



# 2018

## INTEGRATED REPORT

NURTURING YOUR INVESTMENT IN ENERGY

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A photograph of a person standing on a metal bench at night. The person is wearing a light-colored jacket, a white t-shirt, and light-colored pants. They are holding a vertical pole with their right hand. The background is dark with some streetlights visible. The text "WHO IS HULISANI?" is overlaid on the image in white and blue capital letters. A thick blue vertical bar is positioned to the left of the text.

# WHO IS HULISANI?

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A low-angle, black and white photograph of two wind turbines against a dark, clear sky. The turbines are white, with their blades extending upwards and outwards. The perspective makes the turbines appear to converge towards the top of the frame.

# 01

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## STRATEGIC OVERVIEW

# OUR BUSINESS

Hulisani is an energy investment company listed on the Main Board of the Johannesburg Stock Exchange (JSE).

“SUSTAINABILITY,  
CONSISTENCY  
AND GROWTH  
ARE AT THE  
HEART OF OUR  
BUSINESS”

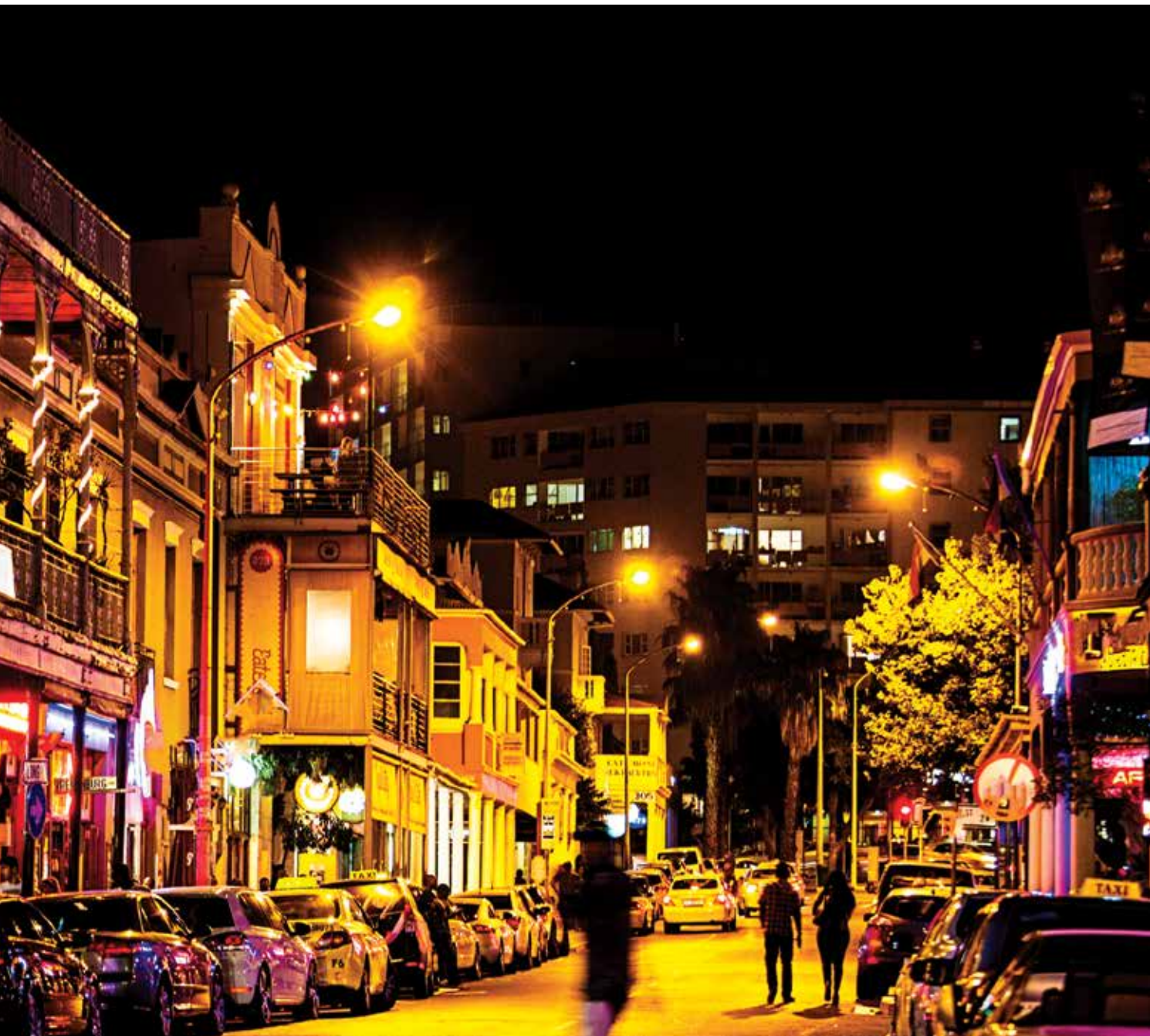
Our objective is to create investment opportunities for retirement funds, asset managers and private investors seeking to participate in long-term, sustainable and profitable ventures in all forms of energy ranging from conventional energy to renewable energy resources.

We are a proudly black-managed company committed to meaningful socio-economic development. True to the meaning of our name (Hulisani means ‘to nurture’ in TshiVenda), we aim to nurture economic benefits for all our stakeholders and help to build an environment for job creation and socio-economic benefits.

This is demonstrated by our choice of investments (and project pipeline) which deliver profitable returns consistently over the long-term and contribute towards the upliftment of the communities where our investments are situated. Sustainability, consistency and growth are at the heart of our business.

Hulisani aims to innovate as a leading long-term energy investor in emerging markets.





## HOW WE CREATE VALUE

Our experienced executive team and Board add value to the companies in which we invest by offering strategic insight and solid African and global investment experience. This allows us to realise the opportunities inherent in the investments as well as to create other organic opportunities that only experience and innovation can unlock. Hulisani partners with reputable and like-minded companies and invests where we believe we

can enhance the asset and there is potential upside. Our targeted long-term net return is in the CPI plus 6% - 8% range which means that, at the time of signing acquisition agreements, we target a return that exceeds inflation by a significant margin. We are actively involved in the management of our portfolio to boost returns and optimise our investments.



## CHARACTERISTICS OF OUR INVESTMENTS

THE ASSETS IN WHICH WE INVEST HAVE THE FOLLOWING CHARACTERISTICS THAT MAKE THEM ATTRACTIVE INVESTMENTS:

01

Stable cash flows and economic insensitivity – due to the contracted nature of the cash flows, we can predict with certainty, the cash-yielding ability of the asset in the long-term.

02

Inflation protection - contracted cash flows in the Power Purchase Agreements (PPAs) have a sovereign guarantee with the ability to increase rates linked to inflation over time.

03

Attractive long-term returns - the services provided by energy and infrastructure assets are essential for the functioning and growth of society.

04

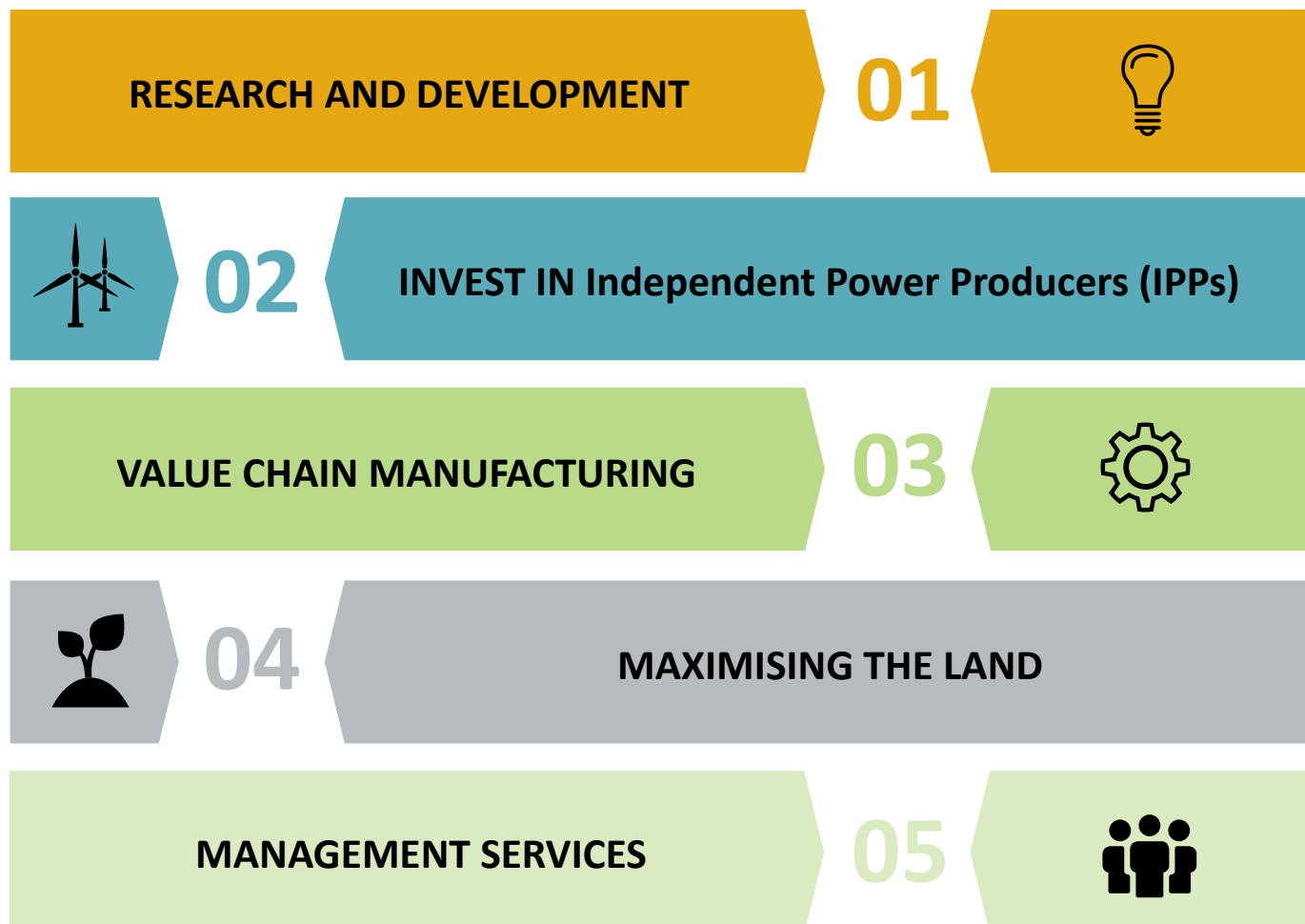
Predictable usage profile - as a result of low-usage volatility, it is easier to predict the use of the asset over its life-span.

05

The assets are insensitive to the economic climate as they are contracted with an inflation-protection mechanism. This leads to a low correlation to other major asset classes, resulting in compelling defensive and diversification benefits.

With a stable cost base, the additional investment in assets translates into greater cash flows available for distribution to shareholders. We offer permanent capital in that our asset holdings are long-term by design, which allows them to produce the real returns for which they are geared. Investment in Hulisani provides a total return through a combination of dividends, gains through optimisation and long-term capital appreciation.

## INVESTMENT PHILOSOPHY AND DIFFERENTIATOR



## INVESTMENT POLICY

Hulisani was established to pursue the acquisition of, and investment in, energy assets located, in the short term, in South Africa and greater Sub-Saharan Africa and thereafter, in the medium to long term, in other emerging markets. These assets include energy generation, distribution and transmission infrastructure and assets in the energy value chain. The main focus is on energy generation IPPs which make up more than 70% of the investment with the other complementary businesses that supply the value chain to enhance the upside and good management of the IPPs.

## INVESTMENT STRATEGY

Currently our focus is in South Africa, where we are establishing and building a reputation for reliability, credibility and innovation. We will only grow into Sub-Saharan Africa once a foundation has been established

and growth is sustainable and sufficiently de-risked. Opportunities range from operating assets to developing those that are ready for bid.

### WE PROTECT OUR INVESTMENTS BY EVALUATING AND MONITORING:

- contractual frameworks
- operational performance
- counterparty risks
- the quality and experience of the management team
- the security of cash flows backed by guarantees
- the return on that investment
- inflation beating ability of cash flows
- socio-economic impact and
- environmental considerations.

We look specifically for investment opportunities in long-term energy resources. One of the key areas in which we invest is Independent Power Producers (IPPs) (both primary and secondary opportunities). Our initial focus has been on secondary opportunities, which are investments in operating assets that have a PPA. These provide stable and predictable cash flows from de-risked projects that have operational performance history and pay a dividend.

Primary investment opportunities, on the other hand, entail partnering with reputable project developers at the bidding stage and at financial close. We invest from the financial close of the asset; however, we do not carry any development risk until the project has received a PPA. The risk during construction is managed through fixed-cost fixed-term construction agreements. The upside is that, because we would have invested in these projects at an earlier stage in their project lifecycle, the yield would be higher. It also means that there has been no need to compete for the assets and reduced yield for investors.

