

The background of the cover is a photograph of a vast solar farm with rows of solar panels stretching towards a horizon under a bright, low sun. A large, semi-transparent sunburst graphic is centered over the sun, with rays extending downwards. The overall color palette is warm, dominated by oranges, yellows, and soft blues.

CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2020



Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020

Results Overview



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

Condensed consolidated interim financial statements for the six months ended 31 August 2020

www.hulisani.co.za

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(Registration number 2015/363903/06)

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Financial Results for the six months ended 31 August 2020



Results Overview

1. Group performance overview

Hulisani management is pleased to present the Group results for the six months ended 31 August 2020. The Group has reported an inaugural profit and in a challenging macroeconomic environment.

Key factors that have contributed to the overall improvement of the Group performance are highlighted below:

- An increase of R14m in the fair value of our investments as a result of increased revenue projections following an increase in the current and projected utilisation of the power plants as well as favourable mark-to-market movement in the derivative assets.
- A R7,8m reduction in costs driven by the enhancement of the balance sheet at year end through the write-off of non-performing assets.
- A charge of R1,2m relating to the recognition of the Share Appreciations Rights that were issued to staff at the beginning of the financial year.

The Board and management consider cash generation to be the best measure of performance of the Group, as it reflects the underlying strength of the assets held as investments. While the Group is reflecting a negative net cash flow position from operations due to a once off settlement of the remaining balance of the litigation recognised at year end, the overall cash position improved by 32% to R28m (2019: R21m). Contributing to the improved cash balances is the Kouga dividend which was significantly higher than projected.

Management considers the impact of COVID-19 to the Group to be immaterial as outlined in the recent year end results, due to the nature of the investment the Group holds.

Below is the summary of the performance by the Group:

	Unaudited August 2020 R'000	Unaudited August 2019 R'000	Variance R'000	Variance (%)
Revenue	31,248	25,388	5,860	23
Operating expenses	(37,614)	(45,453)	7,839	17
Finance income	698	6,680	(5,982)	(90)
Finance costs	(6,990)	(7,441)	451	6
Share of the profit from equity accounted investments	3,273	3,552	(279)	(9)
Fair value gains	14,250	8,615	5,635	65
Earnings/(loss) per share	4	(17)	21	>100
Profit/(loss) before tax	4,865	(7,659)	12,524	>100

Revenue

	Unaudited August 2020 R'000	Unaudited August 2019 R'000	Variance R'000	Variance %
Revenue	31,248	25,388	5,860	23

Revenue for the period under review is reported at R31.2m (2019: R25.4m), an increase of 23% from the prior interim period. Revenue at Group level consists of sales of electricity at RustMo1 Solar Farm (Pty) Ltd, the subsidiary, and the interest earned in from the convertible loan from Legend Power Solutions (Pty) Ltd ("LPS"). The increase in the Group revenue is mainly attributable to improved interest income from the LPS convertible loan and which has been reclassified from investment income. The reclassification of the interest income is to best align the disclosure of the income with the management of investment portfolio and strategy of the business.

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Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Results Overview

Operating expenses

	Unaudited August	Unaudited August		
	2020	2019	Variance	Variance
	R'000	R'000	R'000	%
Operating expenses	(37,614)	(45,453)	7,839	17

Operating expenses are reported at R37.6m (2019: R45.5m), a decrease of 17% compared to the prior interim unaudited results. Prior period operating expenses included expected credit losses of R17m. Expected credit losses were not incurred in the current year since all the financial assets which qualify for credit loss allowances were derecognised in at the end of the prior financial period.

Share of profit/(loss) from equity accounted investments

	Unaudited August	Unaudited August		
	2020	2019	Variance	Variance
	R'000	R'000	R'000	%
Share of the profit/(loss) from equity accounted investments	3,273	3,552	(279)	(9)

Hulisani's share of profit from equity accounted investments for the six months period under review is R3.3m (2019: R3.6m), a slight decrease of 9% from the prior interim period due to lower revenue as a result of interruptions on the availability of the plant.

Fair value gain

	Unaudited August	Unaudited August		
	2020	2019	Variance	Variance
	R'000	R'000	R'000	%
Fair value gain	14,250	8,615	5,635	65

In the current half-year period, a fair value gain of R14.2m (2019: R8.6m) was recognised in the statement of profit or loss. This represents a year on year increase of 65%, and the increase was driven by increased energy production activities in our investments that are fair valued as well as favourable mark-to-market movement in the derivative assets.

