Integrated annual report 2019

Montauk Holdings Limited

CONTENTS

SCOPE OF INTEGRATED ANNUAL REPORT

The report covers the integrated performance of Montauk Holdings Limited ("Montauk", "the Group" or "the Company") for the period 1 April 2018 to 31 March 2019.

Montauk is a publicly owned company listed on the Johannesburg Stock Exchange ("JSE"). The Group develops, owns and operates large-scale renewable energy projects utilising landfill methane in the United States of America ("US" or the "United States") and operates significantly only in the US as at 31 March 2019. The geographical footprint of the Group is provided on page 4. Information relating to the Company's subsidiaries are as reflected on page 70 of this integrated annual report.

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

The notice of the annual general meeting, proxy form and other administrative information also form part of the report and can be found on pages 71 to 81.

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

ABOUT THE INTEGRATED ANNUAL REPORT

BASIS OF CONTENT

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

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

- the Company's memorandum of incorporation ("MOI");
- the Companies Act, 71 of 2008, as amended;
- the JSE Listings Requirements; and
- the King Report on Corporate Governance for South Africa 2016 ("King IV").

EXTERNAL ASSURANCE ON CONTENT AND APPROVAL OF THE REPORT

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

This report was reviewed by management and the audit and risk committee and approved by the board on 23 July 2019. The external auditors, BDO South Africa Incorporated, provided assurance on the annual financial statements.

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

MATERIALITY

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

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

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

FORWARD-LOOKING STATEMENTS

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

SHAREHOLDER SNAPSHOT

ANALYSIS OF SHAREHOLDERS

RANGE OF UNITS

Share range	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 – 1 000	1 262	68.7	235 769	0.2
1 001 – 10 000	429	23.3	1 424 237	1.0
10 001 – 50 000	84	4.6	1 883 293	1.4
50 001 – 100 000	18	1.0	1 282 327	0.9
100 001 – 500 000	23	1.3	5 464 390	4.0
500 001 – 1 000 000	7	0.4	5 560 997	4.0
1 000 001 shares and over	12	0.7	122 154 086	88.5
Total	1 835	100.0	138 005 099	100.0

TYPE OF SHAREHOLDER

	Number of shareholders	% of shareholders	Number of shares	% of shares
Banks	10	0.5	14 171 380	10.3
Brokers	29	1.6	3 527 490	2.6
Close corporations	14	0.8	145 377	0.1
Individuals	1 494	81.6	24 476 897	17.7
Investment companies	11	0.6	989 503	0.7
Other corporations	46	2.5	9 365 067	6.8
Pension and other funds	32	1.7	844 133	0.6
Private companies	73	4.0	82 769 582	60.0
Public companies	6	0.3	684 573	0.5
Trusts	120	6.4	1 031 097	0.7
Total	1 835	100.0	138 005 099	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Public shareholders	1 824	99.4	48 474 362	35.2
Non-public shareholders	11	0.6	89 530 737	64.8
Directors*	6	0.3	10 815 310	7.8
Associates of directors	2	0.1	17 674 905	12.8
Shareholders holding 10% or more	3	0.2	61 040 522	44.2
Total	1 835	100.0	138 005 099	100.0

* Two directors, Messrs ML Ryan and SF McClain, collectively held 775 680 shares that were subject to restrictions in terms of the Montauk Holdings Restricted Stock Plan for U.S. Affiliates

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE

Shareholder	Number of shares	% of issued capital
Rivetprops 47 Proprietary Limited	27 480 181	19.9
Majorshelf 183 Proprietary Limited	17 278 332	12.5
Circumference Investments Proprietary Limited	16 282 009	11.8
Axxion S.A.	13 694 766	9.9
Legae Peresec Proprietary Limited	12 698 060	9.2
Nport Investment Holdings Proprietary Limited	9 809 772	7.1

BREAKDOWN BY DOMICILE

Domicile	Number of share-holders	% of share-holders	Number of shares	% of issued capital
Non-resident shareholders	65	3.5	29 611 414	12.7
Resident shareholders	1 770	96.5	108 393 685	87.3
Total	1 835	100.0	138 005 099	100.0

SECURITIES EXCHANGE PERFORMANCE

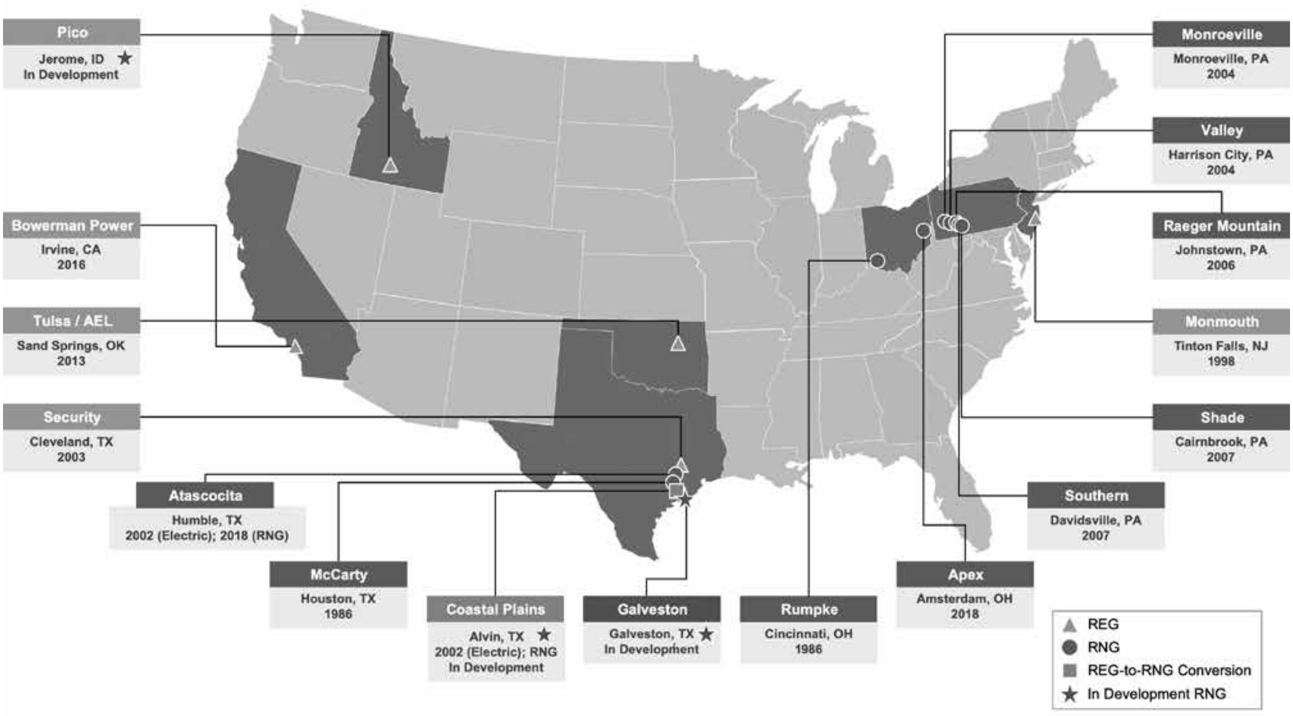
Total number of shares traded (000's)	47 607
Total value of shares traded (R'000)	3 406 894
Market price (cents per share)	
– Closing	4 340
– High	10 490
– Low	3 201
Market capitalisation (R'000)	5 989 421

SHAREHOLDERS' DIARY

Financial year-end	31 March
Annual general meeting	12 September
Reports	
– Preliminary results	May
– Interim results	October
– Annual financial statements	July

DIVERSIFIED PORTFOLIO OF SCALE

Diversified operation across the largest states near key population areas



BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Martin Leonard Ryan (49)
(BSc, JD) United States of America

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

Committee membership
Social and ethics committee

Sean Fitzgerald McClain (44)
(BSc, CPA, MBA) United States of America

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

NON-EXECUTIVE DIRECTORS

John Anthony Copelyn (68)
(BA (Hons), BProc) South Africa

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

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

Mohamed Haroun Ahmed (54)
(BCompt) South Africa

Mr Mohamed Ahmed fulfils the role of lead independent director of the board. He is a businessman and has held directorships in numerous listed and unlisted companies. Mohamed is currently the lead independent director and chairman of the audit and risk committee of Deneb Investments Limited, Tsogo Sun Hotels Limited and Hospitality Property Fund Limited.

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

Theventheran Govindsamy Govender (Kevin) (48)
(BCompt, (Hons)) South Africa

Mr Kevin Govender is an executive director of HCI and has held various positions within the HCI group since he joined the Group in 1997. He holds directorships in numerous HCI subsidiaries, including Deneb Investments Limited, Hosken Passenger Logistics and Rail Limited, and eMedia Holdings Limited. He is also a trustee of the HCI Foundation.

Michael Alon Jacobson (51)
(BCompt, CA(SA), CFA) Australia

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

Naziema Begum Jappie (59)
(MSc Social Sciences) South Africa

Ms Naziema Jappie is a businesswoman and previously held positions in various labour unions. She is a non-executive director of Deneb Investments Limited, and Hosken Passenger Logistics and Rail Limited and a member of their audit and risk committees. She has served as an executive director at the Durban University of Technology and Dean of Students at Wits University, and is currently the Director: Centre for Educational Testing for Access and Placement at the University of Cape Town.

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

Bruce Steven Raynor (69)
(BSc Labour Relations) United States of America

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

Committee membership
Audit and risk committee

CHIEF EXECUTIVE OFFICER'S REPORT

At Montauk we are very proud to be an industry leader in the provision of fully integrated solutions for the management, recovery and conversion of biogas from waste sources into renewable energy. Montauk's industry is at the forefront of the sustainability movement through the capture and beneficial use of organically generated methane. Methane, with a global warming potential 25 times greater than carbon dioxide ("CO_2"), is a potent greenhouse gas ("GHG") that is a key contributor to global climate change.

The Company captures methane, preventing it from being released into the atmosphere, and converts it into pipeline-quality renewable natural gas ("RNG") for use as either a vehicle fuel (ultimately in the form of compressed natural gas ("CNG") or liquefied natural gas ("LNG")), or for electricity generation.

INDUSTRY OVERVIEW

Biogas, whose primary component is methane, is naturally produced from the decomposition of organic waste. Common sources of biogas include landfills, manure from dairy and swine farms, and wastewater treatment facilities. The decomposition of organic material occurs under conditions, where oxygen is absent, by micro-organisms breaking down the biodegradable material. Biogas can be collected and processed for use as RNG, electricity or boiler heat (a form of medium-Btu fuel). RNG has the same applications as natural gas produced from fossil fuels and can serve as a replacement for pipeline-quality natural gas. Methane is the primary component of both biogas and natural gas. Unlike intermittent forms of renewable energy like wind and solar, electricity produced from RNG is a baseload resource that can run 24 hours a day.

BUSINESS OVERVIEW

The business, with all of its social and environmental benefits, is challenging at times due to high capital costs, environmental attribute pricing volatility and the variable nature of the biogas derived from organic waste that we collect and process. The production costs of RNG are inherently higher than fossil fuel-based energy products such as natural gas due to the additional steps required to process the biogas; however, the costs are generally more than off-set by the market value of our renewable energy products, which can be significantly more than the market value of the comparable non-renewable energy. Factors such as climate, waste intake and waste composition all impact the quality and quantity of the biogas feedstock required for production of the RNG. Montauk's extensive experience and expertise in designing, constructing, operating and maintaining process facilities enables us to optimise the production of RNG across our portfolio.

The pricing of the various types of renewable energy produced by the Company is an ever-changing balance between the underlying energy commodity price and any associated environmental attribute premiums that can be realised. With electricity and natural gas commodity pricing in the US having been depressed for several years, while still maintaining a relatively high degree of short-term volatility (due to weather, supply and demand, and other market forces), the premiums associated with the various environmental attributes are currently the driving factor in the profitability of the business.

The market prices of D3 cellulosic Renewable Identification Numbers ("RINs") weakened during the third and fourth quarters of FY 2019 largely due to several factors. The cellulosic industry produced 312.3 million D3 RINs in calendar 2018 compared to the Renewable Volume Obligation ("RVO") of 288 million. The RNG industry was responsible for generating 97% of those D3 RINs. While these production numbers evidence the continuing growth and viability of the industry consistent with the intent of the Renewable Fuel Standard ("RFS"), overproduction relative to the RVO has an adverse impact on pricing. During calendar 2018 the United States Environmental Protection Agency ("EPA") granted a record number (35) of small refinery exemptions ("SREs") for 2017, which resulted in additional volumes of vintage 2017 RINs being carried forward by obligated parties into 2018, negatively impacting demand. There are 38 pending SREs awaiting action by the EPA for the 2018 compliance year. The uncertainty regarding the status of these SREs has had a negative impact on RIN pricing in calendar 2019. The Company, both individually and through its industry trade group, the Coalition for Renewable Natural Gas, is active in the education and policy discussions with members of Congress and EPA staff on the negative impacts SREs have on the RFS and RVO programme structure. In December 2018 the EPA announced the cellulosic waiver credit ("CWC") pricing for 2019 would be \$1.77, a drop from the \$1.96 CWC in 2018, disincentivising carry-forwards of 2018 vintage D3 RINs into 2019.

