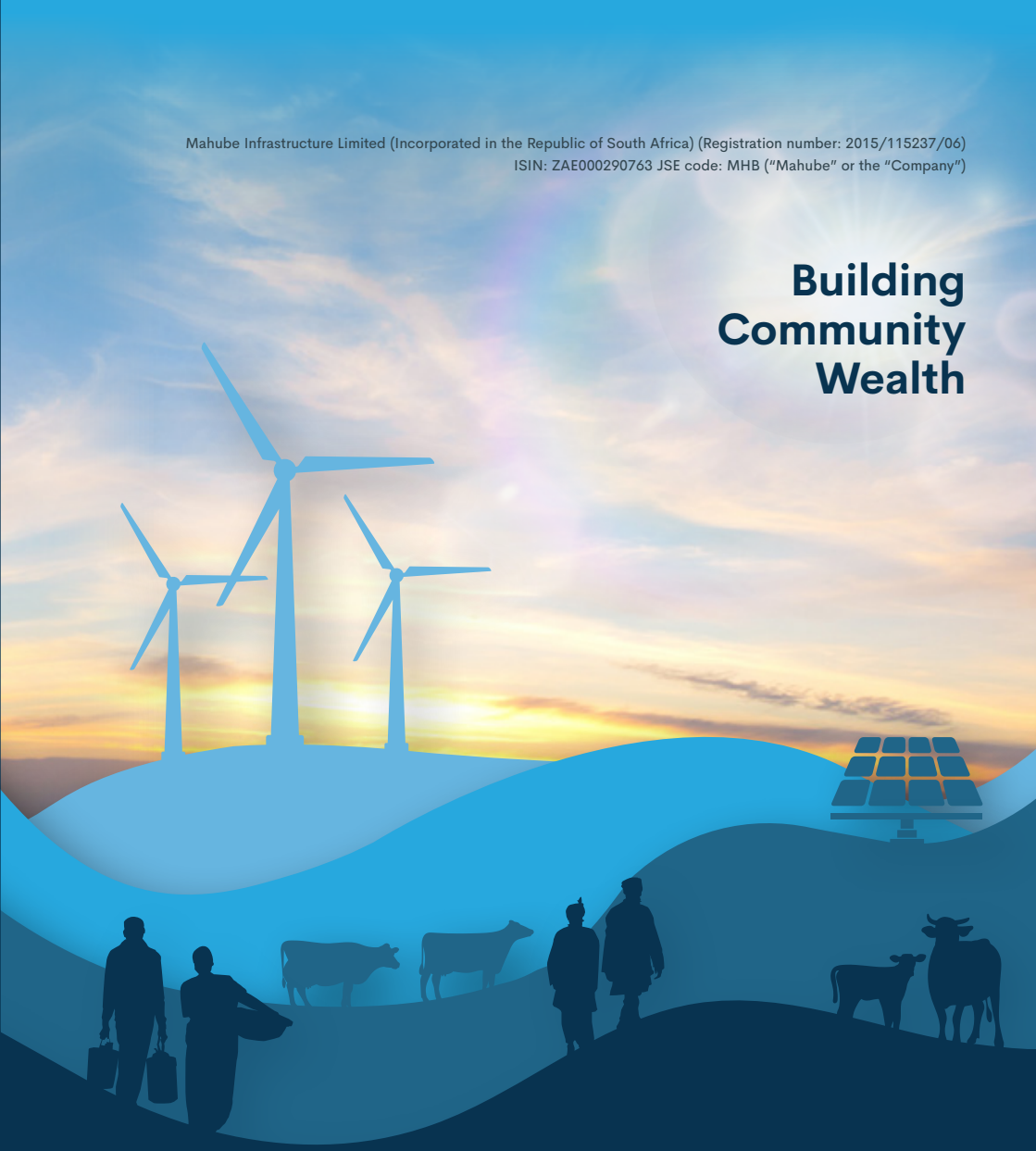
Mahube Infrastructure Limited (Incorporated in the Republic of South Africa) (Registration number: 2015/115237/06)
ISIN: ZAE000290763 JSE code: MHB ("Mahube" or the "Company")

Building Community Wealth



2023

SUMMARISED AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2023

MAHUBE

Salient features

Dividends received down **67.7%** to **R18.0 million** from R55.8 million in the comparative period last year

Total revenue down to a negative **R14.1 million** in comparison to R78.9 million for the comparative period last year

Basic and headline loss per share of **53.7 cents** compared to basic and headline earnings of 118.9 cents per share in comparative period last year

Tangible NAV per share at **R9.91** compared to R11.2 in the comparative period last year

Directors' report

Financial commentary

The total revenue earned by the Company during the year was a negative amount of R14.1 million, as compared to a positive amount of R78.9 million in the prior year.

