mahube Capital Fund	539 615 381	551 374 511
The Company owns 100% equity interest in Mahube Capital Fund.		
Financial assets at amortised cost		
Noblesfontein Educational Trust	5 474 375	5 415 125
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.		
Expected credit losses are deemed immaterial based on management's expectation of when amounts due would be received and the payment history of the respective debtors.		
	545 089 756	556 789 636

Mahube 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 Mahube uses sum of the parts valuation method to measure fair value at its investment in Mahube Capital Fund.

Mahube Capital Fund 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 1 (RF) (Pty) Ltd. This loan is interest free, unsecured and is not repayable for at least 15 years after the effective date of 28 September 2016.

4. FINANCIAL ASSETS (CONTINUED)

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

Mahube Capital Fund interest in Renewable Energy G (continued)

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 Fund interest in Noblesfontein Wind Farm

On 19 September 2017, Mahube Capital Fund acquired C Preference Shares Mahube Infrastructure Investment for an aggregate subscription price of R130 million and, as a result, acquired an effective economic interest of 13.0% 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 subscribed 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).

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.

Notes to the condensed financial results (continued)

for the year ended 28 February 2021

4. FINANCIAL ASSETS (CONTINUED)

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

Valuation of underlying renewable investments (continued)

The Company engaged an independent valuation expert on assisting with performing the valuations for financial reporting purposes. The models used have been developed from recognised valuation models and the 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 methodology, specifically applying the free cash flow to equity approach;
- ▶ 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, exchange rate depreciation 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.

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.

4. FINANCIAL ASSETS (CONTINUED)

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

Valuation of underlying renewable investments (continued)

As at 28 February 2021, 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	<p>Solar project the discount rate ranges between 7.3% and 12.8%</p> <p>Wind projects the discount rate ranges between 6.8% and 12.4%</p> <p>(2020 discount rate used on all projects was 12.408%)</p>	<p>The swap curve has been applied as the risk free rate over the remaining life of each project.</p> <p>The swap curve has been applied as the risk free rate over the remaining life of each project.</p> <p>Specific risk premiums included:</p> <ul style="list-style-type: none"> ▶ The long-term dependence on Eskom has been factored as a minor specific risk (0.25%) adding to the discount rate, and ▶ the low interest rate environment caused by quantitative easing measures implemented by central banks around the world is factored through a further 0.25%. <p>We use the stage of life approach to determine the equity risk premium for infrastructure assets. Given that the assets have been in operation for multiple years and have reliably produced predictable levels of energy, we have used an equity premium of 3.0% for solar and 3.5% for wind.</p>

Notes to the condensed financial results (continued)

for the year ended 28 February 2021

4. FINANCIAL ASSETS (CONTINUED)

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

Valuation of underlying renewable investments (continued)

Assumptions		
Cash flow	Expected dividends	Investee entities make distributions from profits which are made up of revenue 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.

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

	Opening balance R	(Losses)/gains in profit or loss R	Total R
2021			
Mahube Capital Fund	551 374 511	(11 759 130)	539 615 381
2020			
Mahube Capital Fund	515 135 490	36 239 021	551 374 511

The change in gains or losses (net loss) 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.

4. FINANCIAL ASSETS (CONTINUED)

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

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:

Mahube Infrastructure Investment

		Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%
Investments	SARGE GAIA (SPV) (RF) A pref	133 219 619	133 219 619	129 894 267	121 095 103
	SARGE GAIA A1 pref	121 108 744	121 108 744	118 085 698	110 086 457
	SARGE GAIA B pref	4 595 772	5 118 402	30 397 315	9 265 004
		258 924 135	259 446 765	278 377 280	240 446 564
Financial liabilities	A pref	133 429 307	133 429 307	133 902 605	132 756 905
	B pref	14 332 481	16 904 754	17 183 470	13 034 382
	C pref	127 928 704	150 975 515	153 537 798	116 196 001
		275 690 492	301 309 576	304 623 873	261 987 288

