

# 2022



## REVIEWED PROVISIONAL CONDENSED FINANCIAL STATEMENTS

for the year ended 28 February 2022  
and cash dividend declaration



# 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")

# SALIENT FEATURES

Dividends received up 1.6% to R55.8 million from R54.9 million in the comparative period last year

Total revenue up 76.6% to R78.9 million in comparison to R44.7 million for the comparative period last year, due to a favourable adjustment to financial assets measured at fair value

Basic earnings and headline earnings per share up to 118.9 cents per share in comparison to 21.7 cents for the comparative period last year

Tangible NAV per share at R11.21 compared to R10.63 in the comparative period last year

Final cash dividend declaration of 32.00 cents per share

## FINANCIAL COMMENTARY

The Company's underlying investments performed well for the financial year ended 28 February 2022 delivering stable dividend income. There was an increase in dividend income to R55.8 million from R54.9 million in the comparative period. The Company's total revenue for the year increased by 76.6% to R78.9 million compared to R44.7 million in the previous year. This increase in revenue was the result of the favourable change in the fair value of the financial assets. The favourable adjustment was caused mainly by future expectations of the interest rate being higher than expected in the previous period.

Operating expenses for the period decreased to R12.9 million compared to R14.3 million in the corresponding period. This is mainly due to no management fee being incurred in the financial year as well as success on cost saving initiatives undertaken during the period.

The tangible net asset value per share of the Company increased from R10.63 in the comparative period to R11.21 in the current period as a result of the increase in the fair value of the investments held by the Company. Basic and headline earnings per share increased from 21.71 cents in the comparative period to 118.93 cents per share in the current period. The increase resulted mainly from the favourable fair value adjustment as well as the avoidance of what was a once-off R18.0 million fee that the Company incurred in the comparative period for the termination of the management services agreement with the erstwhile investment manager.

## DIVIDEND DISTRIBUTION

Further to the interim cash dividend of 28.00 cents per share (R15.4 million) for the six months ended 31 August 2021, which was paid on 28 December 2021, 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 2022. The total dividend relating to the 2022 financial year is 60.00 cents per share compared to 50.00 cents per share declared and paid in the 2021 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 2021: 25.60 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, 25 July 2022.

## DIRECTORS' REPORT (continued)

Salient dates for the dividend will be as follows:

Last day to trade <i>cum</i> the ordinary share dividend	Tuesday, 19 July 2022
Ordinary shares commence trading <i>ex-dividend</i>	Wednesday, 20 July 2022
Ordinary share dividend record date	Friday, 22 July 2022
Payment date of ordinary share dividend	Monday, 25 July 2022






Share certificates may not be dematerialised or rematerialised between Wednesday, 20 July 2022 and Friday, 22 July 2022, 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 2023.

### 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. Four of the renewable energy assets were licensed during Bid Window Round 1 of the Renewable Energy Independent Power Procurement Programme in South Africa. The fifth was licensed during Bid Window Round 2. Each asset generates electricity that it sells to Eskom under a 20-year power purchase agreement.

## Investment portfolio:

Entity	Investment	Instrument	Fair value of instrument	REIPPPP asset	REIPPPP resource
Mahube Infrastructure Limited	Mahube Capital Fund	Ordinary shares	561 777	Noblesfontein	Wind 
	Mahube Asset Management	Ordinary shares	105		
	Noblesfontein Education Trust	Loan	5 213		
			<b>567 095</b>		
Mahube Capital Fund	Renewable Energy G	Ordinary shares	544 542	Dorper	Wind 
				Jasper	Solar 
				Lesedi	
				Letsatsi	
	SARGE A&B pref shares	Preference shares	90 266	Noblesfontein	Wind 
	Mahube Infrastructure Investment ordinary shares		3 275		
	Mahube Infrastructure Investment C-pref share	Preference shares	131 289		
			<b>769 372</b>		
Mahube Infrastructure Investment	SARGE GAIA SPV	Preference shares	289 321	Noblesfontein	Wind 

