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# ANNUAL REPORT 2021





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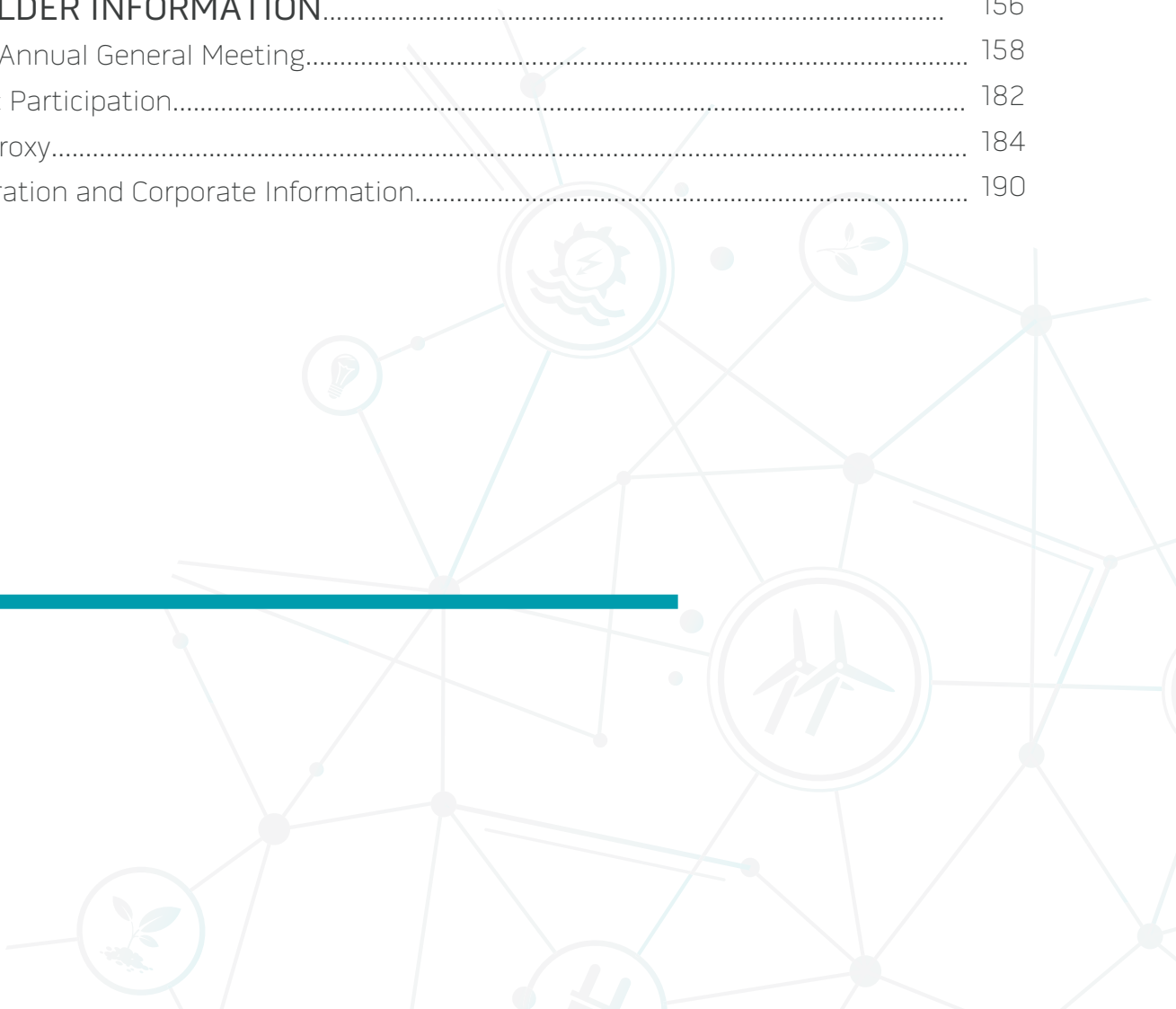
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# STRATEGIC OVERVIEW



# STRATEGIC OVERVIEW

## WHO WE ARE

Hulisani Limited is an investment company listed on the Main Board of the JSE Limited, trading under the symbol HUL with the ISIN of ZAE000212072. We invest in various forms of energy, predominantly in renewable energy generation.

We are a proudly black-managed company. Sustainability, consistency, and growth are at the core of our business. We carefully select our investments and project pipeline to ensure that we deliver consistent, predictable, and reliable inflation-linked returns over the long term, whilst contributing to the upliftment of the communities where our investments are situated. We invest where we can obtain enhanced returns, create potential upside, and increase predictability of cash flows for our investors.

Our experienced executive team and board add value by offering strategic insight, solid investment execution, management experience, and nurturing of investments – true to the meaning of our name - which aligns with sustainably managing the investment portfolio.

## OUR INVESTMENT GOALS

We aim to invest in opportunities that deliver consistent, predictable, and reliable returns that are both inflation-linked and long-term in nature.

One of the key areas in which we invest is Independent Power Producers (IPPs), specifically established operating assets which already have a Power Purchase Agreement (PPA). These investments provide stable, consistent, predictable, and reliable inflation-linked cash flows from de-risked projects. Such projects already have an operational performance history plus, either a dividend-paying history, or less than an 18-month time frame to the first dividend in relation to assets secured, that have not yet reached commercial operation.

Although we have been involved in primary investment opportunities in the past (those where a commitment is made at bidding stage), Hulisani

has taken a decision to focus on operational assets. While one of the benefits of participating in primary opportunities is the potential of a higher yield should they come to fruition, they are, by their very nature, riskier from a cash generation perspective. Our long-term investment view allows us to focus on stable, consistent, predictable, and reliable, inflation-linked cash flows from operational projects without the risk involved in development activities.

We focus on returns from a power producing agreement (PPA) that are typically linked to the Consumer Price Index (CPI), meaning that these are automatically adjusted by the prevailing CPI on an annual basis. This ensures that real returns are realised throughout the term of the PPA, thereby making the investment a good shield against inflation.

We structure our investments primarily as equity investments.

## LONG-TERM SUSTAINABILITY MATTERS TO US

Investments are required to meet Hulisani's due diligence requirements or illustrate the potential and ability to do so in the near future. Our investment philosophy includes the need for a positive socio-economic impact in the communities where our assets operate. This impact typically extends well beyond compliance requirements, as evidenced by the decision to adopt environmental, social responsibility, governance (ESG), and reporting policies implemented during year under review.

The impact of our investments is monitored in pursuit of long-term sustainability. Hulisani is continually strengthening corporate governance mechanisms and reporting on the impact in the communities where we invest.

We are further incorporating the Global Reporting Initiative Standards in all reporting structures and have made progress in formalising this reporting standard this year.





## INVESTMENT POLICY

Hulisani's targeted return is CPI plus 6% to 8% in the long term, after costs. We look for solid operational performance in the assets when we consider opportunities, and use this measure as we pursue sustainable investments.

We are actively involved in the management of our portfolio to ensure that, where possible, we can add value to improve the returns, create potential upside, and improve predictability of cash flows. Subsequent to the reporting period, Hulisani undertook a review to further clarify the optimal management of its portfolio to ensure that we are involved in areas where we can have the most impact and deliver the highest returns to our shareholders. A revised operating plan for Hulisani is in place with a focus on asset management and a de-emphasis on project development activities in the short to medium term.

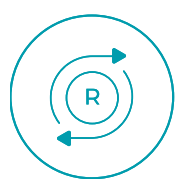
Hulisani's focus is on the South African energy market and it pursues various acquisitions and investments in energy assets. These assets include energy generation, distribution, transmission infrastructure, and general assets in the energy value chain. The focus is on energy generation IPPs which currently make up more than 80% of the company's investments. The balance is invested in other complementary businesses to the energy generation projects, to enhance the upside and to ensure effective management of the projects.

### ON A MONTHLY BASIS, WE EVALUATE AND MONITOR:

- contractual frameworks
- operational performance vs budget
- counterparty risks
- yield from the asset and return on investment
- sustainability, and
- ESG.



## HULISANI AND ENERGY: A COMPELLING INVESTMENT



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



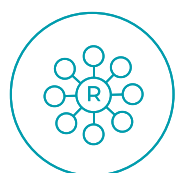
**Inflation protection** – contractual cash flows in the PPAs have a sovereign guarantee with the ability to increase rates linked to inflation over time.



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



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



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

## BANKABILITY OF IPP PROGRAMMES AND GUARANTEES

**We invest in projects that have underlying guarantee mechanisms provided by the off-takers of the power, to further guarantee the sustainability of the projects.**

In the case of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), and other South African IPP programmes, there is ultimately a sovereign guarantee in place that ensures payment.

For private PPAs, we look at securing a corporate guarantee which, depending on the rating, may be equal to, or better than, the sovereign guarantee.

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*We deliver consistent, predictable, and reliable inflation-linked returns over the long term.*

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# STAKEHOLDER RELATIONSHIPS

We are committed to creating and maintaining inclusive, honest, and mutually beneficial relationships, partnerships, and engagements with all our stakeholders. As we undertake operations, we do so in a manner that aligns with our ethos as a socially responsible investor.

Our stakeholders include the government, our investors, management and shareholders of our assets, and providers of different types of capital. All these stakeholders are fundamental to our business; constant engagement to align expectations and deliverables is therefore crucial to our success.

## FINANCIAL AUDIENCES

Specifically, Hulisani is committed to providing timely and transparent information to the investing public on corporate strategies and financial data. In addition, we consider the demand for transparency and accountability on our non-financial (or sustainability) performance. In line with King IV™, we recognise that this performance is based on the Group’s risk profile and strategy, which includes non-financial risks and opportunities.

Hulisani manages communications with its key financial audiences, including institutional shareholders and financial (debt and equity) analysts, through its executive management team and an investor-relations unit. A broad range of public communication channels (including stock exchange news services, corporate website, press agencies, news wires, and news distribution service providers) are used to disseminate news releases.

These channels are supplemented by direct communication via email, conference calls, group presentations, and one-on-one meetings. Hulisani also complies with legislation and stock exchange rules on forward-looking statements.



## MAJOR SHAREHOLDERS

As at 28 February 2021, the following shareholders held more than 5% of the issued share capital of Hulisani:

SHAREHOLDER	% SHAREHOLDING
1. Government Employees Pension Fund	35%
2. Eskom Pension and Provident Fund	11%
3. Alexander Forbes Investment Limited	6%





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# PERFORMANCE REVIEW



## CHAIRPERSON'S STATEMENT



I present this review in a world marked by uncertainty as we face, not only a global health crisis, but also a global economic crisis in the wake of the Covid-19 pandemic.

The South African economy found itself under renewed economic pressure which was felt across various industries, including the construction and energy sectors. The extended lockdown also affected demand on the country's power system.

According to the Council for Scientific and Industrial Research's (CSIR) statistics on power generation in South Africa for 2020, demand was reduced compared to pre-lockdown forecasts. Coal

continued to dominate the South African energy mix. However, the contribution from variable renewable energy technologies surpassed the contribution from nuclear energy for the first time.

We believe that renewable energy will increasingly make a greater contribution. The generation costs of renewable energy continue to decrease significantly, which will ensure that the later rounds of bidding will show considerable efficiencies. Hulisani's long-term strategy positions the Company well to take advantage of this trend.

Hulisani has been shaped by consistent delivery on strategic imperatives, adherence to investment policies, and the pursuit of sound fundamentals. The maturity of the business and its sustainability are enhanced by its cash-generating assets. In line with Hulisani's stated objectives at inception, we are pleased to be in a position to pay dividends for the first time this year. We continue to pursue our original strategy, which in the Board's view, requires us to reduce spend in greenfield projects and concentrate on operational and brownfield projects instead.

Procurement of energy for REIPPP round 5 opened just before the financial year close, almost six years after the last bid window opened. We look forward to the ramping up of electricity production to avoid further escalations in load shedding and believe these developments point to a positive outlook for the sector and for Hulisani.

During the year under review, Karabo Ngwanamela Kekana and Tandiwe Godongwana were appointed as independent non-executive directors. Asanda Notshe and Thandiwe Godongwana resigned as non-executive directors in August 2020. I take this opportunity to thank them for their valuable input during their time at Hulisani.

Subsequent to the period under review, Marubini Raphulu resigned as chief executive officer and executive director. Marubini was a founder member of the company and we express both our appreciation for his immense contribution to Hulisani's journey and best wishes for his future endeavours. Chief financial officer Masibulele Dem was appointed as interim chief executive officer until a permanent appointment is made.

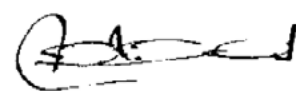




I would also like to thank my fellow Board members for the wisdom, clarity, direction, and collaborative spirit they continue to bring to Hulisani. In addition, the entire Hulisani team is to be commended and thanked for their ongoing commitment to the Company under the trying conditions of lockdown. We continue to subscribe to the view that we can impact the lives of our stakeholders by focusing on inclusive prosperity. The importance of this has been brought into focus over the past year. It is hoped that the Covid-19 crisis will be the impetus to effect structural economic reforms and

correct some of the deep fault lines that have been exposed in South Africa.

Having now dealt with the legacy costs of establishing and listing a new company on the JSE, Hulisani has a positive outlook for improved cash flows and sustainable returns during the year ahead.



**Pat Mdoda**  
Chairperson

“

*Hulisani has a positive outlook for improved cash flows and sustainable returns during the year ahead.*

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## CEO'S REVIEW



Hulisani's performance this year is distinctly better than the significant loss reported last year. In a particularly pleasing development, Hulisani also recorded an inaugural profit in the company's interim results announcement.

We are turning the corner and plan to continue this positive course on the back of streamlined processes, cost cutting, and greater clarity about which investments are in line with Hulisani's imperatives.

The previous financial year was a seminal point in the energy sector

with the delivery of clear policy through the IRP, and lucidity on the way forward in terms of Eskom's restructuring and a new energy procurement round. However, it has become somewhat of a feature in the South African energy landscape that progress seems to stall after a measure of certainty has been achieved.

**Despite a delayed pace, the year under review in the renewable energy sector was one which saw greater traction in terms of the need to accelerate renewable energy and lower South Africa's dependence on carbon energy.**

This was evidenced by the announcement of the Risk Mitigation IPP procurement programme in the current year. There was renewed interest in the energy sector as efforts to mitigate chronic power shortages gained momentum.

## TRANSACTIONS

Hulisani considered several transactions during the year under review but the initial rise in market sentiment did not translate into greater deal-flow and prospects. Given the complex nature of our investments, potential transactions typically take 12 to 18 months to investigate. Scale continues to be critical to the growth of our business.

## INVESTMENTS

The financial performance for the current period emanated mainly from three investments: RustMo1, Kouga Wind Farm, and Avon & Dedisa Peaking Plants. We see this as confirmation of the robust investment philosophy adopted at the inception of the business, and therefore plan to focus more on these types of projects.

**RustMo1** is a solar photovoltaic asset. Although revenues were lower than the prior year anticipated, they were in line with expectations. The main reason was that the performance ratio had contracted by 3%, which turned out to be a problem with residue build-up, which was followed up with cleaning of the solar panels. A new cleaning system was instituted to resolve this, and we expect to see higher performance ratios, which is expected to translate into higher revenues.

The Eastern Cape area in which **Kouga Wind Farm** is located, experienced a lower wind resource this past year, which reduced the wind production and consequently lower revenue than forecast. Despite this, Kouga delivered dividends by unlocking cash reserves, further cementing the business fundamentals of this investment.

**Avon & Dedisa Peaking Plants** relieved pressure on the country's grid as load shedding started again in South Africa from September 2020. During times of peak demand for electricity, the plants aided in mitigating power interruptions. The ability for the plants to generate and dispatch

power when required, provides flexibility which is valuable in the context of limited reliable energy supply. As a result, the investment delivered dividends in line with expectations.

**GRI South Africa** is operational and has commenced producing steel wind towers and components after a pause due to policy uncertainty. In a promising development, GRI anticipates orders and higher revenues with the awarding announcement of the fifth round of the nationwide campaign for renewables deployment under the REIPPPP. A 2.6 GW tender for wind and solar photovoltaic (PV) capacity was launched in March 2021. Although proposals will be accepted by August, no commissioning date has been set for the winning projects.

Despite promising signs, Hulisani has not seen dividends from its GRI investment, and it is likely that the put option included in the investment contract to recoup Hulisani's purchase price investment, will be exercised during the next financial year. In so doing, Hulisani will be focusing on its original investment criteria of investing in low-risk businesses with contracted, long-term cashflows.

