

# Annual Report

Senfin Shariah Balanced Fund

FY 2021



**Senfin**

Senfin Asset Management (Pvt) Ltd  
A SUBSIDIARY OF SENKADAGALA FINANCE PLC

**Trustee and Custodian**  
HNB Bank PLC

**Fund Manager**  
Senfin Asset Management (Pvt) Ltd



## **Senfin Shariah Balanced Fund**

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



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# Profile of the fund management company

## The Company

Senfin Asset Management (Pvt) Ltd (SFAM) (formally Candor Asset Management (Pvt) Ltd) is a company incorporated in Sri Lanka 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 also provides advisory services to high net-worth clients. With the acquisition of Candor Asset Management (Pvt) Ltd by Senkadagala Finance PLC in March 2020, the latter's name was changed to Senfin Asset Management (Pvt) Ltd in August of the same year.

## SFAM is an ICRA [SL] BBB+ rated company

Senkadagala Finance PLC commenced operations in the city of Kandy in 1968 and has steadily gained momentum to be one of the most trusted Non-banking Financial Institutions, with a staff strength of 797 employees and a network of 100 customer touch points across the Nation.



## Board of Directors

### Dr. Prathap Ramanujam - Chairman

Dr. Prathap Ramanujam is the Chairman of Pan Asia 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 Panasian Power PLC, Ceylon Grain Elevators PLC, Three Acre Farm PLC, Manelwela Hydro Power Pvt. Ltd, Padiyapelella Hydro Power Ltd.

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.

### Mr. Ravindra Abeysuriya - Director

Mr. Ravindra 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, Bio Foods (Private) Limited, Candor Equities Limited, Candor Shared Services (Private) Limited, CFA Society Sri Lanka, The Sri Lanka Institute of Directors and Straight Sale (Private) Limited.

Mr. Abeysuriya is a Fellow Member 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. Architecture from the Bartlett School of Architecture, University College London. He is also a SLIA qualified Chartered Architect. 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 Cabinet level 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 Jayawardenepura).

## 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).

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



## 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 also a member of the Treasury Department 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 also serves as a member of the Investment Committee of Senfin Asset Management (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. Ineka Dunuwille – Chief Executive Officer

Ms. Dunuwille is the Chief Executive Officer of Senfin Asset Management (Pvt) Ltd and has been with the company since 2010. She also functions as a Fund Manager at SFAM and has been in the asset management industry for a period of 15 years. Prior to joining the Company, she was an analyst at National Asset Management Limited (NAMAL), during which time she was the fund manager for three of NAMAL's unit trust funds – a growth fund, an income fund and a gilt-edge fund. Her other work experience includes an analyst's position at Ceylinco Stockbrokers (Pvt) Limited and as a Branch Manager at Nations Trust Bank. Ms. Dunuwille has a Master of Business Administration from the University of Wales and a BSc in Finance from the University of Wisconsin, USA. She has 20 years' experience in the local financial services industry.

### Mr. Murugiah Rajendran – Head of Compliance

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). He has in total 41 years of experience in banking. He has acquired a skill sets in Risk Management (including Credit Approval, Credit Monitoring, Remedial Management etc.), Client Coverage, Operational Risk Management, Business Compliance Management and Internal Audit. He had completed 14 modules of '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 Member of the Chartered Institute of Management Accountants – UK (ACMA), Chartered Global Management Accountant (CGMA) and an Associate Member in the Institute of Bankers, Sri Lanka (AIB).

### Ms. Monica Wanigasekara - Fund Manager

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. 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. She has 21 years' experience in the local accounting and finance industries of which 18 years are in fund management.





## Mr. Surath Perera – Fund Manager

Mr. Surath Perera is a Senior Fund Manager who has been in the unit trust industry for over nine (9) years, of which, more than six (6) years has been as a Fund Manager. His previous employment was with Comtrust Asset Management (Pvt) Ltd., which is one of the oldest Unit Trust Management and Investment Management Companies in the country. During his term as Fund Manager at Comtrust Asset Management (Pvt) Ltd, he has been managing both equity and fixed income unit trust funds as well as discretionary/private portfolios.