Profit/(loss) for before tax

	Unaudited August	Unaudited August		
	2020	2019	Variance	Variance
	R'000	R'000	R'000	%
Profit/(loss) before tax	4,865	(7,659)	12,524	>100

The Company has shown pleasing growth over the comparative period, reporting a profit before tax of R4.9m (2019: (R7.7m)), a significant increase in profits.

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Results Overview

Earnings/(loss) and headline earnings/(loss) per share

	Unaudited August	Unaudited August		
	2020 ZAC	2019 ZAC	Variance ZAC	Variance %
Earnings/(loss) per share	4	(17)	21	>100
Headline earnings/(loss) per share	4	(17)	21	>100

Earnings per share improved to 4 cents per share from a loss of 17 cents per share in the prior interim period, a significant increase when compared to the prior period.

Cash balances

	Unaudited August	Unaudited August		
	2020 R'000	2019 R'000	Variance R'000	Variance %
Cash balances	28,074	21,218	6,856	32

Cash balances increased by 32% R28m (2019: R21m). Contributing to the improved cash balances is the Kouga dividend which was significantly higher than projected.

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Results Overview

2. Strategic and operational highlights

- The Integrated Resource Plan 2019 has been gazetted and the Eskom Roadmap for electricity 2019 has provided certainty in the market and has resulted in a more positive outlook, which we expect to translate to growth opportunities for Hulisani.
- Hulisani maintains a positive outlook on the South African energy sector, notwithstanding uncertainty in the economy and in electricity supply, we believe this presents uncapped growth in the sector.
- We remain committed to our objective of simplifying the business, building up scale and growth over the long term and cost containment.
- We have taken decisive action to focus the business on operational opportunities,

3. Outlook

Our pipeline remains robust and we expect growth opportunities to come through in the next financial year. With a team able to manage significantly more transactions than currently held, we expect to further reduce costs per asset under management and deliver the benefits of focus and simplicity to our shareholders. Despite the challenging economic environment, we remain committed to revenue growth, cost containment and improving long-term shareholder returns.

4. Directors

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

Directors	Designation	Nationality	Changes
AV Notshe#	Non-executive	South African	Resigned 31 August 2020
MH Zilimbola#	Non-executive	South African	Resigned 01 March 2020
B Marx*	Non-executive Independent	South African	Resigned 01 June 2020
KN Kekana*	Non-executive Independent	South African	Appointed 09 March 2020
T Godongwana*	Non-executive Independent	South African	Appointed 09 March 2020 Resigned 27 August 2020

* Independent Non-executive

Non-independent Non-executive

06 November 2020

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Condensed consolidated statements of financial position

		Unaudited August 2020 R '000	Unaudited August 2019 R '000	Audited February 2020 R '000
	Note(s)			
Assets				
Non-current asset				
Property, plant and equipment	4	116,434	124,877	121,462
Intangible assets		135,667	142,532	139,099
Investment in associate	2	95,392	107,112	103,337
Investment at fair value through profit and loss	3	90,586	83,218	81,609
Derivatives	3	75,567	69,509	70,347
Loans receivable		-	7,473	7,552
Investment at amortised cost		-	10,087	-
		513,646	544,808	523,376
Current Assets				
Trade and other receivables		12,658	14,399	12,232
Cash and cash equivalents		29,230	21,218	26,923
		41,888	35,616	39,155
Total Assets		555,534	580,425	562,531
Equity and Liabilities				
Equity				
Stated capital		500,000	500,000	500,000
Other reserves		7,819	6,562	6,562
Accumulated loss		(149,673)	(130,477)	(151,519)
Equity attributable to equity holders of parent		358,146	376,085	355,043
Non-controlling interest		26,188	27,605	25,103
		384,334	403,690	380,146
Liabilities				
Non-Current Liabilities				
Long term borrowings	5	108,862	118,028	108,862
Lease liability	6	1,960	2,177	2,947
Deferred tax liability		45,073	38,868	43,139
		155,895	159,073	154,948
Current Liabilities				
Trade and other payables		8,012	12,091	9,853
Borrowings	5	4,356	3,876	11,743
Lease liability	6	1,781	1,695	1,533
Bank overdraft		1,156	-	4,308
		15,305	17,662	27,437
Total Liabilities		171,200	176,735	182,385
Total Equity and Liabilities		555,534	580,425	562,531

