HULISANI LIMITED
Registration number 2015/363903/06
(Incorporated in the Republic of South Africa)
("the Group" or "the Company")
Share code: HUL
ISIN: ZAE000212072

REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2018

INTRODUCTION

In the year end under review Hulisani Limited ("Hulisani") concluded its first investment, the viable acquisition in the form of a 6.67% interest in the Kouga Wind Farm (Pty) Ltd, on 22 March 2017. The transaction resulted in Hulisani ceasing to operate as a Special Acquisition Company ("SPAC"). Since then Hulisani has concluded three additional investments; a convertible loan to Legend Power Solution (Pty) Ltd in April 2017, and equity investments of 66% in RustMo1 Solar Farm (RF) (Pty) Ltd in June 2017 and 25% in GRI Wind Steel SA (Pty) Ltd in July 2017 respectively. The RustMo1 Solar Farm transaction is an acquisition of a controlling stake, which results in a business combination from a financial reporting perspective.

Hulisani is listed on the JSE and trades as an investment holding company.

RESULTS

Hulisani's performance for the year is a consolidated view of the acquired investments. Revenue of R37m for the period under review is reported. The revenue arose from the trading activities of RustMo1 Solar Farm. Operating expenses for the period are R57.7m.

The following table reflects the operating financial results for the year ended 28 February 2018 compared to the corresponding previous financial period:

Summary of Results	Reviewed 2018 R'000	Audited 2017 R'000	Variance R'000	Variance %
Revenue	37,378	-	37,378	100
Operating expenses	(57,699)	(31,734)	(25,965)	(82)
Finance income	10,107	25,726	(15,619)	(61)
Finance costs	(12,298)	(2)	(12,296)	(>100)
Share of losses from associates	(6,492)	-	(6,492)	(>100)
Impairment loss	(60,299)	-	(60,299)	(>100)
Fair value adjustment	(25,055)	-	(25,055)	(>100)
Loss before tax	(113,381)	(6,010)	(107,371)	(>100)

MATERIAL ITEMS

The following items have been identified as items which are material due to the significance of the amount. They have been separately analysed to provide a better understanding of the financial performance of the group.

	Notes	2018 R'000
Impairment loss on net investments from associates	**(a)**	60,299
Fair value loss on financial asset at FVTPL	**(b)**	25,055

(a) Impairment loss

Kouga Wind Farm (Pty) Ltd "Kouga"
The Kouga plant has experienced performance issues during the financial period under review. This emanates from quality issues on certain parts which have negatively impacted the performance of the plant. The carrying amount of the investment has been written down to the recoverable amount of R122m, which was determined by reference to the operations' value in use. An impairment loss of R14m has been recognised in the statement of comprehensive income.

GRI Wind Steel SA (Pty) Ltd "GRI"
GRI is a manufacturing plant, with the initial clientele focus on the Renewable Energy Independent Power Produce Programme (REIPPP), however this programme was put on hold by the Minister of the Department of Energy, which impacted the business plan of GRI, as the demand for the products slowed down. This has had an effect on the financial performance of the company. The carrying amount has been written down to R26m, this recoverable amount references value in use. An impairment loss of R46m has been recognised in the statement of comprehensive income.

(b) Fair value loss

A fair value loss of R25m was recognized in the statement of comprehensive income during the period under review on Legend Power Solution convertible loan. The fair value loss on the convertible loan is driven by lower revenue projections, in comparison to the initial investment projections.

Hulisani Limited is confident that the highlighted valuation losses will reverse in the future as the environment improves in the investments. Furthermore, projections speak to the expected positive changes in the energy space.

PROJECTIONS

The outlook for the South African energy space is looking very positive, with the recent signing of Power Purchase Agreements (PPAs) for Independent Power Producers (IPPs) by the Minister of the Department of Energy (DOE) and Eskom. Given that Hulisani Limited's projects pipeline comprises of a few of the projects with recently signed PPAs, Hulisani Limited could benefit from the signing of the PPAs and enhance it's returns. Hulisani Limited also has a healthy pipeline of secondary opportunities and is in a good position to target the higher yielding ones. Hulisani's current projects pipeline in the secondary market is approximately R2.25bn in the focus projects – this is in relation to operating energy assets within South Africa. Hulisani is assessing various forms of funding to enable the conclusion of the focus projects in the pipeline.