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

## Ms. Dulmini Ponnampereuma - Finance Manager

Ms. Dulmini Ponnampereuma is an associate member of the Institute of Chartered Accountants of Sri Lanka and has a BSc Degree in Accountancy and Financial Management (Special) (Hons) from the University of Sri Jayewardenepura, Sri Lanka. She joined the Company in September 2011, prior to which she was employed at National Asset Management Limited (NAMAL) as a Compliance Officer and Fund Accountant. Ms. Ponnampereuma has over five years cumulative Accounting and Auditing experience at Ernst & Young Sri Lanka and PricewaterhouseCoopers, Botswana. She has also worked as an Accountant for the Colombo Stock Exchange.

## 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 passed finalist of the Chartered Institute of Management Accountants (CIMA-UK).

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## Ms. Methmila Pelawatta- Assistant Registrar

Ms. Methmila Pelawatta has a Bachelor of Science (Honours) degree in Business Management from the University of Northumbria United Kingdom, and a Graduate Diploma in Business Management from the Business Management School Sri Lanka. She has also completed the Diploma in Business Management from London Tech, City Campus.

She has been employed by Senfin Asset Management from August 2021. Prior to joining as the Assistant Registrar at SFAM, she was employed at NDB Wealth Management (Pvt) Ltd as a Junior Management Associate in the registry department. She has also worked as an intern at Hatton National Bank PLC, Aluthkade Branch.



## 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 of Citizens Development Business Finance PLC.

### Mr. Mahendra Jayasekera

Mr. Mahendra Jayasekera is the Managing 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. Ms. Ineka Dunuwille

# FUND MANAGER'S REPORT

Dear Investor,

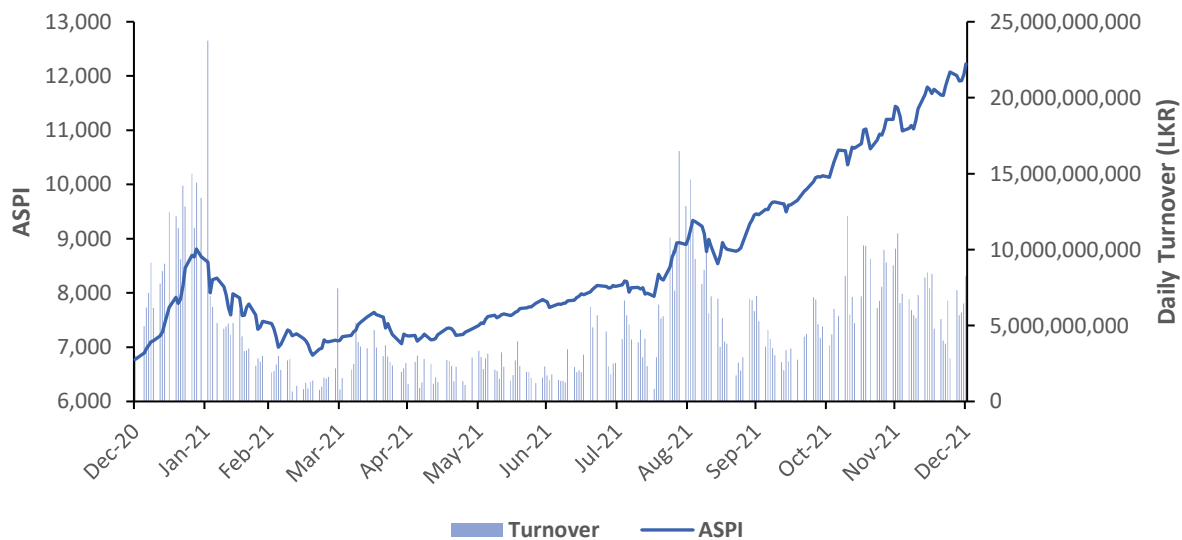
We are pleased to present the Annual Report of the Senfin Shariah Balanced Fund for the year ending 31<sup>st</sup> December 2021.

Subsequent to year 2020 being negatively impacted by the Covid-19 Pandemic, year 2021 was largely seen as a year of recovery in economic activities. Despite two Covid waves during 2021, routine economic activities witnessed a gradual upward momentum, with the country getting back to normalcy.