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Condensed consolidated statements of profit or loss and other comprehensive income

		Unaudited August 2020 R '000	Unaudited August 2019 R '000	Audited February 2020 R '000
	Note(s)			
Revenue	8	31,248	25,388	69,438
Other operating income		-	1,000	1,000
Other operating gains		14,250	8,615	7,843
Other operating expenses		(37,614)	(45,453)	(73,609)
Financial assets write-off		-	-	(25,737)
Operating profit/ (loss)		7,884	(10,450)	(21,065)
Finance income		698	6,680	3,807
Finance costs		(6,990)	(7,441)	(13,760)
Share of the profit from equity accounted investment	2	3,273	3,552	7,608
Profit/(loss) before taxation		4,865	(7,659)	(23,410)
Taxation		(1,934)	748	(3,523)
Profit/(loss) for the year		2,931	(6,911)	(26,933)
Other comprehensive income		-	-	-
Total comprehensive income/(loss) for the year		2,931	(6,911)	(26,933)
Profit/(loss) for the year attributable to:				
Owners of the parent		1,846	(8,734)	(29,414)
Non-controlling interest		1,085	1,823	2,481
		2,931	(6,911)	(26,933)
Total comprehensive income/(loss) attributable to:				
Owners of the parent		1,846	(8,734)	(29,414)
Non-controlling interest		1,085	1,823	2,481
		2,931	(6,911)	(26,933)
Basic and diluted earnings/(loss) per share (c)	9	4	(17)	(59)

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020

Condensed consolidated statements of changes in equity

	Stated capital	Reserves	Accumulated loss	Attributable to equity holders of the parent	Non-controlling interest	Total equity
31 August 2020	R '000	R '000	R '000	R '000	R '000	R '000
Balance at 01 March 2019	500,000	6,562	(122,105)	384,457	29,078	413,535
Profit/(loss) for the year	-	-	(29,414)	(29,414)	2,481	(26,933)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(29,414)	(29,414)	2,481	(26,933)
Dividends	-	-	-	-	(6,456)	(6,456)
Balance at February 29, 2020	500,000	6,562	(151,519)	355,043	25,103	380,146
Profit for the year	-	-	1,846	1,846	1,085	2,931
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	1,846	1,846	1,085	2,931
Employee share schemes – value of employee services ¹	-	1,257	-	1,257	-	1,257
Dividends paid	-	-	-	-	-	-
Balance at 31 August 2020	500,000	7,819	(149,673)	358,146	26,188	384,334

¹ The share-based payments reserve is used to recognise the grant date fair value of share appreciation rights awarded to employees.

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020

Condensed consolidated statements of changes in equity

	Stated capital	Non-distributable reserves	Accumulated loss	Attributable to equity holders of the parent	Non-controlling interest	Total equity
31 August 2019	R '000	R '000	R '000	R '000	R '000	R '000
Balance at 01 March 2019	500,000	6,562	(121,743)	384,819	29,078	413,897
Profit/(loss) for the year	-	-	(8,734)	(8,734)	1,823	(6,911)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(8,734)	(8,734)	1,823	(6,911)
Dividends	-	-	-	-	(3,296)	(3,296)
Balance at 31 August 2019	500,000	6,562	(130,477)	376,085	27,605	403,690

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Condensed consolidated statements of cash flows

	Unaudited August 2020 Note(s) R '000	Unaudited August 2019 R '000	Audited February 2020 R '000
Cash flows from operating activities			
Cash (used in)/generated from operations	(7,215)	2,036	(5,737)
Net cash from operating activities	(7,215)	2,036	(5,737)
Cash flows from investing activities			
Purchase of property, plant and equipment	(347)	(17)	(1,032)
Proceeds from loan repayment	6,050	-	-
Interest received	7,546	4,757	19,160
Dividends received	11,218	6,914	14,746
Net cash from investing activities	24,467	11,654	32,874
Cash flows from financing activities			
Repayment of borrowings	(4,056)	(4,262)	(5,560)
Payment on lease liabilities	(738)	(815)	(1,120)
Dividends paid	-	(6,543)	(9,703)
Interest paid	(6,999)	(7,510)	(14,797)
Net cash from financing activities	(11,793)	(19,130)	(31,180)
Total cash movement for the period	5,459	(5,440)	(4,043)
Cash at the beginning of the period	22,615	26,658	26,658
Total cash at end of the period	28,074	21,218	22,615

