

HULISANI LIMITED
Registration number 2015/363903/06

**Consolidated and separate annual financial statements
for the year ended 28 February 2018**

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment in companies operating in the energy sector
Directors	PC Mdoda (Chairman) * ME Raphulu (Chief Executive Officer) MP Dem (Chief Financial Officer) MF Modau (Chief Investment Officer) MH Zilimbola # AV Notshe # NP Gosa * DR Hlatshwayo * HH Schaaf *^ B Marx *
Registered Office	4th Floor North Tower 90 Rivonia Road Sandton 2196
Postal Address	P O Box 784583 Sandton 2146
Auditors	PricewaterhouseCoopers Inc.
Bankers	RMB Corporate Banking
Company registration number	2015/363903/06

* Independent Non-executive

Non-independent Non-executive

^ German

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements of Hulisani Limited, comprising the consolidated and separate statements of financial position at 28 February 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of Hulisani Limited, as identified in the first paragraph, were approved by the board of directors on 31 July 2018 and signed by

A handwritten signature in black ink, appearing to read "M.E. Raphulu".

Chief Executive Officer
M.E. Raphulu

A handwritten signature in black ink, appearing to read "P. C. Mdoda".

Chairman
P. C. Mdoda

PREPARER OF THE FINANCIAL STATEMENTS

Hulisani Limited's financial statements for the period ended 28 February 2018 have been prepared under the supervision of the chief financial officer, Masibulele Dem CA (SA) and audited in compliance with the Companies Act of South Africa.

A handwritten signature in black ink, appearing to read "M.P. Dem".

Chief Financial Officer
M.P. Dem

STATEMENT OF THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby certify that for the year ended 28 February 2018, the Company has filed all such returns and notices as are required by the Companies Act 71 of 2008 and that all such returns and notices appear to be true, correct and up to date.

A handwritten signature in black ink, appearing to be "Y. Van Zweel", written over a horizontal line.

Y. Van Zweel
ER Goodman Secretarial Services (Pty) Ltd
Company Secretary
31 July 2018

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 28 February 2018 which forms part of the annual financial statements of the company.

Nature of the business

Hulisani Ltd. ("the Company") was incorporated on 13 October 2015 as an investment holding company focused on energy projects ranging from coal, gas, solar PV, concentrated solar, wind and hydro, in South Africa and in Sub-Saharan Africa.

Hulisani transitioned from a Special Purpose Acquisition Company ("SPAC") company to a listed company on the Main Board of the JSE on 22 March 2017 when it successfully acquired a viable acquisition in the form of a 6.67% interest in the Kouga Wind Farm, situated in the Eastern Cape. The company is listed and trades as an investment holding company on the Main Board of the JSE.

The purpose of Hulisani Ltd ("the Company") 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:

- 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 R141.4m. 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. (See Note 6)
- 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 5)
- The Company acquired 25% stake in GRI Wind Steel South Africa (Pty) Ltd to the value of R82.5m. (See Note 6)
- Hulisani Limited issued a convertible loan to the value of R100m to Legend Power Solution Pty) Ltd ("LPS"). (see Note 14)

Financial performance

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	GROUP	COMPANY	Variance R'000	Variance %
	Audited 2018 R'000	Audited 2017 R'000		
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	(i)	60,299
Fair value loss on financial asset at FVTPL	(ii)	25,055

(i) Impairment loss

Kouga Wind Farm (Pty) Ltd "Kouga"

The Kouga plant has experienced performance issues with the onsite plant and equipment 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 R27m, this recoverable amount references value in use. An impairment loss of R46m has been recognised in the statement of comprehensive income.

(ii) Fair value loss

A fair value loss of R25m was recognised 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.

Share capital

The authorised and issued share capital of the company remained unchanged during the year under review.

At the reporting date, the shareholders holding more than 5% were:

Government Employees Pension Fund	39%
Eskom Pension and Provident Fund	12%
Alexander Forbes Investment Ltd	9%

External auditors

PricewaterhouseCoopers Inc. was appointed as external auditor of the Company for the 2018 financial year at the Annual General Meeting replacing KPMG.

Business address:
PricewaterhouseCoopers Inc.
4 Lisbon Lane,
Waterfall City,
Jukskei View
2090

Company secretary

ER Goodman Secretarial Services (Pty) Ltd is the company secretary.

Business address:
1st Floor
3 River Road (cnr Boeing W)
Bedfordview

Directors

The board of directors for the year in review comprises of:

PC Mdoda*	Appointed	11 February 2016
NP Gosa*	Appointed	11 February 2016
DR Hlatshayo*	Appointed	11 February 2016
AV Notshe#	Appointed	13 October 2015
HH Schaaf*	Appointed	04 April 2016
MH Zilimbola	Resigned as CEO	01 July 2017
ME Raphulu	Appointed as CEO	01 July 2017
M Booyesen	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

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REPORT OF THE AUDIT AND RISK COMMITTEE

Overview

Hulisani Limited's Audit and Risk Committee is a sub-committee of the Board of Directors and in addition to having specific statutory responsibilities to the shareholders in terms of the Companies Act, it assists the Board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external audit functions and statutory and regulatory compliance of the company.

Composition

The committee consists of three independent non-executive directors. The members are Professor Ben Marx (Chair), Ms Noluthando Gosa and Mr. Harald Schaaf. During the financial year ended 28 February 2018 the audit committee met five times.

Report for the period under review

The Audit and Risk Committee, as required by Section 94 of the Companies Act, submits its report for the 2018 Financial year. The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

The Audit and Risk Committee has discharged the functions in terms of its charter and ascribed to it in terms of the Companies Act as follows:

- Reviewed the 2018 Annual Financial statements, culminating in a recommendation to the Board to adopt them.
- Took appropriate steps to ensure that the financial statements are prepared in accordance with the Listings Requirements of the Johannesburg Stock Exchange (JSE) Limited and proactive monitoring of financials statements, International Financial Reporting Standards and the Companies Act, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates;
- Reviewed the appropriateness of the going concern basis in preparing the Annual Financial Statements;
- Considered and, where appropriate, made recommendations on internal financial controls;
- Verified the independence of the external auditor, PWC Inc., as the auditor for the Company;
- Reviewed the external financial audit report on the Annual Financial Statements;
- Evaluated the effectiveness of the risk management process and controls; and

As required by the JSE Listing Requirements, par 3.84(h), the committee has satisfied itself that the Chief Financial Officer, Masibulele Dem has appropriate experience and expertise. The committee has also satisfied itself regarding the experience, expertise and resources of the finance function which have been significantly strengthened and improved in the year under review.

Comments on key audit matters, addressed by PwC in its external auditor's report

The external auditors have reported on two key audit matters in respect of their 2018 audit, being: Impairment assessment of investment in associates, goodwill and investment in subsidiaries; and Valuation of loan to Legend Power Solution Proprietary Limited.

Both of these key audit matters related to material financial statement line items and require judgement and estimates to be applied by management. The committee assessed the methodology, assumptions and judgements applied by management in dealing with each of the key audit matters. Furthermore, the committee discussed the key audit matters with the external auditors to understand their related audit processes and views. Following our assessment, we were comfortable with the conclusions reached by management and the external auditors.

Looking forward

Hulisani Limited has significantly improved its financial controls and risk management processes in the year under review and is well placed to ensure a strong control environment for the company in which to operate.

Hulisani Limited is committed to building a better future within the energy industry. We have reviewed the expertise, resources and experience of the company's chief financial officer and financial function and are satisfied that these requirements are adequate for the forthcoming.

A handwritten signature in black ink, appearing to be "B. Marx", written over a horizontal line.

Chairman of Audit and Risk Committee
Prof. B. Marx
31 July 2018

Independent auditor's report

To the Shareholders of Hulisani Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hulisani Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Hulisani Limited's consolidated and separate financial statements set out on pages 20 to 77 comprise:

- the consolidated and separate statements of financial position as at 28 February 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

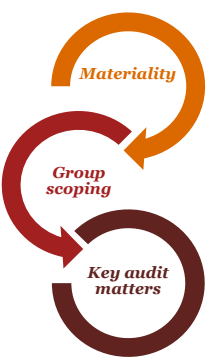
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview

	Overall group materiality <ul style="list-style-type: none"> Overall group materiality: R 5.3 million, which represents 0.9% of consolidated total assets.
	Group audit scope <ul style="list-style-type: none"> The Group comprises of 18 components of which 2 required a full scope audit due to their financial significance and 2 required specified procedures as a result of significant account balances and transactions within these components. The remaining 14 components were financially inconsequential and analytical review procedures were performed on the account balances and transactions.
	Key audit matters <ul style="list-style-type: none"> Impairment assessment of investment in associates, goodwill and investment in subsidiaries. Valuation of loan to Legend Power Solution Proprietary Limited

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall group materiality</i>	R 5.3 million
<i>How we determined it</i>	0.9% of the consolidated total assets
<i>Rationale for the materiality benchmark applied</i>	<p>We chose consolidated total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>We chose 0.9% based on our professional judgement, after</p>

	consideration of the range of quantitative materiality thresholds that we would typically apply when using total assets to compute materiality and taking into account the life cycle of the business and the current operations.
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How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of 18 subsidiaries, associates and joint ventures (referred to as 'components'). We performed full scope audits on 2 components due to their financial significance, specified procedures on 2 components as a result of significant account balances and transactions within these components, and analytical review procedures on the remaining 14 inconsequential components.

