

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



2024

UNAUDITED INTERIM FINANCIAL STATEMENTS

for the six months ended
31 August 2024 and cash
dividend declaration

SALIENT FEATURES

Dividends received decreased to **R13.0 million** in comparison to **R23.0 million** for the comparative period last year

Basic earnings and headline earnings per share up to **67.6 cents per share** compared to **47.8 cents** for the comparative period last year

Tangible NAV per share at **R10.99** compared to **R10.52** as at the February 2024 reporting period

Interim dividend declaration of **20.00 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 1	Ordinary shares	577 855	Noblesfontein	Wind 
	Noblesfontein Education Trust	Loan	1 814		
Mahube Capital Fund 1	Renewable Energy G	Ordinary shares	520 291	Dorper Jasper Lesedi Letsatsi	Solar 
	SARGE A&B pref shares	Preference shares	81 885	Noblesfontein	Wind 
	Mahube Infrastructure Investment 1 ordinary shares		7 195		
	Mahube Infrastructure Investment 1 C-pref share	Preference shares	124 099		
	SARGE GAIA SPV	Preference shares	253 320	Noblesfontein	Wind 

FINANCIAL COMMENTARY

The dividend income earned by the Company during the period under review decreased from R23.0 million to R13.0 million. The higher dividends in the comparative period last year resulted from receipt of a special dividend from two of the solar photovoltaic projects in which Mahube is invested, following the refinancing of these projects.

Dividend income in Mahube Capital Fund 1 was R36 million in the current six month period, of which R13.9 million was utilised for the contractual preference share redemption payments. This is in comparison to the R52.8 million received by Mahube Capital Fund 1 in the comparative period last year, whereby R11.9 million was utilised for the contractual preference share redemption payments.

COMMENTARY (continued)

The positive change in fair value of the financial assets, which has increased the revenue by R31.9 million compared to an increase of R10.3 million in the comparative period last year, resulted mainly from more favourable macro-economic indicators.

Operating expenses for the period increased to R7.7 million compared to R7.0 million in the comparative period last year.

The tangible net asset value per share of the Company increased from R10.52 as at the 29 February 2024 reporting period to R10.99 at 31 August 2024.

Basic and headline earnings per share increased by 41.4% from 47.77 cents in the comparative reporting period last year to 67.58 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 20.00000 cents, has been declared for the six months ended 31 August 2024.

Dividends are subject to Dividends Withholding Tax.

The payment date for the dividend is Monday, 13 January 2025.

- Dividends have been declared from income reserves.
- Local Dividends Withholding Tax rate is 20%.
- The gross dividend amount is 20.00000 cents per ordinary share.
- The net cash dividend amount is therefore 16.0000 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:

	2025
Last day to trade cum the ordinary share dividend	Tuesday, 7 January
Ordinary shares commence trading ex-dividend	Wednesday, 8 January
Ordinary share dividend record date	Friday, 10 January
Payment date of ordinary share dividend	Monday, 13 January

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 January 2025 and Friday, 10 January 2025.

Publication Date: 29 November 2024

INTERIM STATEMENT OF FINANCIAL POSITION

at 31 August 2024

	Notes	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
Assets				
Non-current assets				
Property, plant and equipment		30	14	40
Financial assets	4	579 669	542 829	549 308
Deferred tax		38	45	38
		579 737	542 888	549 386
Current assets				
Trade and other receivables	5	13 771	23 524	27 226
Cash and cash equivalents		13 259	6 846	4 803
Tax receivable		82	148	–
		27 112	30 518	32 029
Total assets		606 849	573 406	581 415
Equity and liabilities				
Equity				
Stated capital	6	545 852	545 852	545 852
Retained income		60 360	26 912	34 121
		606 212	572 764	579 973
Liabilities				
Current liabilities				
Trade and other payables		637	642	1 442
		637	642	1 442
Total liabilities		637	642	1 442
Total equity and liabilities		606 849	573 406	581 415

INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six-month period ended 31 August 2024

		Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
	Notes			
Dividend income		13 000	23 000	50 062
Net fair value gain	4	31 916	10 316	17 168
Interest income		20	10	942
Total revenue		44 936	33 326	68 172
Operating expenses	7	(7 663)	(6 978)	(15 101)
Taxation		(4)	–	(211)
Net profit for the period		37 269	26 348	52 860
Basic and diluted earnings per share (cents)	8	67.58	47.77	95.85

INTERIM STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 31 August 2024

	Stated capital R'000	Retained income R'000	Total equity R'000
Balance at 28 February 2023	545 852	564	546 416
Profit for the period	–	26 348	26 348
Balance at 31 August 2023	545 852	26 912	572 764
Profit for the period	–	26 512	26 512
Dividends paid	–	(19 303)	(19 303)
Balance at 29 February 2024	545 852	34 121	579 973
Profit for the period	–	37 269	37 269
Dividends paid	–	(11 030)	(11 030)
Balance at 31 August 2024	545 852	60 360	606 212

INTERIM STATEMENT OF CASH FLOWS

for the six-month period ended 31 August 2024

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
Cash flows from operating activities			
Cash generated from operations	18 036	2 638	18 683
Tax paid	(106)	(114)	(149)
Dividends paid	(11 030)	–	(19 303)
Net cash generated from/(used in) operating activities	6 900	2 524	(768)
Cash flows from investing activities			
Purchase of property, plant and equipment	–	–	(33)
Receipts from loan to Noblesfontein Educational Trust	1 556	2 278	3 560
Net cash generated investing activities	1 556	2 278	3 527
Total cash movement for the period	8 456	4 802	2 759
Cash at the beginning of the period	4 803	2 044	2 044
Total cash at the end of the period	13 259	6 846	4 803

NOTES TO THE INTERIM FINANCIAL RESULTS

for the six-month period ended 31 August 2024

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 South African financial reporting requirements, 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 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 interim 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 INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (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 1.

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 entirely on the investment portfolio. On this basis Mahube considers itself as a single operating segment, and therefore no entity specific disclosure related to segment reporting was provided.

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (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 1:

- 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 1 also meets the definition of an investment entity as:

- Mahube Capital Fund 1 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 1'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 1'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 INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (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 1 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 1.

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 measures 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 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 financial results were not audited by the Company's external auditors.

3. NEW STANDARDS AND INTERPRETATION

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

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

4. FINANCIAL ASSETS

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
Financial assets at fair value through profit or loss			
Mahube Capital Fund 1			
The Company owns 100% equity interest in Mahube Capital Fund 1.	577 855	538 982	545 834
Mahube Asset Management			
The Company owns 100% equity interest in Mahube Asset Management. This entity was deregistered in the period.	–	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 principle 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.	1 814	3 742	3 369
Total financial assets	579 669	542 829	549 308

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 1 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 1.

The fair value of each underlying investment is first determined and thereafter added together to arrive at the value in Mahube Capital Fund 1.

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

4. FINANCIAL ASSETS (CONTINUED)

INVESTMENT IN MAHUBE CAPITAL FUND 1

Description	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
TOTAL ASSETS	754 514	781 301	757 934
Total financial assets at fair value	733 470	738 098	722 826
Renewable Energy G** (ordinary shares)	520 291	534 600	516 978
SARGE* (preference shares)	81 885	81 954	86 969
Mahube Infrastructure Investment 1** (ordinary shares)	7 195	1 091	1 496
Mahube Infrastructure Investment 1* (preference shares)	124 099	120 453	117 383
Assets measure at amortised cost	21 044	43 203	35 108
TOTAL LIABILITIES	(176 659)	(242 319)	(212 100)
Total financial liabilities at fair value	(163 427)	(216 823)	(182 441)
RMB A preference shares***	(114 432)	(167 191)	(136 899)
RMB B preference shares	(48 995)	(49 632)	(45 542)
Liabilities measured at amortised cost	(13 232)	(25 496)	(29 659)
NET ASSET VALUE OF MAHUBE CAPITAL FUND 1	577 855	538 982	545 834

* The investment in preference shares is measured at the fair value of the preference shares

** The investment in ordinary shares is measured at the net asset value, which equals fair value, of the investment company. See more information below.

