

Annual Report

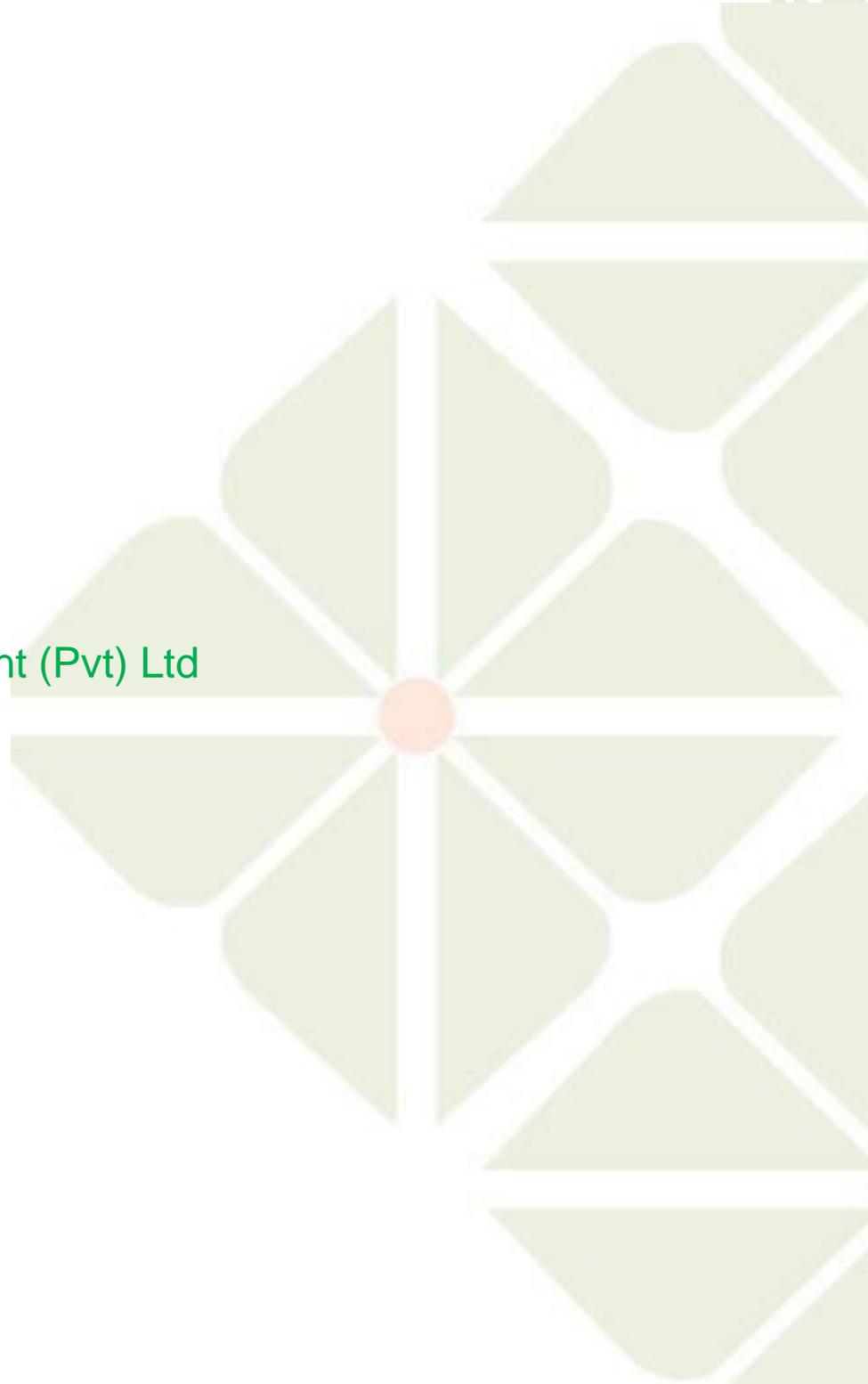
Senfin Dividend Fund

FY 2022



Trustee and Custodian
HNB Bank PLC

Fund Manager
Senfin Asset Management (Pvt) Ltd



Senfin Dividend Fund

is Licensed and Regulated by the Securities & Exchange
Commission of Sri Lanka



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Profile of the fund management company

Senfin Asset Management (Pvt) Ltd (SFAM) was incorporated in 2010 and licensed by the Securities & Exchange Commission of Sri Lanka (SEC) to manage unit trust funds and third-party portfolios/private portfolios for institutional clients, private provident funds, insurance funds, and high net worth individuals. SFAM was formerly known as Candor Asset Management (Pvt) Ltd and was acquired by Senkadagala Finance PLC in March 2020, with the former's name was changed to Senfin Asset Management (Pvt) Ltd in August of the same year.

SFAM is a wholly-owned subsidiary of Senkadagala Finance PLC, a company licensed by the CBSL. Senkadagala Finance PLC commenced operations in the city of Kandy in 1968 and since then has steadily gained momentum, leveraging the varied partnerships it nurtured throughout the years. Today Senkadagala Finance is one of the largest and most resilient Finance Companies in Sri Lanka with a workforce of approximately 800 people across 100 branches spread around the Island.



Board of Directors

Dr. Prathap Ramanujam - Chairman

Dr. Prathap Ramanujam was the former Chairman of Panasian Power PLC and has extensive experience in the public sector. During the last 14 years in the Public Sector, he was the Permanent Secretary to several Ministries and was responsible for the establishment of the Secretariat for Infrastructure Development & Investments (SIDI), which was instrumental in initiating the first mini hydro project as a Public Private sector project as far back as 1993. Dr. Ramanujam has previously served on the Boards of several financial services institutions including the National Savings Bank, the State Mortgage and Investment Bank and Senkadagala Finance PLC. during his career.

He currently serves as director of Ceylon Grain Elevators PLC, Three Acre Farm PLC and Iconic Development Pvt. Ltd. He also served as a Director in Panasian Power PLC, Manelwela Hydro Power Pvt. Ltd, Panasian Investment Pvt. Ltd, Paddiyapallela Hydropower Pvt. Ltd, and associated companies.

Dr. Ramanujam has a First Class B.Sc. (Hons.) degree from the University of Peradeniya Sri Lanka, a M.Sc. degree in Economics from the University of Bristol, U.K and a Ph.D in Economics from the Australian National University , Canberra, Australia. He worked as a Post-Doctoral Fellow at the Faculty of Economics at the University of Glasgow U.K.

Mr. Sanath Divale Bandaranayake – Executive Director

Mr. Bandaranayake currently serves as an Executive Director / Additional CEO of Senkadagala Finance PLC. Mr. Bandaranayake served at Commercial Bank of Ceylon PLC, the largest and the most awarded bank in Sri Lanka, for 36 years. He has served Commercial Bank in various capacities such as Branch Manager (Kandy, City Office), Chief Manager, Assistant General Manager and Deputy General Manager (Operations) and was a core member of the Management teams which led the Bank to important milestones such as introducing Banking Software to improve the bank's operations (which is very successfully used even today), Holiday Banking and Supermarket Banking. During his career at the Commercial Bank, he was appointed as Director at LankaClear and also served as Director of Commex Sri Lanka S R L (subsidiary of Commercial Bank based in Italy) and ONEzero Company Ltd., (subsidiary of Commercial Bank engaged in the business of Information Technology). He is also a director of Senfin Real Estate (Pvt) Ltd, Senfin Securities Ltd, Senkadagala Insurance Brokers (Pvt) Ltd, Sobhadanavi (Pvt) Ltd & Lakdhanavi (Pvt) Ltd

Mr. Bandaranayake holds a Bachelor's Degree in Physical Sciences from the University of Sri Lanka, Vidyodaya Campus.



