# INTEGRATED ANNUAL REPORT 2016

Montauk
Holdings Limited

# CONTENTS

# SCOPE OF INTEGRATED ANNUAL REPORT

The report covers the integrated performance of Montauk Holdings Limited ("Montauk", "the Group" or "the Company") for the period 1 April 2015 to 31 March 2016.

Montauk is a publicly owned company listed on the JSE Limited ("JSE"). The Group develops, owns and operates large-scale renewable energy projects utilising landfill methane in the United States of America ("US") and operates significantly only in the US as at 31 March 2016. The geographical footprint of the Group is provided on page 5. Information relating to the Company's subsidiaries are as reflected on page 66 of this integrated annual report.

The integrated annual report and annual financial statements have been prepared according to International Financial Reporting Standards ("IFRS"), the requirements of the Companies Act, 71 of 2008, as amended ("the Companies Act") and the Listings Requirements of the JSE.

The notice of the annual general meeting, proxy form and other administrative information also form part of the report and can be found on pages 67 to 77.

A copy of the audited annual financial statements is available on www.montauk.co.za ("Montauk's website"). Printed copies of this report can be requested from the company secretary, HCI Managerial Services Proprietary Limited, Tel: +27 21 481 7560.

# ABOUT THE INTEGRATED ANNUAL REPORT

## BASIS OF CONTENT

The integrated annual report conveys information regarding the Group's financial and non-financial performance. It is reflective of the Group's commitment to create shareholder value while considering the triple contexts in which companies operate: social, environmental and economic.

The integrated annual report is Montauk's primary report to stakeholders and includes information that the board and management deem to be useful and relevant to stakeholders, and is guided by:

- the Company's memorandum of incorporation ("MOI");
- the Companies Act, 71 of 2008, as amended ("Companies Act" or "Act");
- the JSE Listings Requirements; and
- the King III Report on Corporate Governance for South Africa.

## EXTERNAL ASSURANCE ON CONTENT AND APPROVAL OF THE REPORT

This integrated annual report is the result of combined input from Montauk and its subsidiaries on their activities and achievements for the year. No independent third-party assurance was obtained on the non-financial data included in this integrated annual report. A key component of assurance is the approval of data and information by Montauk's executive management, the audit and risk committee and, ultimately, the board.

This report was reviewed by management and the audit and risk committee and approved by the board on 15 September 2016. The external auditor, Grant Thornton Johannesburg Partnership, provide assurance on the financial statements.

We believe that this integrated annual report offers stakeholders the necessary information to make considered evaluations about Montauk's business activities and performance and business viability.

## MATERIALITY

While many issues affect the business on a daily basis, the most material are those that may impact ongoing success. In determining which matters are material for disclosure in the integrated annual report consideration was given to those which may affect Montauk's strategy or business model. Identifying these issues involves consideration of Montauk's external and regulatory environment, key business risks and inputs from stakeholders.

The following were taken into account in developing our understanding of the most material issues:

- agreements and commitments entered into by Montauk;
- relevant current and future regulation and legislation;
- Montauk's strategies, policies, systems, goals and values;
- significant risks identified through Montauk's risk management process; and
- expectations, views, concerns and interest expressed by stakeholders.

## FORWARD-LOOKING STATEMENTS

This integrated annual report contains certain forward-looking statements which relate to the financial position and results of the operations of the Group. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. These forward-looking statements have not been reviewed or reported on by the Group's external auditor.

# SHAREHOLDER SNAPSHOT

## ANALYSIS OF SHAREHOLDERS

### RANGE OF UNITS

| Share range | Number of share-holders | % of share-holders | Number of shares | % of issued capital |
|---|---|---|---|---|
| 1 – 1 000 | 904 | 64.9 | 205 155 | 0.2 |
| 1 001 – 10 000 | 285 | 20.5 | 929 376 | 0.7 |
| 10 001 – 50 000 | 103 | 7.4 | 2 155 791 | 1.5 |
| 50 001 – 100 000 | 21 | 1.5 | 1 400 631 | 1.0 |
| 100 001 – 500 000 | 49 | 3.5 | 11 194 677 | 8.1 |
| 500 001 – 1 000 000 | 11 | 0.8 | 7 525 006 | 5.5 |
| 1 000 001 shares and over | 20 | 1.4 | 114 431 120 | 83.0 |
| **Total** | 1 393 | 100.0 | 137 841 756 | 100.0 |

### TYPE OF SHAREHOLDER

| | Number of share-holders | % of share-holders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Banks | 30 | 2.2 | 4 029 682 | 2.9 |
| Brokers | 12 | 0.9 | 26 564 | 0.0 |
| Close corporations | 14 | 1.0 | 65 288 | 0.1 |
| Individuals | 1 081 | 77.5 | 23 865 306 | 17.3 |
| Investment companies | 6 | 0.4 | 39 083 | 0.0 |
| Other entities (including collective investment schemes) | 71 | 5.1 | 23 302 596 | 16.9 |
| Pension funds | 51 | 3.7 | 5 124 968 | 3.7 |
| Private companies | 42 | 3.0 | 73 025 328 | 53.0 |
| Public companies | 3 | 0.2 | 3 448 546 | 2.5 |
| Trusts | 83 | 6.0 | 4 914 395 | 3.6 |
| **Total** | 1 393 | 100.0 | 137 841 756 | 100.0 |

### PUBLIC/NON-PUBLIC SHAREHOLDERS

| | Number of share-holders | % of share-holders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Public shareholders | 1 385 | 99.4 | 69 377 303 | 50.4 |
| Non-public shareholders | 8 | 0.6 | 68 464 453 | 49.6 |
| Directors* | 5 | 0.4 | 11 641 737 | 8.4 |
| Shareholders holding 10% or more | 3 | 0.2 | 56 822 716 | 41.2 |
| **Total** | 1 393 | 100.0 | 137 841 756 | 100.0 |

* A director, Mr SF McClain, held 646 400 shares that were subject to restrictions in terms of the Montauk Holdings Restricted Stock Plan for U.S. Affiliates.

# SHAREHOLDER SNAPSHOT continued

## BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE

| Shareholder | Number of shares | % of issued capital |
|---|---|---|
| Rivetprops 47 Proprietary Limited | 25 262 375 | 18.3 |
| Circumference Investments Proprietary Limited | 16 282 009 | 11.8 |
| Majorshelf 183 Proprietary Limited | 15 278 332 | 11.1 |
| Nport Investment Holdings Proprietary Limited | 7 400 681 | 5.4 |

## BREAKDOWN BY DOMICILE

| Domicile | Number of share-holders | % of share-holders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Non-resident shareholders | 76 | 5.5 | 30 876 549 | 22.4 |
| Resident shareholders | 1 317 | 94.5 | 106 965 207 | 77.6 |
| **Total** | 1 393 | 100.0 | 137 841 756 | 100.0 |

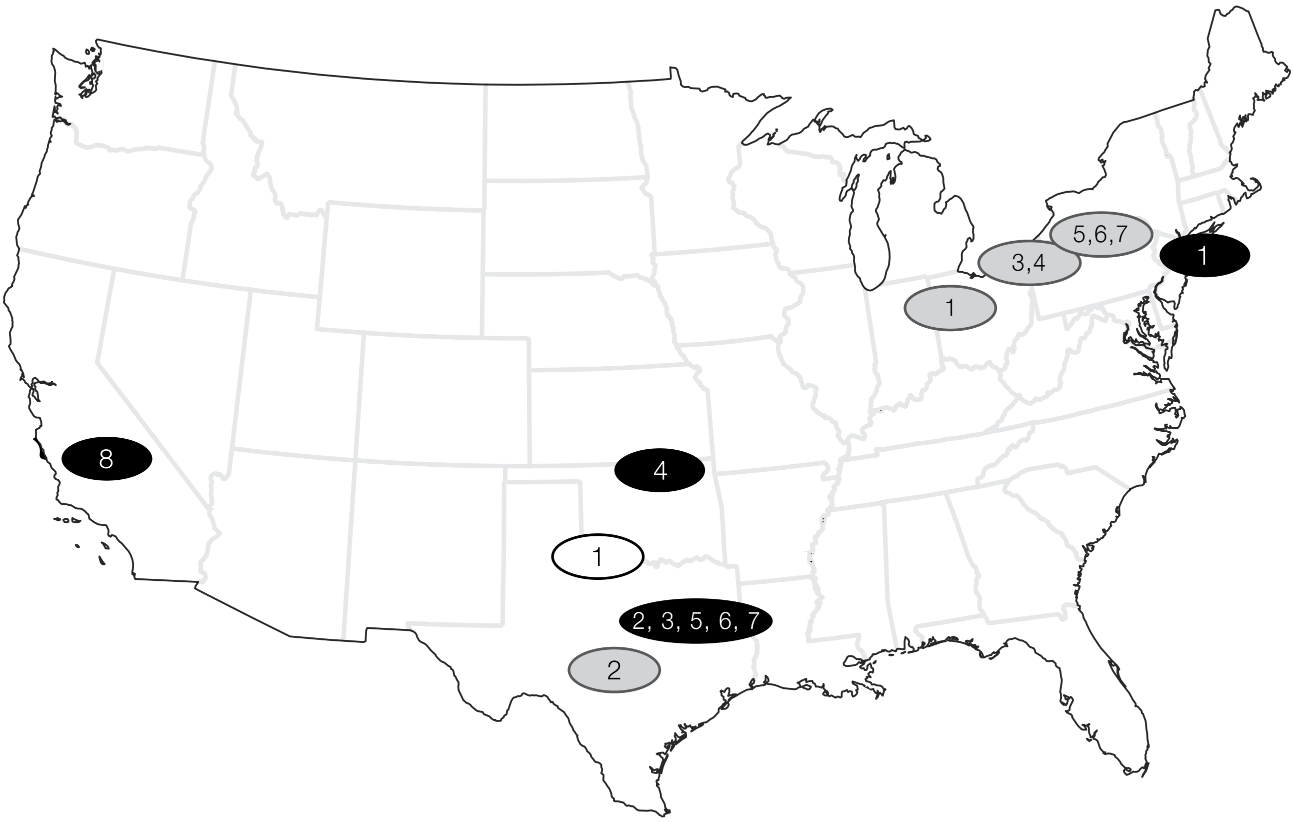
## SECURITIES EXCHANGE PERFORMANCE

| | |
|---|---|
| Total number of shares traded (000's) | 25 908 |
| Total value of shares traded (R'000) | 201 981 |
| Market price (cents per share) | |
| – Closing | 1 400 |
| – High | 1 999 |
| – Low | 340 |
| Market capitalisation (R'000) | 1 929 785 |

## SHAREHOLDERS' DIARY

| | |
|---|---|
| Financial year-end | 31 March |
| Annual general meeting | 1 November |
| Reports | |
| – Preliminary results | June |
| – Interim results | October |
| – Annual financial statements | September |

# GEOGRAPHICAL SPREAD OF PROJECTS




| Renewable Natural Gas | | Renewable Electric | | Carbon Reduction Facility |
|---|---|---|---|---|
| 1 | Rumpke | 1 | Monmouth | 1 | McKinney |
| 2 | McCarty | 2 | Atascocita | | |
| 3 | Monroeville | 3 | Coastal Plains | | |
| 4 | Valley | 4 | AEL | | |
| 5 | Shade | 5 | Security | | |
| 6 | Southern | 6 | Baytown | | |
| 7 | Raeger Mountain | 7 | Blue Bonnet | | |
| | | 8 | Bowerman | | |

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

**Martin Leonard Ryan (46)**
*(BSc, JD) United States of America*

Mr Martin Ryan is the chief executive officer of Montauk. Martin was previously vice president and general counsel for Montauk since 2007. Prior to joining the Group he held various management positions with Duquesne Light Holdings Incorporated and practised law at the firm of Doepken Keevican & Weiss P.C.

**Committee memberships**
Social and ethics committee

**Sean Fitzgerald McClain (42)**
*(BSc, CPA, MBA) United States of America*

Mr Sean McClain is the chief financial officer of Montauk. Prior to joining the Group he held various management positions with BPL Global Limited, Bayer A.G. and Dick's Sporting Goods Incorporated, and was in public accounting at Arthur Andersen LLP.

## NON-EXECUTIVE DIRECTORS

**John Anthony Copelyn (66)**
*(BA (Hons), BProc) South Africa*

Mr John Copelyn is the non-executive chairman of Montauk. He was appointed to the board in 2010. He is the chief executive officer of HCI, the Group's previous holding company. John was previously general secretary of various unions in the clothing and textile industry from 1974 before becoming a member of parliament in 1994. He currently holds various directorships and is non-executive chairman of Seardel Investment Corporation Limited, Deneb Investments Limited, Niveus Investments Limited, Tsogo Sun Holdings Limited and the HCI Foundation.

**Committee memberships**
Remuneration committee; social and ethics committee (chairman)

**Mohamed Haroun Ahmed (51)**
*(BCompt) South Africa*

Mr Mohamed Ahmed fulfils the role of lead independent director of the board. He is a businessman and has held directorships in numerous listed and unlisted companies. Mohamed is currently the lead independent director of Deneb Investments Limited and the chairman of its audit committee.

**Committee memberships**
Audit and risk committee (chairman); remuneration committee (chairman)

**Michael Alon Jacobson (48)**
*(BCompt, CA(SA), CFA) Australia*

Mr Michael Jacobson is an executive director of Oceania Capital Partners Limited, an investment holding company listed on the Australian Stock Exchange. He joined HCI in 2003 and previously held directorships in several HCI subsidiaries such as Tsogo Sun Holdings Proprietary Limited, Johnnic Holdings Limited and Seardel Investment Corporation Limited.

**Naziema Jappie (56)**
*(Masters (Social Science), H.E.D. (Postgraduate)) South Africa*

Ms Naziema Jappie is a businesswoman and previously held positions in various labour unions. She is a non-executive director of Deneb Investments Limited and Golden Arrow Bus Services Proprietary Limited and a member of the former's audit committee. She has served as an executive director at the Durban University of Technology and Dean of Students at Wits University, and is currently the Director: Centre for Educational Testing for Access and Placement at the University of Cape Town.

**Committee memberships**
Audit and risk committee; social and ethics committee; remuneration committee

**Bruce Steven Raynor (66)**
*(BSc Labour Relations) United States of America*

Mr Bruce Raynor is a former executive vice president of the Service Employees International Union in the United States and former president of the United States union "Workers United". He was chairman of several union-affiliated national pension and insurance funds and was chairman of Amalgamated Life Insurance Company and Amalgamated Bank, the only union-owned bank in the United States. Bruce is currently president of The Sidney Hillman Foundation, a foundation that supports and rewards socially conscious journalism and the principal of R and S Associates LLC, a consulting firm based in New York.

**Committee memberships**
Audit and risk committee

**André van der Veen (45)**
*(BCompt, CA(SA), CFA, ACMA) South Africa*

Mr André van der Veen previously held positions in investment banking at Nedcor Investment Bank, Greenwich Techlab and Mettle Limited. He joined HCI in 2004 and was involved in its initial investment in Montauk Energy Capital LLC. He currently serves as the non-executive chairman of HCI Coal Proprietary Limited and is the chief executive officer of Niveus Investments Limited and KWV Holdings Limited.

# CHIEF EXECUTIVE OFFICER'S REPORT

At Montauk we are very proud to be a leader in the renewable energy industry – an industry that is at the forefront of the sustainability movement through the capture and beneficial use of landfill methane. Methane, with a global warming potential 25 times greater than $CO_2$, is a potent greenhouse gas that is a key contributor to global climate change.

## BUSINESS OVERVIEW

The business, with all its social and environmental qualities, can be difficult at times due to the inherent higher production costs as compared to fossil fuel-based energy producers. This is due primarily to the variability in the production of landfill methane due to factors such as climate, waste intake and waste composition as well as the capital intensive process to recover and process landfill methane from raw landfill gas to enable it to be used as a fuel.

The pricing of the various types of renewable energy produced by the Group is an ever-changing balance between the underlying energy commodity price and any associated environmental attribute premiums that can be realised. With electricity and natural gas commodity pricing in the US having been depressed for several years while still maintaining a relatively high degree of short-term volatility, the premiums associated with the various environmental attributes produced have become, and will continue to be, a major factor in the profitability of the business.

In this market, our focus will continue to be to position the Company and its facilities to capitalise on and leverage the opportunities that develop in the renewable energy markets. The evolving regulatory environment mandating the use of renewable fuels can lead to opportunities that allow existing projects to capture additional premiums as they become available. To that end, the Company has made the decision to remain flexible in its offtake contract strategy, prolonging the growth of short-term results to potentially capture and maximise longer-term value from these programmes.

## ENVIRONMENTAL ATTRIBUTE PROGRAMMES

Until recently, the environmental premiums associated with renewable energy produced by Montauk were centred on various state renewable portfolio standards requiring that a stated percentage of the electricity produced in that state comes from a renewable resource. That resource could be either the renewable electricity itself produced from one of our facilities or the use of renewable natural gas as a replacement for fossil fuel-derived natural gas in a natural gas-fired generation facility. The value and requirements for each state programme vary widely, which can limit the ability of similar facilities located in different states from having a similar pricing structure. In addition, only 29 states plus Washington D.C. have adopted renewable portfolio standards in the US.

Renewable natural gas derived from landfill methane used as a vehicle fuel qualifies as a cellulosic renewable identification number ("RIN") under the United States Environmental Protection Agency's ("EPA") controversial Renewable Fuel Standard ("RFS II") programme. As a result, the Company participates in the programme and looks for opportunities to increase its participation in the RFS II programme as production from additional facilities becomes available. While the programme allows for renewable natural gas produced anywhere in the US to qualify and potentially offer premiums significantly higher than previously realised, historical delays in the timely administration of the mandated volume requirements and compliance deadlines of US refiners has impacted the stabilisation of the expected market. Although the market remains relatively illiquid, since the establishment of the current volume obligations the Company has been able to monetise blocks of cellulosic RINs at pricing levels commensurate with general market conditions.

In May 2016 the EPA released proposed volume obligations for 2017 of 312 million gallons for cellulosic D3 RINs, representing a 35% increase over the 2016 volume obligations for cellulosic D3 RINs. The 2017 proposal is somewhat below our expectations, but represents another step in the right direction towards developing a more mature market for the RINs produced. The proposed volume obligations are expected to be finalised by the EPA in November 2016. In the interim, the EPA has solicited comments from industry participants (including Montauk) on the volumes which it intends to use in finalising the volume obligations to accurately reflect actual production while promoting the growth of cellulosic biofuels. Montauk has taken an active role in the process by providing comments both individually and collectively through various renewable energy organisations to assist the EPA in setting obligations that meet the projected production for the industry. We remain confident that timely and sufficient volume obligations will be set to stabilise the market in the near future.

## RESULTS

Total Company revenue increased approximately 73% for the year ended 31 March 2016 over the prior fiscal year. Revenue from the Company's renewable natural gas facilities increased approximately 128% for the year ended 31 March 2016. The increase is a result of $30.0 million in sales of cellulosic RINs generated from the Company's renewable natural gas facilities participating in the US EPA's RFS II programme as compared to $3.9 million in sales for the prior year.

At 31 March 2016 the Company had 5.9 million RINs generated and unsold. Revenue from the Company's electric generation facilities decreased approximately 30% for the year ended 31 March 2016 from the prior year. While production remained consistent, the unfavourable variance is attributable to the decrease in the average price realised on the Company's electric production.

