SENTINEL FINCO (RING FENCED) LIMITED

(REGISTRATION NUMBER 2020/178948/06)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2024

These financial statements have been independently prepared, under supervision of the Chief Financial Officer, by:
C2M Chartered Accountants Incorporated
Chartered Accountants (SA)

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa (Act 71 of 2008).

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Sentinel Finco (Ring Fenced) Limited "The Company" is a securatisation special purpose vehicle with the main purpose of acquiring income-producing loan assets from Sentinel Homes Proprietary Limited and issuing interest-bearing securities.
Independent Non-Executive Directors	Brian William Smith Brendan Harmse Wilhelmus Johannes Badenhorst
Non-Executive Director	Renier Kriek
Alternate Director	Shirvan Suleman Schrueder
Registered office	First Floor North Block Waterway House 3 Dock Road Victoria & Alfred Waterfront Cape Town 8001
Business address	First Floor North Block Waterway House 3 Dock Road Victoria & Alfred Waterfront Cape Town 8001
Postal address	First Floor North Block Waterway House 3 Dock Road Victoria & Alfred Waterfront Cape Town 8001
Bankers	ABSA Limited
Auditors	Moore Johannesburg Incorporated
Secretary	Stonehage Fleming Corporate Services Proprietary Limited
Company registration number	2020/178948/06
Tax reference number	9049071286
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa (Act 71 of 2008).
Preparer	The financial statements were independently compiled by: C2M Chartered Accountants Incorporated Chartered Accountants (SA)

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AUDIT COMMITTEE REPORT

We are pleased to present our report for the year ended 29 February 2024.

The Audit Committee is an independent statutory committee appointed by the Board of Directors. Further duties are delegated to the Audit Committee by the Directors of the Company.

The Audit Committee has specific statutory responsibilities to shareholders in terms of the Companies Act of South Africa (Act 71 of 2008). In addition to those responsibilities, the Audit Committee assists the Board by advising and making submissions on financial reporting, financial risk management processes, internal financial controls and independent audit functions.

1. Audit Committee terms of reference

The Audit Committee adopted formal terms of reference that were approved by the Directors. The Audit Committee conducted its affairs in compliance with its terms of reference and discharged its responsibilities contained therein. The terms of reference are available on the Company's website, at https://www.sentinelhomes.co.za/investor-relations/ and are also available on request.

2. Audit Committee members and attendance

The Audit Committee is independent and consists of three independent, Non-Executive Directors. It meets at least twice per year as per its terms of reference.

The other Directors, external auditor and other assurance providers attend meetings by invitation only.

3. Role and responsibilities

3.1 Statutory duties

The Audit Committee's role and responsibilities include statutory duties per the Companies Act of South Africa (Act 71 of 2008) and further responsibilities assigned to it by the board. The Audit Committee executes its duties in terms of the requirements of King IV.

External auditor appointment and independence

The Audit Committee has satisfied itself that the external auditor was independent of the Company, as set out in section 94(8) of the Companies Act of South Africa (Act 71 of 2008), which includes consideration of previous appointments of the auditor, the extent of work undertaken by the auditor for the Company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board of Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The Committee ensured that the appointment of the auditor complied with the Companies Act of South Africa (Act 71 of 2008), and other legislation relating to the appointment of auditors.

The committee nominated, for election at the annual general meeting, Moore Johannesburg Incorporated as the external audit firm and CA Jenkins as the designated auditor responsible for performing the functions of auditor for the 2024 reporting period. The Audit Committee has satisfied itself that the audit firm and designated auditor are formally accredited by the JSE.

Financial statements and accounting policies

The Audit Committee reviewed the accounting policies and the financial statements of the Company and is satisfied that they are appropriate and comply with International Financial Reporting Standards ('IFRS').

The Audit Committee notes that no matters of significance were raised in the reporting period.

AUDIT COMMITTEE REPORT

Internal financial controls

Nothing has come to the attention of the Audit Committee which indicates that the Company's system of internal financial controls, in all material aspects, does not provide a basis for the preparation of reliable financial statements. The Committee is satisfied that the Company's financial statements are in compliance, in all material respects, with the Companies Act of South Africa (Act 71 of 2008) and IFRS and recommended the financial statements for approval by the board.

Internal audit

The Company is a ring fenced special purpose entity with no requirement for an internal audit function. Nothing has come to the attention of the Committee which indicates the existence of circumstances requiring the formation of an internal audit function, this will be considered each year.

3.2 Duties assigned by the board

In addition to the statutory duties of the Audit Committee, as reported above, and in accordance with the provisions of the Companies Act of South Africa (Act 71 of 2008), the Directors have determined further functions for the Audit Committee to perform, as set out in the Audit Committee's terms of reference.

The Audit Committee is satisfied that the Company has optimised the assurance coverage obtained from management and internal and external assurance providers in accordance with an appropriate combined assurance model.

The Audit Committee, as its meeting held on 6 May 2024, recommended the financial statements for approval by the Directors.

Going concern

The Audit Committee reviewed the documented assessment, including key assumptions, prepared by management of the going concern status of the Company and made recommendations to the Directors. The Directors statement on the going concern status of the Company, as supported by the Audit Committee, is included in note 24 in the financial statements.

On behalf of the Audit Committee:

Brian William Smith
Chairperson of the Audit Committee

Monday, 06 May 2024

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

The financial statements are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in the manner required by the Companies Act and are based on appropriate accounting policies consistently applied by the Company and supported by reasonable and prudent judgments and estimates.

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

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

The external auditors are responsible for independently auditing and reporting on the Company's financial statements. The financial statements have been audited by the Company's external auditor and their report is presented on pages 8 to 12.

The financial statements set out on pages 15 to 41, which have been prepared on the going concern basis, were approved by the Board of Directors on 06 May 2024 and was signed on their behalf by:

Brendan Harmse	**Renier Kriek**

6 May 2024

DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the financial statements of Sentinel Finco (Ring-Fenced) Limited for the year ended 29 February 2024.

