CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

28 FEBRUARY 2021

Hulisani

Hulisani Group
(Registration number 2015/363903/06)
Trading as Hulisani Ltd
Consolidated and Separate Annual
Financial Statements for the year
ended 28 February 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment in companies operating in the energy sector
Directors	PC Mdoda (Chairman)* DR Hlatshwayo* HH Schaaf*^ PD Birkett* KN Kekana* MP Dem (Chief Executive Officer and Chief Financial Officer)
Registered office	4th Floor North Tower 90 Rivonia road Sandton 2196
Postal address	P O box 784583 Sandton 2146
Bankers	RMB Corporate Banking ABSA Corporate and Investment Banking
Auditor	BDO South Africa Inc. Chartered Accountant (SA) Registered Auditor Wanderers Office Park 52 Corlett Drive Illovo 2196
Sponsor	PSG Capital
Company registration number	2015/363903/06
Share code	HUL
ISIN	ZAE000212072

* Independent Non-executive
^ German

Contents

Audit Committee Report

1. Introduction

The Audit and Risk Committee (the "Committee") has pleasure in submitting its report for the year ended 28 February 2021 to shareholders as required by section 94(7)(f) of the Companies Act, 71 of 2008, as amended ("Companies Act"), the JSE Limited Listings Requirements ("JSE Listings Requirements") and as recommended by the King Report on Corporate Governance for South Africa, 2016 ("King IV").

2. Membership of the Committee and attendance at Committee meetings

In compliance with the Companies Act, the following Committee members were elected by the shareholders at the Annual General Meeting of the Company held on 28 August 2020 ("2020 AGM") to serve until the next annual general meeting to be held on Friday, 27 August 2021 ("2021 AGM"):

Committee members

Ms KN Kekana (Chairperson)
Ms DR Hlatshwayo
Mr HH Schaaf

Following the appointment of Mr PD Birkett on 01 December 2020, Ms DR Hlatshwayo stepped down as a member of the Committee. The Committee subsequently comprised the following membership:
Ms KN Kekana (Chairperson)
Mr HH Schaaf
Mr PD Birkett.

The Committee comprises only independent non-executive directors who are all financially literate and have the adequate relevant skills and experience to execute their duties and responsibilities effectively. The Committee met 3 (three) times during the past year.

The internal and external auditors also attended all the Committee meetings during the year and reported their activities and findings at these meetings. The Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Head: Legal, Risk and Compliance and the Finance Manager attended the Committee meetings by invitation.

Committee meetings included closed meetings between the Committee members, executive directors, and the internal and external auditors, as well as confidential meetings held with the CEO and CFO. The executive directors, Head: Legal, Risk and Compliance and the Finance Manager joined the formal meetings once the confidential meetings had been concluded.

3. Role and functions of the committee

The roles and responsibilities of the Committee are governed by a formal Charter as the Committee's mandate, which is annually reviewed and approved by the Board as and when necessary. A formal evaluation of the Committee is also carried out annually and the Board is satisfied that the Committee has fulfilled all its statutory duties, including those duties assigned to the Committee by the Board during the year under review. The Committee reports that the Committee has regulated its affairs in compliance with this mandate, and has discharged all the responsibilities set out in the Charter, which include –

- review and approve for recommendation to, and approval by, the Board interim reports, the integrated annual report, the annual financial statements, accounting policies for the Company, and any other announcement regarding the Hulisani Group (the "Group") results or other financial information to be made public;
- ensure that the interim financial statements, the consolidated annual financial statements and the integrated annual report comply with all statutory and regulatory requirements;
- ensure that all financial information contained in any consolidated submissions to the Board is suitable for inclusion in the consolidated financial statements in respect of any reporting period;
- consider the reports of the internal audit function on the state of internal control;
- consider and review the effectiveness of the internal audit function;
- assess annually the appointment of the external auditor and confirm its independence, recommend its appointment to the annual general meeting and approve its fees;
- consider the external auditor's findings and recommendations;

- review the work of the Group's external and internal auditors to ensure the adequacy and effectiveness of the Group's financial, operating compliance and risk management controls;
- consider reports on the risk management process and assesses the Company's exposure to the top strategic risks;
- monitor compliance effectiveness within the Company;
- perform duties that are attributed to it by its mandate from the Board, the Companies Act, the JSE Listings Requirements, King IV and other regulatory requirements;
- review processes and procedures to ensure the effectiveness of internal systems of control including information and technology.

During the financial year under review, the Committee executed the following matters:

Reporting

- considered and concurred with the adoption of the going-concern premise in the preparation of the financial statements;
- reviewed the appropriateness of the financial statements, other reports to shareholders, and other financial announcements made public;
- considered whether the annual financial statements fairly present the financial position of the Company and of the Group as at 28 February 2021, and the results of operations and cash flows for the financial year then ended.
- considered the solvency and liquidity of the Company;
- considered accounting treatments, the appropriateness of accounting policies adopted, and the effectiveness of the Group's disclosure controls and procedures;
- considered whether any concerns were identified regarding significant legal, tax, and other matters that could have a material impact on the financial statements;
- reviewed the external auditor's audit report;
- considered and noted the key audit matters as determined by the external auditor;
- reviewed the representation letter signed by management;
- confirmed that it has considered the findings contained in the 2020 proactive monitoring report, when the annual financial statements for 28 February 2021 were drafted.
- Reviewed the quality and integrity of the Integrated Report, and the sustainability information, before publication.
- Considered the declaration of a dividend by the company.

External Audit

During the year under review, the Committee reviewed a presentation by BDO, and after conducting its own review, is satisfied with the independence and objectivity of BDO as external auditor. The Committee is satisfied that BDO has at all times acted with unimpaired independence.

The Committee further approved the fees paid to BDO and its terms of engagement. The Committee met with BDO independently of senior management. The Committee meeting agendas provide for confidential meetings between Committee members and the internal and external auditors.

The Committee has reviewed the performance of BDO and has nominated, for approval by shareholders at the 2021 AGM, BDO, an eligible registered auditor, as the external auditor of the Company for the 2022 financial year, with Ms Vianca Pretorius, a registered auditor and member of BDO, as the individual who will undertake the audit process. Upon appointment at the 2020 AGM, this was Ms Pretorius' first year of performing the external audit of the Company.

The Committee remains cognisant of the developments in the audit profession and the external auditor continues to have unrestricted access to the Committee and its Chairperson.

Comments on key audit matters addressed by BDO in its report

BDO reported on the key audit matters in respect of its 2021 audit plan, being the goodwill impairment testing for Momentous Technologies Proprietary Limited, the valuation of the investment in associate, being Kouga Wind Farm Proprietary Limited, valuation and classification of loan to Legend Power Solution Proprietary Limited, the recoverability of the investments in the subsidiaries for impairment as well as the valuation and classification of the GRI financial asset instruments. The Committee assessed the methodology, assumptions and judgements applied by management in dealing with each key audit matter. Additionally, the Committee discussed the key audit matters with BDO in order to understand its related audit procedures and views. Following its assessment, the Committee was comfortable with the conclusions reached by management and BDO.

Internal Audit

The Committee reviewed and approved the Internal Audit Charter and the annual internal audit plan, including compliance therewith, and concluded that the planning, processes and application of internal audit, including the quality of their reporting on internal audit outcomes and related matters was inclusive and comprehensive. Having regard to the reports and assessments presented by Internal Audit, the Committee is satisfied that the internal financial controls are effective and that there were no material breakdowns in the Group's systems and internal controls. The Committee is also satisfied that the internal audit firm is effective and adequately resourced with technically competent personnel.

Internal financial and accounting controls

The Committee is responsible for reporting on the Group's systems of internal, financial and accounting controls. The Committee has accordingly considered the reports from both internal and external audit on such matters and is satisfied that both reports confirm the adequacy and effectiveness of the Group's systems of internal control and that there were no material breakdowns in the internal control during the financial year.

Expertise and experience of the Chief Financial Officer

As required by paragraph 3.84(g) of the JSE Limited Listings Requirement, as well as the recommended practices as per King IV, the Committee has assessed the competence and performance of the CFO, Masibulele Dem, and believes that he possesses the appropriate expertise and experience to meet his responsibilities in that position. The Committee is satisfied with the expertise and adequacy of resources within the finance function and the experience of financial staff in this function.

Compliance

The Committee is obliged to report any material breach of a relevant legal and/or regulatory requirement in the conduct of Hulisani. No evidence or indication of any such breach or material non-compliance has been brought to the attention of the Committee by either the internal or external auditors or any other party.

Looking forward

We have undertaken to refocus our transaction execution activities on operational assets and will thus be focussing less on development opportunities. There is a significant amount of potential opportunities in the market in terms of operational assets and expect growth opportunities to come through in the next financial year. With a team able to manage significantly more transactions than currently held and with the shift in focus, 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. Conclusion

The Committee is satisfied that it has complied with all its legal, regulatory and other responsibilities for the year under review.

Following its review of the annual financial statements for the year ended 28 February 2021, the Committee is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards, and present fairly the results of operations, cash flows and the financial position of the Group and the Company. The Committee therefore recommended the consolidated and separate annual financial statements of Hulisani Limited for approval to the Hulisani Board of Directors. At the 2021 AGM, the annual financial statements will be presented to shareholders.

On behalf of the Audit and Risk Committee

Ms KN Kekana
Chairman Audit and Risk Committee

Directors' Responsibilities and Approval

The board of directors of the company (the "directors") is pleased to present the consolidated and separate annual financial statements for the year ended 28 February 2021 (the "Annual Financial Statements").

The Directors are responsible for the preparation and integrity of the Annual Financial Statements and related financial information of the group. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, audited in accordance with International Standards on Auditing, the requirements of the Companies Act, 71 of 2008, as amended (the "Companies Act") and JSE Limited Listings Requirements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. The directors, through the Audit and Risk Committee, which consists of independent non-executive directors, meet periodically with the external and internal auditors and executive management to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The directors, on the recommendation by the Audit and Risk Committee, considered and are satisfied that adequate accounting records, risk management and internal controls and systems have been maintained to provide reasonable assurance on the integrity and reliability of the Annual Financial Statements and to sufficiently safeguard, verify and maintain accountability for the group's assets and ensure that the possibility of material loss or misstatement is minimised.

The directors have reviewed the appropriateness of the accounting policies and concluded that judgements and estimates are prudent. They are of the opinion that the Annual Financial Statements fairly present in all material respects the state of affairs and business of the group as at 28 February 2021 and believe that the group has adequate resources to continue in operation until the next financial year end. Accordingly, the Annual Financial Statements have been prepared on a going concern basis and the external auditor concurs. The external auditor's report is presented on pages 15 to 21.

The financial statements set out on pages 22 to 85, which have been prepared on the going concern basis, were approved by the board of directors on 19 May 2021 and were signed on their behalf by:

Approval of financial statements

MP Dem (Chief Executive Officer)

PC Mdoda (Chairman)

Preparer of the financial statements

Hulisani Limited's financial statements for the period ended 28 February 2021 have been prepared under the supervision of the chief financial officer, Masibulele Dem CA (SA) and audited in compliance with the Companies Act of South Africa.

M.P. Dem (Chief Financial Officer)

21 May 2021

Director's Responsibility Statement

The directors, whose names are stated below, hereby confirm that:

a) The annual financial statements set out on pages 22 to 85, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
b) No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
c) Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal controls and any fraud that involves directors and have taken the necessary remedial action.

Signed by the CEO and the Financial Director

MP Dem

21 May 2021

Group Secretary’s Certification

In terms of Section 88(2)(e) of the Companies Act of South Africa, as amended, I certify that the group has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

M. Voller (Company Secretary)

Directors' Report

The directors have pleasure in submitting their report on the financial statements of the company and the group for the year ended 28 February 2021. The financial year under review was characterised by a focus on simplifying the business, steadily building up scale, and working towards long-term growth for Hulisani while containing costs and increasing value for our stakeholders. Our assets continue to demonstrate strong performance and are cash generative. In difficult trading circumstances, we are pleased to continue to report positive cashflow from our investments line with our business strategy.

1. Nature of business

Hulisani Limited. (“Hulisani” or the "Company") was incorporated on 13 October 2015 as an investment holding company focused on power generation projects ranging from gas, diesel, solar PV, concentrated solar, wind and hydro, in South Africa and in Sub-Saharan Africa, and is the ultimate holding company of the group. The current investments made by the group which are operational are highlighted below:

- RustMo1 Solar Farm (Pty) Ltd (“RustMo1”) is a material subsidiary and was the first Independent Power Producer (“IPP”) to be connected to the grid and one of the 18 solar PV power plants constructed in the first round of the Renewable Energy Independent Power producer (“REIPPP”). The 7MW plant has a 20-year Power Purchase Agreement to supply electricity to Eskom that commenced in 2013. Hulisani has a 66% shareholding in RustMo1.
- Kouga Wind Farm (Pty) Ltd (“Kouga”) is an investment Hulisani has significant influence over. Kouga is one of the first wind farms to be connected under the REIPPP and has a 20-year Power Purchase Agreement to supply electricity to Eskom.
- GRI Wind Steel South Africa (Pty) Ltd (“GRI”) manufactures wind turbine towers used in energy production. The investment consisting of two instruments is accounted for by the group as a financial asset at fair value through profit or loss. Refer to note 8.
- Legend Power Solutions (Pty) Ltd (“LPS”) has invested in Avon and Dedisa Open Cycle Gas Turbine (OCGT) peaking power plants and Hulisani participates in 9% of the distributable profits of LPS. The group accounts for the LPS investment as a convertible loan at fair value through profit or loss.

2. The impact of COVID-19

Management assessed the impact of COVID-19 to be immaterial. Management does not expect COVID-19 to have a material adverse impact on the operations of Hulisani nor on the going concern assumption. Management believes that the group has enough liquidity to withstand the impact of COVID-19 and will remain a going concern for the foreseeable future.

3. Events after the reporting period

ME Raphulu resigned as the Chief Executive Officer with effect from 15 April 2021. MP Dem was appointed as interim Chief Executive Officer with effect from 15 April 2021 to 19 July 2021.

Dividend per share of 6c were declared and approved on 19 May 2021.

In accordance with the notice on 25 March 2021 Hulisani terminated the services of Resolve Secretarial Service (Pty) Ltd with effect from 25 June 2021.

4. Going concern

The audited consolidated and separate results for the year ended 28 February 2021, 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. Current liabilities for the company exceed current assets, however there is sufficient cash to pay current liabilities.

5. Financial performance

The operating results and financial position of the group and company are set out in the annual consolidated and separate, statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes.

The group has reported an inaugural net profit for the period under review of R13.4m compared to a loss of R26.9m in the prior year. The improved performance is largely attributable to a significant increase in fair value gains of R18.9m (2020: R7.8m), and an impairment loss reversal of R14.3m relating to the associate recognised in the statement of profit or loss. Fair value gains are driven by increased energy production activities in the LPS investment as well as the favourable movement in the GRI financial asset as the value increases as the investment approaches maturity (refer to note 8 for detail), while the reversal of impairment is attributable to the significant decrease in interest rates resulting in the improvement of project cashflows in Kouga. In addition, the group operating expenses for the period decreased in line with the strategy to contain costs. There were no impairments or downward fair value adjustments of the investments.

Key factors that have driven performance for the year under review include the following:

- Revenue
- Operating costs
- Share of profits from the associate
- Impairment loss reversal
- Investment valuations

Revenue

Group

Revenue of R62.4m (2020: R69.4m) for the period under review is reported, a decrease of 10% from the comparative prior period. Revenue at group level consists of sales of electricity at RustMo1 Solar Farm (Pty) Ltd, the subsidiary, and the profit share earned from the convertible loan from Legend Power Solutions (Pty) Ltd ("LPS"). The decrease in revenue related mainly to an interruption in production, related to the soiling and cleaning of solar panels.