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

1. Basis for presentation

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements except for the following:

- Amendments to *IFRS 16: COVID-19 Related Rent Concessions*, which were adopted on 1 June 2020.
- *IFRS 2 Share-based payments*

The impact this amendment have had is detailed below. Other new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The condensed consolidated interim financial statements for the six months ended 31 August 2020 have not been audited or reviewed. The condensed consolidated interim financial statements have been prepared under the supervision of MP Dem (CA)SA, in his capacity as Chief Financial Officer.

(i) Amendments to IFRS 16: COVID-19-Related Rent Concessions

IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification.

Hulisani has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria.

The application of the practical expedient has resulted in the reduction of total lease liabilities of R93,000. The effect of this reduction has been recorded in profit or loss during the current reporting period.

(ii) Share-based payments

Hulisani granted long-term incentive benefits to its employees in the form of equity-settled share appreciation rights in the current reporting period. The Group is therefore applying the provisions of IFRS 2 for the first time.

The fair value of share appreciation rights granted is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the share appreciation rights granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions

The total employee benefit expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of share appreciation rights that are expected to vest based on the non-market vesting and service conditions. The Group recognises the impact of the revision to original estimates in profit or loss, with a corresponding adjustment to equity. Refer to note 11 for details.

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

2. Investment in associate

	Unaudited August 2020 R '000	Unaudited August 2019 R '000	Audited February 2020 R '000
Summary - balance			
Kouga	95,392	107,112	103,337
Total investment in associate	95,392	107,112	103,337
Summary - movement			
Beginning of the period	103,337	103,560	103,560
Share of profits	3,273	3,552	7,608
Dividends received	(11,218)	-	(7,832)
End of the period	95,392	107,112	103,337

3. Financial assets at fair value through profit or loss

	Unaudited August 2020 R '000	Unaudited August 2019 R '000	Audited February 2020 R '000
Financial assets at fair value through profit or loss:			
Convertible loan	90,856	77,599	76,786
Derivative assets – GRI Option	75,567	63,002	67,326
	156,153	140,601	144,112

(i) Convertible loan to Legend Power Solution (Pty) Ltd

Hulisani Limited holds a convertible loan to Legend Power Solution (Pty) Ltd (“LPS”), a company with an underlying investment in Avon and Dedisa Peaking Power. The loan participates in 9% of distributable profits available to LPS shareholders and will convert to a 9% equity stake in LPS. The loan will convert when senior funding in LPS has been fully repaid to the lender. The investment is carried as a financial asset at fair value through profit or loss.

(ii) GRI Option

On 27 July 2017 the Company acquired 50% of the share capital in Pele SPV13 (Pty) Ltd (“Pele SPV13”) for a cash consideration of R41.25m and subscribed for preference shares of R41.25m to Pele SPV198 (Pty) Ltd (“Pele SPV198”). Pele SPV13 entered into an agreement (the “Share Purchase Agreement”) to acquire 25% shareholding in GRI Wind Steel South Africa (Pty) Ltd (“GRI”) from GRI Renewables Industries, SL for an amount of R82,5 million (the “Purchase Price”). In legal form Pele SPV13 is owned in equal proportions by Hulisani and Pele198 (RF) (Pty) Ltd (“Pele SPV198”) and in substance is owned 100% by Hulisani.

In terms of the Share Purchase Agreement, on the fifth anniversary of the acquisition of the investment, Pele SPV13 (by extension Hulisani) has an option in terms of which it may oblige GRI Renewable Industry, S.L., the co-shareholder and majority shareholder in GRI, to acquire all (and not a portion) of Hulisani’s shares in GRI for an amount equal to the purchase price of R82,5m less any dividends paid to Pele SPV13 (the “Put Option”). The option provides downside protection of value of the investment as Hulisani is able to receive the invested amount in full at the end of the agreed period. Dividends received from GRI are applied against the purchase price if the put option is exercised, meaning that Hulisani will not benefit from returns on the investment, and as a result Hulisani does not have upside potential in the value of the investment if the put option is exercised.