The dividend income portion of this total revenue was R18.0 million decreasing from R55.8 million in the comparative period in the prior year. This decrease in dividend income is primarily attributable to comparatively lower dividend declared by Mahube Capital Fund, the subsidiary company resulting from:

- dividend income of R51.9 million earned by Mahube Capital Fund during the year being less than the R89.2 million earned in the comparative prior period;
- a decrease in cash available for distribution to equity holders in Mahube Capital Fund, resulting from the payment of R17.8 million towards redeeming some of the A class preference shares pursuant to contractual obligations (R7.5 million during comparative prior year); and
- a decrease in dividends received from its subsidiary company Mahube Infrastructure Investments, resulting from the payment of R11.3 million towards redeeming some of the A class preference shares pursuant to contractual obligations (no redemptions in the comparative prior year).

The negative change in fair value of the financial assets, which has decreased the total revenue by R33.1 million during the year (compared to increase of R22.2 million in comparative period of the prior year) resulted from two factors:

- the adverse change in the forecasted macroeconomic variables that make up the valuation basis; and
- the prudent but adverse revision of long-term assumptions of the amount of electricity generated by one of the wind power plant investments. The trend of wind resources that are below P50 expectation is being experienced across the wind IPP industry in the country.

Operating expenses for the period increased to R15.4 million compared to R12.9 million in the comparative period last year. The increase in expenses is largely attributable to the impact of price inflation, whilst R1.6 million of the expenses is attributable to costs relating to the attempted restructure of the business of the Company.

The tangible net asset value per share of the Company decreased from R11.21 in the comparative period last year to R9.91 in the current period. The decrease is mainly the result of the impact of the dividend declared and paid by the Company after the 2022 year end, as well as the decrease in the fair value of the investments held by the Company.

The Board has resolved not to declare a further final dividend in addition to the 45 cents per share interim dividend.

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.

Gross assets under management:

Investment	Instrument	**Fair value (R million)**	REIPPPP asset	Indirect economic interest	REIPPPP resource
Mahube Capital Fund	Ordinary shares	**R516.8**	Dorper	9.9%	Wind
			Jasper	4.0%	
			Lesedi	5.3%	Solar
			Letsatsi	5.3%	
Mahube Infrastructure Investment	Preference shares	**R126.4**	Noblesfontein	15.4%	Wind
SARGE		**R88.0**		4.25%	
Noblesfontein Educational Trust	Loan	**R6.0**		–	
		R737.2			

Condensed statement of financial position

as at 28 February 2023

	Notes	Audited 28 February 2023 R	Audited 28 February 2022 R
Assets			
Non-current assets		**534 859 262**	567 728 818
Property, plant and equipment		**23 410**	90 438
Lease: Right-of-use assets		**–**	422 934
Financial assets	4	**534 790 787**	567 095 341
Deferred tax		**45 065**	118 105
Current assets		**12 514 185**	52 477 519
Trade and other receivables	5	**10 435 752**	26 316 111
Cash and cash equivalents		**2 043 878**	26 161 408
Tax receivable		**34 555**	–
Total assets		**547 373 447**	620 204 337
Equity and liabilities			
Equity		**546 415 903**	618 489 150
Stated capital	6	**545 851 762**	545 851 762
Retained income		**564 141**	72 637 388
Liabilities			
Non-current liabilities			
Lease liabilities		**–**	–
Current liabilities		**957 544**	1 715 187
Trade and other payables		**957 544**	978 992
Tax payable		**–**	175 114
Lease liabilities		**–**	561 081
Total liabilities		**957 544**	1 715 187
Total equity and liabilities		**547 373 447**	620 204 337

