



Building Community Wealth



2021

CONDENSED INTERIM FINANCIAL RESULTS

for the six months ended 31 August 2021
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 **R10.91**

Interim gross cash dividend declaration of **28.00** cents per share

Gross assets under management at **R748.6** million

Dividends received up **11.2%** to **R32.0** million from R28.8 million in the comparative period last year




Headline and basic earnings per share at **60.31** cents per share, up **13.4%**



About Mahube

Mahube is an infrastructure company that offers investors exposure to infrastructure assets in Southern Africa. Our vision 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	R548.3	Dorper	9.9%	Wind 
			Jasper	4.0%	
			Lesedi	5.3%	Solar 
			Letsatsi	5.3%	
Mahube Infrastructure Investment	Preference shares	R96.9	Noblesfontein	13%	Wind 
SARGE		R98.3		7%	
Noblesfontein Educational Trust	Loan	R5.1		–	
		R748.6			

Financial commentary

The Company's underlying investments performed well for the 6 months ended 31 August 2021 resulting in an increase in dividend income to R32.0 million from R28.8 million in the comparative period. Despite the healthy growth in dividend income, the Company's revenue for the period decreased by 28.0% to R40.7 million compared to R56.5 million in the comparative period. This decrease in revenue is mainly due to the higher favourable change in fair value of the financial assets in the comparative period.

Operating expenses for the period decreased to R7.3 million compared to R9.1 million in the corresponding period. The decrease is mainly due to the fact that the Company does not incur a management fee anymore as well as an overall decrease in professional fees.

In the comparative period, 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 had in place with GAIA Infrastructure Partners (Pty) Ltd.

The tangible net asset value per share of the Company decreased from R11.12 in the comparative reporting period to R10.91 in the current reporting period as a result of the decrease in the fair value of the investments held by the Company as reported at 28 February 2021.

Basic and headline earnings per share increased by 13.4% from 53.17 cents in the comparative reporting period to 60.31 cents per share in the current reporting period.

Dividend distribution

The Board has pleasure in announcing that an interim gross dividend per ordinary share of 28.00000 cents has been declared for the six months ended 31 August 2021. Dividends are subject to dividends withholding tax. The payment date for the dividend is 28 December 2021.

- ▶ Dividends have been declared from income reserves.
- ▶ Local dividends withholding tax rate is 20%.
- ▶ The gross dividend amount is 28.00000 cents per ordinary share.
- ▶ The net cash dividend amount is therefore 22.40000 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 <i>cum</i> the ordinary share dividend	Tuesday, 21 December 2021
Ordinary shares commence trading <i>ex-dividend</i>	Wednesday, 22 December 2021
Ordinary share dividend record date	Friday, 24 December 2021
Payment date of ordinary share dividend	Tuesday, 28 December 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 December 2021 and Friday, 24 December 2021, both days inclusive.

Condensed statement of financial position

as at 31 August 2021

		Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
	Notes			
Assets				
Non-current assets				
Property, plant and equipment		147	265	204
Lease: Right-of-use assets		705	1 269	987
Financial assets	4	553 390	583 713	545 090
Deferred tax		114	–	89
		554 356	585 336	546 395
Current assets				
Trade and other receivables	5	48 651	25 089	35 522
Tax receivable		–	41	–
Cash and cash equivalents		998	5 085	6 341
		49 649	30 215	41 863
Total assets		604 005	615 551	588 258
Equity and liabilities				
Equity				
Stated capital	6	545 852	545 852	545 852
Retained income		55 749	67 409	40 136
		601 601	613 261	585 988
Liabilities				
Non-current liabilities				
Lease liabilities		193	952	561
		193	952	561
Current liabilities				
Trade and other payables		1 388	826	954
Tax payable		122	–	122
Lease liabilities		701	512	633
		2 211	1 338	1 709
Total liabilities		2 404	2 290	2 270
Total equity and liabilities		604 005	615 551	588 258