# CONDENSED STATEMENT OF FINANCIAL POSITION

as at 28 February 2022

	Notes	Reviewed 28 February 2022 R	Audited 28 February 2021 R
<b>Assets</b>			
<b>Non-current assets</b>		<b>567 726 818</b>	546 395 009
Property, plant and equipment		<b>90 438</b>	204 406
Lease: Right-of-use assets		<b>422 934</b>	986 846
Financial assets	4	<b>567 095 341</b>	545 089 756
Deferred tax		<b>118 105</b>	114 001
<b>Current assets</b>		<b>52 477 519</b>	41 862 577
Trade and other receivables	5	<b>26 316 111</b>	35 521 805
Cash and cash equivalents		<b>26 161 408</b>	6 340 772
<b>Total assets</b>		<b>620 204 337</b>	588 257 586
<b>Equity and liabilities</b>			
<b>Equity</b>		<b>618 489 150</b>	585 987 648
Stated capital	6	<b>545 851 762</b>	545 851 762
Retained income		<b>72 637 388</b>	40 135 886
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		–	561 081
<b>Current liabilities</b>		<b>1 715 187</b>	1 708 857
Trade and other payables		<b>978 992</b>	953 441
Tax payable		<b>175 114</b>	122 270
Lease liabilities		<b>561 081</b>	633 146
<b>Total liabilities</b>		<b>1 715 187</b>	2 269 938
<b>Total equity and liabilities</b>		<b>620 204 337</b>	588 257 586

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2022

	Notes	Reviewed 28 February 2022 R	Audited 28 February 2021 R
Interest income		918 913	1 492 163
Dividends received		55 800 719	54 923 679
Net gain/(loss) from financial assets at fair value through profit or loss	4	22 161 727	(11 759 129)
Other income		–	6 384
<b>Total revenue</b>		<b>78 881 359</b>	44 663 097
Operating expenses	7	(12 972 858)	(14 344 289)
ManCo termination fee		–	(18 000 000)
Finance costs		(116 525)	(188 581)
Taxation		(199 874)	(154 692)
<b>Profit for the year</b>		<b>65 592 102</b>	11 975 535
Basic and diluted earnings per share (cents)	8	118.93	21.71

## CONDENSED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2022

	Stated capital R	Retained income R	Total equity R
<b>Balance at 1 March 2020 – audited</b>	545 581 762	46 360 181	592 211 943
Profit for the year	–	11 975 535	11 975 535
Dividends paid	–	(18 199 830)	(18 199 830)
<b>Opening balance at 1 March 2021 – audited</b>	545 581 762	40 135 886	585 987 648
Profit for the year	–	<b>65 592 102</b>	<b>65 592 102</b>
Dividends paid	–	<b>(33 090 600)</b>	<b>(33 090 600)</b>
<b>Balance at 28 February 2022 – reviewed</b>	<b>545 581 762</b>	<b>72 637 388</b>	<b>618 489 150</b>



# CONDENSED STATEMENT OF CASH FLOWS

for the year ended 28 February 2022

	Note	Reviewed 28 February 2022 R	Audited 28 February 2021 R
<b>Cash flows from/(utilised in) operating activities</b>			
Cash generated from/(utilised in) operations	9	52 794 147	(4 584 718)
Finance costs		(116 525)	(188 581)
Tax paid		(151 135)	2 098
Dividends paid		(33 090 600)	(18 199 830)
<b>Net cash from/(used in) operating activities</b>		<b>19 435 887</b>	<b>(22 971 031)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		–	(44 999)
Receipts from loan to Noblesfontein Educational Trust		1 122 895	672 592
Increase in investment in Financial Assets		(105 000)	–
<b>Net cash generated in investing activities</b>		<b>1 017 895</b>	<b>627 593</b>
<b>Cash flows used in financing activities</b>			
Payment on lease liabilities		(633 146)	(512 065)
<b>Net cash used in financing activities</b>		<b>(633 146)</b>	<b>(512 065)</b>
<b>Total cash movement for the year</b>		<b>19 820 636</b>	<b>(22 855 503)</b>
Cash at the beginning of the year		6 340 772	29 196 275
<b>Total cash at the end of the year</b>		<b>26 161 408</b>	<b>6 340 772</b>

# NOTES TO THE CONDENSED FINANCIAL RESULTS

for the year ended 28 February 2022

## 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 Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements, and the requirements of the South African Companies Act, 71 of 2008, and IAS 34: *Interim Financial Reporting*.

