

**BUILDING
COMMUNITY
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2022 **CONDENSED INTERIM FINANCIAL RESULTS**

for the six months ended 31 August 2022 and cash dividend declaration

Mahube Infrastructure 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 down **65.6%** to **R11.0 million** in comparison to **R32.0 million** for the comparative period last year

Total revenue down **41.0%** to **R24.0 million** in comparison to **R40.7 million** for the comparative period last year

Basic earnings and headline earnings per share down to **29.0 cents per share** in comparison to **60.3 cents** for the comparative period last year

Tangible NAV per share at **R11.18** compared to **R10.91** in the comparative period last year

Interim dividend declaration of **45.00 cents per share**








COMMENTARY

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 (R'000)	REIPPPP asset	REIPPPP resource
Mahube Infrastructure Limited	Mahube Capital Fund	Ordinary shares	574 768		
	Mahube Asset Management	Ordinary shares	105		
	Noblesfontein Education Trust	Loan	5 005	Noblesfontein	Wind 
Mahube Capital Fund	Renewable Energy G	Ordinary shares	561 130	Dorper Jasper Lesedi Letsatsi	Wind  Solar 
	SARGE A&B pref shares	Preference shares	81 049	Noblesfontein	Wind 
	Mahube Infrastructure Investment ordinary shares		115 881		
	Mahube Infrastructure Investment C-pref share	Preference shares	4 008		
Mahube Infrastructure Investment	SARGE GAIA SPV	Preference shares	261 853	Noblesfontein	Wind 

FINANCIAL COMMENTARY

The dividend income earned by the Company during the period under review decreased from R32.0 million to R11.0 million. This decrease is primarily attributable to a decrease in cash available in the subsidiary company, Mahube Capital Fund, resulting from the payments it had to make towards redeeming some of the preference shares pursuant to its contractual obligations.

A favourable change in fair value of the financial assets of R13.0 million was affected caused mainly by future expectations of the interest rate being higher than expected in the previous period.

Revenue for the period decreased by 41.0% to R24.0 million compared to R40.7 million in the comparative period. This decrease in revenue is mainly due to the lower dividends received.

Operating expenses for the period increased to R8.0 million compared to R7.3 million in the corresponding period. The increase is mainly due to the expenses associated with the previously planned restructuring.

The tangible net asset value per share of the Company increased from R10.91 in the comparative reporting period to R11.18 in the current reporting period.

Basic and headline earnings per share decreased by 51.9% from 60.31 cents in the comparative reporting period to 28.99 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 45.00000 cents, has been declared for the six months ended 31 August 2022.

Dividends are subject to Dividends Withholding Tax.

The payment date for the dividend is Monday, 9 January 2023.

- Dividends have been declared from income reserves.
- Local Dividends Withholding Tax rate is 20%.
- The gross dividend amount is 45.00000 cents per ordinary share.
- The net cash dividend amount is therefore 36.0000 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, 3 January 2023
Ordinary shares commence trading <i>ex-dividend</i>	Wednesday, 4 January 2023
Ordinary share dividend record date	Friday, 6 January 2023
Payment date of ordinary share dividend	Monday, 9 January 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 January 2023 and Friday, 6 January 2023.

CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 August 2022

		Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 R'000
	Notes			
Assets				
Non-current assets				
Property, plant and equipment		51	147	90
Lease: Right-of-use assets		142	705	423
Financial assets	4	579 878	553 390	567 095
Deferred tax		118	114	118
		580 189	554 356	567 727
Current assets				
Trade and other receivables	5	13 347	48 651	26 316
Cash and cash equivalents		25 079	998	26 161
		38 426	49 649	52 477
Total assets		618 615	604 005	620 204
Equity and liabilities				
Equity				
Stated capital	6	545 852	545 852	545 852
Retained income		70 976	55 749	72 637
		616 827	601 601	618 489
Liabilities				
Non-current liabilities				
Lease liabilities		–	193	–
		–	193	–
Current liabilities				
Trade and other payables		1 594	1 388	979
Tax payable		–	122	175
Lease liabilities		193	701	561
		1 787	2 211	1 715
Total liabilities		1 787	2 404	1 716
Total equity and liabilities		618 615	604 005	620 204

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the six-month period ended 31 August 2022

		Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 R'000
	Notes			
Interest income		13	50	919
Dividend income		11 000	32 000	55 801
Net fair value gain		12 991	8 654	22 162
Total revenue		24 004	40 704	78 881
Operating expenses	7	(7 991)	(7 281)	(12 973)
Finance costs		(26)	(68)	(117)
Taxation		–	(94)	(200)
Net profit for the period		15 987	33 261	65 592
Basic and diluted earnings per share (cents)	8	28.99	60.31	118.93

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 31 August 2022

	Stated capital R'000	Retained income R'000	Total equity R'000
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
Loss for the period	–	32 332	32 332
Dividends paid	–	(15 443)	(15 443)
Balance at 28 February 2022	545 852	72 637	618 489
Profit for the period	–	15 987	15 987
Dividends paid	–	(17 648)	(17 648)
Balance at 31 August 2022	545 852	70 976	616 828

CONDENSED STATEMENT OF CASH FLOWS

for the six-month period ended 31 August 2022

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 R'000
Cash flows from operating activities			
Cash generated from operations	17 010	12 414	52 794
Finance costs	(26)	(68)	(117)
Tax paid	(244)	(94)	(151)
Dividends paid	(17 648)	(17 648)	(33 091)
Net cash used in operating activities	(908)	(5 396)	19 436
Cash flows from investing activities			
Purchase of property, plant and equipment	(14)	–	–
Receipts from loan to Noblesfontein Educational trust	208	353	1 123
Increase in investment in financial assets	–	–	(105)
Net cash generated investing activities	194	353	1 018
Cash flows from financing activities			
Payments on lease liabilities	(368)	(300)	(633)
Net cash used in financing activities	(368)	(300)	(633)
Total cash movement for the period	(1 082)	(5 343)	19 821
Cash at the beginning of the period	26 161	6 341	6 341
Total cash at the end of the period	25 079	998	26 161

NOTES TO THE CONDENSED FINANCIAL RESULTS

for the six-month period ended 31 August 2022

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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*.

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 2022 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.

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

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2022

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Accounting policies (continued)

Significant judgements in applying accounting policies (continued)

Basis of valuation and approach

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

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 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.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Accounting policies (continued)

Significant judgements in applying accounting policies (continued)

Key sources of significant judgement applied (continued)

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.

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.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2022

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Accounting policies (continued)

Significant judgements in applying accounting policies (continued)

Key sources of significant judgement applied (continued)

Investment entity exemption (continued)

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.

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.

4. FINANCIAL ASSETS

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2021 R'000
Financial assets at fair value through profit or loss			
Mahube Capital Fund	574 768	548 269	561 777
The Company owns 100% equity interest in Mahube Capital Fund.			
Mahube Asset Management			
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.	105	–	105
Financial assets at amortised cost			
Noblesfontein Educational Trust			
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.	5 005	5 121	5 213
Total financial assets	579 878	553 390	567 095

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.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2022

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments

Mahube Capital Fund 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 previous financial period through the Company subscribing for the newly created N Shares in Mahube Capital Fund.

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).

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments (continued)

Valuation of underlying renewable 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 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.

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2022

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments (continued)

Valuation of underlying renewable investments (continued)

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

As at 31 August 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 projects the discount rate ranges between 8.8% and 12.4% (2021: 5.9% and 11.5%)</p> <p>Wind projects the discount rate ranges between 8.2% and 13.4% (2021: 5.8% and 11.0%)</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.

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments (continued)

Valuation of underlying renewable 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	Additions	Total R'000
Unaudited six months ended 31 August 2022	561 882	12 991	–	574 873
Unaudited six months ended 31 August 2021	539 615	8 654	–	548 269
Audited 12 months ended 28 February 2022	539 615	22 162	105	561 882

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

	Fair value at 31 August 2022	Discount rate +1%	Discount rate – 1%	CPI +1%	CPI–1%
Investments					
Mahube Capital Fund 1 shares	574 768 428	(47 182 935)	56 992 857	76 432 835	(43 807 426)
Mahube Capital Fund 1 Investments					
Ordinary shares Renewable Energy G	561 130 269	(30 361 249)	68 680 204	56 822 162	(52 826 116)
A pref SARGE	51 032 745	(2 324 858)	8 142 499	(120 076)	120 013
B Pref SARGE	30 016 475	(2 069 103)	7 456 012	269 441	(266 758)
C pref Mahube Infrastructure Investment	115 881 250	(16 767 437)	45 087 795	1 241 284	(1 191 147)
Ordinary shares Mahube Infrastructure Investment	4 008 459	(304 626)	377 855	3 620 897	(1 132 515)
	762 069 198	(51 827 273)	129 744 366	61 833 708	(55 296 522)