Mahube Capital Fund 1

		Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%
Financial assets	GAIA RE1	498 679 180	561 386 108	565 265 039	494 468 881
	A pref SARGE	51 733 328	57 284 751	54 422 777	54 373 014
	B pref SARGE	24 725 246	29 257 618	31 282 250	22 782 695
	C pref SARGE	127 928 704	150 975 515	153 537 798	116 196 001
		703 066 458	798 903 992	804 507 864	687 820 591
Financial liabilities	A pref	185 463 177	185 463 177	185 463 177	185 463 177
	B pref	26 732 502	30 647 163	30 871 031	25 541 483
		212 195 679	216 110 340	216 334 208	211 004 660

Notes to the condensed financial results (continued)

for the year ended 28 February 2021

4. FINANCIAL ASSETS (CONTINUED)

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

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. To value these assets, we have used the *free cash flow to equity* ("FCFE") as the primary valuation methodology, discounted by a cost of equity rate that is determined with reference to the swap curve, equity risk premium (stage of life) and specific risk premia. We use the stage of life approach to determine the equity risk premium for infrastructure assets. Given that the assets have been in operation for multiple years and have reliably produced predictable levels of energy, we have used an equity premium of 3.0% for solar and 3.5% for wind.

CPI

The CPI forecast curve was derived from the South African bond curve and Real curve, to which a lower end (3.2%) and upper cap (5.75%) has been applied. The lower end cap is based on the prevailing inflation rate at the valuation date and the upper end cap is based on the projection that the South African Reserve Bank is expected to maintain its policy of managing inflation within its stated range of 3% to 6%. The Euro and USD inflation projections were utilised for foreign currency expenditure and based on data presented by Oxford Economics.

Exchange rate forecast

The exchange rates utilised in the various components of the project models were projected utilising the five-year forward forex curves reported by forecast presented by Reuters.

The Euro and USD inflation projections were utilised for foreign currency expenditure related to the various projects.

The long-term forecast was calculated through an interpolation of the difference between the Rand swap curve and its counterpart Euro, USD and GBP curves.

Annual depreciation of Rand

The long-term depreciation of the Rand against the projected currencies was capped at 6%, which is in line with the historical depreciation experience in recent history.

The cap at 6% in the long term after the five-year specific forecast period, is informed by the long-term experience of depreciation of the Rand against the currencies. The quantum is supported by the inflation differential of the Rand against the hard currencies, plus the country risk premium differential.

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	2021 R	2020 R
Dividends receivable	35 521 805	7 340 063

These amounts relate to a portion of the dividends declared by Mahube Capital fund but which have not yet been received.

Expected credit losses are deemed immaterial based on management's expectation of when amounts due would be received and the payment history of the respective debtors.

6. SHARE CAPITAL

Authorised

6 000 000 000 ordinary no par value shares.

	2021 R	2020 R
Issued and fully paid		
55 151 000 no par value shares, net of share issue cost	545 851 762	545 851 762

Notes to the condensed financial results (continued)

for the year ended 28 February 2021

7. OTHER OPERATING EXPENSES

Total operating expenses consist of the following:

	Reviewed 12 months ended 28 February 2021 R	Audited 12 months ended 29 February 2020 R
Accounting fees	162 592	228 628
Audit fees	163 645	139 156
Circulars and publications	640 369	515 789
Depreciation	681 110	670 590
Directors' fees	1 302 895	1 412 212
Employee costs	5 090 686	4 572 085
Insurance	350 609	394 370
JSE annual fees	119 080	300 212
Management fee	1 105 543	4 568 144
Market and financial data	204 122	184 585
Other expenses	426 657	442 974
Professional fees	3 622 214	573 561
Secretarial fees	430 525	486 332
Transaction cost*	–	8 639 260
Travel and accommodation	44 242	98 254
Total	14 344 289	23 226 152

* This includes a write-down of R8.6 million prepayment for transaction costs related to due diligence costs incurred in the exploration of infrastructure investment opportunities, which previously had been capitalised.