Our focus will continue to be to position the Company and its facilities to capitalise on and leverage the opportunities that develop in the renewable energy markets. The evolving federal and state regulatory environments mandating the use of renewable fuels can lead to opportunities that allow existing projects to capture additional premiums as they become available. To that end the Company plans to remain flexible in its offtake contract strategy with the goal of capturing and maximising value from these programmes.

OPERATIONS

When a new RNG facility commences commercial operation there is a period when a facility may experience technical issues that are characteristic of our industry as it ramps up production. In FY 2019 the Company commenced commercial operation of the Atascocita RNG facility located in Humble, Texas and the Apex RNG facility in Amsterdam, Ohio. Both facilities encountered these types of challenges related to the processing facility, and landfill gas collection and control system ("GCCS") that extended the time it took each RNG facility to reach steady-state production. The Company believes the underlying causes of the technical issues have now been fully identified and are either resolved or are in the process of being addressed.

Montauk uses a three-year trailing average of landfill gas ("LFG") production as part of its forecast of GCCS output for each subsequent financial year, including monthly sculpting for seasonal impacts on LFG generation and collection. In FY 2019 the winter was unusually cold and wet, particularly compared to many of the previous financial years which were uncharacteristically mild. In addition, day-to-night temperature fluctuations affected GCCS components, causing swings in gas quality which created the need for continuous GCCS tuning. Unusually heavy precipitation also affected the accessibility of the wellfield to accomplish this tuning. These factors impacted biogas production during FY 2019, especially for Montauk's facilities located in the north-eastern US.

ENVIRONMENTAL ATTRIBUTE PROGRAMMES

Renewable Fuel Standard

RNG derived from landfill methane, agricultural digesters and wastewater treatment facilities that is used as a vehicle fuel qualifies as a D3 cellulosic RIN under the EPA's RFS programme. The RFS is a federal programme administered by the EPA requiring transportation fuel sold in the US to contain a minimum volume of renewable fuel. Under the RFS refiners and importers of gasoline or diesel fuel are obligated to blend renewable fuels into transportation fuel to meet an EPA-specified RVO. RINs are compliance units for fuel blenders, created as part of the RFS to promote renewable fuel utilisation for the purpose of achieving significant GHG reductions, reducing imported petroleum and developing the renewable fuel sector in the US. One million British thermal units ("MMBtus") of RNG represents approximately 11.7 RINs. The RFS programme does not have a sunset date and remains in effect absent Congressional action to repeal it. The Company has participated in the programme since 2014 and looks for opportunities to increase its participation in the RFS programme as production from RNG facilities becomes available through the development of additional RNG projects or acquisitions. While the RFS allows RNG produced anywhere in the US to qualify and potentially offer premiums significantly in excess of commodity prices for natural gas, uncertainty as to how the RFS will continue to be administered and supported by the EPA and the current Presidential Administration has impacted the stabilisation of the RIN market, resulting in price volatility and limited ability to sell RINs on a forward basis. Although the market remains relatively illiquid, the Company has been able to successfully monetise blocks of D3 cellulosic RINs at pricing levels commensurate with general market conditions.

In November 2018, the EPA released the final volume obligations for 2019 of 418 million gallons cellulosic D3 RINs, representing a 45% increase over the 2018 volume obligations for cellulosic D3 RINs of 288 million gallons. The EPA calculated the 2019 RVO using the same "rate of growth" methodology as used to set the 2018 RVO. By comparing D3 RIN generation for the 12-month period of October 2017 to September 2018 to the 12-month period of October 2016 to September 2017, the EPA arrived at a 29% growth factor used to determine the 2019 RVO. On 5 July the EPA released the proposed volume obligations for 2020 of 540 million gallons cellulosic D3 RINs, representing a 29.2% increase over the 2019 volume obligations for cellulosic D3 RINs of 418 million gallons. The EPA is accepting public comments through 30 August and Montauk is taking an active role in the process by providing comments both individually and collectively through various renewable energy organisations to assist the EPA in setting volume obligations that balance the supply-demand dynamics of the RIN market. The 2020 RVO is expected to be finalised by 30 November 2019. The EPA is also currently working on a "Reset" of the volume obligations for the 2021 and 2022 calendar years and the expectation is that the EPA will issue the Reset Final Rule by the end of FY 2020 that will establish the volume obligations for all RIN categories for each year in advance. The EPA is also required to finalise the "Set" for volume obligations commencing in 2023 by 1 November 2021. The EPA has yet to determine if the Set Rule will be for just the 2023 calendar year or for additional years beyond 2023 all in the same Rule. The issuance by the EPA of timely and sufficient annual volume obligations to accommodate the RNG industry's growing production levels and impact of SREs is paramount to the stabilisation of the RIN market. Notwithstanding the growth of the RNG space, given the environmental premiums available for the prior two years, the Company remains, and expects to remain, a significant contributor to the overall generation of D3 RINs in the RFS programme. The table below provides the total RIN generation per calendar year from Montauk's RNG portfolio regardless of the monetisation strategy employed:

D3 RINS generation

Category	2017 million	**2018 million**
Montauk portfolio D3 generation	46.8	**52.9**
Total industry D3 generation	250.6	**312.3**
Montauk % of total industry D3	18.6%	**16.9%**
Final RVO cellulosic standard	311	**288**
Montauk % of RVO	15.0%	**18.4%**

Low Carbon Fuel Standard ("LCFS")

The LCFS programme is a California-specific fuel policy designed to incentivise the use of cleaner low-carbon fuels. The programme accomplishes this objective by setting annual carbon intensity ("CI") standards, which are intended to reduce GHG emissions from the state's transportation sector. This reduction occurs by encouraging the use of low-carbon transportation fuel in vehicles as an alternative to fossil fuels. RNG derived from sources such as LFG and dairy digester biogas that is used as a transportation fuel in California qualifies for LCFS credits. The number of LCFS credits for RNG from dairy digesters is significantly higher than the number of LCFS credits for RNG from landfills due to the relative CI scores of the two fuel sources. For dairy digester RNG projects, in particular, LCFS credits are a substantial revenue driver. Only two states have adopted programmes of this nature, the other being Oregon with its Clean Fuels Program. To the extent that RNG from Montauk's facilities is used as a transportation fuel in states that have adopted a state-specific programme, it is eligible to receive an environmental attribute additional to the RIN value under the federal RFS. Montauk is actively working to increase our penetration into markets with state-specific programmes as we consider the development of new projects.

Renewable Portfolio Standards ("RPS")

The environmental premiums associated with renewable energy produced by Montauk's electric facilities are centred on various state RPS, requiring that a stated percentage of the electricity produced in that state comes from a renewable resource. Such premiums are in the form of renewable energy credits ("RECs"). The value and requirements for each state programme vary widely, which can limit the ability of similar facilities located in different states from having a similar pricing structure. In addition, only 29 states and the District of Columbia have adopted RPS.

RESULTS

The Company produced 4.8 million MMBtus of RNG volumes during FY 2019, compared to 3.9 million MMBtus of RNG volumes during FY 2018. The increase in RNG volumes is driven by two new RNG facilities commencing operations in FY 2019.

Revenues from the Company's RNG segment increased by $10.4 million or 11.6% for FY 2019 from the prior year. The weighted average index pricing impacting the Company's gas commodity revenues for the year ended 31 March 2019 was 10.0% higher than the prior year. During FY 2019, the Company self-marketed 25.9 million RINs, an 8.7 million increase from the prior year. The increase was driven by the two new RNG facilities commencing operations in FY 2019. Average pricing realised on RIN sales during FY 2019 was 28.2% lower than average pricing realised in the prior year, primarily attributed to a decrease in the D5 RIN pricing. In FY 2019, D5 RIN prices averaged approximately $0.43 per RIN, compared to $0.96 per RIN in FY 2018. At 31 March 2019 the Company had approximately 1.8 million RINs generated and unsold in inventory and 0.3 million MMBtus produced and not dispensed, approximately 1.2 million more RINs and 0.1 million MMBtus, respectively, than at 31 March 2018. For FY 2019, 20.3% of RNG segment revenues were derived from the monetisation of RNG volumes at fixed prices.

The Company produced 0.2 million MWh in renewable electric generation ("REG") volumes, a decrease of 16.6% over the prior year. Revenue from the Company's REG facilities decreased by $0.6 million or 3.1% for FY 2019 from the prior year. The volume and revenue decreases are primarily attributed to the conversion of the Atascocita REG facility to an RNG facility during FY 2019 and the run-to-failure operations of the Coastal Plains REG facility, pending its conversion to an RNG facility. For FY 2019, 83.7% of REG segment revenues were derived from the monetisation of REG volumes at fixed prices.

Expenses for the Company's RNG facilities increased 34.1% for FY 2019 from the prior year. The increase is primarily attributed to the two new RNG facilities commencing operations in FY 2019. Expenses for the Company's REG facilities decreased 11.9% for FY 2019 from the prior year. The decrease is largely attributed to non-capitalisable optimisation costs for the Bowerman electricity generation facility in FY 2018. The Company recognised losses of approximately $0.3 million related to its hedging programmes for the year ended 31 March 2019, compared to gains of approximately $0.2 million in the prior year.

In FY 2019 the Company received approximately $0.4 million in business interruption insurance proceeds related to a forced interconnection curtailment at the Bowerman Power REG facility. Also during FY 2019, the Company recognised a gain on the sale of emission allowances of approximately $0.9 million. These gains were partially off-set by losses on disposal of assets of approximately $0.2 million.

During FY 2018 the Company realised a gain of $2.6 million, attributable to one-time settlement proceeds from arbitration, and recognised $1.6 million in expenses related to the early extinguishment of debt. Total cash paid associated with debt extinguishment was $1.1 million.

The Company calculated and recorded an impairment loss during FY 2019 of $2.4 million. The impairment loss was due to the pending conversion of certain REG facilities to RNG facilities and the continued deterioration in market pricing for electricity and calculated based upon replacement cost and pre-tax cash flow projections.

For FY 2019 the Company recognised $5.9 million in tax expense, of which $4.0 million was off-set against the Company's deferred tax asset. For FY 2018 the Company recognised $16.0 million in tax expense, of which $14.7 million was off-set against the Company's deferred tax asset.

MONTAUK'S PORTFOLIO

Set out below is a summary of each of the projects in Montauk's portfolio:

Renewable natural gas facilities

Site	Location	Capacity*
Rumpke	Cincinnati, OH	7 270 MMBtus/day
Atascocita	Humble, TX	5 570 MMBtus/day
McCarty	Houston, TX	4 415 MMBtus/day
Apex	Amsterdam, OH	2 670 MMBtus/day
Monroeville	Monroeville, PA	2 370 MMBtus/day
Valley	Harrison City, PA	2 370 MMBtus/day
Raeger Mountain	Vintondale, PA	1 850 MMBtus/day
Shade	Cairnbrook, PA	1 120 MMBtus/day
Southern	Davidsville, PA	852 MMBtus/day
Total		28 487 MMBtus/day

Renewable electric facilities

Site	Location	Capacity
Bowerman Power	Irvine, CA	23.6 MW
Monmouth	Tinton Falls, NJ	10.0 MW
Security	Cleveland, TX	3.4 MW
Tulsa/AEL	Sand Springs, OK	3.2 MW
Pico	Jerome, ID	2.3 MW
Total		42.5 MW

* Assumes inlet methane content of 56% and process efficiency of 91%

Development update

In April 2018 the Company entered into an agreement with one of its existing landfill counterparties to build, own and operate an RNG facility at the Galveston County Landfill located in Santa Fe, Texas for a term of 20 years from commercial operation. Upon commercial operation the output from this new RNG facility will 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 second quarter of FY 2020.

In September 2018 the Company acquired 100% of the membership interests of Pico Energy, LLC, which was the owner of a manure digester, two Jenbacher engine generators and a manure supply agreement with a large dairy farm in Jerome, Idaho. The Company plans to build, own and operate an RNG facility at a dairy farm for a term of 20 years from execution of the manure supply agreement. Upon commercial operation the output from this new RNG facility will be contracted for use in the transportation sector to allow for the generation of RINs under the RFS programme and LCFS credits under the California LCFS. Commercial operation at this RNG project is targeted to commence in the third quarter of FY 2020. Upon commercial operation the Company will continue to own and operate the two Jenbacher engines fuelled by natural gas to heat the digester and produce electricity.