The provisional 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 financial statements are in terms of IFRS and are consistent with those applied in the 2021 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)

#### 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 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 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 2022

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### *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)

#### *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.

# NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 28 February 2022

## 3. NEW STANDARDS AND INTERPRETATIONS

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

## 4. FINANCIAL ASSETS

Financial assets at fair value through profit or loss

	Reviewed 12 months ended 28 February 2022 R	Audited 12 months ended 28 February 2021 R
<b>Financial assets at fair value through profit or loss</b>		
Mahube Capital Fund	561 777 109	539 615 381
The Company owns 100% equity interest in Mahube Capital Fund.		
<b>Mahube Asset Management</b>	105 000	–
The Company owns 100% equity interest in Mahube Asset Management.		
The Company acquired 100% of the shareholding of Mahube Asset Management in the current financial year for R105 000. This entity is a dormant entity.		
<b>Financial assets at amortised cost</b>		
Noblesfontein Educational Trust	5 213 232	5 474 375
The loan accrues 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.		
	<b>567 095 341</b>	<b>545 089 756</b>

#### 4. FINANCIAL ASSETS (continued)

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 was substantially settled in the financial period through the Company subscribing for the newly created N Shares in Mahube Capital Fund as announced on SENS on 22 February 2022.

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 (12.0%), Lesedi Solar PV Farm (16.0%) and Letsatsi Solar PV Farm (16.0%).

##### **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 15.4% 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 4.25% 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 and paid 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 energy 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).

# NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 28 February 2022

## 4. FINANCIAL ASSETS (continued)

### Valuation of underlying renewable energy investments (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 engaged an independent valuation expert on assisting to develop valuation models for the measurement of the fair value of the Company's investments. 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 are not observable 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 is 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)

##### Valuation of underlying renewable energy investments (continued)

As at 28 February 2022, 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 7.5% and 11.7%</p> <p>Wind projects the discount rate ranges between 7.3% and 12.2%</p> <p>(2021: Solar projects 2021 ranges between 7.3% and 12.8%)</p> <p>(2021: Wind projects 2021 ranges between 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"> <li>• The long-term dependence on Eskom has been factored as a minor specific risk (0.25%) adding to the discount rate; and</li> <li>• the low interest rate environment caused by quantitative easing measures implemented by central banks around the world is factored through a further 0.25%.</li> </ul> <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 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 year ended 28 February 2022

## 4. FINANCIAL ASSETS (continued)

### Valuation of underlying renewable energy investments (continued)

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

	Opening balance R	Gains/(losses) in profit or loss R	Additions R	Total R
<b>2022</b>				
Mahube Capital Fund	539 615 381	22 161 727	105 000	561 777 108
<b>2021</b>				
Mahube Capital Fund	551 374 511	(11 759 130)	–	539 615 381

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 Limited

		Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%
<b>Investments</b>	Mahube Capital Fund shares	522 617 723	604 730 940	642 432 202	484 668 722

#### 4. FINANCIAL ASSETS (continued)

Valuation of underlying renewable energy investments (continued)

*Mahube Infrastructure Limited (continued)*

		Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%
Financial assets	GAIA RE1	513 631 190	578 206 535	599 238 372	493 673 877
	A pref SARGE	53 155 531	58 276 049	55 622 479	55 605 943
	B pref SARGE	32 306 939	37 213 120	40 712 662	29 012 937
	C pref SARGE	121 105 801	142 466 721	151 287 701	107 801 930
	Mahube Infrastructure Investment	2 970 857	3 653 338	6 896 380	2 142 968
		723 170 319	819 815 762	853 757 594	688 237 655
Financial liabilities	A pref	184 780 784	195 216 983	189 869 600	189 869 600
	B pref	28 103 788	32 199 816	33 787 768	26 031 309
		212 884 572	227 416 799	223 657 368	215 900 909