*** An amount of R14.0 million was redeemed in the six months period ended 31 August 2024

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

4. FINANCIAL ASSETS (CONTINUED)

MAHUBE CAPITAL FUND 1 INVESTMENT IN MAHUBE INFRASTRUCTURE INVESTMENT 1

Description	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
TOTAL ASSETS	254 426	264 801	251 435
Total financial assets at fair value	253 320	263 399	250 430
A preference shares SARGE GAIA SPV	123 387	131 781	126 074
A1 preference shares SARGE GAIA SPV	112 170	119 801	114 613
B preference shares SARGE GAIA SPV	17 763	11 817	9 743
Assets measure at amortised cost	1 106	1 402	1 005
TOTAL LIABILITIES	(247 231)	(263 710)	(249 939)
Total financial liabilities at fair value	(246 432)	(263 173)	(249 413)
A preference shares*	(106 710)	(127 795)	(117 169)
B preference shares	(15 623)	(14 925)	(14 861)
C preference shares	(124 099)	(120 453)	(117 384)
Liabilities measured at amortised cost	(799)	(537)	(526)
NET ASSET VALUE OF MAHUBE INFRASTRUCTURE INVESTMENT 1	7 195	1 091	1 496

* An amount of R11.3 million was redeemed in the 6 months period ended 31 August 2024.

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

4. FINANCIAL ASSETS (CONTINUED)

MAHUBE CAPITAL FUND 1 INVESTMENT IN RENEWABLE ENERGY G

Description	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
TOTAL FINANCIAL ASSETS AT FAIR VALUE	1 613 586	1 665 535	1 602 603
Investment in Dorper Wind Farm	642 786	652 542	651 859
Investment in Intikon Solar	970 800	1 012 993	950 744
Investment in Oakleaf 83	806 298	764 723	808 939
Investment in Lesedi Solar PV Farm	410 374	416 358	424 952
Investment in Letsatsi Solar PV Farm	395 924	348 365	383 987
Investment in Oakleaf 90	164 502	248 270	141 805
Investment in Jasper Solar PV Farm	164 502	248 270	141 805
OTHER ITEMS MEASURED AT AMORTISED COST	(38 904)	(47 546)	(37 948)
NET ASSET VALUE OF RENEWABLE ENERGY G	1 574 682	1 617 990	1 564 655
MAHUBE CAPITAL FUND 1 INTEREST IN RENEWABLE ENERGY G	520 291	534 600	516 978

MAHUBE CAPITAL FUND 1 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 1.

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 1 INTEREST IN NOBLESFONTEIN WIND FARM

On 19 September 2017, Mahube Capital Fund 1 acquired C Preference Shares in Mahube Infrastructure Investment 1 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.

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

4. FINANCIAL ASSETS (CONTINUED)

FAIR VALUE INFORMATION OF UNDERLYING INVESTMENTS (CONTINUED)

MAHUBE CAPITAL FUND 1 INTEREST IN NOBLESFONTEIN WIND FARM (CONTINUED)

In addition, Mahube Capital Fund 1 entered into funding agreements with SARGE whereby Mahube Capital Fund 1 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 1 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 1 owns 100% of the issued ordinary shares in Mahube Infrastructure Investment 1 for a nominal value of R100.

Mahube Capital Fund 1 obtained funding to facilitate, inter alia, its subscription for the Mahube Infrastructure Investment 1 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 1 Preference Share Subscription Agreement.

