Capital Harvest Finance (RF) Limited

(Registration number 2021/867674/06)
Annual Financial Statements
for the year ended 31 May 2024

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 Kamalie
Registered office	TMF Building 2 Conference Lane Bridgewater One Block 1 Bridgeway Precinct Century City 7446
Business address	18 Papegaai Street Stellenbosch 7600
Postal address	Postnet Suite 294 Private Bag X1005 Claremont 7735
Holding entity	Capital Harvest Owner Trust
Bankers	First National Bank
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.
Preparer	The annual financial statements were internally compiled by: CB Andries CA (S.A.)
Issued	28 August 2024

Contents

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

Audit Committee Report

This report is provided by the audit committee appointed in respect of the 2024 financial year of Capital Harvest Finance (RF) Limited **("the Company")**.

1. Members of the Audit Committee

The members of the audit committee are all independent non-executive directors of the Company, represented by:

Name	Changes
R Kamalie	Appointed Tuesday, 08 August 2023
ML de Nysschen	
NR Clarke	
R Thanthony	Resigned Tuesday, 08 August 2023

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 71 of 2008 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 Companies Act 71 of 2008 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 J Lochner, a partner of PKF Cape Town and a registered auditor, as the independent auditor for the 2024 audit.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act 71 of 2008 and as per the standards stipulated by the auditing profession.

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

4. Annual Financial Statements

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

5. 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 ended 31 May 2024.

6. 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.

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.

Audit Committee Report

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:

Nick. Clarke

NR Clarke
Chairman Audit Committee
28 August 2024

Company Secretary's Certification

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, I certify that to the best of my knowledge and belief, that the Company has lodged all returns required in terms of the Companies Act 71 of 2008, with the Registrar of Companies for the year under review and that all returns are true, correct and up to date.

chrisna.heystek

TMF Corporate Services (South Africa) Proprietary Limited
Per: C Heystek
Company Secretary
Cape Town
28 August 2024

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 year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards 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 directors set 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 year to 31 May 2025 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 annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on pages 7 to 9.

The annual financial statements set out on pages 10 to 36, which have been prepared on the going concern basis, were approved and authorised for issue by the board on 28 August 2024 and were signed on their behalf by:

Werner Nel	
WA Nel	**ML De Nysschen**

PKF Cape Town

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53 Willie van Schoor Avenue
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info.cpt@pkf.co.za

Stellenbosch
14 Papegaai Street, Stellenbosch
Central , Stellenbosch, 7600
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Independent Auditor's Report

To the Shareholder 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 13 to 36, which comprise the statement of financial position as at 31 May 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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 2024, and its financial performance and cash flows for the year 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 (“loans and advances”) to the amount of R1 275 291 905 at year-end. The loans receivable are classified at amortised cost. Based on management's assessment, no expected credit loss was recognised on the loans receivable. Management applied judgement whether to recognise a loss allowance, based on specific security held as collateral in the form of guarantees. As disclosed in note 5 to the financial statements, the guarantees issued to the company is supported by mortgage bonds held over properties, exceeding the balance outstanding at year-end.
 	
The judgement applied by management whether to recognise an expected credit loss on loans receivable is considered a key audit matter.
	We held discussions with management to obtain an understanding of the process applied in terms of determining the expected credit loss.
	
	We performed the following procedures:
	
	• 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 and exceed the value of the loan receivable.
	    • We tested the appropriateness of the inputs used in the external valuation and concluded on the competence, capabilities and objectivity of the expert used.
	
	Based on the results of the above procedures, we consider the decision of management to not recognise an expected credit loss on loans receivable to be reasonable.

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 year ended 31 May 2024", which includes the Directors' Report, the Audit Committee Report and the Company Secretary’s Certification 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's 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 year 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 3 years.

PKF Cape Town

PKF Cape Town
J Lochner
Partner
Registered Auditor

28 August 2024
BELLVILLE

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Capital Harvest Finance (RF) Limited **("the Company")** for the year ended 31 May 2024.

1. Incorporation

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

2. Nature of business

The Company operates as an agriculture financier, providing finance to both primary and secondary agriculture, principally in South Africa.

Finance for the Company’s operations is raised by means of a R10 billion, asset-backed note programme, registered with the Cape Town Stock Exchange, in terms of which the Company may issue limited recourse, secured, registered notes from time to time.

The Company’s income consists predominantly of interest earned on its loans and advances.