*Mahube Infrastructure Investment*

		Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%
Investments	SARGE GAIA (SPV)				
	(RF) A pref	131 324 878	146 248 632	136 481 212	129 316 240
	SARGE GAIA A1 pref	119 386 253	132 953 301	124 073 829	117 560 218
	SARGE GAIA B pref	22 363 103	27 836 586	55 362 811	14 422 294
		273 074 234	307 038 519	315 917 852	261 298 752
Financial liabilities	A pref	133 487 446	142 652 727	138 443 066	137 446 148
	B pref	15 308 748	18 064 353	19 089 326	13 706 326
	C pref	121 105 801	142 466 721	151 287 701	107 801 930
		269 901 996	303 183 801	308 820 092	258 954 404

# NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 28 February 2022

## 4. FINANCIAL ASSETS (continued)

Valuation of underlying renewable energy investments (continued)

### 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

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.

#### 4. FINANCIAL ASSETS (continued)

##### Valuation of underlying renewable energy investments (continued)

###### *CPI*

The CPI forecast curve was derived from the South African bond curve and Real curve, to which a lower end (3.4%) and upper cap (6.5%) 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. 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:

	2022 R	2021 R
Dividends receivable	25 680 836	35 391 117
Other receivables	635 276	130 689
	<b>26 316 111</b>	<b>35 531 805</b>

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.

# NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 28 February 2022

## 6. STATED CAPITAL

### Authorised

6 000 000 000 ordinary no par value shares.

	2022 R	2021 R
<b>Issued and fully paid</b>		
55 151 000 no par value shares, net of share issue cost	<b>545 851 762</b>	545 851 762

## 7. OPERATING EXPENSES

Total operating expenses consist of the following:

	Reviewed 12 months ended 28 February 2022 R	Audited 12 months ended 28 February 2021 R
Accounting fees	156 663	162 592
Audit fees	233 295	163 645
Circulars and publications	547 340	640 369
Depreciation	677 880	681 110
Directors' fees	1 356 523	1 302 895
Employee costs	5 746 783	5 090 686
JSE annual fees	141 785	119 080
Management fee	–	1 105 543
Other expenses	764 384	1 025 630
Professional fees	2 908 795	3 622 214
Secretarial fees	439 410	430 525
<b>Total</b>	<b>12 972 858</b>	14 344 289

## 8. EARNINGS PER SHARE

In the year under review, earnings per share amounted to 118.93 per share compared to 21.71 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 2022	Audited 12 months ended 28 February 2021
Basic earnings per share	118.93	21.71

Basic earnings per share is based on earnings of R65 592 102 (2021: R11 975 535) and weighted average number of ordinary shares of R55 151 000 (2021: R55 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 (2021: 55 151 000) ordinary shares in issue during the year.

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.

## 9. CASH GENERATED FROM OPERATIONS

	2022 R	2021 R
Profit before taxation	65 791 976	12 130 227
<b>Adjustments for:</b>		
Depreciation	677 880	681 110
Interest income	(861 753)	(731 842)
Finance costs	116 525	188 581
Fair value adjustments	(22 161 727)	11 759 129
<b>Changes in working capital:</b>		
Trade and other receivables	9 205 694	(28 181 743)
Trade and other payables	25 551	(430 181)
	52 794 147	(4 584 718)

# NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the year ended 28 February 2022

## 10. RELATED PARTIES

Relationships	
Subsidiary	Mahube Capital Fund
Subsidiary	Mahube Asset Management
Subsidiary of Mahube Capital Fund	Mahube Infrastructure Investment
Mahube Capital Fund holds 33% interest	Renewable Energy G

Related party balances and transactions

	2022 R	2021 R
<b>Related party balances</b>		
<b>Financial assets at fair value through profit or loss</b>		
Mahube Capital Fund	561 777 109	539 615 381
<b>Amounts included in trade and other receivables regarding related parties</b>		
Mahube Capital Fund*	26 040 835	35 391 117
Mahube Infrastructure Investment	275 276	130 689
<b>Related party transactions</b>		
<b>Dividends received from related parties</b>		
Mahube Capital Fund	55 800 719	54 923 679

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.

## 11. 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 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 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 2022

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

Questco Corporate Advisory (Pty) Ltd

### 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