8. EARNINGS PER SHARE

In the year under review, earnings per share decreased by 69.7% to 21.71 cents per share compared to 71.64 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.

Basic earnings per share

	Reviewed 12 months ended 28 February 2021	Audited 12 months ended 29 February 2020
Basic earnings per share		
From continued operations (cents)	21.71	71.64

Basic earnings per share was based on earnings of R11 975 536 (2020: R39 509 660) and weighted average number of ordinary shares of 55 151 000 (2020: 55 151 000).

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 (2020: 55 151 000) ordinary shares in issue during the year, and headline earnings calculated as follows:

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.

Notes to the condensed financial results (continued)

for the year ended 28 February 2021

9. RELATED PARTIES

Relationships	
Subsidiary	Mahube Capital Fund
Common Directors	Mahube Infrastructure Investment
Common Directors	Renewable Energy G

GAIA Infrastructure Partners (Pty) Ltd has been acting as Management Company ("ManCo") of the Company for a period of the financial year. On 15 April 2020, the Company and GAIA Infrastructure Partners (Pty) Ltd ("ManCo") (collectively "the Parties") agreed terms to amend the termination fee payable and terminate the management services agreement dated 27 October 2015 concluded between the Parties, in consideration for payment by the Company of a reduced termination fee of R18 million ("the Transaction"). The Transaction was approved by the Company's shareholders on 10 June 2020.

A management fee calculated as 0.8% of the enterprise value was paid to ManCo in quarterly instalments.

	2021 R	2020 R
Related party balances		
Financial assets at fair value through profit or loss		
Mahube Capital Fund	539 615 381	551 374 511
Amounts included in trade and other receivables regarding related parties		
Mahube Capital Fund	35 391 117	6 937 390
Mahube Infrastructure Investment	130 689	402 673
Related party transactions		
Management fees paid to related parties		
GAIA Infrastructure Partners (Pty) Ltd	1 105 543	4 568 144
Termination fee paid		
GAIA Infrastructure Partners (Pty) Ltd	18 000 000	–
Dividends received from related parties		
Mahube Capital Fund	54 923 679	25 000 000

All related party trade and other receivables relate to operational loans, except * which relates to dividends receivable, and all are unsecured, interest free and repayable within the next 12 months.

10. GOING CONCERN

The Annual Financial Statements 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.

The second wave of Covid-19 in the second half of 2020 hit South Africa harder than expected, bringing with it a new variant with higher infection rates and greater severity of symptoms. This led to the imposition of further lockdown measures in order to slow down the spread of the disease and ease pressure on the healthcare system. All this has had a devastating effect on millions of South Africans with lives and livelihoods being lost, household finances decimated and many going hungry in large parts of the country. The pandemic has led to the worst unemployment crisis in modern times and consequently, as lives are inevitably linked to livelihoods, a humanitarian disaster. Managing within this crisis continues to be Mahube's biggest priority. Mahube's focus is on the factors within its control, the health and well-being of its people, ensuring that its investments have the most robust financial positions to support business continuity. Whilst the pandemic and lockdown measures have had a widespread impact worldwide, Mahube's portfolio has shown resilience and has given it confidence that it is well positioned to weather this storm and overcome the unique challenges that this crisis presents. Mahube will monitor the impact of the pandemic on our underlying investee companies, our shareholders and employees closely. Mahube remains confident about the prospects and our ability as well as our underlying investee companies, and as a result to continue to operate as a going concern.

11. SUBSEQUENT EVENTS

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

On behalf of the Board

P Lewis CA(SA)
Financial Director

31 May 2021

Johannesburg



GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Directors

GS Moseneke (Chief Executive Officer)

P Lewis (Financial Director)

KE Mbalu* (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

BDO South Africa Incorporated

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers

15 Biermann Avenue, Rosebank

Johannesburg, 2196

Company secretary

Fusion Corporate Secretarial Services (Pty) Ltd

Suite E014

Midlands Office Park East

Mount Quray Street

Midlands Estate

Midstream

1692

Company registration number

2015/115237/06

Tax reference number

9473/844/17/4