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020

Notes to the condensed consolidated interim financial statements

3. Financial assets at fair value through profit and loss (continued)

Based on the above the conclusion is that the risks and rewards associated with the current ownership interest in GRI have not transferred to Hulisani. The substance of the transaction is that Hulisani has prepaid its strike price for an option to acquire 25% ownership interest in GRI in the future for a fixed price. This instrument therefore meets the definition of a derivative within the scope of IFRS 9.

Refer to Note 7 for further information on valuation inputs.

4. Property, plant and equipment

	August 2020			August 2019			February 2020		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Land	1,226	-	1,226	1,226	-	1,226	1,226		1,226
Building	986	(335)	651	986	(307)	679	986	(310)	676
Plant and machinery	140,688	(31,508)	109,180	135,496	(18,776)	116,720	136,271	(23,075)	113,196
Furniture and fixtures	3,024	(1,497)	1,527	2,811	(1,065)	1,746	3,028	(1,281)	1,747
Right-of-use assets: Building	5,237	(2,081)	3,156	4,423	(737)	3686	5237	(1,328)	3909
Motor vehicles	595	(219)	376	595	(98)	497	595	(159)	436
Office equipment	452	(223)	229	377	(155)	222	385	(188)	197
IT equipment and software	408	(319)	89	344	(243)	101	359	(284)	75
Total	152,616	(36,182)	116,434	146,258	(21,381)	124,877	148,087	(26,625)	121,462

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020

Notes to the condensed consolidated interim financial statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 31 August 2020

	Opening balance	Additions/(Disposal)	Depreciation	Total
	R'000	R'000	R'000	R'000
Land	1,226	-	-	1,226
Building	676	-	(25)	651
Plant and machinery	113,196	236	(4,252)	109,180
Furniture and fixtures	1,747	(4)	(216)	1,527
Right-of-use assets: Building	3,909	-	(753)	3,156
Motor vehicles	436	-	(60)	376
Office equipment	197	66	(34)	229
IT equipment	75	48	(34)	89
	121,462	346	(5,374)	116,434

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 31 August 2019

	Opening balance	Additions	Depreciation	Total
	R'000	R'000	R'000	R'000
Land	1,226	-	-	1,226
Building	725	-	(25)	700
Plant and machinery	120,926	-	(4,227)	116,699
Furniture and fixtures	1,956	-	(210)	1,746
Right-of-use asset (property)	-	4,423	(737)	3,686
Motor vehicles	555	-	(58)	497
Office equipment	252	3	(33)	222
IT equipment and software	131	14	(44)	101
	125,771	4,440	(5,334)	124,877

Reconciliation of property, plant and equipment – 29 February 2020

	Opening balance	Additions	Depreciation	Total
	R'000	R'000	R'000	R'000
Land	1,226	-	-	1,226
Building	725	-	(49)	676
Plant and machinery	120,926	775	(8,505)	113,196
Furniture and fixtures	1,956	218	(427)	1,747
Right-of-use assets: Building	-	5,237	(1,328)	3,909
Motor vehicles	555	-	(119)	436
Office equipment	252	10	(65)	197
IT equipment	131	29	(85)	75
	125,771	6,269	(10,578)	121,462

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

5. Borrowings

	Unaudited August 2020 R '000	Unaudited August 2019 R '000	Audited February 2020 R '000
Held at amortised cost			
Secured			
Nedbank loan	56,502	61,071	60,152
IDC loan	56,716	60,833	60,453
	113,218	121,904	120,605
Split between non-current and current portions			
Non-current liabilities	108,862	118,028	108,862
Current liabilities	4,356	3,876	11,743
	113,218	121,904	120,605

6. Lease liability

	Unaudited August 2020 R'000	Unaudited August 2019 R'000	Audited February 2020 R'000
Minimum lease payment due			
- Within one year	1,993	2,018	1,960
- Later than one year but no later than 5 years	2,287	2,419	3,050
- Later than 5 years	-	-	247
	4,280	4,437	5,257
Less: Future finance charges	(539)	(565)	(777)
Present value of minimum lease payments	3,741	3,872	4,480
Present value of minimum lease payments due:			
- Within one year	1,781	1,121	1,533
- Later than one year but no later than 5 years	1,960	2,751	2,705
- Later than 5 years	-	-	242
	3,741	3,872	4,480
Non-current liabilities	1,960	2,177	2,947
Current liabilities	1,781	1,695	1,533
	3,741	3,872	4,480

- (a) Hulisani has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Refer to note 1 for details.