There have been no material changes to the nature of the Company's business from the prior year.

3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

The Company generated a net profit after tax for the year ended 31 May 2024 of R6 367 136 (2023: R6 158 071).

Total debtors under management of the Company on 31 May were as follows:

	2024	2023
Loans and advances	1 275 291 905	1 120 991 490

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.

4. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

5. Dividends

The board declared and approved a final dividend of R6 750 000 (2023: R5 000 000) to the preference shareholder of the Company.

Prior to the declaration of the dividend, the board performed the solvency and liquidity tests as required by the Companies Act 71 of 2008 and were satisfied that the requirements of the tests were met.

6. Holding entity

The Company's holding entity is Capital Harvest Owner Trust which holds 100% (2023: 100%) of the Company's ordinary shares.

Directors' Report

7. Directors

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

Directors	Capacity	Changes
NR Clarke	Independent non-executive	
ML De Nysschen	Independent non-executive	
WA Nel	Independent non-executive	
SJ Roos	Executive	
R Kamalie	Independent non-executive	Appointed Tuesday, 08 August 2023
R Thanthony	Independent non-executive	Resigned Tuesday, 08 August 2023

8. Events after the reporting period

Notes with a nominal value of R218 500 000 had a scheduled redemption date on 28 July 2024. If notes are not settled or refinanced on the redemption date, it constitutes an amortisation event after which periodical repayments will be made from collections from debtors up to the legal maturity date. An interest rate step-up will apply during this period.

With the exception of one note holder, totalling R13 000 000, which was settled from the Company's cash resource, all other notes holders opted to refinance their respective notes on a non-cashflow basis.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

9. 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.

10. Liquidity and solvency

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

11. Auditors

PKF Cape Town continued in office as auditors for the Company for 2024.

At the AGM, the shareholder will be requested to reappoint PKF Cape Town as the independent external auditors of the Company for the 2025 financial year.

12. Service providers

Servicer and administrator:	Capital Harvest IT & Admin Proprietary Limited
Standby Servicer:	Mettle Credit Services Proprietary Limited
Calculation agent:	Africa Frontier Capital Proprietary Limited

Directors' Report

13. Secretary

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

Postal address:	Postnet Suite 294 Private Bag X1005 Claremont 7735
Business address:	TMF Building 2 Conference Lane Bridgewater One Block 1 Bridgeway Precinct Century City 7446

Statement of financial position as at 31 May 2024

	Note(s)	2024 R	2023 R
Assets			
Cash and cash equivalents	3	231 254 683	285 303 176
Trade and other receivables	4	138 162	135 553
Loans and advances	5	1 275 291 905	1 120 991 490
Current tax receivable	6	49 820	174 191
Total assets		**1 506 734 570**	**1 406 604 410**
Equity and liabilities			
Equity			
Share capital	7	11	11
Retained income		1 384 683	1 767 547
Total equity		**1 384 694**	**1 767 558**
Liabilities			
Mortgage backed notes	8	1 456 787 073	1 358 491 824
Trade and other payables	9	2 868 027	2 647 896
Junior loan	10	45 694 776	43 697 132
Total liabilities		**1 505 349 876**	**1 404 836 852**
Total equity and liabilities		**1 506 734 570**	**1 406 604 410**

Statement of profit or loss and other comprehensive income

	Note(s)	2024 R	2023 R
Interest income	11	154 456 031	117 823 589
Interest expenses	12	(139 006 050)	(104 999 725)
Income from lending activities		**15 449 981**	**12 823 864**
Other operating income	13	16 711 927	16 281 147
Other operating gains		-	26 151
Other operating expenses	14	(17 886 773)	(15 954 249)
Operating profit		**14 275 135**	**13 176 913**
Finance costs	15	(7 906 163)	(6 919 397)
Profit before taxation		**6 368 972**	**6 257 516**
Taxation	16	(1 836)	(99 445)
Profit for the year		**6 367 136**	**6 158 071**
Other comprehensive income		-	-
Total comprehensive income for the year		**6 367 136**	**6 158 071**

