PKF Cape Town

chartered accountants
& business advisers

Capital Harvest Finance (RF) Limited
(Registration number 2021/867674/06)
Annual Financial Statements
for the period ended 31 May 2022

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Agricultural financier, providing finance to both primary and secondary agriculture activities.
Directors	NR Clarke ML de Nysschen WA Nel SJ Roos R Thanthony
Registered office	3rd Floor 200 On Main Cnr Main and Bowwood Roads Claremont 7708
Business address	18 Papegaai Street Stellenbosch 7600
Postal address	3rd Floor 200 On Main Cnr Main and Bowwood Roads Claremont 7708
Holding entity	Capital Harvest Owner Trust
Auditors	PKF Cape Town Chartered Accountants (S.A.) Registered Auditors
Secretary	TMF Corporate Services (South Africa) Proprietary Limited
Company registration number	2021/867674/06
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Compiler	The annual financial statements were independently compiled under the supervision of: L Meiring CA (SA)
Issued	25 August 2022

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The reports and statements set out below comprise the annual financial statements presented to the shareholders:

Audit Committee Report

1. Members of the Audit Committee

The members of the audit committee are all independent non-executive directors of the Company and include:

Name
R Thanthony
ML de Nysschen
NR Clarke

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act of South Africa (the "**Act**") and Regulation 42 of the Companies Regulation 2011.

2. Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by section 94(7) of the Act by holding meetings as a committee on a regular basis. The audit committee will invite certain key individuals to assist them in performing their responsibilities.

3. External auditor

The audit committee has nominated M Louw, a partner of PKF Cape Town and a registered auditor as the independent auditor, for the 2022 audit.

The committee satisfied itself through enquiry that the external auditors are independent as defined in the Act and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Act that internal governance processes within the firm support and demonstrate the claim to independence.

The audit committee, in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

The audit committee considered and pre-approved all non-audit services provided by the external auditors and the fees relative thereto, so to ensure the independence of the external auditors are maintained.

4. Finance function

The Audit Committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of the Administrator's management responsible for the finance function.

5. Annual Financial Statements

Following the review of the annual financial statements, the audit committee recommends board approval thereof.

6. Accounting practices and internal control

The audit committee specifically considered the recognition of expected credit losses through assessment of the probability of default, the loss-given default and any exposure at default on a forward-looking basis and are satisfied that no loss allowance for expected credit losses is required for the financial year ending 31 May 2022.

7. Company Secretary

The Committee has satisfied itself that the company secretary, TMF Corporate Services (South Africa) Proprietary Limited, has the appropriate competence and experience and will maintain an arm's-length relationship with directors.

8. Recommendation of the annual financial statements

The Committee has fulfilled its oversight role regarding the reporting process for the annual financial statements and being satisfied with the integrity of this report, recommends that the annual financial statements be approved by the Board of directors.

On behalf of the audit committee

Chairman Audit Committee

Johannesburg

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company’s cash flow forecast for the period to 31 May 2023 and, in light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on pages 6 to 8.

The annual financial statements set out on pages 9 to 32, which have been prepared on the going concern basis, were approved by the board of directors on 25 August 2022 and were signed on their behalf by:

WA Nel	**ML De Nysschen**

Independent Auditor's Report

To the Shareholders of Capital Harvest Finance (RF) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Capital Harvest Finance (RF) Limited set out on pages 11 to 32, which comprise the statement of financial position as at 31 May 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capital Harvest Finance (RF) Limited as at 31 May 2022, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

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 Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of Expected Credit Losses The company holds loans receivable to the amount of R895,763,019 at year-end. The loans receivable is classified at amortised cost. No loss allowance was recognised for these loans, as, based on management's assessment, there is no expected credit loss on these loans. Management applied judgement in determining the loss allowance, with specific reference to the **security held as collateral** in the form of **guarantees**. As disclosed in note 3 to the financial statements, the guarantees issued to the company are supported by mortgage bonds held over properties, exceeding the balance outstanding at year-end. Given the judgement applied in determining the amount of the expected credit loss, it is considered to be a key audit matter.	We considered management's judgement whether the guarantees held by the company are sufficient to cover the expected credit loss or cash shortfall, by means of: • Inspecting guarantee agreements to be valid and binding, as well as to confirm that there is a guarantee issued for each respective loan receivable. • We inspected that each guarantee is supported by a mortgage bond held over properties. • We inspected that the amount registered as mortgage bond is supported by an external valuation.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Capital Harvest Finance (RF) Limited Annual Financial Statements for the period ended 31 May 2022", which includes the Directors' Report and the Audit Committee Report, as required by the Companies Act 71 of 2008. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISA 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 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 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 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 04 December 2015, we report that PKF Cape Town has been the auditor of Capital Harvest Finance (RF) Limited for one year.