In establishing the overall approach to the Group, we determined the extent of the work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms, operating under instruction, in order to issue our audit opinion on the consolidated statements of the Group. Where the work was performed by components auditors, we determined the level of involvement necessary in the audit work of those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion in the Group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of investment in associates, goodwill and investment in subsidiaries</p> <p><i>This key audit matter relates to the consolidated financial statements and the separate financial statements</i></p> <p>As disclosed in note 5 to the financial statements, the Company acquired 100% of the issued ordinary shares in Momentous Technologies Proprietary Limited, a holding company that owns a 66% majority stake in RustMo1 Solar Farm Proprietary Limited, on 1 June 2017. The goodwill of R45 million that was recognised in the consolidated financial statements as a result of this transaction has been allocated to the RustMo1 cash-generating unit (CGU) as indicated in note 3(iv) and note 12 to the financial statements.</p> <p>As disclosed in note 6(a) to the financial statements, the Company acquired 100% of the issued shares in Red Cap Investments Proprietary Limited ("Red Cap") and Eurocape Renewables Proprietary Limited ("Eurocape")</p>	<p>We assessed the financial results of the Company's subsidiaries and Group's associates, paying particular attention to factors that have negatively impacted the operations of the entities, such as difficult trading conditions or issues experienced with onsite plant and equipment. In line with management's assessment, we identified impairment indicators regarding the investments in Kouga Wind Farm Proprietary Limited and GRI Wind Steel South Africa Proprietary Limited.</p> <p>We held discussions with management to gain an understanding of the methodology applied in calculating the recoverable amounts of these investments and the RustMo1 CGU. We found the applied methodology to be in line with generally accepted valuation methodology and the applicable requirements of IAS 36:</p>

on 22 March 2017. Red Cap and Eurocape hold 5.46% and 1.21% interest in Kouga Wind Farm (RF) Proprietary Limited respectively, combined to 6.67%. As disclosed in note 3(i) to the financial statements, Kouga Wind Farm (RF) Proprietary Limited has been accounted for as an associate in the consolidated financial statements.

As disclosed in note 6(b), the Company acquired 50% of the share capital in Pele SPV13 Proprietary Limited for a cash consideration of R41.25 million and subscribed for preference shares in Pele SPV198 Proprietary Limited to the value of R41.25 million. The transaction resulted in an acquisition of a 25% stake in GRI Wind Steel South Africa Proprietary Limited ("GRI") on 27 July 2017.

Assets that are not amortised, such as goodwill, are required to be assessed for impairment annually even if there are no indicators of impairment.

Furthermore, an impairment assessment of non-current assets is required to be performed by management when there is an indication that these assets may be impaired.

As disclosed in note 6 to the financial statements, the Kouga Wind Farm experienced performance issues with onsite plant and equipment which is expected to have a negative impact on cash flows, and the decision of the Minister of Department of Energy to put the Renewable Energy Independent Power Producer Programme on hold affected the financial performance of GRI Wind Steel South Africa Proprietary Limited. Management identified these matters as impairment indicators and therefore performed impairment testing on the investments in associates in addition to performing annual impairment assessments on the CGU to which goodwill has been allocated. The recoverable amounts were determined through value-in-use calculations by using discounted cash flow models.

Based on the results of the impairment assessments, management recognised impairment charges of R 60 million in the consolidated financial statements in respect of the Group's investment in associates. The related disclosure is contained in note 6 to the financial statements.

Management's impairment assessment of goodwill, disclosed in note 12 to the financial statements, indicated that no impairment of goodwill was required.

As disclosed in note 7, the decrease in the value of Kouga Wind Farm (RF) Proprietary Limited and GRI Wind Steel South Africa Proprietary Limited was identified by management as an indicator of impairment to the investments in

Impairment of Assets.

The significant judgement and assumptions used by management in the cash flow models were subjected to the following audit procedures:

- In respect of Kouga Wind Farm (RF) Proprietary Limited's and RustMo1 CGU's revenue, we assessed the reasonableness of management's revenue forecasts through the assessment of the base revenue and subsequent revenue growth:
 - We compared production volumes to current year production volumes and did not find material variances;
 - We compared original energy rates at inception of projects to signed power purchase agreements and we did not find material exceptions;
 - By inspecting the signed power purchase agreements we identified that the energy rates increase with consumer price inflation;
 - We independently recalculated current energy rates by adjusting energy rates at inception of projects with consumer price inflation and compared these to current energy rates and did not find material variances.
 - Subsequent revenue growth was agreed to the targeted consumer price inflation rate range as determined by the South African Reserve Bank.
- In respect of GRI manufacturing revenue, we assessed the reasonableness of management's future forecast of revenue by comparing the unit price to the current and historical results, and forecasted unit sales to the awarded wind projects as per the Renewable Energy Independent Power Producer Programme.
- Long-term discount rates were tested for reasonability, with the assistance of our valuation expertise, by independently calculating the discount rates, taking into account independently obtained data.
- We compared costs to current and historical operational results as well as managements budgets and found the costs included in the model to be reasonable.
- We tested the mathematical accuracy of the valuation models used by

Red Cap, Eurocape, and Pele SPV13 Proprietary Limited (subsidiaries of the Company) and management therefore performed impairment testing on the investment in these subsidiaries in the separate financial statements of the Company. As disclosed in note 7 to the financial statements, impairment of R71 million was recognised by management in this regard.

The impairment assessments were considered a matter of most significance to the current year audit due to the judgement applied by management in the preparation of future cash flow forecasts and the determination of key assumptions, particularly in relation to revenue and the discount rates. The key inputs into the discounted cash flow models are disclosed in notes 6 and 12 to the financial statements.

management by performing independent recalculations. We found no material differences.

- We compared the recoverable amount of the Rustmo1 CGU and found it to exceed its carrying value.

Valuation of loan to Legend Power Solution Proprietary Limited

This key audit matter relates to the consolidated financial statements and the separate financial statements

During the financial year ended 28 February 2018, Hulisani Limited issued a participating convertible loan to the value of R100m to Legend Power Solution Proprietary Limited ("LPS").

The Company and Group have elected to recognise this loan at fair value with gains and losses recognised through profit or loss, as reflected in the statements of comprehensive income.

Management used valuation techniques in determining the fair value of the loan. The valuation required significant judgement to be applied by management in determining the key assumptions underpinning the valuation. These are based on conditions that exist at the end of the reporting period.

The valuation of the loan was a matter of most significance to our current year audit due to the significance of the amount to the consolidated and separate financial statements and the significant judgement applied by management, particularly in relation to revenue, the discount rate and the period of operation.

The disclosures relating to the valuation of the loan are presented in note 14 and note 27 to the financial statements.

We held discussions with management to gain an understanding of the process applied to formulate the value of the loan.

We utilised our valuation expertise to assess the Company's and Group's valuation model. We found this to be in line with generally accepted valuation methodology.

The significant judgements and assumptions used by management in the valuation were subjected to the following audit procedures:

- We assessed the reasonableness of management's revenue forecasts through the assessment of the base revenue and subsequent revenue growth.
- We inspected the signed power purchase agreements and noted that revenue is primarily driven by energy generation capacity provided to LPS' customer.
- We compared the forecasted revenue to current operational results and found it to be consistent.
- Subsequent revenue growth was compared to the targeted consumer price inflation rate range as determined by the South African Reserve Bank and found to be consistent.
- Costs were compared to current and historical operational results and we did not find material differences.
- We assessed the reasonableness of the planned period of operation of the plant by comparing current operating hours of the plant to the total operating hours achieved by similar plants.
- Long-term discount rates were tested for reasonability with the assistance of our valuation expertise by

independently calculating the discount rates, taking into account independently obtained data.

