chartered accountants
& business advisers

Capital Harvest Finance (RF) Limited

(Registration number 2021/867674/06)
Annual Financial Statements
for the year ended 31 May 2023

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	29 August 2023

Contents

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

Audit Committee Report

This report is provided by the audit committee appointed in respect of the 2023 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 and include:

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 M Louw, a partner of PKF Cape Town and a registered auditor, as the independent auditor for the 2023 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. Requisite assurance was sought and provided by the Companies Act 71 of 2008 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 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 ending 31 May 2023.

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
29 August 2023

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.

Bongiwe Dube

Per: BL Dube
Company Secretary
Cape Town
29 August 2023

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 2024 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 41, which have been prepared on the going concern basis, were approved by the board on 29 August 2023 and were signed on their behalf by:

Werner Nel

Melanie De Nysschen

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 13 to 41 which comprise the statement of financial position as at 31 May 2023, 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 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 2023, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Impairment of loans and advances

The company holds loans and advances to the amount of R1,120,991,490 at year-end.

These financial instruments are measured at amortised cost with the impairment provisions based on managements' assumptions about the risk of default and expected loss rates.

Based on managements' assessment, no expected credit loss was accounted for on the loans and advances. 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 6 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.

Given the judgement applied by management about the risk of default and expected loss rates on loans and advances, it is considered to be a key audit matter.

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We considered the reasonableness of the judgements applied by management's by performing the following procedures:

- Obtaining an understanding of the process applied by management to determine the expected credit loss applicable to loans and advances.
- Testing 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 and advance.
    - 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.

Based on the results of the above procedures, we consider the value of the loans and advances at year-end to be reasonable.

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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 2023", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate 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 2 years.

Minette Louw

PKF Cape Town.

PKF Cape Town
M Louw
Partner
Registered Auditor

29 August 2023
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 2023.

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 format of the financial statements were amended to better reflect its activities as a lender and includes enhanced information relating to the loans and advances and the mortgage backed notes.

The Company generated a net profit after tax for the year ended 31 May 2023 of R 6 158 071 (2022: R 609 476).

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

	2023	2022
Loans and advances	1 120 991 490	895 763 019

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 R5 000 000 (2022:R -) 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% (2022: 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

The directors are not aware of any 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 performs 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 2023.

At the AGM, the shareholders will be requested to reappoint PKF Cape Town as the independent external auditors of the Company for the 2024 financial year.

12. 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

Directors' Report

13. 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

Statement of Financial Position as at 31 May 2023

	Note(s)	2023 R	2022 * R
Assets			
Cash and cash equivalents	3	285 303 176	68 556 378
Investments at fair value	4	-	112 779 945
Trade and other receivables	5	135 553	272 375
Loans and advances	6	1 120 991 490	895 763 019
Current tax receivable	7	174 191	-
Deferred tax	8	-	12 710
		1 406 604 410	**1 077 384 427**
Equity and Liabilities			
Equity			
Share capital	9	11	11
Retained income		1 767 547	609 476
		1 767 558	**609 487**
Liabilities			
Current tax payable	7	-	118 660
Mortgage backed notes	10	1 358 491 824	1 040 121 127
Trade and other payables	11	2 647 896	2 042 863
Junior loan	12	43 697 132	34 492 290
Total Liabilities		**1 404 836 852**	**1 076 774 940**
Total Equity and Liabilities		**1 406 604 410**	**1 077 384 427**

*: Refer to note 25

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	12 months ended 31 May 2023 R	9 months ended 31 May 2022 * R
Interest income	13	117 823 589	35 174 053
Interest expenses	14	(104 999 725)	(30 425 136)
Income from lending activities		**12 823 864**	**4 748 917**
Other operating income	15	16 281 147	5 577 322
Other operating gains/(losses)		26 151	(58 842)
Other operating expenses	16	(15 954 249)	(6 866 762)
Operating profit		**13 176 913**	**3 400 635**
Finance costs	17	(6 919 397)	(2 262 687)
Profit before taxation		**6 257 516**	**1 137 948**
Taxation	18	(99 445)	(528 472)
Profit for the year		**6 158 071**	**609 476**
Other comprehensive income		-	-
Total comprehensive income for the year		**6 158 071**	**609 476**