GOING CONCERN

The reviewed condensed consolidated results for the year ended 28 February 2018, have been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations, mainly from dividend receipts from underlying investments, and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

DIRECTORS

The following changes to the board of directors took effect during the period under review:

MH Zilimbola	Resigned as CEO	01 July 2017
ME Raphulu	Appointed as CEO	01 July 2017
M Booysen	Resigned as CFO	01 August 2017
MP Dem	Appointed as CFO	01 July 2017
MF Modau	Appointed as CIO	01 July 2017
MH Zilimbola	Appointed	01 July 2017
B Marx*	Appointed	01 July 2017

* Independent Non-executive

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2018

	Notes	GROUP Reviewed period ended 28-Feb-2018 R'000	COMPANY Audited period ended 28-Feb-2017 R'000
ASSETS			
Non-current assets		**519,658**	**3,106**
Property, plant and equipment	7	133,914	2,756
Intangible assets	8	152,830	-
Investments in associates	5	148,810	-
Financial asset at FVOCI		8,961	
Financial asset at FVTPL	6	75,143	350
Current assets		**64,657**	**498,551**
Cash and cash equivalents		35,517	498,551
Trade and other receivables		29,140	-
TOTAL ASSETS		**584,315**	**501,657**
EQUITY AND LIABILITIES			
Equity		**412,524**	**493,990**
Stated capital		500,000	500,000
Accumulated loss		(122,874)	(6,010)
Non-distributable reserves		773	-
Non-controlling interest		34,625	-
Non-current liabilities		**157,506**	-
Long term borrowings	9	121,692	-
Deferred tax liability		35,814	-
Current liabilities		**14,285**	**7,667**
Trade and other payables		3,722	7,667
Current portion of borrowings	9	10,563	-
TOTAL EQUITY AND LIABILITIES		**584,315**	**501,657**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2018

	Notes	GROUP Reviewed period ended 28-Feb-2018 R'000	COMPANY Audited period ended 28-Feb-2017 R'000
Revenue		37,378	-
Other income		977	-
Operating expenses		(57,699)	(31,734)
Operating loss		**(19,344)**	**(31,734)**
Finance income		10,107	25,726
Finance costs		(12,298)	(2)
Share of losses from associates	5	(6,492)	-
Impairment loss	5	(60,299)	-
Loss before fair value adjustments		**(88,326)**	**6,010**
Fair value loss	6	(25,055)	-
Net loss before tax		**(113,381)**	**(6,010)**
Tax		(2,463)	-
Net loss after tax		**(115,844)**	**(6,010)**
Other comprehensive income		773	-
Total comprehensive loss for the year		**(115,071)**	**(6,010)**
Loss for the year is attributable to:			
Owners of Hulisani Limited		(116,864)	(6,010)
Non-controlling interest		1,020	-
		(115,844)	**(6,010)**
Total comprehensive income for the year is attributable to:			
Owners of Hulisani Limited		(116,091)	(6,010)
Non-controlling interest		1,020	-
		(115,071)	**(6,010)**
Basic and Diluted loss per share (cents)	12	**(234)**	**(13)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2018

	Notes	GROUP Reviewed period ended 28-Feb-2018 R'000	COMPANY Audited period ended 28-Feb-2017 R'000
Cash flows from operating activities			
Cash generated from operations		(30,533)	(23,557)
Interest received		8,000	25,726
Interest paid		(7,895)	(2)
Net Cash inflow/(outflow) from operating activities		(30,428)	2,167
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	**4**	(100,464)	-
Acquisition of investments in associates	**5**	(223,951)	-
Acquisition of financial assets		(108,188)	-
Acquisition of property, plant and equipment	**7**	(629)	(3,266)
Dividends received	**5**	8,350	
Deposit lodged against bank guarantee		-	(350)
Net cash outflow from investing activities		(424,882)	(3,616)
Cash flows from financing activities			
Proceeds from the issue of shares		-	500,000
Repayment of borrowings	**9**	(2,697)	
Dividends paid to non-controlling interests in subsidiaries		(5,027)	-
Net cash inflow/(outflow)from financing activities		(7,724)	500,000
Net increase/(decrease) in cash and cash equivalents		(463,034)	498,551
Opening Cash and cash equivalents		498,551	-
Cash and cash equivalents		**35,517**	**498,551**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2018