Statement of changes in equity

	Share capital	Retained income	Total equity
	R	R	R
Balance at 01 June 2022	**11**	**609 476**	**609 487**
Profit for the year	-	6 158 071	6 158 071
Total comprehensive income for the year	**-**	**6 158 071**	**6 158 071**
Dividends to preference shareholder	-	(5 000 000)	(5 000 000)
Balance at 01 June 2023	**11**	**1 767 547**	**1 767 558**
Profit for the year	-	6 367 136	6 367 136
Total comprehensive income for the year	**-**	**6 367 136**	**6 367 136**
Dividends to preference shareholder	-	(6 750 000)	(6 750 000)
Balance at 31 May 2024	**11**	**1 384 683**	**1 384 694**
Note	7		

Statement of cash flows

	Note(s)	2024 R	2023 R
Cash flows from operating activities			
Receipts from loans and advances at amortised cost		696 477 341	453 199 120
Disbursements of loans and advances at amortised cost		(696 266 833)	(560 560 964)
Proceeds from mortgage backed notes		98 000 000	412 458 640
Repayment of mortgage backed notes		-	(100 000 000)
Interest expense		(146 619 321)	(105 752 225)
Cash paid to suppliers		(17 666 642)	(15 349 213)
Interest income on surplus cash		10 292 257	9 219 198
Tax received/(paid)	17	122 535	(379 586)
Dividends received		6 362 170	5 912 291
Dividends paid	18	(6 750 000)	(5 000 000)
Net cash (used in)/from operating activities		**(56 048 493)**	**93 747 261**
Cash flows from investing activities			
Proceeds from investments at fair value		-	113 912 704
Cash flows from financing activities			
Proceeds from junior loan		2 000 000	8 950 000
Proceeds from loans advanced		-	136 833
Net cash from financing activities		**2 000 000**	**9 086 833**
Total cash movement for the year		**(54 048 493)**	**216 746 798**
Cash and cash equivalents at the beginning of the year		285 303 176	68 556 378
Cash and cash equivalents at the end of the year	3	**231 254 683**	**285 303 176**

Accounting policies

General information

Refer to the information disclosed on page 1 of the annual financial statements for the legal form, country of incorporation and registered address of the entity.

1. Material accounting policies

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these annual financial statements.

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

These policies have been consistently applied to all years presented, unless otherwise stated.

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 Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act 71 of 2008.

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, rounded to the nearest Rand.

The annual financial statements comply with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Cape Town Stock Exchange Listing requirements.

The material accounting policies are set out below. The statement of financial position is presented in order of liquidity. Reference to the current maturities of these assets and liabilities are disclosed in the notes to the annual financial statements.

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 past history, existing market conditions 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.

Accounting policies

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 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); and

Financial liabilities:
- Amortised cost.

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

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

Loans and advances

Classification
Loans and advances (note 5) 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 and advances 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 11).

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.

Accounting policies

1.3 Financial instruments (continued)

Impairment
Refer to note 5 for details pertaining to the accounting policy on the impairment of loans and advances.

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

Junior loan and Mortgage backed notes

Classification
Junior loan and mortgage backed notes (notes 10 and 8) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement
Junior loan and mortgage backed 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.

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 as finance costs and as interest expense.

Liquidity risk and interest rate risk
Junior loan and mortgage backed 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

Classification
Cash and cash equivalents are presented in note 3. They are stated at carrying amount, which is deemed to be at amortised cost.

Recognition and measurement
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are initially stated at carrying amount, which is deemed to be fair value, and subsequently carried 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 (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.

Accounting policies

1.3 Financial instruments (continued)

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.

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 and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits 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 and preference shares are classified as 'share capital' in equity. Dividends on the preference shares declared are recognised in equity.

Accounting policies

1.6 Revenue and interest expense

The Company recognises revenue from the following major sources:

- Interest received on loans and advances.

The Company recognises interest expense from the following major sources:

- Interest paid on mortgage backed notes.

Interest income and interest expenses are recognised in the statement of profit or loss and other comprehensive income using the effective interest rate method. Refer note 1.3 for detail pertaining the application of the effective interest rate method.

1.7 Investment income

Interest income, including interest from financial assets mandatorily at fair value through profit or loss, is recognised, in profit or loss, using the effective interest rate method.

Dividend income is recognised when the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period.

1.8 Current and non-current classification

Assets and liabilities are presented in the notes to the annual financial statements based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Notes to the annual financial statements

	2024 R	2023 R

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation applicable to the Company:	Effective date: Years beginning on or after	Expected impact:
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	The impact of the amendment is not material.
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	The impact of the amendment is not material.