Company

Revenue at company level is reported at R35.1m (2020: R31.6m), an increase of 11% from the prior year. The increase relates to higher dividends received from the Kouga investment than expected.

Operating expenses

Group

Operating expenses for the period are R71.5m (2020: R73.6m) a decrease of 3% which is in line with the strategy to contain costs.

The 28 February 2021 group operating expenses include non-cash items such as depreciation and amortisation of R17.7m (2020: R17.4m).

Company

Hulisani operating expenses remain unchanged at R42.3m (2020: R42m).

Impairment (reversal)/loss

The investments at both group and company level were adjusted for impairment reversal.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	R'000	**R'000**	**R'000**	**R'000**
Impairment (reversal)/loss on subsidiaries	-	-	(21,667)	15,278
Impairment (reversal) on associate	(14,314)	-	-	-
	(14,314)	**-**	**(21,667)**	**15,278**

Impairment loss (reversal) on subsidiaries (Company financial statements only)

Pele SPV 13 (Pty) Ltd

Pele SPV13 has an impairment reversal of R5.1m (2020: R2.9m) in the period under review. The subsidiary's only asset is the GRI financial asset; consisting of the right to receive cash in the future as well as an option to acquire GRI shares (refer to note 8 for detail). The impairment reversal is in line with the favourable movement in the GRI financial asset due to changes in the interest rates and the fair value increases as the investment approaches maturity.

Red Cap Investments (Pty) Ltd and Eurocape Renewables (Pty) Ltd

Red Cap Investments (Pty) Ltd (“Red Cap”) and Eurocape Renewables (Pty) Ltd (“Eurocape”) recorded impairment reversals of R2.4m (2020: Rnil) and R0.5m (2020: Rnil) respectively. The decline in profitability is due to the current year wind resource being lower than the expected generation profile, however the generation profile since inception of the project is cumulatively in line with the basis as applied in the financial forecast upon which the impairment assessment was performed. The reduction in interest rates improved projected cash flows in Kouga enabling an increase in the carrying value of the investment. Refer to note 4 for detail.

Momentous Technologies (Pty) Ltd

An impairment reversal of R13.7m (2020: loss of R18.2m) has been recognised in the period under review to adjust the carrying value of the investment to the recoverable amount of R99.6m.

Impairment reversal on associate

Kouga Wind Farm (Pty) Ltd

The group recognised a full reversal of accumulated impairment to the value of R14m. As outlined under impairment reversal on subsidiaries, reduction in interest rates improved projected cash flows in Kouga enabling an increase in the carrying value of the investment. Details on the associate and related impairment reversal are in notes 3 and 4.

Investment valuations

The valuations process involves an element of judgement and involves estimates. Inputs which were factored in the process includes the discount rates and the projected cashflows from the underlying investments. Valuations for LPS and GRI were conducted to determine the fair value of the investment to enable a fair value gain or loss adjustment in the statement of profit or loss and other comprehensive income. The discount rates that were applied were reflective of prevailing market conditions.

The following adjustments were noted in the current year.

	Group		Company	
	2021 R'000	**2020 R'000**	**2021 R'000**	**2020 R'000**
Convertible loan	13,684	4,823	13,684	4,823
GRI financial asset	5,140	3,020	-	-
Fair value gain on assets at fair value through profit or loss	**18,824**	**7,843**	**13,684**	**4,823**

Fair value gains

In the current year under review a fair value gain of R18.9m was recognised in the statement of profit or loss and other comprehensive income. This was attributable to an increased energy production of the plants LPS has invested in (R13.7m), as well as favourable movement in the GRI financial asset (R5.1m).

Share of profits from the associate

The group derives its share of profits from the associate, Kouga, at 6,67%. There was a decrease in share of profits from Kouga to R4.9m (2020 R7.6m) as a result of a decreased energy yield. The decline in profitability is due to the current year wind resource being lower than the expected generation profile, however the generation profile since inception of the project is cumulatively in line with the basis as applied in the financial forecast upon which the impairment assessment was performed.

Group performance summary

The following table reflects the operating financial results for the year ended 28 February 2021 compared to the corresponding previous financial period:

	Group 2021 R'000	Group 2020 R'000	Variance R'000	Variance (%)
Revenue	62,392	69,438	(7,046)	(10)
Operating expenses	(71,480)	(73,609)	2,129	(3)
Financial assets write-off	-	(25,737)	25,737	100
Impairment reversal	14,314	-	14,314	100
Finance income	1,222	3,807	(2,585)	(68)
Finance costs	(12,056)	(13,760)	1,704	(12)
Share of the profit from equity accounted investment	4,946	7,608	(2,662)	(35)
Fair value gains	18,889	7,843	11,046	>100
Profit/(loss) before tax	18,240	(23,410)	41,650	>100

4. Share capital

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

Shareholder analysis

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

Government Employees Pension Fund	35%
Eskom Pension and Provident Fund	11%
Alexander Forbes Investment Ltd	6%

Shareholder spread	Number of shareholders	Percentage of shareholders	Numbers of shares	Percentage of issued capital
2021		**%**	**'000**	**%**
Public	587	96	47,845	96
Non-public	24	4	2,155	4
	611	**100**	**50,000**	**100**

Shareholder spread	Number of shareholders	Percentage of shareholders	Numbers of shares	Percentage of issued capital
2020		**%**	**'000**	**%**
Public	283	93	47,851	96
Non-public	21	7	2,149	4
	304	**100**	**50,000**	**100**

Directors' shareholding 2021	Direct beneficial '000	Indirect beneficial '000	Total number of shares '000	Total %
PC Mdoda	500	-	500	1
MH Zilimbola[1] (i)	-	1,500	1,500	3
AV Notshe[1] (ii)	-	557	557	1
	500	**2,057**	**2,557**	**5**

Directors' shareholding 2020	Direct beneficial '000	Indirect beneficial '000	Total number of shares '000	Total %
PC Mdoda	500	-	500	1
MH Zilimbola[1] (i)	-	1,500	1,500	3
AV Notshe[1] (ii)	-	557	557	1
	500	**2,057**	**2,557**	**5**

[1] Shareholders are advised that MH Zilimbola resigned as an alternate director on 01 March 2020, and AV Notshe on 31 August 2020.

(i) Held through Zelmaro, Sdindi Kapital and Mazi Capital
(ii) Held through Human Interest.

There was no change in directors' shareholding between the year end and the approval date of the annual financial statements.

5. External auditors

PwC Inc. resigned during the year and BDO South Africa Inc. was appointed as auditors for the company and its subsidiaries for 2021. The resignation followed an RFP process for audit services that had been run by the company.

Business address:
Wanderers Office Park
52 Corlett Drive
Illovo
2196

6. Secretary

The company secretary is Resolve Secretarial Services (Pty) Ltd.

Business address:
77 Vasco Boulevard,
Goodwood,
7460

7. Directors

The directors in office at the date of this report are as follows:

Directors	Designation	Nationality	Changes
PC Mdoda (Chairman)*	Non-executive Independent	South Africa	
DR Hlatshwayo*	Non-executive Independent	South Africa	
AV Notshe#	Non-executive	South Africa	Resigned 31 August 2020
MH Zilimbola#	Non-executive	South Africa	Resigned 01 March 2020
HH Schaaf*	Non-executive Independent	Germany	
PD Birkett*	Non-executive Independent	South Africa	
B Marx *	Non-executive Independent	South Africa	Resigned 01 June 2020
KN Kekana*	Non-executive Independent	South Africa	Appointed 09 March 2020
T Godongwana*	Non-executive Independent	South Africa	Appointed 09 March 2020, resigned 27 August 2020
ME Raphulu (Chief Executive Officer)	Executive	South Africa	Resigned 15 April 2021
MP Dem (Chief Financial Officer)	Executive	South Africa	

* Independent Non-executive

\# Non-independent Non-executive

Independent Auditor's Report
To the Shareholders of
Hulisani Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion
We have audited the consolidated and separate financial statements of Hulisani Limited (the group and company) set out on pages 22 to 85, which comprise the consolidated and separate statements of financial position as at 28 February 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hulisani Limited as at 28 February 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' Code of *Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of convertible loan to Legend Power Solution (Consolidated Financial Statements and Company Financial Statements)	In considering the appropriateness of management's judgement used in the determining the valuation of the convertible loan to LPS, we performed the following audit procedures with the assistance of our internal valuation specialists:
Hulisani holds a convertible loan to Legend Power Solutions Proprietary Limited ("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 when senior funding in LPS has been fully repaid to the lender.	• Assessed the design and implementation of key controls in the valuation process performed by management. • We utilised our internal valuation specialist to assess the valuation model.

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

Management used a dividend discount model in determining the fair value of the loan.

The valuation of the loan was a matter of most significance to the current year audit due to the following:

- the significant judgment applied by management, in relation to forecasted revenue growth, forecasted utilization rate and discount rate, and
- the significance of the amount to the consolidated and separate financial statements.

Refer to Note 7 Convertible loan at fair value through profit and loss and Note 30 Fair value information to the consolidated and separate financial statements. A fair value adjustment of R13.6 million (2020: R4.8 million) has been accounted for in profit and loss.

- We held discussions with management to obtain an understanding of the process applied by them to calculate the value of the financial asset.
- We assessed the valuation model methodology to be in line with generally accepted valuation methodology being a dividend discount model.
- We tested the mathematical accuracy of the model used by management to calculate the cash flows attributable to the holding of the financial asset.
- Utilising our valuations expertise, we tested the discount rate used by management for reasonability by independently recalculating the discount rates, taking into account market data obtained.
- We compared forecasted revenue growth during the remainder of the power purchase agreement to confirm that it is in line with current market indicators, including the price index rate range as determined by the South African Reserve Bank.
- We confirmed the reasonability of the forecasted utilisation rate used by management to calculate average revenue by assessing the current actual utilisation and the guaranteed utilisation in terms of the power purchase agreement.
- We tested the accuracy of the model and we performed a sensitivity analysis around the key assumptions used in the model.
- We evaluated the adequacy and completeness of disclosures in the financial statements in terms of International Financial Reporting Standards.

Classification as Investment in Associate, and assessment of carrying value of Investment in Associate (Consolidated Financial Statements)

Hulisani holds 100% of issued shares in Red Cap Investments Proprietary Limited ("Red Cap") and Eurocape Renewables Proprietary Limited ("Eurocape"). Red Cap and Eurocape hold 5.46% and 1.21% interest in Kouga Wind Farm (RF) Proprietary Limited "Kouga" respectively, combined 6.67%.

Kouga is an investment Hulisani has significant influence over.

Kouga is one of the first wind farms to be connected under the REIPPP and has a 20-year Power Purchase Agreement to supply electricity to Eskom. Hulisani management made a judgement regarding the classification of this acquisition as an investment in associate as Hulisani has a 25% directorship representation on the board of the investee. The board representation indicates a level of significant influence by Hulisani.

At 28 February 2021, the group's investments in associate (Note 3) amounts to R104 million (2020: R103 million). In accordance with IAS 36 – Impairment of Assets, the group

In considering the appropriateness of management's judgement used in the assessment of classification as Investment in Associate, and assessment of carrying value of Investment in Associate, we performed the following audit procedures with the assistance of our internal valuation specialists and internal technical IFRS specialists:

- Assessed the design and implementation of key controls in the classification and valuation process performed by management.
- We utilised our internal technical IFRS specialist team to assess the classification as an investment in associate.
- We determined whether we had identified any indication that an impairment loss recognised in prior periods may no longer exist through knowledge of the business.
- We furthermore used our internal valuation experts to assist us in evaluating the reasonability of the assumptions and methodologies used by management

is required to consider whether there are indicators of impairment with respect to the investment in associate. The classification as an investment in associate as well as the impairment test is considered a key audit matter to our audit due to the significant judgements and assumptions applied by management when assessing the classification and calculating the discounted dividend cash flows in order to determine whether the recoverable amounts exceed the carrying value of the investment. Refer to Note 3 Investments in associates and Note 4 for the key inputs in determining the recoverable amount. An impairment reversal of R14 million has been accounted for in profit and loss.	to determine the recoverable amount of the investment in associate. • We assessed the valuation model methodology to be in line with generally accepted valuation methodology being a dividend discount model. • We compared forecasted revenue growth during the remainder of the power purchase agreement to confirm that it is in line with current market indicators, including the price index rate range as determined by the South African Reserve Bank. • We confirmed the reasonability of the forecasted electricity generation profile used by management to calculate forecasted revenue over the remainder of the power purchase agreement by assessing the current actual to date electricity generation of the Kouga plant. • Utilising our valuations expertise, we tested the discount rate used by management for reasonability by independently recalculating the discount rates, taking into account market obtained data. • We tested the accuracy of the model and we performed a sensitivity analysis around the key assumptions used in the model. • We evaluated the adequacy and completeness of disclosures in the financial statements in terms of International Financial Reporting Standards.
Classification and Valuation of GRI Windsteel South Africa Proprietary Limited "GRI" Financial Instruments (Consolidated Financial Statements) Pele SPV13 Proprietary Limited ("Pele SPV13") entered into an agreement (the "Share Purchase Agreement") to acquire 25% shareholding in GRI Wind Steel South Africa Proprietary Limited ("GRI") from GRI Renewables Industries, S.L for an amount of R82,5 million (the "Purchase Price"). In legal form Pele SPV13 is owned in equal proportions by the Company and Pele198 (RF) Proprietary Limited ("Pele SPV198"), however as Hulisani carry all the equity investment risk and exercise all voting rights in Pele 13, it is in substance wholly owned by Hulisani. In terms of the Share Purchase Agreement, on the fifth anniversary of the acquisition of the investment, Pele SPV13 (by extension, the Group) 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 the Group'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 the value of the investment. Based on the above, the Group concluded that the risks and rewards associated with the current ownership interest in GRI have not transferred to the Group.	In considering the appropriateness of management's judgement used in the assessment of classification and valuation of GRI Windsteel South Africa Proprietary Limited "GRI" Financial Instruments, we performed the following audit procedures with the assistance of internal valuation specialists and internal technical IFRS specialists: • Assessed the design and implementation of key controls in the classification and valuation process performed by management. • We utilised our internal technical IFRS specialist team to assess the classification of the Financial Instruments of GRI as Financial assets at fair value through profit and loss. • We assessed the competency and independence of management's expert. • We utilised our internal valuation specialist to review management's expert's calculation of the two financial assets at fair value through profit and loss relating to GRI. • We assessed the reasonability of the key inputs as developed by the independent management's expert and used in determining the fair value of the financial assets.

The purchase of 25% of GRI and the Option have been accounted for as financial assets at fair value through profit and loss comprising:

- The contractual right to demand repayment of R82.5 million if the Group chooses not to exercise the call option, and
- A call option to acquire 25% ownership interest in GRI.

Management contracted the services of an independent expert to perform the valuations.

The valuation of the Financial assets was a matter of most significance to the current year audit due to the following:

- the significant judgement involved in the model applied by management to determine the value; and
- the significance of the amount to the consolidated financial statements.

Refer to Note 8 Other Financial Assets at fair value through profit and loss and Note 30 for the key inputs in determining the fair value. A fair value adjustment of R5.1 million (2020: R3 million) has been accounted for in profit and loss.

- We evaluated the adequacy and completeness of disclosures in the financial statements in terms of International Financial Reporting Standards.

Assessment of carrying value of goodwill (Consolidated financial statements)

Included in intangible assets is goodwill amounting to R45 million. The goodwill relates to the prior acquisition of the Rustmo1 Solar Farm Proprietary Limited ("Rustmo1"). The Company acquired 100% of the issued ordinary shares in Momentous Technologies Proprietary Limited, a holding company that owns a 66% majority stake in RustMo1 Solar Farm Proprietary Limited, in 2017.

In terms of IAS 36 Impairment of Assets, management is required to annually test goodwill for impairment. Management have prepared a goodwill valuation for the cash generating unit to assess if any impairment is required.