	Notes	Stated capital R'000	Accumulated loss R'000	Non-distributable Reserves R'000	Total R'000	Non-controlling interests R'000	Total R'000
Balance at 29 February 2016		-	-	-	-	-	-
Loss for the year			(6,010)		(6,010)	-	(6,010)
Issue of shares		500,000	-	-	500,000	-	500,000
Balance at 28 February 2017		500,000	(6,010)	-	493,990	-	493,990
Arising from Acquisition of subsidiary	**4**	-	-	-	-	38,632	38,632
Profit/(Loss)for the year			(116,864)		(116,864)	1,020	(115,844)
Other comprehensive income				773	773	-	773
Dividends paid						(5,027)	(5,027)
Balance at 28 February 2018		**500,000**	**(122,874)**	**773**	**377,899**	**34,625**	**412,524**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

1. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The purpose of Hulisani Limited ("the Group") is to pursue the acquisition of, and investment in, companies focused on, and operating in, the energy sector and which evidence good potential for growth. The financial position and performance of the Company was affected by the following events and transactions during the year ended to 28 February 2018:

- The Company ceased to operate as a SPAC on 22 March 2017 when it successfully made a viable acquisition in the form of a 6.67% interest in the Kouga Wind Farm (Pty)Ltd, situated in the Eastern Cape. (See Note 5)
- Hulisani Limited acquired 100% of the issued ordinary shares in Momentous Technologies (Pty) Ltd, a holding company that owns a 66% majority stake in RustMo1 Solar Farm (Pty) Ltd "RustMo1"), a solar PV farm in the North-West province for a gross consideration of R120m. (See Note 4)
- The Company acquired 25% stake in GRI Wind Steel South Africa (Pty) Ltd to the value of R82.5m. (See Note 5)
- Hulisani Limited issued a convertible loan to the value of R100m to Legend Power Solution Pty) Ltd ("LPS"). (see Note 6)

2. BASIS OF PRESENTATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA financial reporting guides as issued by the accounting practices committee and financial pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements were prepared under the supervision of the chief financial officer, MP Dem, CA (SA).

The board of directors takes full responsibility for the preparation of the provisional report. The financial information presented has been correctly extracted from the underlying financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

REVIEW REPORT

These condensed consolidated financial statements for the year ended 28 February 2018 have been reviewed by the company’s auditors, PricewaterhouseCoopers Inc., which expressed an unmodified review conclusion. A copy of the auditor’s review report is available for inspection at the company’s registered office together with the financial statements identified in the auditor’s report.

The accounting policies applied in preparing the condensed consolidated financial statements are in terms of IFRS and consistent with those applied in the previous annual financial statements, except for the adoption of new accounting policies as set out below:

- Subsidiaries are all entities (including structured entities) over which the group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the group. The acquisition method of accounting is used to account for business combinations by the group.
- The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.
- Associates are all entities over which the group has significant influence but not control or joint control.
- Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. The group’s share of post-acquisition profits is recognized in profit or loss.
- Revenue is measured at the fair value of the consideration received or receivable. The group recognizes revenue when the amount of revenue can be reliably measured.
- At initial recognition, the group measures a financial asset at its fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.
- Customer contracts acquired in the business combination are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation.
- Development costs acquired in the business combination relate to the development phase of a project in the subsidiary. The costs are recognized as intangible assets on the basis that recognition criteria are met. The development costs intangible asset is recognized at fair value at the acquisition date. The asset is subsequently carried at cost less accumulated amortisation.

- Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving significant estimates or judgements are:

- ***Estimated fair value of financial assets at fair value through profit and loss.***
  Hulisani issued a convertible loan to Legend Power Solutions. The group has elected to classify the financial asset at fair value through profit and loss. The fair value is determined by using the discounted cash flow method by discounting the dividend income. The expected cash flows are discounted using an appropriate discount rate. In determining the recoverable amount, the group made key assumptions on base revenue from plant operations, discount rate and period of operation.