Mr. Ravindra Abeysuriya - Director

Mr. Ravi Abeysuriya has over two decades of experience in top management positions in private equity investments, investment banking, credit rating and investment research outsourcing, and has a distinctive track record of establishing highly successful companies from inception in the financial sector in Sri Lanka. He was the Head - Strategic Business Development and Shared Services of Hayleys Group, Managing Director of Amba Research Lanka - a pioneer investment research outsourcing company, Managing Director/CEO of Fitch Ratings Lanka, the Island's first global credit rating agency, and the Head of Corporate Finance at JP Morgan. He was appointed twice as a commission member of the Securities and Exchange Commission of Sri Lanka and was a director of Sri Lanka Insurance, the Island's largest insurance company. He currently serves as director of Seylan Bank PLC, HNB Assurance PLC, Colombo City Holdings PLC, Bio Foods (Private) Limited, Senfin Securities Ltd, CFA Society Sri Lanka, The Sri Lanka Institute of Directors, Straight Sale (Private) Limited and Sharewood Capital (Pvt) Ltd. Further, he is the President of the Association of Alternative Financial Institutions, Sri Lanka, Co-Chair of the National Agenda Committee-Finance and Capital Markets of the Ceylon Chamber of Commerce, and a member of the Code of Conduct Review Committee (CoCRC) of the Central Bank of Sri Lanka (CBSL) appointed by the Monetary Board of CBSL. Mr. Abeysuriya has also functioned as a member of Board Risk Oversight Committee and Financial System Stability Consultative Committee of CBSL and President of several finance and IT associations. He was named as "Lifetime Achievement" award laureate by CFA Institute, USA in 2017 for his outstanding work and dedication to the investment management profession.

Mr. Abeysuriya is a Fellow Member and Chartered Global Management Accountant (CGMA) of the Chartered Institute of Management Accountants, UK, and a Chartered Financial Analyst and has an MBA from Monash University, Melbourne, Australia.

Mr. Sonal Balasuriya -Director

Mr. Sonal Balasuriya holds a First-Class B.Sc. (Hons) degree from the University of Westminster and a Distinction in MA. He also holds Architecture from the Bartlett School of Architecture, University College London. He is a SLIA qualified Chartered Architect as well.

He has gained 3 years of work experience in both the United Kingdom and Sri Lanka before starting his own practice Sonal Balasuriya Architects in 2016. He is the principal architect at Sonal Balasuriya Architects and Design Studio.



Mr. Tilak Collure - Director

Mr. Tilak Collure is a former public officer from the Sri Lanka Administrative Service Special Grade who has held a number of senior positions during 35 years in Government service mainly in the areas of trade, commerce, and logistics. He has served as the Secretary to the following ministries: Ministry of Industry and Commerce, Ministry of Transport, Ministry of Shipping, Ports and Aviation. During his career, Mr. Collure has also headed several major public sector corporate institutions as their CEO/ Chairman. He has served as an Independent Non-Executive Director at Senkadagala Finance PLC.

Mr. Collure holds a BSc in Natural Sciences (Colombo) and a Master's in Public Administration with a Merit Award (PIM/University of Sri Jayewardenepura).

Mr. Keshav Balasuriya – Director

Mr. Keshav Balasuriya is an Investment/Portfolio Manager at E.W. Balasuriya & Co (Pvt) Ltd., covering Listed Equities, Fixed Income and Real Estate asset classes since 2013. He is a Treasury Analyst at Senkadagala Finance PLC, since 2016 covering funding and proprietary investments of Senkadagala Finance PLC which has been operating over 50 years. Mr. Keshav Balasuriya has been instrumental in initiating and acquiring Candor Asset Management (Pvt) Ltd from Eagle Proprietary Investment Limited in 2020. He serves as a member of the Investment Committee of Senfin Asset Management (Pvt) Ltd. He is also a director of Senfin Securities Ltd and Senfin Real Estate (Pvt) Ltd.

Mr. Keshav Balasuriya holds an MSc (Hons) degree in Computer Science from the University of Bristol and a Master of Finance (MFin) from the University of Cambridge.



Key Personnel

Ms. Jeevan Sukumaran – Chief Executive Officer

Mr. Sukumaran has in total, experience of over 15 years in Sri Lankan Capital Markets, covering Unit Trusts, Portfolio Management, Equity Analysis and Research, Corporate Finance and Financial Advisory with over 10 years of experience in the Unit Trust Industry. Prior to joining the Company, he was the General Manager/Head of Operations at CT CLSA Asset Management (Pvt) Ltd (CAM), during which time he also acted as the fund manager for all of CAM's Fixed Income Funds. Mr. Sukumaran is also experienced in Corporate Finance and Investment Banking, having worked at CT CLSA Capital, an Investment Bank.

Mr. Sukumaran is also an Associate Member (ACMA) of the Chartered Institute of Management Accountants (CIMA-UK) and a Chartered Global Management Accountant (CGMA). He is also an Associate Member (ACIM) of the Chartered Institute of Marketing (CIM) holding a Professional Diploma in Marketing.

Mr. Murugiah Rajendran – Head of Compliance

Mr. Murugiah Rajendran has in total over 41 years of experience in banking. He has acquired a skill sets in Risk Management (including Credit Approval, Credit Management, Credit Monitoring, and Remedial Management etc.), Client Coverage, Operational Risk Management, Business Compliance Management and Internal Audit. Mr. Rajendran started banking career with Commercial Bank of Ceylon Ltd, the largest and most awarded bank in SL and served the bank for 16 years mainly in Corporate Banking. He then moved to overseas and worked as Marketing Manager, National Bank of Oman, Abu Dhabi (for 2 years), Director, Standard Chartered Bank, Dubai (12 years) and Vice President Mashreq bank plc, Dubai (11 years).

Mr. Rajendran has completed 'The Credit Skills Component' of the Standard Chartered Bank Credit Programme conducted by the external agency and designated a 'Credit Professional'. Mr. Rajendran is an Associate and Chartered Global Management Accountant (CGMA) Member of the Chartered Institute of Management Accountants - UK (ACMA), and an Associate Member in the Institute of Bankers, Sri Lanka (AIB).



Ms. Monica Wanigasekara - Fund Manager

Ms. Monica Wanigasekara has over 21 years' experience in the local accounting and finance industries of which 18 years are in fund management. Prior to joining the SFAM, she was employed at Employees' Provident Fund, the largest Social Security Scheme in Sri Lanka with total assets of Rs. 772 billion at end 2009 as a fund manager for eight years. Prior to this period, she was employed at Jayasinghe & Co, Chartered Accountants.

Ms. Wanigasekara has a Bachelor of Commerce (Special) (Hons) Degree and a Post Graduate Diploma in Applied Finance from the University of Sri Jayewardenepura, Sri Lanka. She is also a Certified Business Accountant of the Institute of Chartered Accountants of Sri Lanka. She has been employed in the Company from 2011.

Mr. Surath Perera – Fund Manager

Mr. Surath Perera is a Senior Fund Manager who has been in the unit trust industry for over eleven (11) years, of which, eight (8) years have been as a Fund Manager. He joined Senfin in January 2021 and was previously employed at CT CLSA Asset Management (Pvt) Ltd. (CAM), a pioneer asset management company during which time he managed the Comtrust Equity Fund, the flagship fund and one of the first mutual funds launched in Sri Lanka. In addition to managing equity mutual funds, he is also experienced in managing high net worth client portfolios and fixed income portfolios etc.

Mr. Perera has a Second-Class Upper Bachelor of Business Administration (Hons) degree specializing in Accounting from the University of Colombo, Sri Lanka. He is an Associate Member (ACMA) of the Chartered Institute of Management Accountants (CIMA-UK) and Chartered Global Management Accountant (CGMA). He also has Dip.M (CIM) from the Chartered Institute of Marketing (CIM-UK) and has completed Level 1 of the Chartered Financial Analyst (CFA) Program

Ms. Nuwan Kalupahana - Finance Manager

Mr. Nuwan Kalupahana has over ten years of experience related to accounting, auditing in industries ranging from unit trusts, distribution and manufacturing. He joined Senfin Asset Management in November 2021, prior to which he was employed at the Debug Group of Companies as the Financial Accountant. He has over six years of unit trust experience at National Asset Management Limited (NAMAL) in the capacity of Assistant Finance Manager.

Mr. Kalupahana is a Bachelor of Business Administration (Finance Special) Degree holder from the University of Colombo Sri Lanka, and is currently reading for the final examinations of Chartered Accountants of Sri Lanka (CA Sri Lanka). He also holds the Registered Investment Advisor (RIA) license from Securities and Exchange Commission of Sri Lanka (SEC) and is a passed finalist of the Association of Accounting Technicians of Sri Lanka (AAT).



Mr. Ravinath Weerakoon – Fund Manager

Mr. Weerakoon accounts for fifteen (15) years in the wealth management industry ranging from equity & fixed income trading to portfolio management. His previous employment was with NDB Wealth Management Ltd., which is one of the largest private asset management companies in the island. He has over ten (10) years of experience in portfolio management and during his tenure at NDB Wealth Management, he has been managing both fixed income and equity portfolios of private provident funds, societies as well as other discretionary private portfolios ranging from corporates to high-net-worth individuals.