VALUATION OF UNDERLYING RENEWABLE INVESTMENTS

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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;

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

4. FINANCIAL ASSETS (CONTINUED)

FAIR VALUE INFORMATION OF UNDERLYING INVESTMENTS (CONTINUED)

VALUATION OF UNDERLYING RENEWABLE INVESTMENTS (CONTINUED)

- 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 1 was also calculated using the discounted cash flow valuation model. The assumptions and inputs used included CPI rate, prime rate, exchange rate depreciation and JIBAR. JIBAR and prime rate are linked, so only prime rate is considered for sensitivity purposes.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the prices that would be received to sell the investments in underlying renewable assets in an orderly transaction between market participants at the measurement date.

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

As at 31 August 2024, the fair value measurement of shares held by the Company in Mahube Capital Fund 1 is categorised into Level 3. The fair value of underlying investments under management in Mahube Capital Fund 1 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.

4. FINANCIAL ASSETS (CONTINUED)

FAIR VALUE INFORMATION OF UNDERLYING INVESTMENTS (CONTINUED)

VALUATION OF UNDERLYING RENEWABLE INVESTMENTS (CONTINUED)

Assumptions		
Discount rate	Solar projects the discount rate ranges between 10.9% and 12.89% (2023: 11.7% and 13.3%) Wind projects the discount rate ranges between 11.5% and 13.4% (2023: 12.2% and 13.8%)	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.

Assumptions		
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.

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

	Opening balance R'000	Gains in profit or loss R'000	Total R'000
Unaudited six months ended 31 August 2024	545 939	31 916	577 855
Unaudited six months ended 31 August 2023	528 771	10 316	539 087
Audited 12 months ended 29 February 2024	528 771	17 167	545 939

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.

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

4. FINANCIAL ASSETS (CONTINUED)

FAIR VALUE INFORMATION OF UNDERLYING INVESTMENTS (CONTINUED)

SENSITIVITY OF FAIR VALUE MEASUREMENT TO CHANGES IN UNOBSERVABLE INPUTS

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably reflect possible alternative assumptions would have the following effects on net assets:

	Fair value at 31 August 2024	Discount rate +1%	Discount rate -1%	CPI +1%	CPI -1%	Exchange Rate +5.00%	Exchange Rate -5.00%	JIBAR +1.00%	JIBAR -1.00%
Mahube Infrastructure Limited									
Investments									
Mahube Capital Fund 1 shares	577 855 106	(37 794 597)	24 464 553	39 189 297	(51 863 365)	(21 107 254)	4 563 660	(41 044 816)	27 862 958
Mahube Capital Fund 1									
Investments									
Ordinary shares Renewable Energy G	520 290 634	(23 097 010)	25 395 278	32 853 115	(30 316 782)	(6 677 223)	6 147 744	(24 405 654)	26 759 280
A Pref SARGE	53 141 715	(1 885 253)	2 009 174	2 896 076	(2 706 015)	–	–	(1 885 253)	2 009 174
B Pref SARGE	28 743 802	(1 498 524)	1 615 179	2 299 143	(2 161 388)	(1 587 682)	1 587 682	(1 498 524)	1 615 179
C Pref Mahube Infrastructure Investment 1	124 099 463	(7 768 944)	8 385 760	11 426 078	(10 709 500)	(5 215 074)	5 237 981	(7 253 643)	7 796 678
Ordinary shares Mahube Infrastructure Investment 1	7 194 692	(822 790)	258 228	1 645 962	(2 053 805)	(1 195 235)	618 059	(1 644 795)	1 177 471
Financial liabilities									
A Pref	114 432 569	(2 272 273)	2 345 875	(12 690)	(10 765)	(107 863)	55 961	(398 586)	397 374
B Pref SARGE	48 994 951	(2 817 970)	3 040 870	4 131 447	(3 885 680)	(1 272 417)	1 159 526	(3 056 787)	3 285 131
Mahube Infrastructure Investment 1									
Investments									
A Pref SARGE GAIA SPV	123 387 382	(5 107 622)	5 461 529	493 812	(469 583)	(371 682)	372 664	531 355	(426 958)
A1 Pref SARGE GAIA SPV	112 170 347	(4 643 293)	4 965 027	448 920	(426 893)	(337 892)	338 785	483 050	(388 144)
B Pref SARGE GAIA SPV	17 762 542	(1 486 428)	1 637 262	13 979 654	(13 071 684)	(6 219 058)	6 221 949	(10 285 559)	10 857 342
Financial liabilities									
A Pref	114 432 569	112 160 295	116 778 444	114 419 879	114 421 803	114 324 706	114 488 530	114 033 983	114 829 942
B Pref	48 994 951	46 176 981	52 035 821	53 126 398	45 109 271	47 722 534	50 154 477	45 938 163	52 280 082
C Pref	120 452 556	120 452 557	120 452 558	120 452 559	120 452 560	120 452 561	120 452 562	120 452 563	120 452 564