The valuation of the goodwill was a matter of significance to the current year audit due to the following:

- the significant estimates applied by management, in particular, the forecasted revenue growth, forecasted electricity generation profile and the discount rate; and
- the significance of the amount to the consolidated financial statement.

Refer to Intangible Assets note 6 of the group financial statements, and note 4 for the key inputs into the dividend discount model.

In considering the appropriateness of management's judgement used in the testing of goodwill for impairment, we performed the following audit procedures with the assistance of our internal valuation specialists:

- Assessed the design and implementation of key controls in the goodwill impairment process performed by management.
- We assessed the valuation model methodology to be in line with generally accepted valuation methodology being a dividend discount model.
- We compared forecasted revenue growth during the remainder of the power purchase agreement to confirm that it is in line with current market indicators, including the price index rate range as determined by the South African Reserve Bank.
- We confirmed the reasonability of the forecasted electricity generation profile used by management to calculate forecasted revenue over the remainder of the power purchase agreement by assessing the current actual to date electricity generation of the Rustmo plant.
- Utilising our valuations expertise, we tested the discount rate used by management for reasonability by independently recalculating the discount rates, taking into account market obtained data.

	- We tested the accuracy of the model and we performed a sensitivity analysis around the key assumptions used in the model. - We evaluated the adequacy and completeness of disclosures in the financial statements in terms of International Financial Reporting Standards.
Assessment of carrying value of investment in subsidiaries **(Company Financial Statements)** As disclosed in note 4, the Company acquired 100% of the issued ordinary shares in Momentous Technologies Proprietary Limited "Momentous", a holding company that owns a 66% majority stake in RustMo1 Solar Farm Proprietary Limited "Rustmo1". As disclosed in Note 4, the Company acquired 100% of the issued shares in Red Cap Investments Proprietary Limited ("Red Cap") and Eurocape Renewables Proprietary Limited ("Eurocape"). Red Cap and Eurocape hold 5.46% and 1.21% interest in Kouga Wind Farm (RF) Proprietary Limited ("Kouga") respectively, accounted for as an associate in the consolidated financial statements. As disclosed in Note 8 to the consolidated and separate financial statements, the company carry all the equity investment risk and exercise all votes in Pele 13, and in substance is owned 100% by Hulisani. The entity's only investment is the option in GRI Wind Steel South Africa Proprietary Limited ("GRI"). The recoverable amount of Pele SPV13 is based on the fair value of the GRI financial assets. In the current year an impairment reversal of R5.1 million was accounted through profit and loss. Refer note 4. Management used a dividend discounted model in determining the recoverable amount of the investments as held by the subsidiaries, Momentous, being the RustMo1 CGU, as well as the investment in Red Cap and Eurocape being the Kouga CGU. The valuation required significant judgment to be applied by management in the key assumptions underlying the valuation. An impairment reversal of R13.6 million has been accounted for in profit and loss for the investment in Momentous subsidiary, and an impairment reversal of R2.3 million and R0.5 million, for Red Cap and Eurocape investment in subsidiary respectively. Refer note 4. Investments in subsidiaries in the Company's records are carried at cost less any accumulated impairment. The valuation of these investments was a matter of significance to the current year audit due to the following: - the significant estimates applied by management, in particular, the forecasted	In considering the appropriateness of management's judgement used in assessment of carrying value of investments in subsidiaries for impairment, we performed the following audit procedures with the assistance of our internal valuation specialists: - Assessed the design and implementation of key controls in the impairment process performed by management. - We determined whether we had identified any indication that an impairment loss recognised in prior periods may no longer exist through knowledge of the business. - As per work performed in the Key Audit Matters relating to the underlying investments held by the subsidiaries being Rustmo, Kouga and GRI we have compared the recoverable amount with reference to the fair value of the underlying investments as held by the subsidiaries to the carrying value of the investments in subsidiaries. - We evaluated the adequacy and completeness of disclosures in the financial statements in terms of International Financial Reporting Standards.

revenue growth, forecasted electricity generation profile and the discount rate; and

- the significance of the amount to the separate financial statement.

Other Information
The directors are responsible for the other information. The other information comprises the information included in the document titled "Hulisani Group trading as Hulisani Limited Consolidated and Separate Annual Financial Statements for the year ended 28 February 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

Vianca Pretorius
Director
Registered Auditor

21 May 2021

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Consolidated and separate statements of financial position

		Group		Company	
		2021	2020	2021	2020
	Note(s)	R '000	R '000	R '000	R '000
Asset					
Non-Current Assets					
Property, plant and equipment	5	111,695	121,462	2,569	4,239
Intangible assets	6	132,604	139,099	371	-
Investments in subsidiaries	4	-	-	281,785	260,118
Investment in associate	3	104,759	103,337	-	-
Loan receivable	9	-	7,522	-	7,522
Convertible loan at fair value through profit or loss	7	95,293	81,609	95,293	81,609
Other financial assets at fair value through profit or loss	8	75,487	70,347	-	-
Loans to group companies	29	-	-	59	-
		519,838	**523,376**	**380,077**	**353,488**
Current Assets					
Trade and other receivables	10	10,916	12,232	167	5,466
Cash and cash equivalents	11	26,947	26,923	5,758	1,378
		37,863	**39,155**	**5,925**	**6,844**
Total Assets		**557,701**	**562,531**	**386,002**	**360,332**
Equity					
Share capital	26	500,000	500,000	500,000	500,000
Reserves	28	8,049	6,562	1,487	-
Accumulated loss		(140,262)	(151,519)	(124,183)	(153,301)
Equity attributable to equity holders of parent		367,787	355,043	377,304	346,699
Non-controlling interest		21,714	25,103	-	-
		389,501	**380,146**	**377,304**	**346,699**
Non-Current Liabilities					
Borrowings	13	99,543	108,862	-	-
Share-based payment liability	27	-	-	2,092	2,937
Deferred tax	15	46,298	43,139	-	-
Lease liabilities	14	1,066	2,947	-	1,560
		146,907	**154,948**	**2,092**	**4,497**
Current Liabilities					
Trade and other payables	12	5,824	9,853	5,046	3,573
Borrowings	13	11,871	11,743	-	-
Lease liabilities	14	1,881	1,533	1,560	1,255
Current tax payable		1,717	-	-	-
Bank overdraft	11	-	4,308	-	4,308
		21,293	**27,437**	**6,606**	**9,136**
Total Liabilities		**168,200**	**182,385**	**8,698**	**13,633**
Total Equity and Liabilities		**557,701**	**562,531**	**386,002**	**360,332**

Consolidated and separate statements of profit or loss and other comprehensive income

		Group		Company	
	Note(s)	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Revenue	16	62,392	69,438	35,145	31,588
Other operating income		13	1,000	13	1,000
Other operating gains	21	18,889	7,843	14,620	4,987
Other operating expenses	17	(71,480)	(73,609)	(42,285)	(41,997)
Financial assets write-off	20	-	(25,737)	-	(25,737)
Impairment reversal/(loss)	20	14,314	-	21,667	(15,279)
Operating profit (loss)		**24,128**	**(21,065)**	**29,160**	**(45,438)**
Investment income	18	1,222	3,807	270	3,318
Finance costs	19	(12,056)	(13,760)	(312)	(432)
Share of the profit from equity accounted investments	3	4,946	7,608	-	-
Profit (loss) before taxation		**18,240**	**(23,410)**	29,118	**(42,552)**
Taxation	22	(4,876)	(3,523)	-	-
Profit (loss) for the year		**13,364**	**(26,933)**	**29,118**	**(42,552)**
Other comprehensive income		-	**-**	**-**	**-**
Total comprehensive income/(loss) for the year		**13,364**	**(26,933)**	**29,118**	**(42,552)**
Profit (loss) attributable to:					
Owners of the parent		11,257	(29,414)	29,118	(42,552)
Non-controlling interest		2,107	2,481	-	-
		13,364	**(26,933)**	**29,118**	**(42,552)**
Total comprehensive income (loss) attributable to:					
Owners of the parent		11,257	(29,414)	29,118	(42,552)
Non-controlling interest		2,107	2,481	-	-
		13,364	**(26,933)**	**29,118**	**(42,552)**
Basic and diluted earnings (loss) per share (c)	23	23	(59)		

Consolidated and separate statements of changes in equity

Group	Share capital R '000	Equity-settled share-based payment reserves R '000	Accumulated loss R '000	Attributable to equity holders of the parent R '000	Non-controlling interest R '000	Total equity R '000
Balance at 01 March 2019	**500,000**	**6,562**	**(122,105)**	**384,457**	**29,078**	**413,535**
(Loss) profit for the year	-	-	(29,414)	(29,414)	2,481	(26,933)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)income for the year	**-**	**-**	**(29,414)**	**(29,414)**	**2,481**	**(26,933)**
Dividends	-	-	-	-	(6,456)	(6,456)
Balance at 01 March 2020	**500,000**	**6,562**	**(151,519)**	**355,043**	**25,103**	**380,146**
Profit for the year	-	-	11,257	11,257	2,107	13,364
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**11,257**	**11,257**	**2,107**	**13,364**
Employee share schemes – value of employee services	-	1,487	-	1,487	-	1,487
Dividends	-	-	-	-	(5,496)	(5,496)
Balance at 28 February 2021	**500,000**	**8,049**	**(140,262)**	**367,787**	**21,714**	**389,501**
Note(s)	26	28			33	

Consolidated and separate statements of changes in equity

Company	Share capital R'000	Equity-settled share-based payment reserves R'000	Accumulated loss R'000	Total equity R'000
Balance at 01 March 2019	**500,000**	**-**	**(110,749)**	**389,251**
Loss for the year	-	-	(42,552)	(42,552)
Other comprehensive income	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**(42,552)**	**(42,552)**
Balance at 01 March 2020	**500,000**	**-**	**(153,301)**	**346,699**
Profit for the year	-	-	29,118	29,118
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**29,118**	**29,118**
Employee share schemes – value of employee services	-	1,487	-	1,487
Balance at 28 February 2021	**500,000**	**1,487**	**(124,183)**	**377,304**
Note(s)	26	28		

Consolidated and separate statements of cash flows

		Group		Company	
		2021	2020	2021	2020
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Cash used in operations	25	(3,996)	(5,737)	(32,277)	(41,102)
Net cash utilised in operating activities		**(3,996)**	**(5,737)**	**(32,277)**	**(41,102)**
Cash flows from investing activities					
Purchase of property, plant and equipment and intangibles	5,6	(1,670)	(1,032)	(405)	(218)
Disposal of property, plant and equipment	5	240	-	-	-
Receipts from loans receivable at amortised cost	9	7,522	-	7,522	-
Profit share[1]	16	11,452	17,406	11,452	17,406
Interest received[1]		1,222	1,754	270	313
Dividends received	3,16	17,838	14,746	23,693	27,400
Net cash from investing activities		**36,604**	**32,874**	**42,532**	**44,901**
Cash flows from financing activities					
Repayment of borrowings	13	(8,339)	(5,560)	-	(622)
Payment on lease liabilities	14	(1,533)	(1,120)	(1,255)	(995)
Dividends paid		(5,496)	(9,703)	-	-
Interest paid[2]	13,14	(12,908)	(14,797)	(312)	(432)
Net cash utilised in financing activities		**(28,276)**	**(31,180)**	**(1,567)**	**(2,049)**
Total cash movement for the year		**4,332**	**(4,043)**	**8,688**	**1,750**
Cash at the beginning of the year		22,615	26,658	(2,930)	(4,680)
Total cash at end of the year	11	**26,947**	**22,615**	**5,758**	**(2,930)**

[1] In the prior year the profit share was included as part of interest received. In the current period this has been split out for more transparent disclosure.
[2] Interest paid includes interest on overdraft and other loans payable as per note 19.

Accounting policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the JSE Listings requirements.

The financial statements have been prepared on the historic cost convention and incorporate the principal accounting policies set out below. They are presented in Rands, which is the group and company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Financial instruments

Initial recognition of financial assets

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments held or derivative assets. The classification and measurement of debt instruments is dependent on the business model in which the financial asset is managed and its contractual cash flow characteristics. The business model refers to how the group is managing its financial instruments to generate cash flows. The group first assesses the business model before considering whether an instrument meets the definition of the contractual cash flow test. Only if the financial instruments are held in a business model to collect contractual cash flows or a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the cash flows characteristics test is performed.

A debt instrument is classified as a financial asset at amortised cost if it meets both of the following conditions:
- it is held within a business model where the objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All debt instrument financial assets that were not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at FVTPL. For financial assets not classified at FVTPL, transaction costs are added to or deducted from the fair value at initial recognition.

Accounting policies

1.2 Financial instruments (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is adjusted for any loss allowance. Interest income and impairment are recognised in profit or loss. The assets include loans provided to group companies as reported in the company's financial statements. The assets include receivables at amortised cost and other financial assets at amortised cost (refer to notes 9, 10 ,11 and 29). Any gains or losses arising on the derecognition are included in profit or loss in other operating income/expense.
Financial assets at FVTPL	These assets are subsequently measured at fair value. The assets consist of investments at fair value through profit or loss (Note 7 and 8). Net gains and losses, including any profit share or dividend income, are recognised in profit or loss. Any gains or losses arising on the derecognition are included in profit or loss in other operating income/expense.

Note 29, Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

Initial recognition of financial liabilities

The group classifies its financial liabilities at amortised cost based on the purpose for which the liability was acquired.

Financial liabilities not measured at fair value through profit or loss on initial recognition are measured at fair value less transaction costs that are incremental and directly attributable to the issue of the financial liability.

Subsequent measurement of financial liabilities

Financial liabilities at amortised cost	These liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. The liabilities include trade and other payables and borrowings (refer to notes 12 and 13). Any gains or losses arising on the derecognition are included in profit or loss in other operating income/expense.

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 29 for details of risk exposure and management thereof.

Accounting policies

1.2 Financial instruments (continued)

Expected credit losses

The expected credit loss (ECL) model applies to financial assets measured at amortised cost, for example loans and advances, trade and other receivables, and cash and cash equivalents held by the group. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

Trade receivables

The group applies the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such allowances are recorded in a separate loss allowance account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated loss allowance.

Other financial assets at amortised cost

Th group applies the general approach for other types of financial assets measured at amortised cost. In terms of the general approach the group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring. The ECL impairment loss allowance is determined as a probability-weighted amount based on the consideration of the current available reasonable and supportive forecast of forwarding looking information.

The group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

The group writes off a financial instrument at amortised cost when the entity has no reasonable expectation of recovery of the outstanding balance of the instrument. Determining when to write off financial assets is a matter of judgement and incorporates both quantitative and qualitative information. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

For presentation on the statement of financial position, the ECL allowances are deducted from the gross carrying amount of the assets as disclosed. ECLs are included in operating expenses in profit or loss (note 17).

For further information on the application of the ECL model on loans and advances refer to note 29.

Cash and cash equivalents

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

Accounting policies

1.2 Financial instruments (continued)

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. For the purpose of the cash flow statements, total cash at end of the year includes bank overdraft.

1.3 Property, plant and equipment

Recognition and measurement

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Item	Depreciation method	Useful life
Land	N/a	N/a
Buildings	Straight line	20 years
Right-Of-Use asset: Building (lease term)	Straight line	3 - 5 years
Plant and machinery	Straight line	5 - 20 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 - 6 years
IT equipment	Straight line	2 - 4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

Impairment

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Accounting policies

1.4 Intangible assets

(i) Goodwill

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

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

(ii) Customer contracts

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

(iii) Computer software

Acquired computer software is initially recognised at cost, and subsequently measured at cost less amortisation and accumulated impairment. Costs associated with maintaining software programmes are recognised as an expense as incurred.