Expenses increased approximately 54% for the year ended 31 March 2016 as compared to the prior year, primarily as a result of additional royalties paid, largely driven by the increased sales of cellulosic RINs. Non-recurring items included in expenses for the year ended 31 March 2016 are $2.1 million in taxes on stock-based compensation, $1.5 million in severance-related costs and transaction costs related to the acquisition of Leaf. Gains recognised from the Company's hedging programmes decreased by $1.9 million for the year ended 31 March 2016 as compared to the prior year due to the timing of changes experienced in natural gas pricing in the US.

The Company recorded $9.6 million in other income for the year ended 31 March 2016, primarily due to the sale of emission reduction credits ("ERCs") generated as a result of the construction and operation of specialised pollution control equipment that created permanent emission reductions in excess of governing regulations to operate the facility. The Company recorded asset impairments of $3.5 million for the year ended 31 March 2016, driven by electric generation facilities that monetise production in depressed merchant market conditions.

## DEVELOPMENT ACTIVITIES

The Company completed its construction of the 20 Megawatt electric generation facility in Southern California and began commercial operations in April 2016. The size of the facility and the attractive 20-year fixed-price contract with a large municipality in Southern California will provide a solid base from which to continue to allow the Company to pursue its strategy to optimise opportunities within its existing portfolio.

In June 2015 the Company closed on an acquisition of three (3) additional renewable natural gas facilities located in Southwestern Pennsylvania. The purchase increases the number of renewable natural gas facilities operated from four (4) to seven (7), and increases production capacity of the combined portfolio by approximately 20%. This addition further strengthens Montauk's position as a leader in the production of renewable natural gas from landfill methane.

## SUMMARY

In an industry that continues to experience depressed energy pricing, management believes that Montauk is well positioned to capture both existing and emerging value from developing the renewable energy markets in order to drive long-term entity value.

**ML Ryan**
Chief Executive Officer

15 September 2016

# CORPORATE GOVERNANCE

Ethical conduct, good corporate governance, risk governance and fair remuneration are fundamental to the way that Montauk manages its business. Stakeholders' interests are balanced against effective risk management and Montauk's obligations to ensure ethical management and responsible control.

## ETHICS

The Montauk board of directors is committed to the principles of good corporate governance. Ethical behaviour in Company undertakings is maintained by all directors, officers and staff in accordance with the Group's ethics policy. The policy requires that individual employees comply with all relevant legal requirements and regulations that apply to their area of work and provides guidance on matters such as respecting intellectual property rights and avoiding conflict of interest. Montauk acknowledges and understands that the operation of its businesses requires a shared set of core values and ethical conduct to which each employee is held accountable.

The directors of the Company are accountable to act in accordance with the Group's directors' code of conduct. The governing principles are broadly defined as standards of diligence and good faith.

The board endorses the Code of Corporate Practices and Conduct set out in the King III Report on Corporate Governance for South Africa ("King III").

The board acknowledges its responsibility to ensure the integrity of the integrated annual report, believes that it addresses all material issues, and that it fairly represents the integrated performance of Montauk. The Company's commitment to good corporate governance is formalised in its charter and policies.

As a corporate citizen, Montauk has a responsibility to conduct its affairs with diligence and responsibility, and to safeguard the interests of all stakeholders.

The board is accountable for the strategy, direction and corporate behaviour of the Company. This includes oversight over policies and procedures that promote Company conduct in accordance with the Company's code of ethics.

## RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of Montauk. The Group operates in a highly regulated environment. Company management ensures adherence to the various legislations and regulations that govern the day-to-day operations. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed.

## BOARD OF DIRECTORS

The board is regulated by a formal board charter, which sets out the role of the board and the responsibilities of the directors. While control is delegated to the management committee in the day-to-day management of the Group, the board retains full and effective control over the Company and is accountable and responsible for its performance. The board charter codifies the board's composition, appointment, authorities, responsibilities and processes, and sets out the fiduciary duties of the directors of the Company. It provides the board with a mandate to exercise leadership, determine the Group's vision and strategy and monitor operational performance.

### Composition of the board

The roles of chairman and chief executive officer of the Company are separate and not held by the same individual and the composition of the board ensures a balance of authority precluding any one director from exercising unfettered powers of decision-making. The directors are individuals of a high calibre with diverse backgrounds and expertise, facilitating independent judgement and broad deliberations in the decision-making process. The board each year evaluates its composition to ensure an appropriate mix of skills and experience.

The board comprises eight (8) members of whom six (6) are non-executive directors. Three (3) of the non-executive directors are also independent directors in terms of the definition stated below. Principle 2.16 of King III recommends that the board should elect a chairperson who is an independent non-executive director. The board has appointed a non-executive chairperson and, in terms of the definition provided, he is not regarded as independent. The board is of the opinion that the experience and specialist knowledge of the industry makes it appropriate for him to hold this position. The board has appointed Mr MH Ahmed as lead independent non-executive director. The independence of the directors classified as "independent" was evaluated by weighing all relevant factors, including length of services on the board, which may impair independence.

The executive directors are Mr ML Ryan (chief executive officer) and Mr SF McClain (chief financial officer).

The Companies Act places certain duties on directors and determines that they should apply the necessary care and skill in fulfilling their duties. To ensure that this is achieved, best practice principles, as contained in King III, are applied where applicable.

No director has an automatic right to a position on the board. All directors are required to be elected by shareholders at an annual general meeting. The Company in general meeting may appoint any person to be a director subject to the provisions of the Company's MOI.

The boards of the Company's major subsidiaries are similarly constituted with the necessary mix of skills, experience and diversity. There is also an appropriate mix between executive and non-executive appointments.

The board is evaluated on an annual basis by the remuneration committee, on both an individual and a collective basis. In turn, the board evaluates the performance and effectiveness of board subcommittees.

Directors of the Company as of 31 March 2016 were:

JA Copelyn
MH Ahmed
DR Herrman
MA Jacobson
NB Jappie
SF McClain
BS Raynor
A van der Veen

There were no changes to the directorate during the year under review but as communicated to shareholders on 27 May 2016, Mr DR Herrman resigned as executive director and chief executive officer with effect from 10 June 2016. Mr ML Ryan was appointed as executive director and chief executive officer on 27 May 2016.

To uphold their independence and integrity, directors disclose all material interests as and when they arise. A list of directors' interests is tabled annually.

The directors are entitled to seek independent professional advice at the Company's expense concerning the Company's affairs and have access to any information they may require in discharging their duties as directors. In terms of the Company's MOI, one-third of directors must retire at every annual general meeting and are eligible for re-election. The directors who retire shall be those who have been longest in office since their last election. Any director who has held office for three years since the last election shall also retire at the conclusion of the annual general meeting. A retiring director shall be eligible for re-election, and if re-elected, shall be deemed not to have vacated office. Any casual vacancy occurring on the board may be filled by the board, but the individual so appointed shall cease to hold office at the termination of the first shareholders' meeting to be held after the appointment of such individual as a director unless he/she is elected at such shareholders' meeting. As a result, the directors retiring at the forthcoming annual general meeting and who offer themselves for re-election are Messrs JA Copelyn, ML Ryan and MH Ahmed. The name and brief curriculum vitae of each director appear on page 6 of this report.

In terms of the Company's MOI, there is no mandatory retirement age for non-executive directors. No director has a fixed term of appointment with the Company.

## Meetings of the board

The board met two (2) times during the year under review, on each of 3 June 2015 and 3 March 2016. The meetings were attended by all board members. The board has met two (2) times subsequent to the reporting date on each of 25 May 2016 and 28 July 2016. The directors are comprehensively briefed in advance of the meetings and are provided with all necessary information to enable them to discharge their responsibilities.

## BOARD COMMITTEES

Three board committees and an executive committee have been established to assist the board in discharging its responsibilities. In line with King III, all board committees comprise only members of the board, but appropriate personnel may be invited to the meetings as required. All committees are empowered to obtain such external or other independent professional advice as they consider necessary to carry out their duties. These committees play an important role in enhancing good corporate governance and improving internal controls and consequently the Company's performance. Each board committee must act according to written terms of reference, approved by the board and reviewed annually, setting out its purpose, membership requirements, and duties and reporting procedures.

### Audit and risk committee

**Members:** MH Ahmed (chairman), NB Jappie and BS Raynor.

The audit and risk committee fulfils an oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control. The committee also assists the board in discharging its responsibilities by considering reports and information generated by the subsidiary companies' audit or finance committees to their respective boards.

The committee's objectives are to assist the board in fulfilling its fiduciary duties with regard to:

- reviewing the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them;
- reviewing legal matters that could have a significant impact on the Group's financial statements;
- reviewing the external audit report on the annual financial statements;
- verifying the independence of the external auditor, namely Grant Thornton Johannesburg Partnership;
- approving the audit fees and engagement terms of the external auditor;
- oversight of the integrated annual reporting as well as the evaluation of the significant judgements and reporting decisions affecting the integrated annual report;
- reviewing the expertise, resources and experience of the Company's finance function; and
- determining the nature and extent of allowable non-audit services and approving the contract terms for the provision of non-audit services by the external auditor.

All the members of the committee are independent non-executive directors. All members act independently as described in section 94 of the Companies Act.

A report by the audit committee has been provided on page 14 of this report.

### Remuneration committee

**Members:** MH Ahmed (chairman), JA Copelyn and NB Jappie.

This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors. It takes cognisance of best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company. The committee may utilise the services of independent remuneration consultants to assist in providing guidance on the remuneration for executive management.

Functions and mandates of the remuneration committee include:

- making recommendations to the board regarding directors' fees and the remuneration and service conditions of executive directors, including the chief executive officer;
- providing a channel of communication between the board and management on remuneration matters;
- reviewing the Group's remuneration policies and practices, and proposals to change these and to make recommendations in this regard to the board;
- reviewing and approving the terms and conditions of executive directors' employment contracts, taking into account information from comparable companies;
- determining and approving any share-based grants to executive directors and other senior employees; and
- reviewing and approving any disclosures in the annual report or elsewhere on remuneration policies or directors' remuneration.

All the members of the committee are non-executive directors. In line with the recommendations of King III, the chief executive officer attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made in which he is affected.

A report by the remuneration committee has been provided on page 16 of this report.

### Social and ethics committee

**Members:** JA Copelyn (chairman), ML Ryan and NB Jappie.

The committee's functions are in line with the requirements of the Companies Act. A report by the social and ethics committee has been provided on page 18 of this report.

### Executive committee

The committee's primary objectives are to assist the board in the daily management of the Group, including the allocation and investing of the Group's resources.

The executive committee comprises Messrs ML Ryan (director), SF McClain (director) and JW Wallace.

## CHIEF FINANCIAL OFFICER

Mr SF McClain, an executive director, is the chief financial officer of the Group. The audit and risk committee has considered his expertise and experience and deems it appropriate. The committee is also satisfied that the expertise, resources and experience of the finance function are adequate.

## COMPANY SECRETARY

HCI Managerial Services Proprietary Limited, a juristic person, is the appointed company secretary of the Group and appointed by the board in terms of the Companies Act and in accordance with JSE Listings Requirements. The board has assessed the directors and the designated staff of the company fulfilling the role of the company secretariat and is satisfied that they have the competence, qualifications and experience to effectively fulfil the role of company secretary. The company secretary provides support and guidance to the board in matters relating to governance, ethical conduct and fiduciary duties. Where required, the secretary facilitates induction and training for directors and co-ordinates the annual board evaluation process. Directors have unrestricted access to the advice and services of the company secretary whilst maintaining an arm's length relationship between the board and the company secretary.

## DEALING IN THE COMPANY'S SECURITIES

Montauk complies with the continuing obligations of the Listings Requirements of the JSE. A Group-wide share trading policy is in place whereby all directors and employees who have access to financial results and other price-sensitive information are prohibited from dealing in Montauk shares during certain prescribed restricted periods as defined by the JSE or when the Company is operating under a cautionary announcement. The company secretary disseminates written notices to inform these employees of the insider trading legislation and advises of closed periods. All directors and senior executives are required to obtain written clearance prior to the dealing in shares of the Company and to report all share dealings to the company secretary to ensure that all such dealings are disclosed in terms of the applicable JSE Listings Requirements.

## CONFLICTS OF INTEREST

The directors are required to avoid situations where they have direct or indirect interests that conflict or may conflict with the Group's interests. Procedures are in place for disclosure by directors of any potential conflicts and for appropriate authorisation to be sought if conflict arises.

## COMPLIANCE WITH LAWS, CODES AND STANDARDS

Montauk respects and complies with the laws of the countries in which it operates. This includes corporate laws, common law as well as specific laws. The Group operates in a highly regulated environment and, where necessary, compliance officers have been appointed to ensure adherence to the various Acts and Codes that govern the day-to-day operations.

## DISCLOSURES

To ensure shareholder parity Montauk makes accurate and timely disclosure of information that may have a material effect on the value of its securities or influence investment decisions to all of its shareholders. The Company publishes details of its corporate actions and performance via the Securities Exchange News Service ("SENS") and in the main South African daily newspapers. The Company maintains a website through which access is available to the broader community on the Company's latest financial, operational and historical information, including its integrated annual report.

## LITIGATION

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of Montauk are aware) which may have or have had, during the year ended 31 March 2016, a material effect on the financial position of Montauk. Subsequent to the reporting year, the Company initiated an arbitration proceeding against its contractor for the 20 Megawatt facility in Southern California related to certain schedule and performance issues.

## GOVERNANCE OF INFORMATION TECHNOLOGY

Due to the inherent risks in information technology ("IT"), King III has recommended that the board of directors be responsible for the assessment, implementation and monitoring of IT within the Company. IT governance is the responsibility of the board of directors, forms an integral part of the Group's risk management and is assisted by the audit and risk committee in carrying out its IT responsibilities. The board of directors of Montauk acknowledges the need for an IT policy which, if effectively managed, can streamline and add value to the underlying businesses. The board is assisted by Mr SF McClain, who also serves as the Company's chief information officer, in the implementation of an IT policy. A governance framework for implementation at subsidiary level will be considered for approval by the board in due course. At a holding Company level, Montauk does not believe it is necessary to employ a chief information officer as recommended by King III. The audit and risk committee is responsible for the monitoring of IT compliance within the Group. Moreover, as part of the Company's annual financial audit, an IT audit is performed.

## APPLICATION OF KING III PRINCIPLES

Montauk believes that, in all material respects, it complies with the major recommendations of the code to ensure that sound corporate governance and structures are applied within the Group. Alternatives to the King III recommendations can be applied to further the best interests of the Company, as long as the overarching principles of good corporate governance are achieved. The board monitors compliance to ensure ongoing improvement of operational and corporate practices and that the affairs of the Group are conducted with transparency and integrity.

A detailed analysis of compliance with the individual principles of King III is published on the Company's website.

The JSE Listings Requirements require explanations where the principles of King III have been “applied differently”. Below are those principles which require explanation:

P = Partially compliant
U = Under review
X = Not compliant

| PRINCIPLE | LEVEL OF COMPLIANCE | RESPONSE |
|---|---|---|
| 2.10 The board should ensure that there is an effective risk-based internal audit. | X | Due to the size of the Group’s operations and centralised finance and administration functions, Montauk has no internal audit function although the board and audit and risk committee continuously assess the need to establish such a function. |
| 2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of chairman of the board. | P | The Company has appointed a separate chairman and this role is not fulfilled by the CEO. The chairman of the board is not an independent non-executive director because of the interests that certain members of his family have in the shares of the Company. A lead independent director has been appointed. |
| 2.27 Shareholders should approve the Company’s remuneration policy. | P | Remuneration paid to non-executive directors of the Company is subject to approval by shareholders at the annual general meeting of the Company. The remuneration of executive management is determined in accordance with Group remuneration policies as determined by the remuneration committee. The remuneration policies are endorsed by shareholders by way of a non-binding resolution. |
| 9.3 Sustainability reporting and disclosure should be independently assured. | U | Although some of the information provided in relation to sustainability matters has not been independently assured, the board has taken care to use reliable sources for this information. The Company will evaluate the need for independent assurance on sustainability reporting in the future. |

# REPORT OF THE AUDIT AND RISK COMMITTEE

**Members:** MH Ahmed (chairman), NB Jappie and BS Raynor.

The Montauk audit and risk committee is a formal committee of the board, appointed by the shareholders, and functions within its documented terms of reference. All members of the audit and risk committee act independently. The chief executive officer and the chief financial officer attend the meetings as permanent invitees, along with the external auditor. Other directors and members of management attend as required.

The audit committee has pleasure in submitting this report in respect of the past financial year of the Group, as required by section 94 of the Companies Act.

The committee met three (3) times during the year under review, on 3 June 2015, 18 September 2015 and 26 October 2015. The meetings were attended by all committee members.

## FUNCTIONS OF THE AUDIT COMMITTEE

In terms of the Companies Act, the audit and risk committee has adopted the formal terms of reference, delegated to it by the board of directors, as its audit and risk committee charter. The audit and risk committee fulfils an independent oversight role regarding the Group's financial statements and the reporting process, including the system of internal financial control, with accountability to both the board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, recommendations by King III and additional responsibilities assigned by the board. The committee is satisfied that, in respect of the financial period under review, it has performed all the functions required by law to be performed by an audit and risk committee, including as set out by section 94 of the Companies Act and in terms of the committee's terms of reference and as more fully set out in the corporate governance report. In this connection the committee has:

- reviewed the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them;
- reviewed legal matters that could have a significant impact on the Group's financial statements;
- reviewed the external audit report on the annual financial statements;
- verified the independence of the external auditor as per section 92 of the Companies Act and accordingly nominated Grant Thornton Johannesburg Partnership to continue in office as the independent auditor and noted the appointment of Mr Theunis Schoeman as the designated auditor for the financial year ended 31 March 2017;
- approved the audit fees and engagement terms of the external auditor; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.

## CONFIDENTIAL MEETINGS

Audit committee agendas provide for confidential meetings between the committee members and the external auditor, which are regularly held.

## EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

As required by JSE Listing Requirement 3.84(h), the committee has reviewed the performance of the chief financial officer, Mr SF McClain, and was satisfied that he has the necessary expertise and experience to fulfil this role and has performed appropriately during the year under review.

## INTERNAL AUDIT

The Group does not currently have an internal audit function. Though currently not in place, the board and committee continuously asses the need for an internal audit function.

## RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the Group. The Group operates in a highly regulated environment. Where necessary, compliance officers have been appointed at each of the Group's key operating subsidiaries and associated company levels for ensuring adherence to the various Acts and Codes that govern the day-to-day operations.

The committee is accountable to the board for monitoring the implementation of processes of risk management and integration of these processes into day-to-day activities. However, the committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

# REPORT OF THE AUDIT AND RISK COMMITTEE continued

Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed. The audit and risk committee assists the board in discharging its responsibilities. It also considers reports and information generated by the subsidiary companies' management.

## RECOMMENDATION OF THE INTEGRATED ANNUAL REPORT

The committee has evaluated the integrated annual report of Montauk Holdings Limited and the Group for the period ended 31 March 2016 and, based on the information provided to the committee, the committee recommends the approval of the integrated annual report by the board.

**MH Ahmed**
Chairman: Audit and Risk Committee

15 September 2016

# REPORT OF THE REMUNERATION COMMITTEE

**Members:** MH Ahmed (chairman), JA Copelyn and NB Jappie.

All the members of the committee are non-executive directors and two are independent. In line with the recommendations of King III the chief executive officer attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made.

The committee met three (3) times during the year under review on each of 3 June 2015, 18 September 2015 and 26 October 2015. The meetings were attended by all committee members.

This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors and executive management. It takes cognisance of best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company. Where required, the committee may utilise the services of independent remuneration consultants to assist in providing guidance on the remuneration for executive management. The Group's remuneration philosophy strives to reward employees in a fair and responsible way which ensures a culture of high performance to deliver returns to shareholders through employees who are motivated, engaged and committed. This philosophy's intended consequence is to attract, retain and develop employees with scarce and critical skills who contribute to sustained business growth and are aligned to the strategic and operational requirements of the business.