*: Refer to note 25

Statement of Changes in Equity

	Share capital R	Retained income R	Total equity R
Profit for the period	-	609 476	609 476
Total comprehensive income for the period	**-**	**609 476**	**609 476**
Issue of shares	11	-	11
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 31 May 2023	**11**	**1 767 547**	**1 767 558**
Note	9		

Statement of Cash Flows

	Note(s)	2023 R	2022 * R
Cash flows from operating activities			
Receipts from loans and advances at amortised cost		453 199 120	237 425 448
Disbursements of loans and advances at amortised cost		(560 560 964)	(1 098 267 777)
Proceeds from mortgage backed notes		412 458 640	1 034 001 000
Repayment of mortgage backed notes		(100 000 000)	-
Interest expense		(105 752 225)	(26 123 406)
Cash paid to suppliers		(15 349 213)	(4 823 900)
Interest income on surplus cash		9 219 198	2 719 535
Dividends received		5 912 291	-
Dividends paid	20	(5 000 000)	-
Tax paid	19	(379 586)	(422 522)
Net cash from operating activities		**93 747 261**	**144 508 378**
Cash flows from investing activities			
Additions to investments at fair value	4	-	(110 000 000)
Proceeds from investments at fair value	4	113 912 704	-
Net cash from investing activities		**113 912 704**	**(110 000 000)**
Cash flows from financing activities			
Proceeds from junior loan		8 950 000	34 049 000
Proceeds/(repayments) from loans advanced		136 833	(1 000)
Net cash from financing activities		**9 086 833**	**34 048 000**
Total cash movement for the year		**216 746 798**	**68 556 378**
Cash and cash equivalents at the beginning of the year		68 556 378	-
Cash and cash equivalents at the end of the year	3	**285 303 176**	**68 556 378**

*: Refer to note 25

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. Significant accounting policies

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 as amended.

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.

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 Listings requirements.

The significant accounting policies are set out below. The statement of financial position is presented in order of liquidity. Reference to the current maturities of these financial 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 equity instruments:
- Mandatorily at fair value through profit or loss; and

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 22 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 at amortised cost

Classification

Loans and advances (note 6) 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 13).

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 6 for details pertaining to the accouning 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 22).

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 4. 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 24.

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

Dividends received on equity investments are recognised in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income.

Interest rate risk and market rate risk

Details of the 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 (note 22).

Junior loan and Mortgage backed notes

Classification

Junior loan and mortgage backed notes (notes 10 and 12) 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 in finance costs.

Accounting Policies

1.3 Financial instruments (continued)

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 22 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 which is deemed to be fair value.

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 22).

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.

Accounting Policies

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 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.

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 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 pertainig 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 or expense 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 but not distributed or received at the end of the reporting period.

Accounting Policies

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.

Deferred tax assets and liabilities are always classified as non-current.

Notes to the Annual Financial Statements

	2023 R	2022 * R

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, there are no new standards and interpretations that are effective for the current financial year and that are relevant to the Company's operations.

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 2023 or later periods:

Standard/ Interpretation:	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	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. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023 R	2022 * R
Bank balances	7 061 841	8 139 555
Short-term deposits	278 241 335	60 416 823
	285 303 176	**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 (GCR Rating)	2023 R	2022 * R
Bank balances (First National Bank) (A1+(ZA))	7 061 841	8 139 555
First National Bank 48 hour notice account (A1+(ZA))	114 745 532	-
Sanlam Alternative Income Fund (AA-(ZA)(f))	163 495 803	-
Ashburton Investments Money Market Fund (AA+(f)(ZA))	-	60 416 823
	285 303 176	**68 556 378**

Risk exposure

The Company is exposed to credit risk and interest rate risk. Refer to note 22 "Financial instruments and risk management" for details of risk exposure and the processes and policies adopted to mitigate these risks.

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

4. Investments at fair value

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

	2023 R	2022 * R
Mandatorily at fair value through profit or loss:		
Short term money market deposit	-	112 779 945

The Company previously held an investment in a Stable Income Fund, a fund invested in low duration fixed income products.

Split between non-current and current portions

	2023 R	2022 * R
Current assets	-	112 779 945

Reconciliation of Investments at fair value

	2023 R	2022 * R
Opening balance	112 779 945	-
Investments	-	110 000 000
Disinvestments	(113 912 704)	-
Interest received	1 106 608	2 838 787
Fair value adjustment	26 151	(58 842)
Closing balance	**-**	**112 779 945**

Fair value information

Refer to note 24 fair value information for details of valuation policies and processes.