- We tested the mathematical accuracy of the model used by management by performing an independent recalculation. We found no material differences.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Hulisani Limited consolidated and separate annual financial statements for the year ended 28 February 2018* and the information included in the *2018 Hulisani Integrated Report*, which includes the Directors' report, the Report of the audit and risk committee and the Statement of the company secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Hulisani Limited for 1 year.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been

described in note 34 to the financial statements. We concluded and reported to the IRBA that the reportable irregularities were no longer continuing.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Sizwe Masondo
Registered Auditor
4 Lisbon Lane
Waterfall City
Jukskei View
2090
31 July 2018

**THE CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 28
FEBRUARY 2018**

		GROUP	COMPANY	
		2018	2018	2017
	Notes	R'000	R'000	R'000
ASSETS				
Non-current assets		519,658	352,417	3,106
Property, plant and equipment	8	133,914	2,818	2,756
Intangible assets	9	152,830	-	-
Investments in associates	6	148,810	-	-
Investment in subsidiaries	7	-	265,495	-
Financial asset at fair value through other comprehensive income	13	8,961	8,961	-
Financial asset at fair value through profit and loss	14	75,143	75,143	-
Other financial assets		-	-	350
Current assets		64,657	35,320	498,551
Trade and other receivables	11	29,140	25,077	-
Cash and cash equivalents	10	35,517	10,243	498,551
TOTAL ASSETS		584,315	387,737	501,657
EQUITY AND LIABILITIES				
Equity		412,524	386,225	493,990
Stated capital	26	500,000	500,000	500,000
Accumulated loss		(122,874)	(114,548)	(6,010)
Non-distributable reserves		773	773	-
Non-controlling interest	32	34,625	-	-
Non-current liabilities		157,506	-	-
Long term borrowings	16	121,692	-	-
Deferred tax liability	17	35,814	-	-
Current liabilities		14,285	1,512	7,667
Trade and other payables	15	3,722	1,512	7,667
Current portion of borrowings	16	10,563	-	-
TOTAL EQUITY AND LIABILITIES		584,315	387,737	501,657

THE CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2018

		GROUP	COMPANY	
		2018	2018	2017
	Notes	R'000	R'000	R'000
Revenue	18	37,378	10,473	-
Other income		977	1,113	-
Operating expenses	19	(57,699)	(33,654)	(31,734)
Finance income	20	10,107	8,999	25,726
Finance costs	20	(12,298)	-	(2)
Share of losses from associates	6	(6,492)	-	-
Impairment loss	21	(60,299)	(70,612)	-
Loss before fair value adjustments		(88,326)	(83,681)	(6,010)
Fair value loss	14	(25,055)	(24,857)	-
Net loss before tax		(113,381)	(108,538)	(6,010)
Tax	22	(2,463)	-	-
Net loss after tax		(115,844)	(108,538)	(6,010)
Other comprehensive income				
<i>Items that may be reclassified to profit or loss:</i>				
Changes in the fair value of available-for-sale financial assets	13	773	773	-
Total other comprehensive income		773	773	-
Total comprehensive loss for the year		(115,071)	(107,765)	(6,010)
Loss for the year is attributable to:				
Owners of Hulisani Limited		(116,864)	(107,765)	(6,010)
Non-controlling interest		1,020	-	-
		(115,844)	(107,765)	(6,010)
Total comprehensive income for the year is attributable to:				
Owners of Hulisani Limited		(116,091)	(107,765)	(6,010)
Non-controlling interest		1,020	-	-
		(115,071)	(107,765)	(6,010)
Basic and Diluted loss per share (cents)	23	(234)	(217)	(13)

**THE CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR
ENDED 28 FEBRUARY 2018**

GROUP

	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 01 March 2016		-	-	-	-	-	-
Loss for the year			(6,010)		(6,010)	-	(6,010)
Issue of shares	26	500,000	-	-	500,000	-	500,000
Balance at 28 February 2017		500,000	(6,010)	-	493,990	-	493,990
Arising from Acquisition of subsidiary	5	-	-	-	-	38,632	38,632
Profit/(Loss)for the year			(116,864)		(116,864)	1,020	(115,844)
Other comprehensive income	13			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

COMPANY

	Notes	Stated capital R'000	Accumulated loss R'000	Non-distributable Reserves R'000	Total R'000
Balance at 01 March 2016		-	-	-	-
Loss for the year			(6,010)		(6,010)
Issue of shares	26	500,000	-	-	500,000
Balance at 28 February 2017		500,000	(6,010)	-	493,990
Profit/(Loss)for the year			(108,538)		(108,538)
Other comprehensive income	13			773	773
Dividends paid					
Balance at 28 February 2018		500,000	(114,548)	773	386,225

**THE CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
28 FEBRUARY 2018**

		GROUP	COMPANY	
	Notes	2018	2018	2017
		R'000	R'000	R'000
Cash flows from operating activities				
Cash generated from operations	25	(30,533)	(60,777)	(23,557)
Net Cash inflow/(outflow) from operating activities		(30,533)	(60,777)	(23,557)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	5,7	(100,464)	(343,703)	-
Acquisition of investments in associates	6	(223,951)	-	-
Acquisition of financial assets	13,14	(108,188)	(108,188)	-
Acquisition of property, plant and equipment	8	(628)	(605)	(3,266)
Dividends received	6,7,18	8,350	18,073	-
Interest received		8,000	6,892	25,726
Deposit lodged against bank guarantee		-	-	(350)
Net cash outflow from investing activities		(416,881)	(427,531)	22,110
Cash flows from financing activities				
Proceeds from the issue of shares	26	-	-	500,000
Repayment of borrowings	16	(2,697)	-	-
Interest paid		(7,896)	-	(2)
Dividends paid to non-controlling interests in subsidiaries		(5,027)	-	-
Net cash inflow/(outflow) from financing activities		(15,620)	-	499,998
Net increase/(decrease) in cash and cash equivalents		(463,034)	(488,308)	498,551
Opening Cash and cash equivalents		498,551	498,551	-
Cash and cash equivalents		35,517	10,243	498,551

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

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 Special Purpose Acquisition Company ("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 6)
- 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 5)
- On 27 July 2017 the Company acquired 50% of the share capital in Pele SPV13 (Pty) Ltd ("Pele SPV13") for a cash consideration of R41.25m and subscribed for preference shares of R41.25m to Pele SPV198 (Pty) Ltd ("Pele SPV198"). The transaction resulted in an acquisition of a 25% stake in GRI Wind Steel South Africa (Pty) Ltd ("GRI") by Pele SPV13. (See Note 6)
- Hulisani Limited issued a convertible loan to the value of R100m to Legend Power Solution Pty Ltd ("LPS"). (see Note 14)

2. Basis of presentation

2.1. Statement of compliance

The financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The Listings Requirements require financial statements 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.

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis, with the exception of financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

2.3. Functional and presentation currency

The financial statements are presented in South African Rand, which is the functional currency of the company and are rounded to the nearest Rand.

2.4. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.5. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.6. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.7. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

2.7. Property, plant and equipment (continued)

The estimated useful lives for the current year of significant items of property, plant and equipment are as follows:

Office equipment	3 – 6 years
Fixtures and fittings	5 – 10 years
Plant and machinery	5 – 20 years
Computer Equipment and software	2 – 4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.8. Intangible assets

(i) **Goodwill**

Goodwill is measured as described in note 2.11. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) **Customer contracts**

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) **Research and development**

Research expenditure and development expenditure that do not meet the criteria below are recognised as an expense as incurred.

An intangible asset arising from the development of an internal project is recognised when:

- it is technically feasible to complete the asset so that it will be available for use
- management intends to complete the asset and use or sell it
- there is an ability to use or sell it
- it can be demonstrated how the asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available, and
- the expenditure attributable to the asset during its development can be reliably measured.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

2.8. Intangible assets (continued)

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iv) Amortisation

Amortisation is calculated to write off the cost of intangible items using the straight-line basis over their estimated useful lives. Amortisation is generally recognised in profit or loss. The estimated useful lives for the current year of significant items of intangible assets are as follows:

Development fee relating to bid cost	20 years
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Power Purchase Agreements (customer contract)	20 years
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Amortisation methods and useful lives are reviewed at each financial year-end and adjusted if appropriate.

2.9. Investment in subsidiaries

Investments in subsidiaries in the company's records are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

2.10. Principles of consolidation and equity accounting

(i) Acquisition of subsidiaries

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 (refer to note 2.11).

(ii) Investments in associates

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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

2.10. Principles of consolidation and equity accounting (continued)

(iii) Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. The Company's share of equity movements in associates are recognised in other comprehensive income.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the impairment policy.

2.11. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

2.11. Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
 - amount of any non-controlling interest in the acquired entity, and
 - acquisition-date fair value of any previous equity interest in the acquired entity
- over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2.12. Investments and other financial assets

(i) *Classification*

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(ii) *Recognition and derecognition*

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) *Measurement*

At initial recognition, the group measures a financial asset at its fair value, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are included. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

2.12. Investments and other financial assets (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss
- for both monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue.

Interest income from financial assets at fair value through profit or loss is included in the finance income.

Details on how the fair value of financial instruments is determined are disclosed in Note 27(a)

(iv) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

2.12. Investments and other financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.13. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. A deferred tax asset is recognised for unutilised tax losses carried

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

2.13. Income tax (continued)

forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.14. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.14. Trade payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

2.15. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

2.16. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.17. Revenue

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.

2.18. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the operating decision-makers, identified as the group's executive committee. The executive committee reviews the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the group's executive committee which are used to make strategic decisions and are disclosed in note 24.

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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

3. Critical accounting estimates and judgements (continued)

The areas involving significant estimates or judgements are:

(i) *Investment in associates decision.*

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 R141.4m. Red Cap and Eurocape hold 5.46% and 1.21% interest in Kouga Wind Farm (RF) (Pty) Ltd respectively, combined to 6.67%

Hulisani management made a judgement regarding the classification of this acquisition to an investment in associates on the following basis:

- Hulisani has a directorship representation in the board of the investee. The board representation indicates a level of significant influence by Hulisani.

(ii) *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 underlying plant operations, discount rate and period of operation. The loan participates in 9% of distributable profits available to LPS' shareholders. On maturity the loan will convert to 9% of equity in LPS.

(iii) *Impairment of investments in associates.*

The group recognised impairments on its investments in associates, Kouga Wind Farm (Pty) Ltd ("Kouga") and GRI Wind Steel SA (Pty) Ltd ("GRI"). The fair value of the investment in Kouga and GRI 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.

