

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Group	
	2019 \$'000	2018 \$'000
<b>1. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Cost</b>		
Land and buildings	6 319	4 960
Leasehold improvements	645	370
Other equipment and vehicles	234 265	194 222
Plant and machinery	714	687
	<b>241 943</b>	<b>200 239</b>
<b>Accumulated depreciation</b>		
Land and buildings	(3 910)	(3 659)
Leasehold improvements	(160)	(89)
Other equipment and vehicles	(72 099)	(65 670)
Plant and machinery	(531)	(425)
	<b>(76 700)</b>	<b>(69 843)</b>
<b>Carrying value</b>		
Land and buildings	2 409	1 301
Leasehold improvements	485	281
Other equipment and vehicles	162 166	128 552
Plant and machinery	183	262
	<b>165 243</b>	<b>130 396</b>
<b>Movements in property, plant and equipment</b>		
<b>Balance at the beginning of the year</b>		
Land and buildings	1 301	1 678
Leasehold improvements	281	130
Other equipment and vehicles	128 552	99 203
Plant and machinery	262	319
	<b>130 396</b>	<b>101 330</b>
<b>Additions</b>		
Land and buildings	58	150
Leasehold improvements	275	–
Other equipment and vehicles	40 871	42 667
Plant and machinery	115	193
	<b>41 319</b>	<b>43 010</b>
<b>Business combinations</b>		
Land and buildings	1 458	–
Other equipment and vehicles	10 758	–
	<b>12 216</b>	<b>–</b>
<b>Change in estimate related to asset retirement obligations*</b>		
Land and buildings	(77)	(797)
Other equipment and vehicles	(461)	(547)
	<b>(538)</b>	<b>(1 344)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

		Group	
		2019	2018
		\$'000	\$'000
<b>1. PROPERTY, PLANT AND EQUIPMENT continued</b>			
	<b>Impairment loss**</b>		
	Other equipment and vehicles	(2 375)	–
		(2 375)	–
	<b>Disposals and transfers</b>		
	Other equipment and vehicles	(181)	(147)
		(181)	(147)
	<b>Depreciation</b>		
	Land and buildings	(331)	(233)
	Leasehold improvements	(71)	(41)
	Other equipment and vehicles	(14 999)	(10 829)
	Plant and machinery	(194)	(116)
		(15 595)	(11 219)
	<b>Other non-cash adjustments</b>		
	Other equipment and vehicles	–	(1 234)
		–	(1 234)
	<b>Balances at the end of the year</b>		
	Land and buildings	2 409	1 301
	Leasehold improvements	485	281
	Other equipment and vehicles	162 166	128 552
	Plant and machinery	183	262
		165 243	130 396

\* In the current year the tenure of gas rights relating to two (2) sites were both extended by 20 years. In the prior year the tenure of gas rights relating to two (2) 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.

\*\* Refer to note 22.

## 2. INTANGIBLE ASSETS

### Group 2019

Carrying value at the beginning of the year

	Customer contracts \$'000	Emission allowances \$'000	Gas rights \$'000	Inter-connection \$'000	Land rights \$'000	Total \$'000
Carrying value at the beginning of the year	3 116	956	11 241	3 630	332	19 275
Additions	–	–	237	5 939	–	6 176
Business combinations	500	–	1 883	–	–	2 383
Disposals	–	(181)	–	–	–	(181)
Impairment	(167)	–	–	–	–	(167)
Amortisation	(1 018)	–	(2 855)	(460)	–	(4 333)
Carrying value at the end of the year	2 431	775	10 506	9 109	332	23 153
Cost	17 608	775	40 952	10 288	332	69 955
Accumulated amortisation	(15 177)	–	(30 446)	(1 179)	–	(46 802)
	2 431	775	10 506	9 109	332	23 153

### Group 2018

Carrying value at the beginning of the year

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

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 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 the 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

		Group	
		2019	2018
		\$'000	\$'000
<b>3. GOODWILL</b>			
	Arising on obtaining control of subsidiaries	140	–
	Reconciliation of carrying value		
	At the beginning of the year	–	–
	– Cost	–	–
	– Accumulated impairment	–	–
	Business combinations	140	–
	<b>At the end of the year</b>	<b>140</b>	<b>–</b>

The value of the CGU to which goodwill has been allocated has been determined based on value-in-use calculations using management-generated cash flow projections. The value-in-use calculation was performed using the following assumptions, based on past experience:

Pre-tax discount rates:	29.5%
Number of years:	20
Long-term growth rate:	<1%

Based on the above calculations, the Group has not identified any impairment to goodwill in the CGU during the current year under review.

		Company	
		2019	2018
		\$'000	\$'000
<b>4. SUBSIDIARY COMPANIES</b>			
	Shares at cost less impairment	122 842	122 237

No impairments have been recognised on these shares.

\$0.6 million (2018: \$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	
			2019	2018	2019	2018
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.