PKF Cape Town.

PKF Cape Town
M Louw
Partner
Registered Auditor

25 August 2022
BELLVILLE

Directors' Report

The directors submit their report on the annual financial statements of Capital Harvest Finance (RF) Limited (the "Company") for the period ended 31 May 2022. This report forms part of the annual financial statements.

1. Incorporation

The Company was incorporated on 09 September 2021 and obtained its certificate to commence business on the same day.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with IFRS and the requirements of the Companies Act 71 of 2008.

The Company started operating during the current financial period.

The operating results and state of affairs of the Company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Share capital

Refer to note 8 of the annual financial statements for detail of the movement in authorised and issued share capital.

4. Dividends

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

5. Directors

The directors in office at the date of this report are as follows:

Directors	Changes
NR Clarke	Appointed 09 September 2021
ML de Nysschen	Appointed 09 September 2021
WA Nel	Appointed 09 September 2021
SJ Roos	Appointed 09 September 2021
R Thanthony	Appointed 09 September 2021

6. Holding entity

The Company's holding entity is Capital Harvest Owner Trust which holds 100% of the Company's ordinary shares.

7. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year, and the date the annual financial statements were approved, not otherwise dealt with in this report or annual financial statements, that would significantly affect the operations of the Company or the results of those operations.

8. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

9. Auditors

PKF Cape Town was appointed as auditors for the Company for 2022.

At the AGM, the shareholder will be requested to reappoint PKF Cape Town as the independent external auditors of the Company for the 2023 financial period.

10. Secretary

The company secretary is TMF Corporate Services (South Africa) Proprietary Limited.

Postal address:	3rd Floor 200 On Main Corner Main and Bowwood Roads Claremont 7708
Business address:	18 Papegaai Street Stellenbosch 7600

11. Solvency and liquidity

The directors have performed the liquidity and solvency tests required by the Companies Act 71 of 2008 as and when necessary.

Statement of Financial Position as at 31 May 2022

Figures in Rand	Notes	31 May 2022
Assets		
Non-Current Assets		
Loans receivable	3	712,740,614
Deferred tax	4	12,710
		712,753,324
Current Assets		
Loans receivable	3	183,022,405
Investments at fair value	5	112,779,945
Trade and other receivables	6	272,375
Cash and cash equivalents	7	68,556,378
		364,631,103
Total Assets		**1,077,384,427**
Equity and Liabilities		
Equity		
Share capital	8	11
Retained income		609,476
		609,487
Liabilities		
Non-Current Liabilities		
Junior loan	9	34,049,000
Notes	10	1,034,000,000
		1,068,049,000
Current Liabilities		
Junior loan	9	443,290
Notes	10	6,121,127
Trade and other payables	11	2,042,863
Current tax payable		118,660
		8,725,940
Total Liabilities		**1,076,774,940**
Total Equity and Liabilities		**1,077,384,427**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	9 months ended 31 May 2022
Revenue	12	35,174,053
Other operating income		19,000
Other operating losses	13	(58,842)
Other operating expenses		(6,866,762)
Operating profit	14	**28,267,449**
Investment income	15	5,558,322
Finance costs	16	(32,687,823)
Profit before taxation		**1,137,948**
Taxation	17	(528,472)
Profit for the period		**609,476**
Other comprehensive income		-
Total comprehensive income for the period		**609,476**

Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
Profit for the period	-	609,476	609,476
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**609,476**	**609,476**
Issue of shares	11	-	11
Total contributions by and distributions to owners of company recognised directly in equity	**11**	**-**	**11**
Balance at 31 May 2022	**11**	**609,476**	**609,487**
Note	8		