We believe that primary and secondary assets are complementary and that a combination of the two ensures a sufficiently diversified basket with an attractive yield. Our investments are typically in projects that have a guarantee mechanism behind them to ensure payment. In the case of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), there is ultimately a sovereign guarantee that ensures payment. Furthermore, our projects are aligned to the Consumer Price Index (CPI), meaning that returns are automatically adjusted by the prevailing CPI, thus ensuring that real returns are not impacted by inflation. The assets in Hulisani provide investors with an opportunity to invest in an asset class that gives sustainable, long-term, real returns.

### HULISANI'S INVESTMENT APPROACH

Our investments are expected to provide long-term net returns that significantly exceed inflation at the time of signing of that particular acquisition agreement. We look for solid operational performance and investment opportunities in long-term energy resources. Hulisani is involved in active management to enhance returns and to further optimise investments.



# BANKABILITY OF (RE)IPPP PROJECTS

## IS SECURED THROUGH THE TERMS OF FOUR NON-NEGOTIABLE AGREEMENTS.

### Power Purchase Agreement (PPA)

Eskom enters into a PPA with the IPPs selected as preferred bidders, securing an off-take agreement.

### Government Framework Support Agreement (GFSA)

The GFSA is signed between Eskom and Government setting the terms of support and interfacing.

### Direct Agreement (DA)

The IPPs enter into the DA with lenders to secure project financing.

### Implementation Agreement (IA)

IPPs and Government enter into an IA confirming bid commitments and confirming Government's support for Eskom's payment obligations.

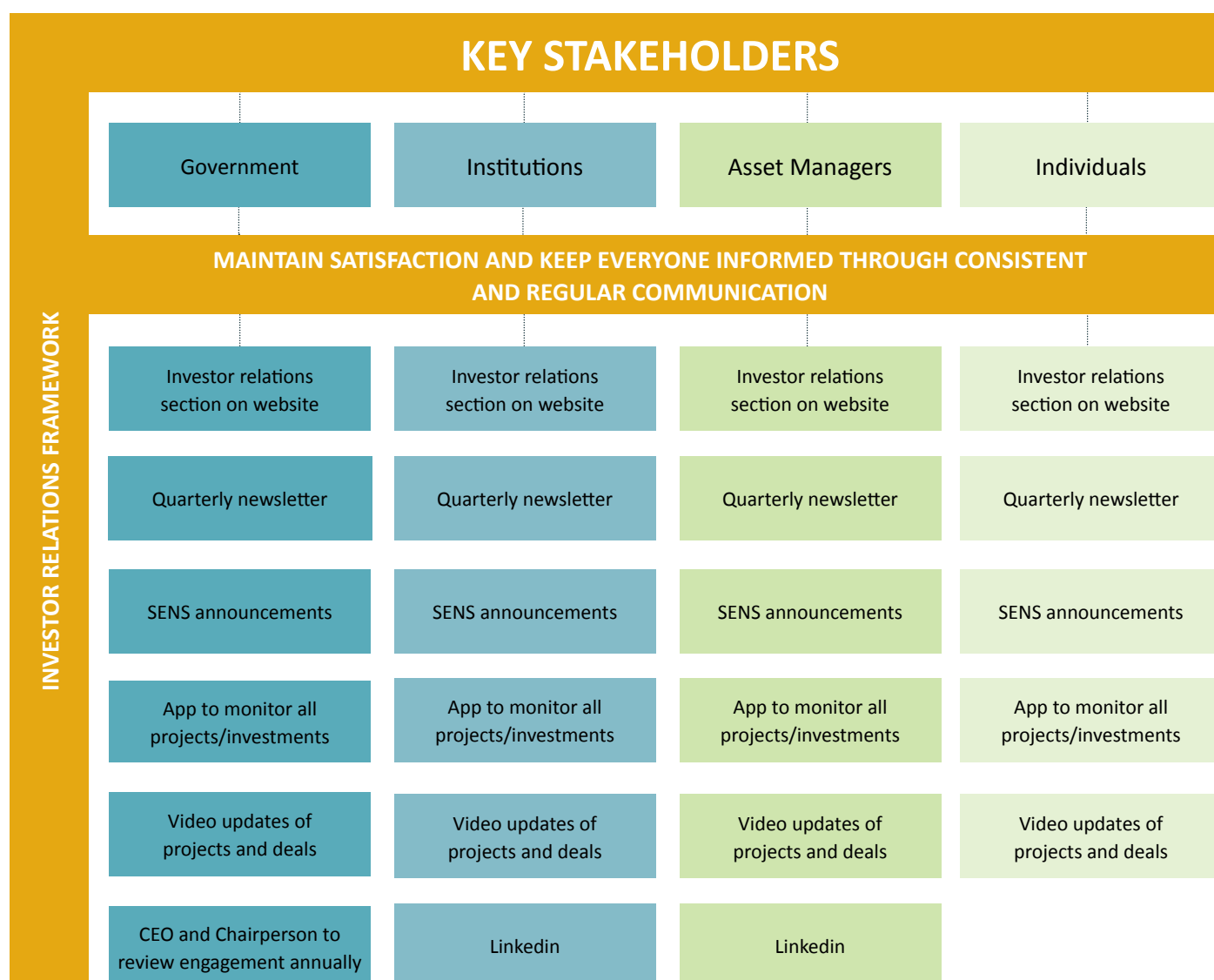




# STAKEHOLDER RELATIONSHIPS

Hulisani is committed to creating and maintaining inclusive, honest and mutually beneficial relationships, partnerships and engagements with all its stakeholders.

This includes those of our assets, providers of capital and government who are all fundamental to our success. Below is the plan and platform we are building to ensure constant communications to our stakeholders.



# OUR INVESTMENTS

RustMo1 CPV Solar Farm





**COUNTRY**  
RSA, North West



**CAPACITY**  
7MW



**OPERATIONAL**  
Yes



**PURCHASE PRICE**  
R120 Million

## TRANSACTION OVERVIEW

In June 2017, Hulisani acquired Momentous Technologies, a holding company with its asset being a 66% shareholding in the RustMo1 CPV Solar Farm.

## BACKGROUND

- Hulisani purchased 100% of the issued share capital in Momentous Technologies;
- Momentous Technologies owns 66% of the issued share capital in RustMo1 Solar Farm;
- RustMo1 is a 7MW solar PV plant located in Rustenburg;
- Was the first Independent Power Producer (IPP) to be connected to the grid;
- One of the 18 solar PV power plants constructed in the first round of REIPPPP; and
- Reached commercial operation date, ahead of schedule, in November 2013.

## OPERATIONS AND MAINTENANCE

- As a utility scale solar farm with an installed capacity of 7MW, RustMo1 is capable of generating more than 12.5 million kWh of clean solar power annually;
- Has a 20-year year Power Purchase Agreement (PPA) to supply electricity to Eskom, of which 17 years remain; and
- RustMo1 is being operated by Juwi Renewable Energies (Pty) Ltd and is connected to the grid.

## PERFORMANCE

- RustMo1 is performing better than predicted;
- Our hands-on approach at RustMo1 has yielded valuable knowledge of plant operations; and
- The project has created much needed jobs and local economic development in the Marikana region of the North West.





## Red Cap Energy - Kouga Wind Farm







**COUNTRY**  
RSA, Eastern Cape



**CAPACITY**  
80 MW



**OPERATIONAL**  
Yes



**PURCHASE PRICE**  
R141.4 Million

## TRANSACTION OVERVIEW

Hulisani acquired the entire issued share capital of Red-Cap Investment and Eurocape Renewables and they in turn collectively hold a 6,67% interest in Kouga Wind Farm.

## BACKGROUND

- Kouga Wind Farm is located at Oyster Bay in the Eastern Cape;
- Commercial operations of the R2 billion wind farm officially commenced on 17 March 2015; and
- The Kouga Wind Farm comprises an 80MW plant consisting of 32 x 2.5 MW wind turbines which was part of the first round of REIPPP.

## OPERATIONS AND MAINTENANCE

- The Kouga Wind Farm has a 20-year Power Purchase Agreement to supply electricity to Eskom, of which 18 years remain;
- Kouga is a grid-connected plant;
- The Kouga Wind Farm adds annually approximately 300 million KWh of clean electricity to the grid, enough to supply approximately 50 000 average South African households;
- We are represented on the Board and working closely with the management team; and
- We have gained additional experience in the operations of a wind farm and uniquely South African or new issues with wind farms.

## PERFORMANCE

- After initial issues with equipment, we expect to be resolved by Q3 2018 through remedial works, Kouga performance is expected to further improve.



## GRI Wind Towers



**GRI** Towers  
South Africa






**COUNTRY**

RSA, Eastern Cape


**CAPACITY**

Up to 150 wind turbines P/A


**OPERATIONAL**

Yes


**PURCHASE PRICE**

R82.5 Million

**TRANSACTION OVERVIEW**

Hulisani made an indirect acquisition of 25%, in GRI, a producer of wind towers to the global market for R82.5 million.

**BACKGROUND**

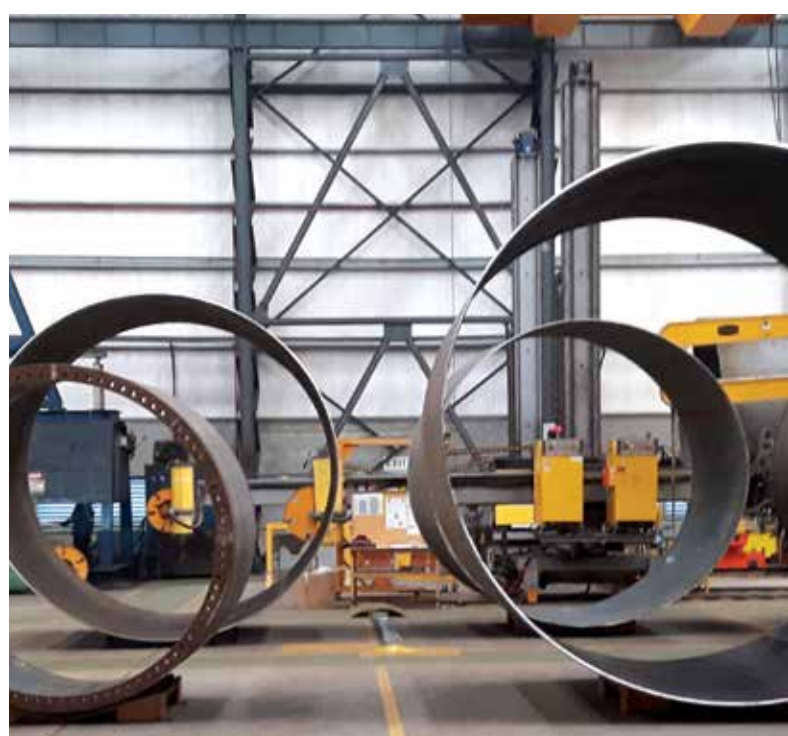
- Hulisani and Pele Green Energy (Pele) established an incorporated joint venture, Pele SPV13, held equally by each of them;
- The joint venture company acquired a 25% shareholding in GRI for R82.5 million giving Hulisani an effective 12.5% equity stake in GRI valued at R41.25 million;
- Pele's 50% shareholding in Pele SPV13 was funded by Hulisani by way of preference share funding for R41.25 million; and
- The preference shares were secured by a guarantee by Pele in favour of Hulisani guaranteeing the performance of PGE's obligations under the Preference Share Subscription, a pledge and cession by Pele of its bank accounts and shares and shareholder loans in Pele SPV13 in favour of Hulisani.

**OPERATIONS AND MAINTENANCE**

- GRI opened its first wind tower manufacturing plant in Atlantis, Cape Town in 2014;
- In doing so, 300 jobs were created;
- GRI has the capacity to provide the global market with over 150 towers per year, some of which are exported;
- GRI is the only operational wind tower manufacturing facility in South Africa, creating 340 jobs;
- The renewable energy industry in South Africa and on the African continent is a rapidly growing sector; and
- Creating manufacturing capability ensures local skills and reduces costs in the long term.

**PERFORMANCE**

- Our hands-on approach at GRI is starting to yield results and, in collaboration with our partners and Government, ensures that there is a manufacturing green economy in South Africa providing at least 40-60% of locally produced components for the wind farms and creating sustainable quality skilled jobs;
- Products were exported during the last financial year;
- GRI provides Hulisani with vertical integration into the wind farm supply chain, as well as access to global demand for components for the wind generating industry;
- The preference share funding enables further black participation in the manufacturing value chain; and
- The plant has the capability to produce other components and with Government policy certainty, has significantly improved export potential.





## Avon and Dedisa OCGT Plants







**COUNTRY**  
RSA, KwaZulu Natal



**COMBINED  
CAPACITY**  
1005 MW



**OPERATIONAL**  
Yes



**CONVERTIBLE LOAN**  
R100 Million

## TRANSACTION OVERVIEW

Hulisani extended a convertible loan to Legend Power Solutions (LPS), a company with an underlying investment in Avon and Dedisa Peaking Power. The convertible loan entitles Hulisani to 9% of the equity in Avon and Dedisa. LPS holds a 27% equity stake in each plant.