		<b>Group</b>	
		<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>5. DEFERRED TAX</b>			
<b>Movements in deferred taxation</b>			
At the beginning of the year		11 742	26 825
Provisions and accruals		5 930	(1 518)
Assessed losses		2 513	(18 567)
Accelerated tax allowances		(14 488)	2 946
Alternative minimum tax credits		–	(384)
Federal tax credits		2 025	2 440
At the end of the year		<b>7 722</b>	<b>11 742</b>
<b>Analysis of deferred taxation</b>			
Provisions and accruals		6 997	1 067
Assessed losses		13 077	10 564
Accelerated tax allowances		(19 302)	(4 814)
Federal tax credits		6 950	4 925
		<b>7 722</b>	<b>11 742</b>

The Group had no unrecognised assessed loss assets at 31 March 2019 (2018: \$Nil).

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		Group	
		2019	2018
		\$'000	\$'000
<b>6. NON-CURRENT RECEIVABLES</b>			
Letters of credit		965	943
<p>These amounts are due within one to eighteen years and bear interest at rates ranging from 0% to 1% per annum.</p> <p><b>Fair value of non-current receivables</b>                      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 provisions for expected credit loss on non-current receivable financial assets during the current or prior years.</p>			
<b>7. INVENTORIES</b>			
Consumables and spares		4 505	2 603
<b>8. OTHER FINANCIAL ASSETS</b>			
<b>Fair value through profit or loss</b>			
Interest rate swap		74	556
Energy price derivative		317	–
<b>Amortised cost</b>			
AMT tax credit		487	–
		<b>878</b>	<b>556</b>
Current		391	29
Non-current		487	527
		<b>878</b>	<b>556</b>

**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.

Effective for tax years beginning after 31 December 2017 the corporate alternative minimum tax (“AMT”) has been repealed in accordance with the US Tax Cuts and Jobs Act (the “Act”). The Act allows companies that have a prior AMT credit to elect a refund of the credit balance during the years 2018 to 2022. The credit is refundable at 50% in year one and 50% of the remaining balance each year and fully refunded in year 2022. The Company has booked a \$0.5 million current receivable which is recorded within trade and other receivables and a corresponding \$0.5 million long-term receivable within other non-current financial assets.

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>9. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	10 418	7 256	2	2
Other receivables	1 243	772	–	–
Allowance for expected credit losses on trade and other receivables	(200)	–	–	–
	<b>11 461</b>	<b>8 028</b>	<b>2</b>	<b>2</b>
<b>Fair value of trade receivables</b>				
Trade and other receivables	<b>11 461</b>	<b>8 028</b>	<b>2</b>	<b>2</b>

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

The above comparative for the credit loss allowance was determined on the IAS 39 measurement basis which applied an incurred loss model, whereas the current year allowance was determined by applying an expected loss model in terms of IFRS 9.

Management has performed an assessment on the expected credit loss by taking into account the receivables which have been separately identified as a potential bad debt and evaluating the remaining book by category of receivables in terms of IFRS 9. A specific loss allowance of \$0.2 million was recognised for the year ended 31 March 2019 for a specific non-recurring receivable.

The remainder of the receivables book was considered in terms of the IFRS 9 simplified model, considering forward-looking information to arrive at a default rate for the 2018 and 2019 years of assessment. As the Company does not have a history of significant uncollectible accounts, and the consideration of forward-looking information did not indicate any change to this, no allowance for expected credit loss has been recorded at 31 March 2019 and 2018.

Credit is extended based upon an evaluation of the customer's financial condition and, while collateral is not required, the Company periodically receives surety bonds that guarantee payment. Credit terms are consistent with industry standards and practices. Reserves for uncollectible accounts, if any, are recorded as part of selling and administrative expenses in the consolidated statement of comprehensive income.

#### Security

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

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 10. DISPOSAL GROUPS HELD FOR SALE

In July 2018 the Group entered into a joint arrangement 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 arrangement and represented the Company's first RNG project on a dairy farm. During 2019 the Group contributed \$1 320 in capital and recorded equity losses of the joint arrangement of \$224.

During 2019, pursuant to the underlying agreement, the Group determined to sell its 80% ownership in the joint arrangement. The Group concluded that it met the criteria under applicable guidance for a long-lived asset to be held for sale and, accordingly, reclassified its equity method investment of \$1 096 as held for sale. The Group concluded that the carrying value of the investment approximates its fair value less costs to sell and did not record any impairment.

## 11. ORDINARY SHARE CAPITAL

### Authorised

Ordinary shares of no par value

### Issued

In issue in the Company

Restricted shares held by employees in terms of the Restricted Stock Plan

	Number of shares		2019 \$'000	2018 \$'000
	2019 '000	2018 '000		
200 000	200 000	–	–	
138 005	137 879	167 621	167 231	
(1 163)	(1 551)	–	–	
<b>136 842</b>	<b>136 328</b>	<b>167 621</b>	<b>167 231</b>	

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

	Number of shares '000	Share capital \$'000
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
Equity-settled share-based payments	126	390
In issue at 31 March 2019	138 005	167 621

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

## 12. OTHER RESERVES

FCTR at the beginning of the year

Exchange differences on translation

At the end of the year

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
2 734	2 625	2 748	2 639	
464	109	464	109	
<b>3 198</b>	<b>2 734</b>	<b>3 212</b>	<b>2 748</b>	



### 13. BORROWINGS

Bank borrowings

Current portion of borrowings

Borrowings

Secured

Borrowings of the Company consist of a term loan of \$88.3 million with a weighted average interest rate of 5.4% maturing in fiscal year 2024. Prior-year 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.