Statement of Cash Flows

Figures in Rand	Notes	9 months ended 31 May 2022
Cash flows from operating activities		
Cash used in operations	18	(4,823,900)
Interest income		2,719,535
Finance costs		(26,123,406)
Tax paid	19	(422,522)
Net cash used in operating activities		**(28,650,293)**
Cash flows from investing activities		
Additions to investments at fair value		(110,000,000)
Advances of loans receivable at amortised cost		(1,098,267,777)
Receipts from loans receivable at amortised cost		237,425,448
Net cash used in investing activities		**(970,842,329)**
Cash flows from financing activities		
Proceeds from junior loan	9	34,049,000
Repayment of loans advanced	10	(1,000)
Proceeds from notes/loans advanced	10	1,034,001,000
Net cash from financing activities		**1,068,049,000**
Total cash movement for the period		**68,556,378**
Cash at the beginning of the period		-
Total cash at end of the period	7	**68,556,378**

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Company's functional currency.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company’s history during the year, existing market conditions, specific security held as collateral as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

1.3 Financial instruments

Financial instruments held by the Company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Company, as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Financial liabilities:
- Amortised cost.

Note 21 Financial instruments and risk management presents the financial instruments held by the Company based on their specific classifications.

1.3 Financial instruments (continued)

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Company are presented below:

Loans receivable at amortised cost

Classification

Loans receivable (note 3) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in revenue (note 12).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Company considers whether there are any loans receivable with payment in arrears or not complying with loan agreements.

1.3 Financial instruments (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above, as well as actual collateral and guarantees held by the company to minimize its exposure.

Loans are grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Credit risk and interest rate risk

Details of credit risk and interest rate risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 21).

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 5. They are classified as mandatorily at fair value through profit or loss.

Recognition and measurement

Investments in equity instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in profit or loss. Details of the valuation policies and processes are presented in note 23.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other operating gains (losses) (note 13).

Credit risk, interest rate risk and market rate risk

Details of credit risk, interest rate risk and market rate risk related to investments in equity instruments are included in the specific notes and the financial instruments and risk management (note 21).

Junior loan and Notes

Classification

Junior loan and Notes (notes 9 and 10) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Junior loan and Notes are recognised when the Company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

1.3 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

Junior loan and notes expose the Company to liquidity risk and interest rate risk. Refer to note 21 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Credit risk and interest rate risk

Details of credit risk and interest rate risk related to cash and cash equivalents are included in the specific notes and the financial instruments and risk management (note 21).

Derecognition

Financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Company derecognises financial liabilities when, and only when, the Company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.4 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.4 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.5 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at no par value and classified as 'share capital' in equity. Dividends are recognised as a liability in the Company in which they are declared.

1.6 Revenue

The Company recognises revenue from the following major sources:

- Interest received on loans receivable

Figures in Rand	9 months ended 31 May 2022

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 June 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2024	Unlikely there will be a material impact

3. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Term loans	645,519,702
Access term loans	160,061,234
Revolving credit facilities	88,880,531
Instalment sales	1,301,552
	895,763,019

Loans receivable consist of various loans and advances to agricultural entities. The loans have terms varying from 12 months to 180 months and interest is charged at rates varying from prime to prime +3% per annum. The terms and interest rate of the loans are dependent on the credit assessment of the lender.

Loans receivable are categorised as at amortised cost in accordance with IFRS 9: Financial Instruments.

Split between non-current and current portions

Non-current assets	712,740,614
Current assets	183,022,405
	895,763,019

Exposure to credit risk

Loans receivable inherently exposes the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained. To this end the Company holds guarantees, issued by its security Company, Capital Harvest Mortgage SPV (RF) Proprietary Limited, for mortgage bonds over properties, collectively valued at R3,715,448,366, for its loans receivable of R895,763,019. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties are continuously monitored.

Figures in Rand	9 months ended 31 May 2022

3. Loans receivable (continued)

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 30 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

As at the reporting date, the loans receivable are considered to have a low credit risk because there is no arrears instalment payments and all loans are secured. The loss allowance has accordingly been measured at an amount equal to 12 month expected losses for these instruments.

In determining the amount of expected credit losses, the Company has taken into account any historic default experience, the financial positions of the counter parties, the specific security provided as collateral for the loans as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below.