1. Incorporation

The Company was incorporated on 20 May 2020 and obtained its certificate to commence business on the same day.

2. Main business and operations

The Company is a Company incorporated in the Republic of South Africa. The entire issued stated capital of the Company is held by The Sentinel Finco Owner Trust, a registered discretionary trust. The Company is a securitisation special purpose vehicle with the main purpose of acquiring income-producing loan assets from Sentinel Homes Proprietary Limited and issuing interest-bearing securities.

3. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa (Act 71 of 2008). The accounting policies have been applied consistently compared to the prior reporting period.

Full details of the financial position, results of operations and cash flows of the Company are set out in the financial statements.

4. Stated capital

	2024	2023
Authorised	Number of shares	
Ordinary shares of no par value	5,000	5,000
Cumulative redeemable preference shares of no par value	5,000	5,000

	2024	2023	2024	2023
Issued	R	R	Number of shares	
Ordinary shares of no par value	150	150	100	100
Cumulative redeemable preference shares of no par value	31,300,000	31,300,000	313	313
	31,300,150	**31,300,150**	**413**	**413**

There have been no changes to the authorised or issued stated capital during the reporting period under review. There has been a classification change affecting the cumulative redeemable preference shares, refer to note 12 & 27.

5. Dividends

No dividend was declared or paid during the current and prior reporting periods.

6. Directorate

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

Directors	Designation
Brian William Smith	Non-executive Independent
Brendan Harmse	Non-executive Independent
Renier Kriek	Non-executive
Wilhelmus Johannes Badenhorst	Non-executive Independent
Shirvan Suleman Schrueder	Alternate for Wilhelmus Johannes Badenhorst

DIRECTORS' REPORT

There have been no changes to the Directorate for the reporting period under review.

7. Shareholder

There have been no changes to ownership during the current and prior periods.

The shareholder and its interest at year end is as follows:

	Holding
The Sentinel Finco Owner Trust	100%

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 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 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 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. Independent auditors

Moore Johannesburg Incorporated continued in office as Auditors for the Company for the 2024 reporting period.

11. Secretary

The Company secretary is Stonehage Fleming Corporate Services Proprietary Limited.

12. Date of authorisation for issue of financial statements

The financial statements were authorised for issue by the Directors on Monday, 06 May 2024. No authority was given to anyone to amend the financial statements after the date of issue.

Moore Johannesburg

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Independent Auditor's Report

To the Shareholder of Sentinel Finco (Ring Fenced) Limited

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Sentinel Finco (Ring-Fenced) Limited set out on pages 15-41, which comprise the statement of financial position as at 29 February 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 Sentinel Finco (Ring-Fenced) Limited as at 29 February 2024 , and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 ethical and independence requirements that are relevant to the audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette Number 49309 dated 15 September 2023 (EAR Rule), we report:

Final Materiality

Value	R3 000 000
Benchmark	1.83% of total assets as reflected on the statement of financial position as at 29 February 2024.
Rationale	The company's main purpose is to acquire income producing loan assets whereby interest is derived from such assets, and such loans are pervasive to the financial statements. Our methodology permits a materiality range of 1% - 2% of total assets, where we have applied

	professional judgement in order to determine the percentage applied. Materiality has been kept in line with the method and value used in the previous financial year.

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 an opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

In terms of the EAR Rule, we are required to report the outcome of audit procedures or key observations with respect to the Key Audit Matters and these are included below.

Key Audit Matters	Description
Measurement and prior period restatement of loan receivables Loan receivables, as detailed in Note 8 to the financial statements, are initially recognised at the purchase price, which is the amount paid to Sentinel Homes Proprietary Limited (the originator) to acquire these loans. The purchase price may be at a discount or premium to the carrying amount in the financial records of the originator. This difference is adjusted as a deferred gain or loss to reflect the fair value of the loan upon initial recognition. Previously, the discount received on the acquisition of loans from the originator was incorrectly recognised in other comprehensive income and presented in equity as an "over-collateralisation reserve." This error has led to a change in the effective interest rate, necessitating a correction of the carrying value of the loans. The correction of these loans has been applied retrospectively and is detailed in Note 27 to the financial statements. A third statement of financial position is not presented because the restatement does not have any impact on financial period ending 28 February 2022. We have considered the prior year restatement of loans receivable to be significant due to its magnitude and its pervasive impact on the financial statements.	**Our audit responses include the following but not limited to**: • We inspected the participating asset sale agreement to support the sale of assets from Sentinel Homes Proprietary Limited to Sentinel Finco RF Limited. • We obtained a listing of loan receivables from management and tested the accuracy and completeness of these records. • We gained an understanding of the terms and conditions of the loan receivables, including their maturity dates, interest rates, and repayment terms, to ensure correct classification. • We inspected bank statements to verify significant cash movements relating to each financial instrument. • We applied our judgment and professional scepticism to determine whether the financial assets were impaired and if the expected credit losses were adequately recognized. • We obtained management's calculations to support the correction of the prior period error, which involved reversing the "over-collateralisation" reserve in other comprehensive income and restating the loan receivable balance for the prior period. • We inspected a signed loan confirmation from Sentinel Homes Proprietary Limited confirming the value of loans attributable to Sentinel Finco

RF Limited as per the terms of the participating asset sale agreement.
- We assessed the disclosure of financial instruments and the prior period error to ensure compliance with International Financial Reporting Standards (IFRS) and relevant regulatory requirements.

Classification and prior year restatement of preference shares

The preference shares, as detailed in Note 12 of the financial statements, consist of two components:
- The redemption of the capital;
- The subsequent preference dividend.

Preference shares that are redeemable at the issuer's option are not classified as financial liabilities unless there is a constructive obligation to settle in cash, or the value of the non-cash settlement alternative is such that it is likely the entity will need to settle in cash.

If the dividend component of the preference shares is discretionary, it is classified as equity.

The company's cumulative redeemable preference shares have been classified as equity because both redemption and dividend declarations are contingent on the company's discretion.