During 2021, the Colombo Stock Exchange's (CSE) indices recorded significant gains with the All Share Price Index (ASPI) gaining 80.5% and S&P SL20 Index gaining 60.5% while the All Share Total Return Index (ASTRI) gained 80.9%. The market was mainly driven by local retail participation on the back of low interest rate environment during 1H2021 and as a way of beating inflation amidst negative real interest rates during 2H2021. In addition, positive sentiment was witnessed throughout the year due to Year on Year growth in corporate earnings of listed companies. Foreign investors continued to be net sellers with a net foreign outflow of LKR 52.6 Bn for CY2021 compared to a net foreign outflow of LKR 51.3 Bn in CY2020. The total market turnover was LKR 1,173.2 Bn for CY2021 (vs. LKR 397.3 Bn during CY2020).

With the aforementioned growth, market capitalization of the CSE increased to LKR 5,489 Bn as at 31<sup>st</sup> Dec 2021 in comparison to LKR 2,961 Bn as at 31<sup>st</sup> Dec 2020. The Price Earnings Ratio of the CSE too increased to 13.63x as at 31<sup>st</sup> Dec 2021 from 11.25x as at 31<sup>st</sup> Dec 2020.

## ASPI Performance and Turnover



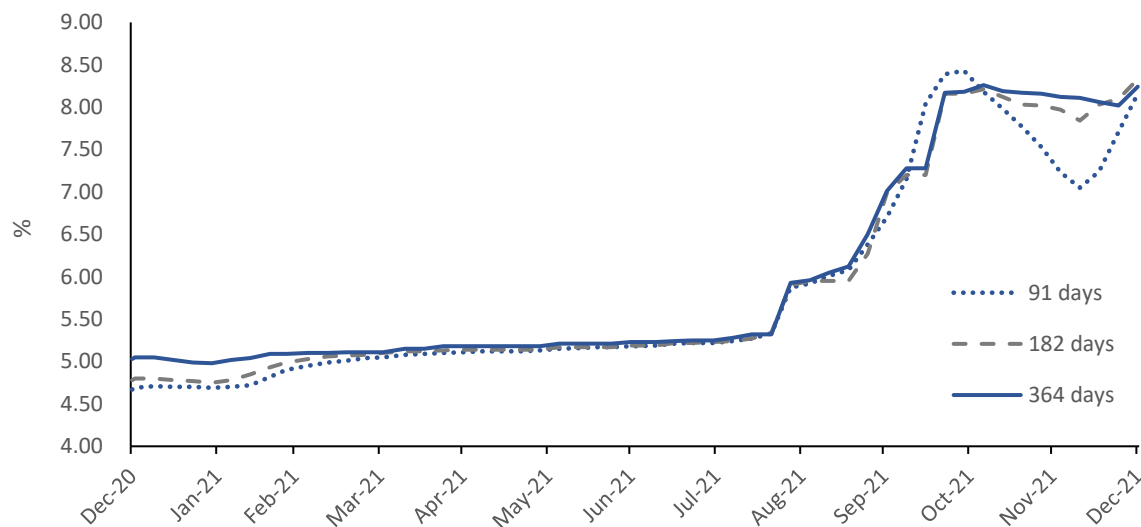
Source: Colombo Stock Exchange



During 1H2021, the Monetary board of the Central Bank of Sri Lanka (CBSL) continued a loose monetary policy by maintaining Standard Deposit Facility Rate (SDFR) and Standard Lending Facility Rate (SLFR) as low as 4.5% and 5.5% respectively in order to boost economic activity amidst the spread of the Covid-19 Pandemic. However, during the August 2021 Monetary Policy Review, the rates were increased by 50 bps each while the Statutory Reserve Ratio too was increased to 4.0% from 2.0%. Rates were maintained at these levels in the two subsequent Monetary Policy Reviews.

Treasury bill rates witnessed a significant increase following the Policy Rate increase in August 2021.