**uMhlaba**, a subsidiary in which Hulisani holds 90%, was premised on an innovative concept to invest in long-term leases of various independent power plants and build a portfolio of such leases to provide diversification from power generation. However, although some funding was secured through debt, a delay in the provision of the requisite equity capital meant that the projects were not brought to fruition.

In a positive development, uMhlaba is in talks with a potential funder with a view to reopening equity funding discussions and reviving the projects. We will not be injecting any additional capital into uMhlaba, which will dilute ownership from 90% to around 5%. With no requirement to inject capital, Hulisani will play the role of a minority investor in uMhlaba should the negotiations be successful.

#### DELIVERY ON STRATEGY, MANDATE AND INVESTMENT CASE

Hulisani invests in quality energy assets that provide de-risked and predictable long-term returns. In addition to the yield from the asset, the

investment decisions we take and the companies we choose to partner with, have the potential to create meaningful economic and social development.

Although Hulisani had planned to reinvest a portion of dividends, the Board has now taken a decision that it is prudent to retain capital. Should the need arise for fresh cash injections, Hulisani intends to go to market for the required injection.

Having been through an exercise at Board level to clarify the core purpose of Hulisani and re-emphasise the original investment criteria, we are engaging organisational specialists to further clarify the approach to asset management. What is clear is that Hulisani wishes to significantly reduce its exposure to developing assets. Therefore, investments, which are not in line with our stated imperatives, will be exited or written off.

Another important part of this exercise is cost-cutting to ensure profitability and to declare dividends. To do so, outsourced activities are being carefully evaluated to identify areas where Hulisani has the necessary in-house skills to reduce outsourcing.

At 20 years, our yield period is significantly longer than typical property transactions, with the added benefit of CPI-linked returns. This sufficiently de-risks investments from the performance of the economy with a sovereign guarantee to assure payment. The upside of our long-term strategy will be realised when we achieve scale.





## KEY RISKS

The emergence of a global pandemic has had far-reaching effects on the South African economy. However, Covid-19 has not posed a significant risk to Hulisani. Power-generating plants were designated as essential services, allowing them to continue running throughout the lockdowns in South Africa. As a result, Covid-19 has had a limited impact on the Company – a signal of robustness in our business model.

Hulisani's investment mandate gives us licence to seek partners and investments across the spectrum of energy types, including gas, renewables, and even clean coal. However, Hulisani does not invest in energy which creates higher emissions.

Subsequent to the reporting period, emergency power procurement announcements were made. As a supporter of local procurement, we trust that decisions will be both prudent and holistic, and boost local businesses in the rush to add energy to the grid.

## OUTLOOK

The need for greater energy generation in South Africa is urgent, creating opportunities for independent power producers. Ageing, existing infrastructure creates further opportunities, underpinning the need for involvement from IPPs for the foreseeable future. The exact nature of how this will work with Eskom is not yet finalised.

As Hulisani takes steps to de-emphasise development assets, we are clear that the outlook for growth must be premised on pursuing developed, operational assets for acquisition. There are several such projects which original investors plan to exit in line with their own investment strategies. While Hulisani's growth prospects are acquisitional and will therefore require going to market to raise capital, we are confident that our renewed focus on our original investment strategy will be attractive to investors.



We invest in assets to hold them for the long-term, with a view to collecting dividends during the investment period. Hulisani also views itself as a consolidator of assets on behalf of long-term investors such as pension funds, hence our clear focus on long-term, predictable, and low risk investments.

Our clear and consistent objectives over the next financial year are to improve profitability and pay a dividend in line with our organisational mandate. In addition, we have outlined a clear

roadmap for Hulisani in the short to medium term which includes operational steps to contain costs, improve liquidity, simplify reporting, and clarify Hulisani's focus in terms of managing its assets. These fundamentals are key areas of interest for investors and in our view, will be the catalyst for a new growth trajectory for Hulisani.

**Masibulele Dem**  
Interim CEO: Hulisani



## CFO'S REVIEW



I am pleased to report a significant improvement in earnings for the Group and the Company for the year ended 28 February 2021, following the reporting of our inaugural profit during the interim period.

This is an indication that cost-cutting measures that were initiated in the current period, are beginning to bear fruit. Our assets have continued to demonstrate strong performance and are cash generative, and this has been demonstrated in the current period by an increase in fair value gains in some of our assets. In difficult trading circumstances, we are pleased to continue to report positive cash flow from our investments in line with our business strategy.

Hulisani Limited ("Hulisani" or the "Company") is listed on the Main Board of the JSE and was incorporated on 13 October 2015 as an investment holding company, focused on power generation on projects ranging from gas and diesel, to 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. Hulisani has a 66% shareholding in RustMo1.

**Kouga Wind Farm** (Pty) Ltd ("Kouga") is an investment over which Hulisani has significant influence. Hulisani has a 6,67% interest in Kouga.

**GRI Wind Steel South Africa** (Pty) Ltd manufactures wind turbine towers used in energy production. The group has the right to recoup its investment and this is carried at fair value in the financial statements.

**Legend Power Solutions** (Pty) Ltd ("LPS") has a 27% equity stake in **Avon and Dedisa** Open Cycle Gas Turbine (OCGT) peaking power plants and Hulisani participates in 9% of the distributable profits of LPS.





## 1. OVERVIEW OF THE GROUP FINANCIAL RESULTS


	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

Following the reporting of an inaugural group net profit of R2.9m during the interim period, the Group is ending the year with a net profit 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, 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 items that have affected performance in the current period include the following:

- **Revenue:** Group revenue has reduced by 10% in the current period and this is mainly driven by a decline in revenue from the subsidiary, RustMo1. The main driver behind the revenue reduction has been a decrease in the performance ratio of the solar panels, due to a build-up of soiling. A deep clean of the panels has been initiated and it is expected that the decline in revenue will be reversed following completion of the thorough cleaning of the solar panels.
- **Operating expenses:** There was a slight decrease of 3% in operating expenses mainly from RustMo1.
- **Financial Assets write-off:** Last year saw the full write-off of the investment in Ignite as part of an initiative to clean up the balance sheet of non-performing assets. There was no recurrence of write-offs in the current period, thus helping to improve current-year performance.
- **Share of profits from associates:** this relates to share of profits from Kouga, the associate investment. The 35% decline in share of profits from Kouga is driven by a decline in revenues, as a result of a lower energy yield.
- **Fair value gains:** significant gain in fair value from the LPS investment as well as the GRI investments, collectively R18.8m for the period. The







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fair value gains are driven by increased energy production activities in the LPS investment as well as favourable movement in the GRI investment as the fair value of the prepaid strike price increases as the investment approaches maturity. There were no fair value losses in the current period.

The fair value gains have made a significant contribution to the financial performance for the period, and this is also consistent with the contribution they made to the inaugural net profit that was reported in the interim results.

Hulisani is a group company and the focus is accordingly on the group results. At company level however, the company has posted a profit of R29.1m (2020: -R42,5m), a performance that has been driven by growth in dividend income, fair value gains, cost containment and impairment reversals and which are explained in more detail below.

## 2. FINANCIAL PERFORMANCE OF THE GROUP

Key items that have driven performance for the February 2021 financial period include the following:

- a) Revenue
- b) Operating costs
- c) Share of profits from the associate
- d) Impairment loss reversal
- e) Investment valuations



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*Hulisani has achieved a significant improvement in earnings.*

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## 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, and share of 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 (2019: R31.6m), an increase of 11% from prior year. The increase relates to higher dividends received than expected, from the Kouga investment.

## OPERATING COSTS

### 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: R17.5m).

### COMPANY

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

## IMPAIRMENT (REVERSAL)/LOSS

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

	GROUP 2021 R'000	2020 R'000	COMPANY 2021 R'000	2020 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. 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 R2.3m (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.

## 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.

## INVESTMENT VALUATIONS

The valuations process involves an element of judgement and involves estimates. Inputs which were factored in the process include 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 in the current year.

	GROUP 2021 R'000	2020 R'000	COMPANY 2021 R'000	2020 R'000
Convertible loan	13,684	4,823	13,684	4,823
GRI financial asset	5,140	3,020	-	-
<b>Fair value gain on assets at fair value through profit or loss</b>	<b>18,824</b>	<b>7,843</b>	<b>13,684</b>	<b>4,823</b>

## FAIR VALUE GAINS

In the current year under review a fair value gain of R18.8m was recognised in the statement of profit or loss and other comprehensive income. This was attributable to an increased energy production of the plants that LPS has invested in (R13.7m), as well as favourable movement in the GRI investment (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.

**Masibulele Dem**  
CFO





OUR  
INVESTMENTS



# PROJECTS

## OVERVIEW 2021

### RUSTMOI SOLAR FARM

RustMoI was declared a Level 5 essential service provider during the national Covid-19 lockdown and, as a result, the plant ran without interruption. Taking cognisance of the situation and with a view to mitigating risk to operations, the plant was locked down to all external visitors for the first five weeks and the staff lived in isolation on the plant.

#### RISK MITIGATION AND GOVERNANCE

RustMoI continued to fulfil all its mandates, as required by the lenders, DMRE and Eskom.

#### PERFORMANCE

The plant's performance was negatively affected by a soilage build-up during the period. Extensive testing was done, which has led to a deep-cleaning

exercise of the panels at RustMoI currently underway. In addition, the operating model was updated to enable the Hulisani team to monitor performance - both certain operations and the financial performance of the project.

#### IMPACTS

In response to an appeal by the IPP Office and the President, all of RustMoI's community work in the period under review was focused on Covid-19-related interventions. This included support in the areas of nutrition, health, and social services across the communities in which we work.

#### FUTURE GROWTH AND REPLICATION OPPORTUNITIES

RustMoI is a ring-fenced entity, therefore expansion in the current company is not possible.

Located in Marikana in the North West province, RustMoI, the 7MW plant, has a 20-year PPA to supply electricity to Eskom that commenced in 2013. Hulisani has a 66% shareholding in RustMoI.



## KOUGA WIND FARM

Now in its sixth year of operation and under new management, the Kouga Wind Farm continues to make significant progress towards optimising production.

Focused attention was given to resolving the maintenance backlog stemming from the impact of COVID-19 and challenging weather conditions. The plant is on track to operating optimally, positioning it well to withstand the anticipated additional competition in the area.

### SED CONTRIBUTIONS

The bursary programme remains a shining star for the SED programme, with the number of beneficiaries rising from 25 in 2020 to 32 for the year 2021. The 2020 cohort amassed 52 module

distinctions compared to 16 in the previous year. The primary schools' literacy and numeracy project was expanded to enable the enrolment of more learners and recruit additional youth as programme facilitators. A youth empowerment programme, focusing on YNEETS (Youth Not in Employment Education or Training), was also initiated during this period, which will train young people in digital-media skills.

### INTO THE FUTURE

With most of the legacy REIPPP Round 1 teething problems on track for resolution, ongoing enhancements should translate into increasing yield from this asset.

The Kouga Wind Farm continues to make significant progress towards optimising production.





During the 2020 calendar year, GRI South Africa manufactured and sold 110 towers.

## GRI WIND TOWERS

Following a year of full capacity in 2019, GRI manufactured round 4 Kangnas & Perdekaal projects for Siemens Gamesa and began work on initial VESTAS orders. In 2020, GRI manufactured all of VESTAS' round 4 projects (Oyster Bay II, Wesley, Karusa, and Soetwater).

During the 2020 calendar year, GRI South Africa manufactured and sold 110 towers. However, the performance of the plant was severely impacted by Covid-19 lockdowns, which saw the loss of more than ten full-production weeks.

GRI South Africa employs over 268 people and significant employee union agreements were concluded during 2020. Socio-economic development-spend continues to focus on education support, social support, and sporting activities.

The outlook for rounds 5 and 6 of the REIPPP is promising, with 1.6 GW of wind energy expected in each round. New bids are resulting in customers requiring bigger towers, thus providing opportunities to expand GRI South Africa's manufacturing capacity.

“

*On the back of streamlined processes, cost cutting, and greater clarity about which investments are in line with Hulisani's imperatives, we expect further growth.*

”



# AVON AND DEDISA PEAKING POWER PLANTS

The plants performed well during the year under review, reporting higher utilisation than budgeted and providing an increase in dividends. A fair value increase was reported for the period. The performance of these assets illustrates the importance of flexible large-scale gas plants as complementary to renewable energy plants. The Avon and Dedisa Peaking Power Plants provide essential power when demand peaks and as such, they can manage variable loads and help to reduce economically-damaging load shedding.

Increased plant utilisation and efficiencies were achieved as confidence increased on the back of policy certainty. This led to higher investment returns.

The design of the plants includes the ability to switch to natural gas when it is available – a considerable environmental benefit. This capability moves the country and region towards a natural gas economy and cements the role of the plants as low-carbon energy production assets.

There is an opportunity to increase participation in the investment, which would enhance investment diversity for Hulisani within the parameters of our preferred investments.

## PROSPECTS

Additional plant builds require 36-to 48-month time frames. With procurement of new plants unlikely to be finalised before 2021, it is doubtful that these will come on stream before 2024. The Avon and Dedisa plants are operational. The flexible generation model could lead to greater utilisation. They are producing higher generation than anticipated, and there are opportunities to achieve further efficiencies.

Once natural gas becomes available, this asset presents an opportunity to support South Africa's gas economy. Avon's conversion to natural gas is likely to be completed before that of Dedisa, due to the plant's close proximity to a gas pipeline.

The Avon and Dedisa plants are operational and are producing higher generation than anticipated, with opportunities to achieve further efficiencies.





## UMHLABA

Hulisani holds 90% of subsidiary uMhlaba. The concept behind the subsidiary is to invest in long-term leases of independent power plants and in this way, build a portfolio of leases as a diversification play. Limited funding was secured through debt, but this was not sufficient to cover the shortfall in the necessary equity investment.

The project no longer has a pipeline of projects, as several leases have fallen away. Full provision was made for this investment in view of its lack of assets and cashflows.

uMhlaba is in talks with a potential funder with a view to reopening lease discussions and reviving the business. Should these negotiations be successful, Hulisani will dramatically reduce ownership and play the role of a passive investor.

uMhlaba - is  
in talks with a  
potential funder.





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# GOVERNANCE REVIEW



## BOARD OF DIRECTORS



### **PATILIZWE CASWELL MDODA (65)**

Independent Non-executive  
Chairperson  
Appointed 11 February 2016

Pat is a seasoned executive who served as an executive at various blue-chip companies, some of those

being South African Breweries - Beer Division, Edgars Consolidated Group (Edcon), and Kumba Resources Limited. He served as a non-executive director as well as a member of the South African Petroleum Industry Association (SAPIA) Board of Governors. Pat established Royale Energy and saw it grow to become one of the leading independent Non-Refining Wholesalers. He participated as the Executive Chairperson of the Board and later Non-executive Chairperson of the Group.

He participated in the deal-structuring and fundraising that turned Royale into a multi-billion rand fuel distribution company. Pat exited and sold his equity held through PYUTAZ Family Trust as part of the sale of the Company to the Police and Prisons Civil Rights Union (Popcru). He has a strong understanding of empowerment, having been part of the committee which selected the participants in the Kumba Resources transaction which resulted in the development of Exxaro Resources Limited. He has extensive networks and interfaces at senior level with both Government and captains of industry.

Pat holds a BCom (Unitra), MBA (Natal) and a Certificate in International Relations (Delhi, India).



### **MASIBULELE DEM (42)**

Interim Chief Executive Officer  
and Chief Financial Officer  
Appointed 01 August 2017

Masibulele is a Chartered Accountant with extensive financial services experience. For over 15 years he worked with leading

financial services organisations including KPMG, Barclays, Standard Bank, Mazwe Financial Services, and Africa Rising Capital. Previously, Masibulele was the Chief Financial Officer at Mazwe Financial Services.

His expertise includes financial management and investment banking, all skills that provide him with the experience necessary for Hulisani's leadership.

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

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





## BOARD OF DIRECTORS



**DUDU ROSEMARY  
HLATSHWAYO (57)**

Independent Non-executive  
Director  
Appointed 11 February 2016

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

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

Dudu has an MBL from the University of South Africa.



**HARALD HEINZ SCHAAF  
(70)**

Independent Non-executive  
Director  
Appointed 14 April 2016

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

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

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





## BOARD OF DIRECTORS



### KARABO NGWANAMELA KEKANA (32)

Independent Non-executive  
Director  
Appointed 09 March 2020

Karabo's qualifications include a MCom in International Accounting (CW) and a B.Com Accounting

Honours degree from the University of Johannesburg. Karabo is also a qualified Chartered Accountant (SA).