Condensed statement of comprehensive income

for the year ended 28 February 2023

	Notes	**Audited 28 February 2023 R**	Audited 28 February 2022 R
Dividends received		**18 000 000**	55 800 719
Net (loss)/gain from financial assets at fair value through profit or loss	4	**(33 110 621)**	22 161 727
Interest income		**1 052 580**	918 913
(Loss)/revenue from investments		**(14 058 041)**	78 881 359
Other operating expenses	7	**(15 390 558)**	(12 972 858)
Operating (loss)/profit before finance cost and taxation		**(29 448 599)**	65 908 501
Finance costs		**(30 175)**	(116 525)
(Loss)/profit before taxation		**(29 478 774)**	65 791 976
Taxation		**(128 203)**	(199 874)
(Loss)/profit for the year		**(29 606 977)**	65 592 102
Basic and diluted (loss)/earnings per share (cents)	8	**(53.68)**	118.93

Condensed statement of changes in equity

for the year ended 28 February 2023

	Stated capital R	Retained income R	Total equity R
Balance at 1 March 2021	545 851 762	40 135 886	585 987 648
Profit for the year	–	65 592 102	65 592 102
Dividends paid	–	(33 090 600)	(33 090 600)
Balance at 28 February 2022	545 851 762	72 637 388	618 489 150
Loss for the year	**–**	**(29 606 977)**	**(29 606 977)**
Dividends paid	**–**	**(42 466 270)**	**(42 466 270)**
Balance at 28 February 2023	**545 851 762**	**564 141**	**546 415 903**

Condensed statement of cash flows

for the year ended 28 February 2023

	Audited 28 February 2023 R	Audited 28 February 2022 R
Cash flows (used in)/generated from operating activities		
Cash generated from operations	**19 010 235**	52 794 147
Finance costs paid	**(30 175)**	(116 525)
Tax paid	**(264 833)**	(151 135)
Dividends paid	**(42 466 270)**	(33 090 600)
Net cash (used in)/generated from operating activities	**(23 751 043)**	19 435 887
Cash flows generated from investing activities		
Purchase of property, plant and equipment	**(13 640)**	–
Receipts from loan to Noblesfontein Educational Trust	**208 234**	1 122 895
Increase in investment in financial assets	**–**	(105 000)
Net cash generated from investing activities	**194 594**	1 017 895
Cash flows used in financing activities		
Capital payments on lease liabilities	**(561 081)**	(633 146)
Net cash used in financing activities	**(561 081)**	(633 146)
Total cash movement for the year	**(24 117 530)**	19 820 636
Cash at the beginning of the year	**26 161 408**	6 340 772
Total cash at the end of the year	**2 043 878**	26 161 408

Notes to the condensed financial results

for the year ended 28 February 2023

1. Basis of preparation and accounting policies

Basis of preparation

The audited 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 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 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 2022 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.

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.

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.

1. Basis of preparation and accounting policies (continued)

1.1 Significant judgements and sources of estimation uncertainty (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 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 summarised 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.

These summarised provisional financial results have not been audited nor reviewed. The amounts have however, been extracted from the audited financial statements for the year ended 28 February 2023 that were audited independently by the Company's external auditor, BDO South Africa Incorporated. The annual financial statements and the unmodified audit opinion of the independent auditors, which includes the requisite disclosure on key audit matters, is available for inspection at the Company's registered office, or can be requested via e-mail to info@mahube.africa. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the external auditor. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

3. New standards and interpretations

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

4. Financial assets

Financial assets at fair value through profit or loss

	Audited 28 February 2023 R	Audited 28 February 2022 R
Financial assets at fair value through profit or loss		
Mahube Capital Fund 1		
The Company owns 100% ordinary equity interest in Mahube Capital Fund 1.	528 666 488	561 777 109
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.	105 000	105 000
Total	**528 771 488**	561 882 108
Financial assets at amortised cost		
Noblesfontein Educational Trust		
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.		
Payments were received in the current year and management does not expect any losses from non-performance in terms of the loan agreement.		
No expected credit losses were provided for the balance. As per our assessment of the future expected cash flows the balance is recoverable together with the fact that the security in place will be sufficient to cover the balance should there be a default event. There was no change in the credit risk related to this balance.	6 019 299	5 213 232
	534 790 787	567 095 341

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 previous financial period.