- ***Impairment of investments in associates.***
  The group recognised impairments on its investments in associates, Kouga Wind Farm (Pty) Ltd and GRI Wind Steel SA (Pty) Ltd. The fair value of the investment in Kouga is determined by using the discounted cash flow method. The expected cash flows are discounted using an appropriate discount rate. In determining the expected cash flows, the group made key assumptions on forecasted revenue and discount rate.

- ***Goodwill impairment.***
  The carrying value of goodwill in the group is R44m and arose on acquisition of a majority stake in RustMo1 Solar Farm (Pty) Ltd. RustMo1 is considered to be a separately identifiable cash generating unit. The recoverable amount of goodwill was based on a value in use discounted cash flow method. In determining the recoverable amount, the group made key assumptions on forecasted revenue and the discount rate.

4. ACQUISITION OF SUBSIDIARY

On 1 June 2017, Hulisani Ltd acquired 100% of the issued ordinary shares in Momentous Technologies (Pty) Ltd, a holding company that owns a 66% majority stake in RustMo1 Solar Farm (Pty) Ltd, a solar PV farm in the North-West province for a cash consideration of R120m. RustMo1 is engaged in the development, construction and operation of large scale photovoltaic power generation for electricity in South Africa. The acquisition is part of Hulisani Limited's strategy to invest in energy projects.

The acquired business contributed an incremental revenue of R37m and net profit of R7.4m before non-controlling interest allocation. The revenue is recognised from the acquisition date. Had the acquisition happened at the beginning of the financial period the combined revenue for the group would have been R49.1m and net loss of R114m.

Details of the purchase consideration, net identifiable assets acquired, and goodwill are as follows:

Purchase consideration	**2018** **R'000**
Net Cash paid	119,752
Total net purchase consideration	**119,752**

The assets and liabilities recognized as a result of the acquisition are:

	2018 **R'000**
Property, plant and equipment	137,487
Derivatives financial instruments	229
Intangible assets (Note 8)	113,218
Cash and cash equivalents	19,287
Other current assets	12,270
Long term borrowings	(134,952)
Deferred tax liability	(33,356)
Other current liabilities	(561)
Net identifiable assets acquired	**113,622**
Less: Non-controlling interest	(38,632)
Add: Goodwill (note 10)	44,761
Net Cash consideration to acquire RustMo1	**119,751**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

4. ACQUISITION OF SUBSIDIARY (CONTINUED)

Purchase consideration – cash outflow	**2018** **R'000**
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	119,751
Less: Cash balance acquired	19,287
Net outflow of cash – investing activities	**100,464**

The group has completed its provisional fair value assessment on the assets acquired in the business combination and has recognized goodwill of R44m. The goodwill is mainly attributable to the deferred tax liability recognized on the fair value of intangible assets.

5. INVESTMENTS IN ASSOCIATES

(a) Kouga Wind Farm (Pty) Ltd

On 22 March 2017 Hulisani acquired 100% of issued shares in Red Cap Investments (Pty) ("Red Cap") Ltd and Eurocape Renewables (Pty) Ltd ("Eurocape") for a combined cash consideration of R142m. Red Cap and Eurocape hold 5.46% and 1.21% interest in Kouga Wind Farm (RF) (Pty) Ltd respectively, combined to 6.67%. Red Cap and Eurocape are investment holding companies.

KOUGA WIND FARM (PTY) LTD	**2018** **R'000**
Balance at the beginning of the period	-
Addition	141,450
Impairment loss	(14,314)
Profit attributable to Hulisani Limited	3,526
Dividends received	(8,350)
Balance at the end of the period	**122,312**

Impairment

The Kouga plant has experienced performance issues in the period under review. The carrying amount of the investment has been written down to the recoverable amount of R122m, which was determined by reference to the operations' value in use.

The key inputs to the discounted cash flow model are as follows:

1. Discount rate – 13.5%
2. Base revenue – Base revenue is determined using the PPA tariff inflated at CPI over the term of the PPA. The base revenue in the cash flow projections, year ending 28 February 2018, is R470 million.

5. INVESTMENTS IN ASSOCIATES (CONTINUED)

The model is most sensitive to changes in base revenue and discount rate.

- **i.** If all assumptions remained unchanged, a 5% decrease in base revenue results in a decrease in the recoverable amount, and further impairment of R11m;
- **ii.** If all assumptions remained unchanged, a 1% increase in discount rate results in a decrease in the recoverable amount, and further impairment of R8m.

