

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group	
	2018 \$'000	2017 \$'000
1. PROPERTY, PLANT AND EQUIPMENT		
Cost		
Land and buildings	4 960	5 104
Leasehold improvements	370	178
Other equipment and vehicles	194 222	155 384
Plant and machinery	687	628
	200 239	161 294
Accumulated depreciation		
Land and buildings	(3 659)	(3 426)
Leasehold improvements	(89)	(48)
Other equipment and vehicles	(65 670)	(56 181)
Plant and machinery	(425)	(309)
	(69 843)	(59 964)
Carrying value		
Land and buildings	1 301	1 678
Leasehold improvements	281	130
Other equipment and vehicles	128 552	99 203
Plant and machinery	262	319
	130 396	101 330
Movements in property, plant and equipment		
Balance at the beginning of the year		
Land and buildings	1 678	1 982
Leasehold improvements	130	157
Other equipment and vehicles	99 203	96 033
Plant and machinery	319	266
	101 330	98 438
Additions		
Land and buildings	150	57
Other equipment and vehicles	42 667	19 507
Plant and machinery	193	150
	43 010	19 714
Change in estimate related to asset retirement obligations*		
Land and buildings	(797)	–
Other equipment and vehicles	(547)	(206)
	(1 344)	(206)

		Group	
		2018	2017
		\$'000	\$'000
1. PROPERTY, PLANT AND EQUIPMENT continued			
	Impairment loss		
	Land and buildings	–	(14)
	Other equipment and vehicles	–	(2 223)
		–	(2 237)
	Disposals and transfers		
	Other equipment and vehicles	(147)	(1 299)
		(147)	(1 299)
	Depreciation		
	Land and buildings	(233)	(347)
	Leasehold improvements	(41)	(27)
	Other equipment and vehicles	(10 829)	(11 954)
	Plant and machinery	(116)	(97)
		(11 219)	(12 425)
	Reclassified as held for sale		
	Other equipment and vehicles	–	(655)
		–	(655)
	Other non-cash adjustments		
	Other equipment and vehicles	(1 234)	–
		(1 234)	–
	Balances at the end of the year		
	Land and buildings	1 301	1 678
	Leasehold improvements	281	130
	Other equipment and vehicles	128 552	99 203
	Plant and machinery	262	319
		130 396	101 330

* In the current year the tenure of gas rights relating to two sites was extended by 16 and 25 years, respectively. The asset retirement obligations were reduced as a result, due to increased discounting periods and corresponding adjustments made to the property, plant and equipment items to which the cost of the asset retirement obligations were initially capitalised. In the prior year the Bowerman renewable electric site updated the decommissioning study. The outcome of the study indicated costs to decommission the site would be lower than originally estimated, which resulted in a reduction to the asset retirement obligation and a corresponding adjustment made to the property, plant and equipment items to which the cost of the asset retirement obligation was initially capitalised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

	Customer contracts \$'000	Emission allowances \$'000	Gas rights \$'000	Inter-connection \$'000	Land rights \$'000	Total \$'000
2. INTANGIBLE ASSETS						
Group 2018						
Carrying value at the beginning of the year	4 297	2 358	12 517	3 894	332	23 398
Additions	–	–	988	–	–	988
Disposals	–	(1 402)	–	–	–	(1 402)
Amortisation	(1 181)	–	(2 264)	(264)	–	(3 709)
Carrying value at the end of the year	3 116	956	11 241	3 630	332	19 275
Cost	17 276	956	38 831	4 352	333	61 748
Accumulated amortisation	(14 160)	–	(27 590)	(722)	(1)	(42 473)
	3 116	956	11 241	3 630	332	19 275
Group 2017						
Carrying value at the beginning of the year	5 478	3 057	14 701	8 809	333	32 378
Additions	–	–	87	201	–	288
Refund on interconnection	–	–	–	(4 843)	–	(4 843)
Disposals	–	(699)	–	–	–	(699)
Amortisation	(1 181)	–	(2 271)	(273)	(1)	(3 726)
Carrying value at the end of the year	4 297	2 358	12 517	3 894	332	23 398
Cost	17 276	2 358	37 837	4 352	333	62 156
Accumulated amortisation	(12 979)	–	(25 320)	(458)	(1)	(38 758)
	4 297	2 358	12 517	3 894	332	23 398

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 1 and 8 years
Gas rights	Between 3 and 25 years
Interconnection	Between 5 and 19 years