Mr. Weerakoon is also an Associate Member (ACMA) of the Chartered Institute of Management Accountants (CIMA-UK) and a Chartered Global Management Accountant (CGMA)

Ms. Hesthika Perera - Assistant Registrar

Ms. Hesthika Perera has over 6 years' experience relating to Financial services, operations and back-office functions and has been employed by Senfin Asset Management since March 2020. Prior to joining SFAM, she was employed at Senkadagala Finance PLC as an Operation Executive. She has also worked as an Intern at Bank of Ceylon Pandura City Branch and as a Field Assistant at Bank of Ceylon Card Center for two years as well as having worked as an Operation Executive at WNS Global Pvt Ltd.

Ms. Perera has a Higher National Diploma in Business Finance from the Sri Lanka Institute of Advanced Technological Education (SLIATE), and has completed the Certificate of Banking and Finance from IBS

Nilanka Gamaethige - Head of Client Services & Marketing

Mr. Nilanka Gamaethige has over fifteen years of experience in both international banks and a local bank. While working at both HSBC and Standard Chartered Banks he covered aspects mainly such as Portfolio Management, Proposition Management, PFS Lending, Brand Marketing, Operations, recoveries, branch management, strategic planning. While at Standard Chartered Bank he also worked as a Teller Service Manager and thereafter as the acting Branch Manager at the Negombo branch and a Relationship Manager at the Lipton Circle Branch, Colombo.

In 2016 he moved to DFCC Bank PLC and worked for 5 plus years at retail banking handling the affluent client segment. He was assigned the task of setting up and operating the Negombo Premier center and acquiring affluent clients, which he successfully achieved within a short period of time. He also well contributed to the growth of SME and Corporate sector of the Negombo branch. He also got the opportunity to complete a SME Workshop at JNIBF Hydrabad India. Mr.Gamaethige is currently doing a Degree in Business Management from the Manchester metropolitan university.



Investment Committee

SFAM's investment philosophy is based on fundamental research, long-term focus and strong price discipline. The principle of intelligent investing, through quality decisions based on thorough research and knowledge means that the investment approach is simple and based on understanding fundamentals. SFAM also utilizes the expertise of the investment committee to make industry and entity investment decisions. The Investment Committee consists of experts in the field of asset management and includes the following external members:

Mr. Alastair Corera, CFA

Mr. Alastair Corera is an Executive Director of Orion Fund Management (Pvt) Ltd., a position he has held since 2006. Previously, he was at Fitch Ratings Lanka Ltd. where he headed the Financial Institutions team and was its Country Head from 2004 to 2006. Prior to that he was General Manager at Forbes ABN AMRO Securities (Pvt) Ltd. Mr. Corera is a Chartered Financial Analyst, USA and a Fellow of the Chartered Institute of Management Accountants, UK. He is the Chairman/Independent Non-Executive Director at Citizens Development Business Finance PLC.

Mr. Mahendra Jayasekera

Mr. Mahendra Jayasekera is a Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Lanka Ceramic PLC and Swisstek Aluminium Limited. He is also a Director of Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited. Mr. Jayasekera holds a BSc Special (Hons) degree in Business Administration from the University of Sri Jayawardenapura and is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

Mr. Keshav Balasuriya

see profile above

Risk Management Committee

1. Mr. Sanath Divale Bandaranayake – Chairman of the Risk Management Committee
2. Mr. Murugiah Rajendran
3. Mr. Keshav Balasuriya
4. Mr. Jeevan Sukumaran

FUND MANAGER'S REPORT

Dear Investor,

We are pleased to present the Annual Report of the Senfin Dividend Fund for the year ending 31st December 2022.

During 2022, the Colombo Stock Exchange's (CSE) indices recorded significant declines with the All Share Price Index (ASPI) declining by 30.6% and S&P SL20 Index declining by 37.7%. The fund's benchmark All Share Total Return Index (ASTRI) also declined 30.6% during the same period. The substantial downward momentum of indices was mainly witnessed during 1H2022 due to country's worsened macro-economic situation, lack of dollar liquidity leading to foreign debt restructuring, fuel shortages and power outages hampering economic activities and aggravated political uncertainty. However subsequent to bottoming out in July 2022, indices witnessed a slight recovery during 2H2022 on the back of IMF Staff Level Agreement, reduced political uncertainty, availability of necessities such as fuel, gas & electricity etc. Foreign investors were net buyers with a net foreign inflow of LKR 30.6 Bn for CY2022 compared to a net foreign outflow of LKR 52.6 Bn in CY2021. The total market turnover reduced to LKR 686.6 Bn for CY2022 vs. LKR 1,173.2 Bn during CY2021.

With the market downturn, market capitalization of the CSE decreased to LKR 3,847 Bn as at 31st Dec 2022 in comparison to LKR 5,489 Bn as at 31st Dec 2021. Similarly, the Price Earnings Ratio too decreased to 4.95x as at 31st Dec 2022 from 13.63x as at 31st Dec 2021.

ASPI Performance and Turnover



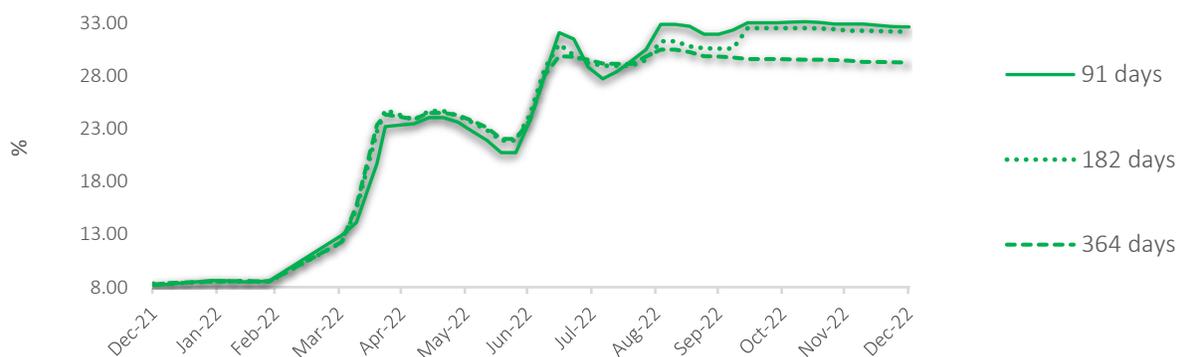
Source: Colombo Stock Exchange



During CY2022, the Monetary Board of the Central Bank of Sri Lanka (CBSL) executed a contractionary monetary policy stance with four rate hikes up to July 2022. Following that, rates were maintained during the latter part of 2022. Consequently, the Standing Deposit Facility Rate (SDFR) stood at 14.50% as at 31 Dec 2022 compared to 5.00% as at 31 Dec 2021 and the Standing Lending Facility Rate (SLFR) stood at 15.50% compared to 6.00% as at 31 Dec 2021. Similarly, the Bank Rate was also increased from 9.00% to 18.50% during CY2022. However, the Statutory Reserve Ratio was maintained at 4.00% throughout the subject period.

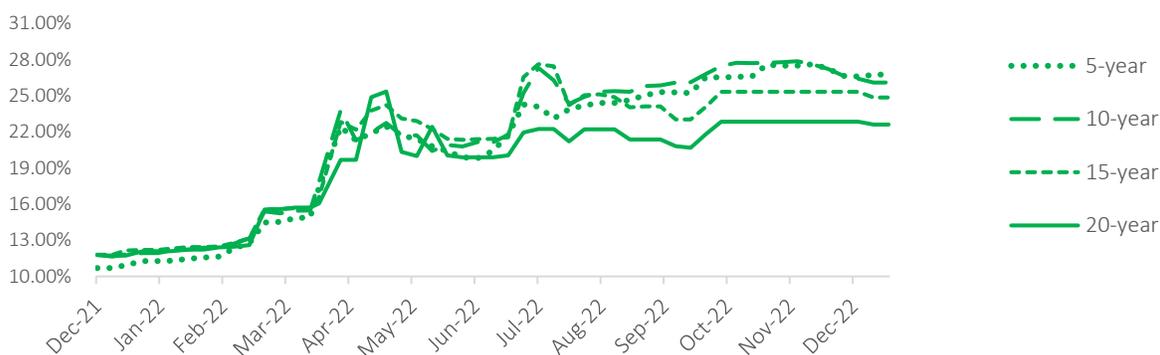
Along with the several policy rate hikes, CY2022 saw Treasury bill yields too significantly increase. The benchmark 03, 06 and 12-month yields increased from 8.16%, 8.33% and 8.24% respectively as at 31 Dec 2021 to 32.64%, 32.20% and 29.27% respectively as at 31 Dec 2022. Similarly yields on long term government bonds too increased as rates exceeded the 20.00% mark across multiple maturities.