The functions and mandates of the remuneration committee include:

- making recommendations to the board on directors' fees and the remuneration and service conditions of executive directors, including the chief executive officer;
- providing a channel of communication between the board and management on remuneration matters;
- reviewing the Group's remuneration policies and practices and proposals to change these and to make recommendations in this regard to the board;
- reviewing and approving the terms and conditions of executive directors' employment contracts, taking into account information from comparable companies; and
- reviewing and approving any disclosures in the integrated annual report or elsewhere on remuneration policies or directors' remuneration.

Executive directors and management earn a basic salary which escalates in line with inflation. These may be adjusted from time to time in accordance with each individual's experience and performance. Executive director and management bonuses are based on a targeted bonus percentage of each individual's annual salary. The final bonus amounts are based on formulas which utilise a combination of individual and Company performance-related goals established by the Company and may be below or above the target amount.

Non-executive directors earn a basic fee which is in line with companies of a similar size. These fees are determined in South African Rand and escalate annually in line with inflation and will be reviewed every three (3) years by an independent remuneration consultant. Directors can earn up to a maximum of R38 000 by serving on the committees responsible to the board of directors. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes.

| Position | Actual fee FY 2016 R'000 | Proposed fee FY 2017 R'000 |
|---|---|---|
| Non-executive director | **95** | 101 |
| Member of audit and risk committee | **38** | 41 |
| Member of remuneration committee | **38** | 41 |
| Member of social and ethics committee | **38** | 41 |

Directors' emoluments and other relevant remuneration information are disclosed in note 28 of the annual financial statements on pages 54 and 55. The remuneration report discloses the remuneration of the three most highly paid employees, however the names of the employees have not been disclosed as the board is of the opinion that such information is private to the individuals concerned and adds no value to stakeholders. Details of personnel remuneration of the three highest paid members of management who are not directors, for the year ended 31 March 2016, is reflected below:

| | Salary $'000 | Other benefits $'000 | Bonus $'000 | Total $'000 |
|---|---|---|---|---|
| Employee A | 217 | 28 | 127 | 372 |
| Employee B | 198 | 22 | 123 | 343 |
| Employee C | 182 | 28 | 96 | 306 |

The Group implemented two share-based remuneration schemes in October 2015, namely:

- The Montauk Holdings Restricted Stock Plan for U.S. Affiliates (“Restricted Stock Plan”); and
- The Montauk Holdings Share Appreciation Rights Scheme for U.S. Affiliates (“Share Appreciation Rights Scheme”).

Executive directors and certain members of management are eligible to participate in the share-based payment remuneration schemes. Grants are determined by and are at the discretion of the board, on recommendation of the committee, with reference to the individual participant’s position within the Group. Refer to note 30 of the financial statements for more information on grants awarded during the year and balances outstanding at reporting date.

**MH Ahmed**
Chairman: Remuneration Committee

15 September 2016

# REPORT OF THE SOCIAL AND ETHICS COMMITTEE

**Members:** JA Copelyn (chairman), ML Ryan and NB Jappie.

The social and ethics committee has pleasure in submitting this report, as required by section 72(4) to section 72(10) of the Companies Act and regulation 43 to the Companies Act.

The committee met once during the year under review, on 18 September 2015. The meeting was attended by all committee members. It has met once subsequent to the reporting date, on 4 May 2016.

The function of the social and ethics committee is to ensure that the committee fulfils its responsibilities in line with the Companies Act, 2008, as amended and King III. Relevant personnel, who are considered as drivers of the underlying functions of the committee, may be invited to join the committee's meetings. In line with the Act, the invitees do not have voting powers. The committee also considers reports and information generated by the subsidiary companies to their respective boards. The committee reports back to the board of Montauk and all decisions taken are decided by the board of directors.

The social and ethics committee has discharged the monitoring functions in terms of regulation 43.5 of the Companies Act.

In the discharge of its duties the social and ethics committee takes into consideration the fact that, while the Company is a South African entity, all of the operations and employees of the Company are located in the United States.

The sustainability report on pages 19 and 20 incorporates the various aspects overseen by the committee.

**JA Copelyn**
Chairman: Social and Ethics Committee

15 September 2016

# SUSTAINABILITY REPORT

The implementation of sustainable business practices is a continuous process for every organisation. To maintain and improve sustainability initiatives Montauk, through the social and ethics committee, endeavours to further embed a sustainability focus into its core strategy of business.

## ENVIRONMENT

Municipal solid waste ("MSW") landfills are the third-largest human-generated source of methane emissions in the United States, releasing an estimated 133 million metric tons of $CO_2$ equivalent into the atmosphere in 2014 alone[1]. With a global warming potential 25 times greater than $CO_2$ and a short (10-year) atmospheric life, methane is a potent greenhouse gas that is a key contributor to global climate change. As a result, reducing methane emissions from MSW landfills is one of the best ways to achieve a near-term beneficial impact in mitigating global climate change. Methane also contributes to background tropospheric ozone levels as an ozone precursor. Many of the technologies and practices that reduce methane emissions also reduce associated emissions of volatile organic compounds, odours and other local air pollutants.

Raw landfill gas collected for a beneficial use project is typically around 50 per cent methane by volume. It is estimated that a beneficial use project will capture roughly 60 to 90 per cent of the methane emitted from the landfill, depending on system design and effectiveness. The captured methane is destroyed when the gas is burned to produce electricity or refined into renewable natural gas and placed into the natural gas pipeline system.

Montauk's business is exclusively focused on the capture and beneficial use of landfill methane and is responsible for significant emissions reductions arising from the flaring and/or beneficial use of the associated methane (e.g. electric energy generation or renewable natural gas). In the year under review alone, Montauk's combined electric generation and renewable natural gas facilities provided enough energy to power over 65 000 United States homes while collectively reducing over 3.8 million metric tons of $CO_2$ equivalent emissions[2].

**Fiscal 2016 emissions reductions and environmental benefits**

| | |
|---|---|
| Total annual emissions reduction equivalent (million) | |
| Metric tons of carbon dioxide | 3.8 |
| Tons of methane | 0.17 |
| Equivalent annual environmental benefits (million) | |
| Acres of US forest carbon sequestration | 3.5 |
| Gallons of gasoline carbon dioxide emission equivalents | 427.0 |

In addition Montauk originated carbon credits for the equivalent of over 66 000 metric tons of $CO_2$ which were verified through the Climate Action Reserve.

The Climate Action Reserve operates the premier carbon offset registry for the North American carbon market and has developed a regulatory-quality programme to quantify GHG emissions reductions from offset projects.

The very nature of the landfill gas industry demands a heightened awareness of our impact on the environments where we operate and in this regard the Company is committed to minimising its impact on the environment. The Company can safely report that it has no significant breaches of environmental standards to report for the past financial year. The protection of limited water resources, pollution and the natural aesthetics of the environment through rehabilitation programmes remain key commitments.

When a Montauk facility ceases operation, the facility site is decommissioned and remediated in accordance with the host landfill gas contract and all applicable laws.

## HEALTH AND SAFETY

Montauk has developed a health and safety programme ("HASP") which serves to integrate safety into the scope of every task or project undertaken by the Company or its contractors. Our efforts are employee-centred and focused on improving working conditions and eliminating hazards. The Company engages employees to directly influence our safety culture and safety programmes through our active safety committee and through site visits and inspections. Employees have been empowered to make safety their first priority. All HASP policies are reviewed by employees and feedback from employees is incorporated into our policies and procedures. Our safety procedures on all work tasks are created by our employees in the field.

In the year under review Montauk was involved in two (2) reportable injuries (one of which resulted in lost productivity) and Montauk facilities internally reported nine (9) near misses and equipment failures. Management believes strongly in the reporting of all incidents, unsafe conditions and unsafe acts as a means to implement corrective actions across our portfolio of projects. The increase in internal incident reporting over fiscal year 2015 indicates a positive safety culture where employees are encouraged and expected to work safely. During the year under review Montauk experienced a Days Away, Restrictions or Job Transfer ("DART") rate of 1.17 compared to a US national average of 1.7, reflecting positively on our HASP culture.

Montauk provides extensive HASP training to our employees through face-to-face, hands-on, and interactive web-based training. Training is conducted at least monthly for every employee. Newly hired employees joining the Company are assigned a battery of introductory trainings in our programmes regardless of previous experiences or expertise. In addition to employee training, Montauk also provides site safety training and orientation to contractors who perform work at our facilities.

We believe that continuous improvement of all of our programmes is necessary in order to be a leading force in our market. We frequently review our HASP and develop new safety protocols. Currently we are evolving several programmes to further protect workers in the field, including the use of personal monitoring and man-down devices equipped with global positioning system (“GPS”) beacons and increased protective gas detection device deployment in the wellfield.

## DISCRIMINATION

Fairness is promoted across all operations through a code of ethics. Legal compliance policies promote zero tolerance of discrimination within the workplace. This is enforced and established through standard grievance and disciplinary procedures, in order to maintain consistency and compliance.

## ECONOMIC SUSTAINABILITY

Economic sustainability is critical in attracting and retaining customers, employees and investors. Sustainability initiatives, whether environmental, social or economic, increase the value of the Company by leveraging opportunities and managing risk. Montauk respects and complies with the laws of the countries in which it operates and through the implementation of appropriate internal control structures the Group aims to ensure that significant regulatory, business and financial risk is identified and appropriately managed.

[1] Source – United States Environmental Protection Agency’s Landfill Methane Outreach Program (“LMOP”)

[2] Source – LMOP Landfill gas-to-energy benefits calculator.

# ANNUAL FINANCIAL STATEMENTS

# REPORT OF THE INDEPENDENT AUDITOR

to the shareholders of Montauk Holdings Limited

We have audited the financial statements of Montauk Holdings Limited set out on pages 26 to 66 and which comprise the consolidated and separate statements of financial position as at 31 March 2016, the consolidated and separate income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Montauk Holdings Limited as of 31 March 2016, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting and the requirements of the Companies Act of South Africa.

## OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 31 March 2016 we have read the Directors' Report, Audit Committee Report and the Declaration by Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA rule published in Government Gazette 39475 dated 4 December 2015, we report that Grant Thornton Johannesburg Partnership has been the auditor of Montauk Holdings Limited for six years.

Grant Thornton

**Grant Thornton Johannesburg Partnership**
Registered Auditors
Chartered Accountants (SA)
Partner: T Schoeman

Johannesburg
15 September 2016

# APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Montauk Holdings Limited are responsible for the preparation, integrity and fair presentation of the financial statements of the Company and of the Group and for other information contained in this annual report. The consolidated annual financial statements for the year ended 31 March 2016 have been prepared in accordance with International Financial Reporting Standards and include amounts based on prudent judgements and estimates by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Company and the Group. The financial statements have been audited by the independent auditing firm, Grant Thornton Johannesburg Partnership, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board.

The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The consolidated annual financial statements for the year ended 31 March 2016 were approved by the board of directors on 15 September 2016 and are signed on its behalf by:

**JA Copelyn**
Chairman

**ML Ryan**
Chief Executive Officer

**SF McClain**
Chief Financial Officer

Cape Town
15 September 2016

# DECLARATION BY COMPANY SECRETARY

We certify that Montauk Holdings Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2016, all such returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

**HCI Managerial Services Proprietary Limited**
Company Secretary

Cape Town
15 September 2016

## NATURE OF BUSINESS

Montauk Holdings Limited ("Montauk") is an investment holding company, incorporated in South Africa with various operating subsidiaries domiciled in the United States of America.

## OPERATIONS AND BUSINESS

The business operations of Montauk include the development and operation of large-scale renewable energy projects utilising landfill gas ("LFG") in the United States of America. The Group's expertise includes the permitting, design, construction and operation of energy facilities utilising LFG and its operations in the United States are headquartered in Pittsburgh, Pennsylvania. Certain administrative functions are performed by the Company's South African offices.

## DIVIDENDS

No dividends were declared or paid to the shareholders during the current year.

## SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 9 of the consolidated and separate annual financial statements.

## DIRECTORATE

The directors of the Company appear on page 77.

## COMPANY SECRETARY

The secretary of the Company for the twelve months ended 31 March 2016 is HCI Managerial Services Proprietary Limited. The board has assessed the directors and the designated staff of the company fulfilling the role of the company secretary and is satisfied that they have the competence, qualifications and experience to effectively fulfil the role of company secretary. The secretary has an arm's length relationship with the board of directors. The name, business and postal address of the company secretary are set out on page 77 of this report.

## AUDITORS

It will be recommended that shareholders re-appoint Grant Thornton Johannesburg Partnership to office in accordance with section 90 of the South African Companies Act, with Mr Theunis Schoeman as the designated auditor.

## SPECIAL RESOLUTIONS OF SUBSIDIARIES

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company.

## AUDITOR'S REPORT

The consolidated and separate financial statements have been audited by Grant Thornton Johannesburg Partnership and their unqualified audit report on the consolidated and separate financial statements is included on page 22 of this report.

## DIRECTORS' EMOLUMENTS

Directors' emoluments incurred by the Company and its subsidiaries for the year ended 31 March 2016 are set out in note 28 in the consolidated annual financial statements.

## SUBSIDIARIES

Details of the Company's subsidiaries are set out in annexure A to the consolidated annual financial statements.

## BORROWING POWERS

There are no limits placed on borrowings in terms of the memorandum of incorporation. Certain companies in the Group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the Group which may restrict the Group's borrowing powers. Details of these covenants and undertakings are available from the registered office of the Company.

## LITIGATION STATEMENT

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of Montauk Holdings Limited are aware) which may have or have had, during the year ended 31 March 2016, a material effect on the financial position of the Group. Subsequent to the reporting date the Company initiated an arbitration proceeding against a contractor for the 20 Megawatt facility in Southern California related to certain schedule and performance issues.

## RENEWABLE IDENTIFICATION NUMBERS ("RINS")

The Group had approximately 5.9 million (2015: 10.0 million) RINs generated and unsold, classified as D3 cellulosic, as of 31 March 2016. The RINs have a zero carrying value.

## EVENTS SUBSEQUENT TO REPORTING DATE

Refer to note 34 in the consolidated annual financial statements for more information. The directors are not aware of any further matter or circumstance arising since the end of the financial period, not otherwise dealt with within the financial statements, that would affect the operations or results of the Company or the Group significantly.

## PREPARER

These consolidated annual financial statements were prepared under the supervision of the chief financial officer, Mr SF McClain (CPA).

# STATEMENTS OF FINANCIAL POSITION
as at 31 March 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | **134 965** | 81 360 | **120 237** | 120 237 |
| Property, plant and equipment | 1 | **98 438** | 45 332 | **–** | – |
| Intangible assets | 2 | **32 378** | 32 427 | **–** | – |
| Subsidiary companies | 3 | **–** | – | **120 237** | 120 237 |
| Other financial assets | 7 | **2 235** | – | **–** | – |
| Non-current receivables | 5 | **1 914** | 3 601 | **–** | – |
| **Current assets** | | **21 583** | 20 044 | **569** | 1 235 |
| Inventories | 6 | **1 109** | 921 | **–** | – |
| Other financial assets | 7 | **7 159** | 46 | **–** | – |
| Trade and other receivables | 8 | **3 305** | 3 186 | **–** | – |
| Cash and cash equivalents | 25.5 | **10 010** | 15 891 | **569** | 1 235 |
| **Total assets** | | **156 548** | 101 404 | **120 806** | 121 472 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **79 253** | 77 101 | **120 805** | 121 234 |
| Ordinary share capital | 9 | **166 202** | 166 202 | **166 202** | 166 202 |
| Common control reserve | | **2 910** | 2 910 | **–** | – |
| Other reserves | 10 | **2 573** | 2 733 | **2 588** | 2 733 |
| Accumulated losses | | **(92 432)** | (94 744) | **(47 985)** | (47 701) |
| Equity attributable to equity holders of the parent | | **79 253** | 77 101 | **120 805** | 121 234 |
| **Non-current liabilities** | | **59 219** | 17 235 | **–** | – |
| Borrowings | 11 | **52 332** | 10 603 | **–** | – |
| Long-term provisions | 12 | **6 871** | 6 609 | **–** | – |
| Financial liabilities | 13 | **16** | 23 | **–** | – |
| **Current liabilities** | | **18 076** | 7 068 | **1** | 238 |
| Trade and other payables | 14 | **12 869** | 4 581 | **–** | 237 |
| Financial liabilities | 13 | **38** | 306 | **–** | – |
| Current portion of borrowings | 11 | **3 691** | 1 200 | **–** | – |
| Taxation | | **1** | 1 | **1** | 1 |
| Provisions | 12 | **1 477** | 980 | **–** | – |
| **Total equity and liabilities** | | **156 548** | 101 404 | **120 806** | 121 472 |

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

| | Notes | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| Revenue | 16 | **50 751** | 29 428 | **–** | – |
| Other operating expenses and income | | **(41 424)** | (26 966) | **(322)** | (24 623) |
| Depreciation and amortisation | | **(12 890)** | (11 268) | **–** | – |
| Other income | 17 | **9 573** | – | **–** | – |
| Investment income | 18 | **39** | 41 | **38** | 7 034 |
| Finance costs | 19 | **(449)** | (301) | **–** | – |
| Gain on bargain purchase | 31 | **265** | – | **–** | – |
| Asset impairments | 20 | **(3 545)** | – | **–** | – |
| **Profit/(loss) before taxation** | 21 | **2 320** | (9 066) | **(284)** | (17 589) |
| Taxation | 22 | **–** | (251) | **–** | (251) |
| **Profit/(loss) for the year from continuing operations** | | **2 320** | (9 317) | **(284)** | (17 840) |
| Discontinued operations | 23 | **–** | (11 618) | **–** | – |
| **Profit/(loss) for the year** | | **2 320** | (20 935) | **(284)** | (17 840) |
| **Other comprehensive income/(loss) net of tax:** | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | |
| Foreign currency translation differences | | **(160)** | (1 044) | **(145)** | 1 116 |
| Total comprehensive income/(loss) for the year | | **2 160** | (21 979) | **(429)** | (16 724) |
| Profit/(loss) attributable to: | | | | | |
| Equity holders of the parent | | **2 320** | (20 432) | | |
| Non-controlling interest | | **–** | (503) | | |
| | | **2 320** | (20 935) | | |
| Total comprehensive income/(loss) attributable to: | | | | | |
| Equity holders of the parent | | **2 160** | (21 382) | | |
| Non-controlling interest | | **–** | (597) | | |
| | | **2 160** | (21 979) | | |
| Earnings/(loss) per share (cents) | 24 | **1.72** | (15.11) | | |
| Continuing operations | | **1.72** | (6.52) | | |
| Discontinued operations | | **–** | (8.59) | | |
| Diluted earnings/(loss) per share (cents) | 24 | **1.72** | (15.11) | | |
| Continuing operations | | **1.72** | (6.52) | | |
| Discontinued operations | | **–** | (8.59) | | |