In May 2018 the Company entered into an agreement with one of its existing landfill counterparties to convert an existing renewable electric project to an RNG facility by building, owning and operating an RNG facility at the Coastal Plains Landfill located in Alvin, Texas for a term of 20 years from commercial operation. Upon commercial operation the output from this new RNG facility will 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 fourth quarter of FY 2020.

These additions will further strengthen Montauk's position as a leader in the production of renewable RNG from biogas waste sources.

In July 2018 the Company entered into a joint venture agreement with a dairy farm partner to build, own, and operate a manure digester and RNG facility at a small commercial dairy farm in California, with Montauk holding an 80% interest. Although management continues to believe that the dairy RNG segment provides a growth opportunity for the Company as evidenced by the Pico RNG project, we have decided to exit this investment to focus on other opportunities and are exploring options to sell our interest in this project.

CHIEF EXECUTIVE OFFICER'S REPORT continued

The table below provides a summary of the three development projects described above:

Site	Location	Capacity*
Galveston	Galveston, TX	1 857 MMBtus/day
Coastal Plains	Houston, TX	1 857 MMBtus/day
Pico	Jerome, ID	933 MMBtus/day
Total		4 647 MMBtus/day

Fuel supply agreements

A critical component of the Company's business is its ability to negotiate and maintain long-term fuel supply agreements. Montauk has nurtured excellent working relationships with our biogas hosts and actively looks to strategically extend fuel supply rights at our project sites. The tables below provide summaries of the expiration periods of those agreements:

RNG facilities – gas rights expiration dates

Expires	Sites	% of FY 2019 total RNG portfolio production
0 – 5 years	0	0.00%
6 – 15 years	3	8.95%
More than 15 years	6	91.05%

Renewable electric facilities – gas rights expiration dates**

Expires	Sites	% of FY 19 total electric production
0 – 5 years	1	11.37%
6 – 15 years	1	14.32%
More than 15 years	3**	74.31%

** Includes Pico facility; post-commercial operation date of the RNG project, the electric facility will continue to operate on natural gas

Development projects – gas rights expiration dates

Expires	Sites
0 – 5 years	0
6 – 15 years	0
More than 15 years	3

The Monmouth site in New Jersey consists of a renewable electricity project under a gas rights agreement that expires 31 December 2020 where the Company sells renewable electricity at market rates in PJM Regional Transmission Organization ("RTO"). In March 2019 the Company notified our host that we were terminating the existing gas rights agreement and surrendering the site due to a lack of landfill gas in commercial quantities effective 27 September 2019.

SUMMARY

In an industry that continues to experience depressed energy commodity pricing, management believes that Montauk is well positioned to sustain its strategic growth by capturing both existing and emerging value from developing renewable energy markets to drive long-term value for its shareholders.

CORPORATE GOVERNANCE

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

ETHICS

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

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

The board endorses the Code on Corporate Governance set out in the King Report on Corporate Governance for South Africa 2016 ("King IV").

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

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

The board is accountable for the strategy, direction and corporate behaviour of the Company. This includes oversight over policies and procedures that promote Company conduct in accordance with the Company's code of ethics. The board is assisted by the social and ethics committee in discharging its responsibility of monitoring deviations from the Company's code of ethics.

RISK MANAGEMENT AND INTERNAL CONTROL

The board acknowledges that it is accountable for the process of risk management and the system of internal control of Montauk. The Group operates in a highly regulated environment. Company management ensures adherence to the various legislations and regulations that govern the day-to-day operations. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed. Additionally, the Group's general counsel is a credentialled certified fraud examiner who is tasked with general risk oversight.

BOARD OF DIRECTORS

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

COMPOSITION OF THE BOARD

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

The board's composition is based on the skills and knowledge required to operate within the renewable energy industry in the United States and within the regulatory framework of a public listed company in South Africa.

The Company has adopted a gender and race diversity policy at board level. The board's aim is to ensure that, of its South African directors, at least 25% will be female and at least 50% will be "black people" as defined in the Broad-Based Black Economic Empowerment Act, 2003, as amended. At the date of this report 25% of the South African directors are female and 50% "black people".

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

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

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

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

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

Directors of the Company during the year ended 31 March 2019 were:

JA Copelyn	Appointed 20/06/2011
MH Ahmed	Appointed 31/08/2014
TG Govender	Appointed 05/09/2018
MA Jacobson	Appointed 31/08/2014
NB Jappie	Appointed 31/08/2014
SF McClain	Appointed 31/08/2014
BS Raynor	Appointed 31/08/2014
ML Ryan	Appointed 27/05/2016
A van der Veen	Appointed 31/08/2014; Retired 05/09/2018

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

The directors are entitled to seek independent professional advice at the Company's expense concerning the Company's affairs and have access to any information they may require in discharging their duties as directors. In terms of the Company's MOI one-third of directors must retire at every annual general meeting and are eligible for re-election. The directors who retire shall be those who have been longest in office since their last election. Any director who has held office for three years since the last election shall also retire at the conclusion of the annual general meeting. A retiring director shall be eligible for re-election and, if re-elected, shall be deemed not to have vacated office. Any casual vacancy occurring on the board may be filled by the board, but the individual so appointed shall cease to hold office at the termination of the first shareholders' meeting to be held after the appointment of such individual as a director unless he/she is elected at such shareholders' meeting. As a result, the directors retiring at the forthcoming annual general meeting, and who offer themselves for re-election, are Messrs JA Copelyn, ML Ryan, and MA Jacobson. The name and brief curriculum vitae of each director appear on page 5 of this report.

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

MEETINGS OF THE BOARD

The board met two (2) times during the year under review, on 29 May 2018 and 8 November 2018. The meetings were attended by all board members. The board has met once subsequent to the reporting date on 23 May 2019. The directors are comprehensively briefed in advance of the meetings and are provided with all necessary information to enable them to discharge their responsibilities.

BOARD COMMITTEES

Three (3) board committees and an executive committee have been established to assist the board in discharging its responsibilities. In line with the recommendations of King IV all board committees comprise only members of the board, but appropriate personnel may be invited to the meetings as required. All committees are empowered to obtain such external or other independent professional advice as they consider necessary to carry out their duties. These committees play an important role in enhancing good corporate governance and improving internal controls and, consequently, the Company's performance. Each board committee must act according to written terms of reference, approved by the board and reviewed annually, setting out its purpose, membership requirements, and duties and reporting procedures.

Audit and risk committee

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

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

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

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

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

A report by the audit and risk committee has been provided on page 15 of this report.

Remuneration committee

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

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

Functions and mandates of the remuneration committee include:

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

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

A report by the remuneration committee has been provided on page 17 of this report.

Social and ethics committee

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

The committee's functions are in line with the requirements of the Companies Act. A report by the social and ethics committee has been provided on page 19 of this report.

Executive committee

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

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

CHIEF EXECUTIVE OFFICER

Mr ML Ryan was appointed as CEO of the Company on 27 May 2016. Mr Ryan's employment contract with the Company includes a notice of termination period (whether notice is served by himself or by the Company) of 90 days. In addition, Mr Ryan is entitled to severance remuneration in the amount of 12 months in the event that notice of termination is served by the Company without proven wrongdoing by him.

Mr Ryan does not serve on any management boards outside of the Company and has no employment outside of the Company.

Mr Ryan has not disclosed an intention to retire or otherwise leave the employ of the Company. No formal succession plan is in place, however, Mr Ryan is supported by a strong management team.

CHIEF FINANCIAL OFFICER

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

COMPANY SECRETARY

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

DEALING IN THE COMPANY'S SECURITIES

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

CONFLICTS OF INTEREST

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

COMPLIANCE WITH LAWS, CODES AND STANDARDS

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

DISCLOSURES

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

LITIGATION

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of Montauk are aware) which may have or have had, during the year ended 31 March 2019, a material effect on the financial position of Montauk.

GOVERNANCE OF INFORMATION TECHNOLOGY

Due to the inherent risks in information technology ("IT"), King IV has recommended that the board of directors be responsible for the assessment, implementation and monitoring of IT within the Company. IT governance is the responsibility of the board of directors, forms an integral part of the Group's risk management and is assisted by the audit and risk committee in carrying out its IT responsibilities. The board of directors of Montauk acknowledges the need for an IT policy which, if effectively managed, can streamline and add value to the underlying businesses. The board is assisted by Mr SF McClain, the chief financial officer and chief information officer (for all United States operations), in the implementation and monitoring of an IT policy. The network serving all United States operations is virtually hosted in SOC2 and SSAE 16-compliant data centres. Moreover, as part of the Company's annual financial audit, an IT audit is performed. A governance framework for implementation at subsidiary level will be considered for approval by the board in due course. At a holding company level, Montauk does not believe it is necessary to employ a chief information officer as the operations consist only of a basic administrative function. The audit and risk committee is responsible for the monitoring of IT compliance within the Group.

APPLICATION OF KING IV PRINCIPLES

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

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

REPORT OF THE AUDIT AND RISK COMMITTEE

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

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

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

The committee met three (3) times during the year under review, on 3 May 2018, 24 July 2018 and 30 October 2018. The meetings were attended by all committee members. The committee has met twice subsequent to the reporting date on 6 May 2019 and 23 July 2019.

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

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

- reviewed the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them;
- reviewed legal matters that could have a significant impact on the Group's financial statements;
- reviewed the external audit reports on the annual financial statements;
- verified the independence of the external auditor as per section 92 of the Companies Act and accordingly nominates BDO South Africa Incorporated to continue in office as the independent auditor and noted the appointment of Mr B Frey as the designated auditor for the financial year ended 31 March 2020;
- reviewed the performance of the external auditor and confirmed that the external auditor, the partner and the firm have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listings Requirements;
- monitored the design, implementation and effectiveness of the Company's risk management processes;
- approved the audit fees and engagement terms of the external auditor; and
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.

CONFIDENTIAL MEETINGS

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

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER

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

INTERNAL AUDIT

The Group does not currently have an internal audit function due to the centralised nature of its financial and administrative functions. Though currently not in place, the board and committee continuously assess the need for an internal audit function.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

RECOMMENDATION OF THE INTEGRATED ANNUAL REPORT

The committee has evaluated the integrated annual report of Montauk Holdings Limited and the Group for the period ended 31 March 2019 and, based on the information provided to the committee, the committee recommends the adoption of the integrated annual report by the board.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

MH Ahmed
Chairman: Audit and Risk Committee

23 July 2019

REPORT OF THE REMUNERATION COMMITTEE

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

All the members of the committee are non-executive directors and two (2) are independent. In line with the recommendations of King IV the chief executive officer attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made.

The committee met two (2) times during the year under review on each of 29 May 2018 and 8 November 2018. The meetings were attended by all committee members. It has met once subsequent to the reporting date on 23 May 2019.

The non-binding advisory vote in respect of the remuneration report, as included in the integrated annual report for the 2018 financial year, was tabled at the annual general meeting of the Company and passed by the requisite majority. In the event that the non-binding advisory votes in respect of the Company's remuneration implementation report or its remuneration policy, as summarised in this report, are voted against by 25% or more of votes cast at the annual general meeting, the board will seek to engage directly with the disapproving shareholders in order to contemplate the reasons for dissent and implement corrective action, if it deems fit.

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

The functions and mandates of the remuneration committee include:

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

REMUNERATION POLICY

Basic remuneration

Executive directors and management earn a basic salary which escalates in line with inflation. These may be adjusted from time to time in accordance with each individual's experience and performance.

Non-executive directors earn a basic fee which is in line with companies of a similar size. These fees are determined in South African Rand and escalate annually in line with inflation and may be reviewed by an independent remuneration consultant at the request of the board. Non-executive directors can earn up to a maximum of R48 000 by serving on the committees responsible to the board of directors. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes.

Position	**Actual fee FY 2019 R'000**	Proposed fee FY 2020 R'000
Non-executive director	**114**	120
Member of audit and risk committee	**46**	48
Member of remuneration committee	**46**	48
Member of social and ethics committee	**46**	48

Short-term incentives

Executive directors' and management's annual incentive compensation bonuses are subject to the following maximum eligibility percentages:

	Maximum annual bonus as a % of salary
Chief executive officer	75%
Chief financial officer	60%
Other executive management	60%

The committee determines the annual bonus amount based on the Company achieving a board-approved consolidated EBITDA target as well as each member of the executive management team meeting committee-approved key performance indicators relating to budgetary cost control by the Company and each department, and compliance with safety training requirements.

Long-term incentives

The Group operates two (2) share-based remuneration schemes, namely:

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

Executive directors and members of the executive management team are eligible to participate in the share-based payment remuneration schemes to align incentive compensation with the interests of Company shareholders. Initial grants under the Share Appreciation Rights Scheme are determined based on a multiple of base salary, with the CEO eligible for six (6) times base salary and the rest of the executive management team eligible for four (4) times base salary upon recommendation of the committee to the board.