Amortisation

Intangible assets amortisation is provided on a straight-line basis over their useful life. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Customer contract (Kouga and RustMo1 Power Purchase Agreement)	20 years
Computer software	3 years

1.5 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all subsidiaries. Subsidiaries are entities which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein and are recognised within equity.

Accounting policies

1.6 Investments in associates

An associate is an entity over which the group has significant influence, and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights. Refer to note 1.18 for details.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are carried in the statement of financial position at cost adjusted for post-acquisition changes in the group's share of net assets of the associate, less any impairment losses.

The group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

1.8 Stated capital

Ordinary shares are recognised at no par value and classified as stated capital in equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.9 Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

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, refer to note 2 for detail. The group elected to apply the practical expedient introduced by the amendments to all rent concessions that satisfy the criteria

Accounting policies

1.9 Leases (continued)

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Details of leasing arrangements where the group is a lessee are presented in the property plant and equipment note.

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:
- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.11 Borrowing costs

There are no qualifying assets for capitalisation of borrowing costs. All borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Dividends

Dividends received

Dividends are recognised when the amount of any dividend is declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not received at the end of the reporting period. Dividends receivable are raised for expected inflow of cash.

Dividends paid

Dividends are recognised when they become legally payable. Dividends that have not been declared at the reporting date are not accounted for in the current period. Such dividends are disclosed where the declaration occurred after the reporting date, but before the annual financial statements are approved for issue. Dividends are recognised as a liability in the year in which they are declared.

1.13 Revenue from contracts with customers

The group earns revenue from the sale of electricity. Electricity transfer to the customer is regulated by the power purchase agreement. Performance obligation to deliver electricity is satisfied over time as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. Therefore, revenue is recognised over time, in the accounting period in which the services are rendered.

Revenue is measured at the transaction price agreed under the contract and there is no recognised significant financing component. The group recognises revenue when the amount of revenue can be reliably measured. Revenue is recognised in the amount to which the group has a right to invoice. The customer is invoiced on a monthly basis and consideration is receivable when invoiced. No financing element is recognised as the payment terms are within 30 days and the practical expedient in IFRS15.63 has been applied.

Hulisani earns revenue in the form of distributions received from subsidiaries and profit share from the convertible loan, therefore is not in the scope of IFRS 15 Revenue from Contracts with Customers. Distributions received and profit share on the convertible loan is recognised when the right to receive payment is established.

1.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating-decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group's executive committee that makes strategic decisions.

The basis of segmental reporting has been set out in note 24.

1.15 Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities in the balance sheet.

Share-based payment expense

Share-based compensation benefits are provided to qualifying employees. Refer to note 1.16 for details on the accounting policy.

Accounting policies

1.16 Share-based payments

Where equity settled share appreciation rights are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated and separate statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to other parties other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

The company also carries cash-settled share-based payments. An option pricing model is used to measure the liability at each reporting date. Movements in the liability (other than cash payments) are recognised in the separate statement of comprehensive income.

1.17 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1.18 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving significant judgements are:

(i) Investment in an associate decision

Hulisani holds 100% of issued shares in Red Cap Investments (Pty) ("Red Cap") Ltd and Eurocape Renewables (Pty) Ltd ("Eurocape"). Red Cap and Eurocape hold 5.46% and 1.21% interest in Kouga Wind Farm (RF) (Pty) Ltd respectively, combined to 6.67%. Refer to note 3 for detail.

Hulisani management made a judgement regarding the classification of this acquisition as an investment in associates as Hulisani has a 25% directorship representation on the board of the investee. The board representation indicates a level of significant influence by Hulisani.

Accounting policies

1.18 Significant judgements and sources of estimation uncertainty (continued)

(ii) Classification of the GRI financial asset

Hulisani holds 100% of issued shares in Pele SPV13. Pele SPV13 holds a 25% interest in GRI Wind Steel South Africa (Pty) Ltd ("GRI"). GRI Renewable Industry, S.L granted Pele SPV13 (Pty) Ltd ("Pele SPV13") a put option to sell the shares back to GRI Renewable Industry, S.L for the purchase price less any dividends received from GRI up to date of exercise of the put option. Hulisani accounted for the acquisition of shares and the granting of the put option as a single unit of account as the counterparty in both cases is the same and each constituted an integral part of a single transaction. The conclusion on the transaction 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 a call option to acquire 25% of GRI with the strike price paid in advance. As such Hulisani has accounted for the transaction on the basis that it holds two instruments, namely the right to receive cash as well as an option to acquire 25% ownership interest in GRI in the future for a fixed price. Therefore, both instruments are classified as a financial asset at fair value through profit or loss within the scope of IFRS 9, with the option determined to have an immaterial fair value. Refer to note 8 for detail.

The areas involving estimation uncertainty are:

(iii) IFRS 9 Expected Credit Losses

Hulisani management made a judgement regarding the assessment of receivables for impairments using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit loss allowance of the respective items at the date they were initially recognised and at statement of the reporting date.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses estimate in making these assumptions and selecting the inputs to the impairment calculation, based on the group's history, existing market conditions as well as forward looking estimates at the end of each reporting period (refer to note 29).

(iv) Estimated fair value of the GRI financial asset

The substance of the transaction is that Hulisani has a call option to acquire 25% of GRI with the strike price paid in advance. As such Hulisani has accounted for the transaction on the basis that it holds two instruments; namely a right to receive cash carried at fair value which is the present value arrived at by discounting R82.5m for the time value of money plus the credit risk of GRI Renewable Industry, S.L, as well as an option to acquire GRI shares in the future with the fair value of the option determined through an option pricing model. For a call option to be in-the-money, the spot price is required to exceed exercise price. Since the Pele SPV 13 investment in GRI is worth a lot less than the purchase price less any dividends paid to Pele SPV 13, the call option is out of the money and was determined to have an immaterial fair value. Refer to note 8 for detail on the GRI financial asset.

(v) Pele SPV 198 option

Hulisani subscribed for preference shares of R41.25m Pele SPV198 and 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 with the Pele SPV198 investment in Pele SPV13 have transferred to Hulisani and Pele SPV198 effectively has an option to acquire the 50% interest in Pele SPV13 once the preference share funding has been repaid. The option is carried as an equity-settled instrument by the group, while the company accounts for it as a cash-settled instrument. Details on the instrument are in notes 8 and 27.

(vi) Leases

Management has had to make an estimation on whether the group will exercise an option to extend the leases when determining the lease term, by considering all facts and circumstance that create an economic value on the decision. It was decided that the extension option should not be included in the lease liability, because the group could replace the assets without significant cost or business disruption (refer to note 14).

Accounting policies

1.18 Significant judgements and sources of estimation uncertainty (continued)

(vii) Estimated fair value of financial assets at fair value through profit or loss

Hulisani holds a convertible loan to Legend Power Solutions (Pty) "(LPS"). The group carries the financial asset as an investment at fair value through profit or loss. The fair value is determined by discounting dividend income using the dividend discount method. The expected cash flows are discounted using an appropriate discount rate. In determining the fair value, the group made key assumptions on base revenue from underlying plant operations, discount rate and period of operation. The loan participates in 9% of distributable profits available to LPS' shareholders. On maturity the loan will convert to 9% of equity in LPS (refer to note 7).

(viii) Impairment (reversal) of investments in subsidiaries

Management identified impairment indicators (reversal) relating to the investments in Momentous Technologies (Pty) Ltd ("Momentous"), Pele SPV 13 (Pty) Ltd ("Pele SPV 13"), Red Cap Investments (Pty) Ltd ("Red Cap") and Eurocape Renewables (Pty) Ltd ("Eurocape"). The nature of some of the investments acquired by Hulisani is that they are expected to wind down in line with the passage of time in accordance with the Power Purchase Agreements with Eskom. This is mainly driven by the fact that these investments pay distributions which are in excess of the total comprehensive income, in turn returning a portion of capital back to investors. The inverse is also possible, where investment performance improves in a manner that warrants the reversal of those impairments. 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 the discount rate (refer to note 4).

(ix) Reversal of impairment of an investment in associate

In prior years the group recognised an impairment on its investment in associate, Kouga Wind Farm (Pty) Ltd ("Kouga"). The recoverable amount of the investment in Kouga as determined by calculating value in use. The recoverable amount is determined by using the dividend discount model. The expected dividends are discounted using an appropriate discount rate. In determining the expected dividends, the group made key assumptions on forecasted revenue and the discount rate (refer to note 3).

(ix) Goodwill impairment

The carrying value of goodwill in the group is R45m and arose on acquisition of a majority stake in RustMo1 Solar Farm (Pty) Ltd ("RustMo1"). RustMo1 is considered to be a separately identifiable cash generating unit and goodwill has been allocated to this cash generating unit. The recoverable amount of goodwill was based on value in use, using the dividend discount method. In determining the recoverable amount, the group made key assumptions on forecasted revenue and the discount rate (refer to note 6).

(x) The impact of COVID-19

Management assessed the impact of COVID-19 to be immaterial on operations, other than the macro economic impact. Management does not expect COVID-19 to have a material adverse impact on the operations of Hulisani nor on the going concern assumption. Management believes that the group has enough liquidity to withstand the impact of COVID-19 and will remain a going concern until at least the next financial year end.

(xi) Deferred tax assets

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date. Details of deferred taxation can be found in note 15.

Notes to the consolidated and separate financial statements

2. New Standards and Interpretations

The group has applied the following standards and amendments for the first time for their annual reporting period commencing on or after 01 March 2020 became effective:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
• IFRS 16 Leases: COVID-19 related rent concessions: amendments to IFRS 16	01 June 2020, but the group adopted the amendments earlier.	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. The group assessed the impact to be immaterial. Rental relief received was recognised in the profit or loss.
• Definition of Material – Amendments to IAS 1 and IAS 8	01 January 2020	To enable the use of a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, and to clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. The impact on the group has been assessed to be immaterial.
• Revised *Conceptual Framework for Financial Reporting*	01 January 2020	The revised Conceptual Framework will be used in standard-setting decisions with immediate effect; however, no changes will be made to any of the current accounting standards. The impact of the revised conceptual framework is immaterial.

2. New Standards and Interpretations (continued)

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 March 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
• Annual Improvements to IFRS Standards 2018-2020 Cycle	01 January 2022	Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards: - IFRS 9 *Financial instruments* - **Fees in the '10 per cent' test for derecognition of financial liabilities.** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability - IFRS 16 *Leases* - **Lease incentives.** The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The amendments have no impact on the group.
• Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	01 January 2022	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments have no impact on the group.
• IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	01 January 2022	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment. The amendments have no impact on the group.
• IAS 16 *Property, Plant and Equipment* (Amendment – Proceeds before Intended Use)	01 January 2022	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss. The amendments have no impact on the group.

Notes to the consolidated and separate financial statements

3. Investment in associate

Summarised financial information of material associates

(a) Kouga Wind Farm (Pty) Ltd

Hulisani holds 100% of issued shares in Red Cap Investments (Pty) ("Red Cap") Ltd and Eurocape Renewables (Pty) Ltd ("Eurocape"). 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	
	2021 R'000	**2020 R'000**
Balance at the beginning of the period	103,337	103,560
Profit attributable to Hulisani Limited	4,946	7,608
Impairment reversal	14,314	-
Dividends received	(17,838)	(7,831)
Balance at the end of the period	**104,759**	**103,337**

i) Identifiable assets

A customer contract with a fair value of R88m as determined on acquisition of the associate is included in the carrying value of the investment. The contract is a 20-year Power Purchase Agreement ("PPA") between Kouga and Eskom, which is the agreement regulating the supply of electricity by Kouga to Eskom. The customer contract is subsequently amortised on a straight-line basis over the remaining term of the PPA to match the cash flows of the contract.

	Kouga	
Summarised Statement of Profit or Loss and Other Comprehensive Income	**2021 R'000**	**2020 R'000**
Revenue	438,007	501,372
Other income and expenses	(257,373)	(277,192)
Profit before tax	180,634	224,180
Tax expense	(53,850)	(57,481)
Profit from operations	126,784	166,699
Total comprehensive income	**126,784**	**166,699**
Profit attributable to Hulisani	**8,457**	**11,119**
Intangibles arising from acquisition amortised (net of tax)	**(3,511)**	**(3,511)**
Share of the profit from equity accounted investments	**4,946**	**7,608**

Notes to the consolidated and separate financial statements

3. Investment in associate (continued)

	Kouga	
Summarised Statement of Financial Position	**2021 R'000**	**2020 R'000**
Assets		
Non-current	1,177,140	1,257,759
Current	367,408	457,390
Total assets	**1,544,548**	**1,715,149**
Liabilities		
Non-current	1,355,746	1,397,901
Current	153,578	141,536
Total liabilities	**1,509,324**	**1,539,437**
Total net assets	**35,224**	**175,712**

	Kouga	
Reconciliation of net assets to equity accounted investments in associates	**2021 R'000**	**2020 R'000**
Interest in associates at percentage ownership	2,349	11,720
Goodwill	52,699	52,699
Intangible asset arising from acquisition (net of tax)	49,711	53,232
Impairment loss	-	(14,314)
Carrying value of investment in associate	**104,759**	**103,337**

(ii) Impairment reversal

Management identified impairment indicators in Kouga due to the production being less than originally budgeted for. The decline in profitability is due to the current year wind resource being lower than the expected generation profile, however the generation profile since inception of the project is cumulatively in line with the basis as applied in the financial forecast upon which the impairment assessment was performed. The reduction in interest rates improved projected cash flows enabling an increase in the recoverable value of the investment. Refer to note 4 for details on how the recoverable amount was derived, as well as key inputs to the valuation model.

Notes to the consolidated and separate financial statements

4. Investment in subsidiaries

The following table lists the entities which are controlled by the group.

	Company	
	2021 R'000	**2020 R'000**
Pele SPV 13 (Pty) Ltd	82,501	82,501
Momentous Technologies (Pty) Ltd	116,681	116,681
Red Cap Investments (Pty) Ltd	112,119	112,119
Eurocape Renewables (Pty) Ltd	24,802	24,802
Other	5	5
Total cost	**336,108**	**336,108**
Accumulated impairment	(54,323)	(75,990)
Carrying amount	**281,785**	**260,118**

	Momentous Technologies (Pty) Ltd R'000	**Red Cap Investments (Pty) Ltd R'000**	**Eurocape Renewables (Pty) Ltd R'000**	**Pele SPV13 (Pty) Ltd R'000**	**Other R'000**	**Total R'000**
Balance at 01 March 2019	104,180	85,072	18,813	67,327	5	275,397
Impairment (loss)/reversal	(18,240)	-	-	2,961	-	(15,279)
Balance at 29 February 2020	**85,940**	**85,072**	**18,813**	**70,288**	**5**	**260,118**
Balance at 01 March 2020	85,940	85,072	18,813	70,288	5	260,118
Impairment reversal	13,691	2,317	547	5,112	-	21,667
Balance at 28 February 2021	**99,631**	**87,389**	**19,360**	**75,400**	**5**	**281,785**

Impairment loss and reversal

The nature of some of these investments is that they are expected to wind down in line with the passage of time in accordance with the Power Purchase Agreements with Eskom. Therefore, it becomes necessary to assess the carrying value against the recoverable value at each reporting date. The recoverable amount is determined as each investment's value in use, based on the dividend discount valuation model.

In addition, for investments in subsidiaries the accounting standard requires assessment for impairment based on the following indicators:

- if the consolidated carrying value of a subsidiary is less than the value of the investment in the separate financial statements,
- or distributions received exceed the total comprehensive income of the subsidiary in the period the dividend is declared those are indicators that an investment should be assessed for impairment.

In the period under review management performed such assessments on the following investments

Notes to the consolidated and separate financial statements

4. Investment in subsidiaries (continued)

(i) Momentous Technologies (Pty) Ltd

Momentous Technologies (Pty) Ltd ("Momentous") holds 66% interest in RustMo1 Solar Farm (Pty) Ltd ("RustMo1"). An impairment reversal or R13.7m (2020: loss of R18.2m) has been recognised in the period under review to adjust the carrying value of the investment to the recoverable amount of R99.6m. The impairment reversal is driven by the decrease in interest rates, contributing to increased project cash flows.