* Emission allowances consist of credits that need to be applied to nitrogen oxide (NOx) emissions from internal combustion engines. These engines emit levels of NOx for which specific allowances are required in certain regions of states in the United States of America. The allowances available for use each year are capped at a level necessary for ozone attainment per the National Ambient Air Quality Standards. Certain assets acquired through the acquisition of a subsidiary, by Montauk Energy Holdings LLC, qualify for NOx allowances. These have been recognised at fair value at date of acquisition, have indefinite useful lives and, as a result, are not amortised. These assets are tested annually for impairment. The Company obtains market price information related to current trades of NOx credits from third parties. This information is compared to the carrying value of the Company's credits and impairments recognised if required. There is currently no indicator for impairment

** Land rights have indefinite useful lives and, as a result, are not amortised. Land rights relate to the JRE location. The Company assesses the value of the CGU to which these land rights relate with reference to undiscounted EBITDA forecasts and the remaining tenure of existing gas rights. There is currently no indicator of impairment

3. SUBSIDIARY COMPANIES

Shares at cost less impairment

Company	
2018 \$'000	2017 \$'000
122 237	121 536

No impairments have been recognised on these shares.

\$0.7 million was capitalised to the investment in subsidiary in respect of share-based payments in the current year.

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 share capital, which is 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		% of exercisable voting rights	
			2018	2017	2018	2017
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 principle 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.

4. DEFERRED TAX

Movements in deferred taxation

At the beginning of the year

Provisions and accruals

Assessed (losses)/benefits

Accelerated tax allowances

Alternative minimum tax credits

Federal tax credits

At the end of the year

Analysis of deferred taxation

Provisions and accruals

Assessed losses

Accelerated tax allowances

Alternative minimum tax credits

Federal tax credits

Group	
2018 \$'000	2017 \$'000
26 825	–
(1 518)	256
(18 567)	26 369
2 946	(184)
(384)	384
2 440	–
11 742	26 825
1 067	2 585
10 564	29 131
(4 814)	(7 760)
–	384
4 925	2 485
11 742	26 825

The Group had no unrecognised assessed loss assets at 31 March 2018 (2017: \$Nil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

		Group	
		2018	2017
		\$'000	\$'000
5. NON-CURRENT RECEIVABLES			
Letters of credit		943	1 222
<p>These amounts are due within one to eighteen years and bear interest at rates ranging from 0% to 1% per annum.</p> <p>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.</p>			
6. INVENTORIES			
Consumables and spares		2 603	1 053
7. OTHER FINANCIAL ASSETS			
Fair value through profit and loss			
Interest rate swap		556	–
Energy price derivative		–	8
Amortised cost			
Restricted cash		–	7 759
		556	7 767
Current		29	3 582
Non-current		527	4 185
		556	7 767

Restricted cash was applied in the settlement of borrowings during the year.

Fair value of derivative financial instruments carried at fair value through profit or loss

Interest rate derivative contracts of the Group are carried at their fair value on the statement of financial position.

The value of all the interest rate derivative contracts at year-end were determined using a model which incorporates market inputs, including the implied forward interest rate yield curve for the same period as the future interest rate swap settlements. Energy price derivative contracts of the Group are carried at their fair value on the statements 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		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	7 256	8 345	2	–
Other receivables	772	440	–	–
Provision for impairment of trade receivables	–	–	–	–
	8 028	8 785	2	–
Fair value of trade receivables				
Trade and other receivables	8 028	8 785	2	–

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 pledged to a third party.

Trade receivables past due but not impaired

At 31 March 2018 and 2017 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	
	2018 \$'000	2017 \$'000
30 to 60 days	–	–
60 to 90 days	18	18
More than 90 days	314	–

None of the trade receivables 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.

9. DISPOSAL GROUPS HELD FOR SALE

During the year ended 31 March 2017 a decision was made by the Company's management to both cease operations at and market the assets of certain renewable electric facilities in its portfolio. During 2018 the Company received proceeds of \$0.2 million for the property, plant and equipment held for sale and recognised a loss of \$0.5 million. The Company also received an immaterial amount of proceeds and recognised a loss of \$0.1 million related to the write-off of the inventories held for sale. Assets and liabilities classified as held for sale included were as follows:

	Group	
	2018 \$'000	2017 \$'000
Property, plant and equipment	–	655
Inventories	–	115
	–	770
Provisions	–	399