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2022

4. FINANCIAL ASSETS (continued)

Fair value information of underlying investments (continued)

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

Mahube Infrastructure Limited (continued)

	Fair value at 31 August 2022	Discount rate +1%	Discount rate - 1%	CPI +1%	CPI-1%
Financial liabilities					
A pref	172 650 878	(4 906 538)	5 150 300	–	–
B Pref SARGE	27 760 624	(3 440 444)	9 106 872	1 607 807	(1 502 224)
	200 411 502	(8 346 981)	14 257 172	1 607 807	(1 502 224)

Mahube Infrastructure Investment

	Fair value at 31 August 2022	Discount rate +1%	Discount rate - 1%	CPI +1%	CPI-1%
Investments					
A pref SARGE GAIA SPV	128 833 761	(7 074 407)	7 677 735	402 397	(304 357)
A1 pref SARGE GAIA SPV	117 121 601	(6 431 279)	6 979 759	365 815	(276 688)
B pref SARGE GAIA SPV	15 897 459	(1 564 327)	5 916 842	407 145	(552 712)
	261 852 820	(15 070 013)	20 574 336	1 175 357	(1 133 757)
Financial liabilities					
A Pref	126 176 725	(4 722 434)	5 009 172	(249 771)	249 537
B Pref	15 518 684	(1 138 172)	4 138 402	147 057	(140 373)
C Pref	115 881 250	(16 767 437)	45 087 795	1 241 284	(1 191 147)
	257 576 659	(22 628 044)	54 235 369	1 138 570	(1 081 982)

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)

Fair value information of underlying investments (continued)

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.

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 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 R'000
Dividends receivable from subsidiary company	12 880	48 380	25 681
Other receivables	467	271	635
Total	13 347	48 651	26 316

NOTES TO THE CONDENSED FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2022

6. STATED CAPITAL

Authorised

6 000 000 000 ordinary no par value shares.

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 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 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 R'000
Accounting and audit fees	438	231	390
Circulars and publications	507	400	547
Depreciation	335	340	678
Directors' fees	582	826	1 356
Employee costs	3 101	2 873	5 747
Other expenses	869	578	906
Professional fees	1 933	1 814	2 909
Secretarial fees	226	219	439
Total	7 991	7 281	12 972

8. EARNINGS PER SHARE

In the period under review, earnings per share decreased by 51.9% to 28.99 cents per share compared to 60.31 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 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 R'000
Basic earnings per share (cents)	28.99	60.31	118.93

Basic earnings per share was based on earnings of R15 986 632 (2021: R33 261 105) and weighted average number of ordinary shares of 55 151 000 (2021: 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 (2021: 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 six-month period ended 31 August 2022

9. RELATED PARTIES

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

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 R'000
Related party balances			
Financial assets at fair value through profit or loss			
Mahube Capital Fund	574 768	548 269	561 777
Amounts included in trade receivable regarding related parties			
Mahube Capital Fund*	12 987	48 380	26 041
Mahube Infrastructure Investment	107	271	275
Related party transactions – dividend income			
Mahube Capital Fund	11 000	32 000	55 801

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 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 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 material event which occurred after the reporting date and up to the date of this report.

12. CHANGES TO THE BOARD

Ms K Breytenbach resigned as non-executive director and member of the Audit and Risk Committee of the Company with effect from 16 September 2022. Mr T Bukula retired as independent non-executive director and member of the Audit and Risk Committee of the Company, with effect from 21 October 2022.

Mrs M May and Ms M Shikwinya were appointed as independent non-executive directors of the Company on 21 October 2022. Both these directors were also appointed as members of its Audit and Risk Committee with effect from 29 November 2022.

On behalf of the Board

P Lewis

Financial Director

30 November 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*

MF May*

MD Shikwinya*

** 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