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2016

| | Share capital $'000 | Common control reserve $'000 | Other reserves $'000 | Accumulated (losses)/ profits $'000 | Non-controlling interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Balance at 31 March 2014** | 166 202 | (3 809) | (4 616) | (37 707) | 25 452 | 145 522 |
| **Current operations** | | | | | | |
| Total comprehensive loss | – | – | (950) | (20 432) | (597) | (21 979) |
| Disposal of subsidiaries | – | 6 719 | 8 299 | (6 719) | (24 855) | (16 556) |
| Effects of changes in holding | – | – | – | (25) | – | (25) |
| Dividends | – | – | – | (29 861) | – | (29 861) |
| **Balance at 31 March 2015** | 166 202 | 2 910 | 2 733 | (94 744) | – | 77 101 |
| **Current operations** | | | | | | |
| Total comprehensive (loss)/income | **–** | **–** | **(160)** | **2 320** | **–** | **2 160** |
| Equity-settled share-based payments | **–** | **–** | **–** | **5** | **–** | **5** |
| Effects of changes in holding | **–** | **–** | **–** | **(13)** | **–** | **(13)** |
| **Balance at 31 March 2016** | **166 202** | **2 910** | **2 573** | **(92 432)** | **–** | **79 253** |
| Notes | 9 | | 10 | | | |

| | Share capital $'000 | Other reserves $'000 | Accumulated losses $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Balances at 31 March 2014** | 166 202 | 1 617 | – | 167 819 |
| **Current operations** | | | | |
| Total comprehensive income/(loss) | – | 1 116 | (17 840) | (16 724) |
| Dividends | – | – | (29 861) | (29 861) |
| **Balances at 31 March 2015** | 166 202 | 2 733 | (47 701) | 121 234 |
| **Current operations** | | | | |
| Total comprehensive loss | **–** | **(145)** | **(284)** | **(429)** |
| **Balances at 31 March 2016** | **166 202** | **2 588** | **(47 985)** | **120 805** |
| Notes | 9 | 10 | | |

# STATEMENTS OF CASH FLOWS
for the year ended 31 March 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| **Cash flows from operating activities** | | **12 280** | 950 | **(479)** | 6 929 |
| Cash generated/(utilised) by operations | 25.1 | **9 801** | 2 970 | **(308)** | (71) |
| Investment income | | **39** | 577 | **38** | – |
| Changes in working capital | 25.2 | **2 795** | (1 806) | **(209)** | 249 |
| Cash generated/(utilised) by operating activities | | **12 635** | 1 741 | **(479)** | 178 |
| Finance costs | | **(355)** | (270) | **–** | – |
| Taxation paid | 25.3 | **–** | (521) | **–** | (249) |
| Dividends paid | | **–** | – | **–** | 7 000 |
| **Cash flows from investing activities** | | **(56 562)** | (47 314) | **–** | (9 974) |
| Proceeds on disposal of subsidiaries | 25.4 | **–** | 73 761 | **–** | 66 131 |
| Business combinations | 31 | **(4 482)** | – | **–** | – |
| Investment in: | | | | | |
| – Associated companies and joint ventures held in disposal groups | | **–** | (34 081) | **–** | – |
| – Other financial assets | | **(8 766)** | (4 704) | **–** | – |
| Group loans advanced | | **–** | – | **–** | (10 800) |
| Short-term loans advanced | | **–** | 273 | **–** | – |
| Decrease/(increase) in long-term receivables | | **754** | (66 449) | **–** | (65 305) |
| Proceeds from insurance recovery | | **1 140** | – | **–** | – |
| Intangible assets | | | | | |
| – Additions | | **(1 635)** | (6 867) | **–** | – |
| – Disposals | | **9 869** | – | **–** | – |
| Property, plant and equipment | | | | | |
| – Additions | | **(53 442)** | (9 247) | **–** | – |
| **Cash flows from financing activities** | | **38 588** | 14 918 | **–** | 4 343 |
| Class B shares repurchased | | **(13)** | – | **–** | – |
| Debt issuance costs | | **(40)** | – | **–** | – |
| Change in non-controlling interest | | **–** | (25) | **–** | – |
| Long-term funding repaid | | **(3 139)** | (400) | **–** | – |
| Long-term funding raised | | **41 780** | 15 343 | **–** | 4 343 |
| **Cash and cash equivalents** | | | | | |
| Movements | | **(5 694)** | (31 446) | **(479)** | 1 298 |
| At the beginning of the year | | **15 891** | 48 845 | **1 235** | – |
| Foreign exchange difference | | **(187)** | (1 508) | **(187)** | (63) |
| **At the end of the year** | 25.5 | **10 010** | 15 891 | **569** | 1 235 |

# ACCOUNTING POLICIES

**1. ACCOUNTING POLICIES**

This summary of the principal accounting policies of the Montauk Holdings Limited Group is presented to assist with the evaluation of the consolidated annual financial statements.

**a) Basis of preparation**

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the South African Companies Act, No. 71 of 2008, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the Listings Requirements of the JSE Limited ("JSE"). The consolidated annual financial statements are presented in US Dollars. The consolidated annual financial statements have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments as described in the accounting policies below. The accounting policies are consistent with that applied in the previous year.

**b) Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive board members.

**c) Basis of consolidation**

The consolidated annual financial statements include the financial information of subsidiaries.

***i) Subsidiaries***

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company records its investment in subsidiaries at cost less any impairment charges. These interests include any intergroup loans receivable, which represent by nature a further investment in the subsidiary.

***ii) Transactions and non-controlling interests***

For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests and direct costs incurred in respect of transactions with non-controlling interests are also recorded in equity.

**d) Foreign exchange**

***i) Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated annual financial statements are presented in US Dollars, which is the Group's presentation currency.

***ii) Transactions and balances***

The financial statements for each Group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date with the resulting translation differences recognised in profit or loss.

**e) Business combinations**

***i) Subsidiaries***

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis the Group recognises any minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets.

*ii) Goodwill*

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the Group's share of identifiable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in profit or loss.

*iii) Common control transactions*

Acquisitions of subsidiaries which do not result in a change of control of the subsidiaries are accounted for as common control transactions. The excess of the cost of the acquisition over the Group's interest in the carrying value of the identifiable assets and liabilities of the acquired entity is carried as a non-distributable reserve in the consolidated results.

**f) Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

*i) Depreciation*

No depreciation is provided on freehold land or assets in the course of construction. In respect of all other property, plant and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost, less the estimated residual value of each asset over its expected useful life as follows:

| | |
|---|---|
| Freehold buildings and infrastructure | 10 – 50 years |
| Leasehold improvements | Period of the lease |
| Other equipment and vehicles | 3 – 10 years |
| Plant and machinery | 5 – 12½ years |

*ii) Capitalisation of borrowing costs*

Direct financing costs incurred, before tax, on major capital projects during the period of development or construction that necessarily take a substantial period of time to be developed for their intended use are capitalised up to the time of completion of the project.

**g) Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Cost is usually determined as the amount paid by the Group.

Amortisation is recognised together with depreciation in profit or loss.

Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

*i) Emission allowances*

Emission allowances consist of credits that need to be applied to nitrous oxide ($N_2O$) emissions from internal combustion engines. These engines emit levels of $N_2O$ for which specific allowances are required in certain States of the Unites States of America. Certain assets acquired through the acquisition of a subsidiary, by Montauk Energy Holdings LLC, qualify for $N_2O$ allowances. These have been recognised at fair value at the date of acquisition, have indefinite useful lives and as, a result, are not amortised. These assets are tested annually for impairment. There is currently no indicator for impairment.

Intangible assets with finite lives are amortised over their estimated useful economic lives and only tested for impairment where there is an indicator of impairment. The directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

*i) Gas rights*

Gas rights are amortised using the units of production method of depletion over the gas rights term.

*ii) Interconnection*

The interconnection intangible asset is the exclusive right to utilise an interconnection line between the operating plant and a utility substation to transmit produced electricity. Included in that right is full maintenance provided on this line by the utility.

**h) Financial assets and financial liabilities**

Financial assets and financial liabilities are initially recognised at fair value plus any directly attributable transaction costs (transaction costs are not included on initial recognition for financial instruments carried at fair value through profit or loss).

Financial assets consist of cash, investments in equity instruments, contractual rights to receive cash or another financial asset, or contractual rights to exchange financial instruments with another entity on potentially favourable terms.

Financial liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

***i) Trade receivables***

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less an allowance for impairment. A provision allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables.

***ii) Financial liabilities at amortised cos*t**

*Trade payables*

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost using the effective rate method and include accrued interest.

***iii) Cash and cash equivalents***

Cash and cash equivalents are carried at cost and include cash in hand, bank deposits and bank overdrafts.

***iv) Fair value***

If the market for a financial asset is not active, and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

***v) Impairment***

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade receivables is described in note (h)(i) above.

**i) Derivative financial assets and financial liabilities**

The Group enters into energy price derivatives in the ordinary course of business in order to hedge its exposure to energy price fluctuations. The Group does not apply hedge accounting and all fair value movements are recognised immediately in profit or loss.

**j) Inventories**

Inventories are stated at the lower of cost or net realisable value.

**k) Renewable identification numbers ("RINs")**

The Group generates RINs through its production and sale of high-btu gas used for transportation purposes as prescribed under the Federal Renewable Fuel Standard. The RINs that the Group generates are able to be separated and sold independent from the energy produced, therefore no cost is allocated to the RIN when it is generated.

**l) Employee share incentive schemes**

The Group grants shares and share appreciation rights to employees in terms of the Montauk Holdings Restricted Stock Plan and the Montauk Holdings Share Appreciation Rights Scheme respectively. In terms of IFRS 2 these instruments are fair valued at the date of grant and the fair value determined on the date of grant recognised as an expense over the relevant vesting period.

**m) Impairment**

This policy covers all assets except inventories (see note (j)) and financial assets (see note (h)). Impairment reviews are performed by comparing the carrying value of the asset to its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting, at a market-based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of non-current assets are written down by any impairment amount, the loss is recognised in profit or loss in the period in which it is incurred.

Intangible non-current assets with an indefinite life are tested annually for impairment. Assets subject to amortisation are reviewed for impairment if circumstances or events change to indicate that the carrying value may not be fully recoverable.

**n) Provisions**

***i) Asset retirement obligations***

Long-term environmental obligations are based on the Group's environmental plans, in compliance with current regulatory requirements. Provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets whilst the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment is charged against income as incurred.

**o) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recorded when earned for the sale of renewable natural gas and electricity, along with environmental attributes that are bundled and sold along with the energy, based on output actually delivered.

All other revenue, including environmental attributes that are not bundled and sold along with the energy, are recorded when realised or realisable and earned.

***i) Interest income***

Interest income is recognised using the effective interest method. When a receivable is impaired the Group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate and records the discount as interest income.

**p) Leases**

***i) The Group is the lessee***

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

**q) Income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The Group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full using the statement of financial position liability method in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements.

Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised. Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax is measured on a non-discounted basis.

**r) Employee benefits**

***i) Leave entitlement***

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability to the employees for annual leave up to the financial year-end date. This liability is included in "Provisions" in the statement of financial position.

***ii) Bonus plans***

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. An accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at year-end.

**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Principles of critical accounting estimates and assumptions**

***i) Income taxes***

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Section 382 of the United States Internal Revenue Code has the potential to limit the Company's ability to utilise existing net operating loss carry-overs once the Company experiences an ownership change. Generally, an ownership change occurs when, within a span of 36 months (or, if shorter the period beginning the day after the most recent ownership change), there is an increase in the stock ownership by one or more shareholders of more than 50 percentage points. Management has completed an Internal Revenue Code section 382 analysis of the loss carry-forwards and determined that all loss carry-forwards were utilisable and not restricted under section 382 as of 31 March 2016.

## 3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

3.1 Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2016 or later periods which the Group has not early adopted:

| Standard | Details of amendment | Annual periods beginning on or after |
|---|---|---|
| IFRS 7: Financial Instruments – Disclosures | Annual Improvements 2012 – 2014 Cycle: The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying the disclosure requirements in paragraphs 42E – 42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or turning of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset. | The Group will apply the IFRS 7 amendments from annual periods beginning 1 April 2016 |
| IFRS 9: Financial Instruments | IFRS 9: Financial Instruments (2014) replaces IAS 39: Financial Instruments – Recognition and Measurement. | The Group will apply IFRS 9 from annual periods beginning 1 April 2018 |
| IFRS 10: Consolidated Financial Investments | Amendments to address an acknowledged inconsistency between the requirements in IFRS 10: Consolidated Financial Statements and those in IAS 28 (2011): Investments in Associates in dealing with the sale or contribution of a subsidiary. | The Group will apply the IFRS 10 amendments from annual periods beginning 1 April 2016 |
| IFRS 15: Revenue from Contracts with Customers | New guidance on recognition of revenue that requires recognition of revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. | The Group will apply IFRS 15 from annual periods beginning 1 April 2018 |
| IFRS 16: Leases | • Requires lessees to account for leases "on-balance sheet" by recognising a "right-of-use" asset and a lease liability.<br>IFRS 16 also:<br>– changes the definition of a lease;<br>– sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;<br>– provides exemptions for short-term leases and leases of low-value assets;<br>– changes the accounting for sale and leaseback arrangements; and<br>– largely retains IAS 17's approach to lessor accounting.<br>• Introduces new disclosure requirements. | The Group will apply IFRS 16 from annual periods beginning 1 April 2019 |

| Standard | Details of amendment | Annual periods beginning on or after |
|---|---|---|
| IAS 1: Presentation of Financial Statements | • Amendments clarifying IAS 1's specified line items on the statement(s) of profit and loss and other comprehensive income and the statement of financial position can be disaggregated.<br>• Additional requirements of how entities should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position.<br>• Clarification that entities have flexibility as to the order in which they present their notes to the financial statements, but also emphasising the need to consider fundamental principles of comparability and understandability in determining the order. | The Group will apply the IAS 1 amendments from annual periods beginning 1 April 2016 |
| IAS: 27 Consolidated and Separate Financial Statements | Amendments to introducing a third option which allows entities to account for investments in subsidiaries, joint ventures and associates under the equity method in their separate financial statements. | The Group will apply the IAS 27 amendments from annual periods beginning 1 April 2016 |

The directors have not yet considered the detailed impact that these changes might have on the Group.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | Group | |
|---|---|---|
| | **2016 $'000** | 2015 $'000 |
| **1. PROPERTY, PLANT AND EQUIPMENT** | | |
| **Cost** | | |
| Land and buildings | **5 047** | 5 043 |
| Leasehold improvements | **178** | – |
| Other equipment and vehicles | **145 047** | 83 024 |
| Plant and machinery | **577** | 518 |
| | **150 849** | 88 585 |
| **Accumulated depreciation** | | |
| Land and buildings | **(3 065)** | (2 623) |
| Leasehold improvements | **(21)** | – |
| Other equipment and vehicles | **(49 014)** | (40 409) |
| Plant and machinery | **(311)** | (221) |
| | **(52 411)** | (43 253) |
| **Carrying value** | | |
| Land and buildings | **1 982** | 2 420 |
| Leasehold improvements | **157** | – |
| Other equipment and vehicles | **96 033** | 42 615 |
| Plant and machinery | **266** | 297 |
| | **98 438** | 45 332 |
| **Movements in property, plant and equipment** | | |
| **Balance at the beginning of the year** | | |
| Land and buildings | **2 420** | 2 732 |
| Leasehold improvements | **–** | 10 |
| Other equipment and vehicles | **42 615** | 41 687 |
| Plant and machinery | **297** | 225 |
| | **45 332** | 44 654 |
| **Additions** | | |
| Land and buildings | **–** | 36 |
| Other equipment and vehicles | **56 883** | 7 812 |
| Plant and machinery | **49** | 131 |
| | **56 932** | 7 979 |
| **Business combinations** | | |
| Leasehold improvements | **178** | – |
| Other equipment and vehicles | **9 605** | – |
| Plant and machinery | **10** | – |
| | **9 793** | – |
| **Change in estimate related to asset retirement obligations*** | | |
| Land and buildings | **(6)** | – |
| Other equipment and vehicles | **(560)** | – |
| | **(566)** | – |

| | Group | |
|---|---|---|
| | **2016 $'000** | 2015 $'000 |
| **1. PROPERTY, PLANT AND EQUIPMENT continued** | | |
| **Impairment loss** | | |
| Land and buildings | **(82)** | – |
| Other equipment and vehicles | **(3 416)** | – |
| Plant and machinery | **(1)** | – |
| | **(3 499)** | – |
| **Disposals and transfers** | | |
| Land and buildings | **16** | 16 |
| Leasehold improvements | **–** | (10) |
| Other equipment and vehicles | **(444)** | 111 |
| Plant and machinery | **–** | 17 |
| | **(428)** | 134 |
| **Depreciation** | | |
| Land and buildings | **(366)** | (364) |
| Leasehold improvements | **(21)** | – |
| Other equipment and vehicles | **(8 650)** | (6 995) |
| Plant and machinery | **(89)** | (76) |
| | **(9 126)** | (7 435) |
| **Balances at the end of the year** | | |
| Land and buildings | **1 982** | 2 420 |
| Leasehold improvements | **157** | – |
| Other equipment and vehicles | **96 033** | 42 615 |
| Plant and machinery | **266** | 297 |
| | **98 438** | 45 332 |

* During the current year the tenure of gas rights relating to the McCarty Renewable Natural Gas site was extended by 13 years. The asset retirement obligation was reduced as a result, due to an increased discounting period, and a corresponding adjustment made to the property, plant and equipment items to which the cost of the asset retirement obligation was initially capitalised.

## 2. INTANGIBLE ASSETS

| | Customer contracts $'000 | Emission allowances $'000 | Gas rights $'000 | Inter-connection $'000 | Land rights $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group 2016** | | | | | | |
| Carrying value at the beginning of the year | **6 578** | **3 055** | **15 534** | **7 260** | **–** | **32 427** |
| Additions | **–** | **2** | **1 000** | **1 633** | **–** | **2 635** |
| Business combinations | **180** | **–** | **613** | **–** | **333** | **1 126** |
| Amortisation | **(1 234)** | **–** | **(2 446)** | **(84)** | **–** | **(3 764)** |
| Impairment loss | **(46)** | **–** | **–** | **–** | **–** | **(46)** |
| Carrying value at the end of the year | **5 478** | **3 057** | **14 701** | **8 809** | **333** | **32 378** |
| Cost | **17 438** | **3 057** | **37 748** | **8 994** | **333** | **67 570** |
| Accumulated amortisation | **(11 960)** | **–** | **(23 047)** | **(185)** | **–** | **(35 192)** |
| | **5 478** | **3 057** | **14 701** | **8 809** | **333** | **32 378** |
| **Group 2015** | | | | | | |
| Carrying value at the beginning of the year | 7 861 | 3 055 | 17 328 | 819 | – | 29 063 |
| Additions | 17 | – | 659 | 6 593 | – | 7 269 |
| Amortisation | (1 300) | – | (2 438) | (95) | – | (3 833) |
| Refund of cost | – | – | – | (57) | – | (57) |
| Transfers | – | – | (15) | – | – | (15) |
| Carrying value at the end of the year | 6 578 | 3 055 | 15 534 | 7 260 | – | 32 427 |
| Cost | 17 258 | 3 055 | 36 135 | 7 361 | – | 63 809 |
| Accumulated amortisation | (10 680) | – | (20 601) | (101) | – | (31 382) |
| | 6 578 | 3 055 | 15 534 | 7 260 | – | 32 427 |

The amortisation expense has been included in the line item depreciation and amortisation in the statement of comprehensive income.

The following useful lives were used in the calculation of amortisation:

| | |
|---|---|
| Customer contracts | 15 years |
| Emission allowances | * |
| Gas rights | 12 – 20 years |
| Interconnection | 10 – 25 years |
| Land rights | ** |

The following are the remaining useful lives for each asset class:

| | |
|---|---|
| Customer contracts | Between 3 and 9 years |
| Gas rights | Between 6 and 19 years |
| Interconnection | Between 7 and 20 years |

* Emission allowances consist of credits that need to be applied to nitrous oxide ("$N_2O$") emissions from internal combustion engines. These engines emit levels of $N_2O$ for which specific allowances are required in certain states of the United States of America. Certain assets acquired through the acquisition of a subsidiary, by Montauk Energy Holdings LLC, qualify for $N_2O$ allowances. These have been recognised at fair value at the date of acquisition, have indefinite useful lives and as a result are not amortised. These assets are tested annually for impairment. Emission allowances were tested for impairment with reference to current over-the-counter pricing. There was currently no indicator of impairment.