IMPLEMENTATION REPORT

Key management compensation is disclosed in note 27 of the annual financial statements on page 57. Refer to note 29 for more information on grants awarded during the year and balances outstanding at reporting date in respect of the Company's share-based remuneration schemes.

The committee is satisfied that the Company's remuneration policy has been implemented as described in this report and that the committee has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

MH Ahmed
Chairman: Remuneration Committee

23 July 2019

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

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

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

The committee met two (2) times during the year under review on each of 29 May 2018 and 8 November 2018. The meetings were attended by all committee members. It has met once subsequent to the reporting date on 23 May 2019.

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

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

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

The sustainability report on pages 20 and 21 incorporates the various aspects overseen by the committee.

JA Copelyn
Chairman: Social and Ethics Committee

23 July 2019

SUSTAINABILITY REPORT

Montauk is, by nature, a company rooted in the development of environmental sustainability. Improvements in air quality achieved through both the production and consumption of Montauk's renewable energy are a constant, intrinsic benefit of its business. The implementation of sustainable business practices is a continuous process for every organisation, including those who find themselves inherently aligned with the principles of sustainability. To maintain and improve sustainability initiatives, Montauk, through the social and ethics committee, endeavours to further embed a sustainability focus into its core strategy of business.

ENVIRONMENT

Municipal solid waste ("MSW") landfills are the third-largest human-generated source of methane emissions in the United States, releasing an estimated 92.8 million metric tons of CO_2 equivalent into the atmosphere in 2017 alone[1]. With a global warming potential 25 times greater than CO_2 and a short (12-year) atmospheric life, methane is a potent GHG that is a key contributor to global climate change. Anaerobic lagoons are part of a system designed to manage and treat waste created by concentrated animal feeding operations. Like MSW landfills, these lagoons have been shown to harbour and emit substances which can cause adverse environmental and health effects in addition to methane. As a result, reducing methane emissions from anaerobic lagoons and MSW landfills is one of the best ways to achieve a near-term beneficial impact in mitigating global climate change. Methane also contributes to background tropospheric ozone levels as an ozone precursor. Many of the technologies and practices that reduce methane emissions also reduce associated emissions of volatile organic compounds, odours, and other local air pollutants.

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

Montauk's business is focused on the capture and beneficial use of methane and is responsible for significant emissions reductions arising from the flaring and/or beneficial use of the associated methane (e.g. electrical energy generation or RNG). In the year under review alone, Montauk's combined electric generation and renewable natural gas facilities provided enough energy to power over 89 792 United States homes while collectively reducing over 3.93 million metric tons of CO_2 equivalent emissions[2].

Fiscal 2019 emission reductions and environmental benefits

Total annual emission reduction equivalent (million)	
Metric tons of CO_2	3.93
Tons of methane	0.157
Equivalent annual environmental benefits (million)	
Acres of US forest carbon sequestration	4.62
Gallons of gasoline CO_2 emission equivalents	441.85

In FY 2019 Montauk captured 3 926 800 tons of carbon dioxide equivalent ("CO_2e") from anthropogenic methane sources. That is equivalent to:

- removing 833 716 passenger vehicles from the road for one year; or
- eliminating the use of 441 849 429 gallons of gasoline or 385 736 739 gallons of diesel; or
- CO_2 emissions from the total energy used by 470 219 homes for one year; or
- GHG emissions avoided by running 832 wind turbines for one year; or
- replacing 149 154 860 incandescent lamps with LEDs; or
- growing 64 930 469 tree seedlings for ten years; or
- one year's worth of carbon sequestration from 4 619 666 acres of US forest.

The Company remains steadfast in its commitment to positively impacting the environment and fostering a corporate culture that values sustainable living and working. To this end Montauk has markedly increased its sustainability initiatives. Facilitated in part by the newly established sustainability committee based in Montauk's corporate office, the Company has committed to waste reduction, education initiatives and providing support to sustainability-oriented organisations. The protection of limited water resources, pollution mitigation and maintaining the natural aesthetics of the environment through rehabilitation programmes continue to remain key commitments. The Company can safely report that it has had no significant breaches of environmental standards for the past financial year. When a Montauk facility ceases operation the facility site is decommissioned and remediated in accordance with the host landfill gas contract and all applicable laws.

HEALTH AND SAFETY

Montauk has developed a health and safety programme ("HASP") as part of our commitment to making the health and safety of our employees, contractors and site visitors an uncompromised priority. Our efforts are employee-centred and focused on providing our employees with the proper tools, equipment and training to facilitate job safety and efficiency while maintaining a healthy work environment. The Company engages employees to directly influence our safety culture and safety programmes through our active safety committee, site visits, inspections and regional safety meetings. Montauk further perpetuates this philosophy through monetary safety incentives, awards and measurable key performance indicators. Montauk's commitment to health and safety improvement and performance monitoring has ensured the following key achievements:

- a continued positive standing with our regulators and the progressive development of working relationships with our biogas site hosts;
- significant investment in atmospheric hazard monitoring and our lone worker programme across all operating sites;
- continued development of our competency mapping process which now includes seven (7) customised training programmes for employee roles within our organisational structure; and
- a personal protective equipment ("PPE") programme strengthened by our expanded fire-resistant clothing selection, which has increased wearer compliance by optimising employee comfort and providing multi-hazard protections.

In the year under review Montauk was involved in two (2) Occupational Safety and Health Administration ("OSHA") recordable injuries, resulting in a 2.03 Total Recordable Injury Rate ("TRIR"). This was lower than FY 2018's 2.19 TRIR and lower still than the national average for all industries of 2.9 for the reporting period. Montauk is committed to performing accident investigations on all incidents in order to institute preventive actions and decrease the number of future incidents. Additionally, Montauk's continued rise in near miss reporting has enhanced our administrative control over incident prevention and increased the communication between corporate safety and site employees. As a result our HASP continues to strengthen and enhance our safety culture.

Through our competency mapping process Montauk provides extensive HASP training to our employees via face-to-face, hands-on and interactive web-based training. Training is conducted at least monthly for every employee. Newly hired employees are assigned a battery of introductory trainings in our programmes regardless of previous experiences or expertise. The competency mapping process we have adopted tailors our training to create role-specific training programmes that focus on site and industry-specific safety concerns while incorporating hands-on skills training. This further reinforces training materials and learning outcomes.

Montauk believes that continuous improvement of all of our programmes is necessary to be a leading force in our industry. We frequently review our HASP to monitor for improvement and develop new safety protocols accordingly. We are currently engaged with various third-party safety and compliance representatives to review and improve existing site conditions. There is a heavy focus on eliminating hazards through engineered solutions and preventing equipment failures that create hazard risks or lead to injuries. In addition to these efforts, Montauk tracks safety indicators to identify high-risk operations so that early intervention can more drastically decrease the likelihood of future incidents.

DISCRIMINATION

We firmly believe that the unique perspectives, talents and contributions offered by a diverse workforce strengthen an organisation. To that end we are a company that creates, promotes and sustains an inclusive work environment. The inclusion of these diverse experiences and perspectives creates a culture of empowerment that fosters innovation and economic growth. Fairness is promoted across all operations through a code of ethics. Legal compliance policies promote zero tolerance of discrimination within the workplace. This is enforced and established through standard grievance and disciplinary procedures in order to maintain consistency and compliance.

ECONOMIC SUSTAINABILITY

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

[1] Source – United States Environmental Protection Agency's Landfill Methane Outreach Program ("LMOP")

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

REPORT OF THE INDEPENDENT AUDITOR

to the shareholders of Montauk Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Montauk Holdings Limited (the "Group" and "Company") set out on pages 28 to 70, which comprise the consolidated and separate statements of financial position as at 31 March 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Montauk Holdings Limited as at 31 March 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have determined that there are no key audit matters in respect of the separate financial statements. The following key audit matter relates to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Business Combination – Pico Energy LLC – Note 30	
The Group acquired 100% of the share capital in Pico Energy LLC during the period. We have identified the business combination as a key audit matter due to the complexity of accounting for business combinations and the significant judgement required by the directors in terms of IFRS 3 Business Combinations as set out in note 30 of the financial statements.	We performed the following procedures, amongst others: • obtained the acquisition agreement: – assessed the appropriateness of the acquisition date identified by management; – considered the assets acquired and liabilities assumed with reference to the definition of a business in IFRS 3; and – considered the valuation of the contingent consideration raised and the judgements applied by management in this regard; • obtained from management available evidence to support the fair value of asset and liabilities acquired; – reviewed the report prepared by the external management expert on the valuation of the assets acquired and liabilities assumed in the business; – evaluated the competence, capabilities and objectivity of management's expert; – obtained an understanding of the work performed by management's expert; and – reviewed the detail in the above report for reasonableness and appropriateness as audit evidence; • tested the acquisition entries for mathematical accuracy and validity; and • considered the accuracy and completeness of the presentation and disclosure to the financial statements and the compliance with IFRS 3 Business Combinations and IFRS 12 Disclosure of Interest in Other Entities.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Montauk Holdings Limited Integrated Annual Report 2019" which includes the directors' report, the report of the audit and risk committee and the declaration by the company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern;

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

BDO South Africa Inc.

BDO South Africa incorporated
Registered Auditors

T Schoeman
Director
Registered Auditor

26 July 2019

Wanderers Office Park
52 Corlett Drive
Illovo 2196

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Montauk Holdings Limited are responsible for the preparation, integrity and fair presentation of the financial statements of the Company and of the Group and for other information contained in this annual report. The consolidated annual financial statements for the year ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards and include amounts based on prudent judgements and estimates by management.

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

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

The consolidated annual financial statements for the year ended 31 March 2019 were approved by the board of directors on 23 July 2019 and are signed on its behalf by:

JA Copelyn	**ML Ryan**	**SF McClain**
Chairman	Chief Executive Officer	Chief Financial Officer

Cape Town
23 July 2019

DECLARATION BY COMPANY SECRETARY

We certify that Montauk Holdings Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2019, all such returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

HCI Managerial Services
Proprietary Limited

HCI Managerial Services Proprietary Limited
Company Secretary

Cape Town
23 July 2019

DIRECTORS' REPORT

for the year ended 31 March 2019

NATURE OF BUSINESS

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

OPERATIONS AND BUSINESS

The business operations of Montauk include the development and operation of large-scale renewable energy projects utilising biogas in the United States of America. The Group's expertise includes the permitting, design, construction and operation of energy facilities utilising biogas, and its operations in the United States are headquartered in Pittsburgh, Pennsylvania. Certain administrative functions are contracted to be performed on Montauk's behalf by HCI Managerial Services Proprietary Limited at its South African offices.

DISPOSAL GROUP ASSETS HELD FOR SALE

Details of disposal group assets held for sale are set out in note 10 of the consolidated annual financial statements.

DIVIDENDS

Final ordinary dividend number 2 of 63 South African cents per share was paid to shareholders on 28 May 2018 in respect of the year ended 31 March 2018.

Interim ordinary dividend number 3 of 43.5 South African cents per share was paid to shareholders on 26 November 2018 in respect of the year ended 31 March 2019.

SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 11 of the consolidated annual financial statements.

DIRECTORATE

The directors of the Company appear on page 5.

COMPANY SECRETARY

The secretary of the Company for the year ended 31 March 2019 is HCI Managerial Services Proprietary Limited. The board has assessed the directors and the designated staff of the company fulfilling the role of the company secretary and is satisfied that they have the competence, qualifications and experience to effectively fulfil the role of company secretary. The secretary has an arm's length relationship with the board of directors. The name, business and postal address of the company secretary are set out on page 81 of this report.

AUDITOR

BDO South Africa Incorporated will continue in office in accordance with section 90 of the South African Companies Act, with Mr B Frey as the designated auditor.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the Company's shareholders at the annual general meeting of shareholders held on 5 September 2018:

- Granting general authority to the directors of the Company to issue for cash all or any of the authorised but unissued shares in the capital of the Company, including options, as and when they in their discretion deem fit, subject to the Companies Act, the memorandum of incorporation ("MOI") of the Company and the JSE Listings Requirements.
- Approval of the fees payable to non-executive directors for their services as directors or as members of the board subcommittees in respect of the financial period 1 November 2018 until the next annual general meeting of the Company.
- Granting the Company and the subsidiaries of the Company a general authority contemplated in terms of JSE Listings Requirements paragraph 5.72, for the acquisition by the Company, or a subsidiary of the Company, of ordinary shares issued by the Company.
- General authority to provide financial assistance in terms of sections 44 and 45 of the Companies Act.

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

AUDITOR'S REPORT

The consolidated annual financial statements have been audited by BDO South Africa Incorporated and their unqualified audit report on the consolidated and separate annual financial statements included on page 22 of this report.

DIRECTORS' EMOLUMENTS

Directors' emoluments incurred by the Company and its subsidiaries for the year ended 31 March 2019 are set out in note 27 in the consolidated annual financial statements.