## BACKGROUND

- The plants were developed in terms of the Department of Energy's IPP Peaking Power Generation Project Programme and are designed to operate for short periods during peak demand conditions;
- The Avon and Dedisa plants have a combined capacity of 1005 MW and provide contracted peak power to Eskom; and
- This asset provides opportunities in the operation of OCGT plants in South Africa, as well as the gas economy.

## OPERATIONS AND MAINTENANCE

- The Avon and Dedisa OCGT Plants have signed 15-year PPAs with Eskom with the option to renew for another 15 years;
- Hulisani will be entitled to distributable profits from the operation of the Avon and Dedisa OCGT Plants;
- The investment ensures enhanced black participation in the operation of the biggest IPP in South Africa, as well as opportunities for further industrialisation in the gas economy;
- This plant has the potential to convert to gas, thereby moving South Africa towards a low carbon energy production asset;
- It has a plant life that is close to double that of the 15 years in the PPAs, with the potential to renew the agreement for a further 15 years; and

- With constrained energy capacity, the plant has the potential to produce more power than the contracted capacity and play a role in the development of a gas economy in South Africa and the region.

## PERFORMANCE

- The plant is capable of producing more power than the contracted capacity and therefore possesses inherent upside when electricity capacity is constrained;
- Hulisani's involvement at the Avon and Dedisa OCGT Plants ensures that Hulisani gains track record and develops critical skills which will lead to sustained knowledge on large power plants.



uMhlaba







**COUNTRY**  
RSA



**OPERATIONAL**  
Yes

## TRANSACTION OVERVIEW

During the year under review, Hulisani incorporated a new venture focused primarily on accessing land lease cash flows from IPPs in an innovative and unique manner.

## BACKGROUND

- Hulisani and Graysmaker (Pty) Ltd established an incorporated joint venture, uMhlaba, held 90% by Hulisani;
- uMhlaba identifies, funds and commercialises land leases underlying the projects that are operational in the REIPPP;
- The investment mandate is to procure the long-term cash flows underlying a portfolio of land leases, as the return correlates to an equity investment into an IPP but is senior to equity returns; and
- The opportunity is realised through either a purchase of the lease or the purchase of the land. The land lease income is an income diversification strategy and provides a longer-term position in the renewables sector.

## OPERATIONS AND MAINTENANCE

- uMhlaba will provide Hulisani with diversification opportunities in accessing cash flows from lease income paid by IPPs;
- Hulisani is working in collaboration with Graysmaker to put systems in place which will ensure that the business launches successfully in the next financial year with a pipeline of identified assets.

## PERFORMANCE

- The business will create income generated by lease cash flows and provides an opportunity for long term local economic development in the areas by involving local communities;

- The income will be derived from lease cash flows from operating IPPs;
- The investment will enable uMhlaba to benefit from stable cash flows, zero vacancy, economic insensitivity, inflation protection and attractive long-term returns;
- The renewable energy industry in South Africa is a rapidly growing sector with competition for existing assets. For this reason, creating diversified income streams, as well as deriving more income from existing assets, is crucial to maintaining superior yields for investors; and
- uMhlaba has the ability to create opportunities for economic development in the areas where IPPs are situated for the term of the PPA.









02

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PERFORMANCE **REVIEW**

# STATEMENT BY THE CHAIRPERSON

“THERE ARE A  
NUMBER OF  
FACTORS WHICH  
BODE WELL FOR  
THE ENERGY  
SECTOR. WE HAVE  
A DISTINCTLY  
POSITIVE OUTLOOK  
FOR HULISANI'S  
FUTURE AND  
PERFORMANCE

”

Pat Mdoda



I am pleased to introduce Hulisani's integrated annual report for the year ended 28 February 2018. I do so against a backdrop of a significantly more upbeat political and economic sentiment in South Africa under the leadership of President Cyril Ramaphosa, whose government is committed to fiscal discipline and stability of state-owned entities. This has led to increased business confidence and an improved outlook for growth.

The energy investment environment in South Africa stagnated for a period, stemming from the delay in the publication of the Integrated Resource Plan (IRP), financial and governance concerns at Eskom and low economic growth.

President Cyril Ramaphosa's choice for Minister of Energy, Minister Jeff Radebe, has moved quickly and decisively since his appointment in February 2018 to foster positive sentiment towards South Africa's potential for renewable and sustainable forms of energy generation.

He concluded agreements which paved the way for the construction of 27 renewable energy projects and has committed to finalising the IRP shortly in a show of support for Independent Power Producers (IPPs). The solar and wind projects are valued at R56 billion and are expected to create 61,000 jobs, mostly during the construction phase. This provides much greater policy certainty and quantifies energy investment opportunities.

There are also significant energy opportunities on the African continent, which has plentiful resources. With a population set to double by 2040, the demand for energy is set to surge. According to the African Development Bank, installed renewable capacity is expected to triple by 2025. In addition, South Africa is a blueprint for other countries.

Growth is expected across all renewable energy categories, supported by positive government policy and a joint willingness by countries to decarbonise the planet

while meeting rising power demands. In Africa, a number of leapfrog strategies have emerged in rural areas, where electricity is delivered without heavy infrastructure. Border customs efficiency has improved on the continent and a programmatic approach to energy creation is being emulated.

South Africa leads the renewable energy market in Sub-Saharan Africa. While solar power drives South Africa's installed capacity, hydropower is the main energy source for many other African countries.

All these factors combined have led us to a distinctly positive outlook for Hulisani's future and performance. Should Eskom be separated into two distinct operational companies in line with international trends (Generation as well as Distribution and Transmission) we believe this could help to address its serious funding challenges and secure the future of the utility. Many utilities worldwide have adopted similar structures.

This will introduce new players and greater competition, which we hope will ultimately result in consumers in South Africa enjoying lower tariffs. Having said that, investors are safe in the knowledge that the counterparty for risk is Treasury, not Eskom. In other words, it is a sovereign guarantee.

I would like to express my gratitude to Hulisani's Board and management team for their strategic counsel and valuable contributions to the Company's evolution.

A heartfelt thanks to all our stakeholders, particularly shareholders, for their vote of confidence. We have no doubt that our business and investment strategy will yield the results you expect, and more.



**PAT MDODA**  
CHAIRPERSON

# STATEMENT BY THE CEO

“HULISANI HAS  
A “HANDS-ON”  
APPROACH THAT  
ENABLES US TO  
WORK CLOSELY  
WITH OUR  
PARTNERS TO  
OPTIMISE OUR  
ASSETS AND SPOT  
OPPORTUNITIES  
FOR GROWTH

”

Marubini Raphulu





During the year under review, we investigated a number of potential transactions of which five were executed. We consider this an achievement and a significant milestone within our first year of operation.

Our first transaction, the acquisition of Kouga Wind Farm in March 2017, marked our transition from a special purpose acquisition company to a fully-fledged investment holding company.

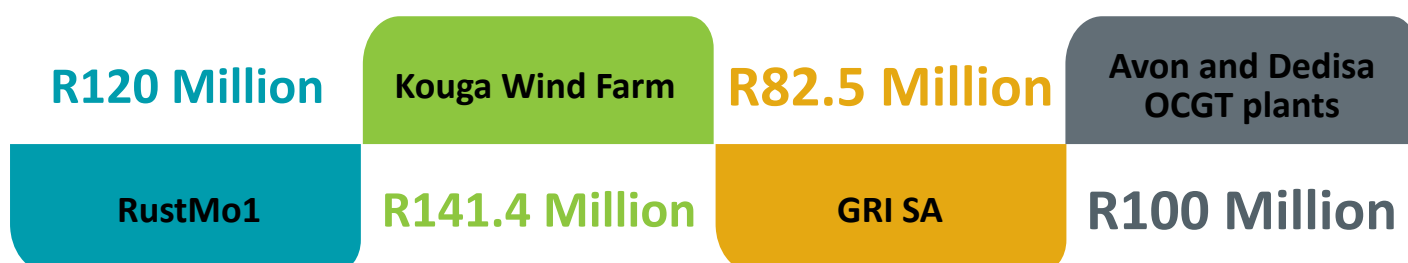
This was followed by our investments into RustMo1, GRI SA, as well as the Avon and Dedisa OCGT Plants.

## HULISANI'S ASSETS

In line with the value we attribute to people and relationships, we invest a significant amount of time prior to concluding investments, to properly understand the business and management team, including an assessment of whether there is a good cultural fit.

## HULISANI'S HOLDING IN EACH OF ITS ASSETS, TECHNOLOGY AND INVESTMENT TYPE

ASSET	TECHNOLOGY	HULISANI HOLDING / ENTITLEMENT
RustMo1 Solar Farm	PV Solar	Equity
Kouga Wind Farm	Wind	Equity
GRI SA	Manufacturing	Equity and preference share
Avon and Dedisa through LPS	Diesel/Gas OCGT	Hybrid (debt and equity) instrument





“ WE ARE  
POSITIONED  
TO REAP THE  
REWARDS OF OUR  
COLLABORATIVE  
EFFORTS ”

## PROJECT INVESTMENTS

Hulisani, through its Board representation, has been working closely with the **Kouga Wind Farm** management team to improve the performance of the asset. We assisted in the identification of issues affecting the operation of the asset. Remedial action is currently under way which has resulted in improved performance and the distribution of dividends.

We have been able to add significant value to **RustMo1** on the back of our controlling share in the asset. Going further than simply collecting dividends, our hands-on approach at RustMo1 has allowed us to model an optimal structure for managing operations, maintenance and management services.

**GRI's** business was significantly affected by policy uncertainty and the delays in signing agreements with power producers. As a result, the business had to retrench a number of people and significantly downscale. Hulisani is represented on the Board of GRI SA and has been closely involved in various engagements with government.

GRI SA has managed to stay afloat and export products, showcasing its ability to access opportunities outside of the local market. The greater levels of certainty in this space are encouraging.

During the year under review, Hulisani made an investment in the **Avon and Dedisa OCGT Plants** through a quasi-equity financial instrument. OCGT generators are build to start immediately, and in a short period of time, be ramped up rapidly to maximum capacity.

Through the value created by **uMhlaba**, we are exploring opportunities to enhance local economic development and job creation in the typically remote areas where the IPPs are located. A number of deals have been concluded this year and the business has a healthy pipeline for the year ahead.



## DELIVERY ON MANDATE AND INVESTMENT CASE

Our strategy remains to invest in quality energy assets by building a portfolio. Institutional investors are exposed to a listed investment in which they gain exposure to the renewable and conventional energy sector. Hulisani is a yield and value player. In the sense that we have assets which need to yield certain cash returns, we are a yield proposition, although our yield period is longer at 20 years than the typical timeframe of 10 years. The return is also attractive in that it improves with time, it is CPI-indexed and the contracting partner in the energy asset provides a sovereign guarantee.

On the other hand, the long-term nature of Hulisani's investments means that investors will gain increasing yields over the life of the asset and that the initial yield returns build up from lower percentages. Hulisani's share price serves as an indicator for investors to determine value if they wish to exit their investment.

To maintain and improve this share price, Hulisani management are actively involved and seeking greater efficiencies for better returns. Hulisani's costs do not increase proportionately as the asset base increases. This means that our cost structure is stable despite increasing assets.

“

**OUR INVESTMENTS  
HAVE SIGNIFICANT  
CASH-GENERATING  
ABILITY, IN LINE  
WITH OUR GOAL  
TO HOLD INCOME-  
YIELDING ASSETS IN  
THE LONG  
TERM**

”



Our financial results must be viewed in the context of our long-term investment approach. Value recognition in accounting terms and the constructs of IFRS indicate lower valuations of our assets than our own view given future potential.

We have no doubt that significantly higher values will be recognised as the full impact of the investments are realised. I am pleased with the progress we have made towards our strategic objectives, which in turn, strengthens Hulisani’s investment case.

#### **FINANCIAL PERFORMANCE**

This is the first year of reporting Hulisani’s results with income, given that we are no longer a SPAC. Hulisani’s investments have significant cash generating ability, in

line with our goal to hold income-yielding assets in the long-term.

During the year under review, Hulisani concluded an equity investment of 6.67% in Kouga, a convertible loan to Legend Power Solutions in April 2017, equity investments of 66% in RustMo1 Solar Farm in June 2017 and 25% in GRI Wind Steel SA in July 2017.

The RustMo1 Solar Farm transaction is an acquisition of a controlling stake, which results in a business combination from a financial reporting perspective.

Infrastructure assets, by their very nature, require long development and build lead times. In return, they deliver 20 to 30 year contracted flows with real returns and sovereign risk guarantees.



SUMMARY OF RESULTS	AUDITED 2018	AUDITED 2017	VARIANCE	VARIANCE
	R'000	R'000	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)
NAV Per Share	7.56	9.88	(2.32)	(24)

Revenue of R37 million is reported for the period under review, the revenue arising from the trading activities of RustMo1 Solar Farm. Operating expenses for the period were R57.7 million.