Risk exposure

The investments held by the Company expose it to various risks, including interest rate risk and price risk. Refer to note 22 "Financial instruments and risk management" for details of risk exposure and the processes and policies adopted to mitigate these risks.

5. Trade and other receivables

	2023 R	2022 * R
Financial instruments:		
Other receivables	135 553	272 375

Categorisation of trade and other receivables

	2023 R	2022 * R
At amortised cost	135 553	272 375

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

Risk exposure

The Company is exposed to credit risk. Refer to note 22 "Financial instruments and risk management" for details of risk exposure and the processes and policies adopted to mitigate these risks.

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

6. Loans and advances

	2023 R	2022 * R
Loans and advances	1 120 991 490	895 763 019
Expected credit losses	-	-
	1 120 991 490	**895 763 019**

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 R4 535 903 422 (2022: R3 715 448 366), for its exposure of R1 120 991 490 (2022: R895 763 019). 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

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 PD percentage so calculated is then multiplied with the obligor exposure to arrive at a probable default amount ("**PDA**"). The PDA is then compared to the value of the security provided as collateral and any portion not covered by the security value is then 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 7 (2022: 2) obligors, with exposure totalling R161 726 155 (2022: R15 981 202), in arrears with R5 722 062 (2022: R15 894). 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 (weighted average LTV of 35% for the 7 obligors).

*: Refer to note 25

Notes to the Annual Financial Statements

	2023	2022 *
	R	R

6. Loans and advances (continued)

Credit risk classification

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**

2022

	Normal	Stage 1 0-30 days	Stage 2 31-90 days	Stage 3 > 90 days	Total
Gross loans	879 781 817	15 981 202	-	-	895 763 019
Expected credit loss					
Opening balance	-	-	-	-	-
Net impairment raised / (released)	-	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**	**-**
Net advances	**879 781 817**	**15 981 202**	**-**	**-**	**895 763 019**

Normal

All obligor exposures that are within the agreed terms of their loan agreements.

Stage 1

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.

Stage 2

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.

Stage 3

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.

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

6. Loans and advances (continued)

Collateral

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**	**-**

2022

	Security value of collateral	Gross balance of advances	ECL
Normal	3 598 738 360	879 781 817	-
Stage 1	116 710 006	15 981 202	-
Stage 2	-	-	-
Stage 3	-	-	-
	3 715 448 366	**895 763 019**	**-**

Geographical analysis

	2023 R	2022 * R
Western Cape	839 948 081	709 616 194
Eastern Cape	176 338 558	87 449 028
Limpopo	50 396 066	48 799 600
Nothern Cape	31 473 609	33 359 643
Mpumalanga	9 841 021	10 306 076
Gauteng	2 521 047	3 006 794
Free State	10 473 108	3 225 684
	1 120 991 490	**895 763 019**

Maturity analysis

	2023 R	2022 * R
Within 1 year	246 204 438	183 022 394
Within 2 to 5 years	512 851 377	399 194 998
Within 6 to 10 years	369 920 376	307 325 428
Within 11 to 15 years	4 728 087	6 220 199
Amounts in advance on 31 May 2023	(12 712 788)	-
	1 120 991 490	**895 763 019**

Split between non-current and current portions

	2023 R	2022 * R
Non-current assets	887 499 840	712 740 625
Current assets	233 491 650	183 022 394
	1 120 991 490	**895 763 019**

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

6. Loans and advances (continued)

Risk exposure

Loans and advances expose the Company to various risks, including interest rate risk and credit risk. Refer to note 22 "Financial instruments and risk management" for details of risk exposure and the processes and policies adopted to mitigate these risks.

7. Current tax receivable/(payable)

	2023 R	2022 * R
Normal tax	174 191	(118 660)

Net current tax receivable/(payable)

	2023 R	2022 * R
Current assets	174 191	-
Current liabilities	-	(118 660)
	174 191	**(118 660)**

8. Deferred tax

Deferred tax asset

	2023 R	2022 * R
Fair value on investment	-	12 710

Reconciliation of deferred tax assets

	2023 R	2022 * R
At beginning of year	12 710	-
Fair value on investment	(12 710)	12 710
	-	**12 710**

The deferred tax balance at year end is considered non-current.