SUBSIDIARIES

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

BORROWING POWERS

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

LITIGATION STATEMENT

There are no legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of Montauk Holdings Limited are aware) which may have or have had, during the year ended 31 March 2019, a material effect on the financial position of the Group.

RENEWABLE IDENTIFICATION NUMBERS ("RINS")

At 31 March 2019 the Company had approximately 1.8 million RINs (2018: 0.6 million) generated and unsold in inventory and 0.3 million MMBtus (2018: 0.2 million) produced and not dispensed. The RINs have a zero carrying value. Refer to note 1(k) in the consolidated annual financial statements for more information.

EVENTS SUBSEQUENT TO REPORTING DATE

Refer to note 32 in the consolidated and separate annual financial statements for more information. The directors are not aware of any further matter or circumstance arising since the end of the financial period, not otherwise dealt with within the financial statements, that would affect the operations or results of the Company or the Group significantly.

PREPARER

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

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2019

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**$'000**	$'000	**$'000**	$'000
ASSETS					
Non-current assets		**197 710**	162 883	**122 842**	122 237
Property, plant and equipment	1	**165 243**	130 396	**–**	–
Intangible assets	2	**23 153**	19 275	**–**	–
Goodwill	3	**140**	–	**–**	–
Subsidiary companies	4	**–**	–	**122 842**	122 237
Deferred taxation	5	**7 722**	11 742	**–**	–
Other financial assets	8	**487**	527	**–**	–
Non-current receivables	6	**965**	943	**–**	–
Current assets		**64 167**	39 832	**124**	204
Inventories	7	**4 505**	2 603	**–**	–
Other financial assets	8	**391**	29	**–**	–
Trade and other receivables	9	**11 461**	8 028	**2**	2
Cash and cash equivalents	26.4	**47 810**	29 172	**122**	202
Disposal group assets held for sale	10	**1 096**	–	**–**	–
Total assets		**262 973**	202 715	**122 966**	122 441
EQUITY AND LIABILITIES					
Capital and reserves		**151 460**	141 605	**122 948**	122 419
Ordinary share capital	11	**167 621**	167 231	**167 621**	167 231
Common control reserve		**2 910**	2 910	**–**	–
Other reserves	12	**3 198**	2 734	**3 212**	2 748
Accumulated losses		**(22 269)**	(31 270)	**(47 885)**	(47 560)
Equity attributable to equity holders of the parent		**151 460**	141 605	**122 948**	122 419
Non-current liabilities		**78 264**	41 544	**–**	–
Borrowings	13	**69 975**	36 208	**–**	–
Long-term provisions	14	**5 505**	5 336	**–**	–
Financial liabilities	15	**2 784**	–	**–**	–
Current liabilities		**33 249**	19 566	**18**	22
Trade and other payables	16	**13 408**	10 342	**17**	21
Financial liabilities	15	**290**	129	**–**	–
Current portion of borrowings	13	**18 279**	6 699	**–**	–
Taxation		**469**	742	**1**	1
Provisions	14	**803**	1 654	**–**	–
Total equity and liabilities		**262 973**	202 715	**122 966**	122 441

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

		Group		Company	
	Notes	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Revenue	18	**118 975**	109 149	**–**	4 354
Other operating expenses and income		**(69 156)**	(55 826)	**(441)**	(296)
Depreciation and amortisation		**(17 652)**	(14 905)	**–**	–
Other income	19	**1 290**	3 537	**–**	–
Investment income	20	**79**	42	**11 819**	39
Finance costs	21	**(4 924)**	(2 074)	**–**	–
Loss on extinguishment of borrowings		**–**	(1 611)	**–**	–
Share of losses of joint arrangements		**(224)**	–	**–**	–
Asset impairments	22	**(2 375)**	–	**–**	–
Profit before taxation	23	**26 013**	38 312	**11 378**	4 097
Taxation	24	**(5 888)**	(16 037)	**(579)**	(221)
Profit for the year		**20 125**	22 275	**10 799**	3 876
Other comprehensive income net of tax:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**464**	109	**464**	109
Total comprehensive income for the year		**20 589**	22 384	**11 263**	3 985
Profit attributable to:					
Equity holders of the parent		**20 125**	22 275		
Total comprehensive income attributable to:					
Equity holders of the parent		**20 589**	22 384		
Earnings per share (cents)	25	**14.76**	16.39		
Diluted earnings per share (cents)	25	**14.58**	16.18		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Share capital $'000	Common control reserve $'000	Other reserves $'000	Accumulated losses $'000	Total $'000
Group					
Balance at 31 March 2017	166 863	2 910	2 625	(49 669)	122 729
Current operations					
Total comprehensive income	–	–	109	22 275	22 384
Equity-settled share-based payments	368	–	–	333	701
Dividends paid	–	–	–	(4 209)	(4 209)
Balance at 31 March 2018	167 231	2 910	2 734	(31 270)	141 605
Current operations					
Total comprehensive income	**–**	**–**	**464**	**20 125**	**20 589**
Equity-settled share-based payments	**390**	**–**	**–**	**215**	**605**
Dividends paid	**–**	**–**	**–**	**(11 339)**	**(11 339)**
Balance at 31 March 2019	**167 621**	**2 910**	**3 198**	**(22 269)**	**151 460**
Notes	11		12		

	Share capital $'000	Other reserves $'000	Accumulated losses $'000	Total $'000
Company				
Balance at 31 March 2017	166 863	2 639	(47 560)	121 942
Current operations				
Total comprehensive income	–	109	3 876	3 985
Equity-settled share-based payments	368	–	333	701
Dividends paid	–	–	(4 209)	(4 209)
Balance at 31 March 2018	167 231	2 748	(47 560)	122 419
Total comprehensive income	**–**	**464**	**10 799**	**11 263**
Equity-settled share-based payments	**390**	**–**	**215**	**605**
Dividends paid	**–**	**–**	**(11 339)**	**(11 339)**
Balance at 31 March 2019	**167 621**	**3 212**	**(47 885)**	**122 948**
Notes	11	12		

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2019

		Group		Company	
	Notes	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Cash flows from operating activities		**38 701**	48 105	**10 798**	3 878
Cash generated/(utilised) by operations	26.1	**52 563**	59 219	**11 315**	4 058
Investment income		**79**	42	**63**	39
Changes in working capital	26.2	**(7 532)**	(7 626)	**(1)**	2
Cash generated/(utilised) by operating activities		**45 110**	51 635	**11 377**	4 099
Finance costs		**(3 292)**	(2 244)	**–**	–
Taxation paid	26.3	**(3 117)**	(1 286)	**(579)**	(221)
Cash flows from investing activities		**(54 147)**	(28 238)	**–**	–
Business combinations	30.2	**(12 980)**	–	**–**	–
Investment in joint arrangements		**(1 320)**	–	**–**	–
Disposal of other financial assets		**–**	7 759	**–**	–
(Increase)/decrease in non-current receivables		**(22)**	270	**–**	–
Proceeds from insurance recovery		**401**	350	**–**	–
Intangible assets					
– Additions		**(100)**	(951)	**–**	–
– Disposals		**1 050**	1 964	**–**	–
– Refunds		**–**	–	**–**	–
Property, plant and equipment					
– Additions		**(41 176)**	(37 920)	**–**	–
– Disposals		**–**	290	**–**	–
Cash flows from financing activities		**33 623**	(10 429)	**(11 339)**	(4 209)
Dividends paid		**(11 339)**	(4 209)	**(11 339)**	(4 209)
Debt issuance costs		**(2 101)**	(814)	**–**	–
Debt extinguishment costs		**–**	(1 127)	**–**	–
Long-term funding repaid	13	**(67 437)**	(53 546)	**–**	–
Long-term funding raised	13	**114 500**	49 267	**–**	–
Cash and cash equivalents					
Movements		**18 177**	9 438	**(541)**	(331)
At the beginning of the year		**29 172**	19 622	**202**	421
Foreign exchange difference		**461**	112	**461**	112
At the end of the year	26.4	**47 810**	29 172	**122**	202

ACCOUNTING POLICIES

1. ACCOUNTING POLICIES

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

a) Basis of preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the South African Companies Act, No. 71 of 2008, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited. The consolidated and separate annual financial statements are presented in US Dollars. The consolidated and separate annual financial statements have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments as described in the accounting policies below. The accounting policies are consistent with that applied in the previous year. The Company adopted IFRS 9 and IFRS 15 in the current year, which did not have an impact on the consolidated results. Dividends received in the current year were classified as investment income in the separate financial statements of the Company.

b) Chief operating decision-maker

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

c) Basis of consolidation

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

i) Subsidiaries

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

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

ii) Joint arrangements

Investments in joint arrangements are initially recognised at cost and its post-acquisition results incorporated in the financial statements using the equity method of accounting. Joint arrangements' accounting policies are changed, where necessary, to ensure consistency with the policies adopted by the Group. The Group's investments in joint arrangements include goodwill (net of any accumulated impairment loss) identified on acquisition.

iii) Goodwill

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

The carrying amount of goodwill in respect of joint arrangements is included in the carrying value of the investment in the joint arrangement.

d) Foreign exchange

i) Functional and presentation currency

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

ii) Transactions and balances

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

e) Business combinations

i) Subsidiaries

The Group uses the acquisition method of accounting to account for business combinations.

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

ii) Common control transactions

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

f) Property, plant and equipment

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

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

i) Depreciation

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

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

ii) Capitalisation of borrowing costs

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

g) Intangible assets

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

Amortisation is recognised together with depreciation in profit or loss.

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

i) Emission allowances

Emission allowances consist of credits that need to be applied to 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 the date of acquisition, have indefinite useful lives and as, a result, are not amortised. These assets are tested annually for impairment. There is currently no indicator for impairment.

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

i) Gas rights

Gas rights are amortised using the depletion straight-line basis over the gas rights' term.

ii) Interconnection

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

h) Financial assets and financial liabilities

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

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

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

i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less an allowance for expected credit losses. An allowance for expected credit losses is established using the simplified approach in IFRS 9 – thereby recognising lifetime expected credit losses. The lifetime expected credit losses is determined by taking into account historical loss rates, adjusted for future expected changes to the economic indicators relevant to the entity.

ii) Financial liabilities at amortised cost

Trade payables

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

Borrowings

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

iii) Financial liabilities at fair value through profit or loss

Earn-out

Provision is made for the acquisition date fair value of contingent consideration transferred in accordance with business combination guidance. The contingent consideration consists of multiple potential payments that are based on future earnings of acquired entities during predetermined measurement periods.

iv) Cash and cash equivalents

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

v) Fair value

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

vi) Impairment

Previously, in applying IAS 39, the Group assessed at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade receivables is described in note (h)(i) above.

i) Derivative financial assets and financial liabilities

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

j) Inventories

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

k) Renewable Identification Numbers ("RINs")

The Group generates RINs through its production and sale of renewable natural gas ("RNG") used for transportation purposes as prescribed under the Renewable Fuel Standard ("RFS") administered by the United States Environmental Protection Agency. The RINs that the Group generates are able to be separated and sold independent from the energy produced, therefore no cost is allocated to the RIN when it is generated.

l) Employee share incentive schemes

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

m) Impairment

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

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

n) Provisions

i) Asset retirement obligations

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

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

o) Disposal group assets held for sale

Items classified as disposal group assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Such disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use.

p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable when the relevant performance obligations are satisfied. The detailed revenue recognition policies can be found in note 18 to the financial statements.

i) Interest income

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

ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

q) Leases

i) The Group is the lessee

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

r) Income tax

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

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

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

s) Employee benefits

i) Leave entitlement

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

ii) Bonus plans

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Principles of critical accounting estimates and assumptions

i) Income taxes

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

During the prior year management reviewed the probability that its loss carry-forwards will be utilised in the near future. Using the current financial year operations as a base for production and operating expenses, together with available commodity and attribute pricing, management conservatively projected a five-year earnings forecast on a monthly basis. Based on the projected results and future board-approved development projects, management projected full utilisation of the loss carry-forwards well in advance of any expiration. Refer to note 4 for the deferred tax asset raised.

3. NEW STANDARDS ADOPTED AS AT 1 APRIL 2018

Standard	Details
IFRS 9 Financial Instruments	IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an expected credit loss model for the impairment of financial assets. The classification of financial assets is now determined as a result of the entity's business model for managing financial assets as well as the contractual cash flow characteristics of the financial asset. The impairment model changed from an incurred loss model to an expected credit loss model.

On adoption of IFRS 9 the Group applied transitional relief and opted not to restate prior periods. No restatements of opening retained earnings were required upon the adoption of IFRS 9.