Credit rating framework

Internal credit grade	**Description**	**Basis for recognising expected credit losses**
Performing	Low risk of default and no amounts are past due.	12m ECL
Doubtful	Either 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit impaired)
In default	Either 90 days past due or there is evidence that the asset is credit impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for loans receivable by credit rating grade:

2022

Instrument	**Internal credit rating (where applicable)**	**Basis of loss allowance**	**Gross Carrying amount**	**Loss allowance**	**Amortised cost**
Term loans	Performing	12m ECL	645,519,702	-	645,519,702
Access term loans	Performing	12m ECL	160,061,234	-	160,061,234
Revolving credit facilities	Performing	12m ECL	88,880,531	-	88,880,531
Instalment sales	Performing	12m ECL	1,301,552	-	1,301,552
			895,763,019	**-**	**895,763,019**

Exposure to interest rate risk

Refer to note 21 financial instruments for details of interest rate risk management for loans receivable.

Figures in Rand	9 months ended 31 May 2022

4. Deferred tax

Deferred tax asset

Fair value on investment	12,710
Deferred tax asset	12,710

Reconciliation of deferred tax asset

Fair value on investment	12,710

5. Investments at fair value

Investments held by the Company which are measured at fair value are as follows:

Mandatorily at fair value through profit or loss:	
Short term money market deposit	112,779,945
	112,779,945

The investment represents units in a Stable Income Fund, a fund invested in low duration fixed income products. The funds so invested are available on call.

Split between non-current and current portions

Current assets	112,779,945

Fair value information

Refer to note 23 fair value information for details of valuation policies and processes.

Risk exposure

The investments held by the Company expose it to various risks, including credit risk, interest rate risk and price risk. Refer to note 21 financial instruments and risk management for details of risk exposure and the processes and policies adopted to mitigate these risks.

6. Trade and other receivables

Other receivables	272,375

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	272,375

Figures in Rand	9 months ended 31 May 2022

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	8,139,555
Short-term deposits	60,416,823
	68,556,378

Cash and cash equivalents are categorised as at amortised cost in accordance with IFRS 9: Financial Instruments.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Local credit rating (Moody's)	
Short-term deposits (Short term money market deposit) (AA+(f)(za)	60,416,823
Bank balances (First National Bank) (P-1.za)	8,139,555
	68,556,378

Risk exposure

The Company is exposed to credit risk and interest rate risk. Refer to note 21 financial instruments and risk management for details of risk exposure and the processes and policies adopted to mitigate these risks.

8. Share capital

Authorised
1,000 ordinary shares of no par value each
100 cumulative, redeemable preference shares of no par value each

Unissued ordinary and preference shares are under the control of the directors subject to terms and conditions stipulated in the Memorandum of incorporation. This authority remains in force until the annual general meeting.

Issued	
1 ordinary shares of no par value each	10
1 cumulative, redeemable preference share of no par value	1
	11

Rights of ordinary shares:

Each ordinary share ranks pari passu with all other ordinary shares in respect of all rights, and entitles its holder to exercise one vote on any matter to be decided by ordinary shareholders, the right to receive any distribution by the company, if and when declared on ordinary shares, to be made in proportion to the number of ordinary shares held by each shareholder, the right to receive the net assets of the company remaining upon its liquidation (subject to the rights of preference shares) and any other rights attaching to ordinary shares in terms of the companies act or any other law.

Figures in Rand	9 months ended 31 May 2022

8. Share capital (continued)

Rights, privileges and conditions attaching to cumulative redeemable preference shares:

The preference shares shall rank pari passu with each other and shall confer the right to receive a cumulative preferential dividend out of the company's statutory net profits after taxation available for distribution by way of dividends, as determined by the directors from time to time, in priority to any payments of dividends to the holders of the ordinary shares in the company, calculated as follows:

- The preferential dividend shall be paid in cash only unless the holders of the preference shares unanimously agree otherwise;
- The preferential dividend shall be calculated on the number of preference shares in issue at the date of declaration of the preference dividend;
- The preferential dividend will be due and, if declared, payable on such date(s) as determined by the board, in an amount equal to the cash that is available for the purpose in the applicable priority of payments on such day, after the payment of higher-ranking priority of payments and subject to provision in the companies act.
- If in any year no dividend is declared, no right to claim an arrear dividend will arise.
- No dividend in respect of ordinary shares may be declared if on payment date, the preferential dividend, or part thereof is not declared.
- The preference shares shall, on winding up of the company, receive priority to any payment in respect of ordinary shares on the return of the consideration paid for which the preference shares were issued and then the current preferential dividend which has been declared but not paid.
- The holders of the preference shares shall not be entitled to any participation in the profits of the assets of the company or, upon winding up, in any surplus funds of the company.
- The preference shares shall be liable to be redeemed at the option of the company.
- A holder of a preference share can attend any general meeting of the company, but shall not be entitled to vote at such meeting, unless the preferential dividend declared is, or any redemption payment, at the date of holding of that meeting, is six months or more in arrears, or when a resolution proposed at a general meeting for the winding up or reduction of capital of the company or directly affecting the rights attached to the preference share or the interest of the holder thereof.