9. Share capital

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:

	2023	2022 *
Reported as at 01 June 2022	11	-
Issue of shares - 1 Ordinary share of no par value	-	10
Issue of shares - 1 Cumulative, redeemable preference share of no par value	-	1
	11	**11**

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.

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

9. Share capital (continued)

Issued		
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.
- 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.

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

10. 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 1.60% 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 7.958% and the weighted spread over JIBAR was 1.96%.

	2023 R	2022 * R
Held at amortised cost		
Class A	1 144 238 978	878 958 094
Class B	98 922 736	75 457 603
Class D	91 988 215	69 520 619
Class E	23 341 895	16 184 811
	1 358 491 824	**1 040 121 127**

Maturity

The legal maturity dates of the notes range from January 2042 to April 2045 and the notes have scheduled redemption dates ranging between 3 and 5 years from date of issue with the first scheduled redemption due on 28 July 2024. If the notes are not settled or refinanced on the scheduled redemption dates, it constitutes an amortisation event during 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.

	2023 R	2022 * R
Scheduled redemption dates		
Within 1 year	12 491 824	6 121 127
Within 2 years	487 000 000	-
Within 3 years	100 000 000	437 000 000
Within 4 - 5 years	759 000 000	597 000 000
	1 358 491 824	**1 040 121 127**

Split between non-current and current portions

	2023 R	2022 * R
Non-current liabilities	1 346 000 000	1 034 000 000
Current liabilities	12 491 824	6 121 127
	1 358 491 824	**1 040 121 127**

Exposure to liquidity risk

Refer to note 22 "Financial instruments and financial risk management" for details of liquidity risk exposure and management.

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

11. Trade and other payables

Financial instruments:		
Trade payables	2 621 596	2 024 663
Other payables	26 300	18 200
	2 647 896	**2 042 863**

Amounts payable are all current.

Risk exposure

The Company is exposed to liquidity risk. Refer to note 22 "Financial instruments and risk management" for details of risk exposure and the processes and policies adopted to mitigate these risks.

12. Junior loan

Held at amortised cost

Capital Harvest Proprietary Limited	43 697 132	34 492 290

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.

Split between non-current and current portion

Non-current liability	42 999 000	34 049 000
Current liability	698 132	443 290
	43 697 132	**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 22 "Financial instruments and financial risk management" for details of interest rate risk for the junior loan payable.

13. Interest income

Access term loan interest received	22 276 453	7 104 473
Term loan interest received	83 267 168	24 233 760
Instalment sales interest received	177 894	55 739
Revolving credit facilities interest received	11 755 547	3 764 792
Penalty interest received	301 506	15 289
Excess interest received	45 021	-
	117 823 589	**35 174 053**

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

14. Interest expenses

Interest paid on mortgage backed notes	104 999 725	30 425 136

15. Other operating income

Processing fees earned	43 050	19 000
Investment income received on surplus cash	16 238 097	5 558 322
	16 281 147	**5 577 322**

16. Other operating expenses

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

Administration and management fee	14 387 500	5 521 933
Auditor's remuneration	316 250	-
Legal fees	-	736 000
Rating fees	495 650	-
	15 199 400	**6 257 933**

17. Finance costs

Bank	272	71
Junior loan	6 919 125	2 262 616
Total finance costs	**6 919 397**	**2 262 687**

18. Taxation

Major components of the tax expense

Current		
Local income tax - current period	86 735	541 182
Deferred		
Originating and reversing temporary differences	12 710	(12 710)
	99 445	**528 472**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	6 257 516	1 137 948
Tax at the applicable tax rate of 27% (2022: 28%)	1 689 529	318 625
Tax effect of adjustments on taxable income		
Dividends received	(1 596 319)	-
Capital gains tax inclusion rate	5 649	3 177
Non-deductable expenses	586	206 081
Tax rate change	-	589
	99 445	**528 472**

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

19. Tax paid

Balance at beginning of the year	(118 660)	-
Current tax recognised in profit or loss	(86 735)	(541 182)
Balance at end of the year	(174 191)	118 660
	(379 586)	**(422 522)**

20. Dividends paid

Capital Harvest Proprietary Limited	(5 000 000)	-

21. 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
Members of key management	SJ Roos (executive)
Non-executive directors	NR Clarke ML De Nysschen WA Nel R Kamalie