#### THE FOLLOWING ITEMS HAVE BEEN FLAGGED AS MATERIAL:

- impairment loss of R60.3 million on net investments from associates; and
- fair value loss of R25 million on financial asset at FVTPL.

#### IMPAIRMENT LOSS

The impairment loss relates to Kouga Wind Farm, which has experienced performance issues related to problems with quality on certain parts. The carrying amount of the investment has been written down to the recoverable amount of R122 million, which was determined with reference to the operations' value in use. An impairment loss of R14 million has been recognised in the statement of comprehensive income.

The GRI plant was impacted by the pause in the Renewable Energy Independent Power Produce Programme (REIPPP). The carrying amount has been written down to a recoverable of R26 million which references value in use. An impairment loss of R46 million has been recognised in the statement of comprehensive income.

#### A FAIR VALUE LOSS

A fair value loss of R25 million on Legend Power Solutions convertible loan, was recognised in the statement of comprehensive income during the period under review. This loss on the convertible loan is driven by lower revenue projections, compared to the initial investment projections.

Hulisani is confident that the highlighted valuation losses will reverse in the future as these are once-off accounting losses which do not diminish the income-yielding potential of the assets. We are also of the view that the environment around Independent Power Producers will improve and show in valuations. Our investments have significant cash-generating ability, in line with our goal to hold income-yielding assets in the long-term. We expect increasing dividend-income in the medium to long-term which is CPI-linked and therefore offers a real return.

#### KEY RISKS

- Discontinuation of the REIPPP Programme. The programme is underpinned by global commitments to produce clean energy and reduce carbon emissions. A number of ESKOM power plants are scheduled for decommissioning within the next few years, necessitating the need for the REIPPP Programme to ensure the security of South Africa's power supply.
- Technical Problems. From a technical perspective our investee companies have power plants that are built by reputable developers who have in place the necessary

“ WE ARE ENCOURAGED BY THE MINISTER’S ANNOUNCEMENT OF A NEW, FIFTH ROUND OF PROJECTS IN THE RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROGRAMME (REIPPP) ”

warranties and protection mechanisms against disruptions. In addition, the power plants are operated by bankable Operations and Maintenance contractors. From an energy production perspective, sufficient studies have been undertaken to ensure reliable sources of energy in the areas where the plants have been built.

- Non-payment by ESKOM. Our investee companies have PPAs with ESKOM that are covered by sovereign guarantees. If ESKOM fails to pay, the South African Government has an obligation to step in to remedy the breach.
- Social unrest. All our projects have enterprise and socio-economic development programmes which create alignment with communities residing close to the power plants.

## OUTLOOK AND PROSPECTS

There have been well-documented delays and uncertainty in the South African energy space in the past few years. Since April 2018, we have seen a number of encouraging signs in terms of energy policy certainty, including the conclusion of PPAs by Eskom.

Hulisani’s current projects pipeline in the secondary and primary markets is approximately R2.25 billion in relation to both operating energy assets and pre-financial close assets within South Africa. We are encouraged by the Minister’s announcement of a new, **fifth round of projects** in the Renewable Energy Independent Power Producer Programme (REIPPPP).

As much as we are poised to benefit from developments in SA, Hulisani recognises the importance of partnering with **internationally recognised energy players** who have expertise and technical skills gleaned from their global experience. It is better that we collaborate with these partners to ensure that we bolster our in-house expertise.

As we apply the capability we have built at RustMo1 and Kouga across more assets, the portfolio effect allows us to rationalise costs and improve returns for shareholders. Importantly, our ability to operate an asset optimally puts us in a good position to add value in projects and to get more of a share of revenue from projects than dividend income, further diversifying income streams.

It positions Hulisani as a major player in future energy procurement rounds together with partners with whom we are able to add value in the independent power producer space.

**GRI SA’s involvement** in Round 4 is poised to unlock significant upside, with an anticipation of 1362 MW to be generated by wind, which translates into 600 wind towers. Given that GRI SA produces 150 wind towers per year locally, GRI SA can make a valuable contribution to Government’s drive for greater localisation as well as Hulisani’s strategy to provide local content in the market across the whole value chain. With enforcement of local content rules and a greater focus on job creation, this business is well positioned to participate in the REIPPPP and other infrastructure projects and could act as a key catalyst to the creation of the green economy in South Africa.

GRI SA also has capacity to produce other products in the infrastructure space, when it opens up more in line with the President's "Thuma Mina" call for \$100 billion investment drive in the next five years, further providing greater diversification. **Round 5** is expected to yield approximately 1800 MW of energy, of which we expect at least 800 MW will be wind energy.

Hulisani's investment in GRI SA is well positioned to benefit from this and is further boosted by the implementation of a SEZ (special economic zone) in Atlantis, where the plant is situated. The SEZ provides incentives that further improve the prospects of the business.

**uMhlaba** has the potential to invest in assets of R200 million per year to aid Hulisani in meeting its investment goals. In addition, the business plays an important role in our ambition to ensure that energy serves as a catalyst for local development and inclusion.

The attraction of operational plants with concluded PPAs is supplemented by significant upside potential in the ability for Avon and Dedisa OCGT Plants to be converted to gas from diesel. This will help move South Africa towards a low carbon future. The Avon and Dedisa OCGT Plants also have contracted capacity that is below actual in a constrained supply environment.

In addition, as the only operational IPP in a position to move to gas at present, Avon and Dedisa OCGT Plants could play a significant role in the coming gas economy. Through further initiatives like the Avon and Dedisa OCGT Plants, consumers will be the ultimate winners as the costs of electricity are pushed lower on the back of lower prices and stable energy supply.

Hulisani's pipeline for the next financial year includes **various forms of energy**. Specifically, we are pursuing 300 MW of thermal generation, 450 MW of wind generation, 100 MW of concentrated solar power (CSP) and 150 – 220 MW of solar PV (photovoltaic) energy.

At the same time, we are building capability following worldwide trends and best practice around distributed generation, energy reduction and captive power projects which dominate the energy landscape. Hulisani's net asset value could rise significantly should these



take hold in South Africa. Hulisani's overhead structure is geared to support additional acquisitions, with our expense to revenue ratio set to decrease over time as we bring additional assets on stream.

Our performance is driven by the quality of our assets and therefore we continue to apply stringent due diligence and evaluation criteria before completing any deals to create value for our stakeholders.

We maintain a positive outlook for South Africa and Sub-Saharan Africa's energy landscape and continue to pursue our goal of providing shareholders with reliable, sustainable, predictable, inflation-linked and long-term yielding investments through equity and debt instruments that meet the required returns.

**MARUBINI RAPHULU**  
CEO







03

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## GOVERNANCE REVIEW

# BOARD OF DIRECTORS



**PATILIZWE CASWELL MDODA (62)**

Independent Non-Executive Chairperson  
Appointed 11 February 2016

Pat is a seasoned executive who served at various blue chip companies. He has held executive positions at South African Breweries - Beer Division, Edgars Consolidated Group (Edcon) and Kumba Resources Limited. He also served as a member of the South African Petroleum Industry Association (SAPIA) Board of Governors. Pat's contribution to the growth of Royale Energy as a founder, Board member and Chairman of the Group is one of his career highlights. He participated in the deal structuring and fundraising that turned Royale into a multi-billion rand revenue company. Pat exited and sold his equity held through PYUTAZ Family Trust as part of the sale of the company to the Police and Prisons Civil Rights Union (Popcru). Pat has a strong understanding of empowerment, having been part of the committee which selected the participants in the Kumba Resources transaction which resulted in the development of Exxaro Resources Limited. He has extensive networks and interfaces at senior level with both government and captains of industry. Pat holds a BCom, an MBA and a Certificate in International Relations.



**MARUBINI EUGENE RAPHULU (43)**

Chief Executive Officer  
Appointed: 13 October 2015

Marubini is an admitted attorney with extensive deal-making and investment experience in Africa's energy sector. He is focused on driving Hulisani's investment strategy, drawing on 15 years of corporate commercial experience.

Marubini practised law for many years and joined Nedbank as Senior Principal in the Investment Banking Division, to pursue his keen interest in the development of industries involved in the energy sector.

He left this role in 2011. He started Medupi Capital, focusing on Principal Investments and Advisory in the Energy Sector, which then partnered with Mazi Capital to create Hulisani in 2015.



“THE SUCCESS OF OUR BUSINESS RELIES ON STRONG LEADERSHIP AND ROBUST CORPORATE GOVERNANCE. HULISANI HAS A LEADERSHIP TEAM OF HIGHLY EXPERIENCED PROFESSIONALS WITH A DEEP KNOWLEDGE OF THE ENERGY SECTOR”



**MASIBULELE DEM (39)**

Chief Financial Officer  
Appointed 1 July 2017

Masibulele is a Chartered Account with extensive financial services experience. For over 15 years he worked with leading financial services organisations including KPMG, Barclays, Standard Bank, Mazwe Financial Services and Africa Rising Capital. Previously, Masibulele was the chief financial officer at Mazwe Financial Services.

His expertise includes financial management and investment banking, all skills that provide him with the experience necessary to be the CFO of Hulisani.

He is passionate about finance and investments and has a particular interest in the energy sector of Sub-Saharan Africa.

Masibulele holds a BCom from UCT and a BCom (Honours) from the University of Natal.



**MINUTE FHEDZISANI MODAU (42)**

Chief Investment Officer  
Appointed 1 July 2017

A registered professional engineer, Fhedzisani has more than 14 years experience in the engineering sector, with a particular interest in oil, gas and power.

He has worked in a number of countries across Europe, South East Asia, the United Kingdom and the United States, as well as many African countries. Showcasing his academic and professional background, Fhedzisani's published works can be found in the Institute of Electrical and Electronics Engineers (IEEE) Transactions of Power Systems, and the South African Journal of Human Resource Management.

Fhedzisani holds a BSc Degree and an MBA.



**NOLUTHANDO PRIMROSE GOSA (55)**

Independent Non-Executive Director  
Appointed 11 February 2016

Noluthando is a former investment banker turned entrepreneur. She has held various directorships at some of South Africa's leading financial services organisations.

She is an independent Non-Executive Director of ArcelorMittal SA and Investec Asset Management. Noluthando is a member of the Institute of Directors of South Africa, the Business Women's Association and is a former Commissioner of the National Planning Commission.

Noluthando earned an MBA from the University of New Brunswick in Canada.



**DUDU ROSEMARY HLATSHWAYO (53)**

Independent Non-Executive Director  
Appointed 11 February 2016

Dudu has over twenty years' solid business management experience across a broad range of areas including corporate finance, business process re-engineering, organisational design, corporate strategy development, business planning, change management and programme and project management.

She was previously a Partner at Ernst & Young, Director in the Corporate Finance Division of Andisa Capital, Product Manager at ABSA Bank, Group Executive at Transnet and Product Manager at Telkom. Dudu also founded management consulting business, Change EQ, in 2006.

Dudu has an MBA from the University of South Africa.

“EXCELLENCE IS NEVER AN ACCIDENT;  
IT IS THE RESULT OF HIGH INTENTION,  
SINCERE EFFORT, INTELLIGENT DIRECTION  
AND THE VISION TO SEE OBSTACLES AS  
OPPORTUNITIES”

**HARALD SCHAAF (66)**

Independent Non-Executive Director  
Investment Committee Chairperson  
Appointed 14 April 2016

Harald has over 30 years' experience in the development and implementation of power generation projects. He gained this experience leading a diverse range of projects across various continents, while employed by Lahmeyer International and UCI Utility Consultants International for 26 years.

Since 2007 Harald continued his career with E.ON Technologies and Uniper SE. He is currently the CEO of Uniper Energy Southern Africa (PTY) Ltd, a 100% subsidiary of Uniper SE. His experience includes EPC and contract management, improvement of operation and maintenance, performance improvement on large coal-fired steam and gas turbine power stations.

Harald studied instrumentation & control and mechanical engineering, holds a Master of Science from the Fachhochschule Osnabrück. He completed a programme for Executive Development at the IMD Lausanne.

**PROFESSOR BEN MARX (54)**

Independent Non-Executive Director  
Audit and Risk Committee Chairperson  
Appointed 1 July 2017

Professor Marx is the Head of Department at the Department of Accountancy, University of Johannesburg. His extensive experience includes board governance in general and has served on many committees such as accounting and auditing, corporate governance and sustainability and social and ethics. He is a member of many boards, institutions and associations and has 15 years extensive practical and commercial experience.

He qualified as a Chartered Accountant in 1989, obtaining an overall 3rd place. He completed his articles at Deloitte in 1992 and went on to become Senior Lecturer followed by Associate Professor at the University of the Free State, culminating in his current Professorial position at the University of Johannesburg.

During his career he has received numerous accolades including: The Southern African Accounting Association Accounting Research Award (2011) and The University of Johannesburg Vice Chancellor's Distinguished Educator Award (2011). He was also awarded an honorary membership as Fellow of the Institute of Chartered Secretaries in South Africa in recognition for his contribution to field of governance. Since 2013 he has been a panelist of the CFO of the Year awards in South Africa.