9. Junior loan

Held at amortised cost

Capital Harvest Proprietary Limited ("Capital Harvest")	34,492,290

Capital Harvest provided a junior loan to the Company which acts as a first loss in case of any credit defaults. The junior loan must, at all times, equal 3% or more of the total debt exposure.

The loan bears interest at Jibar +10% and is only repayable once all other obligations of the Company has been met.

Split between non-current and current portions

Non-current liabilities	34,049,000
Current liabilities	443,290
	34,492,290

Exposure to credit risk

The junior loan provides protection for the credit risk, being the risk that the Company will incur financial loss if guaranteed parties, that the Company is exposed to, fail to make payments as they fall due.

Exposure to interest rate risk

Refer to note 21 financial instruments and financial risk management for details of interest rate risk for the junior loan payable.

Figures in Rand	9 months ended 31 May 2022

9. Junior loan (continued)

Reconciliation of junior loan movement

Opening balance	-
Proceeds from loan	34,049,000
Interest accrued	2,262,616
Interest paid - included in operating activities	(1,819,326)
Closing balance	**34,492,290**

10. Notes

Held at amortised cost	
Class A1	439,446,482
Class A2	358,046,073
Class A3	81,465,539
Class B	75,457,603
Class D	69,520,619
Class E	16,184,811
	1,040,121,127

Split between non-current and current portions

Non-current liabilities	1,034,000,000
Current liabilities	6,121,127
	1,040,121,127

On 10 December 2021 the Company established a securities note program.

The notes are tranched into Class A, Class B, Class D and Class E notes, each carrying consecutive level of credit risk. The claims of each class of note holder (whether in respect of interest, principal or otherwise) are subordinated to higher ranking classes of notes and to certain other creditors of the Company in accordance with the Priority of Payment ("POP") contained in the Programme Memorandum which governs the notes. The POP is the sequence in which the Company will, out of funds available in its bank accounts, make payments to creditors of the Company.

The Notes are not directly secured by any of the assets of the Company, but rather by a limited recourse guarantee provided by the company that holds the mortgage and notarial bonds as security, Capital Harvest Mortgage SPV (RF) Proprietary Limited.

The Notes classified as A1, have scheduled redemption dates of 28 July 2024, on which date 50% of the aggregate principal amount is to be repaid and 28 January 2025, on which date the remainder of the aggregate principal amount is to be repaid. If not settled on these dates, it constitutes an amortisation event during which period repayments will be made from collections from debtors up to the legal maturity date of 28 January 2042. An interest rate step-up will apply during this period.

All other notes have scheduled redemption dates of 28 July 2026, on which date 50% of the aggregate principal amount is to be repaid and 28 January 2027, on which date the remainder of the aggregate principal amount is to be repaid. If not settled on these dates, it constitutes an amortisation event during which period repayments will be made from collections from debtors up to the legal maturity date of 28 January 2044. An interest rate step-up will apply during this period.

The Notes bear interest at varying spreads over the 3-month JIBAR rate, with the 3-month JIBAR resetting quarterly. Interest is settled quarterly on the interest payment date.

The JIBAR rate applicable to the notes in issue at year-end was 4.40% and the weighted spread over JIBAR was 1.96%.

Exposure to liquidity risk

Refer to note 21 financial instruments and financial risk management for details of liquidity risk exposure and management.

Figures in Rand	9 months ended 31 May 2022

10. Notes (continued)

Exposure to interest rate risk

Refer to note 21 for details of interest rate risk management for notes.