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).

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 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.

4. Financial assets (continued)

Valuation of underlying renewable energy investments (continued)

As at 28 February 2023, 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	Solar project the discount rate ranges between 10.73% and 13.19% Wind projects the discount rate ranges between 11.23% and 13.70% (2022: Solar projects 2021 ranges between 7.3% and 12.8%) (2022: Wind projects 2021 ranges between 6.8% and 12.4%)	The swap curve has been applied as the risk free rate over the remaining life of each project. Specific risk premiums included: • 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%. 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.
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.

4. Financial assets (continued)

Valuation of underlying renewable energy 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.

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

	Opening balance R	(Losses)/gains in profit or loss R	Additions R	Total R
2023				
Mahube Capital Fund 1	**561 777 109**	**(33 110 621)**	**–**	**528 666 488**
Mahube Asset Management	**105 000**	**–**	**–**	**105 000**
Total	**561 882 109**	**(33 110 621)**	**–**	**528 771 488**
2022				
Mahube Capital Fund 1	539 615 382	22 161 727	–	561 777 109
Mahube Asset Management	–	–	105 000	105 000
Total	538 615 382	22 161 727	105 000	561 882 109

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

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:

4. Financial assets (continued)

Valuation of underlying renewable energy investments (continued)

Mahube Infrastructure Limited

		Fair value at 28 February R	Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%	Jibar + 1%	Jibar - 1%
Investments	Mahube Capital Fund 1 shares	**528 666 488**	**42 109 319**	**(45 658 698)**	**(66 125 929)**	**79 503 033**	**4 584 422**	**(4 373 496)**

Mahube Capital Fund 1

		Fair value at 28 February R	Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%	Jibar + 1%	Jibar - 1%
Investments	Ordinary shares Renewable Energy G	**516 793 209**	**26 001 357**	**(28 106 384)**	(52 155 504)	49 109 378	1 529 460	(1 529 731)
	A pref SARGE	**53 544 346**	**1 991 537**	**(2 135 820)**	(23 168)	12 654	–	–
	B pref SARGE	**34 451 076**	**2 113 375**	**(2 297 860)**	(5 265 061)	4 871 712	–	–
	C pref Mahube Infrastructure Investment	**126 417 945**	**8 874 271**	**(9 694 369)**	(19 424 777)	19 113 901	1 799 991	(1 497 818)
	Ordinary shares Mahube Infrastructure Investment	**8 171 052**	**(8 598 144)**	**9 358 411**	(2 621 977)	2 650 565	(1 738 055)	1 437 391
Financial liabilities	A pref	**175 796 846**	**–**	**–**	(329)	346	679 105	(727 976)
	B pref	**45 173 113**	**3 128 780**	**(3 424 264)**	(6 444 895)	6 606 497	575 865	(617 970)

Mahube Infrastructure Investment

		Fair value at 28 February R	Discount rate + 1%	Discount rate - 1%	CPI + 1%	CPI - 1%	Jibar + 1%	Jibar - 1%
Investments	A pref SARGE GAIA SPV	**140 838 687**	**–**	**–**	(504 953)	6 373 995	28 816	(2 619)
	A1 pref SARGE GAIA SPV	**129 184 996**	**–**	**–**	(459 042)	4 976 359	26 431	(2 402)
	B pref SARGE GAIA SPV	**16 305 959**	**1 554 626**	**(1 734 513)**	(23 352 015)	13 377 927	62 290	(101 464)
Financial liabilities	A pref	**133 792 344**	**–**	**–**	(264 648)	518 133	(171 026)	140 427
	B pref	**17 820 813**	**1 278 428**	**(1 398 625)**	(2 004 678)	2 445 613	226 611	(186 500)
	C pref	**126 417 960**	**8 874 271**	**(9 694 369)**	(19 424 777)	19 113 901	1 800 007	(1 497 803)

4. Financial assets (continued)

Valuation of underlying renewable energy investments (continued)

Mahube Infrastructure Investment (continued)

Significant observable/unobservable inputs are developed as follows:

Discount rate

Represents the rate used to discount projected levered or unlevered forecast cash flows for an asset to determine their present values. Their discounted present value cash flows are determined as their fair value at reporting date. To value these assets, we have used the free cash flow to equity ("FCFE") as the primary valuation methodology, discounted by a cost of equity rate that is determined with reference to the swap curve, equity risk premium (stage of life) and specific risk premia. We use the stage of life approach to determine the equity risk premium for infrastructure assets. Given that the assets have been in operation for multiple years and have reliably produced predictable levels of energy, we have used an equity premium of 3.0% for solar and 3.5% for wind.