These shares were previously incorrectly classified as a financial liability and have been retrospectively adjusted as disclosed in Note 27 of the financial statements. A third statement of financial position is not presented because the restatement does not have any impact on financial period ending 28 February 2022.

We have deemed the prior year reclassification of preference shares to be significant due to its substantial impact on the financial statements.

Our audit responses include the following but not limited to:

- We obtained a listing of the preference shares from management and tested the accuracy and completeness of this report.
- We inspected signed cumulative redeemable preference shareholder subscription agreements and the associated signed share certificates.
- We reviewed the Memorandum of Incorporation to understand associated terms associated with the preference shares.
- We confirmed our understanding of the terms and conditions of the redeemable preference shares, focusing on which party has the rights to redemption and options for dividend declarations.
- We assessed management's classification of the preference shares against the relevant International Financial Reporting Standards (IFRS) and regulatory requirements.
- We evaluated the appropriateness of the accounting policies selected and ensured that adequate disclosures were made in the financial statements concerning both the current year and the prior period restatement, ensuring compliance with International Financial Reporting Standards (IFRS).

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Sentinel Finco (Ring-Fenced) Limited financial statements for the year ended 29 February 2024” which includes the which includes the Directors’ Report, the Audit Committee’s Report and the Company Secretary’s Certificate as required by the Companies Act of South Africa. The 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 IFRS as issued by the International Accounting Standards Board and the requirements of the Companies of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Audit Tenure

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Moore Johannesburg Incorporated has been the auditor of Sentinel Finco (Ring-Fenced) Limited for three years.

Disclosure of fee-related matters

In terms of the EAR Rule published in Government Gazette Number 49309 dated 15 September 2023, we disclose the following fee-related matters:

Audit fees paid or payable to the firm	R220 250
Audit fees paid or payable to network firms	Nil
Other fees paid or payable to firm and network firms	Nil

Moore Johannesburg Inc

Moore Johannesburg Inc.
Registered Auditors

Per: C Jenkins
Director
Registered auditor

50 Oxford Road,
Parktown,
Johannesburg,
2193

6 May 2024

CERTIFICATE BY THE COMPANY SECRETARY

The Company Secretary of Sentinel Finco (Ring Fenced) Limited certifies that in terms of section 88(2) of the Companies Act of South Africa (Act 71 of 2008), the Company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the reporting period ended 29 February 2024.

Marian Ruth Griffin Kloot

Stonehage Fleming Corporate Services Proprietary Limited represented by Marian Griffin Kloot

06 May 2024

PRACTITIONER'S COMPILATION REPORT

To the Management of Sentinel Finco (Ring Fenced) Limited

We have compiled the financial statements of Sentinel Finco (Ring Fenced) Limited, as set out on pages 15 - 41, based on information you have provided. These financial statements comprise the statement of financial position of Sentinel Finco (Ring Fenced) Limited as at 29 February 2024, 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 a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with International Financial Reporting Standards.

Christiaan Binneman

C Binneman
Chartered Accountant (S.A.)
Associate

06 May 2024

Tygerforum B
53 Willie van Schoor Drive
Tygervalley
Bellvile
7530

STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2024

Figures in Rand	Notes	2024	2023 Restated *
Assets			
Non-Current Assets			
Loans receivable	8	151,768,859	150,641,618
Deferred tax asset	9	129,033	133,514
		151,897,892	**150,775,132**
Current Assets			
Loans receivable	8	4,555,602	4,396,726
Trade receivables	10	268,656	701,694
Cash and cash equivalents	11	7,429,625	4,859,517
Current tax asset		32,246	15,133
		12,286,129	**9,973,070**
Total Assets		**164,184,021**	**160,748,202**
Equity and Liabilities			
Equity			
Stated capital	12	31,300,150	31,300,150
Retained earnings		3,029,692	175,384
		34,329,842	**31,475,534**
Liabilities			
Non-Current Liabilities			
Debt issued	13	125,296,466	125,444,698
Current Liabilities			
Debt issued	13	4,199,603	2,845,421
Trade payables	14	358,110	982,549
		4,557,713	**3,827,970**
Total Liabilities		**129,854,179**	**129,272,668**
Total Equity and Liabilities		**164,184,021**	**160,748,202**

* Refer to Note 27.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Rand	Notes	2024	2023 Restated *
Finance income using effective interest rate	15	21,083,752	9,623,210
Finance cost	16	(15,830,949)	(6,943,619)
Net finance income		**5,252,803**	**2,679,591**
Other income	17	93,338	48,986
Impairment losses on loans receivable	18	(1,778)	(794,724)
Other expenses	18	(1,427,821)	(1,689,067)
Profit before tax		**3,916,542**	**244,786**
Income tax expense	19	(1,062,234)	(68,262)
Total comprehensive income for the year		**2,854,308**	**176,524**

* Refer to Note 27.

STATEMENT OF CHANGES IN EQUITY

Figures in Rand	Ordinary share capital	Preference share capital	Total stated capital	Retained earnings	Total equity
Balance at 01 March 2022	**150**	**-**	**150**	**(1,140)**	**(990)**
Profit for the year	-	-	-	176,524	176,524
Total comprehensive income for the year	**-**	**-**	**-**	**176,524**	**176,524**
Issue of preference shares	-	31,300,000	31,300,000	-	31,300,000
Restated* balance at 01 March 2023	**150**	**31,300,000**	**31,300,150**	**175,384**	**31,475,534**
Profit for the year	-	-	-	2,854,308	2,854,308
Total comprehensive income for the year	**-**	**-**	**-**	**2,854,308**	**2,854,308**
Balance at 29 February 2024	**150**	**31,300,000**	**31,300,150**	**3,029,692**	**34,329,842**
Note	12	12	12		

* Refer to Note 27.