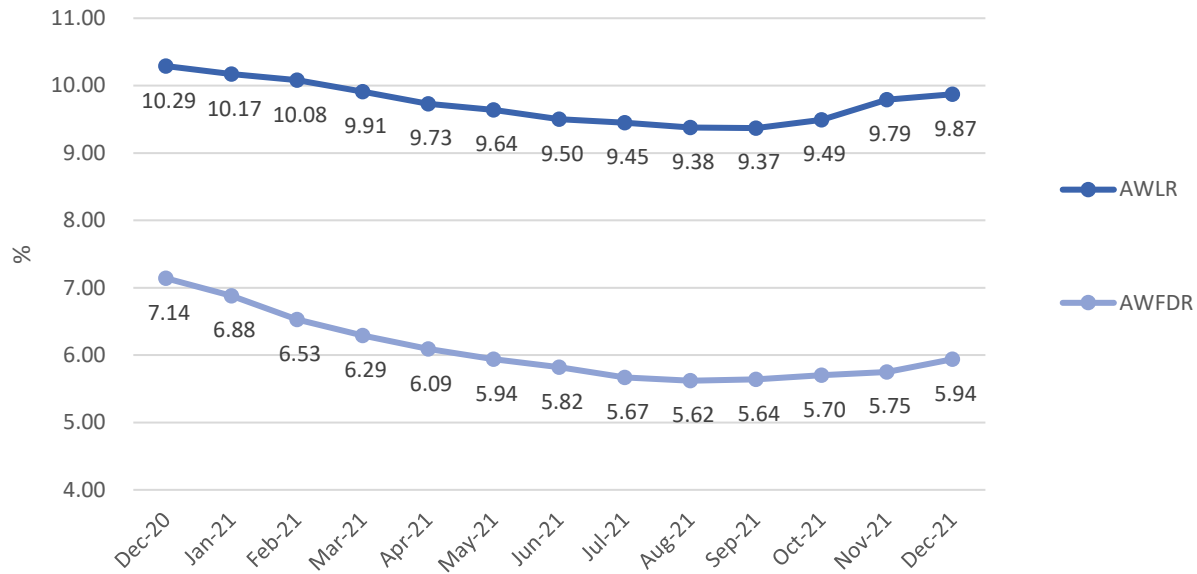
**Treasury Bill Rate Movement in 2021**



Source: Central Bank of Sri Lanka

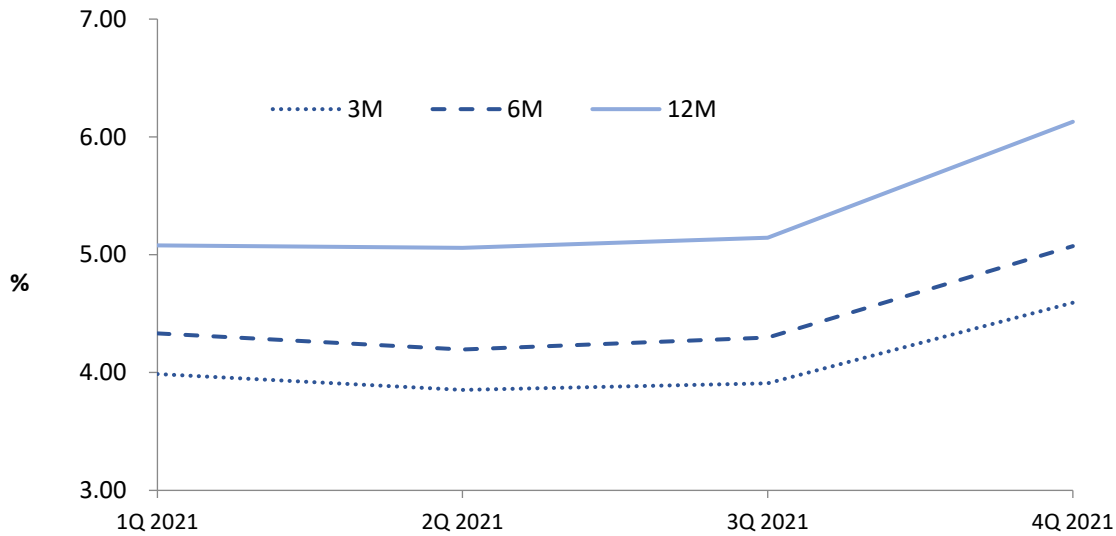


**Movement of Average Weighted Fixed Deposit Rate (AWFDR) and Average Weighted Lending Rates (AWLR) of Commercial Banks (% p.a.) at month-end**