Professor Marx's qualifications include a DCom in Auditing (2009) and an MCompt in Auditing (1993). His Doctoral thesis on Audit and Risk Committees was published internationally in 2010.





**MALUNGELO HEADMAN ZILIMBOLA (48)**

Non-Executive Director

Appointed 13 October 2015

Malungelo is the founder and Chief Investment Officer of asset management firm Mazi Capital and was CEO of Hulisani until 1 July 2017. Malungelo has more than 17 years of investment management experience working with leading financial services organisations including Investec and RMB.

Determined to showcase black talent within the financial services industry, he founded Mazi Capital in 2006 as a platform for driving transformation whilst not compromising on excellence and investment returns.

Mazi now has 25 black professionals on the team ranging from actuaries and engineers to accountants and statisticians. The team manages R41 billion in hedge funds, unit trusts and segregated institutional funds. In his capacity as CIO he oversees the investment management and strategic direction of Mazi Capital.

Malungelo holds an Honours degree in Quantity Surveying and Finance.



**ASANDA VUYOLWETHU NOTSHE (37)**

Non-Executive Director

Appointed 13 October 2015

As Mazi Capital's Fund Manager, Asanda has an impressive 12 years' financial services experience as a Research Analyst and Portfolio Manager in pensions, banking and investment management.

He was formerly an Actuarial Analyst at Alexander Forbes, Business Analyst at RMB Private Bank and Head of Product Development at Stanlib.

Asanda holds a Bachelor of Business Science in Actuarial Science and is a Fellow of the Institute of Actuaries and The Actuarial Society of South Africa.



# CORPORATE GOVERNANCE

The Board is committed to ensuring that the Company is governed appropriately.



The Board recognises the responsibility of the Company to conduct its affairs with prudence, transparency and accountability in a responsible manner as a good corporate citizen. The Company complies with the provisions of the Companies Act, the JSE Listings Requirements and the principles of the Code of Corporate Governance Principles and Practices as recommended in the King Report™ on Governance for South Africa 2017 (King Code™).

After considering the JSE letter on proactive monitoring, the appropriate action has been taken.

The following directors served during the reporting period:

\* Non-executive, non-independent  
^ Non-Executive, Independent  
# Executive



DIRECTOR	NATIONALITY	APPOINTMENT DATE
Asanda Notshe*	South African	Appointed 13 October 2015
Ben Marx^	South African	Appointed 01 July 2017
Marubini Raphulu#	South African	Appointed 13 October 2015
Malungelo Zilimbola*	South African	Appointed 13 October 2015
Mark Booysen#	South African	Resigned 01 August 2017
Patilizwe Mdoda^	South African	Appointed 11 February 2016
Fhedzisani Modau#	South African	Appointed 11 February 2016
Noluthando Gosa^	South African	Appointed 11 February 2016
Dudu Hlatshwayo	South African	Appointed 11 February 2016
Masibulele Dem	South African	Appointed 01 July 2017
Harald Schaaf	German	Appointed 4 April 2016

The Board has 10 directors, comprising seven non-executive directors and three executive directors. Of the seven non-executive directors, five are independent. No individual director has unfettered powers of decision-making. Any new appointment of a director will be considered by the Remuneration Resources Committee, following which the appointment is presented to the Board for approval. The appointment process involves considering the existing balance of skills and experience and a continual process of assessing the needs of the Company.

Responsibility for running the Board and executive responsibility for conducting the business of the Company are differentiated. Patilizwe Caswell Mdoda, an Independent Non-Executive Director, is the Chairperson of the Board and Marubini Raphulu, an Executive Director, is the Chief Executive Officer.

The roles of the Chairperson and Chief Executive Officer are thus separate and clearly defined. The Chairperson is responsible for leading the Board, ensuring its effectiveness and setting its agenda. The Chief Executive Officer leads the executive team in running the business of the Company. There is a clear balance of power at a board level.

Masibulele Dem was appointed as Chief Financial Officer

of the Company as at 01 July 2017. Annually, the Audit and Risk Committee evaluates the expertise and experience of the Chief Financial Officer. The Audit and Risk Committee has, and is satisfied with, the incumbent's expertise and experience as Chief Financial Officer.

## BOARD COMMITTEES

### AUDIT AND RISK COMMITTEE MEMBERS:

Prof Ben Marx (Chairperson, Independent Non-Executive)  
 Harald Schaaf (Independent Non-Executive)  
 Noluthando Gosa (Independent Non-Executive)  
 Malungelo Zilimbola (Non-Executive)

The Audit and Risk Committee consists of three Independent Non-Executive Directors. This Committee meets at least twice a year and is responsible for performing the functions required of it in terms of section 94(7) of the Companies Act and the other functions in terms of its mandate.

### REMUNERATION COMMITTEE MEMBERS:

Dudu Hlatshwayo (Chairperson, Independent Non-Executive)  
 Patilizwe Mdoda (Independent Non-Executive)  
 Asanda Notshe (Non-Executive)



The role of the Committee is to provide guidance and support to the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders by ensuring that the employees of Hulisani are appropriately and equitably compensated for their services and motivated to perform to the best of their abilities.

The Committee conducts research and engages in benchmarking so as to provide guidance to the Board. The Remuneration Committee currently assumes the role of the Remuneration and Nominations Committee. Both Hulisani's remuneration policy and its implementation report will be presented to shareholders for separate non-binding advisory votes thereon at Hulisani's upcoming AGM to be held on 17 September 2018.

In the event that, at the meeting, 25% or more of shareholders vote against either the remuneration policy or its implementation report, Hulisani will engage with shareholders through dialogue, requesting written submissions or otherwise, in order to address shareholder concerns, always with due regard to meeting Hulisani's stated business objectives while being fair and responsible toward both the employees and shareholders. The Remuneration Report is available online at [www.hulisani.co.za](http://www.hulisani.co.za).

#### **SOCIAL AND ETHICS COMMITTEE MEMBERS:**

Noluthando Gosa (Chairperson, Independent Non-Executive)

Patilizwe Mdoda (Independent Non-executive)

Malungelo Zilimbola (Non-Executive)

The Social and Ethics Committee consists of three non-executive Directors, the majority of whom are independent. This Committee meets at least twice a year and is responsible for performing the functions required of it in terms of section 72(4) of the Companies Act and the other functions in terms of its mandate. Our Social and Ethics Committee report is available online at [www.hulisani.co.za](http://www.hulisani.co.za).

#### **INVESTMENT COMMITTEE MEMBERS:**

Harald Schaaf (Chairperson, Independent Non-Executive)

Malungelo Zilimbola (Non-Executive)

## SUMMARY OF ATTENDANCE AT MEETINGS

CAPACITY	NAME OF MEMBER	BOARD	A&R	S&E	REM
Chairperson	Patilizwe Mdoda	4/4		1/1	3/3
Independent, Non-Executive Chairperson Investment Committee	Harald Schaaf	2/4	4/5		2/3
Independent, Non-Executive Chairperson A&R	Ben Marx (appointed 01 July 2017)	3/4	3/5		
Independent, Non-Executive Chairperson Remuneration and Nomination Committee	Dudu Hlatshwayo	4/4			3/3
Independent, Non-Executive Chairperson S&E	Noluthando Gosa	4/4	4/5	1/1	
Independent, Non-Executive	Malungelo Zilimbola	2/4	3/5	1/1	
Non-Independent, Non-Executive	Asanda Notshe	3/4			1/3
Executive	Mark Booysen (resigned 01 August 2018)	1/4			
Executive	Marubini Raphulu	4/4			
Executive	Masibulele Dem (appointed 01 July 2017)	3/4			
Executive	Fhedzisani Modau	4/4			

Dudu Hlatshwayo (Independent, Non-Executive)

Ben Marx (Independent, Non-Executive)

The Investment Committee consists of four Non-Executive Directors, the majority of whom are independent. The committee was formalised post year-end. The Investment Committee is a committee of the Board, advisory in nature and accountable to the Board and to shareholders by reporting on an annual basis on the performance of its mandate.

The Committee's key focus is reviewing potential investments and to ensure they are aligned with the Company's core purpose, its risks and opportunities, strategy, business model and investment policy.

The Company is confident that the various committee members are qualified to sit on the aforementioned

committees. For more detail on their qualifications and skill-sets please refer to the directors' biographies on pages 38 - 42 of this Integrated Annual Report.

### BOARD AND COMMITTEE ATTENDANCE

Board meetings were held in May 2017, September 2017, November 2017 and March 2018.

Audit and Risk Committee meetings were held in May 2017, June 2017, August 2017, November 2017 and February 2018.

A Social and Ethics Committee meeting was held in March 2018.

Remuneration Committee meetings were held in May 2017 and March 2018.



**“ HULISANI IS COMMITTED TO GENDER EQUALITY AND DIVERSITY AND THIS INFORMS THE FUTURE APPOINTMENT OF DIRECTORS IN ACCORDANCE WITH THE JSE LISTING REQUIREMENTS ON THE PROMOTION OF GENDER DIVERSITY ”**

## BOARD DIVERSITY

Hulisani prides itself on the diversity of its Board, which is reflective of the demographics of the country in terms of race. We adopted a gender diversity policy in November 2016. The Board committed to appoint at least one female to the Board by the end of 2016. Presently there are two female directors and the policy was reviewed by the Board post year-end in March 2018.

Hulisani is committed to gender equality and diversity and this informs the future appointment of directors in accordance with the JSE Listing Requirements on the promotion of gender diversity. The Board is committed to monitoring the Company's performance in meeting these requirements.

Hulisani's Board Charter requires diversity at board level. Hulisani's compliance with this principle is evidenced in the composition of its Board of which eight of the ten directors are black people. The draft racial diversity policy is currently subject to scrutiny by the Social and Ethics committee and the Remuneration Committee.

## SECRETARIAL DUTIES

ER Goodman Secretarial Services is the Company Secretary, duly appointed by the Board in accordance with the Companies Act. The Board considered and is satisfied that the individuals who perform the company secretary role, and the members of ER Goodman Secretarial Services, are properly qualified and experienced to competently carry out the duties and responsibilities of Company Secretary and that there is an arm's-length relationship between itself and the Company Secretary.

## THE KING CODE™

The Company and the Board are committed to effective corporate governance and the need to conduct the business of the Company in a manner which upholds the principles of responsibility, accountability, fairness and transparency advocated by the King Code™. The Board has already embarked on a process to fully implement the King IV™ principles and is fully committed to enhance its corporate governance profile. The Company currently complies with the principles of the King Report on Corporate Governance™ (King IV™) and this detail is available on our company website at [www.hulisani.co.za](http://www.hulisani.co.za)





## RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

The Board accepts overall responsibility for the advancement of sustainable development with the assistance of the Board sub-committees. The day-to-day responsibility is delegated to executive management.

We understand our responsibility to the people who enable us to conduct business and to the country in which we operate. We acknowledge that it is important to manage our economic, social and environmental relationships effectively, which should ensure a better quality of life for all our stakeholders.

As an investment holding company we are actively aware of the importance of sustainability and ethical governance

in the companies we invest in and, as such, we are actively advancing these principles through our shareholding and voting powers on their respective boards.

## ASSURANCE

Management assurance is provided in the initial years of investment. We are committed to ensuring that the non-financial information provided in this integrated annual report is accurate. It is believed that the expectations reflected in this statement are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

# AUDIT AND RISK COMMITTEE'S REPORT

## 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.

**HULISANI HAS SIGNIFICANTLY IMPROVED ITS FINANCIAL CONTROLS AND RISK MANAGEMENT PROCESSES IN THE YEAR UNDER REVIEW**

## COMPOSITION

The Committee consists of three Independent Non-Executive Directors. The members are Professor Ben Marx (Chairperson), Noluthando Gosa and Harald Schaaf. During the financial year ended 28 February 2018, the Audit and Risk 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 its 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 were prepared in accordance with the Listings Requirements of the Johannesburg Stock Exchange (JSE) Limited and proactive monitoring of financial 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; and
- Evaluated the effectiveness of the risk management process and controls.

As required by the JSE Listing Requirements, para 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.

## 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 2017 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 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 is committed to building a better future within the energy industry. We have reviewed expertise, resources and the experience of the Company's Chief Financial Officer and financial function and are satisfied that these requirements are adequate for the forthcoming year.