STATEMENT OF CASH FLOWS

Figures in Rand	Notes	2024	2023
Cash flows from operating activities			
Cash used in operations	20	(1,764,645)	(756,955)
Tax paid	21	(1,074,867)	(216,909)
Net cash used in operating activities		**(2,839,514)**	**(973,864)**
Cash flows from investing activities			
Acquisition of loans receivable		(19,484,767)	(168,779,755)
Receipts from loans receivable		39,519,389	21,965,626
Net cash from/(used in) investing activities		**20,034,622**	**(146,814,129)**
Cash flows from financing activities			
Proceeds from preference shares issued	12	-	31,300,000
Proceeds from debt issued	13	-	125,782,630
Repayments of debt issued	13	(14,625,000)	(4,436,130)
Net cash (used in)/from financing activities		**(14,625,000)**	**152,646,500**
Net increase in cash and cash equivalents		**2,570,108**	**4,858,507**
Cash and cash equivalents as at 1 March		4,859,517	1,010
Cash and cash equivalents at 29/8 February	11	**7,429,625**	**4,859,517**

ACCOUNTING POLICIES

1. General Information

Sentinel Finco (RF) Limited ('the Company') is incorporated and domiciled in South Africa. The Company has listed an asset-backed note programme on the JSE Limited and issues interest-bearing securities on that market.

The principal activities of the Company are disclosed in the Directors' Report.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa (Act 71 of 2008) ('the Companies Act).

The financial statements were authorised for issue by the Board of Directors on 06 May 2024.

3. Basis of preparation

The financial statements have been prepared as a going concern on the historical cost basis. The accounting policies, inclusive of reasonable judgements and assessments (refer to note 4), have been consistently applied for all reporting periods presented, except as addressed in note 5 & 27, and comply with IFRS.

The financial statements are presented in South African Rand (ZAR), which is the functional currency of the Company.

4. Significant judgements and estimates

In preparing these financial statements, management is required to make judgements and estimates that may affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1 Judgements

Management did not apply any significant judgements in the application of accounting policies or in applying estimations, except for those estimations mentioned in note 4.2, during the current or prior reporting periods.

4.2 Assumptions and estimation uncertainties

The financial statements do not include assets or liabilities whose carrying amounts were determined based on estimations for which there is a significant risk of material adjustments in the following reporting period. The loss allowance on loans receivable has been determined by applying estimation (refer to note 8), however, management determined that this estimation does not carry a significant risk of material adjustments in the following reporting period.

5 Changes in accounting policies

5.1 Material accounting policy information

The Company adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 March 2023. Although the amendments did not result in changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the policy information disclosed below in line with the amendments. Futhermore, Management revised certain prior reporting period accounting polciies, refer to note 27.

6 Material accounting policies

6.1 Financial instruments

Recognition and initial measurement

The Company recognises financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument. Trade receivables and debt securities issued are initially recognised when they are originated.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – classification

The Company's financial assets comprise only financial assets at amortised cost which consist of loans receivable, trade receivables and cash and cash equivalents.

A financial asset is measured at amortised cost when the following criteria are met:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company assessed its financial assets in relation to the various considerations of the business model and concluded that all the financial assets are held by the Company with the main objective of collecting the contractual cash flows and that the contractual terms give rise to cash flows that are solely payments of principal and interest. Other factors considered by the Company that support the assessment include the fact that the portfolios of these financial instruments are assessed on the collectability of the portfolio, the fact that the Company does not have a history of selling these types of financial instruments and the fact that the remuneration of managers includes compensation based on the effective collectability of these financial instruments.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

The Company's financial liabilities comprise only financial liabilities at amortised cost using the effective interest method which consist of trade payables and debt issued.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. An interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability. Any gain or loss on derecognition is recognised in profit or loss.

6.1. Financial instruments (continued)

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for loans receivable and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for loans receivable are measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as the nature of the loan, external credit ratings (if available), industry of counterparty etc. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs, i.e., the simplified approach, for the entire class of trade receivables.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment, including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the financial asset is more than 90 days past due, after which it is considered to be credit-impaired.

The Company classifies loans receivable into 3 different stages based on arrears as follows:
- Standard Performing - Not more than 30 days past due (Stage 1)
- Performing Active - More than 30 days but not more that 90 days past due (Stage 2)
- Non-Performing - More than 90 days past due (Stage 3)

When estimating ECLs, the Company considers the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

6.1. Financial instruments (continued)

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset or finance lease receivable is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset or finance lease receivable have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Financial assets measured at amortised cost are presented net of the related loss allowance.

Presentation of impairment loss or gain in profit or loss

Any impairment loss or gain is recognised in profit or loss and presented as a separate line item.

Write-off

The Company writes off the gross carrying amount of a financial asset when there is information indicating that the counterparty is in severe financial difficulty, Sentinel Homes Proprietary Limited ("Sentinel Homes"), as the orignator, will not buy back the loan receivable and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate, except for trade receivables which are not subject to enforcement activities once written off. Any recoveries made are recognised in profit or loss.

6.2 Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that
  - is not a business combination; and
  - at the time of transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised with such reductions being reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity and they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

6.3 Share capital

Ordinary shares

Ordinary shares are classified as equity and presented as stated capital. Incremental external costs directly attributable to the issue of ordinary shares are recognised in equity as a deduction, net of tax from the proceeds.

Preference shares

The Company's redeemable preference shares are classified, as equity, as the redemption of the capital is at the option of the Company and dividends are discretionary. Dividends are recognised as a liability when they are declared.

6.4 Finance income and finance costs

Interest income on loans receivable and cash balances is accrued on a time basis, using the effective interest method, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

All finance costs are recognised in profit or loss using the effective interest method in the period in which they are incurred.

6.5 Other Income

The Company earns fees for providing specific administrative tasks and services in relation to certain of its financial assets. Transactional servicing fees are recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. Other income contracts do not include multiple performance obligations. The nature of the other income contracts results in a single performance obligation. Therefore, no significant judgements are required when allocating the transaction price to the performance obligation.

When the service is provided, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time.

The Company's fee income comprises:
- Income earned on the execution of a distinct performance obligation is recognised when the distinct performance obligation has been performed, i.e., at a point in time.
- Fees charged for servicing a loan are recognised as the performance obligation is provided, which in most instances occurs monthly. Payment of these fees is normally due and receivable in advance.

Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recognised in finance income.

6.6 Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes finance income (except where recognised as revenue) and income taxes.

6.7 Operating segment

The Company operates as one segment. All disclosure in the financial statements is provided as the primary segment.

ACCOUNTING POLICIES

7. Standards and interpretations not yet effective

New and revised standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 01 January 2024 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following amended standards and interpretations are applicable to the Company, are not expected to have a significant impact on the financial statements and will be adopted on the effective date disclosed below:

Standards/Interpretations:	Details	Effective date
Non-current Liabilities with Covenants (Amendments to IAS 1)	The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	Annual reporting periods beginning on or after 01 January 2024
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (potentially due to be settled within one year) or non-current.	Annual reporting periods beginning on or after 01 January 2024

Figures in Rand	2024	2023 Restated *

8. Loans receivable

Gross carrying amount	157,120,963	155,833,068 *
Less: Loss allowance	(796,502)	(794,724)
Balance at 29/8 February	**156,324,461**	**155,038,344**

Split between non-current and current portions

Non-current assets	151,768,859	150,641,618
Current assets	4,555,602	4,396,726
	156,324,461	**155,038,344**

* This amount has been restated by having recognised the deferred gain from discounts on acquisition of loans receivable against the carrying amount of the loans receivable. Refer to note 27 for further detail.

Loans receivable information

The loans receivable balance at reporting date consists of of 112 (2023: 113) loan transactions, with an average outstanding amount of R1,422,325 (2023: 1,406,591). The weighted average interest rate charged in respect of the loans receivable is a floating rate of prime plus 1.47% (2023: 1.30%). The weighted average loan to value (LTV) of the portfolio is 79.20% (2023: 79.96%), measured as the outstanding debt divided by the last valuation of the subject property (registered title held by Sentinel Homes Proprietary Limited ("Sentinel Homes")) by a registered valuer, and adjusted for the weight of each exposure measured against the portfolio. The weighted average remaining term of the loans receivable is 93 (2023: 103) months from the reporting date.

Loans receivable have no collateral. Loans receivable serves as collateral for debt issued in note 13.

Acquisition of loans receivable from Sentinel Homes

The Company acquires loans receivable (referred to as ‘Participating Assets’ in the context of the agreements) from Sentinel Homes under which the Company acquires the right, title and interest in and to a portfolio of Participating Assets which comply with the Eligibility Criteria.

Details of the Eligibility Criteria are included in the Programme Memorandum which is available at the following link, https://www.sentinelhomes.co.za/investor-relations/

In accordance with the agreement between Sentinel Homes and the Company, a repurchase option exists in that Sentinel Homes has the right, but not the obligation, to repurchase a Participating Asset from the Company subject to the provisions of the underlying agreement.

Sentinel Homes may only repurchase a Participating Asset where:
- there is a material change in the circumstances of a Borrower that results in Sentinel Homes repurchasing such Participating Asset for business reasons; or
- the relevant Borrower requests a material change to the terms of the relevant Credit Agreement; or
- if the Credit Agreement becomes non-performing.

In addition, subject to the satisfaction of the requirements set out below, Sentinel Homes has the right, but not the obligation, to substitute by written notice to the Company, one or more Participating Assets sold to the Company by Sentinel Homes (‘a Replacement Asset’).

Each substitution of a Replacement Asset for a predecessor Participating Asset (‘Predecessor Asset’) will be subject to satisfaction that:
- after such substitution, the Portfolio Covenants (refer below) will be satisfied;
- the Replacement Asset will be of similar or better credit quality than that of the Predecessor Asset;
- the Replacement Asset or group of Replacement Assets will have a principal balance not less than the principal balance of the Predecessor Asset; and
- the Replacement Asset complies with the Eligibility Criteria.

8. Loans receivable (continued)

The portfolio of Participating Assets must meet the following covenants ('Portfolio Covenants'):

- the Weighted Average LTV Ratio of all the loans in the Portfolio is less than 85%;
- the Weighted Average remaining term of loans must not be less than 12 months unless the Company is being wound down;
- the proportion of the Portfolio where outstanding debt obligations have a greater than 90% Current LTV Ratio, must not exceed 20% from the reporting date of 28 February 2023;
- the Weighted Average Interest Yield of the loans in the Portfolio is not less than the prime rate less 1.25%; and
- loans in respect of which the original financing provided was less than R300,000 shall not exceed 20% of all loans in the Portfolio.

The Company has remained compliant with the Programme Memorandum for the current and prior reporting periods.

Exposure to credit risk

Loans receivable 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. There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

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

The carrying amount of loans receivable represents the maximum credit exposure.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

8. Loans receivable (continued)

Expected credit loss assessment

The loss allowance is determined in accordance with the following the industry-standard expected loss formula:
- ECL = PD x LGD x EAD, where ECL is the expected loss;
- PD is the probability of default;
- LGD is the loss-given-default;
- EAD is the exposure at default of the gross carrying amount.

The probability of default is estimated for counterparties on a 12-month horizon because of the credit calibration performed to create the credit and risk policy under which the loan receivables were originated. This statistical calibration was performed with reference to historical mortgage data which is viewed as a conservative approach when considering the relative likelihood of performance under instalment sales transactions. The loss-given-default is usually estimated using average numbers from the home loan market, even though the actual loss-given-default for loans originated by the originator under their credit and risk policy is lower.