These borrowings are secured by all assets of the Group. Total security as of 31 March 2019 includes the following: \$47.70 million of cash; \$11.5 million of trade receivables; \$4.5 million of inventories; \$165.2 million of property, plant and equipment; \$23.2 million of intangible assets; \$1.0 million of non-current receivables and \$0.5 million of other long-term assets.

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 (%)

Group	
2019	2018
\$'000	\$'000
88 254	42 907
(18 279)	(6 699)
<b>69 975</b>	36 208
<b>69 975</b>	36 208
88 254	42 907
<b>88 254</b>	42 907
18 279	6 699
69 975	36 208
–	–
<b>88 254</b>	42 907
<b>5.36</b>	4.71

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

		<b>Group</b>
		<b>Long-term borrowings \$'000</b>
<b>13. BORROWINGS continued</b>		
	<b>Movements in the carrying value of borrowings are as follows:</b>	
	<b>2019</b>	
	Carrying value at the beginning of the year	42 907
	<b>Cash flows:</b>	
	Raising of new debt	114 500
	Raising of debt issuance costs	(2 440)
	Debt repayments	(67 437)
	<b>Non-cash:</b>	
	Amortisation of debt issuance costs	724
	Carrying value at the end of the year	<b>88 254</b>
	<b>2018</b>	
	Carrying value at the beginning of the year	47 270
	<b>Cash flows:</b>	
	Raising of new debt	49 267
	Raising of debt issuance costs	(814)
	Cash paid for debt extinguishment	(1 127)
	Financial assets utilised as debt repayments	(10 024)
	Debt repayments	(43 522)
	<b>Non-cash:</b>	
	Amortisation of debt issuance costs	246
	Loss on extinguishment of debt	1 611
	Carrying value at the end of the year	<b>42 907</b>

At 31 March 2019 and 2018 the carrying value of borrowings approximates their fair value as market-related interest rates apply to these balances.

In July 2018 and August 2018 the Group amended its term loan and subsidiary term loan and capitalised \$0.2 million of debt issue costs. In December 2018 the Group refinanced all of its outstanding borrowings into a syndication agreement incurring \$1.8 million of debt issue costs. This refinancing qualified as a debt modification and the Group expensed \$0.4 million in debt issue costs.

In March 2019 the Group amended this syndication and capitalised \$0.1 million in debt issue costs. 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.

	Group	
	2019 \$'000	2018 \$'000
<b>14. PROVISIONS</b>		
<b>Asset retirement obligations</b>		
Balance at the beginning of the year	5 336	6 215
Raised during the year	401	465
Recorded during the year	306	–
Change in estimate	(538)	(1 344)
Balance at the end of the year	<b>5 505</b>	5 336
<b>Leave entitlement</b>		
Balance at the beginning of the year	265	239
Raised during the year	662	620
Utilised	(578)	(594)
Balance at the end of the year	<b>349</b>	265
<b>Bonus plans</b>		
Balance at the beginning of the year	1 389	1 593
Raised during the year	454	1 163
Utilised	(1 389)	(1 367)
Balance at the end of the year	<b>454</b>	1 389
Total provisions	<b>6 308</b>	6 990
Non-current	<b>5 505</b>	5 336
Current	<b>803</b>	1 654
	<b>6 308</b>	6 990

**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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>15. FINANCIAL LIABILITIES</b>				
<b>Financial liabilities carried at fair value through profit or loss</b>				
Interest rate swap	1 006	16		
Energy price derivative	68	113		
Earn-out liability	2 000	–		
	<b>3 074</b>	129		
Current portion	290	129		
Non-current portion	2 784	–		
	<b>3 074</b>	129		
<b>Fair value of derivative financial instruments carried at fair value through profit or loss</b>				
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.				
In connection with the Pico acquisition, the Group recognised the preliminary acquisition date fair value of contingent consideration transferred in exchange for the acquiree. The contingent consideration consists of multiple potential payments that are based on future earnings of the acquired entity during predetermined measurement periods.				
<b>16. TRADE AND OTHER PAYABLES</b>				
Trade payables	3 480	927	17	21
Accruals in respect of fixed asset purchases	3 601	5 351	–	–
Accruals in respect of compensation	390	311	–	–
Accruals in respect of royalties	1 970	1 462	–	–
Other accruals and payables	3 967	2 291	–	–
	<b>13 408</b>	10 342	<b>17</b>	21