(b) GRI Wind Steel SA (Pty) Ltd

On 27 July 2017 the Company acquired 50% of the share capital in Pele SPV13 (Pty) Ltd for a cash consideration of R42.5m and issued preference shares of R42.5m to Pele SPV198 (Pty) Ltd. The transaction resulted in an acquisition of a 25% stake in GRI Wind Steel South Africa (Pty) Ltd ("GRI"). Pele SPV198 has an option to acquire 12.5% interest in GRI.

GRI WIND STEEL SA(PTY) LTD	**2018** **R'000**
Balance at the beginning of the period	-
Addition	82,501
Impairment loss	(45,985)
Loss attributable to Hulisani Limited	(10,018)
Balance at the end of the period	**26,498**

Impairment

The GRI is a manufacturing plant, with the initial clientele focus on the Renewable Energy Independent Power Produce Programme (REIPPP), however this programme was put on hold by the Minister of the Department of Energy, which impacted the business plan of GRI, as the demand for the products slowed down. This has had an effect on the financial performance of the company. The carrying amount of the investment has been written down to the recoverable amount of R26m, which was determined by reference to the fair value of individual assets.

The impairment loss of R46m is included in the statement of profit and loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

6. FINANCIAL ASSET AT FVTPL

Hulisani Limited issued a convertible loan to the value of R100m to Legend Power Solution (Pty) Ltd ("LPS"). The loan participates in distributable profits available to LPS shareholders. On maturity the loan will convert to equity in LPS. The loan is classified as a financial investment through profit and loss, with a fair value of R75m at the end of the financial period.

	2018 **R'000**
Balance at the beginning of the period	-
Addition	100,000
Fair value loss*	(24,857)
Balance at the end of the period	**75,143**

*** The balance of the fair value loss as disclosed in the income statement includes R198k which relates to other fair value movements.**

The fair value loss on the Legend Power Solution convertible loan is driven by lower revenue projections, in comparison to the initial investment projections.

The fair value is determined by using the discounted cash flow method by discounting the dividend income.

Refer to Note 11 for further information on valuation inputs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment assets held by Hulisani Ltd increased because of the acquisition of Rustmo1 Solar Farm (Pty) Ltd. (See note 4)

	Land & Buildings R'000	Office Equipment R'000	Fixtures and Fittings R'000	Computer Equipment & Software R'000	Motor Vehicles R'000	Plant & Machinery R'000	Total R'000
Balance at 01 March 2016							
Cost	-	323	2,310	170	-	-	2,803
Accumulated depreciation	-	-	(18)	(29)	-		(47)
Carrying amount at 28 February 2017	**-**	**323**	**2,292**	**141**	**-**	**-**	**2,756**
Year ended 28 February 2018							
Opening carrying amount	-	323	2,292	141	-	-	2,756
Additions	-	49	472	108	-	-	629
Acquisition of subsidiary (Note 4)	2,212	-	2	-	248	135,025	137,487
Depreciation	-	(60)	(416)	(69)	(55)	(6,356)	(6,956)
Balance at 28 February 2018	**2,212**	**312**	**2,349**	**179**	**193**	**128,669**	**133,914**
Cost	2,212	372	2,784	278	248	135,025	140,919
Accumulated depreciation	-	(60)	(435)	(98)	(55)	(6,356)	(7,004)
Carrying Amount at 28 February 2018	**2,212**	**312**	**2,349**	**179**	**194**	**128,669**	**133,914**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

8. INTANGIBLES

The intangible assets held by Hulisani Ltd increased because of the acquisition of RustMo1 Solar Farm (Pty) Ltd. The intangible assets consist of the development costs, customer contract, and goodwill. (See note 4)

	Goodwill R'000	Development costs R'000	Customer contract R'000	Total R'000
Opening carrying amount	-	-	-	-
Additions	44,761			44,761
Acquisition of subsidiary (Note 4)	-	25,029	88,188	113,218
Amortisation	-	(1,140)	(4,009)	(5,149)
Balance at 28 February 2018	**44,761**	**23,889**	**84,179**	**152,830**
Cost	44,761	25,029	88,188	157,979
Accumulated amortisation	-	(1,140)	(4,009)	(5,149)
Carrying Amount at 28 February 2018	**44,761**	**23,889**	**84,179**	**152,830**

9. BORROWINGS

Interest bearing liabilities held by Hulisani Ltd increased primarily because of the acquisition of Rustmo1 Solar Farm (Pty) Ltd.