2.2 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 2024 or later periods:

Standard/ Interpretation applicable to the Company:	Effective date: Years beginning on or after	Expected impact:
• Classification of liabilities as current or non-current - Amendment to IAS 1	01 January 2024	Unlikely there will be a material impact
• Amendments to classification and measurement of financial instruments: Amendments to IFRS 9 and IFRS 7	01 January 2026	Unlikely there will be a material impact
• Initial application of IFRS 18 - Presentation and disclosure in financial statements	01 January 2027	Unlikely there will be a material impact

3. Cash and cash equivalents

	2024 R	2023 R
Cash and cash equivalents consist of:		
Bank balances	17 934 802	7 061 841
Short-term deposits	213 319 881	278 241 335
	231 254 683	**285 303 176**

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

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:

	2024 R	2023 R
Local credit rating (GCR Rating)		
Bank balances (First National Bank) (A1+(ZA))	17 934 802	7 061 841
First National Bank 48 hour notice account (A1+(ZA))	107 238 409	114 745 532
Sanlam Alternative Income Fund (AA(ZA)(f))	106 081 472	163 495 803
	231 254 683	**285 303 176**

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.

Notes to the annual financial statements

	2024 R	2023 R

4. Trade and other receivables

Financial instruments:		
Other receivables	138 162	135 553
Categorisation of trade and other receivables		
At amortised cost	138 162	135 553

Amounts receivable are all current. No amounts are past due or impaired.

Risk exposure
The Company is exposed to credit 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.

5. Loans and advances

Loans and advances	1 275 291 905	1 120 991 490
Expected credit losses	-	-
	1 275 291 905	**1 120 991 490**

Credit risk exposure
Loans and advances inherently expose 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.

The Company's credit processes, guided by its credit policy, are designed to mitigate credit risk by ensuring the Company only deals with reputable counterparties with a proven ability to repay debt tested against a robust production and financial analysis, performed by the Company's credit team and based on information submitted by the counterparties as well as industry information obtained independently. In all cases sufficient collateral are obtained and to this end the Company holds guarantees, collectively valued at R5 231 030 967 (2023: R4 535 903 422), for its exposure of R1 275 291 905 (2023: R1 120 991 490). The guarantees are issued by Capital Harvest Mortgage SPV (RF) Proprietary Limited, the company which holds all mortgage and notarial bonds for the exposure of the Capital Harvest group. Portfolio covenants and limits are in place and are reviewed by the credit team with every application. Individual client exposures are continuously monitored against available interim financial and production information.

Expected credit loss ("**ECL**")
Loans and advances are subject to the impairment provisions of IFRS 9 Financial Instruments, which require a loss allowance to be recognised for all exposures to credit risk. In determining its loss allowance, the Company calculates a probability of default ("**PD**") percentage for every obligor. The PD is calculated, taking into account the financial positions of the obligors, a number of qualitative factors including any historic default experiences and also the future prospects in the specific agriculture sector in which the obligors operate. The value of the security provided is deducted from the obligor exposure and any positive balance represent uncovered exposure. The uncovered exposure is then multiplied with the PD percentage to arrive at a potential loss allowance.

The credit risk for loans within agreed terms and for which there are no specific negative circumstance, is deemed to be low risk and will typically not attract any loss allowance. The credit risk for loans that are in arrears at reporting date, or which are negatively affected by its specific circumstances, is considered a higher risk and a loss allowance will be recognised for such loans where they are not 100% covered by the security value.

As at the reporting date, there were 4 (2023: 7) obligors, with exposure totalling R24 303 124 (2023: R161 726 155), in arrears with R609 155 (2023: R5 722 062). Because of the increased credit risk related to these obligors, each of the associated loans were considered individually against the specific security held and the circumstances related to the arrears. No loss allowance was deemed necessary, mainly because of the low loan to value ("LTV") percentage. The weighted average LTV for the 4 obligators was 29% (2023: 35%).

5. Loans and advances (continued)

Credit risk classifiation

2024

	Normal	Stage 1 0-30 days	Stage 2 31-90 days	Stage 3 > 90 days	Total
Gross loans	1 250 988 781	12 183 718	2 287 341	9 832 065	1 275 291 905
Expected credit loss					
Opening balance	-	-	-	-	-
Net impairment raised / (released)	-	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**	**-**
Net advances	**1 250 988 781**	**12 183 718**	**2 287 341**	**9 832 065**	**1 275 291 905**

2023

	Normal	Stage 1 0-30 days	Stage 2 31-90 days	Stage 3 > 90 days	Total
Gross loans	959 265 335	68 668 384	93 057 771	-	1 120 991 490
Expected credit loss					
Opening balance	-	-	-	-	-
Net impairment raised / (released)	-	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**	**-**
Net advances	**959 265 335**	**68 668 384**	**93 057 771**	**-**	**1 120 991 490**

The Company recognises ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12-month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (lifetime ECL).