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

2024

Stage	Measurement basis	Gross carrying amount	Loss allowance	Net carrying amount
1	12m ECL	137,597,420	(697,530)	136,899,890
2	Lifetime ECL (not credit impaired)	19,523,543	(98,972)	19,424,571
		157,120,963	**(796,502)**	**156,324,461**

2023

Stage	Measurement basis	Gross carrying amount	Loss allowance	Net carrying amount
1	12m ECL	144,720,034	(738,049)	143,981,985
2	Lifetime ECL (not credit impaired)	11,113,034	(56,675)	11,056,359
		155,833,068	**(794,724)**	**155,038,344**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2024	2023

8. Loans receivable (continued)

Reconciliation of loss allowances

The following tables present the movement in the loss allowances for loans receivable:

Loans receivable: Loss allowance measured at 12 month ECL:

Balance as at 1 March	738,049	-
Net remeasurement of existing loans receivable	(12,193)	-
Amounts derecognised due to derecognition of loans receivable	(74,577)	-
Amounts recognised in respect of loans receivable acquired	91,200	738,049
Transfer to lifetime expected credit losses	(68,581)	-
Transfer from lifetime expected credit losses	23,632	-
Balance as at 29/8 February	**697,530**	**738,049**

Loans receivable: Loss allowance measured at lifetime ECL (not credit impaired):

Balance as at 1 March	56,675	-
Net remeasurement of existing loans receivable	(2,652)	-
Amounts recognised in respect of loans receivable acquired	-	56,675
Transfer to 12 month expected credit losses	(23,632)	-
Transfer from 12 month expected credit losses	68,581	-
Balance as at 29/8 February	**98,972**	**56,675**
Total loss allowance at end of reporting period	**796,502**	**794,724**

Fair value of loans receivable

The fair value of loans receivable approximates its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2024	2023

9. Deferred tax asset

Deferred tax asset

Loss allowance	129,033	133,514
Deferred tax asset	129,033	133,514

Reconciliation of deferred tax asset / (liability)

Balance as at 1 March	133,514	-
Deductible temporary difference on loss allowance	288	133,514
Tax rate change from 28% to 27%	(4,768)	-
Rounding	(1)	-
	129,033	**133,514**

Recognition of deferred tax asset

The applicable normal income tax rate changed during the current reporting period to 27% (2023: 28%).

The Company has recognised a deferred tax asset in respect of deductible temporary differences on its loss allowance. The Company believes that it is probable that sufficient future taxable profits will be earned to utilise the deductible temporary difference based on the Companys performance forecast.

10. Trade receivables

Debit orders receivable	268,655	701,694

Debit orders receivable represent amounts receivable from Sentinel Homes.

Exposure to credit risk

Trade receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

The carrying amount of trade receivables represents the maximum credit exposure.

In calculating the ECL rates, the Company considers historical loss rates for trade receivables, and adjusts for both historical and forward looking data. No evidence of a significant increase in credit risk or shortfall in payment expectations have been identified.

As at reporting date, no receivables were considered to be past due nor impaired (2023: R0).

The Company considers all of the indicators within the ECL model when determining the credit risk associated with trade receivables. The Company has determined that there is no significant credit risk based on the nature of the receivables representing debit orders receivable and the negligible historical customer default. Therefore, based on the loss allowance being considered immaterial, the Company has not recognised the loss allowance for trade receivables.

Fair value of trade and other receivables

The fair value of trade receivables approximates their carrying amounts.

Figures in Rand	2024	2023

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	7,429,625	4,859,517

There are no overdraft facilities on any of the bank accounts.

The Company holds cash and cash equivalents with reputable financial institutions. These institutions have a national short-term and national long-term credit rating from S&P Global rating agency of zaAA or above and zaA-1+ or above, respectively.

Credit risk

ECLs of cash and cash equivalents have been measured on a 12-month ECL basis and reflect the short maturities of the exposures. The Company considers all of the indicators within the ECL model when determining the credit risk associated with cash and cash equivalents.

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the financial institutions combined with the fact that the institutions are reputable within the economic environment. Therefore, no loss allowance has been recognised in respect of cash and cash equivalents during the current or prior reporting periods.

12. Stated capital

Authorised		
Ordinary shares of no par value	5,000	5,000
Cumulative redeemable preference shares of no par value	5,000	5,000
	10,000	**10,000**
Issued		
100 Ordinary shares of no par value	150	150
313 Cumulative redeemable preference shares of no par value *	31,300,000	31,300,000
	31,300,150	**31,300,150**

The Company issued 313 cumulative redeemable preference shares during the prior reporting period. These preference shares were issued at a subscription price equal to 25% of the principal amount.

Holders of these preference shares are entitled to a cumulative discretionary dividend to be determined by the Board. These shares do not have voting rights.

* In the current reporting period the cumulative redeemable preference shares changed classification from liability to equity, refer to note 27.

The following table presents the reconciliation of preference shares at the reporting date:

Preference shares	2024	2023	2024	2023
	Number of shares		Carrying amount	
Balance at 1 March	313	-	31,300,000	-
125 preference shares, issued 1 March 2022	-	125	-	12,500,000
63 preference shares, issued 1 September 2022	-	63	-	6,300,000
62 preference shares, issued 30 January 2023	-	62	-	6,200,000
63 preference shares, issued 15 February 2023	-	63	-	6,300,000
Balance at 29/8 February	**313**	**313**	**31,300,000**	**31,300,000**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2024	2023

13. Debt issued

The Company has issued debt in the form of Class A notes, to noteholders at rates and scheduled maturity dates as set out below. The debt is unsubordinated and is asset-backed by the loans receivable included in note 8. The reference rate used in the calculation of the interest expense under the debt in issue is the prime rate, measured as provided for in the relevant applicable pricing supplement and with reference to the programme memorandum.

Basic terms of the debt issued are as follow:

Debt issued

Class A Notes	Scheduled maturity date	Spread above reference rate	Carrying amount 2024	Carrying amount 2023
Unsubordinated, asset-backed notes	01/03/2027	1.75%	75,000,000	75,000,000
Unsubordinated, asset-backed notes	01/02/2026	0.50%	50,000,000	50,000,000
			125,000,000	**125,000,000**

The following table presents the reconciliation of changes arising from cash flows and non-cash changes for the reporting period:

	2024	2023
Balance at 1 March	128,290,119	-
Cash flow changes:		
Additions		125,782,630
Interest paid	(14,625,000)	(4,436,130)
Non-cash changes:		
Interest accrual on debt issued	15,830,950	6,943,619
Balance at 29/8 February	**129,496,069**	**128,290,119**

Prime lending rate information

The average prime lending rate for the current period was 11.59% (2023: 9.08%).