	2018 R'000
Balance as at 01 March 2017	-
Arising from Acquisition of subsidiary (Note 4)	134,952
Repayments	(2,697)
Balances as at 28 February 2018	**132,255**
Non-current	
IDC loan	60,977
Nedbank loan	60,715
Total non-current interest-bearing debt	**121,692**
Current	
IDC loan	**5,301**
Nedbank loan	**5,262**
Total current interest-bearing debt	**10,563**
Total interest-bearing debt	**132,255**

IDC loan

The IDC loan is secured, bears interest at 11.61% and is payable in semi-annual instalments over a term of 14 years.

9. BORROWINGS (CONTINUED)

Nedbank loan
The Nedbank loan is secured, bears interest at 11.60% and is payable in semi-annual instalments over a term of 14 years.

10. GOODWILL

	2018 R'000
Balance at 01 March 2017	-
Addition	44,761
Balance at 28 February 2018	**44,761**

The goodwill relates to the acquisition of a subsidiary disclosed in Note 4.

Impairment of goodwill
Goodwill has been tested for impairment. The recoverable amount of goodwill was based on a value in use discounted cash flow method. No impairment loss was recognized on goodwill in the period under review.

The key inputs to the discounted cash flow model are as follows:

1. Discount rate – 13.5%
2. Base revenue - Base revenue is determined using the PPA tariff inflated at CPI over the term of the PPA. The base revenue in the cash flow projections, year ending 28 February 2018, is R44.5 million.

11. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENTS

(a) Fair value Hierarchy

The following table presents the group's financial assets measured and recognized at fair value at 28 February 2018:

At 28 February 2018	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets at FVPL				
- Convertible loan	-	-	75,143	75,143
Financial assets at FVOCI				
- Cumulative preference shares	-	-	8,961	8,961
Total assets		**-**	**84,104**	**84,104**

11. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENTS (CONTINUED)

	2018 R'000
Total loss for the period recognised in profit or loss under 'Fair value loss'	(24,857)
Total gains for the period recognised in other comprehensive income under 'Other comprehensive income'	773

(b) Valuation techniques used to determine fair values

The fair value of the convertible loan and preference shares is determined using discounted cash flow method.

(c) Fair value measurements using significant unobservable inputs (level 3)

At 28 February 2018	Convertible loan R'000	Cumulative preference shares R'000	Total R'000
Opening balance 01 March 2017	-	-	-
Acquisitions	100,000	8,188	108,888
Income recognised in other comprehensive income	-	773	773
Gains/(losses) recognised in profit or loss	(24,857)	-	(24,857)
Total assets	**75,143**	**8,961**	**84,104**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

11. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Valuation inputs and relationships to fair value

Description	Fair Value R'000	Unobservable inputs	Actual input	Relationship of unobservable inputs to fair value
Cumulative preference shares	8,961	Discount rate	12.5%	The higher the discount rate the lower the fair value
Convertible loan	75,143	Discount rates	13.20%	The higher the discount rate the lower the fair value
		Base revenue from plant operation	2.3 billion	The higher the base revenue, the higher the fair value
		Period of operation	30 years	The shorter the period, the lower the fair value

(e) Valuation processes

The finance department of the group obtains input from independent valuation experts in performing valuations of financial assets required for financial reporting purposes, including level 3 fair values. The valuations expert communicates directly with the chief financial officer (CFO).

Financial assets are valued by using either the Discounted Cash Flow Method or the Dividend Discount Model. The discount rates used for the valuations are the prevailing market rates at the time of the valuations.

The group conducts valuations twice a year, at the interim financial reporting period and also at the year-end reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

(f) Significant unobservable inputs on convertible loan

The fair value is determined by using the discounted cash flow method by discounting the dividend income.