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

	Number of shares		2018 \$'000	2017 \$'000
	2018 '000	2017 '000		
10. ORDINARY SHARE CAPITAL				
Authorised				
Ordinary shares of no par value	200 000	200 000	–	–
Issued				
In issue in Company	137 879	137 879	167 231	166 863
Restricted shares held by employees in terms of Restricted Stock Plan	(1 551)	(1 939)	–	–
	136 328	135 940	167 231	166 863

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 2016	137 842	166 202
Equity-settled share-based payments	–	614
Issued in terms of Share Appreciation Rights Scheme	37	47
In issue at 31 March 2017	137 879	166 863
Equity-settled share-based payments	–	368
In issue at 31 March 2018	137 879	167 231

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
11. OTHER RESERVES				
FCTR at the beginning of the year	2 625	2 573	2 639	2 588
Exchange differences on translation	109	52	109	51
At the end of the year	2 734	2 625	2 748	2 639

12. BORROWINGS

Vendor borrowings
Bank borrowings
Current portion of borrowings
Borrowings*

Secured

Borrowings of the Company consist of a term loan of \$17.7 million with an interest rate of 4.4% maturing in fiscal year 2021. A wholly-owned subsidiary of the Company, Bowerman Power LFG, also has a term loan of \$25.9 million with an interest rate of 4.9% maturing in fiscal year 2023. Borrowings of \$47.3 million in the prior year consisted of \$37.6 million in respect of a construction to term loan and \$9.6 million in respect of a revolving credit facility of \$0.5 million and term loan of \$9.2 million from a commercial bank.

These borrowings are secured by all assets of the Group, except for the wholly-owned subsidiary term loan, which is secured exclusively by the assets of Bowerman Power LFG, LLC. Total security as of 31 March 2018 includes the following: \$29.0 million of cash; \$8.0 million of trade receivables; \$2.6 million of inventories; \$130.4 million of property, plant and equipment; \$19.3 million of intangible assets; \$0.9 million of non-current receivables and \$0.5 million of other long-term assets.

Fixed rates*

Floating rates*

Maturity of these borrowings is as follows*:

Due within one year
Due within two to five years
Due after five years

Weighted average effective interest rates (%)

Movements in the carrying value of borrowings are as follows:

Carrying value at the beginning of the year

Cash flows:

Raising of new debt
Raising of debt issuance costs
Cash paid for debt extinguishment
Financial assets utilised as debt repayments
Debt repayments

Non-cash:

Amortisation of debt issuance costs
Loss on extinguishment of debt
Carrying value at the end of the year

	Group	
	2018 \$'000	2017 \$'000
Vendor borrowings	–	37 637
Bank borrowings	42 907	9 633
Current portion of borrowings	(6 699)	(11 433)
Borrowings*	36 208	35 837
Secured	36 208	35 837
Fixed rates*	–	37 637
Floating rates*	42 907	9 633
	42 907	47 270
Due within one year	6 699	11 433
Due within two to five years	36 208	8 622
Due after five years	–	27 215
	42 907	47 270
Weighted average effective interest rates (%)	4.71	6.61

	Group	
	Long-term borrowings \$'000	Total \$'000
Carrying value at the beginning of the year	47 270	47 270
Raising of new debt	49 267	49 267
Raising of debt issuance costs	(814)	(814)
Cash paid for debt extinguishment	(1 127)	(1 127)
Financial assets utilised as debt repayments	(10 024)	(10 024)
Debt repayments	(43 522)	(43 522)
Amortisation of debt issuance costs	246	246
Loss on extinguishment of debt	1 611	1 611
Carrying value at the end of the year	42 907	42 907

At 31 March 2018 the carrying value of borrowings approximates their fair value as market-related interest rates apply to these balances.

During the year ended 31 March 2018 the Group refinanced all of its outstanding borrowings resulting in a loss on extinguishment of \$1.6 million. In connection with the refinancing, the Group used the new borrowings and \$10.0 million of previously restricted financial assets to repay the construction-to-term loan and the revolving credit facility of the wholly-owned subsidiary of the Company, Bowerman Power LFG. Finally, the Company paid \$1.1 million related to extinguishment costs associated with the refinancing of its outstanding borrowings.