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

7. Financial assets and liabilities at fair value

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: Unobservable inputs for the asset or liability. This is the case for unlisted equity securities.

Levels of fair value measurements

The following presents the Group's financial instruments measured and recognised at fair value at 31 August 2020. The Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 3

	Unaudited August 2020 R '000	Unaudited August 2019 R '000	Audited February 2020 R '000
Financial assets			
Recurring fair value measurements			
Financial assets at fair value through profit (loss)			
Convertible loan	90,586	83,218	81,609
Derivatives – GRI Option	75,567	69,509	70,347
	166,153	152,727	151,956

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

7. Financial assets and liabilities at fair value (continued)

Transfers of assets and liabilities within levels of the fair value hierarchy

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

Reconciliation of assets and liabilities measured at level 3

	Opening balance	Fair value adjustment in profit/(loss)	Closing balance
31 August 2020	R'000	R'000	R'000
Financial assets			
Financial assets at fair value through profit and loss			
Convertible loan	81,809	8,977	90,586
Derivatives – GRI Option	70,347	5,220	75,567
	151,956	14,197	166,153

	Opening balance	Fair value adjustment in profit/(loss)	Closing balance
31 August 2019	R'000	R'000	R'000
Financial assets			
Financial assets at fair value through profit and loss			
Convertible loan	76,786	6,432	83,218
Derivatives – GRI Option	67,326	2,183	69,509
	144,112	8,615	152,727

	Opening balance	Fair value adjustment in profit/(loss)	Closing balance
29 February 2020	R'000	R'000	R'000
Financial assets			
Financial assets at fair value through profit and loss			
Convertible loan	76,786	4,823	81,809
Derivatives – GRI Option	67,327	3,020	70,347
	144,113	7,843	151,956

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

7. Financial assets and liabilities at fair value (continued)

Information about valuation techniques and inputs used to derive level 3 fair values Convertible loan

The key unobservable inputs, together with the weighted average range of probabilities, are as follows:

Description	Fair value at 31 August 2020	Unobservable inputs	Actual inputs	Relationship of unobservable inputs to fair value
Convertible loan	90,586	Discount rate	15.17%	An increase in discount rates results in a reduction in fair value.
		Base revenue from plant operation	R4.2 billion	A decrease in base revenue results in a reduction in fair value.
		Remaining period of operation	24.5 years	A reduction in the period of operation results in a reduction in fair value.
		Average plant utilisation rate	1.28%	A decrease in utilisation rate results in a reduction in fair value
Derivative – GRI option	75,567	Spot price	Rnil	An increase in the spot price will result in a reduction in fair value of the put option.
		Interest rate	4.59%	An increase in interest rate will result in a reduction in fair value of the put option.
		Time to maturity	2 years	Shorter time to maturity increases the value of the put option.
		Volatility	40.69%	High volatility increases the value of the put option

Valuation processes applied by the Group

The Group finance department 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). The valuation of the convertible loan was conducted in-house by the Finance team

Specific valuation techniques used to value financial instruments include:

- The convertible loan is valued by using the Dividend Discount Model. The discount rates used for the valuations are the prevailing market rates at the time of the valuations.
- The options use the Binomial option pricing models.

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

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

8. Revenue

	Unaudited August 2020 R'000	Unaudited August 2019 R'000	Audited February 2020 R'000
Revenue from contracts with customers			
Sales	25,924	25,388	52,031
Revenue other than from contracts with customers			
Interest income	5,324	-	17,406
	31,248	25,388	69,437

(a) Disaggregation of revenue from contracts with customers

- The Group derives revenue from the sale of electricity over time, to a single external customer, Eskom.

(b) The interest income is earned from the convertible loan to LPS. Refer to note 3 for details of the loan.

9. Earnings per share

Reconciliation between earnings and headline earnings is as follows:

	Unaudited August 2020 ZAC	Unaudited August 2019 ZAC	Audited February 2020 ZAC
Basic and diluted earnings/(loss) per share (cents)	4	(17)	(59)
Basic and diluted headline earnings/(loss) per share (cents)	4	(17)	(59)

The calculation of earnings per share for the year ended 31 August 2020 was based on the earnings attributable to ordinary shareholders of Hulisani Limited, and a weighted average number of ordinary shares.