The key inputs to the discounted cash flow model are as follows:

1. Discount rate – 13.2%
2. Base revenue from plant operation – Base revenue is determined using the PPA tariff for Dedisa and for Avon, inflated at CPI over the term of operation. The base revenue in the cash flow projections of Dedisa and Avon, year ending 28 February 2018, is R2.3 billion.
3. Period of operation - 30 years

The model is most sensitive to changes in base revenue from operations, discount rate and period of operation.

If all assumptions remained unchanged, a 5% decrease in base revenue results in a further reduction in fair value of R14m;

If all assumptions remained unchanged, a 1% increase in discount rate results in a further reduction in fair value of R9m.

If all assumptions remained unchanged, a 5 year reduction in the period of operation results in a further reduction in fair value of R9m.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

12. EARNINGS PER SHARE

The calculation of earnings per share at 28 February 2018 was based on the loss attributable to ordinary shareholders of Hulisani Limited, and a weighted average number of ordinary shares. The calculation is as follows:

	GROUP	COMPANY
	Reviewed 2018 R'000	Audited 2017 R'000
Loss for the year	**(116,864)**	**(6,010)**
Adjustments:	-	-
Listing costs	-	2,365
Loss on disposal of property, plant and equipment	-	413
Impairment loss	60,299	-
Safe custody costs	-	2,633
Headline earnings	**(56,565)**	**(599)**
Number of shares in issue ('000)	50,000	50,000
Weighted numbers of shares ('000)	50,000	44,795
Basic and diluted earnings per share (cents)	(234)	(13)
Basic and diluted headline earnings per share (cents)	(113)	(1)

13. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions

	2018 R'000	2017 R'000
Professional fees (i)	1,611	456
Consulting fees (ii)	4,406	
Management fees (iii)	3,511	
Dividends paid (iv)	2,514	
Subleasing charges	-	994

i. Professional fees of R1.6m were paid for due diligence on investments; R990k to Uniper Energy SA (Pty) Ltd and R621k was to Mothee Consulting respectively. Both entities have relationships with some of the directors of Hulisani Limited.

ii. Consulting fees of R4.4m we paid to GraysMaker Advisory (Pty) Ltd and Marsay (Pty) Ltd. The entities are owned by some of the directors of Hulisani subsidiaries; namely Umhlaba

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

13. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Land Lease (Pty) Ltd for GrayMaker and Optimise Advisory Services (Pty)Ltd for Marsay (Pty) Ltd.

iii. Management fees were paid by RustMo1 Farm (Pty) Ltd to Momentous Operations Services (Pty) Ltd; a director of RustMo1 is a shareholder of Momentous Operations.

iv. Dividends were paid by RusMo1 Farm (Pty) Ltd to Momentous Solar Farm (RF) (Pty) Ltd; a director of RustMo1 is a shareholder of Momentous Solar Farm.

v. The company sub leased office space for a period of eight months from some of the non-executive directors. The lease period terminated on 30 November 2016. The amount shown are market related amounts.

(b) Balances

	2018
	R'000
Loans receivables (i)	416
Other receivables (ii)	5,200

i. The loan amount was granted by Optimise Advisory Services (Pty) Ltd to Gromac Holding (Pty) Limited, an associate of the Group.

ii. An overpayment was made to Nibira (Pty) Ltd for fees due, the amount remains owing to the group at the end of the financial period. Nibira (Pty) Ltd is owned by some of the Directors the directors who are the founding members of Hulisani Limited.

14. DIVIDENDS

There are no dividends declared for the period.

On behalf of the Board
ME Raphulu
Chief Executive Officer

Registered Office:
4th Floor, North Tower, 90 Rivonia Road, Sandton, Gauteng.

Auditors
PricewaterhouseCoopers Inc.

Sponsor
PSG Capital Proprietary Limited

Transfer secretaries:
Computershare Investor Services Proprietary Limited, 70 Marshall Street Johannesburg, 2001

Company secretary
ER Goodman Secretarial Services CC, Houghton Estate Office Park, 2nd Floor, Palm Grove, 2 Osborn Road, Houghton, 2198

Directors:

ME Raphulu (Chief Executive Officer), MF Modau (Chief Investment Officer), MP Dem (Chief Financial Officer), PC Mdoda* (Chairman), A Notshe*, MH Zilimbola*, NP Gosa*, DR Hlatshwayo*, HH Schaaf*#, B Marx*.
* Independent Non-executive # German