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

4. FINANCIAL ASSETS (CONTINUED)

FAIR VALUE INFORMATION OF UNDERLYING INVESTMENTS (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 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.

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
Dividends receivable from subsidiary company	13 000	23 000	27 062
Other receivables	771	524	163
Total	13 771	23 524	27 226

6. STATED CAPITAL

Authorised

6 000 000 000 ordinary no par value shares.

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
Issued and fully paid			
55 151 000 no par value shares, net of share issue cost	545 852	545 852	545 852

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

7. OPERATING EXPENSES

Total operating expenses consist of the following:

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
Circulars and publications	497	527	675
Depreciation	9	10	17
Directors' fees	496	545	1 434
Employee costs	4 019	3 259	7 734
Other expenses	1 080	1 081	2 132
Professional fees	1 354	1 351	2 692
Secretarial fees	208	205	417
Total	7 663	6 978	15 101

8. EARNINGS PER SHARE

In the period under review, earnings per share increased by 41.48% to 67.58 cents per share compared to 47.77 cents per share in the comparative period last year.

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 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
Basic earnings/(loss) per share (cents)	67.58	47.77	95.85

Basic earnings per share was based on earnings of R37 269 093 (R26 348 131) and weighted average number of ordinary shares of 55 151 000 (2023: 55 151 000).

Headline earnings per share is calculated using SAICA Circular 01/2024. The calculation of headline earnings per ordinary share is based on the weighted average of 55 151 000 (2023: 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.

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

8. EARNINGS PER SHARE (CONTINUED)

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.

9. RELATED PARTIES

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

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited 12 months ended 29 February 2024 R'000
Related party balances			
Financial assets at fair value through profit or loss			
Mahube Capital Fund 1	577 855	538 983	545 834
Amounts included in trade receivable regarding related parties			
Mahube Capital Fund 1*	13 000	23 000	27 062
Mahube Infrastructure Investment 1	794	524	163
Related party transactions – dividend income			
Mahube Capital Fund 1	13 000	23 000	50 062

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

NOTES TO THE INTERIM FINANCIAL RESULTS (continued)

for the six-month period ended 31 August 2024

10. GOING CONCERN

The interim 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.

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.

On behalf of the Board

P Lewis

Financial Director

29 November 2024

Johannesburg



www.mahube.africa

General information

Country of incorporation and domicile

South Africa

Directors

GS Moseneke (CEO)

P Lewis (FD)

M Kuscus* (Chairperson)

S Tuku*

M May*

M Shikwinya*

** Independent Non-Executive*

Registered office

3rd Floor, Penthouse 5

4 The High Street

Melrose Arch, 2196

Sponsor

Questco Corporate Advisory (Pty) Ltd

maxx

Bankers

FirstRand Bank Ltd

Auditors

BDO South Africa Incorporated

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Company secretary

Fusion Corporate Secretarial Services (Pty) Ltd

Company registration number

2015/115237/06

Tax reference number

9473/844/17/4