Treasury Bill Rate Movement



Source: Central Bank of Sri Lanka

Treasury Bond Rate Movement



Source: Central Bank of Sri Lanka

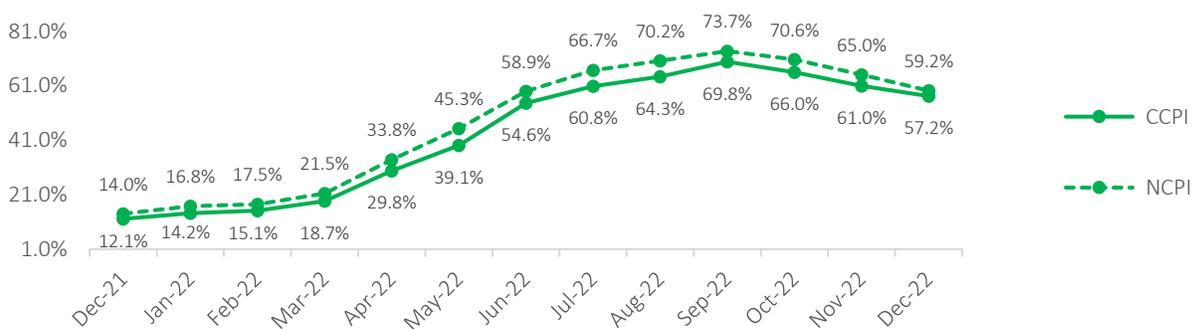
Movement of Average Weighted Fixed Deposit Rate (AWFDR) and Average Weighted Prime Lending Rates (AWPLR) of Commercial Banks (% p.a.) at month-end



Source: Central Bank of Sri Lanka

Headline inflation measured by the year-on-year change in the Colombo Consumer Price Index (CCPI) increased from 12.1% as at the end of December 2021 to 57.2% as at the end of December 2022. We experienced the highest inflation rate on record of 69.8% in September 2022, which was driven by increases in both food and non-food categories. Food inflation rose to 64.4%, and non-food inflation rose by 53.4% in December 2022. Similarly, Inflation measured by the year-on-year change in the National Consumer Price Index (NCPI) increased from 14.0% to 59.2% during the same period. However, year-on-year headline inflation based on both the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) continued to decelerate in December 2022 for the third consecutive month, supported by subdued aggregate demand resulting from tight monetary and fiscal policies.

Movement in the CCPI and NCPI (Base: 2013=100)

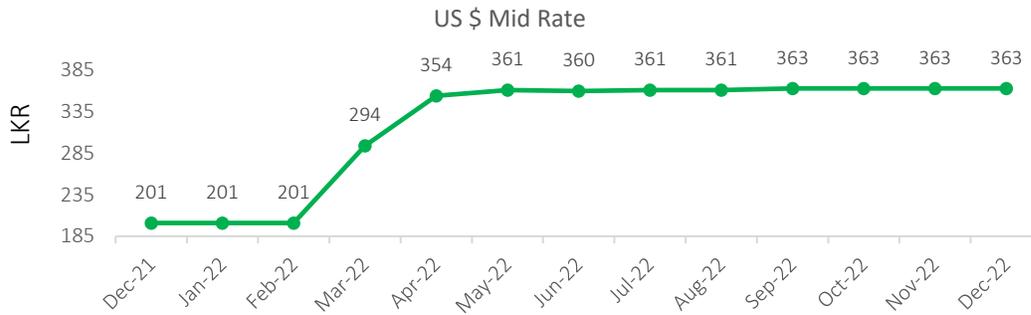


Source: Department of Census & Statistics



Subsequent to several months of maintaining the exchange rate around Rs. 203 mark, the Rupee was officially floated by CBSL during March 2022. Following that, amidst mounting pressures on the currency, the Sri Lankan Rupee depreciated by a mammoth 44.80% during 2022¹.

Movement in the USD/LKR Rate



Source: Central Bank of Sri Lanka

Fund Performance

Fund Performance as at 31st December 2022

	3-months	6-months	12-months	Cumulative Return Since Inception	Annualized Return Since Inception (CAGR) ²
Senfin Dividend Fund	-13.13%	8.92%	-21.51%	-12.62%	-7.83%
All Share Total Return Index (ASTRI)	-14.51%	15.63%	-30.56%	18.27%	10.67%

Source: Senfin Asset Management (Pvt) Ltd

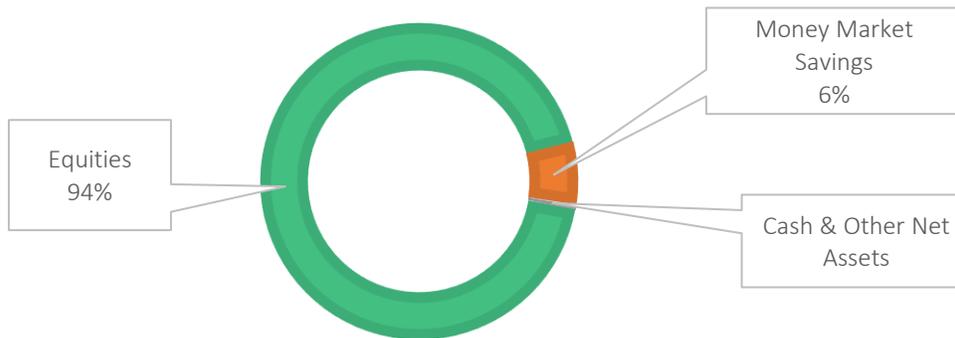
Note:

1. All returns in the table are non-annualized, except for the last column which shows the annualized return since inception.
2. Performance data is net of management fees and taxes.

¹ Central Bank of Sri Lanka, End of Month Exchange Rates

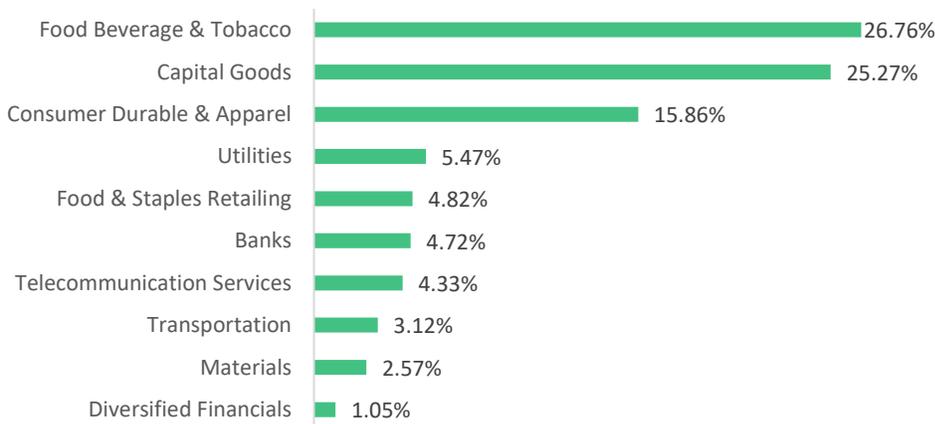
² Compound Annual Growth Rate

Asset Allocation as a percentage of Net Asset Value as at 31st Dec 2022



Source: Senfin Asset Management (Pvt) Ltd

Equity Holding by Sector as at 31 Dec 2022 (as a percentage of Net Asset Value)



Source: Senfin Asset Management (Pvt) Ltd

Subsequent to CY2022 being negatively impacted by economic downturn, CY2023 is largely seen as a year of recovery. It is evident from factors such as inflation heading downwards, gradually reducing interest rates, LKR showing signs of appreciation, increasing tourist arrivals, increasing remittances, uninterrupted power supply and availability of necessities etc. as well as the approval of IMF facility. These developments will be positive on equities and therefore, we look forward bullishly on equity in the medium run. We continue to analyze and invest in counters that are expected to perform well in the medium / long run as well as counters that are expected to survive through the economic recovery phase, while remaining committed to the overall aim of dividend income and capital appreciation.