She has several years of accounting experience and currently serves as a senior lecturer in accounting studies at the University of Johannesburg. Karabo is also a director of the Gauteng Board Course and serves as a non-executive director on various other non-profit organisations.



### PATRICK BIRKETT (36)

Independent Non-executive  
Director  
Appointed 01 December 2020

Patrick is a corporate finance executive and founding director of Birkett Stewart McHendrie ("BSM"). He completed his undergraduate

degree (B.Bus.Science) at UCT in 2006, majoring in accounting and finance and went on to complete the PGDA in 2007. Patrick is now a qualified Chartered Accountant, having qualified through Deloitte in 2010. Prior to founding BSM in 2014, Patrick spent 4 years at Investec Corporate Finance and AfrAsia Corporate Finance where he learnt the skill-set required to become an effective corporate financier.

Since founding BSM, Patrick has advised JSE-listed companies and large private companies on a number of significant mergers and acquisitions, IPO's, private equity transactions, corporate restructurings and listings, and has an in-depth knowledge of distressed M&A and the turnaround environment in Southern Africa. Recently, Patrick has advised clients such as GAIA, on their management company internalisation, Group Five on the break-up of the group, Stefanutti Stocks on the disposal of non-core businesses, and Consolidated Infrastructure Group on various confidential items. His largest transactions to date include the disposal of Intertoll Europe in 2020 of c.R2bn and the restructure of MCC Group in 2017/2018 of R3bn.

Patrick is committed to continuing professional development and lifelong education and has undertaken the study of a programme every year since completing his articles.





# CORPORATE GOVERNANCE

The Board appreciates that its role is to adhere to the highest standards of corporate governance, ethical leadership, and sound judgment, which is fundamental to the sustainability of our business. Our business practices are directed to ensure the best interests of stakeholders in accordance with the principles of good corporate governance. The Board's role is to exercise ethical, effective, and reasonable leadership in determining strategy and monitoring business performance. The Board maintains effective control of the business through a governance structure and has established committees to assist it, in accordance with the provisions of our Board Charter and its alignment with the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™"). The Board recognises that delegating authority does not reduce the responsibility of directors to discharge their statutory and common-law fiduciary duties in terms of the Companies Act, 71 of 2008 (as amended) ("Companies Act"), JSE Limited Listings Requirements ("JSE Listings Requirements"), and King IV™.

**The Board is pleased to report that there have been no material instances of non-compliance or fines imposed during the year under review.**

While the Board is satisfied with the Company's level of compliance in accordance with applicable governance and regulatory requirements, it recognises that the Group's practices can always be improved upon, and accordingly, the Board has reviewed, and will continue to review, the Group's governance framework against best practices.

The following Directors served during the reporting period:

DIRECTOR	NATIONALITY	APPOINTMENT DATE	CAPACITY
Asanda Notshe	South African	(Appointed 13 October 2015) (Resigned on 31 August 2020)	Non-executive
Ben Marx	South African	(Appointed 01 July 2017) (Resigned on 01 June 2020)	Non-executive, Independent
Marubini Raphulu	South African	(Appointed 13 October 2015) Resigned on 15 April 2021	Executive
Malungelo Zilimbola	South African	(Appointed as an alternate director to Mr Asanda Notshe on 22 February 2019) (Resigned on 01 March 2020)	Non-executive, Non-independent
Patilizwe Mdoda	South African	Appointed 11 February 2016	Independent Non-executive,
Dudu Hlatshwayo	South African	Appointed 11 February 2016	Independent Non-executive,
Masibulele Dem	South African	Appointed 01 August 2017	Executive
Harald Schaaf	German	Appointed 04 April 2016	Independent Non-executive,
Thandiwe Godongwana	South African	(Appointed 09 March 2020) (Resigned on 27 August 2020)	Independent Non-executive
Karabo Kekana	South African	Appointed 09 March 2020	Independent Non-executive
Patrick Birkett	South African	Appointed on 01 December 2020	Independent Non-executive



## THE BOARD

As at 28 February 2021, the Board comprised 7 (seven) Directors and is satisfied that there is an appropriate balance of both Executive and Non-executive Directors, with the majority of Non-executive Directors being independent.

There is a clear distinction between the roles of the CEO and the Board Chairperson, and these positions are occupied by separate individuals.

The Board is satisfied that the Directors have the relevant knowledge, skills, and expertise required for governing the Company efficiently. The Board Charter also provides a clear division of responsibilities to ensure a balance of power and authority so that no one Director has unfettered powers of decision-making.

**The Chairperson is responsible for leading the Board, ensuring its effectiveness, and setting its agenda. The CEO leads the executive team in the operation of the Company.**

The Board met 7 (seven) times to consider the business and strategy of the Company during the year under review. The Board Charter is reviewed annually to ensure its relevance. Agendas for Board meetings are prepared by the Company Secretary in consultation with the Chairperson, CEO, CFO, and the Head of Legal, Risk and Compliance. Information provided to the Board is compiled from external sources, such as independent third-party reports, and internally from minutes and plans as well as reports. There are no restrictions placed on a director's access to Company information, records, documents, and property. Non-executive directors have access to management and regular interaction is encouraged.

Subsequent to the reporting period, the Board appointed Patrick Birkett as an Independent Non-executive Director of the Company on 01 December 2020. Mr Birkett serves as a member of both the Audit and Risk Committee and the Investment Committee.

Mr Marubini Raphulu, the Chief Executive Officer, resigned on 15 April 2021. The Board appointed Mr Masibulele Dem, the Company's Chief Financial Officer ("CFO"), to also serve as the Company's interim CEO. The Board and the Company's Audit and Risk Committee remain confident that having Mr Masibulele Dem continue to act as CEO and CFO, does not pose any practical issues or concerns for the Company. The Company's process to appoint a new chief executive officer is ongoing and an announcement will be made by 19 July 2021.

The role and responsibilities of the Board include:

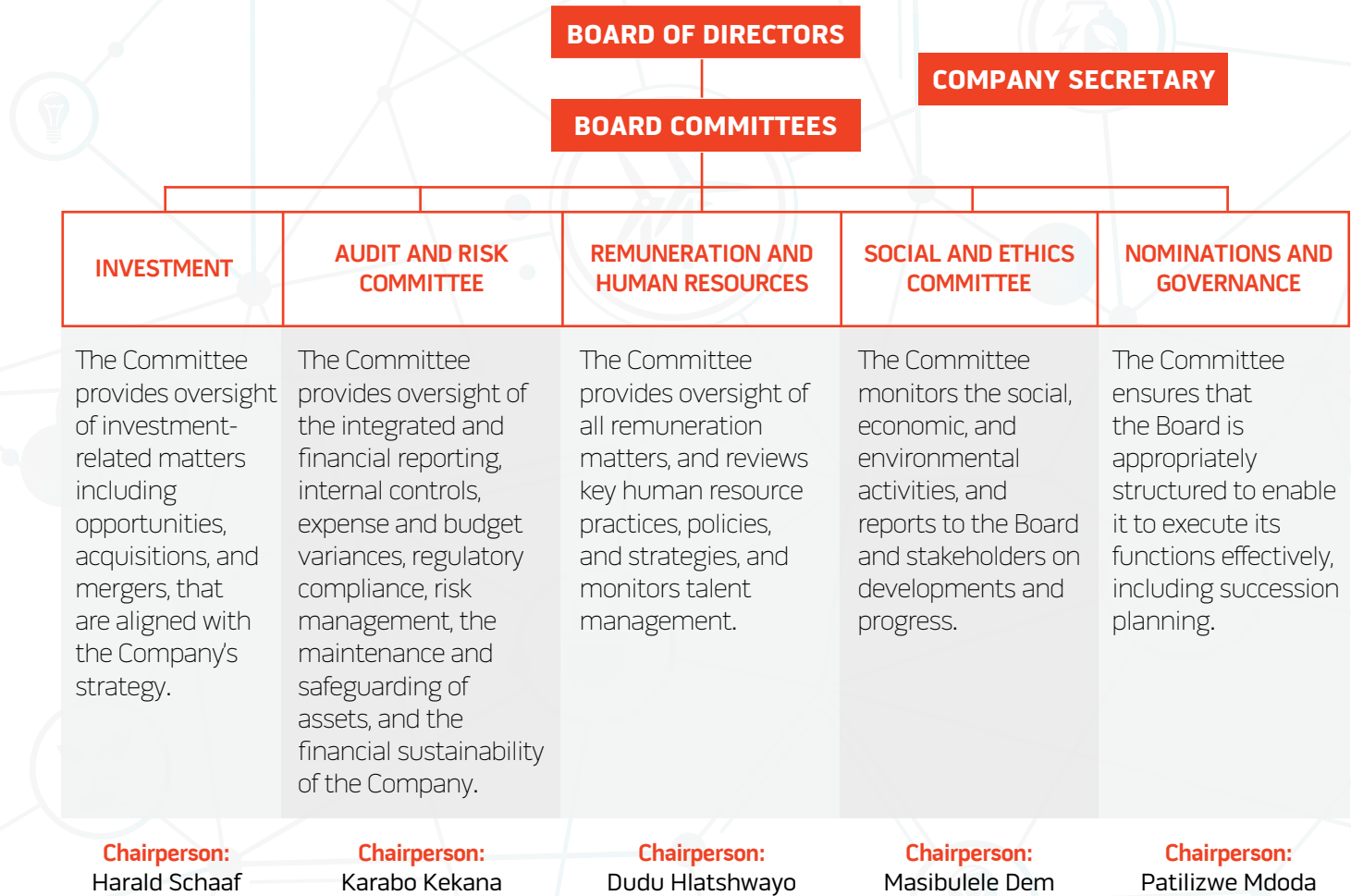
- setting the strategic direction and policy regarding the business and affairs of the Company and its controlled entities, for the benefit of the shareholders and other stakeholders of the Company;
- being accountable to shareholders for the performance of the Company;
- the appointment, the terms of the appointment, delegation of authority to, review of performance of, and removal of, the CEO, CFO, any other Executive Director, and the Company Secretary;
- succession planning for the CEO, CFO, and any other applicable Executive Director and his or her direct reportees;
- the annual evaluation of the Board, Board Committees, Chairperson, individual Directors, and the Company Secretary;
- business strategy which includes, inter alia, approving and monitoring the strategy, goals, business plans, and annual budgets of the Company;
- the approval of the capital and operating expenditure budget and any alterations to it;
- the approval of the annual and interim financial statements, Directors' reports, accounting policies, internal and external audit plans, major borrowing or giving of security over assets, and the granting of financial assistance to any related or inter-related parties;
- considering, and if appropriate, declaring or recommending the payment of dividends and any other distributions to shareholders, as deemed necessary and appropriate; and
- the acceptance of audit reports, including management letters.



BOARD COMMITTEES

The Board has established the Committees set out in the following diagram, to assist with the balance of power and effectively fulfilling its responsibilities. Their Charters set out the Committees’ roles and responsibilities, functions, scope of authority, and composition. Committees report to the Board at each Board meeting and make recommendations in accordance with their Charters.

The focus of the report that follows is to detail the Board’s position on matters ranging from governance to administration, and is provided to stakeholders with a view to highlighting the Board’s position and mandate in terms of its overall responsibilities. Details of the matters canvassed by the various Committees can be found in their individual reports.



SUMMARY OF ATTENDANCE

CAPACITY	NAME OF MEMBER	BOARD	A&R	S&EC	REM	INVEST	NOMCO
Chairperson	Patilizwe Mdoda	7/7		2/2	4/4		2/2
Independent Non-executive Chairperson Investment Committee	Harald Schaaf	7/7	3/3			2/2	2/2
Independent Non-executive Chairperson Remuneration and Human Resources Committee	Dudu Hlatshwayo	6/7	2/3		4/4	2/2	0/2
Independent Non-executive Chairperson Audit and Risk Committee	Karabo Kekana	7/7	3/3		0/4		1/2
Independent Non-executive Director	Patrick Birkett	2/7	1/3			1/2	
Chief Executive Officer and Chief Financial Officer	Masibulele Dem	7/7		3/3		2/2	2/2



## BOARD DIVERSITY

Gender and race diversity have been identified as a priority for the Company. In line with the Broader Diversity Policy, adopted by the Board on 25 June 2020, the Nominations and Governance Committee focuses on the promotion of gender and race diversity, as it informs the future appointment of directors in accordance with the JSE Listings Requirements on the promotion of gender diversity. The Board is committed to monitoring the Company's performance in meeting these requirements.

The Company's Board Charter requires diversity at Board level. The Company's compliance with this principle is evidenced in the composition of its Board of which 4 (four) of the 6 (six) Directors are black people. The Company's level of compliance against its targets is as set out in the table below:

BOARD PROFILE	ACTUAL	TARGET
Gender diversity Female representation	2/6 33%	30%
Racial diversity Black representation	4/6 67%	51%

The Board Diversity Policy is reviewed annually by the Social and Ethics Committee and the Remuneration and Human Resources Committee.

## BOARD CHAIRPERSON

The Board is chaired by Mr Patilizwe Mdoda, an Independent Non-executive Director, who was appointed to the Board on 11 February 2016. Mr Mdoda brings valuable expertise to the Board and continues to exercise independent judgement in relation to Board matters. The Chairperson of the Board is responsible for, inter alia, ensuring the integrity and effectiveness of the Board's governance processes.

## CHIEF EXECUTIVE OFFICER AND DELEGATION OF AUTHORITY

Mr. Marubini Raphulu resigned as CEO of the Company on 15 April 2021. The Company appointed Mr. Masibulele Dem, the Company's CFO, to also serve as the Company's interim CEO. The Company's process to appoint a new chief executive officer is ongoing and an announcement will be made by 19 July 2021.

## COMPANY SECRETARIAL DUTIES

On 01 October 2019, the Board appointed Resolve Secretarial Services as the Company Secretary. All Directors have access to the services and advice of the Company Secretary, as a support to the Board as a whole, and Directors individually, by providing guidance as to how to fulfil their responsibilities as Directors in the best interests of the Company. To achieve these objectives, independent advisory services are retained by the Company Secretary at the request of the Board or its Committees. The Board remains satisfied with the competency, qualifications, and experience of the Company Secretary and that an arm's-length relationship is maintained between the Board and the Company Secretary. Following the termination of Resolve's contract, the Board appointed Rilapax (Pty) Ltd (trading as William Radcliffe) ("William Radcliffe") as its company secretary. William Radcliffe will commence on 25 June 2021.





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## THE KING CODE

The Company and the Board support and adhere to the governance outcomes, principles, and practices in King IV™. The Company is committed to effective corporate governance and to conducting the business of the Company in a manner which upholds the principles of King IV™.

**Regular monitoring and reporting on governance structures are presented to ensure corporate governance practices are entrenched and continuously improved.**

The Company complies substantially with the principles of the King Report on Corporate Governance™ and detail is available on our Company website at [www.hulisani.co.za](http://www.hulisani.co.za).

## COMPLIANCE WITH LAWS AND REGULATIONS

The Directors have confirmed that, to the best of their knowledge, Hulisani:

- complied with the provisions of the Companies Act of South Africa; and
- operated in accordance with its memorandum of incorporation, during the year under review.

## MATERIAL RISKS

A description of all immediately identifiable material risks which are specific to Hulisani, its industry, and/or its issued ordinary shares, are available at <https://hulisani.co.za/investment-opportunities-hulisani>.



## RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

As an investment holding company, a huge part of our contribution to society comes from our investments in energy and the impact they have on industry and society. We are actively advancing these principles through our shareholding and voting powers on our entity's respective Boards, whereby we make a significant and positive contribution to the communities where we invest. Beyond our direct activities, we create and sustain jobs, support education, and help improve welfare for local communities.

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

We acknowledge that it is important to manage our economic, social, and environmental relationships effectively, as this ensures that we continue to create sustainable value by delivering economic value for shareholders, and social benefit.

## ASSURANCE

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

*Future growth is premised on pursuing developed, operational assets for acquisition.*



# REPORT OF THE REMUNERATION AND HUMAN RESOURCES COMMITTEE

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**MS DUDU HLATSHWAYO  
(CHAIRPERSON)**

Page 52

Independent Non-executive Director

Meeting attendance: 4/4



**MR PAT MDODA**

Page 50

Independent Non-executive Director

Meeting attendance: 4/4



**MS KARABO KEKANA**

Page 54

Independent Non-executive Director

Meeting attendance: 0/4







## A LETTER FROM THE CHAIRPERSON OF THE REMUNERATION AND HUMAN RESOURCES COMMITTEE

Dear Stakeholders,

I am pleased to present, on behalf of the Remuneration and Human Resources Committee (the "Committee") and the Board, our 2020/21 Remuneration Report, which is structured in line with the Companies Act, 71 of 2008 (the "Companies Act"), the JSE Limited Listings Requirements (the "JSE Listings Requirements"), and the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 ("King IV™").