* Borrowings are shown net of debt issuance costs of \$0.6 million and \$0.5 million, respectively

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

	Group	
	2018 \$'000	2017 \$'000
13. PROVISIONS		
Asset retirement obligations		
Balance at the beginning of the year	6 215	6 871
Raised during the year	465	460
Utilised	–	(125)
Reversed during the year	–	(386)
Change in estimate	(1 344)	(206)
Reclassified as held for sale	–	(399)
Balance at the end of the year	5 336	6 215
Leave entitlement		
Balance at the beginning of the year	239	255
Raised during the year	620	509
Utilised	(594)	(525)
Balance at the end of the year	265	239
Bonus plans		
Balance at the beginning of the year	1 593	1 222
Raised during the year	1 163	6 386
Utilised	(1 367)	(6 015)
Balance at the end of the year	1 389	1 593
Total provisions	6 990	8 047
Non-current	5 336	6 215
Current	1 654	1 832
	6 990	8 047

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 entitlement

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.

Bonus plans

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		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
14. FINANCIAL LIABILITIES				
Financial liabilities carried at fair value through profit or loss				
Interest rate swap	16	8		
Energy price derivative	113	–		
	129	8		
Current portion	129	8		
Non-current portion	–	–		
	129	8		
Fair value of derivative financial instruments carried at fair value through profit or loss				
Interest rate derivative contracts of the Group are carried at their fair value on the statement of financial position.				
The value of all the interest rate derivative contracts at year-end was determined using a model which incorporates market inputs, including the implied forward interest rate yield curve for the same period as the future interest rate swap settlement.				
Energy price derivative contracts of the Group are carried at their fair value on the statements 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.				
15. TRADE AND OTHER PAYABLES				
Trade payables	927	594	21	14
Accruals in respect of fixed asset purchases	5 351	5 020	–	–
Accruals in respect of compensation	311	475	–	–
Accruals in respect of royalties	1 462	2 420	–	–
Other accruals and payables	2 291	3 360	–	–
	10 342	11 869	21	14

Fair value of trade and other payables

The carrying value approximates fair value because of the short period to settlement of these obligations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
16. COMMITMENTS				
Operating lease arrangements where the Group is a lessee				
Future leasing charges:				
– Payable within one year	188	189		
– Payable within two to five years	528	644		
– Payable after five years	–	40		
	716	873		
Commitments for the acquisition of property, plant and equipment and intangibles				
Contracted for but not provided in the financial statements	6 088	23 570		
Authorised but not contracted for	7 936	11 890		
	14 024	35 460		
Within one year	14 024	33 561		
More than one year	–	1 899		
17. REVENUE				
Environmental attribute sales	64 228	50 558		
Gas commodity sales	31 919	26 471		
Wholesale electricity sales	12 792	11 894		
Other revenue	210	210		
Dividends from subsidiary	–	–	4 354	–
	109 149	89 133	4 354	–
18. OTHER INCOME				
Gain on settlement	2 600	–		
Gain on the sales of NOx allowances	562	150		
Other income	375	661		
	3 537	811		
19. INVESTMENT INCOME				
Interest				
Bank	42	37	39	34
20. FINANCE COSTS				
Interest on borrowings	(2 074)	(4 177)		
21. ASSET IMPAIRMENTS				
Upon completion of its annual evaluation of asset impairment in accordance with IAS 36, the Company calculated and recorded no impairment loss as of 31 March 2018 (2017: \$2.2 million). The impairment loss in the prior year was primarily due to the continued deterioration in market pricing for electricity. It was calculated based on replacement cost of similar specification, age and condition items, as quoted by industry specialists. The impairment loss impact on the 31 March 2018 and 2017 statements of financial position by asset category is as follows:				
Property, plant and equipment, net	–	(2 237)		
Impairment loss	–	(2 237)		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

	2018		2017	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
24. EARNINGS/(LOSS) PER SHARE continued				
Reconciliation of headline profit:				
Profit attributable to equity holders of the parent		22 275		42 125
Losses on disposal of plant and equipment	147	124	103	103
Impairment of plant and equipment	–	–	2 237	2 237
Third-party compensation received in respect of impaired plant and equipment	–	–	(834)	(834)
Loss on disposal of assets held for sale	449	441	–	–
Gain on disposal of intangible assets	(562)	(315)	(150)	(150)
Headline profit attributable to equity holders of the parent		22 525		43 481
	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
25. NOTES TO THE CASH FLOW STATEMENTS				
25.1 Cash generated by operations				
Profit/(loss) after taxation	22 275	42 125	3 876	(213)
Taxation	16 037	(26 376)	221	–
Depreciation and amortisation	14 905	16 151	–	–
Profit on disposal of assets	(271)	(47)	–	–
Impairment of assets	–	2 237	–	–
Share-based payment expense	701	1 299	–	–
Fair value adjustments	121	(22)	–	–
Investment income	(42)	(37)	(39)	(34)
Finance costs	2 074	4 177	–	–
Movement in provisions	469	460	–	–
Loss on extinguishment of debt	1 611	–	–	–
Non-cash accrued liability write-off related to settlement	1 234	–	–	–
Other non-cash items	105	96	–	–
	59 219	40 063	4 058	(247)
25.2 Changes in working capital				
Inventory	(1 434)	56	–	–
Trade and other receivables	298	(5 209)	(2)	–
Trade and other payables	(6 490)	(5 611)	4	13
	(7 626)	(10 764)	2	13
25.3 Taxation paid				
Unpaid at the beginning of the year	(450)	(1)	(1)	(1)
Charged to the income statement	(954)	(449)	(221)	–
Unpaid at the end of the year	118	450	1	1
	(1 286)	–	(221)	–
25.4 Cash and cash equivalents				
Bank balances and deposits	29 172	19 622	202	421
	29 172	19 622	202	421