Reconciliation for movement in Notes	
Opening balance	-
Notes issued	1,034,000,000
Interest accrued	30,425,136
Interest paid	(24,304,009)
	1,040,121,127

11. Trade and other payables

Financial instruments:	
Trade payables	2,024,663
Other payables	18,200
	2,042,863

12. Revenue

Term loan interest received	24,233,760
Access term loan interest received	7,104,473
Revolving credit facilities interest received	3,764,792
Instalment sales interest received	55,739
Penalty interest received	15,289
	35,174,053

13. Other operating losses

Fair value losses	
Losses on financial assets mandatorily at fair value through profit or loss	(58,842)

14. Operating profit

Operating profit for the period is stated after charging the following, amongst others:

Legal fees	736,000

15. Investment income

Bank and other cash	34,713
Investment in short term money market deposit	5,523,609
Total interest income	**5,558,322**

Figures in Rand	9 months ended 31 May 2022

16. Finance costs

Class A1 notes	12,143,727
Class A2 notes	10,162,805
Class A3 notes	2,312,324
Class B notes	2,276,123
Class D notes	2,600,946
Class E notes	929,211
Junior loan	2,262,616
Interest - bank account	71
Total finance costs	**32,687,823**

17. Taxation

Major components of the tax expense

Current	
Local income tax - current period	541,182
Deferred	
Originating and reversing temporary differences	(12,710)
	528,472

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Profit before taxation	1,137,948
Tax at the applicable tax rate of 28%	318,625
Tax effect of adjustments on taxable income	
Capital gains tax inclusion rate	3,177
Tax rate change	589
Non-deductible expenses	206,081
	528,472

18. Cash used in operations

Profit before taxation	1,137,948
Adjustments for:	
Interest income	(40,732,375)
Finance costs	32,687,823
Fair value losses	58,842
Non-cash movements of other operating income	(19,000)
Changes in working capital:	
Trade and other payables	2,042,862
	(4,823,900)

19. Tax paid

Current tax for the period recognised in profit or loss	(541,182)
Balance at end of the period	118,660
Net movement	**(422,522)**

Figures in Rand	9 months ended 31 May 2022

20. Related parties

Relationships

Holding entity	Capital Harvest Owner Trust
Fellow subsidiary	Capital Harvest Warehouse SPV (RF) Proprietary Limited
Entity providing key management personnel services	Capital Harvest IT and Admin Proprietary Limited
Entities under common control through common trustees	Capital Harvest Mortgage SPV (RF) Proprietary Limited
Members of key management	NR Clarke (non-executive)
	WA Nel (non-executive)
	SJ Roos (executive)
	ML de Nysschen (non-executive)
	R Thanthony (non-executive)

Related party transactions

Amounts included in loans receivable purchased from related parties	
Capital Harvest Warehouse SPV (RF) Proprietary Limited	727,585,395
Administration and management fees paid to related parties	
Capital Harvest IT and Admin Proprietary Limited	5,521,933

21. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

	Notes	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	3	-	895,763,019	895,763,019	895,763,019
Investments at fair value	5	112,779,945	-	112,779,945	112,779,945
Trade and other receivables	6	-	272,375	272,375	272,375
Cash and cash equivalents	7	-	68,556,378	68,556,378	68,556,378
		112,779,945	**964,591,772**	**1,077,371,717**	**1,077,371,717**

Categories of financial liabilities

2022

	Notes	Amortised cost	Total	Fair value
Trade and other payables	11	2,042,863	2,042,863	2,042,863
Junior loan	9	34,492,290	34,492,290	34,492,290
Notes	10	1,040,121,127	1,040,121,127	1,040,121,127
		1,076,656,280	**1,076,656,280**	**1,076,656,280**

21. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2022

	Notes	Fair value through profit or loss - Mandatory	Amortised cost	Total
Recognised in profit or loss:				
Interest income	15	2,838,787	2,719,535	5,558,322
Losses on valuation adjustments	13	(58,842)	-	(58,842)
Interest income	12	-	35,174,053	35,174,053
Net gains		**2,779,945**	**37,893,588**	**40,673,533**

Gains and losses on financial liabilities

2022

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	16	(32,687,823)	(32,687,823)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the junior loan disclosed in note 9 and notes disclosed in note 10 as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The noteholders require the following debt structure covenants to be maintained at all times.