#### Fair value of trade and other payables

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>17. COMMITMENTS</b>				
<b>Operating lease arrangements where the Group is a lessee</b>				
Future leasing charges:				
– Payable within one year	328	188		
– Payable within two to five years	780	528		
– Payable after five years	–	–		
	<b>1 108</b>	<b>716</b>		
<b>Commitments for the acquisition of property, plant and equipment and intangibles</b>				
Contracted for but not provided in the financial statements	3 007	6 088		
Authorised but not contracted for	11 075	7 936		
	<b>14 082</b>	<b>14 024</b>		
Within one year	14 082	14 024		
More than one year	–	–		
<b>18. REVENUES FROM CONTRACTS WITH CUSTOMERS</b>				
Environmental attribute sales	77 621	64 228		
Gas commodity sales	28 957	31 919		
Wholesale electricity sales	12 153	12 792		
Other revenue	244	210		
Dividends from subsidiary	–	–	–	4 354
	<b>118 975</b>	<b>109 149</b>	<b>–</b>	<b>4 354</b>

The Company's revenues are comprised of renewable energy and the related green energy attribute sales provided under long-term contracts with its customers. All revenue is recognised when the Company satisfies its performance obligation(s) under the contract (either implicit or explicit) by transferring the promised product to its customer either when (or as) its customer obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation. The Company allocates the contract's transaction price to each performance obligation using the product's observable market stand-alone selling price for each distinct product in the contract.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring its products. As such, revenue is recorded net of returns, allowances, customer discounts and incentives. To the extent applicable, sales, value add and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

The Company's performance obligations related to the sale of renewable energy (i.e. natural gas and electricity) are generally satisfied over time. Revenue related to the sale of renewable energy is generally recognised over time using an output measure based upon the product quantity actually delivered to the customer. This measure is used to best depict the Company's performance to date under the terms of the contract. Revenue from products transferred to customers over time accounted for approximately 35% and 41% of revenue for the years ended 31 March 2019 and 2018, respectively.

The nature of the Company's long-term contracts may give rise to several types of variable consideration, such as periodic price increases. This variable consideration is outside of the Company's influence as the variable consideration is dictated by the market. Therefore, the variable consideration associated with the long-term contracts is considered fully constrained.

The Company's performance obligations related to the sale of environmental attributes are generally satisfied at a point in time and were approximately 65% and 59% of revenue for the years ended 31 March 2019 and 2018, respectively. The Company recognises environmental attribute revenue at the point in time in which the customer obtains control of the environmental attributes, which is generally when environmental attribute title passes to the customer upon delivery. In limited cases, title does not transfer and revenue is not recognised until the customer has accepted the environmental attributes.

The Group's revenues are earned in the United States only.

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The following tables display the Company's revenue by major source based on product type and timing of transfer of goods and services for the years ended 31 March 2019 and 2018:

	Timing of revenue recognition		Total \$'000
	Goods transferred at a point in time \$'000	Goods transferred over time \$'000	
<b>2019</b>			
<b>Major goods/service line</b>			
Gas commodity	13 906	28 957	42 863
Gas environmental attributes	57 485	–	57 485
Electric commodity	–	12 153	12 153
Electric environmental attributes	6 474	–	6 474
	<b>77 865</b>	<b>41 110</b>	<b>118 975</b>
<b>2018</b>			
<b>Major goods/service line</b>			
Gas commodity	10 776	31 919	42 695
Gas environmental attributes	47 223	–	47 223
Electric commodity	–	12 792	12 792
Electric environmental attributes	6 439	–	6 439
	<b>64 438</b>	<b>44 711</b>	<b>109 149</b>

## Practical expedients

Under the new revenue standard, companies may elect various practical expedients upon adoption. As a result the Company elected to recognise the sale of the gas and electric commodities using the right to invoice practical expedient. The Company determined that the amounts invoiced to customers correspond directly with the value to customers and the Company's satisfaction of the performance obligations to date. Furthermore, with the election of the right to invoice practical expedient, the Company also elects to omit disclosures on the remaining, or unsatisfied, performance obligations since the revenue recognised corresponds to the amount that the Company has the right to invoice.

	<b>Group</b>		<b>Company</b>	
	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
<b>19. OTHER INCOME</b>				
Gain on settlement	–	2 600		
Gain on the sales of NOx allowances	871	562		
Other income	419	375		
	<b>1 290</b>	<b>3 537</b>		
<b>20. INVESTMENT INCOME</b>				
<b>Interest</b>				
Bank	79	42	63	39
<b>21. FINANCE COSTS</b>				
Interest on borrowings	4 924	2 074		
<b>22. ASSET IMPAIRMENTS</b>				
Upon completion of its annual evaluation of asset impairment in accordance with IAS 36, the Company calculated and recorded impairment losses of \$2.4 million as of 31 March 2019 (2018: \$Nil). The impairment loss in the current year was primarily due to the continued deterioration in market pricing for electricity, conversion of existing electric sites to natural gas sites, and the cancellation of a site conversion agreement. The impairment loss impact on the 31 March 2019 and 2018 statements of financial position by asset category is as follows:				
Property, plant and equipment, net	2 375	–		
Impairment loss	2 375	–		