<u>Normal</u>
All obligor exposures that are within the agreed terms of their loan agreements.

<u>Stage 1</u>
All obligor exposures that are in arrears for 0 – 30 days. Reported to credit risk, however the relationship executive engages with the obligor to arrange for payment of arrears.

<u>Stage 2</u>
All obligor exposures that are in arrears for 31 – 90 days. The credit risk team engages with the obligor for identification of problems and arrangement for repayment.

<u>Stage 3</u>
All obligor exposure that are in arrears for > 90 days. Credit risk team takes control of relationship, bad debt provision is considered and provided where applicable and legal collection process commences.

Notes to the annual financial statements

	2024 R	2023 R

5. Loans and advances (continued)

Collateral

2024	Security value of collateral	Gross balance of advances	ECL
Normal	5 112 809 098	1 250 988 781	-
Stage 1	80 130 869	12 183 718	-
Stage 2	17 830 000	2 287 341	-
Stage 3	20 261 000	9 832 065	-
	5 231 030 967	**1 275 291 905**	**-**

2023	Security value of collateral	Gross balance of advances	ECL
Normal	3 991 386 234	959 265 335	-
Stage 1	257 780 000	68 668 384	-
Stage 2	286 737 208	93 057 771	-
Stage 3	-	-	-
	4 535 903 442	**1 120 991 490**	**-**

	2024 R	2023 R
Geographical analysis		
Western Cape	641 564 303	839 948 081
Eastern Cape	216 662 474	176 338 558
Limpopo	127 798 539	50 396 066
Kwazulu-Natal	122 695 233	-
Northern Cape	82 279 409	31 473 609
Gauteng	74 407 921	2 521 047
Mpumalanga	9 329 685	9 841 021
Free State	554 341	10 473 108
	1 275 291 905	**1 120 991 490**
Maturity analysis		
Within 1 year	401 721 177	246 204 438
Within 2 to 5 years	527 646 773	512 851 377
Within 6 to 10 years	345 913 121	369 920 376
Within 11 to 15 years	19 232 720	4 728 087
Amounts in advance on 31 May	(19 221 886)	(12 712 788)
	1 275 291 905	**1 120 991 490**
Split between non-current and current portions		
Non-current assets	892 792 614	887 499 840
Current assets	382 499 291	233 491 650
	1 275 291 905	**1 120 991 490**

Risk exposure
Loans and advances expose the Company to various risks, including interest rate risk and credit 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.

Notes to the annual financial statements

	2024 R	2023 R
6. Current tax receivable		
Normal tax	49 820	174 191
Net current tax receivable		
Current assets	49 820	174 191

7. Share capital

	2024 R	2023 R
Authorised		
1,000 Ordinary shares of no par value each		
100 Cumulative, redeemable preference shares of no par value each		
Reconciliation of number of shares issued:		
Reported as at 01 June 2023	2	2

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.

	2024 R	2023 R
Issued and fully paid		
1 Ordinary share of no par value each	10	10
1 Cumulative, redeemable preference share of no par value	1	1
	11	**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 excercise 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 71 of 2008 or any other law.

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 71 of 2008.
- 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.

	2024 R	2023 R

7. Share capital (continued)

- 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.

8. Mortgage backed notes

On 10 December 2021 the Company established a mortgage-backed securitisation program.

The notes issued under the program are tranched into class A, class B, class D and class E notes, each carrying consecutive levels of credit risk. The claims of each class of noteholders (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 payments ("**POP**"), contained in the Programme Memorandum. The POP is the sequence in which the Company will, out of funds available in its bank accounts, make payments to creditors and interest to noteholders.

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 bear interest at varying margins over the 3-month JIBAR rate, with the 3-month JIBAR resetting quarterly. The margins range from 1.55% to 8% and interest is settled quarterly on the interest payment date. At year-end, the JIBAR rate applicable to the notes in issue was 8.350% and the weighted spread over JIBAR was 1.94%.