CPI

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

5. Trade and other receivables

Trade and other receivables consist of the following:

	Audited 28 February 2023 R	Audited 28 February 2022 R
Other receivables – dividend receivable	**9 963 240**	635 275
Other receivables – related parties (refer to note 18)	**472 512**	635 276
Total trade and other receivables	**10 435 752**	26 316 111

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

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

6. Stated capital

Authorised

6 000 000 000 ordinary no par value shares.

	Audited 28 February 2023 R	Audited 28 February 2022 R
Issued and fully paid		
55 151 000 no par value shares, net of share issue cost	**545 851 762**	545 851 762

7. Operating expenses

Total operating expenses consist of the following:

	Audited 28 February 2023 R	Audited 28 February 2022 R
Accounting fees	**187 953**	156 663
Audit fees	**168 590**	233 295
Circulars and publications	**729 670**	547 340
Depreciation	**503 602**	677 880
Non-executive directors' fees	**1 273 317**	1 356 523
Employee costs	**6 968 493**	5 746 783
JSE annual fees	**146 617**	141 785
Other expenses	**1 720 066**	764 384
Professional fees	**3 253 385**	2 908 795
Secretarial fees	**438 864**	439 410
Total	**15 390 558**	12 972 858

8. Earnings per share

	Audited 28 February 2023 R	Audited 28 February 2022 R
Basic (loss)/earnings per share (cents per share)	**(53.68)**	118.93

Basic (loss)/earnings per share is based on a (loss)/earnings of (29 606 977) (2022: R65 592 102) and weighted average number of ordinary shares of 55 151 000 (2022: 55 151 000).

8. Earnings per share (continued)

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

9. Related parties

Relationships	
Subsidiary	Mahube Capital Fund 1
Subsidiary	Mahube Asset Management
Subsidiary of Mahube Capital Fund 1	Mahube Infrastructure Investment
Mahube Capital Fund 1 holds 33% interest	Renewable Energy G

	Audited 28 February 2023 R	Audited 28 February 2022 R
Related party balances		
Financial assets at fair value through profit or loss		
Mahube Capital Fund 1	**528 666 488**	561 777 109
Amounts included in trade and other receivables regarding related parties		
Mahube Capital Fund 1*	**9 963 240**	26 040 835
Mahube Infrastructure Investment	**112 412**	275 276
Related party transactions		
Dividends received from related parties		
Mahube Capital Fund 1	**18 000 000**	55 800 719
Investment in Mahube Capital Fund 1		
Net gain/(loss) from financial assets at fair value through profit or loss	**(33 110 621)**	22 161 727

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

10. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

11. Subsequent events

The following changes to the Board occurred subsequent to year end:

- Mr E Mbalo has tendered his resignation as non-executive director and Chairperson of the Board, with effect from 13 March 2023; and
- Mr M Kuscus was appointed as independent non-executive director of the Company with effect from 13 March 2023 and was appointed as Chairperson of the Board with effect from 5 May 2023.

Subsequent to year end a court application was received with Mahube Capital Fund and Mahube Infrastructure Investments being two of the eleven respondents. The application seeks a declaratory order regarding the Mahube entities' entitlement to have a representative exercising voting rights on the Board of one of the project companies. No monetary claim has been made and from a financial perspective our exposure Is limited.

The Board is not aware of any other material events which occurred after the reporting date and up to the date of this report which will affect the financial position of the Company as reflected in these Annual Financial Statements.

On behalf of the Board

P Lewis CA(SA)
Financial Director

31 May 2023

Johannesburg

www.mahube.africa

General information

Country of incorporation and domicile
South Africa

Directors
Gontse Moseneke (Chief Executive Officer)
Petro Lewis (Financial Director)
Martin Kuscus* (Chairman)
Sisanda Tuku*
Mamoso May*
Marion 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