The Committee has considered the impact of King IV™ on the

Remuneration Policy as well as the JSE Listings Requirements, and presents this report in 3 (three) parts, namely –

**PART 1:** a background statement setting the context for remuneration consideration and decisions as well as the material issues considered during the year.

**PART 2:** an overview of the Remuneration Policy as it relates to our employees, Executive Committee members, Executive Directors, and Non-executive Directors.

**PART 3:** an Implementation Report for Executive Directors, Executive Committee members, and Non-executive Directors.

The Committee provides an oversight role over remuneration and general human resource matters of the Company. The role of the Committee, having regard to the applicable legislation and sound corporate governance, is to provide guidance and support to the Board in fulfilling its responsibilities to stakeholders, by ensuring that the Company remunerates fairly, responsibly, and in a transparent manner, to promote the achievement of strategic objectives and positive outcomes in the short-, medium-, and long-term.

This report further sets out the Company's remuneration philosophy, policy, and implementation with remuneration disclosures for Non-executive Directors and Executive Directors.

## PART ONE

The Board carries ultimate responsibility for the Remuneration Policy. The Committee adopted a formal Charter, approved by the Board, is reviewed and amended as and when necessary. The Committee provides an oversight role over remuneration and general human resource matters of the Company. The role of the Committee, having regard to the applicable legislation and sound corporate governance, is to provide guidance and support to the Board in fulfilling its responsibilities to stakeholders by ensuring that the Company remunerates fairly, responsibly, and in a transparent manner, in order to promote the achievement of strategic objectives and positive outcomes in the short-, medium-, and long-term.

The year under review was characterised by working towards the long-term sustainability of the Company, by containing costs and increasing value for our stakeholders. In difficult trading circumstances, we are pleased

to continue to report improved performance from our investments in line with our business strategy. In light of the impact of COVID-19, we understand the challenges to mitigating the risk to our employees and operations, but continue to try and prioritise the health of our employees.

## COMPOSITION OF THE COMMITTEE

The Committee comprises 3 (three) members, all of whom are independent non-executive directors, as highlighted above. During August 2020, we have seen the resignations of both Ms Thandiwe Godongwana and Mr Asanda Notshe, as members of the Committee, and would like to thank them for their contribution to the Committee. The Chief Executive Officer, Chief Financial Officer, and the Head of Legal, Risk and Compliance, were standing invitees at Committee meetings. The Committee met 4 (four) times during the year under review. The attendance for these meetings is contained on page 61.



## REVIEW OF REMUNERATION ACTIVITIES AND DECISIONS TAKEN BY THE COMMITTEE

The Committee has, during the year under review, complied with its obligations in line with its Charter. Key issues considered by the Committee during the period included:

- a detailed work plan to guide matters of discussion and approval during the Company's reporting period, which had been approved and would be considered at each meeting to ensure that it was always relevant;
- the consideration of employment contracts and performance management agreements against the scorecards. This was approved, for a tiered remuneration and reward structure. This ensures that the remuneration of executive management is fair and responsible;
- the performance appraisal of the Chief Executive Officer and Chief Financial Officer;
- the review of the Company's organisational alignment which entailed a review of the work concluded on a day-to-day

basis against the business strategy and how this could be optimally achieved;

- the determination of the basis for allocation of share incentives and to grant long-term incentives to executives;
- the review and approval of the disclosures in the Integrated Annual Report on Remuneration Policy or directors' remuneration; and
- the proposal to Shareholders regarding fees payable to Non-executive Directors, which was approved.

## SHAREHOLDER VOTING AND ENGAGEMENT

At the 2020 Annual General Meeting (AGM), shareholders voted in favour of, and endorsed, both the Remuneration Policy (86,09%) and Implementation Report (86,44%). As both votes were passed by the requisite majorities, no further engagement with the shareholders was required in this regard. In compliance with King IV™ and the JSE Listings Requirements, both the Remuneration Policy and the Implementation Report will again be tabled at the forthcoming AGM, scheduled for 27 August 2021, for separate non-binding advisory votes.

In the event that the Remuneration Policy and/or the Implementation Report are voted against by 25% or more of the voting rights exercised, the Company will undertake to engage with its shareholders in order to determine how to address their legitimate and reasonable concerns, pertaining to our remuneration practices, procedures, and governance, and provide detailed feedback on the nature and outcome of the engagements in the following year's remuneration report.

The Company will engage with shareholders through dialogue, requesting written submissions or otherwise, in order to address their concerns, always with due regard to meeting the Company's stated objectives, while being fair and responsible towards both the employees and shareholders. We have monitored the implementation of the Remuneration Policy and framework and are of the view that there were no deviations from the Remuneration Policy in the

year under review and are satisfied with the Company's application of the requirements of King IV™ and the JSE Listings Requirements. Since the last presentation to shareholders, the Remuneration Policy has remained largely unchanged.

Going forward, the Committee will focus its efforts on improving employee benefits within the Company and executive succession planning, to ensure continued adequacy.

This report has been approved by the Board on the recommendation of the Committee. Stakeholders are invited to submit comments on the Remuneration Policy by emailing comments to [info@hulisani.co.za](mailto:info@hulisani.co.za).



**Dudu Hlatshwayo**  
Remuneration and Human  
Resources Chairperson





## PART TWO REMUNERATION POLICY SUMMARY

The Company is guided by the following key remuneration principles in aligning employee behaviour with its strategic objectives. Our Remuneration philosophy, policy, and framework for the current year, is set with the intention of ensuring the achievement of the Company's objectives, the sustainable long-term performance of the Company, the reward of directors and senior management, and aligning with shareholder's interests.

The Company is on the Total Guaranteed Package ("TGP") method of payment for executive management. This is referred to as guaranteed pay. A competitive salary is provided to all employees to ensure that their experience, contribution, and appropriate market comparisons are fairly reflected and applied.


- Base salary is defined as 85% of the Total Guaranteed Package.
- The TGP of employees is increased in March of each year in accordance with country CPI and individual performance.

The Short-term Incentive ("STI") is performance-based and measured against pre-determined objectives which, depending on the level and focus of the role, are derived from company metrics plus individual performance metrics, which are set annually.

- The Chief Executive and Executive Directors' bonuses determined based on 80% on Company performance metrics and 20% on the Committee's approved individual key performance indices.
- Senior Managers' bonuses determined based on 70% on Company performance metrics and 30% on CEO-approved individual key performance indices.
- Participation in the STI for Executive and Senior Management, is at the Committee's discretion, and participation in any other bonus scheme for other employees is at the Company's discretion.

Long-term Incentives ("LTI") are granted annually to employees in executive and senior management roles only.

The Long-term Incentive Scheme ("LTI") is based on a conditional Share Appreciation Rights Scheme



**“**  
*We pursue energy assets including energy generation, distribution, transmission infrastructure, and general assets.*  
**”**



("SARs"), in terms of which annual awards of SARs are made to eligible participants. The LTI provides that executive management and other senior management, whose retention is important for the sustained long-term strategic performance of the Company, are eligible to participate in the LTI.

The SARs are typically allocated on an annual basis as follows:

Chief Executive Officer: 40 to 80% of annual base salary.

Chief Financial Officer: 35 to 70% of annual base salary.

Chief Investment Officer: 35 to 70% of annual base salary.

Executive Committee members: 30 to 60% of annual base salary.

Senior management: 20 to 40% of annual base salary.

The SARs shall only vest on the attainment of the prescribed performance measures and targets and subject to the participant being in the employ of the Company on the vesting date. The Company uses pay ranges which cover each level in the location in which jobs are situated. Each level is divided into

an upper, middle, and lower section and a pay range is constructed for each.

Pay ranges represent the level of compensation paid to similar positions in the market. The median (50th percentile) of market comparators becomes the midpoint of the Company pay range, and the minimum and maximum of the range is informed by the lower and upper market quartile.

An individual promoted to a particular position entering the appropriate range for that position, typically receives a salary toward the minimum of the range. Over time, as they approach full competency, they move toward the midpoint through annual salary awards (typically three to four years).

To ensure that executive and shareholder objectives are aligned, a minimum shareholder requirement (MSR) applies to all Executive Directors on the following basis:

Within 4 (four) years of appointment (or the introduction of the rule for existing executives), Executive Directors are required to accumulate the Company shares to the value of 50% of net annual base salary. Within 7 (seven) years of

appointment (or the introduction of the rule for existing executives), executive directors are required to accumulate the Company shares to the value of 100% of net annual base salary.

## REMUNERATION STRUCTURE

These remuneration principles are attained through the appropriate mix of guaranteed fixed remuneration and variable performance-related remuneration, which is further divided at a management level, into short-term incentives (with a one-year performance period) and long-term incentives (with a minimum three-year performance period).

SUMMARY OF EXECUTIVE REMUNERATION STRUCTURE		
COMPONENT	TYPE	OBJECTIVE
Guaranteed Package Base pay	Fixed and paid monthly	To recruit and retain high calibre management.  Reflects scope and nature of the role, expertise required, and market value.
Short-term Incentive	Variable and paid annually	Linked to attainment of both financial and non-financial targets against strategic priorities.  Motivates and rewards accomplishment of annual performance objectives that align the interests of the Company and personal performance.
Long-term Incentive	Variable and awarded annually	Variable and awarded annually Stimulates achievement of long-term business targets to align with shareholder interests.  Ensure management have a vested interest in the long-term business performance and leads to the retention of executive talent.



## REMUNERATION STRUCTURE (Continued)

REMUNERATION STRUCTURE	PURPOSE AND LINK TO STRATEGY	OPERATION
Total Guaranteed Package (TGP)	To attract and retain the best talent	<p>Remuneration is contractually guaranteed to the employee and is paid on a monthly basis.</p> <p>TGP does not include retirement and medical benefits.</p> <p>TGP salary levels are positioned between the median and upper 75% percentile of benchmarking surveys.</p> <p>Reflects individuals' competence and skills, and the scope and nature of the role.</p> <p>Annual Increases take place in March each year.</p>
Variable Pay	To drive a high-performance culture	<p>Variable pay is that remuneration which is not guaranteed to eligible employees and which payment is dependent on the achievement of specific criteria at an individual employee and business level.</p> <p>Variable pay takes the form of a Short-term Incentive (STI).</p>
Short-term Incentive (STI)	<p>To support and reinforce desired behaviour and delivery at all levels.</p> <p>Motivates and rewards achievement of business and individual performance.</p> <p>Keeps employees focused on the defined business imperatives.</p>	<p>The Short-term Incentive is performance-based and measured against pre-determined objectives which, depending on the level and focus of the role, are directly linked to the business, strategic, and individual performance.</p> <p>Reviewed annually, to ensure measures and weighting drive the right behaviours and support the business strategy.</p> <p>Short-term bonus incentives payable to eligible employees, range between 10% and 45% of the total annual TGP.</p> <p>Bonuses payable are purely discretionary and are determined annually after reviewing the performance of the Company.</p>

REMUNERATION STRUCTURE	PURPOSE AND LINK TO STRATEGY	OPERATION
Long-term Incentive (LTI)	<p>Drives sustainable longer-term performance.</p> <p>Retention of key skills by linking performance to long-term value creation.</p>	<p>The Company's Long-term Incentive is the Conditional Share Appreciation Rights Scheme (SARS).</p> <p>The objectives of the SARS are to, inter alia, drive the longer-term strategic and sustainable performance of the Company, and to motivate participants to achieve the strategic objectives, thereby aligning shareholder and management interests to create a partnership culture.</p> <p>The total allocations under the Long-term Incentive Plan (LTIP) scheme over the life of scheme, will be limited to a cap of 5% of issued share capital. Awards are subject to mauls of unvested shares and clawback of vested shares in the case of a material misstatement of results or any wrong-doing discovered after the fact by the executive or senior manager concerned. Participation in the LTIP is at REMCO and Company discretion.</p>





## PART THREE IMPLEMENTATION REPORT

### DISCLOSURES OF NON-EXECUTIVE DIRECTORS' PAY

The disclosures conclude the remuneration paid to the non-executive directors in the year under review. Fees were only paid to independent non-executive directors. The fees are inclusive of Value Added Tax (VAT).

### NON-EXECUTIVE DIRECTORS' FEES

FEES PAID TO NON-EXECUTIVE DIRECTORS BY THE COMPANY AND ITS SUBSIDIARIES – DURING 2021				
	SUBSIDIARIES AND TRUST FEES	DIRECTOR'S FEES	COMMITTEE FEES	TOTAL 2021
	R'000	R'000	R'000	R'000
Fees	-	1,293	1,261	2,554



### ^NON-EXECUTIVE DIRECTORS' FEES FOR 2021/22

RANDS	2020/2021		2021/2022	
	BASE FEE	ATTENDANCE FEE PER MEETING	BASE FEE	ATTENDANCE FEE PER MEETING
<b>Services as directors – fees</b>				
– chairman of the board	120 934	44 919	124 562	46 267
– directors	77 710	28 863	80 041	29 729
<b>Audit and Risk Committee fees</b>				
– chairman	76 059	23 543	78,341	24 249
– members	66 551	20 599	68,548	21 217
<b>Remuneration and HR Committee fees</b>				
– chairman	38 030	23 543	39,171	24 249
– members	28 522	17 657	29,378	18,187
<b>Investment Committee fees</b>				
– chairman	76 059	23 543	78,341	24 249
– members	66 551	20 599	68,548	21 217
<b>Social &amp; Ethics Committee fees</b>				
– chairman	18 840	17,495	19 405	18 020
– members	18 455	17,136	19 009	17,650
<b>Nomination Committee fees</b>				
– chairman	38 030	23 543	39,171	24 249
– members	28 522	17 657	29,378	18,187
<b>* Ad hoc / Special Committee fee per meeting</b>		17 136		17 650

\*Members are paid an attendance fee for ad-hoc meetings.

^These fees are exclusive of Value Added Tax (VAT).

Attendance fees for the directors of the Company for the ad hoc meetings, called in addition to the scheduled meetings, were based on the ad hoc fee as approved by shareholders at the 2020 Annual General Meeting. In line with best governance practices, the non-executive directors do not participate in any of the Group's short- or long-term incentive fees nor do they earn any consultancy fees.



## INDEPENDENT NON- EXECUTIVE DIRECTORS

	BOARD (NUMBER OF MEETINGS HELD: 7)			AUDIT & RISK COMMITTEE (NUMBER OF MEETINGS HELD: 3)			REMUNERATION AND HUMAN RESOURCES COMMITTEE (NUMBER OF MEETINGS HELD: 4)			INVESTMENT COMMITTEE (NUMBER OF MEETINGS HELD: 2)			SOCIAL AND ETHIC COMMITTEE (NUMBER OF MEETINGS HELD: 2)			NOMINATIONS AND GOVERNANCE COMMITTEE (NUMBER OF MEETINGS HELD: 2)			TOTAL FEES
	BASE FEES	ATTEN- DANCE FEES		BASE FEES	ATTEN- DANCE FEES		BASE FEES	ATTEN- DANCE FEES		BASE FEES	ATTEN- DANCE FEES		BASE FEES	ATTEN- DANCE FEES		BASE FEES	ATTEN- DANCE FEES		
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Patilizwe Mdoda	119	264	383	-	-	-	28	34	62	-	-	-	18	33	51	37	46	83	579
Harald Schaaf	76	170	246	65	65	126	-	-	-	75	23	98	-	-	-	28	35	63	533
Ben Marx	22	32	54	21	21	47	-	-	-	19	-	19	-	-	-	8	-	8	128
Dudu Hlatshwayo	88	162	250	75	75	98	43	52	95	75	24	99	-	-	-	32	-	32	574
Karabo Kekana	76	142	218	72	72	139	-	-	-	65	21	86	-	-	-	28	18	46	489
Patrick Birkett	19	29	48	16	16	37	-	-	-	16	-	16	-	-	-	-	-	-	101
Thandiwe Godongwana	38	56	94	-	-	-	14	34	48	-	-	-	9	-	9	-	-	-	151
Total	438	855	1 293	249	249	447	71	86	205	250	68	318	27	33	60	133	99	232	2,554





## EXECUTIVE DIRECTORS

The disclosures conclude the remuneration paid to the executive directors in the year under review.