	2024 R	2023 R
Held at amortised cost		
Class A	1 230 403 027	1 144 238 978
Class B	104 987 287	98 922 736
Class D	98 056 769	91 988 215
Class E	23 339 990	23 341 895
	1 456 787 073	**1 358 491 824**

Maturity
The legal maturity dates of the notes range from January 2042 to April 2045 and the notes have scheduled redemption dates ranging from July 2024 to April 2028. Notes with a nominal value of R437 500 000 have scheduled redemption dates of 28 July 2024 and 28 January 2025 (with R218 500 000 to be redeemed on the respective dates) and notes with a nominal value of R50 000 000 have scheduled redemption dates of 28 April 2025. If these notes are not settled or refinanced on the redemption date, it constitutes an amortisation event after which periodical repayments will be made from collections from debtors up to the legal maturity date. An interest rate step-up will apply during this period.

With the exception of one note holder, totalling R13 000 000, which will be settled from the Company's cash resource, all notes holders indicated their willingness to refinance their respective notes on a non-cashflow basis.

	2024 R	2023 R
Scheduled redemption dates		
Within 1 year	499 787 073	12 491 824
Within 2 years	100 000 000	487 000 000
Within 3 years	721 000 000	100 000 000
Within 4 - 5 years	136 000 000	759 000 000
	1 456 787 073	**1 358 491 824**

	2024 R	2023 R
Split between non-current and current portions		
Non-current liabilities	957 000 000	1 346 000 000
Current liabilities	499 787 073	12 491 824
	1 456 787 073	**1 358 491 824**

Notes to the annual financial statements

	2024 R	2023 R

8. Mortgage backed notes (continued)

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

9. Trade and other payables

	2024 R	2023 R
Financial instruments:		
Trade payables	2 841 727	2 621 596
Other payables	26 300	26 300
	2 868 027	**2 647 896**

Amounts payable are all current.

Risk exposure
The Company is exposed to liquidity 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.

10. Junior loan

	2024 R	2023 R
Held at amortised cost		
Capital Harvest Proprietary Limited	45 694 776	43 697 132

Capital Harvest Proprietary Limited 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.

	2024 R	2023 R
Split between non-current and current portion		
Non-current liability	44 999 000	42 999 000
Current liability	695 776	698 132
	45 694 776	**43 697 132**

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 liquidity risk
Refer to note 21 "Financial instruments and financial risk management" for details pertaining to the liquidity risk for the junior loan payable.

11. Interest income

	2024 R	2023 R
Interest earned on loans and advances	154 456 031	117 823 589

12. Interest expenses

	2024 R	2023 R
Interest paid on mortgage backed notes	139 006 050	104 999 725

13. Other operating income

	2024 R	2023 R
Processing fees earned	57 500	43 050
Investment income received on surplus cash	16 654 427	16 238 097
	16 711 927	**16 281 147**

Notes to the annual financial statements

	2024 R	2023 R

14. Other operating expenses

Other operating expenses for the year is stated after charging the following, amongst others:

	2024 R	2023 R
Administration and management fee	16 329 695	14 387 500
Auditor's remuneration	338 388	316 250
Rating fees	519 800	495 650
	17 187 883	**15 199 400**

15. Finance costs

	2024 R	2023 R
Bank	558	272
Junior loan	7 905 605	6 919 125
	7 906 163	**6 919 397**

16. Taxation

Major components of the tax expense

	2024 R	2023 R
Current		
Local income tax - current year	1 836	86 735
Deferred		
Originating and reversing temporary differences	-	12 710
	1 836	**99 445**

Reconciliation of the tax expense
Reconciliation between accounting profit and tax expense.

	2024 R	2023 R
Accounting profit	6 368 972	6 257 516
Tax at the applicable tax rate of 27%	1 719 622	1 689 529
Tax effect of adjustments on taxable income		
Dividends received	(1 717 786)	(1 596 319)
Capital gains tax inclusion rate	-	5 649
Tax rate change	-	586
	1 836	**99 445**

17. Tax (paid) / refunded

	2024 R	2023 R
Balance at beginning of the year	174 191	(118 660)
Current tax recognised in profit or loss	(1 836)	(86 735)
Balance at end of the year	(49 820)	(174 191)
	122 535	**(379 586)**