On the date of initial application, 1 April 2018, the financial instruments of the Group were reclassified as follows:

		Measurement category		Carrying amount $'000		
		Original IAS 39 category	New IFRS 9 category	Closing balance 2018 (IAS 39)	Adoption of IFRS 9	Opening balance 2019 (IFRS 9)
Non-current assets	Non-current receivables	Loans and receivables	Amortised cost	943	–	943
Current assets	Trade and other receivables	Loans and receivables	Amortised cost	8 028	–	8 028
	Cash and cash equivalents	Loans and receivables	Amortised cost	29 172	–	29 172

The composition of the statement of financial position was not impacted by these reclassifications.

There have been no changes to the classification or measurement of financial liabilities as a result of the adoption of IFRS 9.

Standard	Details
IFRS 15 Revenue from Contracts with Customers	This is a new standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is no longer recognised when the risk and rewards of ownership of the good or service is transferred to the customer but rather when the entity satisfies a performance obligation and transfers control of the good or service to the customer.

On 1 April 2018 the Company adopted the amended guidance in IFRS 15 Revenue from Contracts with Customers and all related amendments ("IFRS 15") and applied it to all contracts using the modified retrospective transition method. There were no adjustments to the consolidated statement of financial position or the consolidated statement of comprehensive income for the year ended 31 March 2018 for the adoption of IFRS 15; however, the Company has now presented the disclosures required by this new standard (refer to note 18).

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

4.1 Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2019 or later periods which the Group has not early adopted:

Standard	Details	Annual periods beginning on or after
IFRS 16 Leases	This is a new standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 also contains expanded disclosure requirements for lessees. The Company has an insignificant number of operating leases for its office premises and certain equipment which fall within the scope of IFRS 16. The Company expects to recognise assets and liabilities of approximately $0.5 million to $2.0 million at the adoption on its statement of financial position. The Company is currently evaluating other contractual agreements for embedded leases to determine whether or not these agreements are in scope as intangible mineral rights are scoped out of IFRS 16. The Company does not expect the adoption of IFRS 16 to have a material impact on its results of operations or cash flows.	The Group will apply IFRS 16 from annual periods beginning 1 April 2019

	Group 2019 $'000	Group 2018 $'000
1. PROPERTY, PLANT AND EQUIPMENT		
Cost		
Land and buildings	**6 319**	4 960
Leasehold improvements	**645**	370
Other equipment and vehicles	**234 265**	194 222
Plant and machinery	**714**	687
	241 943	200 239
Accumulated depreciation		
Land and buildings	**(3 910)**	(3 659)
Leasehold improvements	**(160)**	(89)
Other equipment and vehicles	**(72 099)**	(65 670)
Plant and machinery	**(531)**	(425)
	(76 700)	(69 843)
Carrying value		
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
Movements in property, plant and equipment		
Balance at the beginning 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
Additions		
Land and buildings	**58**	150
Leasehold improvements	**275**	–
Other equipment and vehicles	**40 871**	42 667
Plant and machinery	**115**	193
	41 319	43 010
Business combinations		
Land and buildings	**1 458**	–
Other equipment and vehicles	**10 758**	–
	12 216	–
Change in estimate related to asset retirement obligations*		
Land and buildings	**(77)**	(797)
Other equipment and vehicles	**(461)**	(547)
	(538)	(1 344)

	Group 2019 $'000	Group 2018 $'000
1. PROPERTY, PLANT AND EQUIPMENT continued		
Impairment loss**		
Other equipment and vehicles	**(2 375)**	–
	(2 375)	–
Disposals and transfers		
Other equipment and vehicles	**(181)**	(147)
	(181)	(147)
Depreciation		
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)
Other non-cash adjustments		
Other equipment and vehicles	**–**	(1 234)
	–	(1 234)
Balances at the end of the year		
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.

	Customer contracts $'000	Emission allowances $'000	Gas rights $'000	Inter-connection $'000	Land rights $'000	Total $'000
2. INTANGIBLE ASSETS						
Group 2019						
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	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.

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

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 $'000	Company 2018 $'000
4. SUBSIDIARY COMPANIES		
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 2019	% of effective interest held by the Group 2018	% of exercisable voting rights 2019	% of exercisable voting rights 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.

	Group	
	2019	2018
	$'000	$'000
5. DEFERRED TAX		
Movements in deferred taxation		
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	**7 722**	11 742
Analysis of deferred taxation		
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
	7 722	11 742

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

		Group	
		2019 **$'000**	2018 $'000
6.	**NON-CURRENT RECEIVABLES**		
	Letters of credit	**965**	943

These amounts are due within one to eighteen years and bear interest at rates ranging from 0% to 1% per annum.

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 provisions for expected credit loss on non-current receivable financial assets during the current or prior years.

7.	**INVENTORIES**		
	Consumables and spares	**4 505**	2 603
8.	**OTHER FINANCIAL ASSETS**		
	Fair value through profit or loss		
	Interest rate swap	**74**	556
	Energy price derivative	**317**	–
	Amortised cost		
	AMT tax credit	**487**	–
		878	556
	Current	**391**	29
	Non-current	**487**	527
		878	556

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

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.

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.

	Number of shares			
	2019 ’000	2018 ’000	**2019 $’000**	2018 $’000
11. ORDINARY SHARE CAPITAL				
Authorised				
Ordinary shares of no par value	**200 000**	200 000	**–**	–
Issued				
In issue in the Company	**138 005**	137 879	**167 621**	167 231
Restricted shares held by employees in terms of the Restricted Stock Plan	**(1 163)**	(1 551)	**–**	–
	136 842	136 328	**167 621**	167 231

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.

	Group		Company	
	2019 $’000	2018 $’000	**2019 $’000**	2018 $’000
12. OTHER RESERVES				
FCTR at the beginning of the year	**2 734**	2 625	**2 748**	2 639
Exchange differences on translation	**464**	109	**464**	109
At the end of the year	**3 198**	2 734	**3 212**	2 748

	Group 2019 $'000	Group 2018 $'000
13. BORROWINGS		
Bank borrowings	**88 254**	42 907
Current portion of borrowings	**(18 279)**	(6 699)
Borrowings	**69 975**	36 208
Secured	**69 975**	36 208

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.

	Group 2019 $'000	Group 2018 $'000
Floating rates	**88 254**	42 907
	88 254	42 907
Maturity of these borrowings is as follows:		
Due within one year	**18 279**	6 699
Due within two to five years	**69 975**	36 208
Due after five years	**–**	–
	88 254	42 907
Weighted average effective interest rates (%)	**5.36**	4.71

	Group Long-term borrowings $'000
13. BORROWINGS continued	
Movements in the carrying value of borrowings are as follows:	
2019	
Carrying value at the beginning of the year	**42 907**
Cash flows:	
Raising of new debt	**114 500**
Raising of debt issuance costs	**(2 440)**
Debt repayments	**(67 437)**
Non-cash:	
Amortisation of debt issuance costs	**724**
Carrying value at the end of the year	**88 254**
2018	
Carrying value at the beginning of the year	47 270
Cash flows:	
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)
Non-cash:	
Amortisation of debt issuance costs	246
Loss on extinguishment of debt	1 611
Carrying value at the end of the year	42 907

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
14. PROVISIONS		
Asset retirement obligations		
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	**5 505**	5 336
Leave entitlement		
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	**349**	265
Bonus plans		
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	**454**	1 389
Total provisions	**6 308**	6 990
Non-current	**5 505**	5 336
Current	**803**	1 654
	6 308	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.

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
15. FINANCIAL LIABILITIES				
Financial liabilities carried at fair value through profit or loss				
Interest rate swap	**1 006**	16		
Energy price derivative	**68**	113		
Earn-out liability	**2 000**	–		
	3 074	129		
Current portion	**290**	129		
Non-current portion	**2 784**	–		
	3 074	129		

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.

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.

	Group		Company	
16. TRADE AND OTHER PAYABLES				
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	**–**	–
	13 408	10 342	**17**	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	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
17. COMMITMENTS				
Operating lease arrangements where the Group is a lessee				
Future leasing charges:				
– Payable within one year	**328**	188		
– Payable within two to five years	**780**	528		
– Payable after five years	**–**	–		
	1 108	716		
Commitments for the acquisition of property, plant and equipment and intangibles				
Contracted for but not provided in the financial statements	**3 007**	6 088		
Authorised but not contracted for	**11 075**	7 936		
	14 082	14 024		
Within one year	**14 082**	14 024		
More than one year	**–**	–		
18. REVENUES FROM CONTRACTS WITH CUSTOMERS				
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
	118 975	109 149	**–**	4 354

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.

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		
	Goods transferred at a point in time $'000	Goods transferred over time $'000	Total $'000
2019			
Major goods/service line			
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**
	77 865	**41 110**	**118 975**
2018			
Major goods/service line			
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
	64 438	44 711	109 149

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.

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
19. OTHER INCOME				
Gain on settlement	**–**	2 600		
Gain on the sales of NOx allowances	**871**	562		
Other income	**419**	375		
	1 290	3 537		
20. INVESTMENT INCOME				
Interest				
Bank	**79**	42	**63**	39
21. FINANCE COSTS				
Interest on borrowings	**4 924**	2 074		

22. ASSET IMPAIRMENTS

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:

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Property, plant and equipment, net	**2 375**	–		
Impairment loss	**2 375**	–		

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
23. PROFIT BEFORE TAXATION				
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	**–**	–
24. TAXATION				
Current	**1 289**	731	**–**	–
Deferred	**4 020**	15 085	**–**	–
Withholding tax	**579**	221	**579**	221
	5 888	16 037	**579**	221

Reconciliation of tax rate	**%**	%	**%**	%
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	**20**	42	**5**	5

	Group 2019 '000	Group 2018 '000
25. EARNINGS PER SHARE		
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

	Group		Company	
	2019 **$'000**	2018 $'000	**2019** **$'000**	2018 $'000
26. NOTES TO THE CASH FLOW STATEMENTS				
26.1 Cash generated by operations				
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	**–**	–
	52 563	59 219	**11 315**	4 058
26.2 Changes in working capital				
Inventory	**(1 674)**	(1 434)	**–**	–
Trade and other receivables	**(3 955)**	298	**–**	(2)
Trade and other payables	**(1 903)**	(6 490)	**(1)**	4
	(7 532)	(7 626)	**(1)**	2
26.3 Taxation paid				
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
	(3 117)	(1 286)	**(579)**	(221)
26.4 Cash and cash equivalents				
Bank balances and deposits	**47 810**	29 172	**122**	202
	47 810	29 172	**122**	202

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
Executive directors						
ML Ryan*	**–**	**255**	**34**	**173**	**38**	**500**
SF McClain*	**–**	**200**	**31**	**142**	**18**	**391**
Non-executive directors						
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**
Total	**59**	**455**	**65**	**315**	**56**	**950**

- \# 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
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 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

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 31 March 2019	Direct beneficial Number	 % holding	Indirect beneficial Number	 % holding	Associates Number	 % holding
Executive directors						
ML Ryan*	**694 191**	**0.5**	**–**	**–**	**–**	**–**
SF McClain* **	**538 421**	**0.4**	**–**	**–**	**–**	**–**
Non-executive directors						
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**
Total	**4 109 962**	**3.0**	**6 705 348**	**4.8**	**17 674 905**	**12.8**

* 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	Direct beneficial Number	 % holding	Indirect beneficial Number	 % holding	Associates Number	 % holding
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

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.

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:				
ML Ryan				
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	**–**	–
SF McClain				
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:				
ML Ryan**				
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
SF McClain***				
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 %
Pico Energy LLC			
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
Non-current assets	
Property, plant and equipment	**12 216**
Intangible assets	**2 383**
Current assets	
Trade receivables	**–**
Inventories	**241**
Trade payables	**–**
Net assets acquired	**14 840**
Goodwill	**140**
Total consideration	**14 980**
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.