	SALARIES	STI	TOTAL
	R'000	R'000	R'000
CEO	3,909	782	4,691
CFO	2,869	574	3,443
Total	6,778	1,356	8,134

## LONG-TERM INCENTIVES

The 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 (five) years after 2 (two) 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.





# REPORT OF THE SOCIAL AND ETHICS COMMITTEE



## COMPOSITION:

### MR MASIBULELE DEM (CHAIRPERSON)

Page 51

Interim Chief Executive Officer  
and Chief Financial Officer

Meeting attendance: 2/2



### MR PATILIZWE MDODA

Page 50

Independent Non-executive Director

Meeting attendance: 2/2



### MRS LEBO MPUMLWANA

Head: Legal, Risk and Compliance

Meeting attendance: 2/2

Dear Stakeholders,

In my capacity as Committee Chairperson, I am pleased to present the report of the Social and Ethics Committee (the "Committee") of Hulisani Limited (the "Company") to the shareholders for the 2020/21 financial period, in accordance with the requirements of the Companies Act, 71 of 2008 (the "Companies Act"), the JSE Limited Listings Requirements (the "JSE Listings Requirements"), as well as the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 ("King IV™").

## COMMITTEE CHARTER

The Committee adopted a formal Charter, which had been approved by the Board of Directors of the Company (the "Board"), and details its mandate and duties in terms of the Companies Act, the JSE Listings Requirements, and King IV™, as well as responsibilities allocated to it by the Board. The Charter is reviewed and amended as and when necessary. The Committee has conducted its affairs in substantial compliance with the Charter and has discharged its responsibilities as contained therein.

The mandate of the Committee is to assist the Board in ensuring

that the Company is, and remains, a responsible corporate citizen. Its role is to assist the Board with the oversight of social and ethical matters relating to the Hulisani group (the "Group"). The functions of the Committee are three-fold, namely:

- to monitor the Company's activities by having regard to the Company's compliance with applicable legislation, codes of best practice, and any legal requirements as specified;
- to report to the Board on matters within its mandate; and
- to report to the Company shareholders on matters within its mandate at annual general meetings.

The specific activities that the Committee monitored, focusing on those duties stated in regulation 43(5) of the Companies Regulations specific to the Company, included:

- social and economic development, including the Company's standing in relation to the United Nations Global Compact Principles, the Organisation for Economic Co-operation and Development's ("OECD") recommendations regarding the combating of corruption, South Africa's Employment Equity Act, and the Broad-Based Black Economic



Empowerment Act;

- good corporate citizenship by ensuring that the Company promotes equality, prevents unfair discrimination, combats corruption, partakes in community development in which it operates, and keeps records of the Company's sponsorships, donations, and charitable giving;
- the environment, health, and public safety focusing on the impact of the Company's activities and products on the environment and society; and
- labour and employment, including the Company's standing in relation to the International Labour Organisation's Protocol on decent work and working conditions, and the Company's employment relationships and contribution to the educational development of its employees.

## COMMITTEE MEMBERSHIP

I have taken over the leadership of the Committee with effect from 19 November 2020 following the resignation of Mr Asanda Notshe on 31 August 2020 and would like to thank him for his valued contributions made to the

Committee. We have also seen the resignation of Mrs Thandiwe Godongwana as a member of the Committee on 27 August 2020 and would like to thank her for her contribution to the Committee. At the time of issuing this report, the Committee comprised myself as Chairperson, Mr Pat Mdoda (Board Chairperson), and Ms Lebo Mpumlwana, Head: Legal, Risk and Compliance of the Company. Members' qualifications and experience are available on pages 50 and 54. Ms Mpumlwana has the following qualifications: B.Soc. Sci., LLB, and MBA. The Company Secretary of the Company served as secretary for the Committee.

Prior to the resignations of Mr Notshe and Mrs Gondogwana, the composition of the Committee complied with the higher standards prescribed in King IV™, comprising 3 (three) non-executive directors and 1 (one) executive director, and the Chief Financial Officer (the "CFO"). Their resignations subsequently left the Committee with only 2 (two) members, comprising the Board Chairperson and CFO. Consequently, the Committee was unable to convene meetings and execute its goals in accordance with its annual work plan. Even with the appointment of

Mr Patrick Birkett on 01 December 2020 (non-executive director), capacity on the Board remained limited. The Board currently has 5 (five) non-executive directors and 5 (five) subcommittees. In addition to their ordinary duties as directors of the Company, most of the non-executive directors sit on at least 2 (two) subcommittees and each the non-executive directors also serve as chairperson of 1 (one) subcommittee. In light of the capacity constraints at the Board and the fact that the Committee had only 2 (two) members, in order to enable the Committee to execute its mandate, it was proposed to the Board that a prescribed officer, Ms Mpumlwana, be appointed as a member of the Committee. On 19 November 2020. The Board approved the proposal by written resolution.

While the current composition of the Committee does not meet the King IV™ recommendation for the majority of the Committee members to be non-executive directors, it complies with the Companies Act's requirements (the primary legislation detailing the composition of the Committee) as well as the JSE Listings Requirements. The Board therefore discharged its duty to apply its mind to the

challenge of meeting the prescripts of King IV™ by virtue of the Board having considered the severe capacity constraints on incumbent non-executive directors; the potential adverse consequences on the work to be carried out by the Committee, should incumbent non-executive directors, (who were already stretched), be appointed to the Committee as well as the appointment of a prescribed officer to the Committee to ensure compliance with the primary legislation, the Companies Act.

**In addition to the members of the Committee reflected above, executive management were standing invitees to the Committee and were represented by the Chief Executive Officer.**



## MONITORING

The Committee met formally twice during the financial year. The Committee is responsible for reviewing the group's policies relating to ethics, social and economic development, good corporate citizenship, sustainable development, and stakeholder relationships.

**The Committee received and reviewed reports on the performance of the Company against the 5 (five) core focus areas, namely, social and economic development; good corporate citizenship; environment, health and safety; consumer relations; and labour and employment.**

This included the Company's progress in addressing the requirements of the UN Global Compact Principles and the OECD Guidelines, in line with best practice, as well as the Company's performance and strategy in terms of sustainable development. Although not an exhaustive list of duties, the key activities considered by the Committee during the year under review included:

- reviewing and approval of the Committee's Charter;
- monitoring of the Company's contribution to the development of the communities in which it operates, from a good corporate citizenship perspective. The Committee also monitored the sponsorships and donations by the Company to various communities. In line with the Company's socio-economic development obligations under the B-BBEE Codes and REIPPP, the following activities were undertaken by the Company:
  - buying playground equipment for a creche located in and around one of investee companies in the Eastern Cape;
- monitoring the extent of procurement of goods and services from suppliers with at least a Level 2 BEE Status Level.
- monitoring corporate spend in respect of the various initiatives supported by the Company;
- ensuring that the B-BBEE score was published on the Company's website as per the JSE Listing Requirements;
- monitoring compliance with the Environmental, Social, and Governance ("ESG") Policy (the "ESG Policy"), following

the approval thereof by the Board on 25 November 2020, as well as the Environmental, Social, and Governance Strategy Framework (the "Framework") which was approved by the Committee on 09 February 2021. The ESG Policy defines the Company's position regarding ESG and provides its employees with guidelines related to ESG for its decision-making processes. It is further used as a tool to communicate to investees and other stakeholders on how the Company integrates ESG considerations into investment decision-making processes, and which factors the Company may consider when making such decisions, while also remaining focused on maximising investment performance and the Company's fiduciary obligations to its investors

and investees. Additionally, the Framework identifies 6 (six) environmental, 7 (seven) social, and 6 (six) governance topics material to the Company which inform the main content of the Company's strategy. Each material topic is linked to the relevant United Nations Sustainable Development Goals ("SDGs"), where applicable, to indicate where the Company can make a contribution towards achieving the SDG;

- regarding the COVID-19 global pandemic, implementing strict preventative measures in terms of social distancing and remote working;
- continuing with its oversight and monitoring to cover the scheduled activities in line with its mandate as required by legislation, King IV™ and the Committee's Charter.





## MATTERS BROUGHT TO THE ATTENTION OF THE BOARD

The Company has retained its level 4 BEE status level and continues to invest in its suppliers, employees, as well as enterprises owned and managed by black women.

## FOCUS AREAS FOR 2021/22

During the 2021/22 financial year, following the approval of the Environmental, Social, and Governance Policy as well as the Environmental, Social, and Governance Strategy Framework, the Committee will continue to review the various policies in place dealing with ethics, social and economic development, good corporate citizenship, and sustainable development, and concentrate its monitoring activities on progress with the Company's ESG performance in relation to the Group. Additionally, the Committee will continue to monitor management's efforts in respect of increased participation in social and community initiatives, workplace diversity, ethics awareness and training within the Company, the

Company's stakeholder engagement approach, as well as maintaining level 4 B-BBEE status.

## CONCLUSION

The effectiveness of the Committee is assessed as part of the annual Board and Committee self-evaluation process. The Committee was assessed to have adequately discharged its mandate.

Overall, the Committee is satisfied that there were no significant areas of risk with regard to the matters to be addressed by the Committee in terms of statute and the provisions of its terms of reference, other than set out in this report.

Furthermore, the Committee has considered the relevant laws and regulations applicable to the Group's operations during the reporting period and its compliance with these. The Committee is pleased to report that there have been no material instances of non-compliance or material fines imposed during the year under review. Accordingly, the Committee is comfortable that the Company operated as a socially-responsible corporate citizen, demonstrating an ongoing commitment to sustainable

development in the year under review. The Committee is further satisfied that it has fulfilled its mandate as set out in the Companies Act, read with Regulation 43 of the Companies Regulations and in its Terms of Reference.

I take this opportunity to thank the Committee members for their dedicated and constructive contributions to its functioning.

**Masibulele Dem Chairperson**  
Social and Ethics Committee





# REPORT OF THE INVESTMENT COMMITTEE

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**MR HARALD SCHAAF  
(CHAIRPERSON)**

Page 53

Independent Non-executive Director

Meeting attendance: 1/1



**MS DUDU HLATSHWAYO**

Page 52

Independent Non-executive Director

Meeting attendance: 1/1



**MR PATRICK BIRKETT**

Page 55

Independent Non-executive Director

Meeting attendance: 1/1



**MR MASIBULELE DEM**

Page 51

Interim Chief Executive and  
Chief Financial Officer

Meeting attendance: 1/1





Dear Shareholders,

I am pleased to present the report of the Investment Committee (the "Committee") of Hulisani Limited (the "Company"), in my capacity as Committee Chairperson, to the shareholders for the year ended 28 February 2021. The Committee was established on 18 May 2018 in response to the Company's burgeoning project pipeline and the concomitant investment activity.

Its mandate is to robustly consider and interrogate the suitability, viability, and feasibility of investment proposals in accordance with the Company's shareholder-approved Investment Policy. The Investment Policy sets the investment parameters within which the deliberations of the Committee should be undertaken, which include the following:

- **Energy Assets** – Hulisani may invest in any form of energy generation asset such as solar, wind, gas, geothermal, hydrogen, hydroelectric, and biomass energy as well as gas to power and clean coal energy. Hulisani may also invest in energy distribution and transmission infrastructure, and energy value-chain assets. Additionally,

except during the portfolio building process, no one asset will constitute more than 15% of the portfolio.

- **Stage of Investments** – Hulisani may invest in both operational and advanced developmental stage projects (i.e. bid ready projects). The minimum requirement for advanced developmental stage and operational projects, amongst others, is a signed definitive Power Purchase Agreement by either Eskom Holdings SOC Limited or another Investment Grade buyer.
- **Key Characteristics** – The energy assets into which Hulisani invests, should meet the following minimum criteria: (i) predictable cash flows; (ii) inflation-linked cash flows; (iii) strong management team.
- **Geographic Scope** – In the short term, Hulisani shall target energy assets located in South Africa and greater Sub-Saharan Africa but will look to other emerging markets in the medium to long term.
- **Investment Horizon** – The Company targets long-term investment (i.e. more than 10 years or such other time horizon that would bear reference to the remaining underlying Power

Purchase Agreement of the project).

- **Ownership** – Although there are no specific ownership targets, the Company may not invest without a Board seat in the underlying investee company.

The Committee's investment process demands that all proposed projects submitted to it for consideration, are first evaluated by management and then subjected to an external due diligence investigation. Under the guidance of the Company's Delegation of Authority Policy, the Committee is empowered to either reject or approve investment proposals, or recommend the same to the Board for its final approval.

## ROLE AND KEY FUNCTIONS

The Committee is a formal committee of the Board that makes recommendations on the strategic direction of the Company. It assists the Board in its independent oversight of the investment and divestment policies of the Company, the development of appropriate operating procedures for the investment, management, and divestment of the assets of the

Company, and the development of investment objectives of the Company.

## COMMITTEE CHARTER

The Committee adopted a formal Charter, which had been approved by the Board of Directors of the Company (the "Board"), and details its mandate and duties in terms of the Companies Act, 71 of 2008, as well as responsibilities allocated to it by the Board. The Charter is reviewed and amended as and when necessary. The Committee has conducted its affairs in compliance with the Charter and has discharged its responsibilities as contained therein.

## COMPOSITION

Committee members are appointed by the Board on recommendation by the Nominations and Governance Committee. For the period under review, the Committee comprised 4(four) members with the majority being independent non-executive directors as highlighted above. Mr Marubini Raphulu, the former Chief Executive Officer, resigned as a member of the Committee on 15 April 2021, and we would like to thank him for his contribution to the Committee.



## THE YEAR UNDER REVIEW

Having regard to the above, the Committee has effectively discharged its duties in terms of its mandate and responsibilities and has had the requisite oversight over management's proposals which are considered in context of the Company's strategy, Delegation of Authority Policy, and Investment Policy.

Overall, the financial performance of the assets has improved even as there was a decline in performance in some of the assets. Revenue from LPS was in line with expectations, while dividends from Kouga were higher than expected, even as share of profits were lower than expected. This was as a result of distribution from cash reserves. There was a decline in revenue from RustMo1, mainly as a result of interruptions in production due to soiling and cleaning of the panels. The assets continue to show resilience and strong cashflows during a difficult trading environment.

The committee met once during the year under review. During the year the committee considered a number of development projects for investment. These projects

were however suspended following a resolution to focus on investing in projects that are operational and cash generative. The projects were also at a fairly early stage of development. The focus is to develop a pipeline of operational assets.

The Committee looks forward to the fruition of the company's efforts to increase the balance sheet size, capacity, and assets under management.

For the year under review, the Committee is satisfied that it has fulfilled all its statutory duties assigned by the Board. The Chairperson of the Committee reports to the Board on the activities of the committee at Board meetings.

**Harald Schaaf**  
Chairperson: Investment  
Committee

“

*We invest in various forms of energy, predominantly in renewable energy generation.*

”





## REPORT OF THE AUDIT AND RISK COMMITTEE



### MRS KARABO KEKANA (CHAIRPERSON)

Page 54

Independent Non-executive Director

Meeting attendance: 3/3



### MR PATRICK BIRKETT

Page 55

Independent Non-executive Director

Meeting attendance: 2/3



### MR HARALD SCHAAF

Page 53

Independent Non-executive Director

Meeting attendance: 3/3

Dear Shareholders

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™").

### 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"):

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.

## ROLES 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 –

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

management process and assess the Company's exposure to the top strategic risks;

- to monitor compliance effectiveness within the Company;
- to 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; and
- to 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; and
- considered the declaration of a dividend by the company.



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## 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 external auditor is thus suitable for reappointment by considering, inter alia, paragraph 3.84(g)(iii) of the Listings Requirements of the JSE Limited and the information stated in paragraph 22.15(h) of the Listings Requirements of the JSE.

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, Kouga Wind Farm Proprietary Limited, valuation and classification of loan to Legend Power Solution Proprietary Limited, the recoverability of the



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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 the 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 the 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 satisfied itself, in terms of paragraph 3.84(g)(ii) of the Listings Requirements of the JSE and 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)(i) 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 focusing less on development opportunities. There is a significant number 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 assets than those currently owned by the Company

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.

## 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 K Kekana**  
Chairperson: Audit and Risk Committee



## COMPANY SECRETARY'S CERTIFICATION

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended, we certify that, to the best of our knowledge and belief, the Company has, in respect of the financial year reported upon, lodged with the Companies Intellectual Property Commission all returns as required of a public company and that all such returns are true, correct and up to date.