Condensed statement of comprehensive income

for the six-month period ended 31 August 2021

		Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
	Notes			
Interest income		50	704	1 492
Dividend income		32 000	28 784	54 924
Net fair value gain/(loss)		8 654	27 043	(11 759)
Other income		-	-	6
Total revenue		40 704	56 531	44 663
Operating expenses	7	(7 281)	(9 090)	(14 344)
Manco termination fee	8	-	(18 000)	(18 000)
Finance costs		(68)	(102)	(189)
Taxation		(94)	(17)	(155)
Net profit for the period		33 261	29 322	11 976
Basic and diluted earnings per share (cents)	9	60.31	53.17	21.71

Condensed statement of changes in equity

for the six-month period ended 31 August 2021

	Stated capital R'000	Retained income R'000	Total equity R'000
Balance at 29 February 2020 – audited	545 852	46 360	592 212
Profit for the period	–	29 322	29 322
Dividends paid	–	(8 273)	(8 273)
Balance at 31 August 2020 – unaudited	545 852	67 409	613 261
Loss for the period	–	(17 346)	(17 346)
Dividends paid	–	(9 927)	(9 927)
Balance at 28 February 2021	545 852	40 136	585 988
Profit for the period	–	33 261	33 261
Dividends paid	–	(17 648)	(17 648)
Balance at 31 August 2021	545 852	55 749	601 600

Condensed statement of cash flows

for the six-month period ended 31 August 2021

	Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Cash flows from operating activities			
Cash generated from operations	12 414	(15 573)	(4 585)
Finance costs	(68)	(102)	(188)
Tax paid	(94)	–	2
Dividends paid	(17 648)	(8 273)	(18 200)
Net cash used in operating activities	(5 396)	(23 948)	(22 971)
Cash flows from investing activities			
Purchase of property, plant and equipment	–	(45)	(45)
Proceeds from sales of property, plant and equipment	–	5	–
Receipts from loan to Noblesfontein Educational Trust	353	119	673
Net cash generated investing activities	353	79	628
Cash flows from financing activities			
Payments on lease liabilities	(300)	(242)	(512)
Net cash used in financing activities	(300)	(242)	(512)
Total cash movement for the period	(5 343)	(24 111)	(22 855)
Cash at the beginning of the period	6 341	29 196	29 196
Total cash at the end of the period	998	5 085	6 341

Notes to the condensed financial results

for the six-month period ended 31 August 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim 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 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*.

Basis of preparation

The interim financial results have been prepared on the historic cost basis except that financial assets 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 2021 financial statements.

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

Key sources of estimation uncertainty

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies (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 judgement 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 PPA's 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 asset 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 was provided.

Investment entity exemption

Management applied 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.

Notes to the condensed financial results (continued)

for the six-month period ended 31 August 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment entity exemption (continued)

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 de-risked 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 Infrastructure Limited as ordinary shareholder and RMB Investment and Advisory (Pty) Ltd as preference shareholder) with an operational and appropriately de-risked 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.

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 is 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment entity exemption (continued)

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 interim condensed financial results have been prepared internally by 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.

Notes to the condensed financial results (continued)

for the six-month period ended 31 August 2021

4. FINANCIAL ASSETS

	Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Financial assets at fair value through profit or loss			
Mahube Capital Fund	548 269	578 417	539 615
The Company owns 100% equity interest in Mahube Capital Fund.			
Financial assets at amortised cost			
Noblesfontein Educational Trust	5 121	5 296	5 474
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.			
Total financial assets	553 390	583 713	545 090

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.

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments

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. 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 Fund 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).

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 six-month period ended 31 August 2021

4. FINANCIAL ASSETS (continued)

Fair value information of underlying 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.

As at 31 August 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.

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments (continued)

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 5.9% and 11.5% (2020: 7.3% and 12.8%)</p> <p>Wind projects the discount rate ranges between 5.8% and 11.0% (2020: 6.8% and 12.4%)</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>
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.