Investment Team



Kreston MNS & Co
Chartered Accountants
Level 1 & 2, Advantage Building
74A, Dharmapala Mawatha
Colombo 07

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+ 94 (0) 11 2301396-7
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E-mail: audit@kreston.lk
Web: www.kreston.lk

INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF SENFIN DIVIDEND FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of **SENFIN DIVIDEND FUND** (the Fund) which comprise the Statement of Financial Position as at 31st December 2022, and the Statement of Comprehensive Income, Statement of Movement in unit holders Fund and Statement of Cash Flows for the year then ended 31st December 2022, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 3 to 24.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Fund as at 31st December 2022, and of its financial performance and its cash flows for the year then ended 31st December 2022 in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 Fund in accordance with the ethical requirements of the Code of Ethics issued by Chartered Accountants of Sri Lanka that are relevant to our audit of the Financial Statements and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines 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, management is responsible for assessing the Fund'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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



Member of Kreston Global UK

Correspondent firm within Grant Thornton International Ltd. (Grant Thornton International)

Grant Thornton International and the member and correspondent firms are not a worldwide partnership.

Partners

S Rajanathan FCA, FCMA (UK) | N K Atukorala FCA, ACMA | Ms. H D S C A Tillegaratne FCA, ACMA | K I Skandadasan B.Sc. (Madras), FCA, ACMA | R L R Balasingham FCA, ACMA | N K G V Bandara B.Sc.(Acc) Sp, FCA, ACMA | Ms.S. Sawumiya BBA (Acc) Sp, ACA | P. Dharshan ACA | M.F.M. Mujahid BBA (Col), MBA (PIM-SJP), ACA

Branches

Anuradhapura, Badulla, Batticaloa, Hatton, Jaffna, Kandy, Negombo, Nuwara Eliya, Trincomalee



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 Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Fund'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 Fund 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 those charged with governance 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.

Report on Other Legal and Regulatory Requirements

The Financial Statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Deed and Collective Investment Scheme Code of 2022 set by Securities and Exchange Commission of Sri Lanka.

Kreston MNS & Co
CHARTERED ACCOUNTANTS
COLOMBO
3RD FEBRUARY 2023
ST/H/sk
ST-Senfin Dividend Fund(2022)-C8





SENFIN DIVIDEND FUND

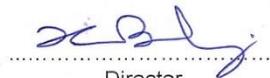
STATEMENT OF FINANCIAL POSITION AS AT

	Note	31.12.2022 Rs.	31.12.2021 Rs.
ASSETS			
Cash & Cash Equivalents	4	4,909,963	6,040,557
Financial Assets			
- Fair Value through Profit or Loss	5	71,359,615	64,935,420
- Debt Instruments at Amortized Cost	6	-	10,007,123
Other Receivables	7	-	3,834,898
TOTAL ASSETS		76,269,578	84,817,998
UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued & Other Payables	8	354,675	250,695
Total Liabilities (Excluding net assets attributable to Unit Holders)		354,675	250,695
UNIT HOLDERS FUNDS			
Net Assets Attributable to Unit holders		75,914,903	84,567,303
		76,269,578	84,817,998

The Accounting Policies and the Notes on Pages 7 to 24 form an integral part of these Financial Statements.

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These Financial Statements were approved by the Management Company, and adopted by the Trustee.


.....
Director
Management Company


.....
Director
Management Company



3rd February 2023





SENFIN DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR / PERIOD		01.01.2022	07.05.2021
		to 31.12.2022	to 31.12.2021
		Rs.	Rs.
	Note		
Investment Income			
Dividend Income	9.1	3,407,191	1,442,402
Interest Income	9.2	1,202,808	372,276
Realised Gains / (Losses) on financial assets held at fair value through profit or loss	10.1	(3,050,412)	1,355,816
Unrealised (Loss) / Gain on financial assets held at fair value through profit or loss	10.2	(17,804,920)	4,840,981
Total Investment Income		<u>(16,245,333)</u>	<u>8,011,475</u>
Less : Expenses			
Management Fees		569,715	297,410
Trustee Fees		127,490	64,240
Custody Fees		268,416	169,721
Audit Fees		141,450	113,401
- Over Provision prior year		(8,401)	-
Professional Fee		73,564	54,002
Brokerage Fee		707,494	799,587
Other Expenses		10,288	3,309
		<u>1,890,016</u>	<u>1,501,670</u>
Net Profit / (Loss) Before Tax	11	(18,135,349)	6,509,805
Less : Income Tax Expense	12	-	-
Net Profit / (Loss) after Tax for the Year / period		<u>(18,135,349)</u>	<u>6,509,805</u>
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year / period		<u>(18,135,349)</u>	<u>6,509,805</u>
Increase / (Decrease) in Net Assets Attributable to Unit Holders		(18,135,349)	6,509,805

The Accounting Policies and the Notes on Pages 7 to 24 form an integral part of these Financial Statements.





SENFIN DIVIDEND FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS

FOR THE YEAR ENDED 31.12.2022

	Rs.
Received on Creation of Units	78,067,500
Paid on Redemption of Units	(10,002)
Increase / (Decrease) in net assets attributable to Unit Holders during the period	<u>6,509,805</u>
Net Increase / (Decrease) due to Unitholders' Transactions	84,567,303
Income Distribution for the year	-
Unit Holders Funds as at 31.12.2021	<u><u>84,567,303</u></u>
Received on Creation of Units	11,308,444
Paid on Redemption of Units	(267,935)
Increase / (Decrease) in net assets attributable to Unit Holders during the year	<u>(18,135,349)</u>
Net Increase / (Decrease) due to Unitholders' Transactions	77,472,463
Income Distribution for the year	(1,557,560)
Unit Holders Funds as at 31.12.2022	<u><u>75,914,903</u></u>

The Accounting Policies and the Notes on Pages 7 to 24 form an integral part of these Financial Statements.





SENFIN DIVIDEND FUND

STATEMENT OF CASH FLOW

FOR THE PERIOD / YEAR	Note	01.01.2022	07.05.2021
		to 31.12.2022 Rs.	to 31.12.2021 Rs.
Cash Flow from Operating Activities			
Dividend Received	9.1	3,282,766	1,442,402
Interest Received	9.2	1,209,932	365,153
Net investment from treasury bill repurchase agreements	6	10,000,000	(10,000,000)
Proceeds from sale of quoted equity securities		22,945,873	2,707,983
Payments on purchase of quoted equity securities		(46,266,078)	(65,281,504)
Operating expenses paid		(1,786,036)	(1,250,975)
Net Cash Generated from / (used in) Operating Activities		<u>(10,613,543)</u>	<u>(72,016,941)</u>
Cash Flows from Financing Activities			
Cash received on Creation of Units		9,808,000	78,067,500
Cash paid on redemption of Units		(267,935)	(10,002)
Income Distribution paid		(57,116)	-
Net Cash Generated from / (used in) Financing Activities		<u>9,482,949</u>	<u>78,057,498</u>
Net Increase / (Decrease) in Cash & Cash Equivalents		<u>(1,130,594)</u>	<u>6,040,557</u>
Cash and Cash Equivalents at the beginning of the year / period		<u>6,040,557</u>	<u>-</u>
Cash and Cash Equivalents at the end of the year / period	4	<u><u>4,909,963</u></u>	<u><u>6,040,557</u></u>
Analysis of Cash and Cash Equivalents at the end of the year / period			
Cash & Bank Balances		<u>4,909,963</u>	<u>6,040,557</u>

The Accounting Policies and the Notes on Pages 7 to 24 form an integral part of these Financial Statements.



**NOTES TO THE FINANCIAL STATEMENTS****NOTE 1 - CORPORATE INFORMATION****NOTE 1.1 - GENERAL INFORMATION**

SENFIN DIVIDEND FUND is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 07th May 2021.

The Fund is managed by Senfin Asset Management (Pvt) Ltd, which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company is located at No.267, Galle Road, Colombo 03. The Trustee of the fund is Hatton National Bank PLC from 25.03.2021 having its registered office at No 479, T.B. Jayah Mawatha, Colombo 10.

The investment objective of the Fund is to achieve current income whilst providing an opportunity for capital appreciation by investing in a well-diversified portfolio of equity securities listed on the Colombo Stock Exchange.

NOTE 1.2 – DATE OF AUTHORIZATION FOR ISSUE

The financial statements of the fund for the year ended 31st December 2022 were authorized for issue by the fund management company and the trustee on 3rd February 2023.