**M Voller**  
Company Secretary



## CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT CERTIFICATE

In line with paragraph 3.84(k) of the JSE Listings Requirements, the interim CEO and CFO hereby confirm that –

- the summarised consolidated financial statements set out on pages 112 to 155, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;
- 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 annual financial statements of the issuer;
- 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 IV™. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.



**Mr MP Dem**  
CEO and Financial Director  
21 May 2021





# SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE(S)	GROUP	
		2021 R '000	2020 R '000
<b>Asset</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	111,695	121,462
Intangible assets	7	132,604	139,099
Investment in associate	3	104,759	103,337
Loan receivable	5	-	7,522
Convertible loan at fair value through profit or loss	4	95,293	81,609
Other financial assets at fair value through profit or loss	4	75,487	70,347
		<b>519,838</b>	<b>523,376</b>
<b>Current Assets</b>			
Trade and other receivables		10,916	12,232
Cash and cash equivalents		26,947	26,923
		<b>37,863</b>	<b>39,155</b>
<b>Total Assets</b>		<b>557,701</b>	<b>562,531</b>
<b>Equity</b>			
Share capital		500,000	500,000
Reserves		8,049	6,562
Accumulated loss		(140,262)	(151,519)
Equity attributable to equity holders of parent		367,787	355,043
Non-controlling interest		21,714	25,103
		<b>389,501</b>	<b>380,146</b>

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	NOTE(S)	GROUP	
		2021 R '000	2020 R '000
<b>Non-Current Liabilities</b>			
Borrowings	8	99,543	108,862
Deferred tax	10	46,298	43,139
Lease liabilities	9	1,066	2,947
		<b>146,907</b>	<b>154,948</b>
<b>Current Liabilities</b>			
Trade and other payables		5,824	9,853
Borrowings	8	11,871	11,743
Lease liabilities	9	1,881	1,533
Current tax payable		1,717	-
Bank overdraft		-	4,308
		<b>21,293</b>	<b>27,437</b>
<b>Total Liabilities</b>		<b>168,200</b>	<b>182,385</b>
<b>Total Equity and Liabilities</b>		<b>557,701</b>	<b>562,531</b>



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### SUMMARISED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE(S)	GROUP	
		2021 R '000	2020 R '000
Revenue	13	62,392	69,438
Other operating income	13	1,000	
Other operating gains	12	18,889	7,843
Other operating expenses		(71,480)	(73,609)
Financial assets write-off		-	(25,737)
Impairment reversal	3	14,314	-
<b>Operating profit (loss)</b>		<b>24,128</b>	<b>(21,065)</b>
Investment income		1,222	3,807
Finance costs		(12,056)	(13,760)
Share of the profit from equity accounted investments	3	4,946	7,608
<b>Profit (loss) before taxation</b>		<b>18,240</b>	<b>(23,410)</b>
Taxation	14	(4,876)	(3,523)
<b>Profit (loss) for the year</b>		<b>13,364</b>	<b>(26,933)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>13,364</b>	<b>(26,933)</b>
<b>Profit (loss) attributable to:</b>			
Owners of the parent		11,257	(29,414)
Non-controlling interest		2,107	2,481
		<b>13,364</b>	<b>(26,933)</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the parent		11,257	(29,414)
Non-controlling interest		2,107	2,481
		<b>13,364</b>	<b>(26,933)</b>
Basic and diluted loss per share (c)	15	23	(59)

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	SHARE CAPITAL	EQUITY- SETTLED SHARE-BASED PAYMENT RESERVES	ACCUM- ULATED LOSS	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON- CONTROLLING INTEREST	TOTAL EQUITY
GROUP	R'000	R'000	R'000	R'000	R'000	R'000
<b>Balance at 01 March 2019</b>	<b>500,000</b>	<b>6,562</b>	<b>(122,105)</b>	<b>384,457</b>	<b>29,078</b>	<b>413,535</b>
(Loss) profit for the year	-	-	(29,414)	(29,414)	2,481	(26,933)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss (income) for the year</b>	<b>-</b>	<b>-</b>	<b>(29,414)</b>	<b>(29,414)</b>	<b>2,481</b>	<b>(26,933)</b>
Dividends	-	-	-	-	(6,456)	(6,456)
<b>Balance at 01 March 2020</b>	<b>500,000</b>	<b>6,562</b>	<b>(151,519)</b>	<b>355,043</b>	<b>25,103</b>	<b>380,146</b>
Profit for the year	-	-	11,257	11,257	2,107	13,364
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>11,257</b>	<b>11,257</b>	<b>2,107</b>	<b>13,364</b>
Employee share schemes – value of employee services	-	1,487	-	1,487	-	1,487
Dividends	-	-	-	-	(5,496)	(5,496)
<b>Balance at 28 February 2021</b>	<b>500,000</b>	<b>8,049</b>	<b>(140,262)</b>	<b>367,787</b>	<b>21,714</b>	<b>389,501</b>



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE(S)	GROUP	
		2021 R '000	2020 R '000
<b>Cash flows from operating activities</b>			
Cash used in operations		(3,996)	(5,737)
<b>Net cash utilised in operating activities</b>		<b>(3,996)</b>	<b>(5,737)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangibles	6	(1,670)	(1,032)
Disposal of property, plant and equipment	6	240	-
Receipts from loans receivable at amortised cost		7,522	-
Profit share <sup>1</sup>		11,452	17,406
Interest received <sup>1</sup>		1,222	1,754
Dividends received	3	17,838	14,746
<b>Net cash from investing activities</b>		<b>36,604</b>	<b>32,874</b>
Repayment of borrowings	8	(8,339)	(5,560)
Payment on lease liabilities	9	(1,533)	(1,120)
Dividends paid		(5,496)	(9,703)
Interest paid <sup>2</sup>		(12,908)	(14,797)
<b>Net cash utilised in financing activities</b>		<b>(28,276)</b>	<b>(31,180)</b>
<b>Total cash movement for the year</b>		<b>4,332</b>	<b>(4,043)</b>
Cash at the beginning of the year		22,615	26,658
<b>Total cash at end of the year</b>		<b>26,947</b>	<b>22,615</b>

<sup>1</sup> 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.

<sup>2</sup> Interest paid includes interest on overdraft and other loans payable.

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 1. BASIS FOR PRESENTATION

The summarised consolidated financial statements for the year ended 28 February 2021 have been prepared in accordance with the JSE Limited Listings Requirements ("Listings Requirements") for preliminary reports and the requirements of the Companies Act, Act 71 of 2008. The Listings Requirements require financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and contain the information required by IAS 34 Interim Financial Reporting. The summarised consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 28 February 2021, which have been prepared in accordance with IFRS.

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

### AUDIT OPINION

This summarised report is extracted from audited information but is not itself audited. The annual financial statements were audited by BDO South Africa Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office and on the Company's website [www.hulisani.co.za](http://www.hulisani.co.za). The directors take full responsibility for the preparation of the summarised consolidated financial statements and confirm that the financial information has been correctly extracted from the underlying annual financial statements.

### ACCOUNTING POLICIES

The accounting policies applied in preparing the summarised consolidated financial statements comply with IFRS and consistent with those applied in the previous annual financial statements.



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 2. 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 to 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.

#### (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

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 4 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 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.

#### (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 4 for detail on the GRI financial asset.



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### (V) 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 9).

#### (VI) 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 4).

#### (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.

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### (VII) 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 was 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).

#### (VIII) 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 7).

#### (IX) 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.

#### (X) 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 10.



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 3. INVESTMENT IN ASSOCIATES

#### 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	2020
	R '000	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)
<b>Balance at the end of the period</b>	<b>104,759</b>	<b>103,337</b>

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 3. INVESTMENT IN ASSOCIATES (CONTINUED)

#### (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.

#### (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. Based on the discounted dividend valuation model the recoverable amount was determined to be R106m and 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 SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 4. FINANCIAL ASSETS AND AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2021	2020
FINANCIAL ASSETS	R '000	R '000
Financial assets at fair value through profit or loss		
Convertible loan	95,293	81,609
GRI financial asset	75,487	70,347
<b>Total</b>	<b>170,780</b>	<b>151,956</b>

#### (I) CONVERTIBLE LOAN TO LEGEND POWER SOLUTION (PTY) LTD

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 13 for profit share recognised.

#### (II) 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").

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 4. FINANCIAL ASSETS AND AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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.

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.

Refer to note 12 for further information on valuation inputs.



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 5. LOAN RECEIVABLE

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

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



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 6. PROPERTY, PLANT AND EQUIPMENT

	2021					
	COST	ACCUMULATED DEPRECIATION	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION	CARRYING VALUE
GROUP	R'000	R'000	R'000	R'000	R'000	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
<b>Total</b>	<b>148,851</b>	<b>(37,156)</b>	<b>111,695</b>	<b>148,089</b>	<b>(26,627)</b>	<b>121,462</b>

#### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP - 2021

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
	R'000	R'000	R'000	R'000	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
	<b>121,462</b>	<b>1,265</b>	<b>(240)</b>	<b>(10,792)</b>	<b>111,695</b>



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP – 2020

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
	R'000	R'000	R'000	R'000	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
	<b>125,771</b>	<b>6,269</b>	<b>-</b>	<b>(10,578)</b>	<b>121,462</b>

#### PROPERTY, PLANT AND EQUIPMENT ENCUMBERED AS SECURITY

The following assets have been encumbered as security for the secured long-term borrowings note 8:

	GROUP	
	2021	2020
	R '000	R '000
<b>Property, plant and equipment:</b>		
- 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
<b>Total assets pledged as security</b>	<b>109,126</b>	<b>117,223</b>

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.

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 7. INTANGIBLE ASSETS

	2021			2020		
	COST	ACCUMULATED AMORTISATION	CARRYING VALUE	COST	ACCUMULATED AMORTISATION	CARRYING VALUE
GROUP	R'000	R'000	R'000	R'000	R'000	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	-	-	-
<b>Total</b>	<b>158,383</b>	<b>(25,779)</b>	<b>132,604</b>	<b>157,978</b>	<b>(18,880)</b>	<b>139,098</b>

#### RECONCILIATION OF INTANGIBLE ASSETS - GROUP – 2021

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
	R'000	R'000	R'000	R'000
Goodwill	44,761	-	-	44,761
Customer contract	94,338	-	(6,866)	87,472
Computer software	-	405	(34)	371
	<b>139,099</b>	<b>405</b>	<b>(6,900)</b>	<b>132,604</b>

#### RECONCILIATION OF INTANGIBLE ASSETS - GROUP – 2020

	OPENING BALANCE	AMORTISATION	TOTAL
	R'000	R'000	R'000
Goodwill	44,761	-	44,761
Customer contract	101,204	(6,866)	94,338
	<b>145,965</b>	<b>(6,866)</b>	<b>139,099</b>

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.



NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS (CONTINUED)

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.

The carrying amount of the goodwill allocated to the CGU:

	RUSTMO1	TOTAL
	R'000	R'000
Goodwill	44,761	44,761
	44,761	44,761

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.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

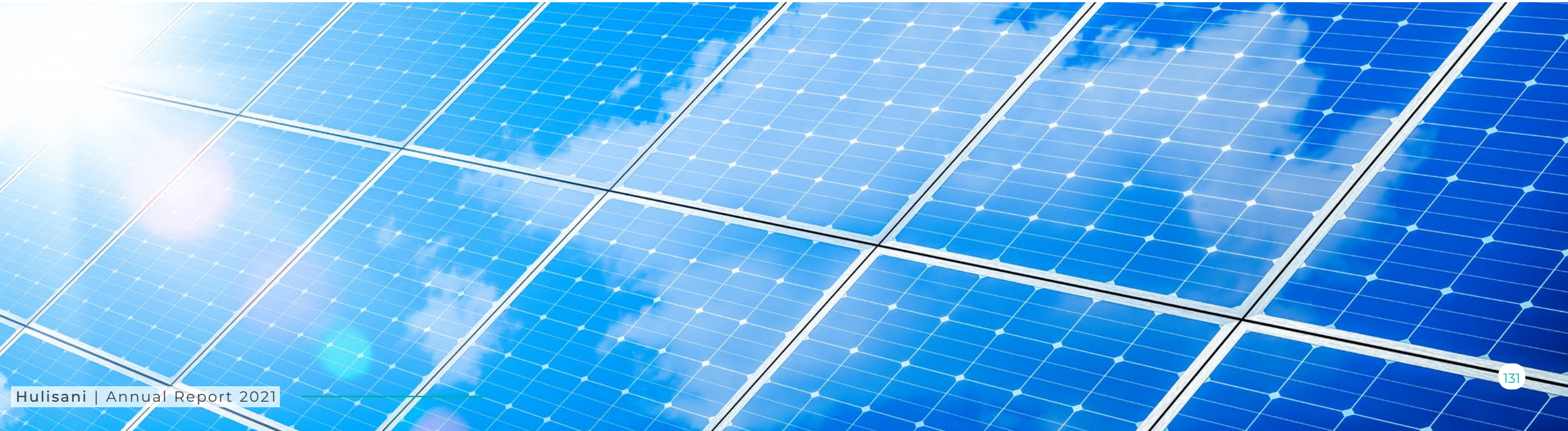
7. INTANGIBLE ASSETS (CONTINUED)

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.





## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 8. BORROWINGS

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

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

#### 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).

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 8. BORROWINGS (CONTINUED)

#### 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 6 for all assets pledged as security.

#### (I) 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





## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 9. LEASE LIABILITIES

	GROUP	
	2021	2020
	R '000	R '000
<b>Lease payments due</b>		
- within one year	2,100	1,960
- in second to fifth year inclusive	1,197	3,050
- later than five years	-	247
	3,297	5,257
less: future finance charges	(350)	(777)
<b>Present value of lease payments</b>	<b>2,947</b>	<b>4,480</b>
<b>Present value of lease payments due</b>		
- within one year	1,881	1,533
- in second to fifth year inclusive	1,066	2,705
- later than five years	-	242
	2,947	4,480
Non-current liabilities	1,066	2,947
Current liabilities	1,881	1,533
	2,947	4,480
Balance at the beginning of the period	4,480	-
Recognition on first time adoption of IFRS 16	-	3,810
Addition		1,790
Interest	427	507
Repayments	(1,960)	(1,627)
- Capital	(1,533)	(1,120)
- Interest	(427)	(507)
	2,947	4,480

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 9. LEASE LIABILITIES (CONTINUED)

The group entered into leases for office space for the holding company and subsidiaries. Rental contracts are entered into 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 note 6 for detail.

The effective borrowing rates for RustMol 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 finance 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. Hulisani elected to apply the practical expedient introduced by the amendments to all rent concessions that satisfy the criteria.



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 10. DEFERRED TAX

	GROUP	
	2021	2020
	R '000	R '000
Deferred tax liability	46,298	43,139
	<b>46,298</b>	<b>43,139</b>
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)	-
<b>Total deferred tax liability</b>	<b>46,298</b>	<b>43,139</b>

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 10. DEFERRED TAX (CONTINUED)

#### RECONCILIATION OF DEFERRED TAX (ASSET) / LIABILITY

	GROUP	
	2021	2020
	R '000	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)
	<b>46,298</b>	<b>43,139</b>

	GROUP	
	2021	2020
	R '000	R '000
At the beginning of the year	43,139	39,616
Recognised in profit or loss	3,159	3,523
	<b>46,298</b>	<b>43,139</b>



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 11. 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.