**PROF BEN MARX**  
CHAIRMAN OF AUDIT AND RISK COMMITTEE







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## FINANCIAL STATEMENTS

# FINANCIAL STATEMENTS





## THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2018

		GROUP	COMPANY
	Notes	2018	2017
		R'000	R'000
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>519,658</b>	<b>3,106</b>
Property, plant and equipment	11	133,914	2,756
Intangible assets	12	152,830	-
Investments in associates	9	148,810	-
Financial asset at fair value through other comprehensive income		8,961	-
Financial asset at fair value through profit and loss	10	75,143	-
Other financial assets		-	350
<b>Current assets</b>		<b>64,657</b>	<b>498,551</b>
Trade and other receivables		29,140	-
Cash and cash equivalents		35,517	498,551
<b>TOTAL ASSETS</b>		<b>584,315</b>	<b>501,657</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>412,524</b>	<b>493,990</b>
Stated capital		500,000	500,000
Accumulated loss		(122,874)	(6,010)
Non-distributable reserves		773	-
Non-controlling interest		34,625	-
<b>Non-current liabilities</b>		<b>157,506</b>	<b>-</b>
Long term borrowings	13	121,692	-
Deferred tax liability		35,814	-
<b>Current liabilities</b>		<b>14,285</b>	<b>7,667</b>
Trade and other payables		3,722	7,667
Current portion of borrowings	13	10,563	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>584,315</b>	<b>501,657</b>

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

		GROUP	COMPANY
	Notes	2018	2017
		R'000	R'000
Revenue		37,378	-
Other income		977	-
Operating expenses		(57,699)	(31,734)
Finance income		10,107	25,726
Finance costs		(12,298)	(2)
Share of losses from associates	9	(6,492)	-
Impairment loss	9	(60,299)	-
<b>Loss before fair value adjustments</b>		<b>(88,326)</b>	<b>(6,010)</b>
Fair value loss	10	(25,055)	-
<b>Net loss before tax</b>		<b>(113,381)</b>	<b>(6,010)</b>
Tax		(2,463)	-
<b>Net loss after tax</b>		<b>(115,844)</b>	<b>(6,010)</b>
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		773	-
<b>Total other comprehensive income</b>		<b>773</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(115,071)</b>	<b>(6,010)</b>
<b>Loss for the year is attributable to:</b>			
Owners of Hulisani Limited		(116,864)	(6,010)
Non-controlling interest		1,020	-
		<b>(115,844)</b>	<b>(6,010)</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of Hulisani Limited		(116,091)	(6,010)
Non-controlling interest		1,020	-
		<b>(115,071)</b>	<b>(6,010)</b>
Basic and Diluted loss per share (cents)	16	<b>(234)</b>	<b>(13)</b>





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

	Notes	Stated capital	Accumulated loss	Non- distributable Reserves	Total	Non- controlling interests	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Balance at 29 February 2016		-	-	-	-	-	-
Loss for the year			(6,010)		(6,010)	-	(6,010)
Issue of shares		500,000	-	-	500,000	-	500,000
<b>Balance at 28 February 2017</b>		<b>500,000</b>	<b>(6,010)</b>	<b>-</b>	<b>493,990</b>	<b>-</b>	<b>493,990</b>
Arising from Acquisition of subsidiary	<b>8</b>	-	-	-	-	38,632	<b>38,632</b>
Profit/(Loss)for the year			(116,864)		(116,864)	1,020	<b>(115,844)</b>
Other comprehensive income				773	773	-	<b>773</b>
Dividends paid						(5,027)	<b>(5,027)</b>
<b>Balance at 28 February 2018</b>		<b>500,000</b>	<b>(122,874)</b>	<b>773</b>	<b>377,899</b>	<b>34,625</b>	<b>412,524</b>

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

		GROUP	COMPANY
	Notes	2018	2017
		R'000	R'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		(30,533)	(23,557)
Net Cash inflow/(outflow) from operating activities		(30,533)	(23,557)
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired	8	(100,464)	-
Acquisition of investments in associates	9	(223,951)	-
Acquisition of financial assets		(108,188)	-
Acquisition of property, plant and equipment	11	(628)	(3,266)
Dividends received	9	8,350	
Interest received		8,000	25,726
Deposit lodged against bank guarantee		-	(350)
Net cash outflow from investing activities		(416,881)	22,110
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		-	500,000
Repayment of borrowings	13	(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)	498,551
Opening Cash and cash equivalents		498,551	-
<b>Cash and cash equivalents</b>		<b>35,517</b>	<b>498,551</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018

## 1. NATURE OF THE BUSINESS

Hulisani Ltd (the Company) was incorporated on 13 October 2015 as an investment holding company focused on energy projects in South Africa and Sub-Saharan Africa, including coal, gas, solar PV, concentrated solar, wind and hydro. On 7 April 2016, the Company successfully listed on the Main Board of the JSE as a Special Acquisition Company ("SPAC"). Hulisani transitioned from a 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 summarised consolidated financial information was approved for issue on 31 July 2018 by the board of directors.

## 2. AUDIT OPINION

This summarised report is extracted from audited information but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office and on the Company's website. The directors take full responsibility for the preparation of the summarised consolidated financial statements and that the financial information has been correctly extracted from the underlying annual financial statements.

Management identified certain governance matters related to the sponsor reward agreement and the Legend Power Solution (Pty) Ltd transaction. A report on these matters was issued to the Independent Regulatory Board for Auditors by the external auditors who have subsequently reported that these matters are no longer continuing.

## 3. THE BASIS OF PREPARATION

The summarised consolidated financial statements for the year ended 28 February 2018 have been prepared in accordance with the JSE Limited Listings Requirements (Listings Requirements) and the requirements of the Companies Act, Act 71 of 2008 applicable to summarised financial statements. 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), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and contain the information required by IAS 34 Interim Financial Reporting. The summarised consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 28 February 2018, which have been prepared in accordance with IFRS. The summarised consolidated financial information has been prepared under the historical cost convention with the exception of financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss. The summarised consolidated financial information is presented in South African rand, which is the company's functional currency.



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

## 4. 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 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 9)
- 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 8)
- The Company acquired a 25% stake in GRI Wind Steel South Africa (Pty) Ltd (“GRI”) to the value of R82.5m. (See Note 9)
- Hulisani Limited issued a convertible loan to the value of R100m to Legend Power Solution Pty) Ltd (“LPS”). (see Note 10)

## 5. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and consistent with those applied in the previous annual financial statements, except for the adoption of new accounting policies as set out below:

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

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

### 6. 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 the successful execution of the transactions by the company. The Sponsor Reward Agreement is in the best interests of the company in that it ensures 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 at which 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.

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.



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

### 7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The areas involving significant estimates or judgements are:

- **ESTIMATED FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS.**

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

- **IMPAIRMENT OF INVESTMENTS IN ASSOCIATES.**

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

- **GOODWILL IMPAIRMENT.**

The carrying value of goodwill in the group is R45m and arose on acquisition of a majority stake in RustMo1 Solar Farm (Pty) Ltd. RustMo1 is considered to be a separately identifiable cash generating unit 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

### 8. ACQUISITION OF SUBSIDIARY

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

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

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

	GROUP
	2018
Purchase consideration	R'000
Net Cash paid	119,752
<b>Total net purchase consideration</b>	<b>119,752</b>

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

	2018
	R'000
Property, plant and equipment (Note 11)	137,487
Intangible assets (Note 12)	113,218
Cash and cash equivalents	19,288
Other current assets	12,499
Long term borrowings (Note 13)	(134,952)
Deferred tax liability	(33,356)
Other current liabilities	(561)
<b>Net identifiable assets acquired</b>	<b>113,623</b>
Less: Non-controlling interest	(38,632)
Add: Goodwill (note 14)	44,761
<b>Net Cash consideration to acquire RustMo1</b>	<b>119,752</b>

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

### 8. ACQUISITION OF SUBSIDIARY (CONTINUED)

	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)
<b>Net outflow of cash – investing activities</b>	<b>100,464</b>

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.

### 9. INVESTMENTS IN ASSOCIATES

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

	GROUP
	2018
	R'000
<b>Investments in associates</b>	
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)
<b>Balance at the end of the period</b>	<b>148,810</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (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
KOUGA WIND FARM (PTY) LTD	R'000
Balance at the beginning of the period	-
Addition	141,450
Impairment loss	(14,314)
Profit attributable to Hulisani Limited	3,526
Dividends received	(8,350)
<b>Balance at the end of the period</b>	<b>122,312</b>

#### (i) Identified 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 in the period under review. The carrying amount of the investment has been written down to the recoverable amount of R122m, which was determined by reference to the operations' value in use.

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

1. Discount rate – 13.5%
2. Base revenue – Base revenue is determined using the 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.

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.

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

## 9. INVESTMENTS 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 for a cash consideration of R41.25m and subscribed for preference shares of R41.25m to Pele SPV198 (Pty) Ltd. 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 as 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
GRI WIND STEEL SA(PTY) LTD	R'000
Balance at the beginning of the period	-
Addition	82,501
Impairment loss	(45,985)
Loss attributable to Hulisani Limited	(10,018)
<b>Balance at the end of the period</b>	<b>26,498</b>

### 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (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.

### 10. 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"). 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. The loan is classified as a financial investment through profit and loss, with a fair value of R75m at the end of the financial period.

	GROUP
	2018
	R'000
Balance at the beginning of the period	-
Addition	100,000
Fair value loss <sup>1</sup>	(24,857)
<b>Balance at the end of the period</b>	<b>75,143</b>

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.

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

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

Refer to Note 15 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.

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

### 11. 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 8)

	Land & Buildings	Office Equipment	Fixtures and Fittings	Computer Equipment & Software	Motor Vehicles	Plant & Machinery	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 01 March 2016							
Cost	-	323	2,310	170	-	-	2,803
Accumulated depreciation	-	-	(18)	(29)	-	-	(47)
<b>Carrying amount at 28 February 2017</b>	<b>-</b>	<b>323</b>	<b>2,292</b>	<b>141</b>	<b>-</b>	<b>-</b>	<b>2,756</b>
<b>Year ended 28 February 2018</b>							
Opening carrying amount	-	323	2,292	141	-	-	2,756
Additions	-	49	471	108	-	-	628
Acquisition of subsidiary (Note 8)	2,212	-	2	-	248	135,025	137,487
Depreciation	-	(60)	(416)	(69)	(56)	(6,356)	(6,957)
<b>Balance at 28 February 2018</b>	<b>2,212</b>	<b>312</b>	<b>2,349</b>	<b>180</b>	<b>192</b>	<b>128,669</b>	<b>133,914</b>
Cost	2,212	372	2,783	278	248	135,025	140,918
Accumulated depreciation	-	(60)	(435)	(98)	(56)	(6,356)	(7,004)
<b>Carrying Amount at 28 February 2018</b>	<b>2,212</b>	<b>312</b>	<b>2,349</b>	<b>180</b>	<b>192</b>	<b>128,669</b>	<b>133,914</b>

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

### 12. INTANGIBLES

The intangible assets held by Hulisani Ltd increased due to the acquisition of RustMo1 Solar Farm (Pty) Ltd. The intangible assets consist of the development costs, customer contract and goodwill. (See note 8)

	Goodwill	Development costs	Customer contract	Total
	R'000	R'000	R'000	R'000
Opening carrying amount		-	-	-
Additions				
Acquisition of subsidiary (Note 8)	44,761			44,761
	-	25,030	88,188	113,218
Amortisation	-	(1,140)	(4,009)	(5,149)
<b>Balance at 28 February 2018</b>	<b>44,761</b>	<b>23,890</b>	<b>84,179</b>	<b>152,830</b>
Cost	44,761	25,030	88,188	157,979
Accumulated amortisation	-	(1,140)	(4,009)	(5,149)
<b>Carrying Amount at 28 February 2018</b>		<b>23,890</b>	<b>84,179</b>	<b>152,830</b>

### 13. BORROWINGS

Interest bearing liabilities held by Hulisani Ltd increased primarily because of the acquisition of RustMo1 Solar Farm (Pty) Ltd.

	GROUP
	2018
	R'000
Balance as at 01 March 2017	-
Arising from Acquisition of subsidiary (Note 8)	134,952
Repayments	(2,697)
<b>Balances as at 28 February 2018</b>	<b>132,255</b>
<b>Non-current</b>	
IDC loan	60,977
Nedbank loan	60,715
<b>Total non-current interest-bearing debt</b>	<b>121,692</b>
<b>Current</b>	
IDC loan	5,301
Nedbank loan	5,262
<b>Total current interest-bearing debt</b>	<b>10,563</b>
<b>Total interest-bearing debt</b>	<b>132,255</b>

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

### 13. BORROWINGS (CONTINUED)

#### 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.

### 14. GOODWILL

	GROUP
	2018
	R'000
Balance at 01 March 2017	-
Addition	44,761
<b>Balance at 28 February 2018</b>	<b>44,761</b>

The goodwill relates to the acquisition of a subsidiary disclosed in Note 8.

#### 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 is based on a 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2018 (CONTINUED)

## 15. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENTS

### (a) FAIR VALUE HIERARCHY

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

	Level 1	Level 2	Level 3	Total
At 28 February 2018	R'000	R'000	R'000	R'000
Financial assets at fair value through profit and loss:				
- Convertible loan	-	-	75,143	75,143
Financial assets at fair value through other comprehensive income:				
- Cumulative preference shares	-	-	8,961	8,961
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>84,104</b>	<b>84,104</b>

	GROUP
	2018
	R'000
Total losses for the period recognised in profit or loss under 'Fair value loss'	(24,857)
Total gains for the period recognised in other comprehensive income under 'Other comprehensive income'	773
	<b>(24,084)</b>

### (b) VALUATION TECHNIQUES USED TO DETERMINE FAIR VALUES

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

### (c) FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

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

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

### 15. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENTS (CONTINUED)

#### (d) VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

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



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

### 15. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENTS (CONTINUED)

#### (e) VALUATION PROCESSES

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

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.