** Land rights have indefinite useful lives and as a result are not amortised. These assets were acquired during the year through the acquisition of Leaf LFG US Investments (refer to note 31). Due to the proximity of the reporting date to the finalisation of the allocation of acquisition cost to respective assets and liabilities, no impairment testing was performed. In addition, no indicators of impairment existed at reporting date.

| | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|
| **3. SUBSIDIARY COMPANIES** | | |
| Shares at cost less impairment | **120 237** | 120 237 |

No impairments have been recognised on these shares.

**Interests in subsidiaries**

Set out below are the Group's principal subsidiaries at year-end. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

| Name of entity | Principal activities | Place of business/ Country of incorporation | % of effective interest held by the Group 2016 | 2015 | % exercisable voting rights 2016 | 2015 | % of effective interest held by the non-controlling interests ("NCIs") 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Montauk Holdings USA, LLC | Renewable energy | United States of America | **100%** | 100% | **100%** | 100% | **–** | – |
| Montauk Energy Holdings, LLC | Renewable energy | United States of America | **100%** | 100% | **100%** | 100% | **–** | – |

**Significant restrictions**

There are no significant statutory, contractual or regulatory restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group.

There are no contractual arrangements in place for the provision of financial support to any of the principal subsidiaries, nor has there been any financial or other support provided to these entities during the reporting period. There is no current intention of providing financial or other support to these entities.

**Non-controlling interests**

As at 31 March 2016 there are no non-controlling interests that are material to the Group.

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| **4. DEFERRED TAX** | | |
| **Movements in deferred taxation** | | |
| At the beginning of the year | **–** | – |
| Provisions and accruals | **13** | 317 |
| Assessed losses | **4 662** | 2 370 |
| Accelerated tax allowances | **(2 971)** | 804 |
| Deferred tax asset not recognised | **(1 704)** | (3 491) |
| At the end of the year | **–** | – |
| **Analysis of deferred taxation** | | |
| Provisions and accruals | **2 329** | 2 316 |
| Assessed losses | **40 326** | 35 664 |
| Accelerated tax allowances | **(7 576)** | (4 605) |
| Deferred tax asset not recognised | **(37 564)** | (35 860) |
| Federal tax credits | **2 485** | 2 485 |
| | **–** | – |

The Group had unrecognised assessed loss assets of $40 326 at 31 March 2016 (2015: $35 664).

| | | Group | |
|---|---|---|---|
| | | **2016** **$'000** | 2015 $'000 |
| **5.** | **NON-CURRENT RECEIVABLES** | | |
| | Letter of credit | **1 914** | 2 509 |
| | Other receivables | **–** | 1 092 |
| | These amounts are due within one to ten years and bear interest at rates ranging from 0% to 5% per annum. | | |
| | | **1 914** | 3 601 |
| | **Fair value of non-current receivables** The fair value of non-current receivables approximates the carrying value as market-related rates of interest are charged on these outstanding amounts. There were no impairment provisions on non-current receivable financial assets during the current or prior years. | | |
| **6.** | **INVENTORIES** | | |
| | Consumables and spares | **1 109** | 921 |
| **7.** | **OTHER FINANCIAL ASSETS** | | |
| | **Fair value through profit and loss** | | |
| | Energy price derivative | **33** | 46 |
| | **Amortised cost** | | |
| | Restricted cash | **9 361** | – |
| | | **9 394** | 46 |
| | Current | **7 159** | 46 |
| | Non-current | **2 235** | – |
| | | **9 394** | 46 |

**Fair value of derivative financial instruments carried at fair value through profit or loss**
Energy price derivative contracts of the Group are carried at their fair value on the statement of financial position and are subject to enforceable master netting agreements, which allow the Company to off-set recognised asset and liability fair value amounts on contracts with the same counterparty.

The net market value of all energy price derivative contracts at year-end was calculated by comparing the forward sale prices to the year-end spot prices. Changes in the market values are recognised immediately into profit and loss.

| | Group | |
|---|---|---|
| | **2016** **$'000** | 2015 $'000 |
| **8. TRADE AND OTHER RECEIVABLES** | | |
| Trade receivables | **2 186** | 1 712 |
| Other receivables | **1 119** | 1 474 |
| Provision for impairment of trade receivables | **–** | – |
| | **3 305** | 3 186 |
| **Fair value of trade receivables** | | |
| Trade and other receivables | **3 305** | 3 186 |

The carrying value approximates fair value because of the short period to maturity of these instruments.

**Trade receivables neither past due nor impaired**
The credit quality of trade and other receivables that are neither past due nor impaired is assessed on an ongoing basis for individual debtors and based on repayment history.

**Security**
The Group holds no security over the trade receivables which can be sold or repledged to a third party.

**Trade receivables past due but not impaired**
At 31 March 2016 and 2015, trade receivables past due but not impaired were immaterial. These relate mainly to customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2016** **$'000** | 2015 $'000 |
| 30 to 60 days | **12** | 3 |
| 60 to 90 days | **3** | 3 |
| More than 90 days | **–** | – |

None of the financial assets that are fully performing have been renegotiated in the last year.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as shown above.

| | Number of shares 2016 '000 | 2015 '000 | 2016 $'000 | 2015 $'000 |
|---|---|---|---|---|
| **9. ORDINARY SHARE CAPITAL** | | | | |
| **Authorised** | | | | |
| Ordinary shares of no par value | **200 000** | 200 000 | **–** | – |
| **Issued** | | | | |
| In issue in Company | **137 842** | 135 256 | **166 202** | 166 202 |
| Restricted shares held by employees in terms of Restricted Stock Plan | **(2 586)** | – | **–** | – |
| | **135 256** | 135 256 | **166 202** | 166 202 |

Details of the issued share capital and share premium and changes during the current and prior year are as follows:

| | Number of shares '000 | Share capital $'000 |
|---|---|---|
| In issue at 31 March 2015 | 135 256 | 166 202 |
| Issued in terms of Restricted Stock Plan | 2 586 | – |
| In issue at 31 March 2016 | 137 842 | 166 202 |

The unissued shares are under the control of the directors until the next annual general meeting.

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| **10. OTHER RESERVES** | | | | |
| FCTR at the beginning of the year | **2 733** | (4 616) | **2 733** | 1 617 |
| Disposal of subsidiaries | **–** | 8 299 | **–** | – |
| Exchange differences on translation | **(160)** | (950) | **(145)** | 1 116 |
| At the end of the year | **2 573** | 2 733 | **2 588** | 2 733 |

| | Group | |
|---|---|---|
| | **2016 $'000** | 2015 $'000 |
| **11. BORROWINGS** | | |
| Vendor borrowings | **40 767** | – |
| Bank borrowings | **15 256** | 11 803 |
| Current portion of borrowings | **(3 691)** | (1 200) |
| | **52 332** | 10 603 |
| Secured | **52 332** | 11 803 |

Borrowings of $56.0 million in the current year consist of $40.8 million in respect of a construction-to-term loan, $10.5 million in respect of a revolving credit facility from a commercial bank, and $5.3 million in respect of the net amount of two secured loans assumed in a business combination. Borrowings in the prior year consisted of $11.6 million in respect of a term loan and $0.2 million in respect of the revolving credit facility.

These borrowings are secured by all assets of the Group, except for the construction-to-term loan, which is secured exclusively by the assets of the development project, and the two secured loans assumed in the business combination, which are secured by the acquired business's gas rights agreements.

| | | |
|---|---|---|
| Fixed rates | **45 571** | – |
| Floating rates | **10 452** | 11 803 |
| | **56 023** | 11 803 |
| Maturity of these borrowings is as follows: | | |
| Due within one year | **3 691** | 1 200 |
| Due within two to five years | **21 075** | 10 603 |
| Due after five years | **31 257** | – |
| | **56 023** | 11 803 |
| Weighted average effective interest rates (%) | **6.42** | 4.66 |

At 31 March 2016 the carrying value of borrowings approximates their fair value as market-related interest rates apply to these balances.

| | Group | |
|---|---|---|
| | **2016 $'000** | 2015 $'000 |
| **12. PROVISIONS** | | |
| **Asset retirement obligations** | | |
| Balance at the beginning of the year | **6 609** | 6 150 |
| Raised during the year | **1 034** | 472 |
| Utilised | **(206)** | (13) |
| Change in estimate | **(566)** | – |
| Balance at the end of the year | **6 871** | 6 609 |
| **Leave pay** | | |
| Balance at the beginning of the year | **218** | 166 |
| Raised during the year | **459** | 404 |
| Utilised | **(422)** | (352) |
| Balance at the end of the year | **255** | 218 |
| **Staff bonuses** | | |
| Balance at the beginning of the year | **762** | 400 |
| Raised during the year | **1 263** | 818 |
| Utilised | **(803)** | (456) |
| Balance at the end of the year | **1 222** | 762 |
| Total provisions | **8 348** | 7 589 |
| Non-current | **6 871** | 6 609 |
| Current | **1 477** | 980 |
| | **8 348** | 7 589 |

**Asset retirement obligations**
Asset retirement obligations are based on the Group's environmental plans, in compliance with current regulatory requirements. Provision is made based on the net present value of the rehabilitation of landfill gas sites.

**Leave pay**
This provision is raised in respect of accumulated annual leave days accrued to employees as the Group has a present legal obligation as a result of past services provided by the employee. The timing of the settlement is uncertain given the nature of the provision.

**Staff bonuses**
This provision is recognised when the Group has a present legal or constructive obligation as a result of past services provided by the employee. The timing and extent of claims settled remain uncertain until settlement occurs.

| | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|
| **13. FINANCIAL LIABILITIES** | | | | |
| **Financial liabilities carried at fair value through profit or loss** | | | | |
| Energy price derivatives | **54** | 329 | | |
| Current portion | **38** | 306 | | |
| Non-current portion | **16** | 23 | | |
| | **54** | 329 | | |

**Fair value of derivative financial instruments carried at fair value through profit or loss**
Energy price derivative contracts of the Group are carried at their fair value on the statement of financial position and are subject to enforceable master netting agreements, which allow offsetting of the recognised asset and liability fair value amounts on contracts with the same counterparty.

The net market value of all energy price derivative contracts at year-end was calculated by comparing the forward sale prices to the year-end spot prices. Changes in the market values for outstanding hedges are recognised immediately in profit or loss.

| | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|
| **14. TRADE AND OTHER PAYABLES** | | | | |
| Trade payables | **345** | 1 096 | **–** | – |
| Accruals in respect of fixed asset purchases | **5 553** | 5 | **–** | – |
| Accruals in respect of compensation | **3 142** | – | **–** | – |
| Other payables | **3 829** | 3 480 | **–** | 237 |
| | **12 869** | 4 581 | **–** | 237 |

**Fair value of trade and other payables**
The carrying value approximates fair value because of the short period to settlement of these obligations.

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| **15. COMMITMENTS** | | |
| **Operating lease arrangements where the Group is a lessee:** | | |
| Future leasing charges: | | |
| – Payable within one year | **212** | 198 |
| – Payable within two to five years | **66** | 194 |
| – Payable after five years | **–** | 63 |
| | **278** | 455 |
| **Commitments for the acquisition of property, plant and equipment and intangibles** | | |
| Contracted for but not provided in the financial statements | **1 391** | 46 011 |
| Authorised but not contracted for | **4 652** | 11 953 |
| | **6 043** | 57 964 |
| Within one year | **6 043** | 57 964 |
| More than one year | **–** | – |

| | | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| **16.** | **REVENUE** | | | | |
| | Environmental attribute sales | **32 575** | 5 449 | | |
| | Gas commodity sales | **11 848** | 15 120 | | |
| | Wholesale electricity sales | **6 289** | 8 818 | | |
| | Other revenue | **39** | 41 | | |
| | | **50 751** | 29 428 | | |
| **17.** | **OTHER INCOME** | | | | |
| | Profit on disposal of emission reduction credits | **9 573** | – | | |
| **18.** | **INVESTMENT INCOME** | | | | |
| | **Dividends** | | | | |
| | Subsidiaries | **–** | – | **–** | 7 000 |
| | **Interest** | | | | |
| | Bank | **39** | 41 | **38** | 34 |
| | | **39** | 41 | **38** | 7 034 |
| **19.** | **FINANCE COSTS** | | | | |
| | Interest | **(449)** | (301) | | |
| **20.** | **ASSET IMPAIRMENTS** | | | | |
| | Upon completion of its annual evaluation of asset impairment in accordance with IAS 36, the Company calculated and recorded an impairment loss as of 31 March 2016 of approximately $3.5 million. The impairment loss was primarily due to the continued deterioration in market pricing for electricity and calculated based upon replacement cost and pre-tax cash flow projections. The impairment loss impact on the 31 March 2016 statement of financial position by asset category is as follows: | | | | |
| | Property, plant and equipment, net | **(3 499)** | – | | |
| | Intangibles | **(46)** | – | | |
| | Impairment loss | **(3 545)** | – | | |
| **21.** | **PROFIT/(LOSS) BEFORE TAXATION** | | | | |
| | The following items have been included in arriving at profit before taxation: | | | | |
| | Auditors' remuneration | | | | |
| | – Audit fees – current year | **174** | 126 | **–** | – |
| | – Other services | **–** | 1 | **–** | – |
| | Administrative fees | **1 586** | 1 611 | **–** | – |
| | Consultancy fees | **508** | 403 | **–** | – |
| | Operating lease charges | | | | |
| | – Premises | **136** | 131 | **–** | – |
| | – Plant and equipment | **11** | 9 | **–** | – |
| | Loss/(profit) on disposal of property, plant and equipment | **189** | – | **–** | – |
| | Loss on disposal of subsidiaries | **–** | – | **–** | 24 488 |
| | Commodity price mark-to-market adjustments | **(245)** | 315 | | |
| | Secretarial fees | **20** | 2 | **–** | – |
| | Staff costs | **8 332** | 4 292 | **–** | – |
| | Listing and related fees | **–** | 77 | **–** | 77 |
| | Loss on foreign currency exchange | **–** | – | **–** | 54 |

| | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|
| **22. TAXATION** | | | | |
| Current | – | (251) | – | (251) |
| Deferred | – | – | – | – |
| | – | (251) | – | (251) |
| **Reconciliation of tax rate** | % | % | % | % |
| Normal tax rate | 28 | 28 | 28 | 28 |
| Capital losses and non-deductible expenses | – | (50) | (28) | (40) |
| Non-taxable income including share of associates' income | – | 13 | – | 11 |
| Deferred tax asset not recognised | (34) | – | – | – |
| Differential tax rates – CGT and foreign | 6 | 6 | – | – |
| Effective rate | – | (3) | – | (1) |

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| **23. DISCONTINUED OPERATIONS** | | |
| Profit for the year from discontinued operations | – | 699 |
| Losses for the year from discontinued operations | – | (600) |
| Loss on disposal of subsidiaries | – | (11 717) |
| | – | (11 618) |

23.1 During the year ended 31 March 2014 a decision was made by the Company's board of directors to sell the Group's interest in HCI Investments Australia Proprietary Limited.

The results of these operations have therefore been classified as discontinued operations for the Group.

The effective disposal date was 17 October 2014.

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| **Loss from discontinued operations relating to HCI Investments Australia Proprietary Limited** | | |
| Revenue | – | 3 744 |
| Operating and other costs | – | (4 136) |
| Share of profit of joint venture | – | 688 |
| Fair value adjustments of investments | – | (65) |
| Impairment of investment | – | 153 |
| Net finance costs | – | 357 |
| Profit before taxation | – | 741 |
| Taxation | – | (195) |
| | – | 546 |
| **Cash flows from discontinued operations** | | |
| Cash flows from operating activities | – | (277) |
| Cash flows from investing activities | – | (4 816) |
| Cash flows from financing activities | – | (394) |
| | – | (5 487) |

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| **23. DISCONTINUED OPERATIONS continued** | | |
| 23.2 During the year ended 31 March 2014 a decision was made by the Company's board of directors to sell the Group's interest in Longkloof Limited. | | |
| The results of these operations have therefore been classified as discontinued operations for the Group. | | |
| The effective disposal date was 15 September 2014. | | |
| **Loss from discontinued operations relating to Longkloof Limited** | | |
| Revenue | – | 2 533 |
| Operating and other costs | – | (2 931) |
| Share of losses of associated companies | – | (274) |
| Investment surplus | – | – |
| Impairment of assets | – | – |
| Fair value adjustments of investments | – | 19 |
| Net finance income | – | 62 |
| Loss before taxation | – | (591) |
| Taxation | – | (7) |
| | – | (598) |
| **Cash flows from discontinued operations** | | |
| Cash flows from operating activities | – | (2 530) |
| Cash flows from investing activities | – | (1 605) |
| Cash flows from financing activities | – | – |
| | – | (4 135) |
| 23.3 During the year ended 31 March 2014 a decision was made by the Company's board of directors to sell the Group's interest in Crystal Brook Distribution Proprietary Limited. | | |
| The results of these operations have therefore been classified as discontinued operations for the Group. | | |
| The effective disposal date was 15 September 2014. | | |
| **Loss from discontinued operations relating to Crystal Brook Distribution Proprietary Limited** | | |
| Revenue | – | 747 |
| Operating costs | – | (523) |
| Profit before tax | – | 224 |
| Taxation | – | (71) |
| | – | 153 |
| **Cash flows from discontinued operations** | | |
| Cash flows from operating activities | – | 1 |
| Cash flows from investing activities | – | (1) |
| Cash flows from financing activities | – | – |
| | – | – |

| | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|
| **23. DISCONTINUED OPERATIONS continued** | | |
| 23.4 During the year ended 31 March 2014 a decision was made by the Company's board of directors to sell the Group's interest in Deepkloof Limited. | | |
| The results of these operations have therefore been classified as discontinued operations for the Group. | | |
| The effective disposal date was 17 October 2014. | | |
| **Loss from discontinued operations relating to Deepkloof Limited** | | |
| Revenue | **–** | – |
| Operating costs | **–** | (2) |
| Loss before tax | **–** | (2) |
| Taxation | **–** | – |
| | **–** | (2) |
| **Cash flows from discontinued operations** | | |
| Cash flows from operating activities | **–** | (2) |
| Cash flows from investing activities | **–** | – |
| Cash flows from financing activities | **–** | – |
| | **–** | (2) |
| **24. EARNINGS/(LOSS) PER SHARE** | | |
| 24.1 Earnings/(loss) per share as presented on the statement of comprehensive income is based on a weighted average number of 135 256 156 ordinary shares in issue (2015: 135 256 156). | | |
| 24.2 Diluted earnings/(loss) per share is based on the weighted average number of 135 256 156 ordinary shares in issue (2015: 135 256 156). | | |
| Used in calculation of loss per share | **135 256** | 135 256 |
| Shares and rights issued in terms of the Restricted Stock Plan and Share Appreciation Rights Scheme | **–** | – |
| Used in calculation of diluted loss per share | **135 256** | 135 256 |
| 24.3 Headline loss per share (cents) | **(3.64)** | (6.45) |
| – Continuing operations | **(3.64)** | (6.52) |
| – Discontinued operations | **–** | 0.07 |
| Diluted headline loss per share (cents) | **(3.64)** | (6.45) |
| – Continuing operations | **(3.64)** | (6.52) |
| – Discontinued operations | **–** | 0.07 |