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 11. SEGMENTAL INFORMATION (CONTINUED)

#### 2021

	REVENUE	NET PROFIT	NON-CASH ITEMS IN COM- PREHENSIVE INCOME	SEPARATELY DISCLOSABLE ITEMS				
				DEPRECIATION AND AMORTI- SATION	INCOME TAX EXPENSE	INTEREST INCOME	FINANCE COST	DIVIDENDS RECEIVED
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RustMo1 <sup>3</sup>	50,940	10,313	-	(15,988)	(4,876)	950	(11,522)	5,855
Kouga <sup>2</sup>	-	19,260	14,314	-	-	-	-	17,838
GRI	-	5,140	5,140	-	-	-	-	-
LPS	11,452	25,136	13,684	-	-	-	-	-
Other/ Eliminations <sup>1</sup>	-	(46,485) <sup>1</sup>	-	(1,704)	-	272	(534)	-
	<b>62,392</b>	<b>13,364</b>	<b>33,138</b>	<b>(17,692)</b>	<b>(4,876)</b>	<b>1,222</b>	<b>(12,056)</b>	<b>23,693</b>

#### 2020

	REVENUE	NET PROFIT	NON-CASH ITEMS IN COM- PREHENSIVE INCOME	SEPARATELY DISCLOSABLE ITEMS				
				DEPRECIATION AND AMORTI- SATION	INCOME TAX EXPENSE	INTEREST INCOME	FINANCE COST	DIVIDENDS RECEIVED
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
RustMo1 <sup>3</sup>	52,032	11,916	-	(15,742)	(3,523)	1,437	(13,327)	6,351
Kouga <sup>2</sup>	-	7,608	-	-	-	-	-	7,831
GRI	-	3,020	3,020	-	-	-	-	-
LPS	17,406	22,229	4,823	-	-	-	-	-
Other/ Eliminations <sup>1</sup>	-	(71,706) <sup>1</sup>	(23,941)	(1,701)	-	2,370	(433)	-
	<b>69,438</b>	<b>(26,933)</b>	<b>(16,098)</b>	<b>(17,443)</b>	<b>(3,523)</b>	<b>3,087</b>	<b>(13,760)</b>	<b>14,182</b>

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

<sup>2</sup> Dividends received from Kouga are reconciled as follows:



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 11. SEGMENTAL INFORMATION (CONTINUED)

	GROUP	
	2021	2020
	R '000	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
<b>Net profit</b>	<b>19,260</b>	<b>7,608</b>

<sup>3</sup> Dividends received from RustMo1 eliminate on consolidation

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 11. SEGMENTAL INFORMATION (CONTINUED)

#### SEGMENT ASSETS AND LIABILITIES

#### 2021

	EQUITY ACCOUNTED INVEST- MENTS	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	-	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
<b>Total</b>	<b>104,759</b>	<b>111,695</b>	<b>170,780</b>	<b>-</b>	<b>132,604</b>	<b>37,862</b>	<b>168,200</b>

#### 2020

	EQUITY ACCOUNTED INVEST- MENTS	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
<b>Total</b>	<b>103,337</b>	<b>121,462</b>	<b>151,956</b>	<b>7,522</b>	<b>139,099</b>	<b>39,155</b>	<b>182,384</b>





## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 12. 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	
	2021	2020
FINANCIAL ASSETS	R '000	R '000
Recurring fair value measurements		
Assets		
Financial assets at fair value through profit (loss)		
Convertible loan	95,293	81,609
GRI financial asset	75,487	70,347
<b>Total</b>	<b>170,780</b>	<b>151,956</b>

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 12. FAIR VALUE INFORMATION (CONTINUED)

#### TRANSFERS OF ASSETS AND LIABILITIES WITHIN LEVELS OF THE FAIR VALUE HIERARCHY

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

#### RECONCILIATION OF ASSETS AND LIABILITIES MEASURED AT LEVEL 3

	OPENING BALANCE	FAIR VALUE ADJUSTMENT IN PROFIT/ (LOSS)	CLOSING BALANCE
GROUP – 2021	R '000	R '000	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
<b>Total</b>	<b>151,956</b>	<b>18,824</b>	<b>170,780</b>
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
<b>Total</b>	<b>144,113</b>	<b>7,843</b>	<b>151,956</b>



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 12. 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:



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 12. FAIR VALUE INFORMATION (CONTINUED)

DESCRIPTION	FAIR VALUE AT 28 FEBRUARY 2021	FAIR VALUE AT 29 FEBRUARY 2020	UNOB- SERVABLE 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%).



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 12. 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.

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 12. FAIR VALUE INFORMATION (CONTINUED)

#### 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.

### 13. REVENUE

	GROUP	
	2021	2020
FINANCIAL ASSETS	R '000	R '000
<b>Revenue from contracts with customers</b>		
Sale of electricity	50,940	52,031
<b>Revenue other than from contracts with customers</b>		
Profit share	11,452	17,406
	<b>62,392</b>	<b>69,437</b>

- Disaggregation of revenue from contracts with customers  
The group derives revenue from the sale of electricity over time, to a single external customer, Eskom.
- The profit share is earned from the convertible loan to LPS. Refer to note 4 for details of the loan.



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 14. INCOME TAX

#### MAJOR COMPONENTS OF THE TAX EXPENSE

	GROUP	
	2021	2020
FINANCIAL ASSETS	R '000	R '000
<b>Current</b>		
Local income tax - current period	1,717	-
<b>Deferred</b>		
Deferred tax	3,159	3,523
<b>Income tax expense</b>	<b>4,876</b>	<b>3,523</b>

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 14. INCOME TAX (CONTINUED)

#### RECONCILIATION OF THE TAX EXPENSE

#### RECONCILIATION BETWEEN APPLICABLE TAX RATE AND AVERAGE EFFECTIVE TAX RATE.

	GROUP	
	2021	2020
	R '000	R '000
Applicable tax rate	28.00 %	28.00 %
Profit before tax multiplied by the standard tax rate	5,107	(6,555)
Non-deductible non-trading expense <sup>1</sup>	9,588	7,270
Non-deductible fair values of financial assets at FVTLP	(5,271)	(2,196)
Non-deductible impairment (reversal) of associate	(4,008)	-
Non-deductible capital gains on financial assets written-off	-	1,495
Share of the profit from equity accounted investments	(1,385)	(2,130)
Exempt local dividends	-	(339)
Prior year adjustment	845	-
Deferred tax asset not recognised <sup>2</sup>	-	5,978
<b>Income tax expense</b>	<b>4,876</b>	<b>3,523</b>

<sup>1</sup> Hulisani is not considered as trading due to the fact that the company only receives dividends.

<sup>2</sup> 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%))





## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 15. EARNINGS PER SHARE

Reconciliation between earnings and headline earnings is as follows:

	GROUP	
	2021	2020
	R '000	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	
	GROSS	NET
2021	R '000	R '000
Profit or loss for the year attributable to equity holders of the parent	-	11,257
<b>IAS 33 earnings</b>	-	<b>11,257</b>
Add: IAS 16 loss on the disposal of plant and equipment	26	19
Deduct: IAS 36 impairment reversal of associate	(14,314)	(14,314)
<b>Headline loss</b>	-	<b>(3,038)</b>
<b>Weighted average number of ordinary shares ('000)</b>		<b>50,000</b>

	GROUP	
	GROSS	NET
2020	R '000	R '000
Profit or loss for the year attributable to equity holders of the parent	-	(29,414)
<b>IAS 33 earnings</b>	-	<b>(29,414)</b>
Add: IAS 16 loss on the disposal of plant and equipment	-	-
<b>Profit or loss for the year attributable to equity holders of the parent used in calculating headline earnings per share</b>	-	<b>(29,414)</b>
<b>Weighted average number of ordinary shares ('000)</b>		<b>50,000</b>

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 16. RELATED PARTIES

ENTITY	RELATIONSHIP
Pele Green Energy (Pty) Ltd and Pele Green SPV 198 (Pty) Ltd	Joint investment in GRI Towers (ref to (a))
Umhlaba Land Lease Co. (Pty) Ltd Eurocape Renewables (Pty) Ltd Momentous Technologies (Pty) Ltd Red Cap Investments (Pty) Ltd Pele SPV13 (Pty) Ltd RustMo1 Solar Farm RF (Pty) Ltd	Subsidiaries
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 (e))
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 (d))
Kouga Wind Farm (Pty) Ltd (refer to note 2)	Associate (ref to (c))



## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 16. RELATED PARTIES (CONTINUED)

	GROUP	
	2021	2020
RELATED PARTY BALANCES	'000	'000
Trade receivables (a)	-	650
Loans receivables (a)	-	7,522
Lease liability (b)	1,387	1665
Right-of-use assets: Building (b)	1,254	1,612

- a) A subsidiary of Pele Green (Pty) Ltd, Pele SPV198 (Pty) Ltd entered into an agreement with Hulisani Limited to jointly subscribe for ordinary shares in Pele SPV13 (Pty) Ltd. Hulisani Limited subscribed for cumulative preference shares in Pele SPV198 (Pty) Ltd for the entity's funding of the ordinary shares subscription in Pele SPV13 (Pty) Ltd. 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 5).
- b) RustMo1 currently leases office space from Placeweath (Pty) Ltd, a company owned by RustMo1's CEO (refer to note 9).

	GROUP	
	2021	2020
RELATED PARTY TRANSACTIONS	R '000	R '000
Finance cost (b)	(145)	(85)
Payment on lease liability (b)	(279)	(125)
Depreciation: right-of-use asset (b)	(358)	(179)
Dividends paid (b)	(2,748)	(3,228)
Dividends received (c)	17,838	7,831
Success fee (d)	-	5,201
Consulting fees (e)	-	(1,550)

## NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### 16. RELATED PARTIES (CONTINUED)

- a) 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.
- b) Dividends were paid to Momentous Solar Farm (Pty) Ltd by RustMo1.
- c) Dividends received from Kouga, the associate.
- d) Success fees were paid by Hulisani to Nibira (Pty) Ltd, after a settlement was reached.
- e) Umhlaba Land Lease Co. (Pty) Ltd made use of consulting services from GraysMaker Advisory (Pty).

### COMPENSATION TO DIRECTORS AND KEY MANAGEMENT (EXECUTIVE)

	GROUP	
	2021	2020
	R '000	R '000
Short-term employee benefits	10,847	5,559
Share-based payment expenses	1,386	-
	<b>12,233</b>	<b>5,559</b>

### 17. 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.

### 18. GOING CONCERN

The condensed consolidated 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.

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.



## 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	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL NUMBER OF SHARES	TOTAL
2021	'000	'000	'000	%
PC Mdoda	500	-	500	1
MH Zilimbola <sup>1</sup> (i)	-	1,500	1,500	3
AV Notshe <sup>1</sup> (ii)	-	557	557	1
	500	2,057	2,557	5

DIRECTORS' SHAREHOLDING	DIRECT BENEFICIAL	INDIRECT BENEFICIAL	TOTAL NUMBER OF SHARES	TOTAL
2020	'000	'000	'000	%
PC Mdoda	500	-	500	1
MH Zilimbola <sup>1</sup> (i)	-	1,500	1,500	3
AV Notshe <sup>1</sup> (ii)	-	557	557	1
	500	2,057	2,557	5

<sup>1</sup> Shareholders are advised that 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.





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# SHAREHOLDER INFORMATION



# NOTICE OF ANNUAL GENERAL MEETING

HULISANI LIMITED  
INCORPORATED IN THE REPUBLIC  
OF SOUTH AFRICA  
(REGISTRATION NUMBER: 2015/363903/06)  
SHARE CODE: HUL  
ISIN: ZAE000212072  
("HULISANI" OR THE "COMPANY")

Notice is hereby given that the 6th annual general meeting of shareholders of Hulisani Limited will be held, subject to any cancellation, postponement or adjournment, entirely via a remote interactive electronic platform on Friday, 27 August 2021, commencing at 12:00 ("AGM").

## PURPOSE

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

## IMPACT OF COVID-19 OUTBREAK ON THE AGM

As a result of the COVID-19 outbreak, it is required to participate in the AGM via electronic means, rather than physically. Shareholders' attention is also drawn to the guidance from authorities regarding the need for

social distancing, and therefore we urge shareholders to submit their votes via proxy.

Shareholders or their duly appointed proxies who wish to participate in the AGM, are required to complete the Electronic Participation Application Form available immediately after the proxy form on page 148 and email same to the Company's Transfer Secretaries at [proxy@computershare.co.za](mailto:proxy@computershare.co.za) and to Hulisani's Company Secretary at [Lilian.Gomes@williamradcliffe.co.za](mailto:Lilian.Gomes@williamradcliffe.co.za) as soon as possible, but in any event by no later than 17:00 on Thursday, 26 August 2021.

Shareholders, or their duly appointed proxies, are required to provide satisfactory identification before being entitled to participate in the AGM.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's Transfer Secretaries will provide the Company with the nominated email

address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Microsoft Teams meeting invitation, required to access the AGM.

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the AGM, are requested by no later than 11:55 on Friday, 27 August 2021, to join the lobby of the meeting by clicking on the "Join Microsoft Teams Meeting" link to be provided by Hulisani's Company Secretary or by the secretarial office, whose admission to the AGM will be controlled by the Company Secretary/secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Hulisani, who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth, and/or power outages which

prevents any such shareholder or their proxy from participating in and /or voting at the AGM.

## AGENDA

- Presentation of the audited annual financial statements of the Company, including the reports of the Directors and the Audit and Risk Committee of the Company for the year ended 28 February 2021. The integrated annual report, of which this notice forms part, contains the Company's summarised consolidated annual financial statements and the aforementioned reports. The audited annual financial statements, including the unmodified audit opinion, are available on the Company's website, or may be requested and obtained in person, at no charge, at the registered office of the Company during office hours, or from the Company Secretary at:  
[Lilian.Gomes@williamradcliffe.co.za](mailto:Lilian.Gomes@williamradcliffe.co.za)

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



## 1. RE-ELECTION AND CONFIRMATION OF APPOINTMENT OF DIRECTORS

### 1.1 ORDINARY RESOLUTION NUMBER 1

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

Refer to the curriculum vitae of Ms Karabo Kekana on page 54 of the integrated annual report to which this notice of AGM is annexed.

### 1.2 ORDINARY RESOLUTION NUMBER 2

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

Refer to the curriculum vitae of Mr Harald Schaaf on page 53 of the integrated annual report to which this notice of AGM is annexed.

### 1.3 ORDINARY RESOLUTION NUMBER 3

"Resolved that Mr Patrick Birkett's appointment as director in terms of the memorandum of incorporation of the Company, be and is hereby confirmed."

Refer to the curriculum vitae of Mr Patrick Birkett on page 55 of the integrated annual report to which this notice of AGM is annexed.

The reason for ordinary resolutions numbers 1 and 2 is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE ("JSE Listings Requirements"), and to the extent applicable, the Companies Act, require that a component of the non-executive directors

rotate at every annual general meeting of the Company, and being eligible, may offer themselves for re-election as directors.

The reason for ordinary resolution number 3 is that the memorandum of incorporation of the company and the JSE Listings Requirements, require that any director appointed by the board of the Company be confirmed by the shareholders at the next annual general meeting of the Company.





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

### NOTE:

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

### 2.1 ORDINARY RESOLUTION NUMBER 4

"Resolved that Mrs Karabo Kekana, being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the Board of Directors of the Company, until the next annual general meeting of the Company."

Refer to the curriculum vitae of Mrs Karabo Kekana on page 54 of the integrated annual report to which this notice of AGM is annexed.

### 2.2 ORDINARY RESOLUTION NUMBER 5

"Resolved that Mr Patrick Birkett, subject to the approval of ordinary resolution number 3, being eligible, be and is hereby re-appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company, until the next annual general meeting of the Company."

Refer to the curriculum vitae of Mr Patrick Birkett on page 55 of the integrated annual report to which this notice of AGM is annexed.

### 2.3 ORDINARY RESOLUTION NUMBER 6

"Resolved that, Harald Schaaf, subject to the approval of ordinary resolution number 4, being eligible, be and is hereby re-appointed as a member of the



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Audit and Risk Committee of the Company, as recommended by the Board of Directors of the company, until the next annual general meeting of the Company."

Refer to the curriculum vitae of Harald Schaaf on page 53 of the integrated annual report to which this notice of AGM is annexed.

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of the Company.



### 3. RE-APPOINTMENT OF AUDITOR

#### 3.1 ORDINARY RESOLUTION NUMBER 7

Resolved that BDO South Africa Incorporated be and is hereby re-appointed as auditor of the Company for the ensuing financial year or until the next annual general, whichever is later, with the designated auditor being Miss Vianca Pretorius, a registered auditor and partner in the firm, on the recommendation of the Audit and Risk Committee of the Company."

The reason for ordinary resolution number 7 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed, as the case may be, each year at the annual general meeting of the Company as required by the Companies Act and the JSE Listings Requirements.

### 4. NON-BINDING ADVISORY VOTE ON THE COMPANY'S REMUNERATION POLICY

#### 4.1 ORDINARY RESOLUTION NUMBER 8

"Resolved that the Company's remuneration policy, as set out on pages 74 to 79 of the integrated annual report to which this notice of AGM is annexed, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 8 is that the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) recommends, and the JSE Listings Requirements requires, that the remuneration policy of

a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting of the company. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 8, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 8 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

As this is non-binding and of an advisory nature only, failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Company undertakes to engage with its shareholders should 25% or more of the voting shares vote against this resolution as required in terms of King IV™ and the JSE Listings Requirements.