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
Cash and cash equivalents		
South African Rand	**122**	202
Trade and other payables		
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
Fixed rate instruments		
Financial assets	**47 810**	29 172
Variable rate instruments		
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
	60 553	38 143

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
At 31 March 2019			
Bank and other borrowings (gross of debt issuance costs)	**19 000**	**71 250**	**–**
Trade and other payables	**13 408**	**–**	**–**
	32 408	**71 250**	**–**
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	–

Defaults and breaches on loans

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

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
Group 2019				
ASSETS				
Financial assets at fair value through profit or loss				
Interest rate swaps	**–**	**74**	**–**	**74**
Energy price derivatives	**317**	**–**	**–**	**317**
Total assets	**317**	**74**	**–**	**391**
LIABILITIES				
Financial liabilities at fair value through profit or loss				
Interest rate swaps	**–**	**1 006**	**–**	**1 006**
Energy price derivatives	**68**	**–**	**–**	**68**
Total liabilities	**68**	**1 006**	**–**	**1 074**
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

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	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Group				
ASSETS				
Non-current assets	**–**	943	**1 452**	–
Property, plant and equipment	**–**	–	**–**	–
Goodwill	**–**	–	**–**	–
Intangible assets	**–**	–	**–**	–
Deferred taxation	**–**	–	**–**	–
Other financial assets	**–**	–	**487**	–
Non-current receivables	**–**	943	**965**	–
Current assets	**–**	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	**–**	–	**–**	–
Total assets	**–**	38 143	**60 723**	–
LIABILITIES				
Non-current liabilities	**–**	–	**–**	–
Borrowings	**–**	–	**–**	–
Long-term provisions	**–**	–	**–**	–
Financial liabilities	**–**	–	**–**	–
Current liabilities	**–**	–	**–**	–
Trade and other payables	**–**	–	**–**	–
Financial liabilities	**–**	–	**–**	–
Current portion of borrowings	**–**	–	**–**	–
Taxation	**–**	–	**–**	–
Provisions	**–**	–	**–**	–
Total liabilities	**–**	–	**–**	–
Company				
ASSETS				
Non-current assets	**–**	–	**–**	–
Subsidiary companies	**–**	–	**–**	–
Current assets	**–**	204	**124**	–
Cash and cash equivalents	**–**	202	**122**	–
Trade and other receivables	**–**	2	**2**	–
Total assets	**–**	204	**124**	–
LIABILITIES				
Current liabilities	**–**	–	**–**	–
Trade and other payables	**–**	–	**–**	–
Taxation	**–**	–	**–**	–
Total liabilities	**–**	–	**–**	–

Financial liabilities at amortised cost		Non-financial instruments		Fair value through profit or loss		Total	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'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

ANNEXURE A

INTEREST IN PRINCIPAL SUBSIDIARIES

			2019		2018	
	Issued share capital $'000	Effective interest %	**Shares $'000**	**Loans $'000**	Shares $'000	Loans $'000
Shares and loans stated at cost less impairment						
Renewable energy						
Montauk Holdings USA LLC	182 351	100	**122 842**	**–**	122 237	–
Montauk Energy Holdings LLC	–	100	*	**–**	*	–
Montauk Energy Capital LLC	–	99.5	*	**–**	*	–
Johnstown LFG Holdings Inc.	–	100	*	**–**	*	–
Johnstown Regional Energy LLC	–	100	*	**–**	*	–
Monroeville LFG LLC	–	99.5	*	**–**	*	–
Valley LFG LLC	–	99.5	*	**–**	*	–
GSF Energy LLC	–	99.5	*	**–**	*	–
Bowerman Power LFG LLC	–	99.5	*	**–**	*	–
Monmouth Energy Inc.	–	99.5	*	**–**	*	–
Tulsa LFG LLC	–	99.5	*	**–**	*	–
MH Energy LLC	–	100	*	**–**	*	–
MH Energy (GP) LLC	–	100	*	**–**	*	–
TX LFG Energy LP	–	100	*	**–**	*	–
Pico Energy LLC	–	100	*	**–**	–	–
			122 842	**–**	122 237	–

* Indirectly held

Subsidiaries whose financial position or results are not material are excluded from this list.

Details of excluded subsidiaries are available from the company secretary.

Subsidiaries are all incorporated in the United States of America.

ANNUAL GENERAL MEETING

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

NOTICE TO SHAREHOLDERS FOR THE YEAR ENDED 31 MARCH 2019

NOTICE IS HEREBY GIVEN that the annual general meeting of Montauk Holdings Limited ("the Company") will be held on Thursday, 12 September 2019 at 14:00 at the registered offices of the Company, Suite 801, 76 Regent Road, Sea Point, Cape Town 8005.

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

GENERAL INSTRUCTIONS AND INFORMATION

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

The board of directors of the Company determined, in accordance with section 59 of the Companies Act, 71 of 2008, as amended ("Act"), that the record date for the purpose of determining which shareholders of the Company were entitled to receive notice of the annual general meeting was 19 July 2019 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is 6 September 2019. Accordingly, only shareholders who are registered in the register of shareholders of the Company on 6 September 2019 will be entitled to participate in and vote at the annual general meeting.

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

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

Please note that the Company intends to make provision for shareholders of the Company, or their proxies, to participate in the annual general meeting by way of video conference in Johannesburg. Should you wish to participate in the annual general meeting by way of video conference as aforesaid, you are required to give notice of such proposed participation to the Company at its registered office or at the office of the transfer secretaries by no later than 14:00 on Wednesday, 11 September 2019. In order for the notice to be valid, it must be accompanied by the following:

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

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

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

- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy.

The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be. CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner should, when authorised in terms of their mandate or instructed to do so by the person on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the office of the Company's transfer secretaries to be received by 14:00 on 11 September 2019 for administrative purposes, or delivering such form by hand thereafter to the company secretary, before the proxy exercises any rights of the shareholder at the meeting. In order to facilitate proceedings at the annual general meeting, shareholders intending to appoint a proxy are requested to do so as soon as is reasonably possible.

In accordance with section 63(1) of the Act, participants at the annual general meeting will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly provide a copy of their identity document, passport or driver's licence at the annual general meeting for verification.

Shareholders of the Company that are companies, that wish to participate in the annual general meeting, may authorise any person to act as its representative at the annual general meeting.

VOTING AT THE ANNUAL GENERAL MEETING

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

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

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

- the directors and management of the Company, including brief CVs of the directors nominated for re-election, on page 5;
- the major shareholders of the Company on page 3; and
- the share capital of the Company in note 10 and an analysis of shareholders on page 2.

NO CHANGE STATEMENT

There are no material changes to the Group's financial or trading position (other than as disclosed in the accompanying integrated annual report), nor are there any legal or arbitration proceedings that may materially affect the financial position of the Group between 31 March 2019 and the reporting date, other than as provided for in the directors' report on page 26.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that the integrated annual report and this notice provide all information required by law and the Listings Requirements of the JSE ("JSE Listings Requirements").

PURPOSE OF ANNUAL GENERAL MEETING

The purpose of the annual general meeting is for the following business to be transacted, and to consider and, if approved, to pass with or without modification, the following ordinary and special resolutions, in the manner required by the Company's memorandum of incorporation ("MOI") and the Act, as read with the JSE Listings Requirements.

1. **Presentation of the audited annual financial statements, including the reports of the directors, external auditors and the audit and risk committee, for the year ended 31 March 2019**
   The Act requires the Company to present the annual financial statements (including the report of the audit and risk committee and the directors' report) for the year ended 31 March 2019, as approved by the board of directors, at the annual general meeting of the Company. The directors' report is set out on pages 26 and 27, and the report of the audit and risk committee is set out on pages 15 and 16 of the integrated annual report to which this notice of annual general meeting is attached.

2. **Presentation of report of the social and ethics committee**

In accordance with Regulation 43 of the Companies Regulations, 2011, the Company's report of the social and ethics committee for the year ended 31 March 2019, prepared and approved by the Company's social and ethics committee and set out on page 19 of the integrated annual report, to which this notice of annual general meeting is attached, will be presented to the shareholders of the Company. Any specific questions to the social and ethics committee may be sent to the company secretary prior to the annual general meeting.

3. **Election of directors – ordinary resolution numbers 1.1, 1.2 and 1.3**

3.1 Election of Mr JA Copelyn as director – ordinary resolution number 1.1

"Resolved that Mr JA Copelyn be and is hereby elected as a director of the Company."

3.2 Election of Mr ML Ryan as director – ordinary resolution number 1.2

"Resolved that Mr ML Ryan be and is hereby elected as a director of the Company."

3.3 Election of Mr MA Jacobson as director – ordinary resolution number 1.3

"Resolved that Mr MA Jacobson be and is hereby elected as a director of the Company."

Explanatory note

Messrs JA Copelyn, ML Ryan and MA Jacobson retire as directors in accordance with the Company's MOI but, being eligible, each offer themselves for re-election as a director of the Company. For CV details, see page 5.

The board has considered the proposed election of Messrs JA Copelyn, ML Ryan and MA Jacobson and recommends that they be elected as directors of the Company.

The reason for ordinary resolution number 1.1 is to re-elect Mr JA Copelyn, who retires as a director in accordance with the Company's MOI. The reason for ordinary resolution number 1.2 is to re-elect Mr ML Ryan, who retires as a director in accordance with the Company's MOI. The reason for ordinary resolution number 1.3 is to re-elect Mr MA Jacobson, who retires as a director in accordance with the Company's MOI. Accordingly, shareholders are requested to consider and if deemed fit, to re-elect Messrs JA Copelyn, ML Ryan and MA Jacobson by way of passing the ordinary resolutions set out above.

4. **Reappointment of auditor – ordinary resolution number 2**

"Resolved that BDO South Africa Incorporated and Mr B Frey, as designated auditor, is hereby appointed as the auditor to the Company for the ensuing year."

Explanatory note

The reason for ordinary resolution number 2 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or reappointed each year at the annual general meeting of the Company as required by the Act.

The Company's audit and risk committee has recommended that BDO South Africa Incorporated be reappointed as the auditors of the Company, for the ensuing year and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2020 is Mr B Frey. Accordingly, the directors propose that the above resolution be adopted.

5. **Appointment of audit and risk committee – ordinary resolution numbers 3.1, 3.2 and 3.3**

5.1 Appointment of Mr MH Ahmed to the audit and risk committee – ordinary resolution number 3.1

"Resolved that Mr MH Ahmed (see CV details on page 5) be and is hereby appointed to the audit and risk committee of the Company for the ensuing year."

5.2 Appointment of Ms NB Jappie to the audit and risk committee – ordinary resolution number 3.2

"Resolved that Ms NB Jappie (see CV details on page 5) be and is hereby appointed to the audit and risk committee of the Company for the ensuing year."

5.3 Appointment of Mr BS Raynor to the audit and risk committee – ordinary resolution number 3.3

"Resolved that Mr BS Raynor (see CV details on page 5) be and is hereby appointed to the audit and risk committee of the Company for the ensuing year."

Explanatory note

The reason for ordinary resolution numbers 3.1 to 3.3 is that the Company, being a public listed company, must appoint an audit and risk committee comprising at least 3 (three) members. The Act also requires that the members of such audit and risk committee be appointed at each annual general meeting of a company.

The board has considered the proposed appointment of Mr MH Ahmed, Ms NB Jappie and Mr BS Raynor and recommends that they be appointed as members of the audit and risk committee.

6. **General authority over authorised but unissued shares – ordinary resolution number 4**

   "Resolved that, as required by the Company's MOI and subject to the provisions of the Act and the JSE Listings Requirements, the authorised but unissued shares in the Company be and are hereby placed under the control of the directors, subject to the provisions of the Act, the MOI and the JSE Listings Requirements, as presently constituted and which may be amended from time to time, and provided that such authority may not, in the aggregate, in any one financial year, exceed 10% (ten per cent), being 13 800 509 ordinary shares, of the aggregate number of shares of the relevant class of shares in issue (excluding treasury shares), and such authority to endure until the next annual general meeting of the Company (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting), provided that it shall not extend beyond 15 (fifteen) months of the date of this meeting until the next annual general meeting."

   Explanatory note

   In terms of the Company's MOI, read with the JSE Listings Requirements, the shareholders of the Company may authorise the directors to, inter alia, issue any authorised but unissued ordinary shares and/or grant options over them on such terms and conditions and to such persons whether they be shareholders or not, as the directors in their discretion deem fit. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The board has decided to seek annual renewal of this authority from the shareholders of the Company in accordance with best practice. The board has no current plans to make use of this authority (other than in terms of The Montauk Holdings Restricted Stock Plan for U.S. Affiliates and The Montauk Holdings Share Appreciation Rights Scheme for U.S. Affiliates), but wish to ensure, by having this authority in place, that the Company retains its flexibility in managing the Group's capital resources and to enable the Company to take advantage of any business opportunity that may arise in the future.

7. **Advisory endorsement of the remuneration policy and implementation report – non-binding advisory votes**

   7.1 Non-binding advisory vote number 1:

   "Resolved, by way of a non-binding advisory vote, that the Company's remuneration policy accompanying this notice of annual general meeting be accepted and endorsed."

   7.2 Non-binding advisory vote number 2:

   "Resolved, by way of a non-binding advisory vote, that the Company's implementation report accompanying this notice of annual general meeting be accepted and endorsed."

   Explanatory note

   In terms of Part 5.4, principle 14 (recommended Practice 37) of the King IV Report on Corporate Governance in South Africa, 2016 ("King IV") the Company's remuneration policy and implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. Furthermore, King IV recommends that the remuneration policy should record the measures that the board commits to in the event that either the remuneration policy or the implementation report, or both, have been voted against by 25% (twenty-five per cent) or more of the voting rights exercised by the shareholders.

   The shareholders are requested to separately endorse the Company's remuneration policy on pages 17 and 18 and the implementation report on page 18 in the report of the remuneration committee, by way of separate non-binding advisory votes.