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. KEY MANAGEMENT COMPENSATION

Group Directors

	Board fees \$'000	Salary \$'000	Other benefits \$'000	Share- based compensa- tion \$'000	Bonus \$'000	Total \$'000
Year ended 31 March 2018						
Executive directors						
ML Ryan*#	–	236	33	235	159	663
SF McClain*	–	194	31	203	100	528
Non-executive directors						
JA Copelyn**#	12	–	–	–	–	12
MA Jacobson#	8	–	–	–	–	8
A van der Veen#	8	–	–	–	–	8
MH Ahmed****#	12	–	–	–	–	12
NB Jappie****#	12	–	–	–	–	12
BS Raynor*****#	19	–	–	–	–	19
Total	71	430	64	438	259	1 262

Actual fees determined in South African Rand

* Paid by a subsidiary

** Includes \$3 353 for remuneration committee and social and ethics committee fees

*** Includes \$3 353 for remuneration committee and audit committee fees

**** Includes \$3 353 for remuneration committee, audit committee and social and ethics committee fees

***** Includes \$3 353 for audit committee fees and \$7 000 board fees paid by subsidiary companies

	Board fees \$'000	Salary \$'000	Other benefits \$'000	Share- based compen- sation \$'000	Bonus \$'000	Total \$'000
Year ended 31 March 2017						
Executive directors						
DR Herrman*#	–	65	7	–	–	72
ML Ryan*	–	226	20	218	169	633
SF McClain*	–	193	32	200	97	522
Non-executive directors						
JA Copelyn**##	10	–	–	–	–	10
MA Jacobson##	7	–	–	–	–	7
A van der Veen##	7	–	–	–	–	7
MH Ahmed****##	10	–	–	–	–	10
NB Jappie****##	10	–	–	–	–	10
BS Raynor*****##	17	–	–	–	–	17
Total	61	484	59	418	266	1 288

Mr DR Herrman resigned effective 10 June 2016

Actual fees determined in South African Rand

* Paid by a subsidiary

** Includes \$2 886 for remuneration committee and social and ethics committee fees

*** Includes \$2 886 for remuneration committee and audit committee fees

**** Includes \$2 886 for remuneration committee, audit committee and social and ethics committee fees

***** Includes \$2 886 for audit committee fees and \$7 000 board fees paid by subsidiary companies

Other key management and prescribed officers

	Salary \$'000	Other benefits \$'000	Stock- based compensa- tion \$'000	Severance \$'000	Bonus \$'000	Total \$'000
Year ended 31 March 2018						
SE Hill	193	31	203	–	99	526
JW Wallace	178	13	51	–	91	333
I Pearl	83	–	8	–	–	91
Total	454	44	262	–	190	950
Year ended 31 March 2017						
SE Hill	195	32	200	–	97	524
CA Davis	149	27	660	85	–	921
JW Wallace	146	7	21	–	89	263
Total	490	66	881	85	186	1 708

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27. DIRECTORS' SHAREHOLDINGS

Group	Direct beneficial		Indirect beneficial		Associates	
	Number	% holding	Number	% holding	Number	% holding
31 March 2018						
Executive directors						
ML Ryan* **	660 540	0.5	–	–	–	–
SF McClain* ***	646 400	0.5	–	–	–	–
Non-executive directors						
JA Copelyn	–	–	6 705 348	4.8	–	–
MA Jacobson#	2 640 689	1.9	–	–	–	–
A van der Veen	–	–	833 272	0.6	–	–
BS Raynor##	946 078	0.7	–	–	–	–
Total	4 893 707	3.6	7 538 620	5.4	–	–