Notes to the condensed financial results (continued)

for the six-month period ended 31 August 2021

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments (continued)

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

	Opening balance R'000	Gains/(losses) in profit or loss R'000	Total R'000
Unaudited six months ended 31 August 2021	539 615	8 654	548 269
Unaudited six months ended 31 August 2020	551 374	27 043	578 417
Audited 12 months ended 28 February 2021	551 374	(11 759)	539 615

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:

Mahube Infrastructure Investment

		Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%
Investments	SARGE GAIA (SPV) (RF) A pref	118 437 733	131 493 351	121 141 205	112 934 981
	SARGE GAIA (SPV) (RF) A1 pref	107 670 667	119 539 410	110 086 457	102 707 251
	SARGE GAIA (SPV) (RF) B pref	908 577	2 630 223	9 265 004	761 900
		227 016 977	253 662 984	240 492 666	216 404 133
Financial liabilities	A pref	131 632 681	134 149 940	131 838 873	130 710 831
	B pref	9 829 911	10 769 801	13 034 382	11 820 285
	C pref	96 135 069	108 995 120	107 210 339	81 135 804
	237 597 661	253 914 860	252 083 594	223 666 920	

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments (continued)

Mahube Capital Fund 1

		Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%
Investments	Renewable Energy G	511 961 368	548 111 979	595 278 921	521 435 933
	SARGE A pref	71 374 137	75 747 619	54 422 777	54 373 014
	SARGE B pref	26 877 425	29 361 792	31 282 250	22 782 695
	Mahube Infrastructure Investment C pref	96 135 069	108 995 120	153 537 798	116 196 001
		706 347 999	762 216 510	834 521 745	714 787 643
Financial liabilities	A pref	179 713 014	191 802 389	185 463 177	183 607 230
	B pref	29 692 743	32 533 005	30 669 952	25 359 620
		209 405 757	224 335 394	216 133 129	208 966 850

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 rate

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.

Notes to the condensed financial results (continued)

for the six-month period ended 31 August 2021

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments (continued)

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:

	Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Dividends receivable from subsidiary company	48 380	25 024	35 391
Other receivables	271	65	131
Total	48 651	25 089	35 522

6. STATED CAPITAL

Authorised

6 000 000 000 ordinary no par value shares.

	Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Issued and fully paid			
55 151 000 no par value shares, net of share issue cost	545 852	545 852	545 852

7. OPERATING EXPENSES

Total operating expenses consist of the following:

	Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Accounting and audit fees	231	85	326
Circulars and publications	400	420	640
Depreciation	340	339	681
Directors' fees	826	647	1 303
Employee costs	2 873	2 522	5 091
Insurance	180	144	351
Management fee	–	1 106	1 106
Market and financial data	78	74	204
Other expenses	281	228	427
Professional fees	1 814	3 305	3 741
Secretarial fees	219	213	431
Travel and accommodation	40	8	44
Total	7 281	9 091	14 344

8. 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.

Notes to the condensed financial results (continued)

for the six-month period ended 31 August 2021

9. EARNINGS PER SHARE

In the period under review, earnings per share increased by 13.4% to 60.31 cents per share compared to 53.16 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 taxation.

	Unaudited six months ended 31 August 2021 R'000	Reviewed six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Basic earnings per share			
From continued operations (cents)	60.31	53.17	21.71

Basic earnings per share was based on earnings of R33 261 105 (2020: R29 321 712) and weighted average number of ordinary shares of 55 151 000 (2020: 55 151 000).

Headline earnings per share is calculated using SAICA Circular 01/2021. 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.

10. RELATED PARTIES

Relationships	
Subsidiary	Mahube Capital Fund
Subsidiary of Mahube Capital Fund	Mahube Infrastructure Investment
Mahube Capital Fund holds 33% interest	Renewable Energy G
Subsidiary (currently dormant)	Mahube Asset Management (Pty) Ltd

Related party balances

	Unaudited six months ended 31 August 2021 R'000	Unaudited six months ended 31 August 2020 R'000	Audited 12 months ended 28 February 2021 R'000
Related party balances			
Financial assets at fair value through profit or loss			
Mahube Capital Fund	548 269	578 417	539 615
Amounts included in trade receivable regarding related parties			
Mahube Capital Fund*	48 380	25 024	35 391
Mahube Infrastructure Investment	271	65	131
Related party transactions			
Dividend income			
Mahube Capital Fund	32 000	28 784	54 924

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.

Notes to the condensed financial results (continued)

for the six-month period ended 31 August 2021

11. 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.

The impact of the Covid-19 pandemic on the South African economy was challenging however, 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 especially the potential of any future waves of Covid-19 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.

12. 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 2021

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

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

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