The key inputs to the dividend discount model are as follows:

- Discount rate (pre-tax) – 20.56% (2020: 19.97%)
- Base revenue – Base revenue (year 1 revenue cash flow forecast in the model) is determined using current year tariff inflated at CPI in line with the terms of the Power Purchase Agreement. The base revenue in the cash flow projections is R56 million (2020: R54 million).
- Remaining period of operation – 12.5 years (2020: 13.5 year). A projected period of more than 5 years has been utilised on the basis that the investment has a set period of operation with available projections for the remainder of the period.

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

- If all assumptions remained unchanged, a 5% decrease in base revenue and subsequent revenue projections results in a decrease of R10m in the recoverable amount and no impairment as the recoverable amount is still higher than the carrying amount.;
- If all assumptions remained unchanged, a 1% increase in discount rate results in a decrease of R6m in the recoverable amount and no impairment as the recoverable amount is still higher than the carrying amount.

(ii) Pele SPV 13 (Pty) Ltd

Pele SPV13 has an impairment reversal of R5.1m (2020: R2.9m) in the period under review. The subsidiary's only asset is the GRI financial asset; consisting of the right to receive cash in the future as well as an option to acquire GRI shares (refer to note 8 for detail). The impairment reversal is in line with the favourable movement in the GRI financial asset due to changes in the interest rates and the fair value increases as the investment approaches maturity.

The valuation technique used to value the option is the Binomial option pricing model.

The key inputs for the option to acquire GRI shares are as follows:

1. Interest rate – 6.26%
2. Time to maturity – 1.42 years
3. Volatility – 40.85%
4. Spot price – R28m
5. Strike price – R82.5m

The key inputs for the right to receive cash are as follows:

1. Interest rate – 6.26% (2020: 6.6%)
2. Time to maturity – 1.42 years (2020: (2.42 years)

The model is most sensitive to changes in interest rate.

- If all assumptions remained unchanged, a 1% increase in interest rates results in a reduction in fair value of R1.1m.

(iii) Red Cap Investments (Pty) Ltd and Eurocape Renewables (Pty) Ltd

Red Cap Investments (Pty) Ltd ("Red Cap") holds 5.46% and Eurocape Renewables (Pty) Ltd ("Eurocape") holds 1.21% respectively for a combined interest of 6.67% in Kouga, being the only significant asset held by Red Cap and Eurocape. The investment is accounted for as an associate on group level refer to note 3.

Notes to the consolidated and separate financial statements

4. Investment in subsidiaries (continued)

The Kouga investment paid distributions which were in excess of the total comprehensive income, in turn returning a portion of capital back to investors. In addition, management noted that Kouga production during the period under review was less than the budgeted output. The decline in profitability is due to the current year wind resource being lower than the expected generation profile, however the generation profile since inception of the project is cumulatively in line with the basis as applied in the financial forecast upon which the impairment assessment was performed. Based on the discounted dividend valuation model the recoverable amount of R106m was determined to be higher than the carrying value of the investments despite an increase in the discount rate as well as a reduction in production output. The reduction in interest rates improved projected cash flows in Kouga enabling an increase in the value of the investment, and therefore an impairment reversal was recorded.

The key inputs to the dividend discount model are as follows:
- Discount rate (pre-tax) – 21.48% (2020: 19.99%)
- Base revenue - Base revenue (year 1 revenue cash flow forecast in the model) is determined using current year tariff inflated at CPI in line with the terms of the Power Purchase Agreement. The base revenue in the cash flow projections is R518 million (2020: 517 million).
- Remaining period of operation – 14 years (2020: 15 years). A projected period of more than 5 years has been utilised on the basis that the investment has a set period of operation with available projections for the remainder of the period.

The model is most sensitive to changes in base revenue and discount rate.
- If all assumptions remained unchanged, a 5% decrease in base revenue and subsequent revenue projections results in a decrease in the recoverable amount, and impairment of R8m;
- If all assumptions remained unchanged, a 1% increase in discount rate results in a decrease in the recoverable amount, and impairment of R4m.

Notes to the consolidated and separate financial statements

5. Property, plant and equipment

Group	2021 Cost R'000	2021 Accumulated depreciation R'000	2021 Carrying value R'000	2020 Cost R'000	2020 Accumulated depreciation R'000	2020 Carrying value R'000
Land	1,226	-	1,226	1,226	-	1,226
Buildings	986	(355)	631	986	(310)	676
Right-of-use asset: Building	5,237	(2,835)	2,402	5,237	(1,328)	3,909
Plant and machinery	136,506	(31,582)	104,924	136,270	(23,075)	113,195
Furniture and fixtures	3,018	(1,709)	1,309	3,029	(1,282)	1,747
Motor vehicles	433	(88)	345	595	(159)	436
Office equipment	1,092	(279)	813	386	(189)	197
IT equipment	353	(308)	45	360	(284)	76
Total	**148,851**	**(37,156)**	**111,695**	**148,089**	**(26,627)**	**121,462**

Company	2021 Cost R'000	2021 Accumulated depreciation R'000	2021 Carrying value R'000	2020 Cost R'000	2020 Accumulated depreciation R'000	2020 Carrying value R'000
Right-of-use asset: Building	3,447	(2,298)	1,149	3,447	(1,150)	2,297
Furniture and fixtures	3,010	(1,706)	1,304	3,009	(1,273)	1,736
Office equipment	349	(233)	116	349	(175)	174
IT equipment	280	(280)	-	294	(262)	32
Total	**7,086**	**(4,517)**	**2,569**	**7,099**	**(2,860)**	**4,239**

Reconciliation of property, plant and equipment - Group - 2021

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Land	1,226	-	-	-	1,226
Buildings	676	-	-	(49)	627
Right-of-use asset: Building	3,909	-	-	(1,507)	2,402
Plant and machinery	113,195	236	-	(8,503)	104,928
Furniture and fixtures	1,747	-	(5)	(433)	1,309
Motor vehicles	436	251	(210)	(132)	345
Office equipment	197	732	(10)	(106)	813
IT equipment	76	46	(15)	(62)	45
	121,462	**1,265**	**(240)**	**(10,792)**	**111,695**

Notes to the consolidated and separate financial statements

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group – 2020

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Land	1,226	-	-	-	1,226
Buildings	725	-	-	(49)	676
Right-of-use asset: Building	-	5,237	-	(1,328)	3,909
Plant and machinery	120,926	774	-	(8,505)	113,195
Furniture and fixtures	1,956	218	-	(427)	1,747
Motor vehicles	555	-	-	(119)	436
Office equipment	252	10	-	(65)	197
IT equipment	131	30	-	(85)	76
	125,771	**6,269**	**-**	**(10,578)**	**121,462**

Reconciliation of property, plant and equipment - Company - 2021

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Right-of-use asset: Building	2,298	-	(1,149)	1,149
Furniture and fixtures	1,735	-	(431)	1,304
Office equipment	174	-	(58)	116
IT equipment	32	-	(32)	-
	4,239	**-**	**(1,670)**	**2,569**

Reconciliation of property, plant and equipment - Company – 2020

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
Right-of-use asset: Building	-	3,447	(1,149)	2,298
Furniture and fixtures	1,940	217	(422)	1,735
Office equipment	233	-	(59)	174
IT equipment	102	-	(70)	32
	2,275	**3,664**	**(1,700)**	**4,239**

Notes to the consolidated and separate financial statements

5. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings note 13:

	Group	
	2021 R'000	2020 R'000
Property, plant and equipment:		
- Land	1,226	1,226
- Building	627	676
- Plant and machinery	104,928	113,195
- Other assets	2,345	2,126
Total non-current assets pledged as security	109,126	117,223
Total assets pledged as security	**109,126**	**117,223**

A register containing the information required by regulation 25(3) of the Companies Regulations is available for inspection at the registered office of the company.

6. Intangible assets

			2021			2020
Group	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Goodwill	44,761	-	44,761	44,761	-	44,761
Customer contract	113,217	(25,745)	87,472	113,217	(18,880)	94,337
Computer software	405	(34)	371	-	-	-
Total	**158,383**	**(25,779)**	**132,604**	**157,978**	**(18,880)**	**139,098**

			2021			2020
Company	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Computer software	405	(34)	371	-	-	-
Total	**405**	**(34)**	**371**	**-**	**-**	**-**

Reconciliation of intangible assets - Group – 2021

	Opening balance R'000	Addition	Amortisation R'000	Total R'000
Goodwill	44,761		-	44,761
Customer contract	94,338		(6,866)	87,472
Computer software	-	405	(34)	371
	139,099	**405**	**(6,900)**	**132,604**

Notes to the consolidated and separate financial statements

6. Intangible assets (continued)

Reconciliation of intangible assets - Group – 2020

	Opening balance R'000	Amortisation R'000	Total R'000
Goodwill	44,761	-	44,761
Customer contract	101,204	(6,866)	94,338
	145,965	**(6,866)**	**139,099**

Reconciliation of intangible assets - Company – 2021

	Opening balance R'000	Addition R'000	Amortisation R'000	Total R'000
Computer software	-	405	(34)	371
	-	**405**	**(34)**	**371**

Customer contract is amortised over the remaining period of the agreement and the remaining useful life at 28 February 2021 is 13.5 years, while the computer software has a remaining useful life of 2.75 years.

Impairment of goodwill

The goodwill relates to the acquisition of the RustMo1 Solar Farm (Pty) Ltd (“RustMo1”) and it is mainly attributable to the deferred tax liability recognised on the fair value of intangible assets.

In accordance with the requirements of IAS 36 ‘Impairment of Assets’, goodwill is tested annually for impairment for each Cash Generating Unit (CGU), by comparing the carrying amount of each CGU to its recoverable amount, being the higher of that CGU’s value in use or fair value less costs to sell. The appropriateness of the CGUs is evaluated on an annual basis. For impairment testing goodwill acquired through business combinations is allocated to the RustMo1 CGU, which is also an operating and a reportable segment.

In the performance of goodwill impairment testing, the group used the value in use calculation to determine the recoverable amount, by using dividend discount model, which incorporated dividends projections from financial model approved by senior management covering the remaining period of the Power Purchase Agreement (“PPA”) and a risk-adjusted discounted rate reflecting cost of equity. Refer to note 4, under Momentous disclosures for key inputs into the dividend discount model.

The carrying amount of the goodwill allocated to the CGU:

	RustMo1 R’000	Total R’000
Goodwill	44,761	44,761
	44,761	**44,761**

7. Convertible loan at fair value through profit or loss

Convertible loan to Legend Power Solution

The loan to Legend Power Solution (Pty) Ltd ("LPS") participates in 9% of distributable profits available to LPS shareholders and will convert to a 9% equity stake when senior funding in LPS has been fully repaid to the lender. LPS is a company with an underlying investment in Avon and Dedisa Peaking Power plants. Refer to note 16 for profit share recognised.

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
At fair value through profit or loss:				
Convertible loan to Legend Power Solution	95,293	81,609	95,293	81,609
	95,293	**81,609**	**95,293**	**81,609**

	Group			Company
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Balance at the beginning of the period	81,609	76,786	81,609	76,786
Fair value gains	13,684	4,823	13,684	4,823
Balance at the end of the period	**95,293**	**81,609**	**95,293**	**81,609**

(i) Classification

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

(ii) Fair value gains and Significant estimates

Refer to Note 30 for further information on valuation inputs. A fair value profit of R13.7m (2020: R4.8m) was recognised in the statement of comprehensive income during the period under review on Legend Power Solution convertible loan.

8. Other financial assets at fair value through profit or loss

GRI financial asset

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 issued by Pele SPV198 (Pty) Ltd ("Pele SPV198"). Pele SPV13 (Pty) Ltd ("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 as Hulisani carries all the equity investment risk and exercises all votes in Pele 13, 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.

Notes to the consolidated and separate financial statements

8. Other financial assets at fair value through profit or 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 two financial instruments, namely the right to receive cash being the strike price of the put option held as well as an option to acquire 25% ownership interest in GRI in the future for a fixed price. Therefore, both instruments are classified as a financial asset at fair value through profit or loss within the scope of IFRS 9, with the option which was determined to have an immaterial fair value.

	Group		**Company**	
	2021 R '000	**2020 R '000**	**2021 R '000**	**2020 R '000**
Financial asset at fair value				
GRI financial asset	75,487	70,347	-	-
GRI option	-	-	-	-
	75,487	**70,347**	**-**	**-**

	Group			**Company**
	2021 R '000	**2020 R '000**	**2021 R '000**	**2020 R '000**
Balance at the beginning of the period	70,347	67,327	-	-
Fair value gains	5,140	3,020	-	-
Balance at the end of the period	**75,487**	**70,347**	**-**	**-**

Refer to Note 30 for further information on valuation inputs.

9. Loan receivable

(i) Loan to Pele Green Energy (Pty) Ltd

The loan to Pele Green Energy (Pty) Ltd ("Pele Green") is issued for a period of 5 years, repayable annually on the anniversary of the issue date. The interest rate is set at prime rate plus 2%.

The loan receivable is presented at amortised cost, which is net of loss allowance, as follows:

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Pele Green Energy (Pty) Ltd	-	7,522	-	7,522
	-	**7,522**	**-**	**7,522**

Exposure to credit risk

The loan receivable inherently exposes the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due. Refer to Note 29 for further information on credit risk and ECL.

Group and Company - 2020

Instrument	Basis of loss allowance	Gross Carrying amount R'000	Loss allowance R'000	Amortised cost R'000
Pele Green Energy (Pty) Ltd	12m ECL	7,522	-	7,522[1]
		7,522	**-**	**7,522**

* The loan to Pele Green (Pty) Ltd has since been repaid in full as at 31 March 2020.

10. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Financial instruments:				
Trade receivables[1]	8,962	10,254	-	-
Trade receivables - related parties	-	650	-	650
Loans to group companies[2]			-	14,191
Other receivables	243	239	17	12
Loss allowance[3]	-	-	-	(9,513)
Trade receivables at amortised cost	**9,205**	**11,143**	**17**	**5,340**
Non-financial instruments:				
VAT	-	189	-	-
Prepayments	1,711	900	150	126
Total trade and other receivables	**10,916**	**12,232**	**167**	**5,466**

Notes to the consolidated and separate financial statements

10. Trade and other receivables (continued)

[1] This trade receivables balance relates to Eskom and no ECL has been raised against the balance as the risk is assessed to be immaterial. In the event of default, the outstanding balance is backed by Treasury and Eskom has made payments due on time post year end.

[2] Loans to group companies consist of a R9.2m loan to Umhlaba Land Lease (Pty) Ltd ("Umhlaba") with no fixed term and the interest is earned at prime plus 2%. Loans to group companies have been reclassified to non-current assets in the current year.

[3] The loan balance for Umhlaba has a full expected loss allowance against it.

Exposure to credit risk

Trade and other receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

The group applies the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such allowances are recorded in a separate loss allowance account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated loss allowance. Furthermore, the impact of COVID-19 was required to be looked at in the context of expected credit loss allowance.

The major customer to the group is Eskom, and as such it has been determined that even though there is an expectation of a significant negative impact on the economy and business activity in general, Hulisani does not expect this to materially impact the ability of Eskom to make payments as they fall due.

In the prior year in relation to loans to group companies, significant adverse changes in business and financial or economic conditions that were expected to cause a significant change to the borrower's ability to meet its obligations were considered and the ECL allowance was increased as the financial asset transferred to stage 3.