NOTE 2 - GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH SRI LANKA ACCOUNTING STANDARD

The Financial Statements of the Fund for the year ended 31st December 2022 have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS & SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Trust deed and Unit Trust code of the Securities and Exchange Commission of Sri Lanka. They are presented in Sri Lankan Rupees (Rs), which is also the functional currency of the Fund.

NOTE 3 - SUMMARY OF ACCOUNTING POLICIES**NOTE 3.1 - OVERALL CONSIDERATIONS**

The significant accounting policies that have been used in the preparation of these Financial Statements are summarised below.

NOTE 3.2 - BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards under the historical cost convention except for following financial statement line item.

Financial Assets at fair value through profit & loss, which are measured at fair value.

The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between the current and non-current.





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.3 - REVENUE RECOGNITION

(a) Interest Income

Interest income for all interest-bearing financial instruments is recognised within interest income in the statement of comprehensive income using the effective interest method.

The effective interest rate method is the method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(b) Dividend Income

Dividend income is recognised at the time the right to receive payment is established.

(c) Realised gains/(losses) on financial assets at FVTPL

Net gains on sale of trading securities are accounted for on the date of sale by deducting the carrying value of the securities from the sale proceeds.

(d) Unrealised gains/(losses) on financial assets at FVTPL

Unrealised gains/(losses) on financial assets at FVTPL includes all gains and losses that arise from changes in fair value of the financial assets at FVTPL as at the reporting date.

NOTE 3.4 - FINANCIAL INSTRUMENTS - INITIAL RECOGNITION, CLASSIFICATION, SUBSEQUENT MEASUREMENT AND DERECOGNITION

NOTE 3.4.1 - RECOGNITION AND INITIAL MEASUREMENT OF FINANCIAL ASSETS

Debt securities issued are initially recognised when they are originated. All other financial assets are initially recognised when the fund becomes a party to the contractual provisions of the instrument.

Except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from this amount.

NOTE 3.4.2 - CLASSIFICATION

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.4 - FINANCIAL INSTRUMENTS - INITIAL RECOGNITION, CLASSIFICATION, SUBSEQUENT MEASUREMENT AND DERECOGNITION (CONTD.)**A financial asset is measured at amortised cost if it meets both of the following conditions:**

- 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.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes derivative financial assets if any.

NOTE 3.4.3 - SUBSEQUENT MEASUREMENT AND GAINS OR LOSSES

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

Financial assets at FVTPL These assets are subsequently measured at their fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Net change in unrealised gains/losses on equity investments includes the accumulated gains/losses on realised equity investments, since the realised gain/losses are computed on the difference between weighted average cost of purchase and the selling price.

NOTE 3.4.4 - DERECOGNITION

The fund derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTE 3.4.5 - RECOGNITION AND INITIAL MEASUREMENT OF FINANCIAL LIABILITIES

Financial Liabilities are measured initially at fair value and recognized on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Accrued Expenses

Payables are initially recognised at fair value, which is the fair value of the consideration to be paid in the future for service received, whether or not billed to the fund, and subsequently at amortised cost.





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.4.6 - CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities include accrued expenses and other payables.

NOTE 3.4.7 - DERECOGNITION

The fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The fund 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.

NOTE 3.4.8 - OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTE 3.4.9 - IMPAIRMENT

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

The fund measures loss allowances at an amount equal to lifetime ECL, except for 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 as 12-month ECL.

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). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.4.9 – IMPAIRMENT (CONTD.)

WRITE OFFS

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

NOTE 3.5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash at bank.

The cash flow statement has been prepared using the direct method.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

NOTE 3.6 - PROVISIONS

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTE 3.7 - INCOME TAX

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The Fund is not liable to pay income tax as at the reporting date in accordance with Chapter V Division III of the Inland Revenue Act No. 24 of 2017. The fund's income generated through eligible investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017.

NOTE 3.8 - EXPENSES

The management, trustee and custodian fees of the fund as per the trust deed are as follows,

Management Fees	-	0.75 % p.a of Net Asset Value of the fund
Trustee Fees	-	0.15% p.a of Net Asset Value of the fund
Custodian Fees	-	Flat fee of Rs. 20,000/- per Month

NOTE 3.9 - UNIT HOLDERS' FUNDS

Unit holders' funds has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to Unit holders as at the reporting date.





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.9 - UNIT HOLDERS' FUNDS(CONTD.)

Units can be issued and redeemed based on the fund's net asset value per unit, calculated by dividing the net assets of the fund calculated in accordance with the Trust Deed valuation guidelines adopted by the Unit Trust Association of Sri Lanka and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to unit holders.

NOTE 3.10 - DISTRIBUTIONS

In accordance with the trust deed, the fund distributes income, to unit holders by cash or reinvestment in units. The distributions are recorded in the statement of movement in unit holders' funds.

NOTE 3.11 - SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are significant management judgments when applying the accounting policies of the Fund that have the most significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Instruments:

The Fund's principal financial assets comprise investments in Quoted Equity Securities, Government securities repurchase agreements and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by Unit holders. The Fund's Net Asset Value comprises amounts attributable to Unit holders, which are the amounts owed to Unit holders of the Fund. The Fund also has other financial instruments such as, accrued expenses and other payables which arise directly from its operations.

In accordance with SLFRS 9 Financial Instruments: Recognition and Measurement, the Fund's investments in Quoted Equity Securities and Government securities repurchase agreements are classified as 'Financial Assets at Fair Value through Profit or Loss' and 'Debt Instrument at Amortised Cost' respectively. Accrued expenses and other payables are designated as 'other financial liabilities' at amortized cost.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD.)

b) Financial risk management objectives, policies and processes:

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to various risk, including credit risk, market risk, interest rate risk and liquidity risk.

Financial instruments of the Fund comprise investments in quoted equity securities and short term fixed income securities for the purpose of generating a return on the investment made by Unit holders, in addition to cash at bank, and other financial instruments such as receivables and payables, which arise directly from its operations.

The Manager is responsible for identifying and controlling the risk that arise from these financial instruments. The Manager agrees policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The Manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties by the Manager on a regular basis as deemed appropriate, including the Fund Manager, other key management, Risk and Investment Committees, and ultimately the Trustees of the Fund.

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

The SENFIN DIVIDEND FUND bears certain risks that are normally associated with making investments in securities. The value of the Units of this Fund and the income accruing to the Fund rise and fall based on the interest rate in the market. Unlike bank savings and fixed deposits, there can be no assurance or guarantee of fixed returns in relation to investments made in Units.

The Fund's ability to achieve its investment objectives is substantially dependent on the overall performance of the economy and environmental factors. The Fund is also subject to various degrees of regulatory, fiscal, liquidity, inflation, interest rate and re-investment risks.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD.)

i) Interest Rate Risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. However, due to the short-term nature of the instruments of repurchase agreements and fixed deposits it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the fund.

The table below summarises the fund's exposure to interest rate risks.

31 December 2022	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	-	4,884,963	25,000	4,909,963
Financial asset held at fair value through profit or loss	-	-	71,359,615	71,359,615
Financial asset at amortised cost	-	-	-	-
Other receivables	-	-	-	-
Total exposure	-	4,884,963	71,384,615	76,269,578
31 December 2021				
31 December 2021	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	-	6,035,557	5,000	6,040,557
Financial asset held at fair value through profit or loss	-	-	64,935,420	64,935,420
Financial asset at amortised cost	-	10,007,123	-	10,007,123
Other receivables	-	-	3,834,898	3,834,898
Total exposure	-	16,042,680	68,775,318	84,817,998



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD.)

ii) **Credit Risk:**

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the fund to incur a financial loss of interest and/or principal.

The fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the fund's policy to enter into contracts with reputable counterparties.

Counterparty	Credit rating		Rating agency
	2022	2021	
Hatton National Bank PLC	A	AA-	Fitch
Union Bank of Colombo PLC	-	BBB	ICRA

The fund is also subject to credit risk on its bank balance and bank money market balances. The credit risk exposure on these instruments is not deemed to be significant.

iii) **Market risk**

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate as a result of changes in market prices.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investments strategies.

Within the underlying investment portfolio, diversification is achieved by investing across a range of investment sectors. Within each sector, the Fund manager invests in a variety of stocks.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD.)

iv) Price risk

Price risk is the risk that the fair values of the Fund's investment in trading securities will fluctuate as a result of changes in the price of the Fund's investments in trading securities. Price risk exposure arises from the Fund's investment portfolios.