(iv) *Goodwill impairment.*

The carrying value of goodwill in the group is R45m and arose on acquisition of a majority stake in RustMo1 Solar Farm (Pty) Ltd ("RustMo1"). RustMo1 is considered to be a separately identifiable cash generating unit and goodwill has been allocated to this 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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

4. New standards and interpretation

The impact of the following new and/or revised accounting standards, amendments to standards and new interpretations are being reviewed by management and will be implemented as appropriate:

Standard	Effective date	Executive summary
IFRS 9 – Financial Instruments	The standard is effective for year-ends beginning on or after 1 January 2018.	This new standard replaces IAS 39 – Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. It uses a single approach, based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets, to determine whether a financial asset is measured at amortised cost or at fair value. It requires a single impairment method to be used, replacing the numerous impairment methods in IAS 39 that arose from the different classification categories. It also removes the requirement to separate embedded derivatives from financial asset hosts. The standard introduces new requirements for an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income section of the statement of profit or loss and other comprehensive income, rather than within profit or loss. This new standard will impact the classification and measurement of financial assets. The current classification of financial assets as described in 2.12 will be affected. Based on current assessment, Hulisani will classify its loans and receivables as measured at amortised cost. The derivative financial instruments and available-for-sale financial assets are expected to be categorised as measured at fair value. The fair value movements on the available-for-sale financial assets will still be accounted for through other comprehensive income. Hulisani will apply the expected loss model when assessing for impairment of financial assets. Current assessment indicates this impairment model is not expected to increase the impairment of financial assets.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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4. New standards and interpretation (continued)

Number	Effective date	Executive summary
IFRS 15 – Revenue from Contracts with Customers.	The standard is effective for year-ends beginning on or after 1 January 2018.	The new standard deals with revenue transactions, including sales/purchases and electricity sale income/expenditure. Hulisani would be required to disclose information about its contracts with customers, disaggregating information about recognised revenue and information about its performance obligations at the end of the reporting period. Revenue from the sale of electricity at Group and dividend income at Company, which are the main revenue streams, are unlikely to be impacted.
IFRS 16 – Leases	The standard is effective for year-ends beginning on or after 1 January 2019.)	The new standard provides a comprehensive model to identify lease-arrangements and the treatment thereof in the financial statements of both lessees and lessors. Hulisani has no material operating leases which will have to be brought onto the balance sheet in terms of the new standard.
IFRIC 23 – Uncertainty over Income Tax Treatment	The interpretation is effective for year-ends beginning on or after 1 January 2019	This new interpretation standard sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The impact of the interpretation will be assessed and applied to uncertain tax position in future.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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5. Acquisition of subsidiary of subsidiary resulting in business combination

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:

	GROUP 2018 R'000
Purchase consideration	
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 (Note 8)	137,487
Intangible assets (Note 9)	113,218
Cash and cash equivalents	19,288
Other current assets	12,499
Long term borrowings (Note 16)	(134,952)
Deferred tax liability (Note 17)	(33,356)
Other current liabilities	(561)
Net identifiable assets acquired	113,623
Less: Non-controlling interest	(38,632)
Add: Goodwill (note 12)	44,761
Net Cash consideration to acquire RustMo1	119,752

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

5. Acquisition of subsidiary resulting in business combination (continued)

The group has conducted a fair value assessment with the assistance of an independent expert on the assets acquired in the business combination and has recognised goodwill of R45m. The goodwill is mainly attributable to the deferred tax liability recognised on the fair value of intangible assets.

(a) Transaction costs

Transaction costs of R145k in legal fees were incurred and recorded in profit or loss.

(b) Non-controlling interest

The group has chosen to recognize the non-controlling interest at its proportionate share of the identifiable net assets acquired.

(c) Purchase consideration - cash outflow

	GROUP 2018 R'000
Purchase consideration – cash outflow	
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	119,752
Less: Cash balance acquired	(19,288)
Net outflow of cash – investing activities	100,464

6. Investment in associates

The table below provide a summary of the investments the group holds in associates. A detailed breakdown is provided for each investment.

Investments in associates	GROUP 2018 R'000
Balance at the beginning of the period	-
Addition	223,951
Impairment loss	(60,299)
Loss attributable to Hulisani Limited	(6,492)
Dividends received	(8,350)
Balance at the end of the period	148,810

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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6. Investment in associates (continued)

(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 R141.4m. 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.

	GROUP 2018 R'000
Kouga Wind Farm (Pty) Ltd	
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

(i) Identifiable assets

The group has conducted a fair value assessment with the assistance of an independent expert of the assets acquired on acquisition of the associate and has recognised customer contracts of R88m (included within the carrying value of the investment). Customer contracts are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(ii) Impairment

The Kouga plant has experienced performance issues with the onsite plant and equipment in the period under review, which has negatively impacted on expected cash flows. 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 energy rate inflated at CPI over the term of the Power Purchase Agreement. The base revenue in the cash flow projections, year ending 28 February 2019, is R470 million.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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6. Investment 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.

	GROUP 2018 R'000
Summary of Kouga statement of financial position which represents 100%	
Assets	
Non-current assets	1,436,226
Current assets	473,721
Total assets	1,909,947
Equity and liabilities	
Capital and reserves	354,732
Non-current liabilities	1,526,987
Current liabilities	28,228
Total equities and liabilities	1,909,947
Reconciliation to carrying amount:	
Opening net assets on 01 April 2017	378,771
Profit for the period	101,115
Dividends paid	(125,154)
Closing net asset on 28 February 2018	354,732
Hulisani's share of net assets	23,661
Intangible asset arising from acquisition (net of tax)	60,266
Goodwill	52,699
Impairment	(14,314)
Carrying amount at 28 February 2018	122,312
	2018 R'000
Summary of Kouga statement of comprehensive income which represents 100%	
Revenue	418,479
Total operating expenditure	(119,522)
Net finance costs	(162,648)
Taxation	(35,194)
Other Comprehensive income	-
Profit and total comprehensive income for 11 month period	101,115
Profit attributable to Hulisani	6,744
Intangibles arising from acquisition amortised	(3,218)
Hulisani's share of profits of associates	3,526

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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6. Investment in associates (continued)

(b) GRI Wind Steel SA (Pty) Ltd

On 27 July 2017 the Company acquired 50% of the share capital in Pele SPV13 (Pty) Ltd ("Pele SPV13") for a cash consideration of R41.25m and subscribed for preference shares of R41.25m to Pele SPV198 (Pty) Ltd ("Pele SPV198"). The transaction resulted in an acquisition of a 25% stake in GRI Wind Steel South Africa (Pty) Ltd ("GRI") by Pele SPV13. The preference share subscription agreement includes a requirement that Pele SPV198 pledges its shares held in Pele SPV13 to Hulisani until the preference share funding is repaid. Therefore, until such time the preference shares have been repaid risks and rewards associated to Pele SPV198 investment in Pele SPV13 have transferred to Hulisani. In addition, at the end of the reporting period Pele SPV198 has an option to acquire the 50% interest in Pele SPV13 once the preference share funding has been repaid. The value of the option however has been determined to be immaterial.

	GROUP 2018 R'000
GRI Wind Steel SA (Pty) Ltd	
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

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 R27m, which was determined by reference to the operations' value in use.

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

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

1. Discount rate – 18%
2. Base revenue – The base revenue in the cash flow projections, year ending 28 February 2019, is R428 million.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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6. Investment in associates (continued)

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

- i. If all assumptions remained unchanged, a 1% decrease in base revenue results in a decrease in the recoverable amount, and further impairment of R8m;
- ii. If all assumptions remained unchanged, a 1% increase in discount rate results in a decrease in the recoverable amount, and further impairment of R6m.

	GROUP 2018 R'000
Summary of GRI statement of financial position which represents 100%	
Assets	
Non-current assets	334,681
Current assets	43,524
Total assets	378,205
Equity and liabilities	
Capital and reserves	88,999
Non-current liabilities	161,619
Current liabilities	127,587
Total equities and liabilities	378,205
Reconciliation to carrying amount:	
Opening net assets on 01 August 2017	129,070
Profit for the period	(40,071)
Closing net asset on 28 February 2018	88,999
Hulisani's share of net assets	22,250
Goodwill	50,233
Impairment	(45,985)
Carrying amount at 28 February 2018	26,498

	GROUP 2018 R'000
Summary of GRI statement of comprehensive income which represents 100%	
Revenue	61,555
Total operating expenditure	(103,484)
Net finance costs	(13,725)
Taxation	15,583
Other Comprehensive income	-
Profit and total comprehensive income for 7 month period	(40,071)
Loss attributable to Hulisani	(10,018)

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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7. Investment in subsidiaries

	Momentous Technologies (Pty) Ltd R'000	Red Cap Investments (Pty) Ltd R'000	Eurocape Renewables (Pty) Ltd R'000	Pele SPV13 (Pty) Ltd ¹ R'000	Other investments in subsidiaries R'000	Total R'000
Balance at 01 March 2017	-	-	-	-	-	-
Cost/Additions	119,752	115,828	25,622	82,501	4	343,707
Pre-acquisition dividends Accumulated	(3,071)	(3,709)	(820)	-	-	(7,600)
Impairment/impairment	-	(11,963)	(2,646)	(56,003)	-	(70,612)
Balance at 28 February 2018	116,681	100,156	22,156	26,498	4	265,495

¹ A subsidiary of Pele Green (Pty) Ltd, Pele SPV198 (Pty) Ltd entered into an agreement with Hulisani to jointly subscribe for ordinary shares in Pele SPV13 (Pty) Ltd. Hulisani subscribed for cumulative preference shares in Pele SPV198 (Pty) Ltd valued at R41.25m, for the entity's funding of the ordinary shares subscription in Pele SPV13 (Pty) Ltd.