The loss allowance provision is determined as follows:

Group	**2021**	**2021**	**2020**	**2020**
	Estimated gross carrying amount at default	**Loss allowance**	**Estimated gross carrying amount at default**	**Loss allowance**
Expected credit loss rate:	**R'000**	**R'000**	**R'000**	**R'000**
Current[1]	8,978	-	10,493	-
Past due	227	-	650	-
Total	**9,205**	**-**	**11,143**	**-**

Notes to the consolidated and separate financial statements

10. Trade and other receivables (continued)

[1] Expected credit loss is immaterial for these trade receivables.

Company	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance	Estimated gross carrying amount at default	Loss allowance
Expected credit loss rate:	R'000	R'000	R'000	R'000
Current	17	-	7,671	(5,029)
Past due	-	-	7,182	(4,484)
Total	**17**	**-**	**14,853**	**(9,513)**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R'000	R '000
Opening balance	**-**	**(994)**	**(9,513)**	**(5,478)**
Allowance raised on new trade receivables	-	-	-	(5,029)
Allowance reversed	-	994	296	994
Transferred to non-current assets			9,217	-
Closing balance	**-**	**-**	**-**	**(9,513)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Bank balances	8,022	15,068	271	437
Short-term deposits[1]	18,925	11,855	5,487	942
Bank overdraft	-	(4,308)	-	(4,308)
	26,947	**22,615**	**5,758**	**(2,929)**
Current assets	26,947	26,923	5,758	1,379
Current liabilities	-	(4,308)	-	(4,308)
	26,947	**22,615**	**5,758**	**(2,929)**

[1] Cash and cash equivalents with a carrying value of R10m in short-term deposits at group level has been pledged as security for current and non-current borrowings. The balance, held in the debt service reserve account, is equal to the aggregate amount of the finance costs in respect of borrowings falling due or scheduled to fall due for payment in six months. In a situation where the group fails to pay the finance cost the funds in the pledged deposit will be used to settle the cost.

Notes to the consolidated and separate financial statements

12. Trade and other payables

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Financial instruments:				
Trade payables	981	3,049	566	1,007
Accrued audit fees	2,214	1,070	2,214	1,070
Other accrued expenses[1]	1,653	676	1,498	961
Other payables	28	4,303	-	-
	4,876	**9,098**	**4,278**	**3,038**
Non-financial instruments:				
Leave accrual	768	590	768	535
VAT	180	165	-	-
	5,824	**9,853**	**5,046**	**3,573**

Trade payables are unsecured and are paid within 30 days of recognition.

[1]Other accrued expenses consist of prior year audit fees, and trade accruals.

13. Borrowings

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Held at amortised cost				
Secured				
IDC loan	55,333	60,453	-	-
Nedbank loan	56,081	60,152	-	-
	111,414	**120,605**	**-**	**-**
Split between non-current and current portions				
Non-current liabilities	99,543	108,862	-	-
Current liabilities	11,871	11,743	-	-
	111,414	**120,605**	**-**	**-**

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Balance at the beginning of the period	120,605	126,165	-	622
Advances	-	-	-	-
Interest	11,520	13,159	-	-
Repayments	(20,711)	(18,719)	-	(622)
- Capital	(8,339)	(5,560)	-	(622)
- Interest	(12,372)	(13,159)	-	-
	111,414	**120,605**	-	**-**

Notes to the consolidated and separate financial statements

13. Borrowings (continued)

IDC loan

The IDC loan is secured, bears interest at a fixed rate of 11.60% (2020: 11.65%) and is repayable in semi-annual instalments over a term of 13 years (2020: 14 years).

Nedbank loan

The Nedbank loan is secured, bears interest at a variable rate of 7.58% (2020: 11.60%) and is repayable in semi-annual instalments over a term of 13 years (2020: 14 years).

(i) Assets pledged as security

See note 5 for all assets pledged as security.

(ii) Covenants

Borrowings have set debt covenants which are required to be assessed in reference to each forecast, management accounts and financial statements delivered. No covenants were breached during the current year. The financial ratios should be a minimum of:

	Group	
	2021	**2020**
Historic debt cover ratio	1.15	1.15
Forecast debt cover ratio	1.15	1.15
Loan life cover ratio	1.20	1.20

14. Lease liabilities

	Group		Company	
	2021 R '000	**2020 R '000**	**2021 R '000**	**2020 R '000**
Lease payments due				
- within one year	2,100	1,960	1,654	1,531
- in second to fifth year inclusive	1,197	3,050	-	1,654
- later than five years	-	247	-	-
	3,297	5,257	1,654	3,185
less: future finance charges	(350)	(777)	(94)	(370)
Present value of lease payments	**2,947**	**4,480**	**1,560**	**2,815**
Present value of lease payments due				
- within one year	1,881	1,533	1,560	1,255
- in second to fifth year inclusive	1,066	2,705	-	1,560
- later than five years	-	242	-	-
	2,947	**4,480**	**1,560**	**2,815**
Non-current liabilities	1,066	2,947	-	1,560
Current liabilities	1,881	1,533	1,560	1,255
	2,947	**4,480**	**1,560**	**2,815**

14. Lease liabilities (continued)

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Balance at the beginning of the period	4,480	-	2,815	-
Recognition on first time adoption of IFRS 16	-	3,810	-	3,810
Addition		1,790	-	-
Interest	427	507	276	422
Repayments	(1,960)	(1,627)	(1,531)	(1,417)
- Capital	(1,533)	(1,120)	(1,255)	(995)
- Interest	(427)	(507)	(276)	(422)
	2,947	**4,480**	**1,560**	**2,815**

The group entered into leases for office space for the holding company and subsidiaries. Rental contracts are entered for fixed periods, with remaining lease term of between 1 - 3.5 years. Contracts may contain both lease and non-lease components, however the group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, and current lease agreements do not impose any covenants. The extension option has not been included in the lease liability because the group could replace the assets without significant cost or business disruption. The right of use asset is disclosed under property, plant and equipment. Refer to not 5 for detail.

The effective borrowing rates for RustMo1 and Hulisani are 10% and 13%, respectively. To determine the borrowing rate, the group uses recent third party financing received by the individual lessee. Lease payments are allocated between principal and interest costs. The interest cost is charged to profit or loss over the lease period and capitalised on the remaining balance of the liability for each period.

Payments of R43k associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment.

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, refer to note 2 for detail. Hulisani elected to apply the practical expedient introduced by the amendments to all rent concessions that satisfy the criteria.

15. Deferred tax

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Deferred tax liability	46,298	43,139	-	-
	46,298	**43,139**	**-**	**-**

Notes to the consolidated and separate financial statements

15. Deferred tax (continued)

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Assessed loss	-	(6,185)	-	-
Accelerated tax depreciation on plant and machinery	27,092	28,963	-	-
Prepayments	162	(216)	-	-
Fair value of customer contract	19,081	20,577		-
Right-of-use asset: Building	351	-	-	-
Lease liability	(388)	-	-	-
Total deferred tax liability	**46,298**	**43,139**	**-**	**-**

Reconciliation of deferred tax (asset) / liability

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
At beginning of year	43,139	39,616	-	-
Tax loss	6,185	7,324	-	-
Accelerated tax depreciation on plant and machinery	(1,871)	(2,089)	-	-
Fair value of customer contract	(1,497)	(1,497)	-	-
Right-of-use asset: Building	351	-	-	-
Lease liability	(388)			-
Prepayments	379	(216)	-	-
	46,298	**43,139**	**-**	**-**

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
At the beginning of the year	43,139	39,616	-	-
Recognised in profit or loss	3,159	3,523	-	-
	46,298	**43,139**	**-**	**-**

Notes to the consolidated and separate financial statements

16. Revenue

	Group		Company	
	2021	**2020**	**2021**	**2020**
	R '000	**R '000**	**R '000**	**R '000**
Revenue from contracts with customers				
Sale of electricity	50,940	52,031	-	-
Revenue other than from contracts with customers				
Distributions received from subsidiaries	-	-	23,693	14,182
Profit share	11,452	17,406	11,452	17,406
	62,392	**69,437**	**35,145**	**31,588**

(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) Distribution received from subsidiaries were paid by Momentous Technologies (Pty) Ltd, Red Cap Investments (Pty) Ltd and Eurocape Renewables (Pty) Ltd.

(c) The profit share is earned from the convertible loan to LPS. Refer to note 7 for details of the loan.

17. Operating expenses

Included in operating expenses is the following:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	R '000	**R '000**	**R '000**	**R '000**
Amortisation	6,890	6,866	34	-
Consulting fees	9,172	10,454	8,560	7,370
Marketing and branding costs	735	545	735	545
Corporate services costs	2,569	2,315	1,790	638
Depreciation	10,792	10,678	1,670	1,701
Donations	726	996	28	106
Expected credit losses (reversal)	-	(1,796)	(297)	3,234
Non-executive directors' fees	2,555	2,834	2,555	2,834
Legal fees	2,310	4,262	2,230	1,931
Operations and management contract costs	2,707	2,774	-	-
Secretarial services costs	548	915	548	915
Staff cost	21,116	15,443	16,502	11,357
Litigation settlement	-	8,500	-	-
Success fees	-	5,201	-	5,201

Notes to the consolidated and separate financial statements

18. Investment income

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Interest income				
Investments in financial assets:				
Bank and other cash	1,153	1,754	201	313
Financial assets at amortised cost[1]	69	2,053	69	3,005
Total interest income	**1,222**	**3,807**	**270**	**3,318**

[1] Interest earned in the prior year from Umhlaba loan, Ignite investment at amortised cost and Pele Green loan receivable.

19. Finance costs

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Borrowings	11,520	13,159	-	-
Leases	422	507	276	422
Bank overdraft	37	89	36	-
Other	77	5	-	10
Total finance costs	**12,056**	**13,760**	**312**	**432**

20. Material profit or loss items

(a) Impairment (reversal)/loss

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Material impairment (reversal) losses recognised				
Investment in subsidiary	-	-	(21,667)	15,279
Investment in associate	(14,314)	-	-	-
	(14,314)	**-**	**(21,667)**	**15,279**

Refer to note 4 for further details on impairment (reversal) loss at company level and note 3 at group level.

Notes to the consolidated and separate financial statements

20. Material profit or loss items (continued)

(b) Financial assets write-off

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Financial assets write-off				
Ignite loans	-	5,000	-	5,000
Ignite preference shares	-	24,889	-	24,889
	-	**29,889**	**-**	**29,889**
Less: ECL reversal	-	(4,152)	-	(4,152)
	-	**25,737**	**-**	**25,737**

21. Other operating gains (losses)

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Losses on disposals, scrappings and settlements				
Property, plant and equipment	(26)	-	-	-
Foreign exchange gain				
Gain on foreign exchange	91	-	91	-
Fair value gains				
Convertible loan at fair value through profit or loss (note 7)	13,684	4,823	13,684	4,823
Other financial assets at fair value through profit or loss (note 8)	5,140	3,020	-	-
Share-based payment liability	-	-	845	164
Total other operating gains	**18,889**	**7,843**	**14,620**	**4,987**

22. Income tax

Major components of the tax expense

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Current				
Local income tax - current period	1,717	-	-	-
Deferred			-	-
Deferred tax	3,159	3,523	-	-
Income tax expense	**4,876**	**3,523**	-	-

Notes to the consolidated and separate financial statements

22. Income tax (continued)

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %	28.00 %	28.00 %
Profit before tax multiplied by the standard tax rate	5,107	(6,555)	8,153	(11,915)
Non-deductible non-trading expense[1]	9,588	7,270	8,616	5,870
Non-deductible fair values of financial assets at FVTLP	(5,271)	(2,196)	(3,832)	(1,350)
Non-deductible impairment (reversal)/loss of subsidiaries	-	-	(6,067)	4,278
Non-deductible impairment (reversal) of associate	(4,008)	-	-	-
Non-deductible capital gains on financial assets written-off	-	1,495	-	1,495
Share of the profit from equity accounted investments	(1,385)	(2,130)	-	-
Exempt local dividends	-	(339)	(6,634)	(4,310)
Prior year adjustment	845	-	-	-
Share-based payment liability	-		(236)	(46)
Deferred tax asset not recognised2	-	5,978	-	5,978
Income tax expense	**4,876**	**3,523**	**-**	**-**

[1] Hulisani is not considered as trading due to the fact that the company only receives dividends.
[2] Unrecognised deferred tax relating to the written-off financial investment at amortised cost was recorded in the prior year.

Effective tax rate for the period is 26.7% (2020: (15%))

23. Earnings per share

Reconciliation between earnings and headline earnings is as follows:

	Group	
	2021 R '000	2020 R '000
Basic and diluted earnings (loss) per share (cents)	23	(59)
Headline and diluted headline loss per share (cents)	(6)	(59)

Reconciliation of profit or loss for the year to headline earnings

	Group	
2021	**Gross R '000**	**Net R '000**
Profit or loss for the year attributable to equity holders of the parent	-	11,257
IAS 33 earnings	**-**	**11,257**
Add: IAS 16 loss on the disposal of plant and equipment	26	19
Deduct: IAS 36 impairment reversal of associate	(14,314)	(14,314)
Headline loss	**-**	**(3,038)**
Weighted average number of ordinary shares ('000)	**-**	**50,000**

Notes to the consolidated and separate financial statements

23. Earnings per share (continued)

	Group	
2020	**Gross R '000**	**Net R '000**
Profit or loss for the year attributable to equity holders of the parent	-	(29,414)
IAS 33 earnings	**-**	**(29,414)**
Add: IAS 16 loss on the disposal of plant and equipment	-	-
Profit or loss for the year attributable to equity holders of the parent used in calculating headline earnings per share	**-**	**(29,414)**

Weighted average number of ordinary shares ('000)	**50,000**

24. Segmental information

The group's executive committee, consisting of the chief executive officer, the chief financial officer and the head of legal and compliance, 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 towers used in energy production. The investment consisting of two instruments is accounted for by the group as a financial asset at fair value through profit or loss.
- **LPS:** Hulisani participates in 9% of 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.

2021

Revenue			**Separately disclosable items**					
	Revenue R'000	**Net profit R'000**	**Non-cash items in comprehensive income R'000**	**Depreciation and amortisation R'000**	**Income tax expense R'000**	**Interest income R'000**	**Finance cost R'000**	**Dividends received R'000**
RustMo1[3]	50,940	10,313	-	(15,988)	(4,876)	950	(11,522)	5,855
Kouga[2]	-	19,260	14,314	-	-	-	-	17,838
GRI	-	5,140	5,140	-	-	-	-	-
LPS	11,452	25,136	13,684	-	-	-	-	-
Other/eliminations[1]	-	(46,485)[1]	-	(1,704)	-	272	(534)	-
	62,392	**13,364**	**33,138**	**(17,692)**	**(4,876)**	**1,222**	**(12,056)**	**23,693**

Notes to the consolidated and separate financial statements

24. Segmental information (continued)

2020

Revenue			Separately disclosable items					
	Revenue R'000	Net profit R'000	Non-cash items in comprehensive income R'000	Depreciation and amortisation R'000	Income tax expense R'000	Interest income R'000	Finance cost R'000	Dividends received R'000
RustMo1	52,032	11,916	-	(15,742)	(3,523)	1,437	(13,327)	6,351
Kouga[2]	-	7,608	-	-	-	-	-	7,831
GRI	-	3,020	3,020	-	-	-	-	-
LPS	17,406	22,229	4,823	-	-	-	-	-
Other/eliminations[1]	-	(71,706)[1]	(23,941)	(1,701)	-	2,370	(433)	-
	69,438	**(26,933)**	**(16,098)**	**(17,443)**	**(3,523)**	**3,807**	**(13,760)**	**14,182**

1 Included in the balance are the company and subsidiary net profits as well as elimination transactions.

[2]Dividends received from Kouga are reconciled as follows:

	Group	
	2021 R '000	**2020 R '000**
Dividends received	17,838	7,831
Less: dividends received adjustment against investment in associate	(17,838)	(7,831)
Add: Impairment reversal	14,314	-
Add: share of profit from equity accounted investments	4,946	7,608
Net profit	**19,260**	**7,608**

[3] Dividends received from RustMo1 eliminate on consolidation.