	Unaudited August 2020 R '000	Unaudited August 2019 R '000	Audited February 2020 R '000
Reconciliation of profit or loss for the year to headline earnings/(loss)			
Profit or loss for the year attributable to equity holders of the parent	1,846	(8,734)	(29,414)
Adjustments:	-	-	-
Headline earnings/(loss)	1,846	(8,734)	(29,414)
Weighted average number of ordinary shares ('000)	50,000	50,000	50,000

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

10. Segmental information

The Group's executive committee examines the Group's performance both from the nature of investment perspective and has identified the following reportable segments of its business:

- **RustMo1:** This is a material subsidiary of Hulisani. RustMo1 is a solar farm and generates and sells electricity.
- **Kouga:** This is an investment Hulisani has significant influence over. Kouga is a wind farm and generates and sells electricity.
- **GRI:** GRI is a manufacturing plant of wind towers used in energy production. The investment is accounted for by the Group as a derivative (call option).
- **LPS:** Hulisani participates in the distributable profits of the investee. LPS has invested in Avon and Dedisa Open Cycle Gas Turbine (OCGT) Peaking Power plants.
- **Other:** The segment represents activities within the holding company. This includes investment holding entities in the Group.

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.

31 August 2020

	Revenue		Separately disclosable items				
	Revenue	Net profit	Non-cash items in comprehensive income	Depreciation and amortisation	Interest income	Finance cost	Dividends received
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RustMo1	25,924	5,251	-	(5,297)	516	(6,734)	-
Kouga	-	3,273	-	-	-	-	11,218
GRI	-	5,220	5,220	-	-	-	-
LPS	5,324	14,300	8,977	-	-	-	-
Other/Eliminations	-	(25,113)	-	(839)	182	(256)	-
	31,248	2,931	14,197	(6,135)	698	(6,990)	11,218

Assets and liabilities

	Equity accounted investments	Property, plant and equipment	Financial assets at fair value	Financial assets at amortised cost	Intangible assets	Current assets	Total liabilities
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RustMo1	-	133,122	-	-	115,579	39,901	160,781
Kouga	95,392	-	-	-	-	-	-
GRI	-	-	75,567	-	-	-	-
LPS	-	-	90,586	-	-	-	-
Other/Eliminations	-	3,400	-	-	-	1,986	10,419
Total	95,392	136,522	166,153	-	115,579	41,888	171,200

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

10. Segmental information (continued)

31 August 2019

Revenue	Separately disclosable items						
	Revenue	Net profit	Non-cash items in comprehensive income	Depreciation and amortisation	Interest income	Finance cost	Dividends received
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RustMo1	25,388	7,694	-	(8,766)	754	(7,167)	6,349
Kouga	-	3,552	-	-	-	-	-
GRI	-	2,183	2,183	-	-	-	-
LPS	-	10,383	6,432	-	3,951	-	-
Other/Eliminations	-	(30,723)	(16,949)	(1,014)	1,975	(274)	-
	25,388	(6,911)	(8,334)	(9,780)	6,680	(7,441)	6,349

Assets and liabilities

	Equity accounted investments	Property, plant and equipment	Financial assets at fair value	Financial assets at amortised cost	Intangible assets	Current assets	Total liabilities
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RustMo1	-	119,193	-	-	142,532	31,895	165,337
Kouga	107,112	-	-	-	-	-	-
GRI	-	-	69,509	-	-	-	-
LPS	-	-	83,218	-	-	-	-
Other/Eliminations	-	5,684	-	17,560	-	3,722	11,398
Total	107,112	124,877	152,727	17,560	142,532	35,617	176,735

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

10. Segmental information (continued)

29 February 2020

	Revenue		Separately disclosable items					
	Revenue	Net profit	Non-cash items		Depreciation and amortisation	Interest income	Finance cost	Dividends received
			comprehensive income	in				
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RustMo1	52,032	11,916	-	(15,742)	1,437	(13,327)	6,351	
Kouga	-	7,608	-	-	-	-	7,831	
GRI	-	3,020	3,020	-	-	-	-	
LPS	17,406	22,229	4,823	-	-	-	-	
Other/Eliminations	-	(71,706)	(23,941)	(1,701)	2,370	(433)	-	
Total	69,438	(26,933)	(16,098)	(17,443)	3,087	(13,760)	14,182	