Related party balances

	2023 R	2022 * R
Amounts included in loans receivable purchased from related parties		
Capital Harvest Warehouse SPV (RF) Proprietary Limited	-	727 585 395
Amounts included in trade and other payables		
Capital Harvest IT and Admin Proprietary Limited	2 522 975	1 919 242
TMF Corporate Services (South Africa) Proprietary Limited	54 347	50 792

Related party transactions

	2023 R	2022 * R
Administration and management fees paid to related parties		
Capital Harvest IT and Admin Proprietary Limited	14 387 500	5 521 933
Secretarial, trustee and board fees		
TMF Corporate Services (South Africa) Proprietary Limited	313 639	126 979

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

22. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Note	Amortised cost	Total
Loans and advances	6	1 120 991 490	1 120 991 490
Trade and other receivables	5	135 553	135 553
Cash and cash equivalents	3	285 303 176	285 303 176
		1 406 430 219	**1 406 430 219**

2022

	Note	Fair value through profit or loss - Mandatory	Amortised cost	Total
Loans and advances	6	-	895 763 019	895 763 019
Investments at fair value	4	112 779 945	-	112 779 945
Trade and other receivables	5	-	272 375	272 375
Cash and cash equivalents	3	-	68 556 378	68 556 378
		112 779 945	**964 591 772**	**1 077 371 717**

Categories of financial liabilities

2023

	Note	Amortised cost	Total
Trade and other payables	11	2 647 896	2 647 896
Mortgage backed notes	10	1 358 491 824	1 358 491 824
Junior loan	12	43 697 132	43 697 132
		1 404 836 852	**1 404 836 852**

2022

	Note	Amortised cost	Total
Trade and other payables	11	2 042 863	2 042 863
Mortgage backed notes	10	1 040 121 127	1 040 121 127
Junior loan	12	34 492 290	34 492 290
		1 076 656 280	**1 076 656 280**

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

22. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2023

	Note	Fair value through profit or loss - Mandatory	Amortised cost	Total
Recognised in profit or loss:				
Dividend income	15	-	5 912 291	5 912 291
Gains on valuation adjustments		26 151	-	26 151
Interest income on loans and advances	13	-	117 823 589	117 823 589
Interest income on surplus cash	15	1 106 608	9 219 198	10 325 806
Net gains		**1 132 759**	**132 955 078**	**134 087 837**

2022

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

Gains and losses on financial liabilities

2023

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs on mortgage backed notes	14	(104 999 725)	(104 999 725)
Finance costs on junior loan	17	(6 919 125)	(6 919 125)
Net losses		**(111 918 850)**	**(111 918 850)**

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

22. Financial instruments and risk management (continued)

2022

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs on mortgage backed loans	14	(30 425 136)	(30 425 136)
Finance costs on junior loan	17	(2 262 616)	(2 262 616)
Net losses		**(32 687 752)**	**(32 687 752)**

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 12 and mortgage backed 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 above-mentioned debt structure covenants were all maintained during the financial period.

*: Refer to note 25

22. 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, 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.

For loans and advances, please refer to note 6 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:

		2023			2022		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost**
Loans and advances	6	1 120 991 490	-	1 120 991 490	895 763 019	-	895 763 019
Trade and other receivables	5	135 553	-	135 553	272 375	-	272 375
Cash and cash equivalents	3	285 303 176	-	285 303 176	68 556 378	-	68 556 378
		1 406 430 219	**-**	**1 406 430 219**	**964 591 772**	**-**	**964 591 772**

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, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

22. Financial instruments and risk management (continued)

2023

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Mortgage backed notes	10	-	1 590 437 017	1 590 437 017	1 346 000 000
Junior loan	12	-	73 886 042	73 886 042	42 999 000
Current liabilities					
Trade and other payables	11	2 647 896	-	2 647 896	2 647 896
Mortgage backed notes	10	134 309 627	-	134 309 627	12 491 824
Junior loan	12	7 764 071	-	7 764 071	698 132
		144 721 594	**1 664 323 059**	**1 809 044 653**	**1 404 836 852**

2022

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Mortgage backed notes	10	-	1 213 157 597	1 213 157 597	1 034 000 000
Junior loan	12	-	52 465 684	52 465 684	34 049 000
Current liabilities					
Trade and other payables	11	2 042 863	-	2 042 863	2 042 863
Mortgage backed notes	10	65 712 100	-	65 712 100	6 121 127
Junior loan	12	4 903 056	-	4 903 056	443 290
		72 658 019	**1 265 623 281**	**1 338 281 300**	**1 076 656 280**

Prior period error regarding disclosures

The amounts disclosed in the financial instruments and risk management note, regarding the maturity profile of the contractual cash flows, were presented as the carrying amount of the liabilities.