18. Dividends paid

	2024 R	2023 R
Capital Harvest Proprietary Limited	6 750 000	5 000 000

Notes to the annual financial statements

	2024 R	2023 R

19. 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
Trustees of holding entity	TMF Corporate Services (South Africa) Proprietary Limited
Member of key management	SJ Roos (executive)
Non-executive directors	NR Clarke ML De Nysschen WA Nel R Kamalie

Related party balances

	2024 R	2023 R
Amounts included in trade and other payables		
Capital Harvest IT and Admin Proprietary Limited	2 737 848	2 522 975
TMF Corporate Services (South Africa) Proprietary Limited	57 608	54 347

Related party transactions

	2024 R	2023 R
Administration and management fees paid to related parties		
Capital Harvest IT and Admin Proprietary Limited	16 329 695	14 387 500
Secretarial, trustee and board fees		
TMF Corporate Services (South Africa) Proprietary Limited	334 235	313 639

20. Directors' emoluments

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

21. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Financial assets are carried at amortised cost which is deemed to be fair value.

2024

	Note	Amortised cost	Total
Cash and cash equivalents	3	231 254 683	231 254 683
Trade and other receivables	4	138 162	138 162
Loans and advances	5	1 275 291 905	1 275 291 905
		1 506 684 750	**1 506 684 750**

Notes to the annual financial statements

	2024 R	2023 R

21. Financial instruments and risk management (continued)

2023

	Note	Amortised cost	Total
Cash and cash equivalents	3	285 303 176	285 303 176
Trade and other receivables	4	135 553	135 553
Loans and advances	5	1 120 991 490	1 120 991 490
		1 406 430 219	**1 406 430 219**

Categories of financial liabilities

Financial liabilities are carried at amortised cost which is deemed to be fair value.

2024

	Note	Amortised cost	Total
Mortgage backed notes	8	1 456 787 073	1 456 787 073
Trade and other payables	9	2 868 027	2 868 027
Junior loan	10	45 694 776	45 694 776
		1 505 349 876	**1 505 349 876**

2023

	Note	Amortised cost	Total
Mortgage backed notes	8	1 358 491 824	1 358 491 824
Trade and other payables	9	2 647 896	2 647 896
Junior loan	10	43 697 132	43 697 132
		1 404 836 852	**1 404 836 852**

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2024

	Note	Amortised cost	Total
Recognised in profit or loss:			
Interest income on loans and advances	11	154 456 031	154 456 031
Investment income received on surplus cash	13	16 654 427	16 654 427
Net gains		**171 110 458**	**171 110 458**

Notes to the annual financial statements

	2024 R	2023 R

21. Financial instruments and risk management (continued)

2023

	Note	Fair value through profit or loss - Mandatory	Amortised cost	Total
Recognised in profit or loss:				
Gains on valuation adjustments		26 151	-	26 151
Interest income on loans and advances	11	-	117 823 589	117 823 589
Investment income received on surplus cash	13	1 106 608	15 131 489	16 238 097
Net gains		**1 132 759**	**132 955 078**	**134 087 837**

Gains and losses on financial liabilities

2024

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs on mortgage backed notes	12	(139 006 050)	(139 006 050)
Finance costs on junior loan	15	(7 905 605)	(7 905 605)
Net losses		**(146 911 655)**	**(146 911 655)**

2023

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs on mortgage backed loans	12	(104 999 725)	(104 999 725)
Finance costs on junior loan	15	(6 919 125)	(6 919 125)
Net losses		**(111 918 850)**	**(111 918 850)**

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 10 and mortgage backed notes disclosed in note 8 of the notes to the annual financial statements.

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%;

21. Financial instruments and risk management (continued)

- 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 above-mentioned debt structure covenants were all maintained during the financial period.

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).

The Company seeks to minimise the effects of 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, trade and other receivables and loans and advances.

Credit risk exposure arising on cash and cash equivalents are managed by the Company through dealing with well-established financial institutions with high credit ratings (refer to note 3).

For loans and advances, please refer to note 5 for a full description on the management processes to mitigiate the credit risk associated with loans and advances.

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

		2024			2023		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost**
Cash and cash equivalents	3	231 254 683	-	231 254 683	285 303 176	-	285 303 176
Trade and other receivables	4	138 162	-	138 162	135 553	-	135 553
Loans and advances	5	1 275 291 905	-	1 275 291 905	1 120 991 490	-	1 120 991 490
		1 506 684 750	**-**	**1 506 684 750**	**1 406 430 219**	**-**	**1 406 430 219**

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 capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and 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 are presented in the following table. The cash flows are undiscounted contractual amounts.