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>23. PROFIT BEFORE TAXATION</b>				
The following items have been included in arriving at profit before taxation:				
Auditors' remuneration				
– Audit fees – current year	283	200	39	34
Administrative fees	2 117	1 708	49	49
Consultancy fees	2 983	1 739	–	–
Operating lease charges				
– Premises	192	145	–	–
– Plant and equipment	15	3	–	–
Loss on disposal of property, plant and equipment	207	147	–	–
Commodity price mark-to-market adjustments	(362)	121	–	–
Secretarial fees	58	35	–	–
Staff costs	6 446	6 192	–	–
<b>24. TAXATION</b>				
Current	1 289	731	–	–
Deferred	4 020	15 085	–	–
Withholding tax	579	221	579	221
	<b>5 888</b>	<b>16 037</b>	<b>579</b>	<b>221</b>
<b>Reconciliation of tax rate</b>				
	%	%	%	%
Normal tax rate	28	28	28	28
Capital losses and non-deductible expenses	–	–	–	–
Non-taxable income	–	–	(23)	(23)
Deferred tax asset recognised	(1)	(3)	–	–
Change in rate	–	14	–	–
Differential tax rates – CGT and foreign	(7)	3	–	–
Effective rate	<b>20</b>	<b>42</b>	<b>5</b>	<b>5</b>



		Group	
		2019	2018
		'000	'000
<b>25. EARNINGS PER SHARE</b>			
25.1	Earnings per share as presented on the statements of comprehensive income is based on a weighted average number of 136 337 073 ordinary shares in issue (2018: 135 940 034).		
25.2	Diluted earnings per share is based on the weighted average number of 138 009 121 ordinary shares in issue (2018: 137 639 599).		
	Used in calculation of earnings per share	136 337	135 940
	Shares and rights issued in terms of the Restricted Stock Plan and Share Appreciation Rights Scheme	1 672	1 700
	Used in calculation of diluted earnings per share	138 009	137 640
25.3	Headline earnings per share (cents)	15.65	16.57
	Diluted headline earnings per share (cents)	15.46	16.37

	2019		2018	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Reconciliation of headline profit:				
Profit attributable to equity holders of the parent		20 125		22 275
Losses on disposal of plant and equipment	181	143	147	124
Impairment of plant and equipment	2 375	1 754	–	–
Loss on disposal of assets held for sale	–	–	449	441
Gain on disposal of intangible assets	(872)	(688)	(562)	(315)
Headline profit attributable to equity holders of the parent		21 334		22 525

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>26. NOTES TO THE CASH FLOW STATEMENTS</b>				
<b>26.1 Cash generated by operations</b>				
Profit after taxation	20 125	22 275	10 799	3 876
Taxation	5 888	16 037	579	221
Depreciation and amortisation	17 652	14 905	–	–
Profit on disposal of assets	(691)	(271)	–	–
Impairment of assets	2 375	–	–	–
Share-based payment expense	605	701	–	–
Share of losses of joint arrangements	224	–	–	–
Fair value adjustments	1 109	121	–	–
Investment income	(79)	(42)	(63)	(39)
Finance costs	4 924	2 074	–	–
Movement in provisions	401	469	–	–
Loss on extinguishment of debt	–	1 611	–	–
Non-cash accrued liability write-off related to settlement	–	1 234	–	–
Other non-cash items	30	105	–	–
	<b>52 563</b>	<b>59 219</b>	<b>11 315</b>	<b>4 058</b>
<b>26.2 Changes in working capital</b>				
Inventory	(1 674)	(1 434)	–	–
Trade and other receivables	(3 955)	298	–	(2)
Trade and other payables	(1 903)	(6 490)	(1)	4
	<b>(7 532)</b>	<b>(7 626)</b>	<b>(1)</b>	<b>2</b>
<b>26.3 Taxation paid</b>				
Unpaid at the beginning of the year	(118)	(450)	(1)	(1)
Charged to the income statement	(3 467)	(954)	(579)	(221)
Unpaid at the end of the year	468	118	1	1
	<b>(3 117)</b>	<b>(1 286)</b>	<b>(579)</b>	<b>(221)</b>
<b>26.4 Cash and cash equivalents</b>				
Bank balances and deposits	47 810	29 172	122	202
	<b>47 810</b>	<b>29 172</b>	<b>122</b>	<b>202</b>

#### 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.

## 27. KEY MANAGEMENT COMPENSATION

### Group Directors

Year ended 31 March 2019	Board fees \$'000	Salary \$'000	Other benefits \$'000	Share-based compensation \$'000	Bonus \$'000	Total \$'000
<b>Executive directors</b>						
ML Ryan*	–	255	34	173	38	500
SF McClain*	–	200	31	142	18	391
<b>Non-executive directors</b>						
JA Copelyn**#	11	–	–	–	–	11
MA Jacobson#	8	–	–	–	–	8
A van der Veen###	3	–	–	–	–	3
MH Ahmed****#	11	–	–	–	–	11
NB Jappie****#	11	–	–	–	–	11
BS Raynor*****#	15	–	–	–	–	15
<b>Total</b>	<b>59</b>	<b>455</b>	<b>65</b>	<b>315</b>	<b>56</b>	<b>950</b>