Refer to note 33 in respect of the restatement of prior-year earnings per share.

| | 2016 Gross $'000 | 2016 Net $'000 | 2015 Gross $'000 | 2015 Net $'000 |
|---|---|---|---|---|
| **24. LOSS PER SHARE continued** | | | | |
| Reconciliation of headline loss: | | | | |
| Profit/(loss) attributable to equity holders of the parent | **–** | **2 320** | – | (20 432) |
| Losses on disposal of plant and equipment | **189** | **189** | – | – |
| Impairment of plant and equipment | **3 545** | **3 545** | – | – |
| Third-party compensation received in respect of impaired plant and equipment | **(1 140)** | **(1 140)** | – | – |
| Gain on bargain purchase | **(265)** | **(265)** | – | – |
| Gain on disposal of intangible assets | **(9 573)** | **(9 573)** | | |
| Loss from disposal of subsidiary | **–** | **–** | 11 717 | 11 717 |
| Headline loss attributable to equity holders of the parent | | **(4 924)** | | (8 715) |

| | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|
| **25. NOTES TO THE CASH FLOW STATEMENTS** | | | | |
| **25.1 Cash-generated by operations** | | | | |
| Profit after taxation | **2 320** | (20 935) | **(284)** | (17 840) |
| Taxation | **–** | 524 | **–** | 251 |
| Depreciation and amortisation | **12 890** | 11 485 | **–** | – |
| Dividends received | **–** | (80) | **–** | (7 000) |
| Profit on disposal of property, plant and equipment and intangibles | **(9 384)** | – | **–** | – |
| Impairment of assets | **3 545** | – | **–** | – |
| Gain on bargain purchase | **(265)** | – | **–** | – |
| Share-based payment expense | **5** | – | **14** | – |
| Equity-accounted losses/(profits) | **–** | (414) | **–** | – |
| Forex translation | **–** | (15) | **–** | 54 |
| Fair value adjustments | **(263)** | (105) | **–** | – |
| Investment income | **(39)** | (536) | **(38)** | (34) |
| Finance costs | **449** | 455 | **–** | – |
| Investment loss | **–** | 11 717 | **–** | 24 488 |
| Movement in provisions | **505** | 479 | **–** | 10 |
| Other non-cash items | **38** | 395 | **–** | – |
| | **9 801** | 2 970 | **(308)** | (71) |
| **25.2 Changes in working capital** | | | | |
| Inventory | **(188)** | (202) | **–** | – |
| Trade and other receivables | **2 004** | 868 | **–** | – |
| Trade and other payables | **979** | (2 472) | **(209)** | 249 |
| | **2 795** | (1 806) | **(209)** | 249 |
| **25.3 Taxation paid** | | | | |
| Unpaid at the beginning of the year | **(1)** | (289) | **(1)** | – |
| Charged to the income statement | **–** | (478) | **–** | (251) |
| Withholding tax | **–** | (33) | **–** | – |
| Foreign exchange difference | **–** | 24 | **–** | 1 |
| Disposal of subsidiaries | **–** | 254 | **–** | – |
| Unpaid at the end of the year | **1** | 1 | **1** | 1 |
| | **–** | (521) | **–** | (249) |

| | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|
| **25. NOTES TO THE CASH FLOW STATEMENTS continued** | | | | |
| **25.4 Disposal of subsidiaries** | | | | |
| Property, plant and equipment | – | 2 136 | | |
| Goodwill | – | 9 441 | | |
| Intangible assets | – | 22 167 | | |
| Deferred tax asset | – | 153 | | |
| Investment in associates and joint ventures | – | 71 428 | | |
| Trade and other receivables | – | 8 010 | | |
| Programming rights | – | 948 | | |
| Financial assets | – | 6 695 | | |
| Inventories | – | 235 | | |
| Cash and cash equivalents | – | 36 069 | | |
| Borrowings | – | (13 539) | | |
| Financial liabilities | – | (86) | | |
| Trade and other payables | – | (4 010) | | |
| Taxation payable | – | (245) | | |
| | – | 139 402 | | |
| Non-controlling interest | – | (24 855) | | |
| Loss on disposal | – | (11 717) | | |
| Dividend received during disposal | – | 7 000 | | |
| Cash and cash equivalents disposed of | – | (36 069) | | |
| Net cash inflow | – | 73 761 | | |
| **25.5 Cash and cash equivalents** | | | | |
| Bank balances and deposits | **10 010** | 15 891 | **569** | 1 235 |
| | **10 010** | 15 891 | **569** | 1 235 |

**Fair value of cash and cash equivalents**

The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments.

## 26. SEGMENT INFORMATION

The following are the summarised results for the various reportable operating segments:

| | Revenue | | Segment result (profit/(loss) before tax) | | Segment result (profit/(loss) after tax) | |
|---|---|---|---|---|---|---|
| | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| **Continuing operations** | | | | | | |
| Renewable Energy | **50 751** | 29 428 | **2 320** | (9 066) | **2 320** | (9 317) |
| **Discontinued operations** | | | | | | |
| Media and broadcasting | **–** | 7 024 | | | **–** | 13 335 |
| Other | | | | | **–** | (24 953) |
| | | | | | **2 320** | (20 935) |

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| Renewable Energy | **156 548** | 101 404 | **77 295** | 24 303 |

| | Fixed asset additions | | Depreciation and amortisation | |
|---|---|---|---|---|
| | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| Media and broadcasting* | **–** | 939 | **–** | – |
| Renewable Energy | **56 932** | 7 979 | **12 890** | (11 268) |
| | **56 932** | 8 918 | **12 890** | (11 268) |

Amounts applicable to associates and joint ventures included above:

| | **Equity-accounted earnings 2016 $'000** | **Investment in associates and joint ventures 2016 $'000** | Equity-accounted earnings* 2015 $'000 | Investment in associates and joint ventures 2015 $'000 |
|---|---|---|---|---|
| Other | **–** | **–** | 414 | – |

| | Impairments | |
|---|---|---|
| | **2016 $'000** | **2015 $'000** |
| Renewable Energy | **3 545** | **–** |

| | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|
| **26. SEGMENT INFORMATION continued** | | | | |
| Group income is attributable to the following geographical areas: | | | | |
| Australia* | **–** | 3 744 | | |
| Europe and United Kingdom* | **–** | 2 223 | | |
| South Africa* | **–** | 747 | | |
| United States of America | **50 751** | 29 428 | | |
| Other* | **–** | 310 | | |
| | **50 751** | 36 452 | | |
| Non-current assets** of the Group are held in the following geographical areas: | | | | |
| United States of America | **130 816** | 77 759 | | |

* Included in discontinued operations in prior year.
** Excludes financial instruments and deferred tax assets.

| | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|
| **27. RELATED PARTY TRANSACTIONS** | | | | |
| **27.1 Key management compensation was paid as follows:** | | | | |
| Salaries and other short-term employees benefits | **2 652** | 1 373 | | |
| **Trade and other payables** | | | | |
| HCI-Treasury Proprietary Limited | **–** | 237 | **–** | 237 |

**28. DIRECTORS' EMOLUMENTS**

**GROUP**

| Year ended 31 March 2016 | Board fees $'000 | Salary $'000 | Other benefits $'000 | Severance $'000 | Bonus $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| DR Herrman#* | **–** | **290** | **33** | **1 000** | **–** | **1 323** |
| SF McClain* | **–** | **171** | **27** | **–** | **110** | **308** |
| **Non-executive directors** | | | | | | |
| JA Copelyn##** | **9** | **–** | **–** | **–** | **–** | **9** |
| MA Jacobson## | **7** | **–** | **–** | **–** | **–** | **7** |
| A van der Veen## | **7** | **–** | **–** | **–** | **–** | **7** |
| MH Ahmed##*** | **9** | **–** | **–** | **–** | **–** | **9** |
| N Jappie##**** | **9** | **–** | **–** | **–** | **–** | **9** |
| BS Raynor##***** | **29** | **–** | **–** | **–** | **–** | **29** |
| Total | **70** | **461** | **60** | **1 000** | **110** | **1 701** |

\# Mr DR Herrman resigned effective 10 June 2016.
\## Actual fees determined in South African Rand.
* Paid by a subsidiary.
** Includes $2 673 for remuneration committee and social and ethics committee fees.
*** Includes $2 673 for remuneration committee and audit committee fees.
**** Includes $2 673 for remuneration committee, audit committee and social and ethics committee fees.
***** Includes $2 673 for audit committee fees and $19 500 board fees paid by subsidiary companies.

## 28. DIRECTORS' EMOLUMENTS continued

### GROUP

| Year ended 31 March 2015 | Board fees $'000 | Salary $'000 | Other benefits $'000 | Bonus $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| DR Herrman[1]* | – | 109 | 16 | – | 125 |
| SF McClain[1]** | – | 95 | 15 | – | 110 |
| **Non-executive directors** | | | | | |
| JA Copelyn[#]*** | 4 | – | – | – | 4 |
| MA Jacobson[1#] | 3 | – | – | – | 3 |
| A van der Veen[1#] | 3 | – | – | – | 3 |
| MH Ahmed[2#]***** | 4 | – | – | – | 4 |
| N Jappie[1#]****** | 4 | – | – | – | 4 |
| BS Raynor[1#]******* | 19 | – | – | – | 19 |
| TG Govender[3] | – | – | – | – | – |
| MJA Golding[4] | – | – | – | – | – |
| Y Shaik[4] | – | – | – | – | – |
| JG Ncgobo[4] | – | – | – | – | – |
| VE Mphande[4] | – | – | – | – | – |
| **Total** | 37 | 204 | 31 | – | 272 |

\# Actual fees determined in South African Rand.
1 Appointed 31 August 2014.
2 Resigned 1 May 2014; Reappointed 31 August 2014.
3 Resigned 31 August 2014.
4 Resigned 1 May 2014.
* $134 000, which is not included above, was paid as salary and bonuses by a subsidiary prior to appointment as director.
** $113 000, which is not included above, was paid as salary and bonuses by a subsidiary prior to appointment as director.
*** Includes $1 040 for remuneration committee and social and ethics committee fees.
**** Includes $1 040 for remuneration committee and audit committee fees.
***** Includes $1 040 for remuneration committee, audit committee and social and ethics committee fees.
****** Includes $1 040 for audit committee fees and $15 000 board fees paid by subsidiary companies.

## 29. DIRECTORS' SHAREHOLDINGS

| GROUP<br>31 March 2016 | Direct beneficial<br>Number | <br>% holding | Indirect beneficial<br>Number | <br>% holding | Associates<br>Number | <br>% holding |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| SF McClain* | **646 400** | **0.5** | **–** | **–** | **–** | **–** |
| **Non-executive directors** | | | | | | |
| JA Copelyn | **6 705 348** | **4.8** | **–** | **–** | **–** | **–** |
| MA Jacobson | **3 255 689** | **2.4** | **–** | **–** | **–** | **–** |
| A van der Veen | **833 272** | **0.6** | **–** | **–** | **–** | **–** |
| BS Raynor** | **387 578** | **0.3** | **–** | **–** | **–** | **–** |
| Total | **11 828 287** | **8.6** | **–** | **–** | **–** | **–** |

* Held in terms of the Montauk Holdings Restricted Stock Plan for U.S. Affiliates.
** Acquired a further 180 000 shares on 12 September 2016.

| 31 March 2015 | Direct beneficial<br>Number | <br>% holding | Indirect beneficial<br>Number | <br>% holding | Associates<br>Number | <br>% holding |
|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | |
| JA Copelyn | 6 705 348 | 4.9 | – | – | – | – |
| MA Jacobson | 3 255 689 | 2.4 | – | – | – | – |
| A van der Veen | 813 272 | 0.6 | – | – | – | – |
| BS Raynor* | 91 541 | 0.1 | – | – | – | – |
| **Directors that resigned during the year** | | | | | | |
| TG Govender[1]** | 258 815 | 0.2 | 20 706 | 0.0 | 12 731 899 | 9.4 |
| MJA Golding[2]*** | 8 424 770 | 6.3 | 1 646 291 | 1.2 | – | – |
| Total | 19 549 435 | 14.5 | 1 666 997 | 1.2 | 12 731 899 | 9.4 |

1 Resigned 31 August 2014.
2 Resigned 1 May 2014.
* Acquired a further 151 037 shares on the market on various dates between 8 June and 10 July 2015.
** An associate acquired a further 2 746 453 shares in terms of mandatory offer to shareholders that closed on 15 May 2015. Sold 12 800 shares on 22 July 2015.
*** An indirect beneficial interest of 668 236 shares was disposed of subsequent to the reporting date on 29 May 2015.

## 30. MONTAUK HOLDINGS RESTRICTED STOCK PLAN FOR U.S. AFFILIATES AND SHARE APPRECIATION RIGHTS SCHEME FOR U.S. AFFILIATES

During the year under review the Company implemented two equity-settled share-based remuneration schemes:

- The Montauk Holdings Restricted Stock Plan for U.S. Affiliates ("Restricted Stock Plan"); and
- The Montauk Holdings Share Appreciation Rights Scheme for U.S. Affiliates ("Share Appreciation Rights Scheme")

In terms of the Restricted Stock Plan only United States-based employees of United States-based companies are eligible to participate. Shares are awarded to participants for Nil consideration, subject to various restrictions, including the participant's ability to trade or encumber the shares. These restrictions lapse in respect of 20% of shares held on the second anniversary of date of grant, 20% on the third anniversary and 60% on the fourth anniversary of date of grant, provided the participant remains in the Group's employ. The maximum number of shares that may be awarded to any one participant is 2 000 000.

In terms of the Share Appreciation Rights Scheme only United States-based employees of United States-based companies are eligible to participate. Share appreciation rights vest over periods of three to five years. Share appreciation rights may be exercised within three months of vesting, whereafter they lapse. The exercise price is determined with reference to the 20-day volume weighted average trading price, of the Company's shares on the JSE Limited, preceding the date of award. Gains realised are settled by the Company on a net equity basis, whereby the number of shares delivered to a participant shall be equal in value to the gross gain realised. The maximum number of shares that may be awarded to any one participant is 2 000 000.

The fair value of grants awarded is measured using the Black-Schöles model. Grants awarded in the current year were fairly valued using a volatility indicator of 33% and an annual interest rate of 15%. The cost relating to these grants is recognised by allocating the fair value over the vesting period on a straight-line basis. An expense of $5 000 was recognised during the current year (2015: Nil).

The volume weighted average share price during the current year was ZAR7.80 (2015: ZAR3.01)*.

**30. MONTAUK HOLDINGS RESTRICTED STOCK PLAN FOR U.S. AFFILIATES AND SHARE APPRECIATION RIGHTS SCHEME FOR U.S. AFFILIATES continued**

The restricted shares issued in terms of the Restricted Stock Plan and outstanding at 31 March 2016 are as follows:

| | Number of restricted shares | Weighted average issue price ZAR* |
|---|---|---|
| Balance at the beginning of the year | – | – |
| Restricted shares awarded | 2 585 600 | – |
| Balance at the end of the year | 2 585 600 | – |
| Unconditional on: | | |
| 31 March 2018 | 517 120 | – |
| 31 March 2019 | 517 120 | – |
| 31 March 2020 | 1 551 360 | – |

The number of shares received by participants of the Restricted Stock Plan at the date that these become unconditional are not variable and are limited to the number awarded at date of grant.

The maximum number of shares that may be utilised for the purposes of the Restricted Stock Plan is 7 514 231. In addition to the 2 585 600 shares already issued to participants, a further 4 928 631 shares may be utilised by the Restricted Stock Plan. No shares became unconditional during the year.

The share appreciation rights issued in terms of the Share Appreciation Rights Scheme and outstanding at 31 March 2016 are as follows:

| | Number of share appreciation rights | Weighted average exercise price ZAR* |
|---|---|---|
| Balance at the beginning of the year | – | – |
| Share appreciation rights awarded | 950 000 | 8.50 |
| Share appreciation rights forfeited | (425 000) | 8.50 |
| Balance at the end of the year | 525 000 | 8.50 |
| Exercisable between: | | |
| 11 December 2018 and 11 March 2019 | 175 000 | 8.50 |
| 11 December 2019 and 11 March 2020 | 175 000 | 8.50 |
| 11 December 2020 and 11 March 2021 | 175 000 | 8.50 |

The maximum number of shares that may be issued in respect of the 525 000 share appreciation rights outstanding at reporting date is only limited by the maximum number of shares that may be utilised for the purposes of the Share Appreciation Rights Scheme.

The maximum number of shares that may be utilised for the purposes of the Share Appreciation Rights Scheme is 7 514 231. In addition to the share appreciation rights in issue at the reporting date, a further 9 356 249 shares may be utilised by the Share Appreciation Rights Scheme. No shares have been delivered to participants in terms of the Share Appreciation Rights Scheme.

| | Number of restricted shares 2016 | Weighted average issue price ZAR* 2016 |
|---|---|---|
| Restricted shares awarded to executive directors: | | |
| SF McClain | | |
| Balance at the beginning of the year | – | – |
| Restricted shares awarded | 646 400 | – |
| Balance at the end of the year | 646 400 | – |
| Unconditional on: | | |
| 31 March 2018 | 129 280 | – |
| 31 March 2019 | 129 280 | – |
| 31 March 2020 | 387 840 | – |

## 30. MONTAUK HOLDINGS RESTRICTED STOCK PLAN FOR U.S. AFFILIATES AND SHARE APPRECIATION RIGHTS SCHEME FOR U.S. AFFILIATES continued

| | Number of share appreciation rights | Weighted average exercise price ZAR* |
|---|---|---|
| Share appreciation rights awarded to executive directors: | | |
| **DR Herrman** | | |
| Balance at the beginning of the year | – | – |
| Share appreciation rights awarded | 425 000 | 8.50 |
| Share appreciation rights forfeited | (425 000) | 8.50 |
| Balance at the end of the year | – | – |
| **SF McClain** | | |
| Balance at the beginning of the year | – | – |
| Share appreciation rights awarded | 75 000 | 8.50 |
| Balance at the end of the year | 75 000 | 8.50 |
| Exercisable between: | | |
| 11 December 2018 and 11 March 2019 | 25 000 | 8.50 |
| 11 December 2019 and 11 March 2020 | 25 000 | 8.50 |
| 11 December 2020 and 11 March 2021 | 25 000 | 8.50 |

* Restricted share award prices and share appreciation prices are disclosed in South African Rand, due to the Company's shares being listed and its share price quoted on the JSE Limited.

## 31. BUSINESS COMBINATIONS

### 31.1 Acquisitions

| | Principal activity | Date of acquisition | Proportion of shares acquired % |
|---|---|---|---|
| **Renewable natural gas** | | | |
| Leaf LFG US Investments, Inc. | Renewable natural gas | 25/06/2015 | 100 |

This subsidiary was acquired to expand the Group's business in the renewable natural gas sector.

The acquisition was facilitated through the purchase of the entire issued share capital of Leaf LFG US Investments, Inc.

### 31.2 Cost of acquisition, net cash outflow on acquisition and analysis of assets and liabilities acquired

The following is an analysis of assets and liabilities acquired:

| | Renewable natural gas $'000 |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 10 406 |
| Other non-current assets | 2 062 |
| **Current assets** | |
| Other current assets | 968 |
| **Non-current liabilities** | |
| Borrowings | (6 245) |
| Other non-current liabilities | (1 617) |
| **Current liabilities** | |
| Other current liabilities | (827) |
| | 4 747 |
| Gain on bargain purchase | (265) |
| Cash balances acquired | – |
| **Total consideration** | 4 482 |

**31. BUSINESS COMBINATIONS continued**

**31.2 Cost of acquisition, net cash outflow on acquisition and analysis of assets and liabilities acquired continued**

The cost of acquisition, net cash outflow on acquisition and analysis of assets and liabilities acquired is based on final accounting.