Notes to the annual financial statements

	2024	2023
	R	R

21. Financial instruments and risk management (continued)

2024

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Mortgage backed notes	8	-	1 117 271 129	1 117 271 129	957 000 000
Junior loan	10	-	69 793 572	69 793 572	44 999 000
Current liabilities					
Mortgage backed notes	8	613 499 658	-	613 499 658	499 787 073
Trade and other payables	9	2 868 027	-	2 868 027	2 868 027
Junior loan	10	8 206 540	-	8 206 540	695 776
		624 574 225	**1 187 064 701**	**1 811 638 926**	**1 505 349 876**

2023

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Mortgage backed notes	8	-	1 590 437 017	1 590 437 017	1 346 000 000
Junior loan	10	-	73 886 042	73 886 042	42 999 000
Current liabilities					
Mortgage backed notes	8	134 309 627	-	134 309 627	12 491 824
Trade and other payables	9	2 647 896	-	2 647 896	2 647 896
Junior loan	10	7 764 071	-	7 764 071	698 132
		144 721 594	**1 664 323 059**	**1 809 044 653**	**1 404 836 852**

Interest rate risk
Fluctuations in interest rates impact on the value of financial assets and liabilities, giving rise to interest rate risk.

The debt of the Company is comprised of different instruments, which bear interest at floating interest rates. The ratio of fixed and floating rate financial liabilities is monitored and managed, by incurring either variable or fixed rate debt as necessary. Interest rate swaps are also used where appropriate, in order to convert debt into either variable or fixed, in order to manage the composition of the ratio. Interest rates on all debt 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.

	2024 R	2023 R

21. Financial instruments and risk management (continued)

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	
		2024	2023	2024	2023
Assets					
Cash in current banking institutions	3	8,60 %	8,21 %	231 254 683	285 303 176
Loans and advances	5	12,91 %	12,57 %	1 275 291 905	1 120 991 490
				1 506 546 588	**1 406 294 666**
Liabilities					
Mortgage backed notes	8	10,29 %	9,92 %	(1 456 787 073)	(1 358 491 824)
Junior loan	10	18,35 %	17,96 %	(45 694 776)	(43 697 132)
				(1 502 481 849)	**(1 402 188 956)**
Net variable rate financial instruments				**4 064 739**	**4 105 710**

Interest rate sensitivity analysis
At 31 May 2024 if interest rates at that date had been 1% higher/lower with all other variables held constant, the Company profit for the year after taxation would not have been affected materially.

22. Changes in liabilities arising from operating and financing activities

Reconciliation of liabilities arising from operating and financing activities - 2024

	Opening balance	Interest paid - cash	Interest accrued	Total non-cash movements	Cash flows	Closing balance
Mortgage backed notes	1 358 491 824	(138 710 802)	139 006 051	295 249	98 000 000	1 456 787 073
Junior loan	43 697 132	(7 907 961)	7 905 605	(2 356)	2 000 000	45 694 776
Total liabilities from operating and financing activities	**1 402 188 956**	**(146 618 763)**	**146 911 656**	**292 893**	**100 000 000**	**1 502 481 849**

Reconciliation of liabilities arising from operating and financing activities - 2023

	Opening balance	Interest paid - cash	Interest accrued	Total non-cash movements	Cash flows	Closing balance
Mortgage backed notes	1 040 121 127	(99 087 670)	104 999 727	5 912 057	312 458 640	1 358 491 824
Junior loan	34 492 290	(6 664 283)	6 919 125	254 842	8 950 000	43 697 132
Total liabilities from operating and financing activities	**1 074 613 417**	**(105 751 953)**	**111 918 852**	**6 166 899**	**321 408 640**	**1 402 188 956**

Notes to the annual financial statements

	2024 R	2023 R

23. Events after the reporting period

Notes with a nominal value of R218 500 000 had a scheduled redemption date on 28 July 2024. If notes are not settled or refinanced on the redemption date, it constitutes an amortisation event after which periodical repayments will be made from collections from debtors up to the legal maturity date. An interest rate step-up will apply during this period.

With the exception of one note holder, totalling R13 000 000, which was settled from the Company's cash resource, all other notes holders opted to refinance their respective notes on a non-cashflow basis.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.