* 517 120 shares per director are held in terms of the Montauk Holdings Restricted Stock Plan for U.S. Affiliates

** Sold 50 000 shares on 10 May 2018

*** Sold 120 000 shares between 7 and 8 June 2018

Sold 332 785 shares on 27 June 2018

Sold 180 000 shares on 20 June 2018

31 March 2017

Executive directors

ML Ryan*	660 540	0.5	–	–	–	–
SF McClain*	646 400	0.5	–	–	–	–

Non-executive directors

JA Copelyn	–	–	6 705 348	4.8	–	–
MA Jacobson	2 640 689	1.9	–	–	–	–
A van der Veen	833 272	0.6	–	–	–	–
BS Raynor**	812 078	0.6	–	–	–	–
Total	5 592 979	4.1	6 705 348	4.8	–	–

* 646 400 shares per director are held in terms of the Montauk Holdings Restricted Stock Plan for U.S. Affiliates

** Acquired a further 134 000 shares between 23 May and 15 June 2017

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

The Company operates 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. Rights are awarded at a strike price equal to the closing price on the date of award. 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 exercise. 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 options granted is measured using the Black-Scholes Model. Grants awarded in the current year were fairly valued using a volatility indicator of 47% and an annual interest rate of 2.65%. 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 \$701 383 (2017: \$1 299 472) was recognised during the current year.

The volume weighted average share price during the current year was ZAR34.81 (2017: ZAR15.03).

28. 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 2018 are as follows:

	Number of restricted shares		Weighted average issue price ZAR*	
	2018	2017	2018	2017
Balance at the beginning of the year	1 939 200	2 585 600	–	–
Restricted shares vested	(387 840)	(646 400)	–	–
Balance at the end of the year	1 551 360	1 939 200	–	–
Unconditional on:				
31 March 2018	–	387 840	–	–
31 March 2019	387 840	387 840	–	–
31 March 2020	1 163 520	1 163 520	–	–

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. 387 840 (2017: 646 600) shares became unconditional during the year.

The share appreciation rights issued in terms of the Share Appreciation Rights Scheme and outstanding at 31 March 2018 are as follows:

	Number of share appreciation rights		Weighted average exercise price ZAR*	
	2018	2017	2018	2017
Balance at the beginning of the year	875 000	525 000	13.36	8.50
Share appreciation rights awarded	204 480	425 000	54.00	18.50
Share appreciation rights forfeited	–	–	–	–
Share appreciation rights exercised	–	(75 000)	–	8.50
Balance at the end of the year	1 079 480	875 000	21.06	13.36
Exercisable between:				
11 December 2018 and 11 March 2019	150 000	150 000	8.50	8.50
26 October 2019 and 26 January 2020	258 333	258 333	18.50	18.50
11 December 2019 and 11 March 2020	150 000	150 000	8.50	8.50
26 October 2020 and 26 January 2021	83 333	83 333	18.50	18.50
11 December 2020 and 11 March 2021	150 000	150 000	8.50	8.50
28 February 2021 and 28 May 2021	68 160	–	54.00	–
26 October 2021 and 26 January 2022	83 334	83 334	18.50	18.50
28 February 2022 and 28 May 2022	68 160	–	54.00	–
28 February 2023 and 28 May 2023	68 160	–	54.00	–

The maximum number of shares that may be issued in respect of the 1 079 480 (2017: 875 000) share appreciation rights outstanding at reporting date is 1 079 480 (2017: 875 000).

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 6 397 273 (2017: 6 601 753) shares may be utilised by the Share Appreciation Rights Scheme. No (2017: 37 478) shares were delivered to participants in terms of the Share Appreciation Rights Scheme during the year under review.