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

   "Resolved that the directors of the Company be and are hereby authorised by way of a general authority to issue (which shall for the purposes of the JSE Listings Requirements include the sale of treasury shares) for cash (as contemplated in the JSE Listings Requirements) all or any of the authorised but unissued shares in the capital of the Company, including options, as and when they in their discretion deem fit, subject to the Act, the MOI of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 10% (ten per cent), being 13 800 509 ordinary shares, of the number of shares of the relevant class of shares issued prior to such issue.

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

   - the shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;

- the general authority shall only be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;
- the Company shall publish such announcements (if any) as may be required by the JSE Listings Requirements pursuant to the issue of shares under this authority;
- that issues in the aggregate in any 1 (one) financial year may not exceed 13 800 509 ordinary shares, representing 10% (ten per cent) of the ordinary shares of the Company, excluding treasury shares, taking into account the dilutionary effect of convertible equity securities and options in accordance with the JSE Listings Requirements;
- in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the Company and the party/ies subscribing for the shares; and
- any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties."

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

In terms of ordinary resolution number 4, the shareholders authorise the directors to allot and issue a portion of the authorised but unissued shares, as the directors in their discretion think fit. The existing general authority to issue shares for cash granted by the shareholders at the previous annual general meeting, held on 22 October 2018, will expire at this annual general meeting, unless renewed. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The aggregate number of ordinary shares capable of being allotted and issued for cash are limited as set out in the resolution. The directors consider it advantageous to renew this authority to enable the Company to take advantage of any business opportunity that may arise in future.

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

"To approve, for the period 1 November 2019 until 31 October 2020, the remuneration payable to non-executive directors of the Company for their services as directors and members of board committees as follows:

Membership	Fee (excl. VAT) (R)
Board member	120 190
Audit and risk committee member	48 075
Remuneration committee member	48 075
Social and ethics committee member	48 075"

Explanatory note
This resolution is proposed in order to comply with the requirements of the Act. In terms of section 65(11) (h) of the Act read with sections 66(8) and 66(9) of the Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous 2 (two) years and only if this is not prohibited in terms of the Company's MOI.

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

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

In accordance with this resolution board members will be entitled to a maximum of R48 075 in respect of their membership of board committees, irrespective of the number of committees they serve on.

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

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

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

Statement by the board of directors of the Company

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

- it is their intention to utilise the general authority to acquire shares in the Company if at some future date the cash resources of the Company are in excess of its requirements or there are good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company;
- in determining the method by which the Company intends to acquire its shares, the maximum number of shares to be acquired and the date on which such acquisition will take place, the directors of the Company will only make the acquisition if at the time of the acquisition they are of the opinion that:
  - the Company and its subsidiaries would, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of this notice of the annual general meeting;
  - the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with

– International Financial Reporting Standards and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, would, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of the annual general meeting;

– the issued share capital and reserves of the Company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes of the Company or any acquiring subsidiary for the next 12 (twelve) months after the date of approval of this notice of the annual general meeting;

– the working capital available to the Company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes for the next 12 (twelve) months after the date of approval of this notice of the annual general meeting; and

– the Company and its subsidiaries pass the solvency and liquidity test and that from the time that the test is done there are no material changes to the financial position of the Company or any acquiring subsidiary.

Explanatory note

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

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

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

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

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

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

Explanatory note

In terms of the Act and the Company's MOI, this resolution will be adopted with the support of more than 75% (seventy-five per cent) of the voting rights exercised on this resolution.

As part of the normal conduct of the business of the Company and its subsidiaries from time to time, the Company, where necessary, provides financial assistance to its related and interrelated companies and entities (as contemplated in the Act) including the provisions of guarantees and other forms of security to third parties which provide funding to the Company's local and foreign subsidiaries, whether by way of loans, subscribing for shares (including preference shares) or otherwise. In the circumstances and in order to ensure that, among other things, the Company and its subsidiaries and other related and interrelated companies and entities continue to have access to, and are able to appropriately structure their financing for purposes of funding their corporate and working capital requirements, it is necessary that the Company obtains the approval of shareholders in terms of this special resolution number 4. Sections 44(3)(ii) and 45(3)(a)(ii) of the Act provide that the financial assistance required can only be provided pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which resolution must have approved such financial assistance either for the specific recipient, or generally for a category of potential recipients (and the specific recipient falls within that category), and the directors must be satisfied that:

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

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

12. **Authorisation of directors – ordinary resolution number 5**

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

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

By order of the board

Cape Town
23 July 2019

FORM OF PROXY

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

I/We, ____ (name in full)

of address ____

being a registered holder of ______________________ ordinary shares in the Company,

hereby appoint

1. ____ or failing him/her,

2. ____ or failing him/her,

3. ____ or failing him/her,

the chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on Thursday, 12 September 2019 at 14:00 at the registered offices of the Company, Suite 801, 76 Regent Road, Sea Point, Cape Town 8005 and at any adjournment thereof as follows:

Agenda	Resolution No.	Description	For	Against	Abstain
3.1	Ordinary resolution 1.1	Election of director: Mr JA Copelyn			
3.2	Ordinary resolution 1.2	Election of director: Mr ML Ryan			
3.3	Ordinary resolution 1.3	Election of director: Mr MA Jacobson			
4.	Ordinary resolution 2	Reappointment of auditor			
5.1	Ordinary resolution 3.1	Appointment of audit and risk committee member: Mr MH Ahmed			
5.2	Ordinary resolution 3.2	Appointment of audit and risk committee member: Ms NB Jappie			
5.3	Ordinary resolution 3.3	Appointment of audit and risk committee member: Mr BS Raynor			
6.	Ordinary resolution 4	General authority over unissued shares			
7.1	Non-binding advisory vote 1	Advisory endorsement of remuneration policy for the year ended 31 March 2019			
7.2	Non-binding advisory vote 2	Advisory endorsement of remuneration implementation report for the year ended 31 March 2019			
8.	Special resolution 1	General authority to issue shares and options for cash			
9.	Special resolution 2	Approval of annual fees to be paid to non-executive directors			
10.	Special resolution 3	General authority to repurchase Company shares			
11.	Special resolution 4	General authority to provide financial assistance in terms of sections 44 and 45 of the Companies Act			
12.	Ordinary resolution 5	Authorisation of directors to implement resolutions passed			

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

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

Signed this ______________________ day of ______________ 2019.

Signature ____

Assisted by me (where applicable) ____

Please read the notes overleaf

NOTES TO THE FORM OF PROXY

1. A form of proxy is only to be completed by those shareholders who are:
   - holding shares in certificated form; or
   - recorded in the sub-register in dematerialised electronic form in “own name”.
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (“CSDP”) or broker, other than with “own name” registration, and wish to attend the general meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into by yourself and the CSDP or broker.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.
4. Every person present and entitled to vote at the meeting as a member or as a proxy or as a representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of shares such person holds or represents but, in the event of a poll, a member shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company.
5. Please insert the relevant number of shares/votes and indicate with a cross (X) in the appropriate spaces on the face hereof how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain from voting at his/her discretion.
6. A deletion of any printed details and the completion of any blank space/s need not be signed or initialled. Any alteration must be initialled.
7. The chairman of the general meeting shall be entitled to decline to accept the authority of the signatory under a power of attorney, or on behalf of a company, unless the power of attorney or authority is produced or has been registered.
8. The signatory may insert the name of any person/s whom the signatory wishes to appoint as his/her proxy, in the blank space/s provided for that purpose.
9. When there are joint holders of shares and if more than one such joint holder be present or represented, then the person whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
10. A minor should be assisted by his parent or legal guardian unless the relevant documents establishing his legal capacity are produced or have been registered.
11. The completion and lodging of this proxy form will not preclude the signatory from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.
12. A shareholder’s instructions must be indicated by the insertion of a cross (X), or where applicable, the relevant number of votes exercisable by the shareholder, in the appropriate box of this proxy form.
13. If the signatory does not indicate how he/she wishes to vote in the appropriate place/s on the face hereof in respect of the resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of the resolutions.
14. If the shareholding is not indicated on the proxy form, the proxy will be deemed to be authorised to vote the total shareholding.
15. The chairman of the general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
16. Forms of proxy will not be accepted unless they have been returned by the shareholders concerned to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107) so as to be received by no later than 14:00 on Wednesday, 11 September 2019.

CORPORATE ADMINISTRATION

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

Non-executive
JA Copelyn (Chairman)
MA Jacobson[2]
TG Govender
NB Jappie[3]
BS Raynor[1, 3]
MH Ahmed[3] (Lead Independent)

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

WEBSITE ADDRESS
www.montauk.co.za

COMPANY REGISTRATION NUMBER
2010/017811/06

SHARE CODE
MNK

ISIN
ZAE000197455

COMPANY SECRETARY AND REGISTERED OFFICE
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Cape Town 8005

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Cape Town 8000

Telephone: 021 481 7560
Telefax: 021 434 1459

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Wanderers Office Park
52 Corlett Drive
Illovo 2196

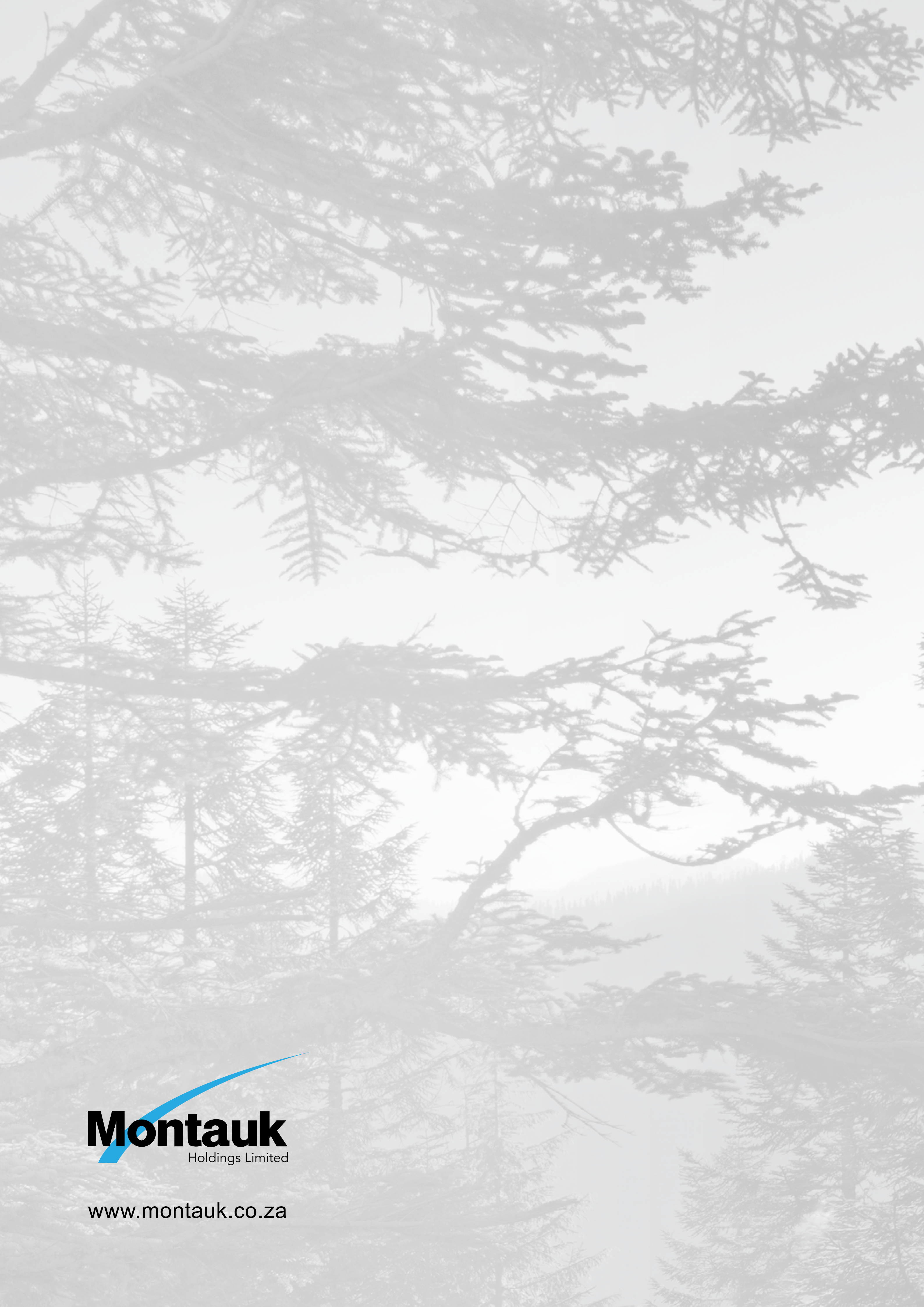
Private Bag X10046
Sandton 2146

BANKERS
Nedbank Limited

SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton, Sandown 2196

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

PO Box 61051
Marshalltown 2107



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Holdings Limited

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