The table below shows the impact on the statement of Comprehensive Income and Statement of Financial Position due to a reasonably possible change in the price of the Fund's investment in trading equity securities in Note 5, with all other variables held constant:

	31 December 2022	
	Increases/ (decreases) on profit before tax	Increases/ (decreases) on amounts attributable to unit holders
	Rs.	Rs.
Change in price of the Fund's investment in trading securities existing as of reporting date:		
+10%	7,135,961	7,135,961
-10%	(7,135,961)	(7,135,961)

	31 December 2021	
	Increases/ (decreases) on profit before tax	Increases/ (decreases) on amounts attributable to unit holders
	Rs.	Rs.
Change in price of the Fund's investment in trading securities existing as of reporting date:		
+10%	6,493,542	6,493,542
-10%	(6,493,542)	(6,493,542)

vi) Liquidity Risk:

Liquidity risk is the risk that the Fund will encounter difficulty in raising Funds to meet its obligations to pay unitholders. Exposure to liquidity risk arises because of the possibility that the fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unit holder's option based on the fund's net asset value per unit at the time of redemption.

The fund manages its obligation when required to do so and its overall liquidity risk by:

- investing primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash
- investing within established limits to ensure there is no concentration of risk





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD.)

- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The unit trust code requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)
- Requiring a at least 14 days prior written notice for Unit holder redemption equal to or greater than 3% of the net asset value of the fund
- Searching for new investors
- The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. In addition, as per the Unit Trust Code and the Trust Deed, if the redemption value is 3% or more of the net assets value of the fund, the unit holder is required to give a minimum of 14 days prior notice. Further, the fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. No such borrowings have arisen during the period.

Other Financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value.

The table below analyses the Fund's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period.

31st December 2022	Less than 30 days	31 - 90 days	91 – 180 days	181 – 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets	76,269,578	-	-	-	-	76,269,578
Financial Liabilities	85,659	247,202	-	-	-	332,861

31st December 2021	Less than 30 days	31 - 90 days	91 – 180 days	181 – 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets	84,817,998	-	-	-	-	84,817,998
Financial Liabilities	83,292	167,403	-	-	-	250,695





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD.)

vii. Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions.

Daily subscriptions and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company.

Following being the disclosures of Unit holders' Funds;

The movement in the Unit holder's Funds for the year ended 31 December 2022.

In term of Value	Rs.
Unit holders' funds as at beginning of the year	84,567,303
Creations during the year	11,308,444
Redemptions during the year	(267,935)
Increase in net assets attributable to Unit Holders during the year	(18,135,349)
Income distribution	(1,557,560)
Unit Holders' Funds as at 31 December 2022	75,914,903

In term of No. of units	
Opening number of units as at beginning of the year	7,595,996.80
Unit creations during the year	1,288,036.20
Unit redemptions during the year	(29,360.20)
Closing no of units as at 31 December 2022	8,854,672.80

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.12.2022 **31.12.2021**
Rs. **Rs.**

NOTE 4 - CASH & CASH EQUIVALENTS

Cash at Bank

Hatton National Bank - Money Market - 003020860027	4,884,963	6,015,557
Hatton National Bank - Current Account - 003010540214	25,000	25,000
	<u>4,909,963</u>	<u>6,040,557</u>

NOTE 5 - FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

Quoted Equity Securities (5.1)	<u>71,359,615</u>	<u>64,935,420</u>
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NOTE 5.1 - QUOTED EQUITY SECURITIES

Cost as at 31 st December	84,323,555	60,094,439
Appreciation/Depreciation of market value quoted equity securities	(12,963,940)	4,840,981
Market value as at 31 st December (5.1(a))	<u>71,359,615</u>	<u>64,935,420</u>

NOTE 5.2 - DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY

Financial Assets at Fair Value through Profit or Loss	Level 1	Level 2	Level 3	Total
Quoted Equity Securities	<u>71,359,615</u>	<u>-</u>	<u>-</u>	<u>71,359,615</u>
Total Financial Assets at Fair Value as at 31st December 2022	<u>71,359,615</u>	<u>-</u>	<u>-</u>	<u>71,359,615</u>
Quoted Equity Securities	<u>64,935,420</u>	<u>-</u>	<u>-</u>	<u>64,935,420</u>
Total Financial Assets at Fair Value as at 31st December 2021	<u>64,935,420</u>	<u>-</u>	<u>-</u>	<u>64,935,420</u>

Determination of fair value and fair value hierarchy

SLFRS 7 Financial Instruments : Disclosures require fair value measurements to be disclosed by the source of inputs, using a three level hierarchy. The hierarchy for measuring fair value consists of Level 1 to 3.

Level 1 - An investment in a fund is classified in Level 1 of the hierarchy when that investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date

Level 2 - An investment in a fund is classified in Level 2 of the hierarchy when that investment is measured using inputs that are directly observable at the reporting date.

Level 3 - An investment in a fund is classified in Level 3 of the hierarchy when that investment is measured using unobservable inputs at the reporting date.





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 5.1(a) - MARKET VALUE AS AT 31ST DECEMBER

31.12.2022

Company	No. of Shares	Market Value	Holding as at % of Net Asset value
Banks, Finance and Insurance			
Commercial Bank of Ceylon PLC	71,458	3,587,192	5%
Total		3,587,192	5%
Diversified Financials			
LB Finance PLC	20,000	800,000	1%
Total		800,000	1%
Materials			
Tokyo Cement Co. (Lanka) PLC (Nv)	75,000	1,950,000	3%
Total		1,950,000	3%
Capital Goods			
Hemas Holdings PLC	90,299	5,092,864	7%
John Keells Holdings PLC	39,000	5,274,750	7%
Lanka Tiles PLC	70,000	3,227,000	4%
Aitken Spence PLC	43,683	5,591,424	7%
Total		19,186,038	30%
Consumer Durables & Apparel			
Hayleys Fabric PLC	189,380	4,279,988	6%
Teejay Lanka PLC (Textured Jersey Lanka PLC)	244,798	7,760,096	10%
Total		12,040,084	16%
Foods & Staples Retailing			
Cargills (Ceylon) PLC	15,600	3,662,100	5%
Total		3,662,100	5%
Foods Beverages & Tobacco			
Nestle Lanka PLC	2,094	1,895,070	2%
Bairaha Farms PLC	11,000	1,732,500	2%
Lanka Milk Foods (Cwe) PLC	30,000	3,712,500	5%
Ceylon Grain Elevators PLC	22,500	1,811,250	2%
Ceylon Cold Stores PLC	125,000	4,612,500	6%
Ceylon Tobacco Company PLC	7,959	4,974,375	7%
Distilleries Company Of Sri Lanka Ltd	120,000	1,584,000	2%
Total		20,322,195	27%
Telecommunication Services			
Dialog Axiata PLC	387,089	3,290,256	4%
Total		3,290,256	4%
Utilities			
LVL Energy Fund PLC	150,000	900,000	1%
Vidullanka PLC	275,000	1,677,500	2%
Vallibel Power Erathna PLC	250,000	1,575,000	2%
Total		4,152,500	5%
Transportation			
Expo Lanka Holdings PLC	13,000	2,369,250	3%
Total		2,369,250	3%
Total Value of Quoted Equity Securities		71,359,615	





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)	31.12.2022	31.12.2021
	Rs.	Rs.
NOTE 6 - FINANCIAL ASSETS - DEBT INSTRUMENTS AS AT AMORTIZED COST		
Presentation under SLFRS 9		
Debt Instruments at Amortised Cost	-	10,007,123
Treasury Bill Repurchase agreements (6.1)	-	10,007,123
	<u> </u>	<u> </u>
NOTE 6.1 - TREASURY BILL REPURCHASE AGREEMENTS		
Treasury bill repurchase agreements	-	10,007,123
	<u> </u>	<u> </u>
NOTE 7 - OTHER RECEIVABLES		
Share Disposal Proceeds Receivable - HNB PLC - Non Voting	-	3,619,043
- LOLC General Insurance Limited	-	215,855
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
NOTE 8 - ACCRUED & OTHER PAYABLES		
Accrued Expenses		
Management Fees	49,255	50,393
Trustee Fees	11,856	10,885
Custody Fees	24,548	22,014
Audit Fees	141,450	113,401
Professional Fee	127,566	54,002
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

01.01.2022 to 31.12.2022
Rs.

07.05.2021 to 31.12.2021
Rs.