### 5. NON-BINDING ADVISORY VOTE ON THE COMPANY'S IMPLEMENTATION REPORT ON ITS REMUNERATION POLICY

#### 5.1 ORDINARY RESOLUTION NUMBER 9

"Resolved that the Company's implementation report in respect of its remuneration policy, as set out on pages 80 to 85 of the integrated annual report to which this notice of AGM is annexed, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 9 is that King IV™ recommends,



and the JSE Listings Requirements requires, that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting of the company. This enables shareholders to express their views on the implementation of the company's remuneration policy. The effect of ordinary resolution number 9, if passed, will be to endorse the Company's implementation report in relation to its remuneration policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy and its implementation.

As this is non-binding and of an advisory nature only, failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, should 25% or more of the votes exercised in respect of ordinary resolution number 8 and ordinary resolution number 9, be against either resolution, the Company will issue an invitation to the shareholders who voted against the applicable resolutions, to engage with the Company.

“

*Our investments provide stable, consistent, predictable, and reliable, inflation-linked cash flows from de-risked projects.*

”



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

### 6.1 ORDINARY RESOLUTION NUMBER 10

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

- the approval shall be valid until the date of the next annual general meeting of the Company, provided further that it shall not extend beyond 15 months from the date of this resolution;
- the general issues of shares for cash under this authority may not exceed, in aggregate, 15% of the Company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders, shall not diminish the number of ordinary shares that comprise the 15% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 15% of the Company's issued ordinary share capital (net of treasury shares) amounts to 7,500,003 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-business-day period;

- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- any such issue will only comprise securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service of the JSE."

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, and/or in connection with duly approved share incentive schemes), it is necessary for the board of a company to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the company. Accordingly, the reason for ordinary resolution number 10 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the Company. For this resolution to be adopted, at least 75% of the voting rights exercised on the applicable special resolution must be exercised in favour thereof.

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

#### NOTE:

For special resolutions numbers 1 to 4 (inclusive) to be adopted, at least 75% of the voting rights exercised on the applicable special resolution, must be exercised in favour thereof.



## 7. SPECIAL RESOLUTION NUMBER 1: REMUNERATION OF NON-EXECUTIVE DIRECTORS

"Resolved, in terms of section 66(9) of the Companies Act, that the Company be, and is hereby authorised to remunerate its non-executive directors for their services as directors, which includes serving on various sub-committees and to make payment of the amounts set out below (plus any value-added tax, to the extent applicable), provided that this authority will be valid until the next annual general meeting of the Company."

The effect of special resolution number 1, if passed, is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors, without requiring further shareholder approval until the next annual general meeting of the Company. Non-executive directors and committee members who participate in special board or committee meetings, or ad hoc strategic planning sessions, will be remunerated in accordance with their attendance fees per meeting as outlined below.



## ^NON-EXECUTIVE DIRECTORS' FEES FOR 2021/22

RANDS	2020		PROPOSED 2021	
	BASE FEE	ATTENDANCE FEE PER MEETING	BASE FEE	ATTENDANCE FEE PER MEETING
<b>Services as directors – fees</b>				
– chairman of the board	120 934	44 919	124 562	46 267
– directors	77 710	28 863	80 041	29 729
<b>Audit and Risk Committee fees</b>				
– chairman	76 059	23 543	78,341	24 249
– members	66 551	20 599	68,548	21 217
<b>Remuneration and HR Committee fees</b>				
– chairman	38 030	23 543	39,171	24 249
– members	28 522	17 657	29,378	18,187
<b>Investment Committee fees</b>				
– chairman	76 059	23 543	78,341	24 249
– members	66 551	20 599	68,548	21 217
<b>Social &amp; Ethics Committee fees</b>				
– chairman	18 840	17,495	19 405	18 020
– members	18 455	17,136	19 009	17,650
<b>Nomination Committee fees</b>				
– chairman	38 030	23 543	39,171	24 249
– members	28 522	17 657	29,378	18,187
<b>* Ad hoc / Special Committee fee per meeting</b>		17 136		17 650

\*Members are paid an attendance fee for ad-hoc meetings.

^ These fees are exclusive of Value Added Tax (VAT).

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

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



## 8. INTER-COMPANY FINANCIAL ASSISTANCE

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

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

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

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

"Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be, and is hereby authorised to approve that the Company provides any direct or indirect financial

assistance (financial assistance will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the board of the Company may deem fit, to any person, including any company or corporation that is related or inter-related to the Company (related and inter-related will herein have the meanings attributed to such terms in section 2 of the Companies Act), and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or in any company or corporation that is related or inter-related to the Company, on the terms and conditions, and for amounts that the board of the Company may determine for the purpose of, or in connection with, the subscription for any option, or any shares or other securities, issued or to be issued by the Company, or by a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

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

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

A typical example of where the Company may rely on this authority is where a wholly-owned subsidiary raises funds by way of issuing preference shares



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

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

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company); and
- the Company will be able to pay its debts, as they become due in the ordinary course of business, for a period of 12 months.

In addition, the Board will only approve the provision of any financial assistance contemplated in special resolutions numbers 2 and 3 above, where –

- the board is satisfied that the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any), relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation, have been met.





## 9. SPECIAL RESOLUTION NUMBER 4: SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

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

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the Board of Directors of the Company approving the repurchase, that the Company and its subsidiaries ("group") has satisfied the solvency and liquidity test as defined in the Companies Act, and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the group;

- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five-business-day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements, unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

The reason for and effect, if passed, of special resolution number 4, is to grant the Directors a general authority in terms of the Company's memorandum of incorporation and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 4.

This authority will provide the Board with the necessary flexibility to repurchase shares in the market, should a favourable opportunity arise and it be in the interests of the Company to do so.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of any class of a company. For the avoidance of doubt, a pro rata repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.



## 10. OTHER BUSINESS

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

### INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

1. The Directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 4 to the extent that the Directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the group would not be compromised as to the following -
  - the Group's ability, in the ordinary course of business, to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
  - the consolidated assets of the Group will, at the time of the

AGM and at the time of making such determination, and for a period of 12 months thereafter, be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group;

- the ordinary capital and reserves of the Group, after the repurchase, will remain adequate for the purpose of the business of the group for a period of 12 months after the AGM and after the date of the share repurchase; and
- the working capital available to the group after the repurchase will be sufficient for the Group's ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting and for a period of 12 months after the date of the share repurchase.

General information in respect of major shareholders, material changes since the 2021 financial year end, and to the share capital of the Company is contained in the

integrated annual report of which this notice forms part, as well as the full set of audited annual financial statements, being available on the Company's website at [www.hulisani.co.za](http://www.hulisani.co.za) or which may be requested and obtained in person, at no charge, at the registered office of the Company during office hours, or from the Company Secretary at [Lilian.Gomes@williamradcliffe.co.za](mailto:Lilian.Gomes@williamradcliffe.co.za)

2. The Directors, whose names appear on pages 50 to 55 of the integrated annual report of which this notice of AGM forms part, collectively and individually accept full responsibility for the

accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information required by law and the JSE Listings Requirements.

3. Special resolutions numbers 2, 3 and 4 are renewals of resolutions taken at the previous annual general meeting held on 28 August 2020.





## VOTING

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretary of the Company (Share Register) for purposes of being entitled to receive this notice is Friday, 18 June 2021.
2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at the AGM is Friday, 20 August 2021, with the last day to trade being Tuesday, 17 August 2021.
3. Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the AGM.

The Electronic Participation Application Form must therefore be accompanied by a copy of an identity document, passport or driver's licence. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting

participants should contact the Transfer Secretaries for guidance.

4. Certificated shareholders and own-name dematerialised shareholders, entitled to attend and vote at the AGM, may appoint one or more proxies to attend, participate in, and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by such shareholders who wish to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from participating in and voting (in preference to that shareholder's proxy) at the AGM. Forms of proxy must be completed and lodged at or posted to the Transfer Secretaries, Computershare Investor Services (Pty) Ltd (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132, South Africa (at the risk of the Participant)), or emailed to [proxy@computershare.co.za](mailto:proxy@computershare.co.za) so as to be received by the

Transfer Secretaries by not later than 12:00 on Wednesday, 25 August 2021, provided that any form of proxy not delivered to the transfer secretaries by this time may be submitted to the Transfer Secretaries via email at [proxy@computershare.co.za](mailto:proxy@computershare.co.za) at any time before the appointed proxy exercises any shareholder rights at the AGM.

5. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM, will need to request their Central Securities Depository Participant (CSDP) or broker, to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. Such shareholders should contact their CSDP or broker with regard to the cut-off time for their voting instructions.
7. Voting will take place by way of a poll and accordingly each shareholder will have one vote in respect of each share held.
8. Shareholders on their proxies may participate in the AGM by way of electronic participation.





## ELECTRONIC PARTICIPATION

Shareholders or their duly appointed proxies may participate in the AGM by way of a remote interactive electronic platform (Microsoft Teams).

Please note that the remote interactive electronic platform will allow shareholders to listen in and raise questions during the allocated time. Shareholders will not be able to vote using the electronic platform. Should such shareholders wish to vote, they must either:

- complete the proxy form and return it to the transfer secretary in accordance with paragraph 4 above; or
- contact their CSDP or broker in accordance with paragraphs 5 and 6 above.

Shareholders or their duly appointed proxies may indicate in the Electronic Participation Application Form that they wish to vote during the electronic meeting, upon which they will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

- Shareholders or their duly appointed proxies who wish to participate in the AGM are required to complete the Electronic Participation Application Form available immediately after the proxy form on page 184 to 185 and email same to the Company's Transfer Secretaries at [proxy@computershare.co.za](mailto:proxy@computershare.co.za) and to Hulisani's company secretary at [Lilian.Gomes@williamradcliffe.co.za](mailto:Lilian.Gomes@williamradcliffe.co.za) as soon as possible, but in any event by no later than 17:00 on Thursday, 26 August 2021.
- Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the AGM.
- Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the

AGM. The Company's Transfer Secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Microsoft Teams meeting invitation required to access the AGM.

- Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the AGM, are requested by no later than 11:55 on Friday, 27 August 2021, to join the lobby of the meeting by clicking on the "Join Microsoft Teams Meeting" link to be provided by Hulisani's Company Secretary or by the secretarial office, whose admission to the meeting will be controlled by the company secretary/secretarial office.
- Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Hulisani who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and / or voting at the AGM.

Resolve Secretarial Services (Pty) Ltd  
Per Melissa Voller  
Company Secretary  
25 June 2021



# FORM OF PROXY

**HULISANI LIMITED**

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

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

For use at the 6th annual general meeting of shareholders of Hulisani which will be held, subject to any cancellation, postponement or adjournment, entirely via a remote interactive electronic platform on Friday, 27 August 2021, commencing at 12:00 ("AGM").

I/We	(Full name in print)	
Of	(address)	
Telephone: (Work)	Telephone: (Home)	Cell phone:
being the registered holder of		
shares in the company, hereby appoint:		
1.	or failing him/her,	
2.	or failing him/her,	
the Chairperson of the AGM,		

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

	IN FAVOUR	AGAINST	ABSTAIN
Ordinary resolution number 1: To re-elect Mrs Karabo Kekana as director			
Ordinary resolution number 2: To re-elect Mr Harald Schaaf as director			
Ordinary resolution number 3: To confirm the appointment of Mr Patrick Birkett as director			
Ordinary resolution number 4: To re-appoint Mrs Karabo Kekana as a member of the Audit and Risk Committee			
Ordinary resolution number 5: To re-appoint Mr Patrick Birkett as a member of the Audit and Risk Committee			
Ordinary resolution number 6: To re-appoint Mr Harald Schaaf as a member of the Audit and Risk Committee			
Ordinary resolution number 7: To re-appoint BDO South Africa Incorporated as the auditor			
Ordinary resolution number 8: Non-binding endorsement of the Company's remuneration policy			
Ordinary resolution number 9: Non-binding endorsement of the Company's implementation report on the remuneration policy			
Ordinary resolution number 10: General authority to issue ordinary shares for cash			
Special resolution number 1: Remuneration of non-executive directors			
Special resolution number 2: Inter-company financial assistance			
Special resolution number 3: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company			
Special resolution number 4: Share repurchases by the Company and its subsidiaries			



Please indicate your voting instruction by way of inserting the number of shares (or a cross should you wish to vote all of your shares) in the space provided.

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

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

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

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

Please read the notes overleaf:

#### NOTES

1. A Hulisani shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the Chairperson of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Hulisani shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by the insertion of a cross if all shares to be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the Chairperson of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect where of abstentions are recorded may not exceed the

total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders are present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and lodged at or posted to the transfer secretary, Computershare Investor Services (Pty) Ltd (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132 (at the risk of the participant), or emailed to proxy@computershare.co.za so as to be received by the Transfer Secretaries by not later than 12:00 on Wednesday, 25 August 2021, provided that any form of proxy not delivered to the Transfer
5. Any alteration or correction made to this form of proxy must be initialised by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's Transfer Secretaries or waived by the Chairperson of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and participating in and voting thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

Secretary by this time may be submitted to the Transfer Secretaries via email at proxy@computershare.co.za at any time before the appointed proxy exercises any shareholder rights at the AGM, subject to the transfer secretary verifying and registering the form of proxy and proof of identification before any shareholder rights are exercised.



# PARTICIPATION IN THE AGM VIA ELECTRONIC COMMUNICATION

## CAPITALISED TERMS USED IN THIS ANNEXURE SHALL BEAR THE MEANINGS ASCRIBED THERETO IN THE NOTICE TO WHICH THIS ANNEXURE IS ATTACHED

1. Shareholders or their duly appointed proxy(ies) that wish to participate in the AGM via electronic communication ("Participants"), must apply to Computershare, by delivering this duly completed application form along with proof of identification to:

Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag x9000, Saxonwold, 2132 (at the risk of the Participant), or by email to proxy@computershare.co.za, so as to be received by Computershare by no later than 17:00 on Thursday, 26 August 2021. Computershare will first validate such requests and confirm the identity of the shareholder in terms of Section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. This form is available on our website at [www.hulisani.co.za](http://www.hulisani.co.za).

### APPLICATION FORM

Full name of Participant:

ID number:

Email address:

Cell number:

Telephone number: (code): (number):

Name of CSDP or broker (if shares are held in dematerialised format):

Contact number of CSDP or broker:

Contact person of CSDP or broker:

Number of share certificate (if applicable):

I wish to electronically participate

I wish to electronically participate and vote

Signature:

Date:

Terms and conditions for participation in the AGM via electronic communication

1. The cost of electronic participation in the AGM is for the expense of the Participant and will be billed separately by the Participant's own service provider.
2. The Participant acknowledges that the electronic communication services are provided by a third parties and indemnifies Hulisani Limited against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the AGM.
3. The application to participate in the AGM electronically will only be deemed successful if this application form has been completed fully and signed by the Participant to the satisfaction of Hulisani Limited.
4. Certificated and dematerialised shareholders with "own name" registration must submit proof of identification with this application form.
5. Dematerialised shareholders without "own name" registration must submit proof of identification together with a copy of the letter of representation issued by their broker/custodian with this application form.
6. Hulisani Limited cannot guarantee there will not be a break in electronic communication that is beyond the control of Hulisani Limited.

Participant's name: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_



# ADMINISTRATION AND CORPORATE INFORMATION

## CORPORATE INFORMATION

Details of Hulisani Limited

Registration number:

2015/363903/06

Share code: HUL

ISIN: ZAE000212072

## REGISTERED OFFICE

4th Floor

North Tower

90 Rivonia Road

Sandton, 2196

## WEBSITE ADDRESS

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

## DIRECTORS

PC Mdoda

M Dem

D Hlatshwayo

H Schaaf

KN Kekana

P Birkett

## AUDITORS

BDO South Africa

Wanderers Office Park,

52 Corlett Dr,

Illovo,

Johannesburg, 2196

## CORPORATE ADVISOR

### AND SPONSOR

PSG Capital

1st Floor, Ou Kollege Building

35 Kerk Street

Stellenbosch, 7600

PO Box 7403,

Stellenbosch 7599, and

2nd Floor, Building 3

11 Alice Lane

Sandton, 1296

PO Box 650957,

Benmore 2010

## COMPANY SECRETARY

Rilapax (Pty) Ltd

(trading as William Radcliffe)

2nd Floor, Block C,

Edenburg Terraces

348 Rivonia Boulevard,

Edenburg, 2196

## TRANSFER SECRETARIES

Computershare Investor

Services (Pty) Ltd

Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

Private Bag X9000,

Saxonwold, 2132







Registered Office: 4th Floor, North Wing,  
90 Rivonia Road, Sandton, 2196  
Postal Address: PO Box 784583,  
Sandton, 2146  
Telephone: 087 806 2425  
[www.hulisani.co.za](http://www.hulisani.co.za)