The substance of the transaction is that Pele SPV198's sole purpose is to hold the investment in Pele SPV13, and for the duration of the preference share funding the entity is required to pledge investment in Pele SPV13 to Hulisani, and also required to utilise dividends accruing from the investment in Pele SPV13 to settle the funding. Therefore, the assessment of the transaction indicates that Hulisani has an in substance shareholding percentage of 100% in Pele SPV13. Hulisani is not entitled to appoint all the directors of Pele SPV13, but until the preference shares are repaid, can direct how the non-Hulisani directors make decisions. Therefore Hulisani has power and is exposed to variable returns, which is the dividends from Pele SPV13 (in substance GRI), and can use its power to direct the relevant activities to affect its return.

Impairment

As disclosed in Note 6 to the financial statements, management identified impairment indicators relating to the investments in Kouga Wind Farm (RF) (Pty) Ltd ("Kouga") and GRI SA (Pty) Ltd ("GRI").

Red Cap Investments (Pty) Ltd ("Red Cap") holds 5.46% and Eurocape Renewables (Pty) Ltd ("Eurocape") holds 1.21% interest in Kouga respectively for a combined interest of 6.67%. Kouga is the only significant asset held by Red Cap and Eurocape.

GRI is the only significant asset held by Pele SPV13 (Pty) Ltd.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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7. Investment in subsidiaries (continued)

The decrease in the value of the investments in Kouga and GRI was identified by management as an indicator of impairment to the investments in Red Cap, Eurocape, and Pele SPV13. Management has performed impairment testing on the identified investments and assessed the recoverable amount of the investments held.

The recoverable amount was determined by reference to the fair value of the individual assets (Kouga and GRI) held by these subsidiaries. The carrying amount of investments has been written down to their respective recoverable amounts. Refer to Note 6 for details on the individual recoverable amounts of Kouga and GRI.

8. 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 5)

GROUP							
	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/additions	-	323	2,310	170	-	-	2,803
Accumulated depreciation/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	471	108	-	-	628
Acquisition of subsidiary (Note 5)	2,212	-	2	-	248	135,025	137,487
Depreciation	-	(60)	(416)	(69)	(56)	(6,356)	(6,957)
Balance at 28 February 2018	2,212	312	2,349	180	192	128,669	133,914
Cost	2,212	372	2,783	278	248	135,025	140,918
Accumulated depreciation	-	(60)	(434)	(98)	(56)	(6,356)	(7,004)
Carrying Amount at 28 February 2018	2,212	312	2,349	180	192	128,669	133,914

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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8. Property, plant and equipment (continued)

(i) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
Non-current			
Property, plant and equipment:			
- Land and buildings	2,212	-	-
- Plant and machinery	128,669	-	-
- Other assets	215	-	-
Total non-current assets pledged as security	131,096	-	-
Total assets pledged as security	131,096	-	-

COMPANY				
	Office Equipment R'000	Fixtures and Fittings R'000	Computer Equipment & Software R'000	Total R'000
Balance as at 01 March 2016				
Cost/additions	323	2,310	170	2,803
Accumulated depreciation/depreciation	-	(18)	(29)	(47)
Balance as 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	26	471	108	605
Depreciation	(58)	(416)	(69)	(543)
Balance as at 28 February 2018	291	2,347	180	2,818
Cost	349	2,781	278	3,408
Accumulated depreciation	(58)	(434)	(98)	(590)
Balance as at 28 February 2018	291	2,347	180	2,818

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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9. Intangible assets

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 5)

GROUP					
		Goodwill	Development costs	Customer contract	Total
	Notes	R'000	R'000	R'000	R'000
Opening carrying amount		-	-	-	-
Additions	12	44,761			44,761
Acquisition of subsidiary	5		25,030	88,188	113,218
Amortisation		-	(1,140)	(4,009)	(5,149)
Balance at 28 February 2018		44,761	23,890	84,179	152,830
Cost		44,761	25,030	88,188	157,979
Accumulated amortisation		-	(1,140)	(4,009)	(5,149)
Carrying Amount at 28 February 2018		44,761	23,890	84,179	152,830

(i) Customer contracts

The customer contracts were acquired as part of a business combination (see note 5). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(ii) Development costs

The development costs relate to capitalised bidding costs and were acquired as part of the business combination (see note 5). The asset has a remaining useful life of 15 years and 9 months as at the end of the period under review.

10. Cash and cash equivalents

	GROUP	COMPANY	
	2018	2018	2017
	R'000	R'000	R'000
Cash at bank and in hand	14,056	45	319
Deposit at call	21,461	10,198	-
Escrow account	-	-	498,232
	35,517	10,243	498,551

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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11. Trade and other receivables

	GROUP	COMPANY
	2018	2018
	R'000	R'000
Trade receivables	28,377	19,420
Loans receivables	-	5,612
Other receivables	602	-
Financial assets at amortised cost	28,979	25,032
Prepayments	161	45
	29,140	25,077

(a) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(b) Loan receivables

Loans receivable to the company consist of shareholder loans provided to the subsidiaries of Hulisani, namely, Umhlaba and Optimise. The loan amounts bear interest at prime rate plus 2% and have no repayment period.

(c) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(d) Past due but not impaired

The ageing of trade and related receivables at the reporting date was:

	GROUP	COMPANY
	2018	2018
	R'000	R'000
Current	28,979	24,290
Past due but not yet impaired	-	742
Total	28,979	25,032

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

11. Trade and other receivables (continued)

Trade and other receivables as noted above are continuously assessed for impairment. There is no current indication of any default by any of the receivables at year end. The group assesses the individual circumstances and credit risk of each trade and other receivable and an impairment loss is recognised after the assessment indicates that recoverability is unlikely.

12. Goodwill

	GROUP 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 5.

Impairment of goodwill

Goodwill has been tested for impairment. The total amount of goodwill has been allocated to RustMo1 Solar Farm (Pty) Ltd ("RustMo1") cash generating unit ("CGU"). The recoverable amount of the cash generating unit to which goodwill has been allocated to is based on value in use discounted cash flow method. No impairment loss was recognised on goodwill in the period under review.

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

1. Discount rate – 10.5%
2. Base revenue - Base revenue is determined using the energy rate inflated at CPI over the term of the Power Purchase Agreement. The base revenue in the cash flow projections, year ending 28 February 2019, is R44.5 million.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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13. Financial asset at fair value through other comprehensive income

(a) Ignite preference share

Hulisani Limited has invested in preference share issued by Ignite Energy Projects (Pty) Ltd to the value of R8m.

	GROUP	COMPANY	
	2018	2018	2017
	R'000	R'000	R'000
Balance at 01 March 2017			
Addition	8,188	8,188	-
Fair value gain	773	773	-
	8,961	8,961	-

(i) Classification

Preference share investments are designated as available-for-sale financial asset. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are classified into the available-for-sale category and carried at fair value through other comprehensive income.

(ii) Significant estimates

The fair value of financial instrument is determined using discounted cash flows valuation technique. For details of the key assumptions used and the impact of changes to these assumptions see note 27(a) below.

(iii) Amount recognised in other comprehensive income

During the year, the following gains were recognised in other comprehensive income.

	GROUP	COMPANY	
	2018	2018	2017
	R'000	R'000	R'000
Gains recognised in other comprehensive income	773	773	-
	773	773	-

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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14. Financial asset at fair value through profit and loss

(a) Convertible loan to Legend Power Solution

Hulisani Limited issued a convertible loan to the value of R100m to Legend Power Solution (Pty) Ltd ("LPS"), a company with an underlying investment in Avon and Dedisa Peaking Power. The loan participates in 9% of distributable profits available to LPS shareholders. On maturity the loan will convert to a 9% equity stake in LPS.

	GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
Balance at 01 March 2017			
Addition	100,000	100,000	-
Fair value loss ¹	(24,857)	(24,857)	-
Balance at 28 February 2018	75,143	75,143	-

¹ The balance of the fair value loss as disclosed in the statement of comprehensive income includes R198k which relates to fair value movements on the interest rate swap.

(i) Classification

The loan is classified as a financial asset at fair value through profit and loss.

(ii) Fair value loss and Significant estimates

Refer to Note 27 for further information on valuation inputs. A fair value loss of R25m was recognised 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.