Assets and liabilities

	Equity accounted investments	Property, plant and equipment	Financial assets at fair value	Financial assets at amortised cost	Intangible assets	Current assets	Total liabilities
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RustMo1	-	117,223	-	-	139,099	32,242	167,277
Kouga	103,337	-	-	-	-	-	-
GRI	-	-	70,347	-	-	-	-
LPS	-	-	81,609	-	-	-	-
Other/Eliminations	-	4,239	-	7,522	-	6,913	15,107
Total	103,337	121,462	151,956	7,522	139,099	39,155	182,384

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

11. Share-based payments

(a) Employee share appreciation rights

The remuneration committee decided to reward Hulisani management for their contribution to the performance of the Group by granting them share appreciation rights ("SARs"). The rights entitle the employees to an equity payment after 2 years of service, as well as meeting certain performance conditions. The SARs are equity-settled.

The amount payable will be determined based on the increase of Hulisani share price between the grant date (17 March 2020) and the vesting date. The rights must be exercised on vesting date and will expire if not exercised on that date.

The scheme is designed to provide long-term incentives for senior management to deliver long-term shareholder returns.

Under the plan, participants are granted share appreciation rights which only vest if certain performance standards are met. Participation in the plan is at the board's discretion, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Set out below are summaries of share appreciation rights granted under the plan:

	Number of Share appreciation rights '000
As at 01 March 2020	-
Granted during the year	7,896
Exercised during the year	-
Forfeited during the year	(829)
As at 31 August 2020	7,067

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes-Merton model.

The model inputs for share appreciation rights granted during the period ended 31 August 2020 included:

- (a) Share price at grant date: R6.99
- (b) Grant date: 17 March 2020
- (c) Expected volatility: 136.55%
- (d) Dividend yield: 0%
- (e) Risk-free interest rate: 6% and 9.48%

Risk-free rates have been determined with relation to the expected life of the SARs and a risk-free rate utilising government bonds with the closest maturities to the vesting dates of the various tranches. The R2023 was used for SARs vesting in 2022, 2023 and 2024, and as at close of 17 March 2020 the risk-free rate was 6.61%. The R186 was used for SARs vesting in 2025 and as at 17 March 2020 the risk-free rate was 9.48%.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Unaudited August 2020 R'000
	1,257

Hulisani Group

(Registration number 2015/363903/06)

Trading as Hulisani Limited

Financial Results for the six months ended 31 August 2020



Notes to the condensed consolidated interim financial statements

12. Related parties

	Unaudited August	Unaudited August	Audited February
	2020	2019	2020
Related party balances	R '000	R '000	R '000
Trade receivables (a)	650	650	650
Lease liability (b)	1,534	-	1,665

(a) A subsidiary of Pele Green (Pty) Ltd, Pele SPV198 (Pty) Ltd entered into an agreement with Hulisani Limited to jointly subscribe for ordinary shares in Pele SPV13 (Pty) Ltd. Hulisani Limited subscribed for cumulative preference shares in Pele SPV198 (Pty) Ltd for the entity's funding of the ordinary shares subscription in Pele SPV13 (Pty) Ltd. Trade receivables and loans receivables are due from Pele Green Energy (Pty) Ltd, a parent company to Pele SPV198 (Pty) Ltd.

(b) RustMo1 currently leases office space from Placeweath (Pty) Ltd, a company owned by RustMo1's CEO.

	Unaudited August	Unaudited August	Audited February
	2020	2019	2020
Related party transactions	R'000	R'000	R'000
Dividends received (a)	11,218	-	7,831

(a) Dividends received from Kouga, the associate.

13. Events after the reporting period

No material events or circumstances were noted.

14. Going concern

The unaudited condensed consolidated interim statements for the period ended 31 August 2020, have been prepared on a going concern basis.

15. Dividends

There will be no dividends declared for the interim period.

Corporate information

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

Auditors
BDO South Africa Inc.

Sponsor
PSG Capital

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

Company secretary
Resolve secretarial services (Pty) Ltd, 77 Vasco Boulevard, Goodwood, 7460

Directors:
ME Raphulu (Chief Executive Officer), MP Dem (Chief Financial Officer), PC Mdoda* (Chairman), DR Hlatshwayo*, HH Schaaf*#, KN Kekana*.

* Independent Non-executive # German.



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