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

	Number of restricted shares		Weighted average issue price ZAR*	
	2018	2017	2018	2017
Restricted shares awarded to executive directors:				
ML Ryan				
Balance at the beginning of the year	646 400	646 400	–	–
Restricted shares vested	(129 280)	–	–	–
Balance at the end of the year	517 120	646 400	–	–
Unconditional on:				
31 March 2018	–	129 280	–	–
31 March 2019	129 280	129 280	–	–
31 March 2020	387 840	387 840	–	–
SF McClain				
Balance at the beginning of the year	646 400	646 400	–	–
Restricted shares awarded	(129 280)	–	–	–
Balance at the end of the year	517 120	646 400	–	–
Unconditional on:				
31 March 2018	–	129 280	–	–
31 March 2019	129 280	129 280	–	–
31 March 2020	387 840	387 840	–	–
	Number of share appreciation rights		Weighted average exercise price ZAR*	
	2018	2017	2018	2017
Share appreciation rights granted to executive directors:				
ML Ryan				
Balance at the beginning of the year	425 000	300 000	11.44	8.50
Share appreciation rights awarded	–	125 000	–	18.50
Balance at the end of the year	425 000	425 000	11.44	11.44
Exercisable between:				
11 December 2018 and 11 March 2019	100 000	100 000	8.50	8.50
26 October 2019 and 26 January 2020	125 000	125 000	18.50	18.50
11 December 2019 and 11 March 2020	100 000	100 000	8.50	8.50
11 December 2020 and 11 March 2021	100 000	100 000	8.50	8.50
SF McClain				
Balance at the beginning of the year	100 000	75 000	11.00	8.50
Share appreciation rights awarded	–	25 000	–	18.50
Balance at the end of the year	100 000	100 000	11.00	11.00
Exercisable between:				
11 December 2018 and 11 March 2019	25 000	25 000	8.50	8.50
26 October 2019 and 26 January 2020	25 000	25 000	18.50	18.50
11 December 2019 and 11 March 2020	25 000	25 000	8.50	8.50
11 December 2020 and 11 March 2021	25 000	25 000	8.50	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

29. FINANCIAL RISK MANAGEMENT

29.1 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.

29.1.1 Market risk

Currency risk

The Group's exposure to foreign exchange risk is insignificant as its functional currency is the US Dollar and its operations are all situated in the United States with only certain administrative functions performed in South Africa. 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 exchange rates applied during the years under review:

	Average rate		Reporting date	
	2018	2017	2018	2017
South African Rand	0.08	0.07	0.08	0.07

The following carrying amounts were exposed to foreign currency exchange risk:

	2018 \$'000	2017 \$'000
Cash and cash equivalents		
South African Rand	202	421
Trade and other payables		
South African Rand	21	14

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 (gross of debt issuance costs) was:

	Carrying amount	
	2018 \$'000	2017 \$'000
Fixed rate instruments		
Financial assets	29 172	19 622
Financial liabilities	–	(38 126)
Variable rate instruments		
Financial assets	–	–
Financial liabilities	(43 526)	(9 677)

Fair value sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit after tax by \$Nil (2017: \$0.1 million).

Other price risk

The Group is not exposed to commodity price risk other than energy commodity (electricity and natural gas) and RIN pricing. 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 natural gas price would have increased/decreased post-tax profits by \$0.1 million (2017: \$0.1 million). A change of 1% in the price of RINs would have increased/decreased post-tax profits by \$0.4 million (2017: \$0.3 million). The analysis assumes that all other variables remain constant.

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29. FINANCIAL RISK MANAGEMENT continued

29.1 Financial risk factors continued

29.1.2 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	
	2018 \$'000	2017 \$'000
Energy price derivatives	–	8
Receivables	8 971	10 007
Cash and cash equivalents	29 172	19 622
	38 143	29 637

29.1.3 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 aim 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.

	Less than one year \$'000	Between two and five years \$'000	Over five years \$'000
At 31 March 2018			
Bank and other borrowings (gross of debt issuance costs)	6 931	36 595	–
Trade and other payables	10 342	–	–
	17 273	36 595	–
At 31 March 2017			
Bank and other borrowings	11 477	8 622	27 705
Trade and other payables	11 869	–	–
	23 346	8 622	27 705

Defaults and breaches on loans

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

29.2 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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29. FINANCIAL RISK MANAGEMENT continued

29.3 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

The following items are measured at fair value:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group 2018				
ASSETS				
Financial assets at fair value through profit or loss				
Interest rate swaps	–	556	–	556
Total assets	–	556	–	556
LIABILITIES				
Financial liabilities at fair value through profit or loss				
Interest rate swaps	–	16	–	16
Energy price derivatives	38	75	–	113
Total liabilities	38	91	–	129
Group 2017				
ASSETS				
Financial assets at fair value through profit or loss				
Energy price derivative	–	8	–	8
Total assets	–	8	–	8
LIABILITIES				
Financial liabilities at fair value through profit or loss				
Interest rate swap	–	8	–	8
Total liabilities	–	8	–	8

30. EVENTS SUBSEQUENT TO REPORTING DATE

In April 2018 the Group entered into an agreement with one of its existing landfill counterparties to operate the gas collection system, and build, own and operate an RNG facility at a landfill located in Texas for a term of 20 years from commercial operation. Upon commercial operation, the output from this new RNG facility is intended to be contracted for use in the transportation sector to allow for the generation of RINs under the RFS. Commercial operation at this RNG project is targeted to commence in the first quarter of the 2020 financial year.