15. Trade and other payables

	GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
Trade payables	962	300	7,657
Other payables	1,406	4	-
Financial liabilities at amortised cost	2,368	304	7,657
VAT	147	-	-
Accrued audit fees	581	581	-
Other accruals	418	419	-
Leave provision	208	208	10
	3,722	1,512	7,667

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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15. Trade and other payables (continued)

Trade payables are unsecured and are paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

16. Long term borrowings

	GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
Balance at 01 March 2017			
Arising from acquisition of subsidiary (Note 5)	134,952	-	-
Repayments	(2,697)	-	-
Balance at 28 February 2018	132,255	-	-
<i>Secured</i>			
Non-current			
IDC loan	60,977	-	-
Nedbank loan	60,715	-	-
Total non-current interest-bearing debt	121,692	-	-
<i>Secured</i>			
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 11.60% and is repayable in semi-annual instalments over a term of 14 years.

Nedbank loan

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

(i) Assets pledged as security

See note 8 for all assets pledged as security

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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16. Long term borrowings (continued)

(ii) Fair value

	GROUP			
	2018	Fair	2017	Fair
	Carrying	value	Carrying	value
	amount	R'000	amount	R'000
	R'000	R'000	R'000	R'000
IDC Loan	66,278	66,278	-	-
Nedbank Loan	65,978	65,978	-	-
	132,255	132,255	-	-

17. Deferred tax

	GROUP	COMPANY	
	2018	2018	2017
	R'000	R'000	R'000
Assessed loss	(30,626)	(8,265)	(1,683)
Accelerated tax depreciation on assets	33,174	-	-
Prepayments	(33)	-	-
Fair value adjustments	4,569	(21,385)	-
Unrecognised deferred tax asset	28,730	29,650	1,683
Total deferred tax liability	35,814	-	-

Unrecognised deferred tax asset

The group is not recognising deferred tax asset in certain subsidiaries because management has assessed the probability of having taxable income in the foreseeable future against which the deferred tax asset will be utilised to be low.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

17. Deferred tax (continued)

Reconciliation of deferred tax liability:

	2018	2018	2017
	R'000	R'000	R'000
Deferred tax liability			
At the beginning of year	-	-	-
Acquisition of a subsidiary (Note 5)	33,356	-	-
Tax loss	(2,834)	(6,582)	(1,683)
Accelerated tax depreciation on assets	(2,628)	-	-
Prepayments	(88)	-	-
Fair value adjustments	(20,188)	(21,385)	-
Borrowings- capitalised transaction costs	1,149	-	-
Unrecognised deferred tax asset	27,047	27,967	1,683
Total deferred tax liability	35,814	-	-

18. Revenue

The following types of revenue are earned:

	2018	2018	2017
	R'000	R'000	R'000
Sales (i)	37,378	-	-
Ordinary shares dividends	-	10,473	-
Total	37,378	10,473	-

- (i) Sales revenue arises from the sale of electricity to Eskom.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

19. Operating expenses

The operating expenses for the year are as follows:

	2018	2018	2017
	R'000	R'000	R'000
Amortisation	5,149		
Audit fees	911	865	-
Consulting fees	12,152	7,137	13,570
Circular costs	-	-	1,476
Depreciation	6,957	543	97
Non-executive directors fees	1,800	1,800	400
Legal fees	4,150	4,150	3,977
Listing fees	227	227	2,365
Loss on disposal of PPE	-	-	413
Management fees	1,299	-	-
O & M contracts	2,398	-	-
Rent expense	1,626	1,626	1,055
Safe custody fees	-	-	2,633
Site service fees	2,281	-	-
Staff cost	8,989	8,989	2,157
Success fees	3,796	3,796	-
Other expenses	5,964	4,521	3,591
	57,699	33,654	31,734

20. Net finance costs

	GROUP	COMPANY	
	2018	2018	2017
	R'000	R'000	R'000
<i>Finance income</i>			
Bank and other cash	8,000	6,892	25,726
Investments	2,107	2,107	-
Finance income	10,107	8,999	25,726
<i>Finance cost</i>			
Interest bearing liabilities and other	(12,298)	-	(2)
Finance cost	(12,298)	-	(2)
Net finance costs	(2,191)	8,999	25,724

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

21. Impairment loss

The impairment loss amount is broken down as follows:

		GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
	Notes			
Investments in associates	6	60,299		-
Investments in subsidiaries	7	-	70,612	-
		60,299	70,612	-

22. Income tax

	2018 R'000	2018 R'000	2017 R'000
Current income tax	5	-	-
Deferred tax	2,458	-	-
Income tax expense	2,463	-	-

The standard tax is reconciled to the effective tax as follows:

Standard tax rate	28%	28%	28%
Profit before tax multiplied by the standard tax rate	(31,747)	(30,390)	(1,683)
Non-deductible expenditure	564	10	-
Losses from associates	1,818	-	-
Capital loss taxed at CGT	4,780	5,345	-
Exempt local dividend	-	(2,932)	-
Deferred tax asset not recognised	27,048	27,967	1,683
Income tax expense	2,463	-	-

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

23. Basic and headline 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. Reconciliation between earnings and headline earnings is as follows:

	GROUP 2018 R'000
Loss for the year	(116,864)
Adjustments:	
Impairment loss	60,299
Headline earnings	(56,565)
Number of shares in issue ('000)	50,000
Weighted numbers of shares ('000)	50,000
Basic and diluted earnings per share (cents)	(234)
Basic and diluted headline earnings per share (cents)	(113)

24. Segment reporting

The group's executive committee, consisting of the chief executive officer, the chief financial officer and the chief investment officer, examines the group's performance both from the nature of investment perspective and has identified the following reportable segments of its business:

- (i) **RustMo1:** This is a material subsidiary of Hulisani.
- (ii) **Kouga:** This is an investment Hulisani has significant influence over.
- (iii) **GRI:** This is an investment Hulisani has significant influence over.
- (iv) **LPS:** Hulisani participates in 9% of the distributable profits of the investee.
- (v) **Other:** The segment represents activities within the holding company.

The executive committee uses dividends received/receivable to assess the performance of the operating segments. Information about the segments' revenue and assets is received by the executive committee on a monthly basis.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

24. Segment reporting (continues)

GROUP						
	RustMo1 2018 R'000	Kouga 2018 R'000	GRI 2018 R'000	LPS 2018 R'000	Other/Eli minations 2018 R'000	Total 2018 R'000
Non-current assets	283,926	122,312	26,498	75,143	11,779	519,658
Property, plant and equipment	131,096	-	-	-	2,818	133,914
Intangible assets	152,830	-	-	-	-	152,830
Equity accounted investments	-	122,312	26,498	-	-	148,810
Financial assets at fair value	-	-	-	75,143	8,961	84,104
Current assets	33,928	-	-	2,107	28,622	64,657
Trade and other receivables	9,610	-	-	2,107	17,423	29,140
Cash and cash equivalents	24,318	-	-	-	11,199	35,517
Total assets	317,854	122,312	26,498	77,250	40,401	584,315
Non-current liabilities	157,506	-	-	-	-	157,506
Long term borrowings	121,692	-	-	-	-	121,692
Deferred tax liability	35,814	-	-	-	-	35,814
Current liabilities	12,219	-	-	-	2,066	14,285
Trade and other payables	1,656	-	-	-	2,066	3,722
Current portion of borrowings	10,563	-	-	-	-	10,563
Total liabilities	169,725	-	-	-	2,066	171,791

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

24. Segment reporting (continues)

GROUP						
	RustMo1	Kouga	GRI	LPS	Other	Total
	2018	2018	2018	2018	2018	2018
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	37,378					37,378
Net profit	7,415	(10,788)	(56,003)	(22,750)	(33,718)	(115,844)
Dividends received	9,758	8,350	-	-	-	18,108
Non- cash items in statement of comprehensive income	-	(14,314)	(45,985)	(24,857)	-	(85,156)
Depreciation and Amortisation	(11,563)	-	-	-	(543)	(12,106)
Finance income	1,085	-	-	2,107	6,915	10,107
Finance costs	(12,298)	-	-	-	-	(12,298)

25. Cash generated from operations

	2018	2018	2017
	R'000	R'000	R'000
Loss for before tax	(113,381)	(108,538)	(6,010)
Adjusted for:			
Depreciation and amortisation	12,106	543	97
Non-cash expenses	1,198	1,198	9
Impairment losses	60,299	70,612	-
Fair value gains/(losses) through profit or loss	25,055	24,857	-
(Profit)/loss on sale of assets	-	-	413
Share of losses from associates and joint ventures	6,492	-	-
Dividend income	-	(10,473)	-
Net finance costs	2,191	(8,999)	(25,724)
(Increase)/decrease in debtors	(17,711)	(22,620)	-
Increase/(decrease) in creditors	(6,782)	(7,357)	7,657
Cash generated from operations	(30,533)	(60,777)	(23,557)

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

26. Stated share capital

GROUP				
	2018 No. of shares '000	2017 No. of shares '000	2018 R'000	2017 R'000
Authorised				
1000 000 000 shares of no par value	1,000,000	1,000,000		
Issued				
50 000 020 shares of no par value	50,000	50,000	500,000	500,000
	50,000	50,000	500,000	500,000
Weighted number of shares	50,000	44,795		
	2018 '000	2017 '000	2018 R'000	2017 R'000
In issue at the beginning of the period	50,000		500,000	-
Issued during the year		50,000	-	500,000
In issue at the end of the period	50,000	50,000	500,000	500,000

(i) Ordinary Shares

At 28 February 2018, the authorised share capital comprised 1 billion no par value shares. The Company has issued share capital of 50 million shares of no par value at an issue price of R10 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

All the shares in issue are fully paid up.