The business acquired contributed revenues of $4.4 million and operating profit of $0.1 million from date of acquisition to 31 March 2016. Had the business been acquired on 1 April 2015, $6.1 million in revenues and $0.2 million in operating profit would have been contributed to the Group's results for the year ended 31 March 2016.

A gain on bargain purchase arose on the acquisition of Leaf LFG US Investments, Inc. The acquired business's property, plant and equipment and intangible assets were valued by an independent party as at the date of acquisition. The value of net assets acquired exceeded the consideration for the acquisition, which resulted in a gain on bargain purchase.

**32. FINANCIAL RISK MANAGEMENT**

**32.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including commodity risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance departments of the major operating units under policies approved by their boards of directors. Their boards provide principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity. Credit risk is also managed at an entity level for trade receivables.

***32.1.1 Market risk***

*Currency risk*

During the current and prior years, the Group was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arose from exposure in the foreign operations due to trading transactions in currencies other than the functional currency. Subsequent to the Group's disposal of its interests in the United Kingdom, South Africa and Australia in the prior year, its foreign exchange risk is insignificant. The Group secures its debt denominated in US Dollar in the offshore entities with assets and cash flows of those offshore operations (where the functional currency of these entities is US Dollars). As a result no forward cover contracts are required on this debt. There are no foreign currency imports or exports in the Group and services procured in foreign currency are not material.

The following significant exchange rates applied during the years under review:

| | **Average rate** | | **Reporting date** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2016 |
| Australian Dollar | **N/A** | 0.93 | **N/A** | N/A |
| South African Rand | **0.07** | 0.09 | **0.07** | 0.08 |

The Australian Dollar average rate for 2015 applied only until the disposal date of the Australian operations.

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2015.

| | **Profit/(loss)** | |
|---|---|---|
| | **2016 $'000** | 2015 $'000 |
| Australian Dollar | **N/A** | (55) |
| South African Rand | **26** | 27 |

A 10% weakening of the functional currency against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **32. FINANCIAL RISK MANAGEMENT continued** | | |
| **32.1 Financial risk factors continued** | | |
| ***32.1.1 Market risk*** | | |
| The following carrying amounts were exposed to foreign currency exchange risk: | | |
| **Cash and cash equivalents** | | |
| South African Rand | **569** | 1 235 |
| **Trade and other payables** | | |
| South African Rand | **–** | 237 |

**Interest rate risk**

The Group's primary interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

At 31 March the interest rate profile of the Group's interest-bearing financial instruments was:

| | Carrying amount | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| **Fixed rate instruments** | | |
| Financial assets | **10 010** | 15 891 |
| Financial liabilities | **(45 571)** | – |
| **Variable rate instruments** | | |
| Financial assets | **–** | – |
| Financial liabilities | **(10 452)** | (11 803) |

**Fair value sensitivity analysis for fixed rate instruments:**

A change of 100 basis points in interest rates would have increased or decreased profit after tax by $0.1 million (2015: $0.1 million).

**Other price risk**

The Group is not exposed to commodity price risk other than energy commodity prices (electricity and natural gas). In order to mitigate the risks associated with the fluctuations in energy commodity prices from time to time the Group enters various hedging arrangements to fix prices for portions of expected production volumes. A change of 1% in the gas price would have increased/decreased post-tax profits by $0.1 million (2015: $0.1 million). The analysis assumes that all other variables remain constant.

***32.1.2 Credit risk***

The Group has no significant concentrations of credit risk. Overall credit risk is managed at entity level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to the Group's customer base, including outstanding receivables and committed transactions. For banks and financial institutions, only board-approved parties are accepted. The Group has policies that limit the amount of credit exposure to any financial institution. Trade receivables comprise a large, widespread customer base and the Group performs ongoing credit evaluations of the financial condition of its customers. The utilisation of credit limits are regularly monitored. Refer to note 8 for further credit risk analysis in respect of trade and other receivables. No credit limits were exceeded during the year under review, and management does not expect any losses from non-performance by these counterparties.

The table below shows the Group's maximum exposure to credit risk by class of asset:

| | Carrying amount | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| Energy price derivatives | **33** | 46 |
| Receivables | **5 219** | 6 574 |
| Cash and cash equivalents | **10 010** | 15 891 |
| | **15 262** | 22 511 |

## 32. FINANCIAL RISK MANAGEMENT continued

### 32.1 Financial risk factors continued

#### *32.1.3 Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the treasury functions of the major subsidiaries aims to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity headroom on the basis of expected cash flow and the resulting borrowing position compared to available credit facilities. This process is performed during each financial year-end and monitored by the board on an ongoing basis.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| | Less than one year $'000 | Between two and five years $'000 | Over five years $'000 |
|---|---|---|---|
| **At 31 March 2016** | | | |
| Bank and other borrowings | **3 691** | **21 075** | **31 257** |
| Trade and other payables | **12 869** | **–** | **–** |
| | **16 560** | **21 075** | **31 257** |
| **At 31 March 2015** | | | |
| Bank and other borrowings | 1 200 | 10 603 | – |
| Trade and other payables | 4 581 | – | – |
| | 5 781 | 10 603 | – |

**Defaults and breaches on loans**
There were no breaches or defaults on the repayment of any loans payable during the current or prior year.

### 32.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure. The Group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid up capital, revenue reserves and other reserves being revaluation reserves (if any) and foreign currency translation reserves. The board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The board of directors monitors the cost of capital, which the Group defines as the weighted average cost of capital, taking into account the Group's internally calculated cost of equity (shareholder funding) and long-term cost of debt assumptions. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. The Group's debt capacity and optimal gearing levels are determined by the cash flow profile of the Group and are measured through applicable ratios such as net debt to earnings before interest, tax, depreciation and amortisation ("EBITDA") and interest cover. In order to maintain or adjust the capital structure, in the absence of significant investment opportunities, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 32.3 Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices available in active markets for identical assets or liabilities

Level 2 – Inputs used, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly

Level 3 – Fair value determined by valuation that uses inputs that are not based on observable market data

**32. FINANCIAL RISK MANAGEMENT continued**

**32.3 Fair value estimation continued**

The following items are measured at fair value:

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Group 2016** | | | | |
| **ASSETS** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Energy price derivative | **–** | **33** | **–** | **33** |
| Total assets | **–** | **33** | **–** | **33** |
| **LIABILITIES** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Energy price derivatives | **–** | **54** | **–** | **54** |
| Total liabilities | **–** | **54** | **–** | **54** |
| **Group 2015** | | | | |
| **ASSETS** | | | | |
| **Financial assets at fair value through profit or loss** | | | | |
| Energy price derivative | – | 46 | – | 46 |
| Total assets | – | 46 | – | 46 |
| **LIABILITIES** | | | | |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Energy price derivatives | – | 329 | – | 329 |
| Total liabilities | – | 329 | – | 329 |

The following table presents the changes in level 3 financial instruments for the year:

| | Other $'000 |
|---|---|
| **Group 2015** | |
| **ASSETS** | |
| Carrying value at the beginning of the year | 203 |
| Transfer | (203) |
| Carrying value at the end of the year | – |

## 33. RESTATEMENT OF PRIOR YEAR RESULTS

It was noted by the JSE Limited's proactive monitoring process that depreciation and amortisation continued to be recognised during the year ended 31 March 2015 on certain assets subsequent to their classification as disposal group assets held for sale and that this was not in accordance with IFRS. The disposal group assets and liabilities held for sale comprised those of subsidiaries of the Company which were sold in anticipation of and prior to the unbundling and listing of the Company by its previous parent company. The sold subsidiaries' business operations are unrelated to the Company's renewable energy operations, had no impact on the results for the year under review and should have no impact on the future results of the Company. The Company restated its comparative results for the year ended 31 March 2015 as follows:

| | |
|---|---|
| **Statement of financial position** | No impact |
| **Income statement** | |
| Earnings attributable to equity holders of the parent | No impact |
| Headline loss: | Loss decreased by $0.87 million |
| **Earnings per share** | |
| Basic loss per share from continuing operations: | No impact |
| Basic loss per share from discontinued operations: | No impact |
| Headline loss per share from continuing operations: | No impact |
| Headline loss per share from discontinued operations: | Loss of 0.57 cents improved to profit of 0.07 cents |
| **Opening equity attributable to equity holders of the parent in the current year** | No impact |

## 34. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date the following significant events have occurred:

- In May 2016 the Company was both informed of and was provided a refund of approximately $4.8 million related to amounts not utilised under an agreement to construct an interconnection for a landfill gas-to-energy project.
- On 27 May 2016 Mr David Herrman resigned from his position as chief executive officer and executive director of the Company, which was effective 10 June 2016. Mr Martin Ryan was appointed by the board as chief executive officer and executive director with effect as of 27 May 2016.
- In June 2016 the Company satisfied approximately $5.5 million in principal and interest obligations associated with certain long-term secured loans assumed by the Group in connection with the Leaf acquisition.
- In June 2016 the Company modified its revolving credit facility to expand borrowing capacity and issued a stand-by letter of credit for approximately $5.7 million, leaving approximately $2.3 million available for borrowing as of the date of this report.

Other than as previously detailed in this report, the directors are not aware of any event or circumstance occurring between the reporting date and the date of this report that materially affects the results of the Group or Company for the year ended 31 March 2016 or the financial position at that date.

## 35. FINANCIAL INSTRUMENTS

An analysis of the Group's assets and liabilities, classified by financial instrument classification, are set out below:

| | Loans and receivables | | Financial liabilities at amortised cost | |
|---|---|---|---|---|
| | **2016 $'000** | 2015 $'000 | **2016 $'000** | 2015 $'000 |
| **Group** | | | | |
| **ASSETS** | | | | |
| **Non-current assets** | **4 149** | 3 601 | **–** | – |
| Property, plant and equipment | **–** | – | **–** | – |
| Intangible assets | **–** | – | **–** | – |
| Other financial assets | **2 235** | – | **–** | – |
| Non-current receivables | **1 914** | 3 601 | **–** | – |
| **Current assets** | **20 441** | 19 077 | **–** | – |
| Inventories | **–** | – | **–** | – |
| Other financial assets | **7 126** | – | **–** | – |
| Trade and other receivables | **3 305** | 3 186 | **–** | – |
| Cash and cash equivalents | **10 010** | 15 891 | **–** | – |
| Total assets | **24 590** | 22 678 | **–** | – |
| **Group** | | | | |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | **–** | – | **52 332** | 10 603 |
| Borrowings | **–** | – | **52 332** | 10 603 |
| Financial liabilities | **–** | – | **–** | – |
| Long-term provisions | **–** | – | **–** | – |
| **Current liabilities** | **–** | – | **3 691** | 1 200 |
| Trade and other payables | **–** | – | **–** | – |
| Financial liabilities | **–** | – | **–** | – |
| Current portion of borrowings | **–** | – | **3 691** | 1 200 |
| Taxation | **–** | – | **–** | – |
| Provisions | **–** | – | **–** | – |
| Total liabilities | **–** | – | **56 023** | 11 803 |
| **Company** | | | | |
| **ASSETS** | | | | |
| **Non-current assets** | **120 237** | 120 237 | **–** | – |
| Subsidiary companies | **120 237** | 120 237 | **–** | – |
| Current assets | **569** | 1 235 | **–** | – |
| Cash and cash equivalents | **569** | 1 235 | **–** | – |
| **Total assets** | **120 806** | 121 472 | **–** | – |
| **LIABILITIES** | | | | |
| **Current liabilities** | **–** | – | **–** | – |
| Trade and other payables | **–** | – | **–** | – |
| Taxation | **–** | – | **–** | – |
| Total liabilities | **–** | – | **–** | – |

| Non-financial instruments | | Available for sale | | Fair value through profit or loss | | Total | |
|---|---|---|---|---|---|---|---|
| **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **130 816** | 77 759 | **–** | – | **–** | – | **134 965** | 81 360 |
| **98 438** | 45 332 | **–** | – | **–** | – | **98 438** | 45 332 |
| **32 378** | 32 427 | **–** | – | **–** | – | **32 378** | 32 427 |
| **–** | – | **–** | – | **–** | – | **2 235** | – |
| **–** | – | **–** | – | **–** | – | **1 914** | 3 601 |
| **1 109** | 921 | **–** | – | **33** | 46 | **21 583** | 20 044 |
| **1 109** | 921 | **–** | – | **–** | – | **1 109** | 921 |
| **–** | – | **–** | – | **33** | 46 | **7 159** | 46 |
| **–** | – | **–** | – | **–** | – | **3 305** | 3 186 |
| **–** | – | **–** | – | **–** | – | **10 010** | 15 891 |
| **131 925** | 78 680 | **–** | – | **33** | 46 | **156 548** | 101 404 |
| **6 871** | 6 609 | **–** | – | **16** | 23 | **59 219** | 17 235 |
| **–** | – | **–** | – | **–** | – | **52 332** | 10 603 |
| **–** | – | **–** | – | **16** | 23 | **16** | 23 |
| **6 871** | 6 609 | **–** | – | **–** | – | **6 871** | 6 609 |
| **14 347** | 5 562 | | – | **38** | 306 | **18 076** | 7 068 |
| **12 869** | 4 581 | **–** | – | **–** | – | **12 869** | 4 581 |
| **–** | – | **–** | – | **38** | 306 | **38** | 306 |
| **–** | – | **–** | – | **–** | – | **3 691** | 1 200 |
| **1** | 1 | **–** | – | **–** | – | **1** | 1 |
| **1 477** | 980 | **–** | – | **–** | – | **1 477** | 980 |
| **21 218** | 12 171 | **–** | – | **54** | 329 | **77 295** | 24 303 |
| **–** | – | **–** | – | **–** | – | **120 237** | 120 237 |
| **–** | – | **–** | – | **–** | – | **120 237** | 120 237 |
| **–** | – | **–** | – | **–** | – | **569** | 1 235 |
| **–** | – | **–** | – | **–** | – | **569** | 1 235 |
| **–** | – | **–** | – | **–** | – | **120 806** | 121 472 |
| **1** | 238 | **–** | – | **–** | – | **1** | 238 |
| **–** | 237 | **–** | – | **–** | – | **–** | 237 |
| **1** | 1 | **–** | – | **–** | – | **1** | 1 |
| **1** | 238 | **–** | – | **–** | – | **1** | 238 |

# ANNEXURE A

**INTEREST IN PRINCIPAL SUBSIDIARIES**

| | Issued share capital $'000 | Effective interest % | **2016** Shares $'000 | **2016** Loans $'000 | 2015 Shares $'000 | 2015 Loans $'000 |
|---|---|---|---|---|---|---|
| **Shares and loans stated at cost less impairment** | | | | | | |
| **Renewable Energy** | | | | | | |
| Montauk Holdings USA LLC | 179 779 | 100 | **120 237** | **–** | 120 237 | – |
| Montauk Energy Holdings LLC | – | 100 | * | **–** | * | – |
| Montauk Energy Capital LLC | – | 99.5 | | | | |
| Johnstown LFG Holdings Inc. | – | 100 | * | **–** | * | – |
| Johnstown Regional Energy LLC | – | 100 | * | **–** | * | – |
| Monroeville LFG LLC | – | 99.5 | * | **–** | * | – |
| Valley LFG LLC | – | 99.5 | * | **–** | * | – |
| McKinney LFG LLC | – | 99.5 | * | **–** | * | – |
| GSF Energy LLC | – | 99.5 | * | **–** | * | – |
| Bowerman Power LFG LLC | – | 99.5 | * | **–** | * | – |
| Monmouth Energy Inc. | – | 99.5 | * | **–** | * | – |
| Tulsa LFG LLC | – | 99.5 | * | **–** | * | – |
| Toyon Landfill Gas Conversion LLC | – | 100 | * | **–** | * | – |
| MH Energy LLC | – | 100 | * | **–** | * | – |
| MH Energy (GP) LLC | – | 100 | * | **–** | * | – |
| TX LFG Energy LP | – | 100 | * | **–** | * | – |
| | | | **120 237** | **–** | 120 237 | – |

* Indirectly held.

Subsidiaries whose financial position or results are not material are excluded.

Details of excluded subsidiaries are available from the company secretary.

Subsidiaries are all incorporated in the United States of America.

# ANNUAL GENERAL MEETING

**MONTAUK HOLDINGS LIMITED**
Incorporated in the Republic of South Africa
Registration number: 2010/017811/06
Share code: MNK
ISIN: ZAE000197455
("Montauk" or "the Company" or "the Group")

## NOTICE TO SHAREHOLDERS FOR THE YEAR ENDED 31 MARCH 2016

NOTICE IS HEREBY GIVEN that the annual general meeting of Montauk Holdings Limited ("the Company") will be held on Tuesday, 1 November 2016 at 14:00 at the registered offices of the Company, 5th Floor, 4 Stirling Street, Zonnebloem, Cape Town, 7925.

This document is available in English only. The proceedings at the meeting will be conducted in English.

## GENERAL INSTRUCTIONS AND INFORMATION

Participants at the annual general meeting will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly provide a copy of their identity document, passport or driver's licence at the annual general meeting for verification.

The board of directors of the Company determined, in accordance with section 59 of the Companies Act, 71 of 2008, as amended ("the Act"), that the record date for the purpose of determining which shareholders of the Company were entitled to receive notice of the annual general meeting was Friday, 16 September 2016 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 21 October 2016. Accordingly, only shareholders who are registered in the register of shareholders of the Company on Friday, 21 October 2016 will be entitled to participate in and vote at the annual general meeting.

All shareholders of ordinary shares in the Company ("shares") are entitled to attend, speak and vote at the annual general meeting. If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an "own name" dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the Company's sub-register), then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint one or more proxies (who need not be shareholders of the Company) to represent you at the annual general meeting by completing the attached form of proxy and returning it to the office of the transfer secretaries, to be received by no later than 24 (twenty-four) hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays.

Please note that the Company intends to make provision for shareholders of the Company, or their proxies, to participate in the annual general meeting by way of video conference in Johannesburg. Should you wish to participate in the annual general meeting by way of video conference as aforesaid, you are required to give notice of such proposed participation to the Company at its registered office or at the office of the transfer secretaries by no later than 12:00 on Monday, 31 October 2016. In order for the notice to be valid, it must be accompanied by the following:

- if the shareholder is an individual, a certified copy of his identity document and/or passport;
- if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the annual general meeting and a certified copy of the authorised representative's identity document and/or passport;
- a valid e-mail address and/or facsimile number for the purpose of receiving details of the video-conference facility that will be made available. Upon receipt of the aforesaid notice and documents, the Company shall notify you of the relevant details of the video-conference facilities available in Johannesburg at which you can participate in the annual general meeting by way of electronic communication.

Please note that if you own dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE Limited's ("JSE") electronic settlement system held through a CSDP or broker (or their nominee) and are not registered as an "own name" dematerialised shareholder you are not a registered shareholder of the Company. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the annual general meeting, you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish

it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy.

The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be. CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the office of the Company's transfer secretaries to be received by not less than 24 (twenty-four) hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

## NOTICE TO MEMBERS

On a poll the holders of ordinary no par value shares are entitled to 1 (one) vote per ordinary share.

Unless otherwise specifically provided below, for any of the ordinary resolutions to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, more than 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

The integrated annual report to which this notice of annual general meeting is attached provides details of:

- the directors and management of the Company, including brief CVs of the directors nominated for re-election, on page 6;
- the major shareholders of the Company on page 4; and
- the share capital of the Company in note 9 and an analysis of shareholders on page 3.