# Actual fees determined in South African Rand

## Retired by rotation on 5 September 2018

\* Paid by a subsidiary

\*\* Includes \$3 236 for remuneration committee and social and ethics committee fees

\*\*\* Includes \$3 236 for remuneration committee and audit and risk committee fees

\*\*\*\* Includes \$3 236 for remuneration committee, audit and risk committee and social and ethics committee fees

\*\*\*\*\* Includes \$3 236 for audit and risk committee fees and \$4 000 board fees paid by subsidiary companies

Year ended 31 March 2018	Board fees \$'000	Salary \$'000	Other benefits \$'000	Share-based compensation \$'000	Bonus \$'000	Total \$'000
<b>Executive directors</b>						
ML Ryan*	–	236	33	235	159	663
SF McClain*	–	194	31	203	100	528
<b>Non-executive directors</b>						
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
<b>Total</b>	<b>71</b>	<b>430</b>	<b>64</b>	<b>438</b>	<b>259</b>	<b>1 262</b>

# 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 and risk committee fees

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

## 27. KEY MANAGEMENT COMPENSATION continued

### Other key management and prescribed officers

	Salary \$'000	Other benefits \$'000	Stock- based compensa- tion \$'000	Bonus \$'000	Total \$'000
Year ended 31 March 2019					
SE Hill	199	32	142	18	391
JW Wallace	199	14	51	18	282
I Pearl	205	16	98	18	337
Total	603	62	291	54	1 010
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

In March 2019 the Group loaned to Messrs ML Ryan, chief executive officer, and SE Hill, vice president engineering, \$80 000 and \$20 000, respectively, for income tax consequences attributable to the exercise of a vested tranche of share appreciation rights under The Montauk Holdings Share Appreciation Rights Scheme for U.S. Affiliates (refer to note 29 for more detail). Both of these loans have an interest rate of 2.53% and mature on 31 July 2019. These loans are included within “trade and other receivables” in the consolidated statement of financial position.

There were no such loans outstanding during the fiscal year ended 31 March 2018.

## 28. DIRECTORS' SHAREHOLDINGS

Group	Direct beneficial		Indirect beneficial		Associates	
	Number	% holding	Number	% holding	Number	% holding
<b>31 March 2019</b>						
<b>Executive directors</b>						
ML Ryan*	694 191	0.5	–	–	–	–
SF McClain* **	538 421	0.4	–	–	–	–
<b>Non-executive directors</b>						
JA Copelyn	–	–	6 705 348	4.8	–	–
MA Jacobson	2 260 040	1.6	–	–	–	–
TG Govender	247 805	0.2	–	–	17 278 332	12.5
BS Raynor	369 505	0.3	–	–	396 573	0.3
<b>Total</b>	<b>4 109 962</b>	<b>3.0</b>	<b>6 705 348</b>	<b>4.8</b>	<b>17 674 905</b>	<b>12.8</b>

\* 387 840 shares per director are held in terms of the Montauk Holdings Restricted Stock Plan for U.S. Affiliates

\*\* Sold 56 645 shares between 14 and 15 May 2019

### 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	–	–	–	–
<b>Total</b>	<b>4 893 707</b>	<b>3.6</b>	<b>7 538 620</b>	<b>5.4</b>	<b>–</b>	<b>–</b>

\* 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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 29. 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 prior 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. No grants were awarded in the current year. An expense of \$605 151 (2018: \$701 383) was recognised during the current year.

The volume weighted average share price during the current year was ZAR71.37 (2018: ZAR34.81).

**29. 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 2019 are as follows:

	Number of restricted shares		Weighted average issue price ZAR*	
	2019	2018	2019	2018
Balance at the beginning of the year	1 551 360	1 939 200	–	–
Restricted shares vested	(387 840)	(387 840)	–	–
Balance at the end of the year	1 163 520	1 551 360	–	–
Unconditional on:				
31 March 2019	–	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 (2018: 387 840) shares became unconditional during the year.

The share appreciation rights issued in terms of the Share Appreciation Rights Scheme and outstanding at 31 March 2019 are as follows:

	Number of share appreciation rights		Weighted average exercise price ZAR*	
	2019	2018	2019	2018
Balance at the beginning of the year	1 079 480	875 000	21.06	13.36
Share appreciation rights awarded	–	204 480	–	54.00
Share appreciation rights exercised	(150 000)	–	8.50	–
Balance at the end of the year	929 480	1 079 480	23.08	21.06
Exercisable between:				
11 December 2018 and 11 March 2019	–	150 000	–	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	68 160	54.00	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	68 160	54.00	54.00
28 February 2023 and 28 May 2023	68 160	68 160	54.00	54.00

The maximum number of shares that may be issued in respect of the 929 480 (2018: 1 079 480) share appreciation rights outstanding at reporting date is 929 480 (2018: 1 079 480).