NOTE 9 - INVESTMENT INCOME

9.1	Dividend Income	3,407,191	1,442,402
9.2	Interest Income		
	Interest Income on Treasury Bill Repurchase Agreement	142,160	7,123
	Interest Income on Money Market Savings	914,693	365,153
	Interest Received on Deposit	131,522	-
	Placement Fee Income	14,433	-
		1,202,808	372,276

NOTE 10.1 - REALISED GAINS / (LOSSES) ON FINANCIAL ASSETS-FAIR VALUE THROUGH PROFIT OR LOSS

Equity Securities

Proceeds on sale of equity shares	19,110,975	6,542,881
Average cost of equity shares sold	(22,161,387)	(5,187,065)
	(3,050,412)	1,355,816

NOTE 10.2 - UNREALISED GAINS / (LOSSES) ON FINANCIAL ASSETS FAIR VALUE THROUGH PROFIT OR LOSS

Equity Securities	(17,804,920)	4,840,981
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NOTE 11 - NET PROFIT / (LOSS) BEFORE TAXATION

Net Profit / (Loss) is arrived after charging all expenses including the following:-

Management Fees	569,715	297,410
Trustee Fees	127,490	64,240
Custodian Fees	268,416	169,721
Audit Fees	141,450	113,401
- Over Provision prior year	(8,401)	-
Brokerage Expense	707,494	799,587

NOTE 12 - INCOME TAX EXPENSES

Tax expense for the period	-	-
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As per the Inland Revenue Act No. 24 of 2017, the fund is deemed as conducting "Eligible Investment Business" and is treated as a tax pass through vehicle. Hence, no provision for the income tax was made in the financial statements.

A reconciliation between the tax expense and the product of taxable profit multiplied by the statutory tax rate is as follows:

	31.12.2022 Rs.	31.12.2021 Rs.
Net Profit / (Loss) before tax	(18,135,349)	6,509,805
Aggregate disallowable expenses / net gains	-	-
Income Exempt from tax	18,135,349	(6,509,805)
Aggregate allowable net (gains) / Losses	-	-
Statutory Income / (Loss)	-	-
Loss claimed 35% of Statutory Income	-	-
Total statutory income	-	-
Income tax at the rate of 10%		
Income tax expense reported in the Statement of Comprehensive Income	-	-





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 13 - CAPITAL COMMITMENTS

There were no material Capital Commitments as at 31st December 2022.

NOTE 14 - EVENTS AFTER THE REPORTING DATE

No circumstance has arisen since the reporting date which would require adjustment to or disclosure in the

NOTE 15 - CONTINGENCIES

There are no material contingencies existing as at the reporting date that require adjustments to or disclosure in the Financial Statements.

NOTE 16 - RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	2022 Rs.	2021 Rs.
Net Asset Value as per Financial Statements	75,914,903	84,567,303
Income Tax Receivable	-	-
Other Expense over / under provision	21,814	-
Published Net Asset Value	<u>75,936,717</u>	<u>84,567,303</u>
Number of units outstanding	8,854,673	7,595,997
Published Net Asset Value per Unit	<u>8.57</u>	<u>11.13</u>

NOTE 17 - UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31st December 2022 is Rs.8,854,673/-. The Net Asset Value per unit as at this date was Rs. 8.57 (2021 - Rs. 11.13).





NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 18 - RELATED PARTY TRANSACTIONS

The following institutions have been identified as related parties to the Fund in accordance with Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures.

Responsible entity

The management Company of SENFIN DIVIDEND FUND is Senfin Asset Management (Private) Limited. The Trustee is Hatton National Bank PLC.

Key management personnel

i) Directors

Key management personnel includes persons who were Directors of Senfin Asset Management (Private) Limited at any time during the financial period.

Dr. Prathap Ramanujam
Mr. Darshan Ravindra Abeysuriya
Mr. Sonal Balasuriya
Mr. Keshav Balasuriya
Mr. Tilak Collure
Mr. Sanath Bandaranayake

ii) Other key management personnel

Other persons with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial period are given below:

Ms. Ineka Dunuwille - Chief Executive Officer / Fund Manager (Up to 31.10.2022)
Mr. Jeevan Sukumaran - Chief Executive Officer (From 01.11.2022)
Ms. Monica Wanigasekara - Fund Manager
Mr. Surath Perera - Fund Manager
Mr. Ravinath Weerakoon - Fund Manager
Mr. Murugiah Rajendran - Head Of Compliance
Mr. Nilanka Gamaethige - Head of Client Services & Marketing
Mr. Nuwan Karunadasa - Assistant Manager Finance
Mr. Hesthika Perera - Registrar of the Fund Management Company



Key management personnel compensation

Key management personnel are paid by Senfin Asset Management (Private) Limited. Payments made from the Fund to Senfin Asset Management (Private) Limited do not include any amounts directly attributable to the compensation of key management personnel.

Other transactions within the Fund

No key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interest existing at end of the year.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 19 - RELATED PARTY TRANSACTIONS (CONTD.)

Related party unit holding

The following are the unit held by related parties of Senfin Dividend Fund.

As at 31 st December 2022	Relationship	No. of Units	Value of units held Rs.	Total interest held as a % of NAV
E W Balasuriya & Company (Pvt) Ltd	Ultimate Parent Company of the Management Company	5,099,177	43,269,575	56.99%
Senkadagala Finance PLC	Parent Company of the Management Company	242,009	2,053,590	2.70%
Ms. Ineka Dunuwille	Chief Executive Officer (Up to 31.10.2022)	3,000	25,457	0.03%
Mr. Surath Perera	Fund Manager	510	4,327	0.005%
Mr. Ravinath Weerakoon	Fund Manager	9,438	80,083	0.105%
Mr. Sanath Bandaranayake	Director	925	7,849	0.01%
		<u>5,355,058</u>	<u>45,440,881</u>	

As at 31 st December 2021	Relationship	No. of Units	Value of units held Rs.	Total interest held as a % of NAV
E W Balasuriya & Company (Pvt) Ltd	Ultimate Parent Company of the Management Company	5,000,000	55,650,000	65.81%
Senkadagala Finance PLC	Parent Company of the Management Company	242,009	2,693,558	3.19%
Ms. Ineka Dunuwille	Chief Executive Officer	3,000	33,390	0.04%
Mr. Surath Perera	Fund Manager	500	5,565	0.01%
Mr. Ravinath Weerakoon	Fund Manager	9,254	102,997	0.12%
		<u>5,254,763</u>	<u>58,485,510</u>	

Transactions with and amounts due to related parties

The fees were charged by the Management Company and trustee for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

	Payable as at 31 December 2022	Payable as at 31 December 2021
Management fees	49,255	50,393
Trustee Fees	11,856	10,885
Custody Fee	24,548	22,014
	Charge for the period	Charge for the period
Management Fees	569,715	297,410
Trustee Fees	127,490	64,240
Custody Fees	268,416	169,721
	As at 31.12.2022 Rs.	As at 31.12.2021 Rs.
The Bank Balance held at HNB	25,000	25,000
The Money Market Account balance held at HNB	4,884,963	6,015,557





Declaration by Trustees and Management Company as per SEC Circular No: 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds.

Hatton National Bank PLC, the Trustee and Senfin Asset Management (Private) Limited, the Managers of the **Senfin Dividend Fund** hereby declare that

1. the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka have been complied with during the year.
2. the transactions were and will be carried out at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holders.

.....
Director
Management Company

.....
Director
Management Company

.....
Trustee of the Fund

Management Company Information

Managing Company

Senfin Asset Management (Pvt) Ltd
267, Galle Road
Colombo 03. Sri Lanka
T: +94 11 2102000
F: +94 11 231 4831

Web: www.senfinassetmanagement.com

Bankers

Commercial Bank of Ceylon PLC
Kollupitiya Branch
285, Galle Road,
Colombo- 03.

Hatton National Bank PLC
Head Office Branch, HNB Towers
No 479, T B Jayah Mawatha
P O Box 837
Colombo 10.

Nations Trusts Bank PLC
No 242, Union Place
Colombo 02.

Auditors

KPMG Sri Lanka
Chartered Accountants
32A Sir Mohomad Macan Markar Mawatha,
Colombo 03.

Lawyers

Nithya Partners
Attorneys-at-Law
No. 97A, Galle Road
Colombo 03.

Senfin Asset Management (Pvt) Ltd

(A fully owned subsidiary of Senkadagala Finance PLC)

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