Segment assets and liabilities

2021

	Equity accounted investments R'000	Property, plant and equipment R'000	Financial assets at fair value R'000	Financial assets at amortised cost R'000	Intangible assets R'000	Current assets R'000	Total liabilities R'000
RustMo1	-	109,126	-	-	132,233	31,791	142,482
Kouga	104,759	-	-	-	-	-	-
GRI	-	-	75,487	-	-	-	-
LPS	-	-	95,293	-	-	-	-
Other/Eliminations	-	2,569	-	-	371	6,071	25,718
Total	**104,759**	**111,695**	**170,780**	**-**	**132,604**	**37,862**	**168,200**

Notes to the consolidated and separate financial statements

24. Segmental information (continued)

2020

	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**

25. Cash used in operations

	Group		Company	
	2021	**2020**	**2021**	**2020**
	R '000	**R '000**	**R '000**	**R '000**
Profit (loss) before taxation	18,240	(23,410)	29,118	(42,552)
Adjustments for:				
Depreciation	10,792	10,577	1,670	1,700
Amortisation	6,900	6,866	34	-
Losses on disposals of property, plant and equipment	26	-	-	-
Share of the profit from equity accounted investments	(4,946)	(7,608)	-	-
Dividends received	-	-	(23,693)	(14,182)
Interest income	(1,222)	(3,807)	(270)	(3,318)
Profit share	(11,452)	(17,406)	(11,452)	(17,406)
Finance costs	12,056	13,760	312	432
Fair value gains	(18,824)	(7,843)	(14,529)	(4,987)
Other non-cash items	-	326	-	298
Impairment (reversal)/loss	(14,314)	-	(21,667)	15,279
Share-based payment expense	1,487	-	1,487	-
Success fees	-	5,201	-	5,201
Financial assets write-off	-	25,737	-	25,737
Expected credit losses and provision (reversal)	-	(1,796)	(296)	3,234
Changes in working capital:				
Trade and other receivables	1,321	5,634	5,540	(6,736)
Trade and other payables	(4,060)	(11,968)	1,469	(3,802)
	(3,996)	**(5,737)**	**(32,277)**	**(41,102)**

Notes to the consolidated and separate financial statements

26. Share capital

	Group		Company	
	2021 '000	2020 '000	2021 '000	2020 '000
Authorised				
1000 000 000 Ordinary shares of no par value	1,000,000	1,000,000	1,000,000	1,000,000
Total	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**
Reconciliation of number of shares issued:				
Reported as at the beginning of the period	50,000	50,000	50,000	50,000
In issue at the end of the period	**50,000**	**50,000**	**50,000**	**50,000**

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Issued				
Ordinary	500,000	500,000	500,000	500,000
In issue at the end of the period	**500,000**	**500,000**	**500,000**	**500,000**

(i) *Ordinary Shares*

At 28 February 2021, the authorised share capital comprised 1 billion no par value shares. The Company has issued share capital of 50 million shares of no par value at an issue price of R10 per share.

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

All the shares in issue are fully paid up.

(ii) *Dividends*

No dividends were declared or paid by the Company (2020: Rnil). Refer to note 34 for details on dividends declared subsequently.

27. 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 receive a variable number of shares (shares will be sourced in the market so as to not dilute the interests of other shareholders) which vest over a period of 5 years after 2 years of service, as well as meeting certain performance conditions.

The amount payable will be determined based on the increase of the 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.

Notes to the consolidated and separate financial statements

27. Share based payments (continued)

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:

	Group	Company
Number of Share appreciation rights	**2021 '000**	**2021 '000**
As at 01 March 2020	-	-
Granted during the year	6,905	6,905
Exercised during the year	-	-
Forfeited during the year	(829)	(829)
As at 28 February 2021	**6,076**	**6,076**

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 28 February 2021 included:
- Share price at grant date: R6.99
- Grant date: 17 March 2020
- Expected volatility: 71%
- Dividend yield: 0
- 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:

	Group	Company
	2021 R'000	**2021 R'000**
Share-based payment expense	1,487	1,487
Total	**1,487**	**1,487**

Notes to the consolidated and separate financial statements

27. Share based payments (continued)

(b) Pele SPV198 option

Hulisani subscribed for preference shares of R41.25m in Pele SPV198 and 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 with the Pele SPV198 investment in Pele SPV13 have transferred to Hulisani and Pele SPV198 effectively has an option to acquire the 50% interest in Pele SPV13 once the preference share funding has been repaid. Refer to note 8 for details.

The option is carried as an equity-settled instrument by the group, while the company accounts for it as a cash-settled instrument.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	R '000	**R '000**	**R '000**	**R '000**
Share-base payment liability				
Pele SPV198 option	-	-	2,092	2,937
	-	**-**	**2,092**	**2,937**

	Group		Company	
	2021	**2020**	**2021**	**2020**
	R '000	**R '000**	**R '000**	**R '000**
Balance at the beginning of the period	-	-	2,937	3101
Fair value gains	-	-	(845)	(164)
Balance at the end of the period	-	-	**2,092**	**2,937**

The valuation technique used to value the option is the Binomial option pricing model. The key inputs are as follows:

1. Spot price – R38m (2020: R35m)
2. Strike price – R65m (2020: R69m)
3. Interest rate – 6.26% (2020: 6.6%)
4. Time to maturity – 1.42 years (2020: 2.42 years)
5. Volatility – 40.85% (2020: 38.06%)

The model is most sensitive to changes in interest rate and volatility.

- If all assumptions remained unchanged, a 1% increase in interest rates results in a reduction in fair value of R0.1m;
- If all assumptions remained unchanged, a 5% increase in volatility results in an increase in fair value of R1.1m.

Notes to the consolidated and separate financial statements

28. Equity-settled share-based payment reserves

Consist of share-based payment reserves in relation to:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	R '000	**R '000**	**R '000**	**R '000**
Pele SPV 198 option	6,562	6,562	-	-
Share appreciation rights	1,487	-	1,487	-
	8,049	**6,562**	**1,487**	**-**

Refer to note 27 for details on Pele SPV 198 option and share appreciation rights.

29. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2021

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000
Convertible loan at fair value through profit or loss	7	95,293	-	95,293
Other financial assets at fair value through profit or loss	8	75,487	-	75,487
Trade and other receivables	10	-	9,205	9,205
Cash and cash equivalents	11	-	26,947	26,947
		170,780	**36,152**	**206,932**

Group - 2020

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000
Loans receivable	9	-	7,522	7,522
Convertible loan at fair value through profit or loss	7	81,609	-	81,609
Other financial assets at fair value through profit or loss	8	70,347	-	70,347
Trade and other receivables	10	-	11,143	11,143
Cash and cash equivalents	11	-	26,923	26,923
		151,956	**45,588**	**197,544**

Notes to the consolidated and separate financial statements

29. Financial instruments and risk management (continued)

Company – 2021

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000
Convertible loan at fair value through profit or loss	7	95,293	-	95,293
Trade and other receivables	10	-	17	17
Cash and cash equivalents	11	-	5,758	5,758
		95,293	**5,775**	**101,068**

Company - 2020

	Note(s)	Fair value through profit or loss R'000	Amortised cost R'000	Total R'000
Loans receivable	9	-	7,522	7,522
Convertible loan at fair value through profit or loss	7	81,609	-	81,609
Trade and other receivables	10	-	5,340	5,340
Cash and cash equivalents	11	-	1,378	1,378
		81,609	**14,240**	**95,849**

Categories of financial liabilities

Group - 2021

	Note(s)	Amortised cost R'000	Total R'000
Trade and other payables	12	4,875	4,875
Borrowings	13	111,414	111,414
		116,289	**116,289**

Group - 2020

	Note(s)	Amortised cost R'000	Total R'000
Trade and other payables	12	9,098	9,098
Borrowings	13	120,605	120,605
Bank overdraft	11	4,308	4,308
		134,011	**134,011**

Notes to the consolidated and separate financial statements

29. Financial instruments and risk management (continued)

Company – 2021

	Note(s)	Amortised cost R'000	Total R'000
Trade and other payables	12	4,279	4,279
		4,279	**4,279**

Company – 2020

	Note(s)	Amortised cost R'000	Total R'000
Trade and other payables	12	3,039	3,039
Bank overdraft	11	4,308	4,308
		7,347	**7,347**

Capital risk management

The group's objectives when managing capital are to

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Operations in Kouga are ringfenced and therefore assets and liabilities within the entity cannot be transferred to the group.

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk).

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk arises from the risk that trade, and loan receivables may default and result in a loss to the entity. Credit risks also arises from cash and cash equivalents with banks and financial institutions.

29. Financial instruments and risk management (continued)

(i) Risk management

Credit exposure associated with cash and cash equivalents is limited as the group deposits cash with major banks which are independently rated with high quality credit standing. The major banks and related ratings are listed below:

- First Rand Bank Limited – rating BB (2020: BB+)
- Nedbank – rating BB (2020: BB+)

There are no significant concentrations of credit risk as the group currently has one customer with government guarantee backing. Credit risk for other financial assets at amortised costs is constantly monitored through constant executive committee investment updates, any triggers of default events are acted up on with agility and communicated to the Risk and Audit Committee.

(iii) Impairment methodology

Trade receivables

The group applies the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such allowances are recorded in a separate loss allowance account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated loss allowance.

Other financial assets at amortised cost

The general approach is applied for other financial assets measured at amortised cost. The models require Hulisani and the group to determine allowances for credit losses and the calculation was performed by considering on a discounted basis any cash shortfalls the group would incur in the event of various default scenarios for future periods and multiplying these by the probability of each scenario occurring.

The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default (PD), the loss given default (LGD) and the possible exposure at default (EAD). The input as defined:

- Exposure at default is the amount of the financial asset that is exposed to credit risk.
- Probability of default is the likelihood that a counterparty to a financial asset will default over an observed period. Loss given default is the value of a financial asset that lender will lose if a borrower defaults.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers quantitative and qualitative information based on the historical experience, credit assessment and including forward-looking information.

The assessment of a significant increase in credit risk from initial recognition incorporates the following:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower.
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.
- Macroeconomic information (such as market interest rates or growth rates)

The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

- **Stage 1:** At initial recognition a financial instrument is allocated into stage 1.
- **Stage 2:** A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.
- **Stage 3:** A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

Notes to the consolidated and separate financial statements

29. Financial instruments and risk management (continued)

The group measures the ECL loss allowance on the following bases:

- **Stage 1:** ECLs that result from possible default events within the 12 months after the reporting date (12-month ECL); and
- **Stage 2 and Stage 3:** ECLs that result from all possible default events over the expected life of a financial instrument (Lifetime ECL).

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
Group		**Gross carrying amount R'000**	**Credit loss allowance R'000**	**Amortised cost / fair value R'000**	**Gross carrying amount R'000**	**Credit loss allowance R'000**	**Amortised cost / fair value R'000**
Loans receivable	9	-	-	-	7,522	-	7,522
Trade and other receivables	10	9,205	-	9,205	11,144	-	11,144
		9,205	-	**9,205**	**18,666**	**-**	**18,666**
Convertible loan at fair value through profit or loss	7	95,293	-	95,293	81,609	-	81,609
Other financial assets at fair value through profit or loss	8	75,487	-	75,487	70,347	-	70,347
Cash and cash equivalents	11	26,947	-	26,947	26,923	-	26,923
		197,727	-	**197,727**	**178,879**	**-**	**178,879**
		206,932	-	**206,932**	**197,545**	**-**	**197,545**

		2021			2020		
Company		**Gross carrying amount R'000**	**Credit loss allowance R'000**	**Amortised cost / fair value R'000**	**Gross carrying amount R'000**	**Credit loss allowance R'000**	**Amortised cost / fair value R'000**
Loans receivable		-	-	-	7,522	-	7,522
Loans to group companies		9,276	(9,217)	59	-	-	-
Trade and other receivables	10	17	-	17	14,852	(9,513)	5,339
		9,293	**(9,217)**	**76**	**22,374**	**(9,513)**	**12,861**
Convertible loan at fair value through profit or loss	7	95,293	-	95,293	81,609	-	81,609
Cash and cash equivalents	11	5,758	-	5,758	1,378	-	1,378
		101,051	**-**	**101,051**	**82,987**	**-**	**82,987**
		110,344	**-**	**101,127**	**105,361**	**-**	**95,848**

Notes to the consolidated and separate financial statements

29. Financial instruments and risk management (continued)

Company

Items existing on 28 February 2021 that are subject to the impairment provisions of IFRS 9:	Note	Credit risk attributes at 29 February 2020 and 28 February 2021	Cumulative additional loss allowance recognised on: 28-Feb-21	29-Feb-20
			R'000	R'000
Loans to group companies	10	In the period under review the loans to group companies are considered to remain with a significant risk. Therefore, other than a reversal of a portion relating to a settled loan balance, the remaining loss allowance is unchanged as a lifetime expected credit loss as determined in the prior period and it relates to Umhlaba (refer to note 10). The ECL on loans to group companies is based on the general approach.	(9,217)	(9,513)
Total additional loss allowance			**(9,217)**	**(9,513)**

Reconciliation of loss allowance relating to financial assets at amortised cost.

Company – 2021	Total allowance for ECL R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000
Balance at the beginning of the year	(9,513)	-	-	(9,513)
Additions and interest accrual	-	-	-	-
Reversals	296	-	-	296
Balance at end of the year	**(9,217)**	-	-	**(9,217)**

Company – 2020	Total allowance for ECL R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000
Balance at the beginning of the year	(10,432)	(10,432)	-	-
Additions and interest accrual	(5,029)	-	-	(5,029)
Reversals	5,948	5,948	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	4,484	-	(4,484)
Balance at end of the year	**(9,513)**	-	-	**(9,513)**

Notes to the consolidated and separate financial statements

29. Financial instruments and risk management (continued)

	Group		Company	
	2021 R'000	**2020 R'000**	**2021 R'000**	**2020 R'000**
Trade receivables				
Counterparties with external ratings				
CCC+	8,962	10,254	-	-
Counterparties without external credit ratings				
Related parties	-	650	-	650
	8,962	**10,904**	-	**650**
Loans and other receivables			-	
Counterparties without external credit ratings				
Related parties	-	7,522	59	21,375
Other third parties	243	239	17	-
	243	**7,761**	**76**	**21,375**
Cash at bank and short-term bank deposit				
BB	26,947	26,923	5,758	1,378
	26,947	**26,923**	**5,758**	**1,378**
Financial assets at fair value through profit and loss				
Counterparties without external credit ratings	170,780	151,956	95,293	81,609
	170,780	**151,956**	**95,293**	**81,609**

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment as it falls due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet obligations when due. The group manages liquidity risk through an ongoing review of future commitments and expected dividends from underlying project companies. Liquidity and solvency assessments are performed and presented to the Audit and Risk Committee, as well as the Board on a quarterly basis.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Group - 2021		**Less than 1 year R'000**	**1 to 2 years R'000**	**2 to 5 years R'000**	**Over 5 years R'000**	**Total R'000**	**Carrying amount R'000**
Non-current liabilities							
Borrowings	**13**		19,719	60,375	58,281	138,375	99,543
Lease liability	**14**		446	1,196	-	1,642	1,066
Current liabilities			-	-	-		
Trade and other payables	**12**	4,875	-	-	-	4,875	4,875
Borrowings	**13**	19,541	-	-	-	19,541	11,871
Lease liability	**14**	2,083	-	-	-	2,083	1,880
Bank overdraft	**11**	-	-	-	-	-	-
		26,499	**20,165**	**61,571**	**58,281**	**166,516**	**119,235**

29. Financial instruments and risk management (continued)

Group - 2020		Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Over 5 years R'000	Total R'000	Carrying amount R'000
Non-current liabilities							
Borrowings	13	-	21,241	63,432	79,480	164,153	108,862
Lease liability	14		2,100	949	247	3,296	2,947
Current liabilities							
Trade and other payables	12	9,098	-	-	-	9,098	9,098
Borrowings	13	21,236	-	-	-	21,236	11,743
Lease liability	14	1,960	-	-	-	1,960	1,533
Bank overdraft	11	4,308	-	-	-	4,308	4,308
		36,602	**23,341**	**64,381**	**79,727**	**204,051**	**138,491**

Company - 2021		Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Over 5 years R'000	Total R'000	Carrying amount R'000
Current liabilities							
Trade and other payables	12	4,279	-	-	-	4,279	4,279
Lease liability	14	1,654	-	-	-	1,654	1,560
		5,933	-	-	**-**	**5,933**	**5,839**

Company - 2020		Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Over 5 years R'000	Total R'000	Carrying amount R'000
Non-current liabilities							
Lease liability	14	-	1,654	-	-	1,654	1,560
Current liabilities							
Trade and other payables	12	3,038	-	-	-	3,038	3,038
Lease liability	14	1,531	-	-	-	1,531	1,255
Bank overdraft	11	4,308	-	-	-	4,308	4,308
		8,877	**1,654**	**-**	**-**	**10,531**	**10,161**

(i) Financial commitments

The group has an undrawn working capital facility of R5m available at the end of the reporting period.