Split between non-current and current portions

	2024	2023
Non-current liabilities	125,296,466	125,444,698
Current liabilities	4,199,603	2,845,421
	129,496,069	**128,290,119**

Fair value of debt issued

The fair value of debt issued approximates their carrying amounts.

14. Trade payables

	2024	2023
Financial instruments:		
Trade payables	358,110	982,549

Fair value of trade payables

The fair value of trade payables approximates their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2024	2023

15. Finance income using effective interest rate

Bank	6,533	1,727
Loans receivable	21,077,219	9,621,482
	21,083,752	**9,623,209**

The following table presents the reconciliation of changes arising from cash flows and non-cash changes for the reporting period:

Cash flow changes:		
Receipts	6,533	1,727
Non-cash changes:		
Effective interest raised on loans receivable	21,077,219	9,621,482
	21,083,752	**9,623,209**

16. Finance costs

Debt issued	15,830,949	6,943,619

The following table presents the reconciliation of changes arising from cash flows and non-cash changes for the reporting period:

Non-cash changes:		
Interest accrual on debt issued	15,830,949	6,943,619

17. Other income

Transactional servicing fees	93,338	48,986

18. Operating profit

Operating profit includes:

Movement in credit loss allowances		
Impairment loss on loans receivable	1,778	794,724

Expenses by nature

Other expenses are analysed by nature of expense as follows:

Administrative and managerial services	753,991	589,363
Bad debts written off	-	228,933
Consulting and professional services	383,762	480,638
Secretarial services	290,068	390,133
	1,427,821	**1,689,067**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2024	2023

19. Income tax

Major components of the income tax expense

Current		
Local income tax - current period	1,057,754	201,776
Deferred		
Change in tax rates	4,768	-
Current period - originating and reversal of temporary differences	(288)	(133,514)
	4,480	**(133,514)**
Income tax expense recognised in profit or loss	**1,062,234**	**68,262**

Reconciliation of the income tax expense

Reconciliation between accounting profit before tax and income tax expense.

Profit before tax	3,916,542	244,786
Tax at the applicable tax rate of 27% (2023: 28%)	1,057,466	68,540
Tax effect of adjustments on taxable income		
Change in tax rates	4,768	-
Unrecognised tax loss utilised	-	(278)
	1,062,234	**68,262**

20. Cash used in operations

Profit before tax	3,916,542	244,786
Adjustments for:		
Finance income	(21,077,219)	(9,621,482)
Finance costs	15,830,949	6,943,619
Impairment losses on loans receivable	1,778	794,724
Non-cash portion of loans processed through trade receivables	(245,297)	602,543
Changes in working capital:		
Trade receivables	433,041	(701,694)
Trade payables	(624,439)	980,549
	(1,764,645)	**(756,955)**

21. Tax paid

Balance at 1 March	15,133	-
Current tax recognised in profit or loss	(1,057,754)	(201,776)
Balance at 29/8 February	(32,246)	(15,133)
	(1,074,867)	**(216,909)**

22. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2024

	Note(s)	Amortised cost	Total	Fair value
Loans receivable	8	156,324,461	156,324,461	156,324,461
Trade and other receivables	10	268,655	268,655	268,653
Cash and cash equivalents	11	7,429,625	7,429,625	7,429,625
		164,022,741	**164,022,741**	**164,022,739**

2023

	Note(s)	Amortised cost	Total	Fair value
Loans receivable	8	155,038,344	155,038,344	155,038,344
Trade and other receivables	10	701,694	701,694	701,694
Cash and cash equivalents	11	4,859,517	4,859,517	4,859,517
		160,599,555	**160,599,555**	**160,599,555**

Categories of financial liabilities

2024

	Note(s)	Amortised cost	Total	Fair value
Debt issued	13	129,496,069	129,496,069	129,496,069
Trade payables	14	358,110	358,110	358,110
		129,854,179	**129,854,179**	**129,854,179**

2023

	Note(s)	Amortised cost	Total	Fair value
Debt issued	13	128,290,119	128,290,119	128,290,119
Trade payables	14	982,549	982,549	982,549
		129,272,668	**129,272,668**	**129,272,668**

22. Financial instruments and risk management (continued)

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns to 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 debt issued (refer to note 13) and equity as presented in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the prior reporting period.

Maintenance, as a minimum, of capital sufficient to meet the statutory requirements and such additional capital as management believes is necessary to ensure that obligations can be met on a timely basis.

The Company further ensures that it can meet its expected capital and financing needs at all times, having regard to its business plans, forecasts and strategic initiatives.

The capital structure of the Company at the reporting date was as follows:

Debt issued	13	129,496,069	128,290,119
Cash and cash equivalents	11	(7,429,625)	(4,859,517)
Net debt		**122,066,444**	**123,430,602**
Equity		34,329,839	31,475,533
Gearing ratio		355%	392%

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).

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

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 on loans receivable (refer to note 8), trade receivables (refer to note 10) and cash and cash equivalents (refer to note 11). The credit risk in respect of each is addressed in the note to each class of financial asset.

22. Financial instruments and risk management (continued)

Liquidity risk

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

The Company manages its liquidity risk by effectively managing its working capital, purchases of loans receivable and cash flows. The financing requirements are met through a mixture of cash generated from operations, issuing preference share liabilities and issuing debt.

The maturity profile of contractual cash flows of financial liabilities are presented in the following table. These amounts are gross and undiscounted, and include contractual interest payments.

2024

		Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Debt issued	13	16,250,000	66,250,000	86,826,370	169,326,370	129,496,069
Trade payables	14	358,110	-	-	358,110	358,110
		(16,608,110)	**(66,250,000)**	**(86,826,370)**	**(169,684,480)**	**(129,854,179)**

2023

		Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Debt Issued	13	16,250,000	16,250,000	153,076,369	185,576,369	128,290,119
Trade payables	14	982,549	-	-	982,549	982,549
		(17,232,549)	**(16,250,000)**	**(153,076,369)**	**(186,558,918)**	**(129,272,668)**

Interest rate risk

The Company's interest rate risk mainly arises from loans receivables and debt issued, which bear interest linked to the prime lending rate and expose the Company to cash flow interest rate risk.