In May 2018 the Group entered into an agreement with one of its existing landfill counterparties to operate the gas collection system, and build, own and operate an RNG facility at a landfill located in Texas for a term of 20 years from commercial operation. Upon commercial operation, the output from this new RNG facility is intended to be contracted for use in the transportation sector to allow for the generation of RINs under the RFS. Commercial operation at this RNG project is targeted to commence in the third quarter of the 2020 financial year.

In July 2018 the Group entered into a joint venture agreement with a dairy farm partner to own and operate a manure digester, and build, own, and operate an RNG facility at a commercial dairy farm located in California for a term of 20 years from commercial operation. The Company holds an 80% interest in the joint venture and it represents the Company's first RNG project on a dairy farm. Upon commercial operation, the output from this new RNG facility is anticipated to be 220 MMBtu/day and is intended to be contracted for use in the transportation sector to allow for the generation of RINs under the RFS and LCFS credits under the California Low Carbon Fuel Standard. Commercial operation at this RNG project is targeted to commence in the second quarter of the 2020 financial year.

These events do not affect the results of the Group for the year ended 31 March 2018.

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31. 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Group				
ASSETS				
Non-current assets	943	5 407	-	-
Property, plant and equipment		-	-	-
Intangible assets		-	-	-
Deferred taxation		-	-	-
Other financial assets	-	4 185	-	-
Non-current receivables	943	1 222	-	-
Current assets	37 200	31 981	-	-
Inventories		-	-	-
Other financial assets	-	3 574	-	-
Trade and other receivables	8 028	8 785	-	-
Cash and cash equivalents	29 172	19 622	-	-
Disposal group assets held for sale	-	-	-	-
Total assets	38 143	37 388	-	-
LIABILITIES				
Non-current liabilities	-	-	36 208	35 837
Borrowings	-	-	36 208	35 837
Long-term provisions	-	-	-	-
Current liabilities	-	-	17 041	23 302
Trade and other payables	-	-	10 342	11 869
Financial liabilities	-	-	-	-
Current portion of borrowings	-	-	6 699	11 433
Taxation	-	-	-	-
Provisions	-	-	-	-
Disposal group liabilities held for sale	-	-	-	-
Total liabilities	-	-	53 249	59 139
Company				
ASSETS				
Non-current assets	-	-	-	-
Subsidiary companies	-	-	-	-
Current assets	204	421	-	-
Cash and cash equivalents	202	421	-	-
Trade and other receivables	2	-	-	-
Total assets	204	421	-	-
LIABILITIES				
Current liabilities	-	-	21	14
Trade and other payables	-	-	21	14
Taxation	-	-	-	-
Total liabilities	-	-	21	14

	Non-financial instruments		Fair value through profit or loss		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
	161 413	151 553	527	–	162 883	156 960
	130 396	101 330	–	–	130 396	101 330
	19 275	23 398	–	–	19 275	23 398
	11 742	26 825	–	–	11 742	26 825
	–	–	527	–	527	4 185
	–	–	–	–	943	1 222
	2 603	1 053	29	8	39 832	33 042
	2 603	1 053	–	–	2 603	1 053
	–	–	29	8	29	3 582
	–	–	–	–	8 028	8 785
	–	–	–	–	29 172	19 622
	–	770	–	–	–	770
	164 016	153 376	556	8	202 715	190 772
	5 336	6 215	–	–	41 544	42 052
	–	–	–	–	36 208	35 837
	5 336	6 215	–	–	5 336	6 215
	2 396	2 282	129	8	19 566	25 592
	–	–	–	–	10 342	11 869
	–	–	129	8	129	8
	–	–	–	–	6 699	11 433
	742	450	–	–	742	450
	1 654	1 832	–	–	1 654	1 832
	–	399	–	–	–	399
	7 732	8 896	129	8	61 110	68 043
	122 237	121 536	–	–	122 237	121 536
	122 237	121 536	–	–	122 237	121 536
	–	–	–	–	204	421
	–	–	–	–	202	421
	–	–	–	–	2	–
	122 237	121 536	–	–	122 441	121 957
	1	1	–	–	22	15
	–	–	–	–	21	14
	1	1	–	–	1	1
	1	1	–	–	22	15