Market risk

Market risk arises from the group's use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Notes to the consolidated and separate financial statements

29. Financial instruments and risk management (continued)

(i) Interest rate risk

The group is exposed to cash flow interest rate risk from long-term borrowings at fixed and variable rates. The group considers that it achieves an appropriate balance of exposure to these interest rate risk.

The group accounts for fixed rate instrument subsequently on an amortised cost basis and therefore a change in interest rates at the reporting date would not affect profit or loss.

An increase or decrease of 100 basis points in interest rates at the reporting date calculated on the variable rate instrument would have an increase/(decreased) profit or loss by R0.4m the amount.

30. Fair value information

Fair value hierarchy

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

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 and liability.

Levels of fair value measurements

The following presents the group’s financial instruments measured and recognised at fair value at 28 February 2021. The group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 3

	Group		Company	
Financial assets	**2021 R'000**	**2020 R'000**	**2021 R'000**	**2020 R'000**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit (loss)				
Convertible loan	95,293	81,609	83,218	81,609
GRI financial asset	75,487	70,347	-	-
Total	**170,780**	**151,956**	**83,218**	**81,609**

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.

Notes to the consolidated and separate financial statements

30. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 3

Group – 2021	Opening balance R'000	Fair value adjustment in profit/(loss) R'000	Closing balance R'000
Assets			
Financial assets at fair value through profit or loss			
Convertible loan	81,609	13,684	95,293
GRI financial asset	70,347	5,140	75,487
Total	**151,956**	**18,824**	**170,780**
Group – 2020			
Assets			
Financial assets at fair value through profit or loss			
Convertible loan	76,786	4,823	81,609
GRI financial asset	67,327	3,020	70,347
Total	**144,113**	**7,843**	**151,956**

Company – 2021	Opening balance R'000	Fair value adjustment in profit/(loss) R'000	Closing balance R'000
Assets			
Financial assets at fair value through profit or loss			
Convertible loan	81,609	13,684	95,293
Total	**81,609**	13,684	**95,293**
Company – 2020			
Assets			
Financial assets at fair value through profit or loss			
Convertible loan	76,786	4,823	81,609
Total	**76,786**	**4,823**	**81,609**

Notes to the consolidated and separate financial statements

30. Fair value information (continued)

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

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

Description	Fair value at 28 February 2021	Fair value at 29 February 2020	Unobservable inputs	Actual input 2021	Actual inputs 2020	Relationship of unobservable inputs to fair value
Convertible loan	95,293	81,609	Discount rate	14.5%	13.9%	An increase in discount rates results in a reduction in fair value.
			Base revenue from plant operation	R4.1 billion	R3 billion	A decrease in base revenue results in a reduction in fair value.
			Remaining period of operation	24 years	25 years	A reduction in the period of operation results in a reduction in fair value.
			Average plant utilisation rate	1.13%	2.40%	A decrease in utilisation rate results in a reduction in fair value
GRI financial asset	75,487	70,347	Interest rate	6.26%	6.6%	An increase in interest rate will result in a reduction in fair value of the option.
			Time to maturity	1.42 years	2.42 years	Shorter time to maturity increases the value of the option.

(a) Convertible loan

The fair value is determined by discounting dividend income using the dividend discount method. LPS has underlying investments 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 power plants.

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

1. Discount rate – 14.5% (2020: 13.9%)
2. Base revenue from plant operation – Base revenue (year 1 revenue cash flow forecast in the model) is determined using the Power Purchase Agreement capacity rate for Dedisa and for Avon. The base revenue in the cash flow projections of Dedisa and Avon is R4.1 billion (2020: R3 billion).
3. Remaining period of operation - 24 years (2020: 25 years)
4. Average plant utilisation rate – The average utilisation rate is determined over the projected utilisation period of the plant of 24 years at 1.13% (2020: 2.4%). Utilisation rate period is over the duration of the plant life, as opposed to base revenue which refers to the next 12 months from the reporting date. Utilisation rate fluctuates throughout the plant life, with overall projected revenue fluctuating in line with the rate. Had the utilisation rate been determined over a period of 1 year similarly to base revenue, it would be 5.22% (2020: 3%).

30. Fair value information (continued)

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 and subsequent revenue projections results in a reduction in fair value of R21m;
- If all assumptions remained unchanged, a 1% increase in discount rate results in a reduction in fair value of R7m.
- If all assumptions remained unchanged, a 5 year reduction in the period of operation results in a reduction in fair value of R6.7m.

(b) GRI financial asset

The valuation technique used to value the option is the Binomial option pricing model.

The key inputs for the option to acquire GRI shares are as follows:

1. Interest rate – 6.26%
2. Time to maturity – 1.42 years
3. Volatility – 40.85%
4. Spot price – R28m
5. Strike price – R82.5m

The key inputs for the right to receive cash are as follows:

1. Interest rate – 6.26% (2020: 6.6%)
2. Time to maturity – 1.42 years (2020: (2.42 years)

The model is most sensitive to changes in interest rate.
- If all assumptions remained unchanged, a 1% increase in interest rates results in a reduction in fair value of R1.1m.

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).

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.

Notes to the consolidated and separate financial statements

31. Related parties

Entity	Relationship
Refer to note 3 and 31	Subsidiaries (ref to (c))
Pele Green Energy (Pty) Ltd and Pele Green SPV 198 (Pty) Ltd	Joint investment in GRI Towers (ref to (a))
GraysMaker Advisory (Pty) Ltd	GraysMaker Advisory (Pty) Ltd a shareholder of Umhlaba Lease Co. (Pty) Ltd, a subsidiary of Hulisani. Also, the managing director of Umhlaba is the sole shareholder of GraysMaker Advisory (Pty) Ltd (ref to (f))
Momentous Operation Services (Pty) Ltd Momentous Solar Farm (RF) (Pty) Ltd Placeweath (Pty) Ltd	Shareholders of these entities are directors of RustMo1 Solar Farm (RF) (Pty) Ltd (ref to (b))
DP Hlatshwayo HH Schaaf KN Kekana PD Birkett PC Mdoda ME Raphulu MP Dem LSM Mpumlwana AZ Notshe (resigned) MH Zilimbola (resigned) T Godongwana (resigned) B Marx (resigned)	Members of key management
Nibira (Pty) Ltd	The founding members, who are also the directors of Hulisani, are the directors of Nibira (Pty) Ltd (ref to (e))
Kouga Wind Farm (Pty) Ltd (refer to note 2)	Associate (ref to (d))

	Group		Company	
Related party balances	**2021 R'000**	**2020 R'000**	**2021 R'000**	**2020 R'000**
Trade receivables (a)	-	650	-	650
Loans receivables (a)	-	7,522	-	7,522
Lease liability (b)	1,387	1665	-	-
Right-of-use assets: Building (b)	1,254	1,612	-	-
Loans receivables (c)	-	-	9,277	9248
Loans receivables (c)	-	-	-	4943

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 were due from Pele Green Energy (Pty) Ltd, a parent company to Pele SPV198 (Pty) Ltd and have since been settled (refer to notes 9 and 10).

b) RustMo1 currently leases office space from Placeweath (Pty) Ltd, a company owned by RustMo1's CEO (refer to note 14)

c) Loans were provided to Umhlaba Land Lease Co. (Pty) Ltd to the value of R9.2m, and Momentous Technologies (Pty) Ltd to the value of R4.9m. Hulisani has provided working capital funding to the subsidiaries, in line with the shareholder's agreement. The loan to Momentous Technologies (Pty) Ltd was settled during the year (refer to note 10)

Notes to the consolidated and separate financial statements

31. Related parties (continued)

	Group		Company	
Related party transactions	**2021 R'000**	**2020 R'000**	**2021 R'000**	**2020 R'000**
Dividends paid (b)	(2,748)	(3,228)	-	-
Depreciation: right-of-use asset (b)	(358)	(179)	-	-
Finance cost (b)	(145)	(85)	-	-
Payment on lease liability (b)	(279)	(125)	-	-
Distribution received (c)	-	-	23,693	14,182
Dividends received (d)	17,838	7,831	-	-
Success fee (e)	-	5,201	-	5,201
Consulting fees (f)	-	(1,550)	-	-

b) Dividends were paid to Momentous Solar Farm (Pty) Ltd by RustMo1.
b) Depreciation of the right-of-use asset, finance costs and minimum lease payments made by RustMo1 to Placeweath (Pty) Ltd, a company owned by RustMo1's CEO.
c) Distributions of R5.9m (2020: R6.3m) were received from Momentous Technologies (Pty) Ltd, and R11.7m (2020: R7.8m) from Red Cap Investments (Pty) Ltd and Eurocape Renewables (Pty) Ltd.
d) Dividends received from Kouga, the associate.
e) Success fees were paid by Hulisani to Nibira (Pty) Ltd, after a settlement was reached.
f) Umhlaba Land Lease Co. (Pty) Ltd made use of consulting services from GraysMaker Advisory (Pty).

Compensation to directors and key management (executive)

	Group		Company	
	2021 R'000	**2020 R'000**	**2021 R'000**	**2020 R'000**
Short-term employee benefits	10,847	5,559	10,847	5,559
Share-based payment expenses	1,386	-	1,386	-
	12,233	**5,559**	**12,233**	**5,559**

Refer to the Directors' Report for directors' shareholding as at 28 February 2021

Notes to the consolidated and separate financial statements

32. Directors' emoluments

Executive

2021	Salaries R'000	Bonus R'000	Total R'000
ME Raphulu (Chief Executive Officer)[1]	3,909	782	4,691
MP Dem (Chief Financial Officer)	2,869	574	3,443
	6,778	**1,356**	**8,134**

[1] ME Raphulu resigned as the Chief Executive Officer with effect from 15 April 2021. MP Dem was appointed as interim Chief Executive Officer with effect from 15 April 2021 to 19 July 2021.

2020	Salaries R'000	Bonus R'000	Total R'000
ME Raphulu (Chief Executive Officer)	3,127	-	3,127
MP Dem (Chief Financial Officer)	2,295	137	2,432
	5,422	**137**	**5,559**

Non-executive

2021	Directors' fees R'000	Total R'000
PC Mdoda (Chairman)	580	580
DR Hlatshwayo	574	574
HH Schaaf	533	533
B Marx[1]	127	127
T Godongwana[2]	150	150
KN Kekana	489	489
PD Birkett	101	101
Total	**2,554**	**2,554**

[1] B Marx resigned on 01 June 2020

[2] T Godongwana resigned on 27 August 2020

2020	Directors' fees R'000	Total R'000
PC Mdoda (Chairman)	520	520
DR Hlatshwayo	886	886
HH Schaaf	648	648
B Marx	781	781
Total	**2,835**	**2,835**

Notes to the consolidated and separate financial statements

33. Interest in other entities

(a) Material subsidiaries and associates

The group's material subsidiaries at 28 February 2021 are set out below. Subsidiaries have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group except for Pele SPV 13 (Refer to note 8 for detail). The country of incorporation or registration is also their principal place of business.

Entity name	Place of business/country of incorporation	Ownership interest held by the group 2021	Ownership interest held by the group 2020	Ownership interest held by other 2021	Ownership interest held by other 2020	Principle activities
Direct subsidiaries						
Umhlaba Land Lease Co. (Pty) Ltd	South Africa	90%	90%	10%	10%	Property investments
Eurocape Renewables (Pty) Ltd	South Africa	100%	100%	-	-	Investment holding - 1.21% of Kouga
Momentous Technologies (Pty) Ltd	South Africa	100%	100%	-	-	Investment holding - 66% of RustMo1
Red Cap Investments (Pty) Ltd	South Africa	100%	100%	-	-	Investment holding - 5.46% of Kouga
Pele SPV13 (Pty) Ltd	South Africa	100%	100%	-	-	Investment holding - GRI option
Indirect subsidiaries						
RustMo1 Solar Farm RF (Pty) Ltd	South Africa	66%	66%	34%	34%	Energy production
Associates						
Kouga Wind Farm (Pty) Ltd	South Africa	6.67%	6.67%	93.33%	93.33%	Energy production

Notes to the consolidated and separate financial statements

33. Interest in other entities (continued)

(b) Non-controlling interest (NCI)

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

	RustMo1 RF (Pty) Ltd	
Summarised statement of financial position	**2021 R'000**	**2020 R'000**
Current assets	31,791	32,242
Current liabilities	(14,656)	(13,889)
Current net assets	**17,135**	**18,353**
Non-current assets	128,453	138,071
Non-current liabilities	(127,827)	(132,810)
	626	**5,261**
Intangible assets arising from acquisition	49,065	52,913
Non-current net asset	**49,691**	**58,174**
Net assets	66,826	76,527
Accumulated NCI [1]	**22,721**	**26,019**

[1] The Non-controlling balance is made up of R22.7m relating to RustMo1, as well as (R1m) attributable to Umhlaba.

	RustMo1 RF (Pty) Ltd	
Summarised statement of comprehensive income	**2021 R'000**	**2020 R'000**
Revenue	50,940	52,031
Profit for the period	10,313	11,916
Other comprehensive income		-
Profits allocated to NCI	3,506	4,051
Intangible assets arising from acquisition – amortisation	(1,308)	(1,308)
Dividends paid to NCI	(5,496)	(6,456)

	RustMo1 RF (Pty) Ltd	
Summarised statement of cash flows	**2021 R'000**	**2020 R'000**
Cash flows from operating activities	38,430	37,066
Cash flows from investing activities	(1,075)	622
Cash flows from financing activities	(37,301)	(47,965)
	54	**(10,277)**

34. Events after the reporting period

ME Raphulu resigned as the Chief Executive Officer with effect from 15 April 2021. MP Dem was appointed as interim Chief Executive Officer with effect from 15 April 2021 to 19 July 2021.

Dividend per share of 6c was declared and approved on 19 May 2021.

In accordance with the notice on 25 March 2021 Hulisani terminated the services of Resolve Secretarial Service (Pty) Ltd with effect from 25 June 2021.

Notes to the consolidated and separate financial statements

35. Going concern

The audited consolidated and separate results for the year ended 28 February 2021, 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. Current liabilities for the company exceed current assets, however there is sufficient cash to pay current liabilities.

Management assessed the impact of COVID-19 to be immaterial. Management does not expect COVID-19 to have a material adverse impact on the operations of Hulisani nor on the going concern assumption. Management believes that the group has enough liquidity to withstand the impact of COVID-19 and will remain a going concern for the foreseeable future.

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