There are no material changes to the Group's financial or trading position (other than as disclosed in the accompanying integrated annual report), nor are there any legal or arbitration proceedings that may materially affect the financial position of the Group between 31 March 2016 and the reporting date, other than as provided in the directors' report on page 24.

The directors 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 the integrated annual report and this notice provide all information required by law and the Listings Requirements of the JSE ("JSE Listings Requirements").

## PURPOSE

1. Transacting the following business:
   - 1.1 to present the audited annual financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2016, the associated directors' report, external auditor's report, the audit and risk committee report and the social and ethics committee report;
   - 1.2 to elect directors in the place of those retiring in accordance with the Company's memorandum of incorporation ("MOI"); and
   - 1.3 such other business as may be transacted at an annual general meeting.
2. Considering and, if deemed fit, passing, with or without modification, the below-mentioned ordinary and special resolutions.

The purpose of the annual general meeting is for the following business to be transacted and the following resolutions to be proposed, all of them as ordinary resolutions unless the contrary appears:

## AGENDA

1. The Act requires the Company to present the audit committee report and the directors' report at the annual general meeting of the Company. The directors' report is set out on pages 24 and 25 and the audit committee report is set out on pages 14 and 15 of the integrated annual report to which this notice of annual general meeting is attached.
2. **To receive and adopt the audited financial statements – ordinary resolution number** 1

   "Resolved that the audited financial statements and Group audited financial statements for the year ended 31 March 2016 as tabled at the meeting are hereby adopted."

   The purpose of this ordinary resolution is to adopt the annual financial statements of the Company and its subsidiaries as set out on pages 22 to 66 of the integrated annual report to which this notice of annual general meeting is attached.

3. **Appointment of directors – ordinary resolution numbers 2.1, 2.2 and 2.3**

   Messrs JA Copelyn, ML Ryan and MH Ahmed retire as directors in accordance with the Company's MOI but, being eligible, each offer themselves for re-election as a director of the Company. For CV details, see page 6.

   The reason for ordinary resolution number 2.1 is to re-elect Mr JA Copelyn, who retires as a director in accordance with the Company's MOI. The reason for ordinary resolution number 2.2 is to re-elect Mr MH Ahmed, who retires as a director in accordance with the Company's MOI. Accordingly, shareholders are requested to consider and if deemed fit, to re-elect Messrs JA Copelyn and MH Ahmed by way of passing the ordinary resolutions set out below:

   3.1 ***Mr JA Copelyn – ordinary resolution number 2.1***
   "Resolved that Mr JA Copelyn be and is hereby elected as a director of the Company."

   3.2 ***Mr MH Ahmed – ordinary resolution number 2.2***
   "Resolved that Mr MH Ahmed be and is hereby elected as a director of the Company."

   The reason for ordinary resolution number 2.3 is that Mr ML Ryan was appointed as a director by the board during the course of the year and is required to retire in terms of the Company's MOI at the annual general meeting following his appointment to the board. Mr ML Ryan is eligible and has offered himself for re-election. Accordingly, shareholders are requested to consider and if deemed fit, to re-elect Mr ML Ryan by way of passing the ordinary resolution set out below:

   3.3 ***Mr ML Ryan – ordinary resolution number 2.3***
   "Resolved that Mr ML Ryan be and is hereby elected as a director of the Company."

4. **Reappointment of auditor – ordinary resolution number 3**

   The Company's audit committee has recommended that Grant Thornton Johannesburg Partnership be reappointed as the auditors of the Company for the ensuing year and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2017 is Mr T Schoeman. Accordingly, the directors propose that the following resolution be adopted:

   "Resolved that Grant Thornton Johannesburg Partnership is hereby appointed as the auditor to the Company for the ensuing year."

   The reason for ordinary resolution number 3 is that the Company, being a public listed Company, must have its financial results audited and such auditor must be appointed or reappointed each year at the annual general meeting of the Company as required by the Act.

5. **Appointment of audit committee – ordinary resolution numbers 4.1, 4.2 and 4.3**

   5.1 ***Appointment of audit committee – ordinary resolution number 4.1***
   "Resolved that Mr MH Ahmed (see CV details on page 6) be appointed to the audit committee of the Company for the ensuing year."

   5.2 ***Appointment of audit committee – ordinary resolution number 4.2***
   "Resolved that Ms NB Jappie (see CV details on page 6) be appointed to the audit committee of the Company for the ensuing year."

   5.3 ***Appointment of audit committee – ordinary resolution number 4.3***
   "Resolved that Mr BS Raynor (see CV details on page 6) be appointed to the audit committee of the Company for the ensuing year."

   The reason for ordinary resolution numbers 4.1 to 4.3 is that the Company, being a public listed company, must appoint an audit committee and the Act requires that the members of such audit committee be appointed at each annual general meeting of a company.

6. **General authority over unissued shares – ordinary resolution number 5**

   "Resolved that all the unissued authorised shares in the Company be and are hereby placed under the control of the directors, subject to the provisions of the Act, the MOI and the JSE Listings Requirements, until the next annual general meeting."

   No issue of these shares is contemplated at the present time other than in accordance with the terms of the Montauk Holdings Limited RSU Plan and/or the Montauk Holdings Limited SAR Scheme.

7. **Advisory endorsement of remuneration report for the year ended 31 March 2016 – non-binding resolution number 6**

   "To endorse, on an advisory basis, the Company's remuneration policy on page 16 of the integrated annual report (excluding the remuneration of the non-executive directors for their services as directors and members of board committees)."

***Motivation for advisory endorsement***

In terms of the King Code of Governance Principles for South Africa 2009, an advisory vote should be obtained from shareholders on the Company's annual remuneration policy. The vote allows shareholders to express their views on the remuneration policies adopted and their implementation, but will not be binding on the Company.

8. **General authority to issue shares and options for cash – special resolution number 1**

"Resolved that the directors of the Company be and are hereby authorised by way of a general authority to issue (which shall for the purposes of the JSE Listings Requirements include the sale of treasury shares) for cash (as contemplated in the JSE Listings Requirements) all or any of the authorised but unissued shares in the capital of the Company, including options, as and when they in their discretion deem fit, subject to the Act, the MOI of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 15% (fifteen per cent) of the number of shares of the relevant class of shares issued prior to such issue."

Additional requirements imposed by the JSE Listings Requirements:

It is recorded that the Company may only make an issue of shares for cash under the above general authority if the following JSE Listings Requirements are met:

- the shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;
- the general authority shall only be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;
- a SENS announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) days prior to the date that the price of the issue was agreed in writing between the Company and party/ies subscribing for such shares and the expected effect on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) of the number of shares in issue prior to that issue;
- that issues in the aggregate in any 1 (one) financial year may not exceed 20 676 263 ordinary shares, representing 15% (fifteen per cent) of the ordinary shares of the Company, excluding treasury shares, taking into account the dilutionary effect of convertible equity securities and options in accordance with the JSE Listings Requirements;
- in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the Company and the party/ies subscribing for the shares; and
- any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.

In terms of the Company's MOI, for so long as the Company is listed on the JSE, if any of the JSE Listings Requirements require an ordinary resolution to be passed with a 75% (seventy-five per cent) majority, the resolution shall instead be required to be passed by way of a special resolution of shareholders. Accordingly this resolution is a special resolution and is required to be passed with the approval of more than 75% (seventy-five per cent) of the voting rights exercised on this resolution.

9. **Approval of annual fees to be paid to non-executive directors – special resolution number 2**

"To approve for the period 1 November 2016 until the date of the next annual general meeting of the Company, the remuneration payable to non-executive directors of the Company for their services as directors as follows:

| Non-executive director | Fee (R) |
|---|---|
| JA Copelyn | 141 975 |
| MH Ahmed | 141 975 |
| NB Jappie | 141 975 |
| MA Jacobson | 101 410 |
| A van der Veen | 101 410 |
| BS Raynor | 141 975" |

***Reason for and effect of special resolution number 2***

This resolution is proposed in order to comply with the requirements of the Act. In terms of section 65(11)(h) of the Act read with section 66(8) and 66(9) of the Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the holders within the previous

2 (two) years and only if this is not prohibited in terms of the Company's MOI.

The payment of remuneration to directors for their services as directors is not prohibited by the Company's MOI. This special resolution applies only to non-executive directors, as executive directors are required to attend meetings as part of their terms of employment and do not receive remuneration for their services as directors in addition to salaries they receive by virtue of their employment by the Company.

The proposed directors' remuneration payable to non-executive directors is based on best practice and aimed at ensuring fair and competitive remuneration practices. It is important for the Company to attract new directors and retain directors with the relevant capabilities, skills and experience required to effectively conduct the business of the board and lead the Company according to its strategic priorities.

10. **General authority to repurchase Company shares – special resolution number 3**

"Resolved that the Company hereby approves, as a general approval contemplated in JSE Listing Requirement 5.72 and sections 46 and 48 of the Act (including but limited to section 48(8)(a) of the Act), the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI, the provisions of the Act and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that:

- acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 20% (twenty per cent) (or 10% (ten per cent) where such acquisitions relate to the acquisition by a subsidiary) of the Company's issued share capital of the class of the repurchased shares from the date of the grant of this general authority;
- any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- the Company (or any subsidiary) is authorised to do so in terms of its MOI;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired may not be greater than 10% (ten per cent) above the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- at any point in time, the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf;
- the Company or its subsidiaries may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE unless there is a repurchase programme in place and the dates and quantities of shares to be repurchased during the prohibited period are fixed and full details thereof have been submitted to the JSE in writing prior to commencement of the prohibited period;
- a SENS announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis 3% (three per cent) of the number of shares of the class of shares repurchased in issue at the time of granting of this general authority, and each time the Company acquires a further 3% (three per cent) of such shares thereafter, which announcement shall contain full details of such acquisitions; and
- the repurchase shall only be effected if the board of directors has at the time of the repurchase passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries."

***Statement by the board of directors of the Company***
Pursuant to and in terms of the JSE Listings Requirements the board of directors of the Company hereby states that:

(a) it is their intention to utilise the general authority to acquire shares in the Company if at some future date the cash resources of the Company are in excess of its requirements or there are good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company;

(b) in determining the method by which the Company intends to acquire its shares, the maximum number of shares to be acquired and the date on which such acquisition will take place, the directors of the Company will only make the acquisition if at the time of the acquisition they are of the opinion that:

- the Company and its subsidiaries would, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of this notice of the annual general meeting;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, would, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of the annual general meeting;
- the issued share capital and reserves of the Company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes of the Company or any acquiring subsidiary for the next 12 (twelve) months after the date of approval of this notice of the annual general meeting;
- the working capital available to the Company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes for the next 12 (twelve) months after the date of approval of this notice of the annual general meeting;
- the Company and its subsidiaries pass the solvency and liquidity test and that, from the time that the test is done, there are no material changes to the financial position of the Company or any acquiring subsidiary; and

***Reason for and effect of special resolution number 3***
The reason for special resolution number 3 is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company, or any of its subsidiaries, of shares issued by the Company, which authority shall be valid until the next annual general meeting of the Company.

The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company.

11. **Special resolution number 4 – General approval of the provision of financial assistance in terms of sections 44 and 45 of the Companies Act**

“Resolved as a special resolution that, to the extent required by sections 44 and 45 of the Act, the board of directors of the Company may, subject to compliance with the requirements of the Company’s MOI and the Act, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, to:

- the Company’s present or future subsidiaries and/or any other company or corporation that is or becomes related or interrelated to the Company, or any person wishing to subscribe for any option, or any securities issued or to be issued by the Company, the Company’s present or future subsidiaries and/or any other company or corporation that is or becomes related or interrelated to the Company, for the purpose of, or in connection with, the subscription of any option, or any securities issued or to be issued by the Company or a related or interrelated company, or for the purchase of any securities of the Company or a related or interrelated company; or
- a director or prescribed officer of the Company or of a related or interrelated company, or to a related or interrelated company or corporation, or to a member of a related or interrelated corporation, or to a person related to any such company, corporation, director, prescribed officer or member

and that any of such financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending two years after such date.”

In terms of the Act and the Company’s MOI, this resolution will be adopted with the support of more than 75% of the voting rights exercised on this resolution.

***Reason for and effect of special resolution number 4***
As part of the normal conduct of the business of the Company and its subsidiaries from time to time, the Company, where necessary, provides financial assistance to its related and interrelated companies and entities (as contemplated in the Act) including the provision of guarantees and other forms of security to third parties which provide funding to the Company’s local and foreign subsidiaries, whether by way of loans, subscribing for shares (including preference

shares) or otherwise. In the circumstances and in order to ensure that, among other things, the Company and its subsidiaries and other related and interrelated companies and entities continue to have access to and are able to appropriately structure their financing for purposes of funding their corporate and working capital requirements, it is necessary that the Company obtains the approval of shareholders in terms of this special resolution number 4. Sections 44(3)(ii) and 45(3)(a)(ii) of the Act provide that the financial assistance required can only be provided pursuant to a special resolution of the shareholders, adopted within the previous two years, which resolution must have approved such financial assistance either for the specific recipient, or generally for a category of potential recipients (and the specific recipient falls within that category), and the directors must be satisfied that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test, as defined in section 4 of the Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

The passing of this special resolution number 4 will have the effect of authorising the Company to provide direct or indirect financial assistance in accordance with sections 44 and 45 of the Act, for a period of 2 (two) years after the adoption of this resolution.

12. **Authorisation of directors – ordinary resolution number 7**

“Resolved that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary or incidental to the implementation of the resolutions passed at this annual general meeting.”

To consider and, if approved, to pass with or without modification, the resolutions set out above, in the manner required by the Act, as read with the JSE Listings Requirements.

13. **To transact such other business which may be transacted at an annual general meeting.**

By order of the board

Cape Town
15 September 2016

# FORM OF PROXY

**MONTAUK HOLDINGS LIMITED**
Incorporated in the Republic of South Africa
Registration number: 2010/017811/06
Share code: MNK
ISIN: ZAE000197455
("Montauk" or "the Company" or "the Group")

I/We, ______________________________ (name in full)

of address ______________________________

being a registered holder of ______________________________ ordinary shares in the company,

hereby appoint

1 ______________________________ or failing him/her,

2 ______________________________ or failing him/her,

3 ______________________________ or failing him/her,

the chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on Tuesday, 1 November 2016 at 14:00 at the offices of the Company, 5th Floor, 4 Stirling Street, Zonnebloem, Cape Town, 7925 and at any adjournment thereof as follows:

| Agenda | Resolution No. | Description | For | Against | Abstain |
|---|---|---|---|---|---|
| 2 | Ordinary resolution 1 | Adoption of consolidated financial statements | | | |
| 3.1 | Ordinary resolution 2.1 | Election of director: Mr JA Copelyn | | | |
| 3.2 | Ordinary resolution 2.2 | Election of director: Mr MH Ahmed | | | |
| 3.3 | Ordinary resolution 2.3 | Election of director: Mr ML Ryan | | | |
| 4 | Ordinary resolution 3 | Reappointment of auditor | | | |
| 5.1 | Ordinary resolution 4.1 | Appointment of audit committee member: Mr MH Ahmed | | | |
| 5.2 | Ordinary resolution 4.2 | Appointment of audit committee member: Ms NB Jappie | | | |
| 5.3 | Ordinary resolution 4.3 | Appointment of audit committee member: Mr BS Raynor | | | |
| 6 | Ordinary resolution 5 | General authority over unissued shares | | | |
| 7 | Non-binding resolution 6 | Advisory endorsement of remuneration report for the year ended 31 March 2016 | | | |
| 8 | Special resolution 1 | General authority to issue shares and options for cash | | | |
| 9 | Special resolution 2 | Approval of annual fees to be paid to non-executive directors | | | |
| 10 | Special resolution 3 | General authority to repurchase company shares | | | |
| 11 | Special resolution 4 | General authority to provide financial assistance in terms of sections 44 and 45 of the Companies Act | | | |
| 12 | Ordinary resolution 7 | Authorisation of directors to implement resolutions passed | | | |

Indicate instructions to proxy by way of a cross (x) in the spaces provided above.

**Unless otherwise instructed my proxy may vote as he/she thinks fit.**

Signed this ______________________________ day of ______________ 2016.

Signature ______________________________

Assisted by me (where applicable) ______________________________

**Please read the notes overleaf**

# NOTES TO THE FORM OF PROXY

1. A form of proxy is only to be completed by those shareholders who are:
   - holding shares in certificated form; or
   - recorded in the sub-register in dematerialised electronic form in “own name”.
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (“CSDP”) or broker, other than with “own name” registration, and wish to attend the general meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into by yourself and the CSDP or broker.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.
4. Every person present and entitled to vote at the meeting as a member or as a proxy or as a representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of shares such person holds or represents but, in the event of a poll, a member shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company.
5. Please insert the relevant number of shares/votes and indicate with a cross (X) in the appropriate spaces on the face hereof how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain from voting at his/her discretion.
6. A deletion of any printed details and the completion of any blank space/s need not be signed or initialled. Any alteration must be initialled.
7. The chairman of the general meeting shall be entitled to decline to accept the authority of the signatory under a power of attorney, or on behalf of a company, unless the power of attorney or authority is produced or has been registered.
8. The signatory may insert the name of any person/s whom the signatory wishes to appoint as his/her proxy, in the blank space/s provided for that purpose.
9. When there are joint holders of shares and if more than one such joint holder be presented or represented, then the person 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.
10. A minor should be assisted by his parent or legal guardian unless the relevant documents establishing his legal capacity are produced or have been registered.
11. The completion and lodging of this proxy form will not preclude the signatory from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.
12. A shareholder’s instructions must be indicated by the insertion of a cross, or where applicable, the relevant number of votes exercisable by the shareholder, in the appropriate box of this proxy form.
13. If the signatory does not indicate how he/she wishes to vote in the appropriate place/s on the face hereof in respect of the resolution, his/her proxy shall be entitled to vote as he/she deems fit in respect of the resolutions.
14. If the shareholding is not indicated on the proxy form, the proxy will be deemed to be authorised to vote the total shareholding.
15. The chairman of the general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
16. Forms of proxy will not be accepted unless they have been returned by the shareholders concerned to Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) so as to be received by no later than 14:00 on Monday, 31 October 2016.

# CORPORATE ADMINISTRATION

**DIRECTORS**

*Executive*
ML Ryan[1] (Chief Executive Officer)
SF McClain[1] (Chief Financial Officer)

*Non-executive*
JA Copelyn (Chairman)
MA Jacobson[2]
A van der Veen
NB Jappie[3]
BS Raynor[1, 3]
MH Ahmed[3] (Lead Independent)

[1] Nationality: United States of America
[2] Nationality: Australia
[3] Independent

**WEBSITE ADDRESS**
www.montauk.co.za

**COMPANY REGISTRATION NUMBER**
2010/017811/06

**SHARE CODE**
MNK

**ISIN**
ZAE000197455

**COMPANY SECRETARY AND REGISTERED OFFICE**
HCI Managerial Services Proprietary Limited
5th Floor
4 Stirling Street
Zonnebloem
Cape Town 7925

PO Box 5251
Cape Town 8000

Telephone: 021 481 7560
Telefax: 021 434 1459

**AUDITORS**
Grant Thornton Johannesburg Partnership
Practice Number 903485
@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo 2196

Private Bag X10046
Sandton 2146

**BANKERS**
Nedbank Limited

**SPONSOR**
Investec Bank Limited
100 Grayston Drive
Sandton, Sandown 2196

**TRANSFER SECRETARIES**
Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg 2001

PO Box 61051
Marshalltown 2107

Montauk
Holdings Limited

www.montauk.co.za