#### (f) 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, inflated at CPI over the term of operation. 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.

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

### 16. 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. The reconciliation between earnings and headline earnings is as follows:

	GROUP
	2018
	R'000
<b>Loss for the year</b>	<b>(116,864)</b>
Adjustments:	-
Impairment loss	60,299
<b>Headline earnings</b>	<b>(56,565)</b>
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)





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

### 17. 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 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.

	GROUP
	2018
	R'000
<b>Net profit</b>	
RustMo1	7,415
Kouga	(10,788)
GRI	(56,003)
LPS	(22,750)
Other	(33,718)
	<b>(115,844)</b>

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

### 17. SEGMENT REPORTING (CONTINUED)

	GROUP
	2018
	R'000
<b>Revenue</b>	
RustMo1	37,378
	<b>37,378</b>
<b>Assets</b>	
RustMo1	317,854
Kouga	122,312
GRI	26,498
LPS	77,250
Other/eliminations	40,401
	<b>584,315</b>
<b>Liabilities</b>	
RustMo1	169,725
Other/eliminations	2,066
	<b>171,791</b>
<b>Dividends received</b>	
RustMo1	9,758
Kouga	8,350
	<b>18,108</b>

### 18. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) TRANSACTIONS

	GROUP	COMPANY
	2018	2017
	R'000	R'000
Professional fees (i)	1,611	456
Consulting fees (ii)	4,765	-
Management fees (iii)	3,580	-
Dividends paid (iv)	2,514	-
Subleasing charges (v)	-	994

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

### 18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- i. Professional fees of R1.6m were paid for due diligence on investments; R990k to Uniper Energy SA (Pty) Ltd and R621k to Mothee Consulting. Both entities have relationships with some of the directors of Hulisani Limited.
- ii. Consulting fees of R4.8m were paid to GraysMaker Advisory (Pty) Ltd and Marsay (Pty) Ltd. The entities are owned by some of the directors of Hulisani subsidiaries; namely Umhlaba Land Lease (Pty) Ltd for GraysMaker and Optimise Advisory Services (Pty)Ltd for Marsay (Pty) Ltd.
- iii. Management fees were paid by RustMo1 Farm (Pty) Ltd to Momentous Operations Services (Pty) Ltd; a director of RustMo1 is a shareholder of Momentous Operations.
- iv. Dividends were paid by RustMo1 Farm (Pty) Ltd to Momentous Solar Farm (RF) (Pty) Ltd; a director of RustMo1 is a shareholder of Momentous Solar Farm.
- v. The company subleased office space for a period of eight months from some of the non-executive directors. The lease period terminated on 30 November 2016. The amounts shown are market related.

#### (b) BALANCES

	GROUP
	2018
	R'000
Loans receivables (i)	416
Other receivables (ii)	5,201

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

### 19. DIVIDENDS

There are no dividends declared for the period.

### 20. 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 realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## SHAREHOLDER SPREAD

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of issued capital
		%		%
Shares				
Public	180	91	49,270,512	99
Non-public	18	9	729,508	1
<b>Total</b>	<b>198</b>	<b>100</b>	<b>50,000,020</b>	<b>100</b>

### Major shareholders holding 5% or more

Government Employees Pension Fund	19,159,616	39%
Eskom Pension and Provident Fund	5,827,125	12%
Alexander Forbes Investments Ltd	4,536,898	9%

Directors' shareholding as at 28 February 2018	Direct beneficial	Indirect beneficial	Total number of shares	Total %
ME Raphulu (i)	1,340,000	10	1,340,010	2.68
PC Mdoda	500,000	-	500,000	1
MH Zilimbola (ii)	-	660,010	660,010	1.32
AV Notshe (iii)	-	58,820	58,820	0.11
<b>Total</b>	<b>1,840,000</b>	<b>718,840</b>	<b>2,558,840</b>	<b>5.11</b>

(i) Held through Pentomore.

(ii) Held through Zelmaro and Sdindi Kapital.

(iii) Held through Human Interest.

There has been no changes to directors' shareholding between 28 February 2018 (year end) and the date of this report. The directors' shareholding is unchanged from the shareholding as at 28 February 2017.











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## SHAREHOLDERS' INFORMATION



# NOTICE OF AGM

Notice is hereby given of the Annual General Meeting (AGM) of shareholders of Hulisani to be held at Hulisani Limited, 90 Rivonia Road, 4th floor, North Tower, Sandton at 14:00 on Monday 17 September 2018.





## PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

## AGENDA

### 1. AUDITED FINANCIAL STATEMENTS

Presentation of the audited annual financial statements of the Company, including the reports of the directors and the Audit and Risk Committee for the year ended 28 February 2018. The Integrated Annual Report, of which this notice forms part, contains the summarised Group financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on Hulisani's website at [www.hulisani.co.za](http://www.hulisani.co.za), or may be requested and obtained in person, at no charge, at the registered office of Hulisani during office hours.

### 2. ORDINARY RESOLUTIONS

To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

**Note:** For any of the ordinary resolutions numbers 1 to 10 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 10, at least 75% of voting rights must be exercised in favour thereof.

#### 2.1 ORDINARY RESOLUTION NUMBER 1

Resolved that Dudu Hlatshwayo, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers herself for re-election, be and is hereby re-elected as director.





## 2.2 ORDINARY RESOLUTION NUMBER 2

Resolved that Noluthando Gosa, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers herself for re-election, be and is hereby re-elected as director.

## 2.3 ORDINARY RESOLUTION NUMBER 3

Resolved that Patilizwe Mdoda, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director.

The reason for ordinary resolutions numbers 1 to 3 (inclusive) is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE Limited (JSE) and, to the extent applicable, the South African Companies Act, 71 of 2008, as amended (the Companies Act), require that a component of the Non-executive Directors rotate at every AGM of the Company and, being eligible, may offer themselves for re-election as directors.

## 3. RE-APPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

**Note:** For avoidance of doubt, all references to the Audit and Risk Committee of the Company is a reference to the Audit and Risk Committee as contemplated in the Companies Act.

### 3.1 ORDINARY RESOLUTION NUMBER 4

Resolved that Prof. Ben Marx, being eligible, be and is hereby re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of directors of the Company, until the next AGM of the Company. Refer to Board of Directors for the Curriculum Vitae of Prof. Ben Marx on page 41.



### 3.2 ORDINARY RESOLUTION NUMBER 5

Resolved that, Harald Schaaf, being eligible, be and is hereby re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of directors of the Company, until the next AGM of the Company. Refer to Board of Directors for the Curriculum Vitae of Harald Schaff on page 41.

### 3.3 ORDINARY RESOLUTION NUMBER 6

Resolved that subject to the passing of Ordinary Resolution number two, Noluthando Gosa, being eligible, be and is hereby appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of directors of the Company, until the next AGM of the Company.

## 4. RE-APPOINTMENT OF AUDITOR

### 4.1 ORDINARY RESOLUTION NUMBER 7

Resolved that PricewaterhouseCoopers (PwC) be and is hereby re-appointed as auditor of the Company for the ensuing year on the recommendation of the Audit and Risk Committee of the Company. The reason for ordinary resolution number 7 is that the Company, being a public

listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the AGM of the Company as required by the Companies Act.

## 5. NON-BINDING ENDORSEMENT OF HULISANI'S REMUNERATION POLICY

### 5.1 ORDINARY RESOLUTION NUMBER 8

Resolved that the Company's remuneration policy, as set out on our company website at [www.hulisani.co.za](http://www.hulisani.co.za), is hereby endorsed by way of a non-binding advisory vote. The reason for ordinary resolution number 8 is that the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM of the company.

This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 8, if passed, will be to endorse the Company's remuneration policy.

## 6. NON-BINDING ADVISORY VOTE ON HULISANI'S IMPLEMENTATION REPORT ON THE REMUNERATION POLICY

### 6.1 ORDINARY RESOLUTION NUMBER 9

Resolved that the Company's implementation report with regard to its remuneration policy, as set out on the company company's website, be and is hereby endorsed by way of a non-binding vote. The reason for ordinary resolution number 9 is that King IV™ recommends that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM of the company. This enables shareholders to express their views on the implementation of a company's remuneration policy.

The effect of ordinary resolution number 9, if passed, will be to endorse the Company's implementation report in relation to its remuneration policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy and its implementation.

## 7. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

### 7.1 ORDINARY RESOLUTION NUMBER 10

"Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Company's memorandum of incorporation, the Companies Act and the Listings Requirements of the JSE (Listings Requirements), provided that:

- The approval shall be valid until the date of the next AGM of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;

- The general issues of shares for cash under this authority may not exceed, in the aggregate, 15% of the Company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders, shall not diminish the number of ordinary shares that comprise the 15% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 15% of the Company's issued ordinary share capital (net of treasury shares) amounts to 7 500 003 ordinary shares;
- In determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30 business-day period;
- Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements and not to related parties;
- Any such issue will only comprise securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- In the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on SENS.

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to duly approved share incentive schemes), it is necessary for the Board of the Company to obtain the prior authority of the shareholders in accordance with the Listings Requirements and the memorandum of incorporation of the Company. Accordingly, the reason for ordinary resolution number 13 is to obtain a general authority from shareholders



to issue shares for cash in compliance with the Listings Requirements and the memorandum of incorporation of the Company.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to duly approved share incentive schemes), it is necessary for the Board of the Company to obtain the prior authority of the shareholders in accordance with the Listings Requirements and the memorandum of incorporation of the Company. Accordingly, the reason for ordinary resolution number 13 is to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements and the memorandum of incorporation of the Company.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to

vote on this resolution at the AGM must cast their vote in favour of this resolution.

- To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

**Note:** For any of the special resolutions numbers 1 to 4 to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

## 8. REMUNERATION OF NON-EXECUTIVE DIRECTORS

### 8.1 SPECIAL RESOLUTION NUMBER 1

Resolved, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its directors for their services as directors on the basis set out below and that the Company may consider an inflationary increase annually. This authority will be valid until the next AGM of the Company:

PROPOSED ANNUAL REMUNERATION	
Chairperson of the Board	R318 000.00
Chairperson of the Audit and Risk Committee	R200 000.00
Member of the Audit and Risk Committee	R175 000.00
Chairperson of the Remuneration Committee	R100 000.00
Member of the Remuneration Committee	R 75 000.00
Chairperson of the Social and Ethics Committee	R 49 540.00
Member of the Social and Ethics Committee	R 48 525.00
Chairman of the Investment Committee	R200 000.00
Member of the Investment Committee	R175 000.00
Board member (not serving on a committee)	R 204 340.00



Special resolution number 1 is for the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next AGM of the Company.

## 9. INTER-COMPANY FINANCIAL ASSISTANCE

### 9.1 SPECIAL RESOLUTION NUMBER 2: INTER-COMPANY FINANCIAL ASSISTANCE

Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance (financial assistance) will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related (related or inter-related) will herein have the meaning attributed to it in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the Board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the Company.