The Company performs an interest rate sensitivity analysis to assess the potential impact of fluctuations in interest rates on its financial position and performance. The Company purchases loans receivable that generates finance income at rates linked to the prevailing prime rate and also borrows funds tied to the same benchmark. This dual linkage exposes the Company to interest rate risk, where changes in the prime rate can influence both finance income and interest expense. Management regularly monitors this sensitivity to assess the potential effects on net finance income and overall profitability, employing various scenarios and stress-testing methodologies to gauge the resilience of the business under different interest rate environments.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Figures in Rand	2024	2023

23. Related parties

Relationships

Ultimate Parent	The Sentinel Finco Owner Trust
Directors	Wilhelmus Johannes Badenhorst
	Brian William Smith
	Bredan Harmse
	Renier Kriek
	Shirvan Suleman Schrueder
Originator and Servicer	Sentinel Homes Proprietary Limited

All related party transactions are conducted on an arm’s length basis, settled via a transfer of funds and unless stated otherwise in the relevant note, are unsecured and no guarantees have been given or received:

Related party balances

	2024	2023
Amounts included in trade payables regarding related parties		
Sentinel Homes Proprietary Limited	(358,110)	(282,348)
Trade receivables from related parties		
Sentinel Homes Proprietary Limited	268,653	701,694
Preference shares issued to be held by related parties		
Sentinel Homes Proprietary Limited	31,300,000	31,300,000

Related party transactions

	2024	2023
Servicer fees paid to related parties		
Sentinel Homes Proprietary Limited	548,110	215,625
Loans acquired from related parties		
Sentinel Homes Proprietary Limited	19,198,950	169,807,095
Loan repayments collected by related parties		
Sentinel Homes Proprietary Limited	29,657,953	10,862,329

24. Going concern

The 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 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 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.

25. Events after the reporting period

No material events have occurred since the end of the reporting date up to the date of the audit report.

26. Directors' emoluments

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

27. Prior period errors

In 2023, an error was made on the recognition and measurement of loans receivable (note 8). The error was identified as part of the JSE's Pro-Active Monitoring process and required no remediation, in terms of the Debt Listing Requirements of the JSE or in terms of IFRS, save for the restatement made in this report and elucidated in this present note. The discount received on the acquisition of loans from Sentinel Homes was incorrectly recognised in other comprehensive income and presented in equity as a separate reserve. The discount received should have been adjusted against the carrying amount of the loans receivable, which would have resulted in a different effective interest rate to be used in calculating interest income on loans receivable.

In addition to the above, the Company determined that the preference shares issued in the prior reporting period had been incorrectly classified as a financial liability instead of being classified and recognised as equity based on the terms and conditions of the preference shares. Refer to note 6.3 and 12 for the preference share terms.

These corrections have no tax consequences and have no effect on the net increase in cash and cash equivalents in the statement of cash flow, however the statement of cash flow comparative figures were affected by the corrections made, refer to note 28. Furthermore, the errors and their correction have no impact on the Company's compliance with the covenants required in the Programme Memorandum, and does not impact practically on the position of the note holders.

An opening statement of financial position at 1 March 2022 has not been provided as the errors only impacted the prior period.

The errors have been corrected by restating each of the affected financial statement line items for the prior period. The following table summarise the impact on the Company's financial statements:

	Impact of correction of error		
Statement of financial position	**As previously reported**	**Adjustments**	**As restated**
Total assets	**163,859,901**	**(3,111,699)**	**160,748,202**
Loans receivable	158,150,043	(3,111,699)	155,038,344
Other assets unaffected by prior period errors	5,709,858	-	5,709,858
Total equity	**(3,287,383)**	**(28,188,301)**	**(31,475,684)**
Over-collateralisation reserve	(3,111,699)	3,111,699	-
Stated capital	(150)	(31,300,000)	(31,300,150)
Other equity unaffected by prior period errors	(175,534)	-	(175,534)
Total liabilities	**(160,572,668)**	**31,300,000**	**(129,272,668)**
Preference shares liability	(31,300,000)	31,300,000	-
Other liabilities unaffected by prior period errors	(129,272,668)	-	(129,272,668)
Statement of profit or loss and other comprehensive income			
Finance income	9,289,910	331,573	9,621,483
Other income	570,758	(331,573)	239,185
Profit before tax	176,524	-	176,524
Other comprehensive income			
Movement in over-collateralisation reserve	3,111,699	(3,111,699)	-
Total comprehensive income for the year	3,288,223	(3,111,699)	176,524

Figures in Rand	2024	2023

28. Comparative figures

Debt premium has been included in debt issued and the amortisation of the debt premium, which was previously presented as part of other income, has been included in finance costs.

Recoveries has been included in other expenses, which was previously presented as part of other income.

The prior period error corrections has led to comparative figures being reclassified in the statement of cash flow. Additionally, finance income and finance cost has been reclassified to operating activities.

The effects of the reclassification are as follows:

Statement of financial position:	
Decrease in debt premium	(592,931)
Increase in debt issued	592,931
Statement of profit or loss and other comprehensive income:	
Increase in finance income	1,727
Decrease in investment revenue	(1,727)
Decrease in finance cost	(189,699)
Decrease in other income	(189,699)
Decrease in other income	(500)
Decrease in other expenses	500
Statement of cash flow:	
Cash flows from operating activities	
Cash used in operations	(2,840,727)
Net cash used in operating activities	**(2,840,727)**
Cash flows from investing activities	
Acquisition of loans receivable	1,027,340
Receipts from loans receivable	11,103,297
Finance Income - loans receivable	(9,289,910)
Net cash from investing activities	**2,840,727**
Cash flows from financing activities	
Proceeds on debt issued	782,630
Repayments of debt issued	(4,436,130)
Movement on debt premium	(782,630)
Finance costs - debt issued	4,436,130
Net cash from financing activities	**-**