(ii) Dividends

No dividends were declared or paid by the Company.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

27. Financial instruments

The group holds the following financial instruments:

GROUP					
Financial assets	Notes	Available- for-sale R'000	Assets at FVPL R'000	Loans and receivables R'000	Total R'000
2018					
Trade and other receivables	11	-	31	28,948	28,979
Financial asset at fair value through other comprehensive income	13	8,961	-	-	8,961
Financial asset at fair value through profit and loss	14	-	75,143	-	75,143
Cash and cash equivalents	10	-	-	35,517	35,517
		8,961	75,174	64,465	148,600

Financial liabilities	Notes	Liabilities at FVPL R'000	Liabilities at amortised cost R'000	Total R'000
2018				
Trade and other payables	15	-	2,368	2,368
Long term borrowings	16	-	132,255	132,255
		-	134,623	134,623

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

27. Financial instruments (continued)

COMPANY					
Financial assets	Notes	Available- for-sale R'000	Assets at FVPL R'000	Loans and receivables R'000	Total R'000
2018					
Trade and other receivables	11	-	-	25,032	25,032
Financial asset at fair value through other comprehensive income	13	8,961	-	-	8,961
Financial asset at fair value through profit and loss	14	-	75,143	-	75,143
Cash and cash equivalents	10	-	-	10,243	10,243
		8,961	75,143	35,275	119,379
2017					
Guarantee deposit		-	-	350	350
Cash and cash equivalents	10	-	-	498,551	498,551
		-	-	498,901	498,901

Financial liabilities	Notes	Liabilities at FVPL R'000	Liabilities at amortised cost R'000	Total R'000
2018				
Trade and other payables	15	-	304	304
		-	304	304
2017				
Trade and other payables	15	-	7,657	7,657
		-	7,657	7,657

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

27. Financial instruments (continued)

(a) Fair value measurements

(i) Fair value hierarchy

The following table presents the group's financial instruments measured and recognised at fair value at 28 February 2018. The group has classified its financial instruments into the three levels prescribed under the accounting standards.

GROUP					
Financial assets	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2018					
Financial assets at fair value through profit and loss:					
Convertible loan	14	-	-	75,143	75,143
Financial assets at fair value through other comprehensive income:					
Cumulative redeemable preference shares	13	-	-	8,961	8,961
Total financial assets		-	-	84,104	84,104

COMPANY					
Financial assets	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2018					
assets at fair value through profit and loss:					
Convertible loan	14	-	-	75,143	75,143
Financial assets at fair value through other comprehensive income:					
Cumulative redeemable preference shares	13	-	-	8,961	8,961
Total financial assets		-	-	84,104	84,104

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

27. Financial instruments (continued)

(ii) Fair value gains and losses

	GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
Total loss for the period recognised in profit or loss under 'Fair value loss'	(24,857)	(24,857)	-
Total gains for the period recognised in other comprehensive income under 'Other comprehensive income'	773	773	-
	(24,084)	(24,084)	-

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(iii) Valuation techniques used to determine fair values

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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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27. Financial instruments (continued)

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

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

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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

27. Financial instruments (continued)

(v) 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	R2.3 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

(vi) 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).

Cumulative preference shares are valued by using the Discounted Cash Flow Method and the convertible loan uses 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

27. Financial instruments (continued)

(vii) Significant unobservable inputs on convertible loan

The fair value is determined by using the discounted cash flow method by discounting the dividend income. LPS has underlying investment in the Avon and Dedisa open cycle gas/diesel turbine (OCGT) plants. The dividend income is based on the operational results of the Avon and Dedisa plant.

The key inputs to the discounted cash flow model of the underlying operational plants are as follows:

1. Discount rate – 13.2%
2. Base revenue from plant operation – Base revenue is determined using the Power Purchase Agreement capacity rate for Dedisa and for Avon. The base revenue in the cash flow projections of Dedisa and Avon, year ending 28 February 2019, 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.

28. Financial risk management

Financial instruments consist mainly of deposits with banks, loan investments, loans to the subsidiary companies, trade and other receivables, loans from banks, trade and other payables and interest rate swaps. Exposure to interest rate, liquidity and credit risks arises in the normal course of business.

(a) Interest rate risk

Management continuously monitors the group's exposure to interest rate volatility and determines the interest rate policy in this regard. Short-term debtors and creditors are not.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

28. Financial risk management (continued)

exposed to interest rate risk. As a consequence, the entity is exposed to market risk in respect of the fair value of its fixed rate financial instruments.

The group's debt carries fixed interest rates. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure. The interest rate swaps are not designated as cash flow hedges for accounting purposes and thus any changes to the interest rate at the date of reporting would affect profit or loss but, as these gains or losses are not available for distribution, they would be transferred to a fair value reserve.

The interest rate exposure of the group to interest-bearing financial instruments is as follows:

	Nominal values	
	2018	2017
	R'000	R'000
Floating rate instruments		
Effect of interest rate swaps	107,179	-
	107,179	-
Fixed rate instruments		
Financial liabilities	(132,555)	-
Effect of interest rate swaps	107,179	
	(25,076)	

At reporting date, the following interest rate swap agreements were in place:

	Nominal rate	Commence ment date	Maturity	Nominal value	Fair value at 28 February 2018	Fair value at 28 February 2017
				R'000	R'000	R'000
Nedbank Limited	7.19%	30/11/2017	31/05/2018	27,118	956	-
Nedbank Limited	6.94%	31/05/2018	30/11/2018	26,472	878	-
Nedbank Limited	6.95%	30/11/2017	31/05/2018	27,118	(924)	-
Nedbank Limited	6.95%	31/05/2018	30/11/2018	26,472	(879)	-
				107,179	31	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

28. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment as it falls due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet obligations when due. The group manages liquidity risk through an ongoing review of future commitments and expected dividends from underlying project companies.

(i) Maturities of financial liabilities

The following are the contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP						
	0-12 months R'000	1-2 years R'000	2-5 years R'000	Over 5 years R'000	Total contractual cash flows R'000	Carrying Amount R'000
2018						
Trade payables	2,368	-	-	-	2,368	2,368
Long term borrowings	25,537	34,881	94,773	76,115	231,306	132,255
	27,905	34,881	94,773	76,115	233,674	134,623
2017						
Trade payables	7,657	-	-	-	7,657	7,657
	7,657	-	-	-	7,657	7,657
COMPANY						
	0-12 months R'000	1-2 years R'000	2-5 years R'000	Over 5 years R'000	Total contractual cash flows R'000	Carrying Amount R'000
2018						
Trade payables	304	-	-	-	304	304
	304	-	-	-	304	304
2017						
Trade payables	7,657	-	-	-	7,657	7,657
	7,657	-	-	-	7,657	7,657

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

28. Financial risk management (continued)

(ii) Financial commitments

The group has no undrawn borrowing facilities available at the end of the reporting period.

(c) Credit risk

Credit risk arises from the risk that trade receivables may default and result in a loss to the entity.

(i) Risk management

Credit exposure associated with cash and cash equivalents is limited as the group deposits cash with major banks with high quality credit standing.

(ii) Security

Trade receivables are unsecured.

(iii) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
Trade receivables			
<i>Counterparties with external ratings</i>			
CCC+	9,276	-	-
<i>Related parties and key management personnel</i>	5,616	15,234	
<i>Other third parties</i>	13,485	4,186	
	28,377	19,420	-
Loans and other receivables			
<i>Other third parties</i>	602	5,612	-
	602	5,612	
Cash at bank and short-term bank deposits			
BB	11,131	10,243	-
BB+	24,386	-	
	35,517	10,243	

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

28. Financial risk management (continued)

	GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
Financial assets at fair value through other comprehensive income			
<i>Counterparties without external credit ratings</i>	8,961	8,961	
	8,961	8,961	
Financial assets at fair value through profit and loss			
<i>Counterparties without external credit ratings</i>	75,143	75,143	-
	75,143	75,143	

(d) Capital risk management

The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

29. Commitments

(a) Non-cancellable operating leases

Hulisani leased the office under a non-cancellable operating lease expiring in 4 years from the reporting date. The lease terms include an escalation clause with no renewal rights.

	GROUP 2018 R'000	COMPANY 2018 R'000	2017 R'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
- Within one year	1,496	1,496	-
- Later than one year but not later than five years	5,247	5,247	-
	6,743	6,743	-
<i>Rental expense relating to operating leases</i>			
Minimum lease payments	1,626	1,626	1,055
	1,626	1,626	1,055

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

30. Related party transactions and balances

<i>(i)</i>	<i>Relationship to the Group</i>	<i>Entity</i>
	Key management personnel and directors	MH Zilimbola AV Notshe MF Modau HH Schaaf Nibira (Pty) Ltd
	Joint investment in GRI Towers	Pele Green Energy (Pty) Ltd Pele Green SPV 198 (Pty) Ltd
	The shareholder of GraysMaker Advisory (Pty) Ltd is a shareholder and director of Umhlaba Lease Co. (Pty) Ltd, a subsidiary of Hulisani	GraysMaker Advisory (Pty) Ltd
	The shareholder of Marsay (Pty) Ltd is a shareholder and director of Optimise Advisory Solution (Pty) Ltd, a subsidiary of Hulisani	Marsay (Pty) Ltd
	Shareholders of the entities are directors of RustMo1 Solar Farm (RF) (Pty) Ltd	Momentous Operation Services (Pty) Ltd Momentous Solar Farm (RF) (Pty) Ltd
	An associate of Optimise Advisory Solution (Pty) Ltd	Gromac Agricultural Holdings (Pty) Ltd

(ii) Transactions with related parties

		GROUP	COMPANY
		2018	2018
		2017	2017
	Notes	R'000	R'000
Sub leasing charges	(a)	-	994
Professional fees	(b)	1,611	456
Consulting fees	(c)	4,765	-
Management fees	(d)	3,580	-
Dividends paid	(e)	2,514	-

- (a) 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) 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.