The reason for and effect of special resolution number 2 is to grant the directors of the Company the authority, until the next AGM of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is, inter alia, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

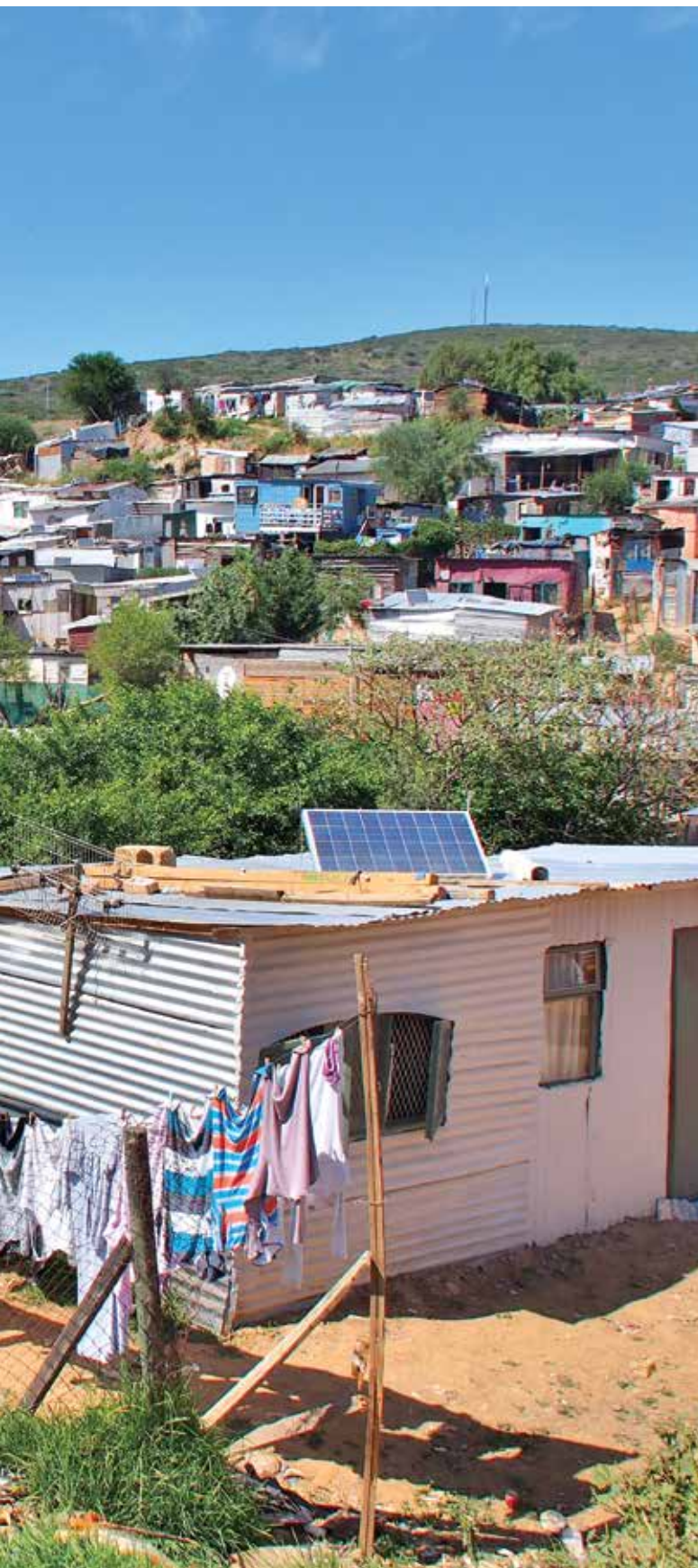


## 9.2 SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE FOR THE SUBSCRIPTION AND/OR PURCHASE OF SHARES IN THE COMPANY OR A RELATED OR INTER-RELATED COMPANY

Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance (financial assistance) will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related to the Company (related or inter-related) will herein have the meaning attributed to it in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities

in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the Board of the Company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next AGM of the Company.





The reason for and effect of special resolution number 3 is to grant the directors the authority, until the next AGM of the Company, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation.

This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries.

A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the Company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 2 and 3 above:

- The assets of the company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);
- The company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- The terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and



- All relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

## 10. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

### 10. 1 SPECIAL RESOLUTION NUMBER 4: SHARE BUY-BACK BY HULISANI AND ITS SUBSIDIARIES

Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the Listings Requirements, including, inter alia, that:

- The general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- This general authority shall only be valid until the next AGM of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;
- An announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- The general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- A resolution has been passed by the board of directors approving the purchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Company and its subsidiaries (the Group);
- The general repurchase is authorised by the company's memorandum of incorporation;
- Repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five business-day period;
- The Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- The Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements.



## 11. OTHER BUSINESS

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the Company.

### INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

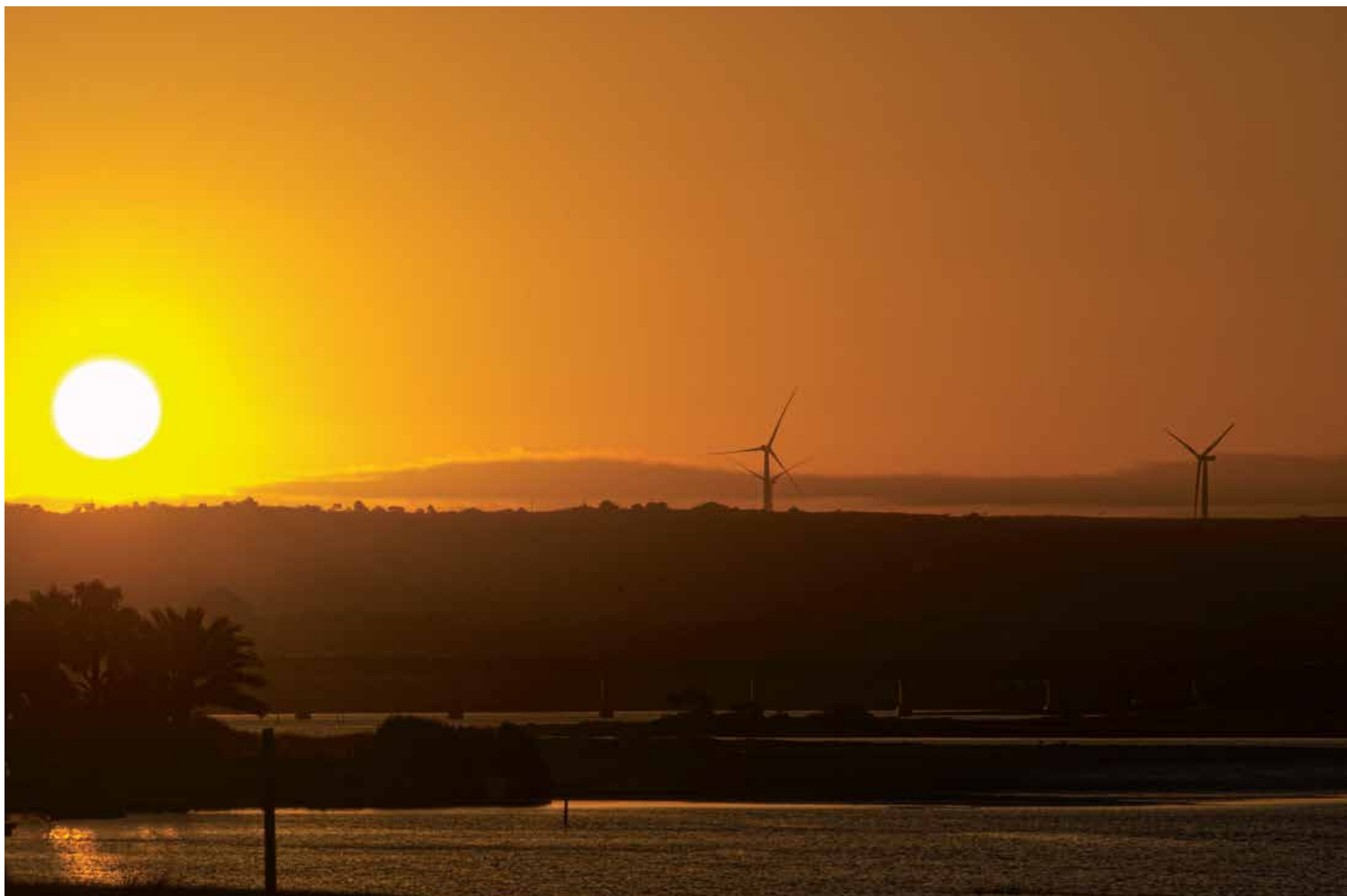
1. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Company and its subsidiaries (Group) would not be compromised as to the following.
  - The Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase.
  - The consolidated assets of the Group will at the time of the AGM and at the time of making such determination be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group.
  - The ordinary capital and reserves of the Group after the repurchase, will remain adequate for the purpose of the business of the Company for a period of 12 months after the AGM and after the date of the share repurchase.
  - The working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the date of the notice of the AGM.
  - General information in respect of major shareholders, material changes and the share capital of the Company is contained in the Integrated Annual Report of which this notice forms part, as well as the full set of annual financial statements, being available on Hulisani's website at [www.hulisani.co.za](http://www.hulisani.co.za) or which may be

requested and obtained in person, at no charge, at the registered office of Hulisani during office hours.

2. The directors, whose names appear from page 38 of the Integrated Annual Report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information required by the Listings Requirements.

### VOTING

1. The record date for purposes of determining which shareholders are entitled to receive this notice is determined in terms of section 59(1)(a) of the Companies Act, no 71 of 2008 ("the Companies Act") being Friday 20 July 2018
2. The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the Company for purposes of being entitled to attend and vote at this meeting is determined in terms of section 59(1)(b) of the Companies Act being ("Voting Record Date") on Friday 7 September 2018
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of



a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the Company at the address provided on the inside back cover of this Integrated Annual Report by not later than 12:00 on Thursday 13 September 2018 provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

## BY ORDER OF THE BOARD

### ER Goodman Secretarial Services (Pty) Ltd

Company Secretary

27 July 2018

### REGISTERED OFFICE

Hulisani Offices, 4th Floor, 90 Rivonia Road, Sandton, 2196 Hulisani Offices, 4th Floor, 90 Rivonia Road, Sandton  
(PO Box 784583, Sandton, 2146)

### TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd Ground Floor 70 Marshall Street, Johannesburg, 2001  
(PO Box 61051, Marshalltown, South Africa, 2107)

### SPONSOR

PSG Capital (Pty) Ltd

1st Floor, Ou Kollege Building 35 Kerk Street Stellenbosch, Cape Town, South Africa, 7600  
(PO Box 7403, Stellenbosch, Cape Town, South Africa, 7599)

## FORM OF PROXY

### HULISANI LIMITED

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

### Form of proxy – for use by certificated and own-name dematerialised shareholders only

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at Hulisani Limited,  
Hulisani Offices, Main Board Room, 4th Floor, 90 Rivonia Road, Sandton, at 14:00 on Monday 17 September 2018.

I/We	(Full name in print)	
of	(address)	
Telephone: (Work)	Telephone: (Home)	Cell phone:
being the registered holder of		shares in the Company, hereby appoint:
or failing him/her		
or failing him/her		
the chairperson of the AGM,		

as my/our proxy to attend, speak and vote for me/us at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instruction (see notes):



	NUMBER OF SHARES		
	IN FAVOUR	AGAINST	ABSTAIN
<b>Ordinary resolution number 1:</b> To re-elect Ms Dudu Hlatshwayo as director			
<b>Ordinary resolution number 2:</b> To re-elect Ms Noluthando Gosa as director			
<b>Ordinary resolution number 3:</b> To re-elect Mr Pat Mdoda as director			
<b>Ordinary resolution number 4:</b> To re-appoint Prof Ben Marx as a member of the Audit and Risk Committee			
<b>Ordinary resolution number 5:</b> To re-appoint Mr Harald Schaaf as a member of the Audit and Risk Committee			
<b>Ordinary resolution number 6:</b> To re-appoint Ms Noluthando Gosa as a member of the Audit and Risk Committee			
<b>Ordinary resolution number 7:</b> To re-appoint the external auditor PwC			
<b>Ordinary resolution number 8:</b> Endorsement of Hulisani's remuneration policy			
<b>Ordinary resolution number 9:</b> Hulisani's Implementation Report on the Remuneration Policy			
<b>Ordinary resolution number 10:</b> General Authority to issue ordinary shares for cash			
<b>Special resolution number 1:</b> Remuneration of Non-Executive Directors			
<b>Special resolution number 2:</b> Inter-company financial assistance			
<b>Special resolution number 3:</b> Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company			
<b>Special resolution number 4:</b> Share repurchases by the Company and its subsidiaries			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Signature(s) \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_ (state capacity and full name)

Each Hulisani shareholder is entitled to appoint one or more proxy(ies) (who need not be shareholder(s) of the Company) to attend, speak and vote in his/her stead at the AGM.

Please read the notes overleaf

## NOTES

A Hulisani shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairperson of the AGM". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

A Hulisani shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided.

Failure to comply with the above will be deemed to authorise the chairperson of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned.

A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect

of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders are present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/ her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.

Forms of proxy must be completed and returned to be received by the transfer secretaries of the Company, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107), by no later than 12:00 midday on Thursday 13 September 2018.

Any alteration or correction made to this form of proxy must be initialed by the signatory(ies).

Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the AGM.

The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person.

## CORPORATE INFORMATION

### COUNTRY OF INCORPORATION AND DOMICILE

South Africa

### COMPANY REGISTRATION NUMBER

2015/363903/06

### NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Investing in companies operating in the energy sector

### DIRECTORS

PC Mdoda  
ME Raphulu  
M Dem  
MF Modau  
N Gosa  
D Hlatshwayo  
H Schaaf  
B Marx  
MH Zilimbola  
AV Notshe

### REGISTERED OFFICE

4th Floor  
North Wing  
90 Rivonia Road Sandton  
2196

### POSTAL ADDRESS

PO Box 784583  
Sandton  
2146

### BANKERS

RMB Corporate Banking  
4 Merchant Place  
1 Fredman Drive Sandton  
2196

### AUDITORS

PwC  
PricewaterhouseCoopers Inc  
4 Lisbon Lane Waterfall City  
Jukskei view  
2090

### TELEPHONE

087 806 2425

### WEBSITE

[www.hulisani.co.za](http://www.hulisani.co.za)

[illegible]





[illegible]





**Registered Office:** 4<sup>th</sup> Floor, North Wing, 90 Rivonia Road, Sandton, 2196

**Postal Address:** PO Box 784583, Sandton, 2146

**Telephone:** 087 806 2425

[www.hulisani.co.za](http://www.hulisani.co.za)