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 6 421 408 (2018: 6 397 273) shares may be utilised by the Share Appreciation Rights Scheme. 125 865 (2018: Nil) shares were delivered to participants in terms of the Share Appreciation Rights Scheme during the year under review.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 29. 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*	
	2019	2018	2019	2018
Restricted shares awarded to executive directors:				
<b>ML Ryan</b>				
Balance at the beginning of the year	517 120	646 400	–	–
Restricted shares vested	(129 280)	(129 280)	–	–
Balance at the end of the year	387 840	517 120	–	–
Unconditional on:				
31 March 2019	–	129 280	–	–
31 March 2020	387 840	387 840	–	–
<b>SF McClain</b>				
Balance at the beginning of the year	517 120	646 400	–	–
Restricted shares awarded	(129 280)	(129 280)	–	–
Balance at the end of the year	387 840	517 120	–	–
Unconditional on:				
31 March 2019	–	129 280	–	–
31 March 2020	387 840	387 840	–	–
	Number of share appreciation rights		Weighted average exercise price ZAR*	
	2019	2018	2019	2018
Share appreciation rights granted to executive directors:				
<b>ML Ryan**</b>				
Balance at the beginning of the year	425 000	425 000	11.44	11.44
Share appreciation rights awarded	–	–	–	–
Share appreciation rights exercised	(100 000)	–	8.50	–
Balance at the end of the year	325 000	425 000	12.35	11.44
Exercisable between:				
11 December 2018 and 11 March 2019	–	100 000	–	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
<b>SF McClain***</b>				
Balance at the beginning of the year	100 000	100 000	11.00	11.00
Share appreciation rights awarded***	–	–	–	–
Share appreciation rights exercised	(25 000)	–	8.50	–
Balance at the end of the year	75 000	100 000	11.83	11.00
Exercisable between:				
11 December 2018 and 11 March 2019	–	25 000	–	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

\*\* 421 798 share appreciation rights were awarded to Mr ML Ryan on 3 June 2019

\*\*\* 248 864 share appreciation rights were awarded to Mr SF McClain on 3 June 2019



### 30. BUSINESS COMBINATIONS

#### 30.1 Acquisitions

	Principal activity	Date of acquisition	Proportion of shares acquired %
<b>Pico Energy LLC</b>			
This subsidiary was acquired to expand the Group's business in the renewable natural gas sector.	Renewable electricity	21/09/2018	100

The acquisition was facilitated through the purchase of the entire issued share capital of Pico Energy LLC.

#### 30.2 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:

	Provisional \$'000
<b>Non-current assets</b>	
Property, plant and equipment	12 216
Intangible assets	2 383
<b>Current assets</b>	
Trade receivables	–
Inventories	241
Trade payables	–
Net assets acquired	14 840
Goodwill	140
<b>Total consideration</b>	<b>14 980</b>
Net cash outflow	12 980
Contingent consideration	2 000

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

The business acquired contributed revenues of \$0.7 million and loss before tax of \$0.7 million from the date of acquisition to 31 March 2019. Had the business been acquired on 1 April 2018 an immaterial amount of revenue and profit before tax would have been contributed to the Group's results for the year ended 31 March 2019.

Contingent consideration is based on future earnings of the acquired entity.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 31. FINANCIAL RISK MANAGEMENT

### 31.1 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.

#### 31.1.1 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 the US Dollar). 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	
	2019	2018	2019	2018
South African Rand	0.07	0.08	0.07	0.08

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

	2019 \$'000	2018 \$'000
<b>Cash and cash equivalents</b>		
South African Rand	122	202
<b>Trade and other payables</b>		
South African Rand	17	21

##### 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	
	2019 \$'000	2018 \$'000
<b>Fixed rate instruments</b>		
Financial assets	47 810	29 172
<b>Variable rate instruments</b>		
Financial liabilities	(90 250)	(43 526)

##### 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 (2018: \$Nil) as variable rate borrowings are hedged by way of interest rate swaps.

##### 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 (2018: \$0.1 million). A change of 1% in the price of RINs would have increased/decreased post-tax profits by \$0.4 million (2018: \$0.4 million). The analysis assumes that all other variables remain constant.

## 31. FINANCIAL RISK MANAGEMENT continued

### 31.1 Financial risk factors continued

#### 31.1.2 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 9 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	
	2019 \$'000	2018 \$'000
Energy price derivatives	317	–
Receivables	12 426	8 971
Cash and cash equivalents	47 810	29 172
	<b>60 553</b>	<b>38 143</b>

#### 31.1.3 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
	<b>At 31 March 2019</b>		
Bank and other borrowings (gross of debt issuance costs)	19 000	71 250	–
Trade and other payables	13 408	–	–
	<b>32 408</b>	<b>71 250</b>	<b>–</b>
<b>At 31 March 2018</b>			
Bank and other borrowings (gross of debt issuance costs)	6 931	36 595	–
Trade and other payables	10 342	–	–
	<b>17 273</b>	<b>36 595</b>	<b>–</b>