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

30. Related party transactions and balances (continued)

- (c) Umhlaba Land Lease Co. (Pty) Ltd and Optimise Advisory Solution (Pty) Ltd used the consulting services of GraysMaker Advisory (Pty) Ltd and Marsay (Pty) Ltd respectively.
- (d) Management fees were paid to Momentous Operations Services (Pty) Ltd.
- (e) Dividends were paid to Momentous Solar Farm (RF) (Pty) Ltd.

(iii) Outstanding balances with other related parties

		GROUP	COMPANY	
		2018	2018	2017
	Notes	R'000	R'000	R'000
Preference shares	(a)	-	41,250	-
Other receivables	(a)	-	6,700	-
Other receivables	(b)	5,201	5,201	-
Loan receivables	(c)	416	5,612	-

- (a) A subsidiary of Pele Green (Pty) Ltd, Pele SPV198 (Pty) Ltd entered into an agreement with Hulisani Limited to jointly subscribe for ordinary shares in Pele SPV13 (Pty) Ltd. Hulisani Limited subscribed for cumulative preference shares in Pele SPV198 (Pty) Ltd for the entity's funding of the ordinary shares subscription in Pele SPV13 (Pty) Ltd. Other receivables are due from Pele Green Energy (Pty) Ltd, a parent company to Pele SPV198 (Pty) Ltd.
- (b) Sponsor fees refundable to Hulisani by Nibira (Pty) Ltd. The payment was rendered invalid and the amount remains owing to the group at the end of the financial period. (See note 34)
- (c) The loan is provided to Umhlaba Land Lease Co. and Optimise Advisory Services (Pty) Ltd subsidiaries of Hulisani, and Gromac Holding (Pty) Limited an associate of the Group.

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

31. Directors' remuneration

Directors' remuneration for the period under review is broken down below:

Executive	Salaries R'000	Bonus R'000	Total R'000
2018			
ME Raphulu ²	2,567	-	2,567
MA Booysen ³	1,177	-	1,177
MF Modau ⁴	1,395	-	1,395
MP Dem ⁵	1,395	-	1,395
	6,534	-	6,534
2017			
MH Zilimbola ¹	20	-	20
ME Raphulu	1,833	-	1,833
MA Booysen	1,151	-	1,151
	3,004	-	3,004
Non-executive [^]		2018 R'000	2017 R'000
PC Mdoda (Chairman)		218	80
NP Gosa		253	80
DR Hlatshwayo		165	80
HH Schaaf ⁶		863	80
B Marx		201	80
MF Modau		100	80
Total⁷		1,800	480

¹ MH Zilimbola was the Chief Executive Officer up to 01 July 2017, when he has appointed a non-executive director. He was paid by Mazi Capital Proprietary Limited and none of his costs were recoverable from Hulisani.

² ME Raphulu was appointed as the Chief Executive Officer with effect from 01 July 2017.

³ Consulting fees are paid to TFT Financial Proprietary Limited who in turn remunerates MA Booysen. MA Booysen resigned as a Chief Financial Officer in 01 August 2017.

⁴ MF Modau was appointed as a Chief Investment Officer, with effect from 01 July 2017.

⁵ MP Dem was appointed as the Chief Financial Officer with effect from 01 July 2017.

⁶ Directors' fees paid to HH Schaaf included fees of R364k earned in relation to the attendance of EXCO meetings.

⁷ AV Notshe and MH Zilimbola were not paid by Hulisani for the financial year under review.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

32. interest in other entities

(a) Material subsidiaries and associates

The group's material subsidiaries at 28 February 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by other		Principal activities
		2018	2017	2018	2017	
Direct subsidiaries						
Umhlaba Land Lease Co. (Pty) Ltd	South Africa	90%	-	10%	-	Property investments
Optimise Advisory Services (Pty) Ltd	South Africa	90%	-	10%	-	Economic development activities
Eurocape Renewables (Pty) Ltd	South Africa	100%	-	-	-	Investment holding - 1.21% of Kouga
Momentous Technologies (Pty) Ltd	South Africa	100%	-	-	-	Investment holding - 66% of RustMo1
Red Cap Investments (Pty) Ltd	South Africa	100%	-	-	-	Investment holding - 5.46% of Kouga
Pele SPV13 (Pty) Ltd	South Africa	100%	-	-	-	Investment holding - 25% of GRI
Indirect subsidiaries						
RustMo1 Solar Farm RF (Pty) Ltd	South Africa	66%	-	34%	-	Energy production
Associates						
GRI Wind Steel SA (Pty) Ltd	South Africa	25%	-	75%	-	Manufacturing
Kouga Wind Farm (Pty) Ltd	South Africa	6.67%	-	93.33%	-	Energy production
Gromac Agricultural Holdings (Pty) Ltd	South Africa	49%	-	51%	-	Agricultural activities

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
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32. Interest in other entities (continued)

(b) Non-controlling interest (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	RustMo1 RF (Pty) Ltd 2018 R'000
Summarised statement of financial position	
Current assets	33,929
Current liabilities	(12,220)
Current net assets	21,709
Non-current assets	154,985
Non-current liabilities	(133,936)
Non-current net assets	21,049
Intangible assets arising from acquisition	60,609
Net assets	103,367
Accumulated NCI	34,145

	RustMo1 RF (Pty) Ltd 2018 R'000
Summarised statement of comprehensive income	
Revenue	37,378
Profit for the period	7,415
Other comprehensive income	-
Total comprehensive income for the 9 month period	7,415
Profits allocated to NCI	2,521
Arising from acquisition	(981)
Dividends paid to NCI	(5,027)

	RustMo1 RF (Pty) Ltd 2018 R'000
Summarised statement of cash flows	
Cash flows from operating activities	22,559
Cash flows from investing activities	(23)
Cash flows from financing activities	(17,482)
Net increase/(decrease) in cash and cash equivalents	5,054

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

33. Events after the reporting period

No material events or circumstances were noted other than disclosed in note 34.

34. Governance matters

(i) Sponsor Reward Agreement

Hulisani entered into a Sponsor Reward Agreement with the founder directors of the company on 29 November 2016 while it operated as a Special Purpose Acquisition Company ("SPAC"), with the express intention for the founder directors to provide a fixed basket of transactions to be considered for investment by the company for reward, based on successful execution of the transactions by the company. The Sponsor Reward Agreement is in the best interests of the company in that it ensured a significant pipeline of projects for the company to consider, post the SPAC period. A payment on this agreement was identified resulting from an error in the application of the required hurdle rate per the agreement. In rectifying this payment, the board subsequently became aware that the agreement had been rendered null and void from inception, in terms of the provisions of the company's act, as the founder directors did not recuse themselves from the meeting where the agreement was discussed. The company will enter into a new agreement once the terms have been clarified as the rationale for the agreement remains. As at year end the fee was refundable to the company and the company has agreed terms of repayment.

(ii) Legend Power Solutions ("LPS") Transaction

The LPS transaction was part of the initial basket of transactions that were submitted by the founding directors on 23 November 2016. The transaction is an exchangeable loan to LPS, a company with an underlying investment in Avon and Dedisa Peaking Power. Management executed the transaction on 7 April 2017 through the payment of R100m, as an exchangeable loan to LPS, through Nibira (Pty) Ltd ("Nibira"), a conduit company. This payment followed the signing of the exchangeable loan agreement between LPS and Nibira, with a view that the exchangeable loan would be ceded to Hulisani. The board of Hulisani has put in place certain governance processes that should be adhered to before concluding any transactions. These processes include the formal approval of the transaction by the board and conclusion of a formal direct agreement between Hulisani and an investee. On review of this transaction, the Hulisani board has noted that the transaction was concluded before finalisation of Hulisani's formal governance processes as the board had not formally approved the transaction and the terms of the transaction. The board has since ratified this transaction. On 18 May 2018 Hulisani, LPS and Nibira entered into an agreement to rectify the exchangeable facility. The legal effect of this agreement was to substitute Hulisani into the place of Nibira in respect of the exchangeable facility.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 28 FEBRUARY 2018**

34. Governance matters (continued)

The appointment of a new chairperson of the Audit Committee and a new CFO in July 2017 as well as the capacitation of the finance and legal teams has enabled the identification of these matters. It has also enabled the strengthening of the governance processes and internal controls to ensure a sound control environment and to prevent such events from occurring in the future.

35. Going concern

The audited 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, and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.