- the aggregate Outstanding Principal Amount of all Classes of Notes ranking below the Alpha Notes plus the principal amount outstanding under the Junior Loan Agreement divided by Total Debt expressed as a percentage, shall not be less than 80%;
- the aggregate Outstanding Principal Amount of all Classes of Notes ranking below the Class A Notes plus the principal amount outstanding under the Junior Loan Agreement divided by Total Debt expressed as a percentage, shall not be less than 18%;
- the aggregate Outstanding Principal Amount of all Classes of Notes ranking below the Class B Notes plus the principal amount outstanding under the Junior Loan Agreement divided by Total Debt expressed as a percentage, shall not be less than 11%;
- the aggregate Outstanding Principal Amount of all Classes of Notes ranking below the Class D Note plus the principal amount outstanding under the Junior Loan Agreement divided by Total Debt expressed as a percentage, shall not be less than 4.5%;
- the aggregate principal amount outstanding under the Junior Loan Agreement divided by Total Debt expressed as a percentage, shall not be less than 2.5% or exceed 5%.

The abovementioned debt structure covenants were all maintained during the financial period.

21. Financial instruments and risk management (continued)

Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk and price risk).

The Company seeks to minimise the effects of fair value interest rate risk through active management processes. The Company does not enter into trade financial instruments, including derivative financial instruments for speculative purposes.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk mainly on cash deposits, cash equivalents, investments, trade and other receivables and loans receivable.

Credit risk exposure arising on cash and cash equivalents and investments are managed by the Company through dealing with well-established financial institutions with high credit ratings.

For loans receivable, the loss allowance is determined as the 12 month expected credit losses of the instruments.

The maximum exposure to credit risk is presented in the table below:

		2022		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**
Loans receivable	3	895,763,019	-	895,763,019
Investments at fair value through profit or loss	5	112,779,945	-	112,779,945
Trade and other receivables	6	272,375	-	272,375
Cash and cash equivalents	7	68,556,378	-	68,556,378
		1,077,371,717	**-**	**1,077,371,717**

Liquidity risk

The Company is exposed to liquidity risk, which is the risk that the Company will encounter difficulties in meeting its obligations as they become due.

The Company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

21. Financial instruments and risk management (continued)

2022

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Junior loan	9	-	34,049,000	34,049,000	34,049,000
Notes	10	-	1,034,000,000	1,034,000,000	1,034,000,000
Current liabilities					
Trade and other payables	11	2,042,863	-	2,042,863	2,042,863
Junior loan	9	443,290	-	443,290	443,290
Notes	10	6,121,127	-	6,121,127	6,121,127
		8,607,280	**1,068,049,000**	**1,076,656,280**	**1,076,656,280**

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the Company is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring variable or fixed rate notes as necessary. Interest rate swaps can also be used where appropriate, in order to convert borrowings into either variable or fixed, in order to manage the composition of the ratio. Interest rates on all borrowings compare favourably with those rates available in the market.

The Company policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

As the Company has interest-bearing bank accounts that carries interest at variable rates and therefore the Company's income and operating cash flows are changed if there is changes in market interest rates.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate	Carrying amount
		2022	2022
Assets			
Investments at fair value	5	5.97 %	112,779,945
Loans receivable	3	9.41 %	895,763,019
Cash in current banking institutions	7	4.70 %	68,556,378
			1,077,099,342
Liabilities			
Junior loan	9	14.41 %	(34,492,290)
Notes	10	6.36 %	(1,040,121,127)
			(1,074,613,417)
Net variable rate financial instruments			**2,485,914**

Interest rate sensitivity analysis

At 31 May 2022, if interest rates at that date had been 1% higher/lower with all other variables held constant, the Company profit for the period after taxation would not have been affected materially.

21. Financial instruments and risk management (continued)

Price risk

The Company is exposed to price risk because of its investments in equity instruments which are measured at fair value.

Price risk sensitivity analysis

At 31 May 2022, if the market price at that date had been 1% higher/lower with all other variables held constant, the Company profit for the period after taxation would not have been affected materially.

22. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2022

	Opening balance	Interest paid - cash	Interest accrued	Total non-cash movements	Cash flows	Closing balance
Notes	-	(24,304,009)	30,425,136	6,121,127	1,034,000,000	1,040,121,127
Junior loan	-	(1,819,326)	2,262,616	443,290	34,049,000	34,492,290
Total liabilities from financing activities	**-**	**(26,123,335)**	**32,687,752**	**6,564,417**	**1,068,049,000**	**1,074,613,417**

23. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Assets	Note	
Financial assets mandatorily at fair value through profit or loss	5	
Investments at fair value		112,779,945
Total		**112,779,945**

24. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the period.