#### *Defaults and breaches on loans*

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 31. FINANCIAL RISK MANAGEMENT continued

### 31.2 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.

## 31. FINANCIAL RISK MANAGEMENT continued

### 31.3 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
<b>Group 2019</b>				
<b>ASSETS</b>				
<b>Financial assets at fair value through profit or loss</b>				
Interest rate swaps	–	74	–	74
Energy price derivatives	317	–	–	317
<b>Total assets</b>	<b>317</b>	<b>74</b>	<b>–</b>	<b>391</b>
<b>LIABILITIES</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate swaps	–	1 006	–	1 006
Energy price derivatives	68	–	–	68
<b>Total liabilities</b>	<b>68</b>	<b>1 006</b>	<b>–</b>	<b>1 074</b>
<b>Group 2018</b>				
<b>ASSETS</b>				
<b>Financial assets at fair value through profit or loss</b>				
Interest rate swaps	–	556	–	556
<b>Total assets</b>	<b>–</b>	<b>556</b>	<b>–</b>	<b>556</b>
<b>LIABILITIES</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate swaps	–	16	–	16
Energy price derivatives	38	75	–	113
<b>Total liabilities</b>	<b>38</b>	<b>91</b>	<b>–</b>	<b>129</b>

## 32. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events subsequent to the reporting date that affect the results of the Group for the year ended 31 March 2019.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

continued

## 33. FINANCIAL INSTRUMENTS

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

	Loans and receivables		Financial assets at amortised cost	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Group</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>	-	943	1 452	-
Property, plant and equipment	-	-	-	-
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
Deferred taxation	-	-	-	-
Other financial assets	-	-	487	-
Non-current receivables	-	943	965	-
<b>Current assets</b>	-	37 200	59 271	-
Inventories	-	-	-	-
Other financial assets	-	-	-	-
Trade and other receivables	-	8 028	11 461	-
Cash and cash equivalents	-	29 172	47 810	-
Disposal group assets held for sale	-	-	-	-
<b>Total assets</b>	-	38 143	60 723	-
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>	-	-	-	-
Borrowings	-	-	-	-
Long-term provisions	-	-	-	-
Financial liabilities	-	-	-	-
<b>Current liabilities</b>	-	-	-	-
Trade and other payables	-	-	-	-
Financial liabilities	-	-	-	-
Current portion of borrowings	-	-	-	-
Taxation	-	-	-	-
Provisions	-	-	-	-
<b>Total liabilities</b>	-	-	-	-
<b>Company</b>				
<b>ASSETS</b>				
<b>Non-current assets</b>	-	-	-	-
Subsidiary companies	-	-	-	-
<b>Current assets</b>	-	204	124	-
Cash and cash equivalents	-	202	122	-
Trade and other receivables	-	2	2	-
<b>Total assets</b>	-	204	124	-
<b>LIABILITIES</b>				
<b>Current liabilities</b>	-	-	-	-
Trade and other payables	-	-	-	-
Taxation	-	-	-	-
<b>Total liabilities</b>	-	-	-	-

Financial liabilities at amortised cost		Non-financial instruments		Fair value through profit or loss		Total	
2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
-	-	196 258	161 413	-	527	197 710	162 883
-	-	165 243	130 396	-	-	165 243	130 396
-	-	140	-	-	-	140	-
-	-	23 153	19 275	-	-	23 153	19 275
-	-	7 722	11 742	-	-	7 722	11 742
-	-	-	-	-	527	487	527
-	-	-	-	-	-	965	943
-	-	4 505	2 603	391	29	64 167	39 832
-	-	4 505	2 603	-	-	4 505	2 603
-	-	-	-	391	29	391	29
-	-	-	-	-	-	11 461	8 028
-	-	-	-	-	-	47 810	29 172
-	-	-	-	1 096	-	1 096	-
-	-	200 763	164 016	1 487	556	262 973	202 715
70 759	36 208	5 505	5 336	2 000	-	78 264	41 544
69 975	36 208	-	-	-	-	69 975	36 208
-	-	5 505	5 336	-	-	5 505	5 336
784	-	-	-	2 000	-	2 784	-
31 687	17 041	1 272	2 396	290	129	33 249	19 566
13 408	10 342	-	-	-	-	13 408	10 342
-	-	-	-	290	129	290	129
18 279	6 699	-	-	-	-	18 279	6 699
-	-	469	742	-	-	469	742
-	-	803	1 654	-	-	803	1 654
102 446	53 249	6 777	7 732	2 290	129	111 513	61 110
-	-	122 842	122 237	-	-	122 842	122 237
-	-	122 842	122 237	-	-	122 842	122 237
-	-	-	-	-	-	124	204
-	-	-	-	-	-	122	202
-	-	-	-	-	-	2	2
-	-	122 842	122 237	-	-	122 966	122 441
17	21	1	1	-	-	18	22
17	21	-	-	-	-	17	21
-	-	1	1	-	-	1	1
17	21	1	1	-	-	18	22