In terms of IFRS 7 the undiscounted contractual cash flows should be disclosed. The change in the disclosure resulted in the following change:

	Previously disclosed	Restated
Less than 1 year		
Mortgage backed notes	6 121 127	65 712 100
Junior Loan	443 290	4 903 056
2 to 5 years		
Mortgage backed notes	1 034 000 000	1 213 157 597
Junior Loan	34 049 000	52 465 684

*: Refer to note 25

Notes to the Annual Financial Statements

	2023	2022 *
	R	R

22. Financial instruments and risk management (continued)

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 either fixed or 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.

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	
		2023	2022	2023	2022
Assets					
Investments at fair value	4	- %	5,97 %	-	112 779 945
Loans and advances	6	12,57 %	9,41 %	1 120 991 490	895 763 019
Cash in current banking institutions	3	8,21 %	4,70 %	285 303 176	68 556 378
				1 406 294 666	**1 077 099 342**
Liabilities					
Mortgage backed notes	10	9,92 %	6,36 %	(1 358 491 824)	(1 040 121 127)
Junior loan	12	17,96 %	14,41 %	(43 697 132)	(34 492 290)
				(1 402 188 956)	**(1 074 613 417)**
Net variable rate financial instruments				**4 105 710**	**2 485 925**

Interest rate sensitivity analysis

At 31 May 2023, 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.

Price risk

The Company is not exposed to any significant price risk at year-end as the investment in equity instruments was converted into cash and cash equivalents during the year under review.

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 * R

23. Changes in liabilities arising from operating and financing activities

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**

Reconciliation of liabilities arising from operating and financing activities - 2022

	Opening balance	Interest paid - cash	Interest accrued	Total non-cash movements	Cash flows	Closing balance
Mortgage backed 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 operating and financing activities	**-**	**(26 123 335)**	**32 687 752**	**6 564 417**	**1 068 049 000**	**1 074 613 417**

24. 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	4		
Investments af fair value		-	112 779 945
Total		**-**	**112 779 945**

*: Refer to note 25

Notes to the Annual Financial Statements

	2023 R	2022 R

25. Adjustment to prior period disclosures

Change in accounting policy

The format of the annual financial statements were amended to better reflect the Company's activities as a lender. This includes enhanced information relating to the loans and advances and the mortgage backed notes and the statement of financial position is presented in order of liquidity.

The above-mentioned amendment constitutes a change in accounting policy in terms of IAS 8.

The reclassification resulted in the following changes to the amounts disclosed in the prior year annual financial statements:

A. Statement of Financial Position:

The Statement of Financial Position will no longer disclose the current and non-current portion of assets and liabilities.

The Statement of Financial Position will now be disclosed in order of liquidity. This reclassification will not influence the total carrying amount of assets and liabilities disclosed in the 2022 annual financial statements.

B. Statement of Profit or Loss and Other Comprehensive Income:

Investment income earned on surplus cash will no longer be disclosed under invesment income and will form part of the Company's operating income. Furthermore, the interest expense pertaining to the mortgage backed notes are reclassified to form part of the Company's gross profit from lending activities and is no longer disclosed under finance costs.

C. Statement of Changes in Cash Flows:

As part of the above change, certain items on the statement of cash flows were reclassified between operating, investing and financing activities. Furthermore, the Company also applied the direct method instead of the indirect method as disclosed in the prior year.

The above resulted in the following changes in the Statement of Cash Flows:

	Previously disclosed	Restated	Change
Operating activities	(28 650 293)	144 508 378	(173 158 671)
Investing activities	(970 842 329)	(110 000 000)	(860 842 329)
Financing activitie	1 068 049 000	34 048 000	1 034 001 000
Effect on cash generated from operation	**68 556 378**	**68 556 378**	**-**

26. Directors' emoluments

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