Source: Central Bank of Sri Lanka

**Average Return on Mudarabah Term Deposits by each Quarter - 2021**



Source: Senfin Asset Management (Pvt) Ltd

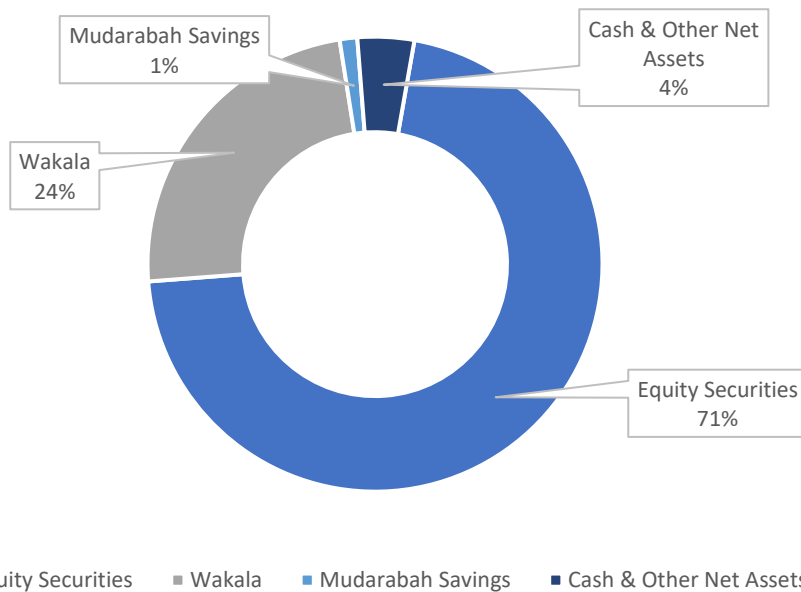


**Fund Performance**

	Six Months Performance to 31 Dec 2021	One Year Performance to 31 Dec 2021	5-year Performance to 31 Dec 2021	Performance since Fund Inception 03 Dec 2012	Compound Annualized Growth Rate since Inception
Senfin Shariah Balanced Fund	23.12%	16.78%	39.21%	77.94%	6.55%
All Share Total Return Index (ASTRI)	56.17%	80.91%	99.50%	147.14%	10.48%

Source: Senfin Asset Management (Pvt) Ltd

**Asset Allocation as a percentage of Net Asset Value as at 31<sup>st</sup> Dec 2021**

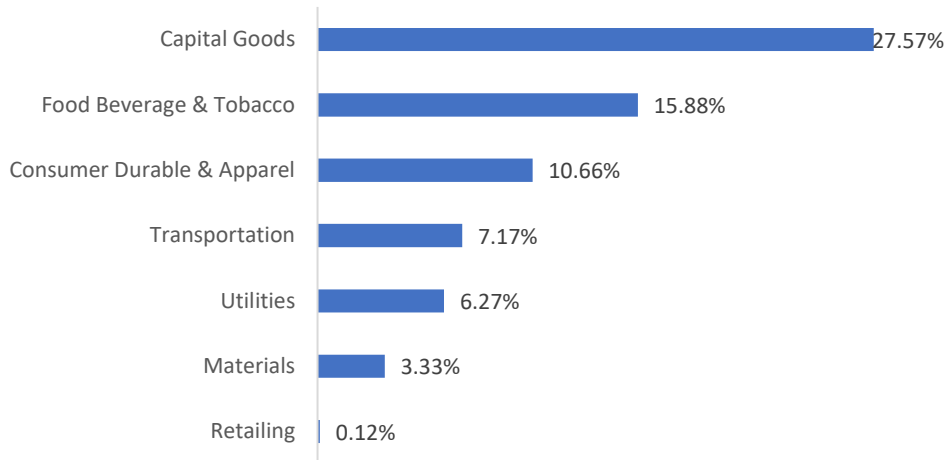


Source: Senfin Asset Management (Pvt) Ltd





### Equity Holding by Sector as at 31 Dec 2021 (as a percentage of Net Asset Value)



*Source: Senfin Asset Management (Pvt) Ltd*

In 2022E, we anticipate the equity market to face a challenging period following the initial positivity during 1Q2022E on the back of strong December quarter earnings and active retail participation seeking returns above inflation. Possible Monetary Policy tightening measures by CBSL would give rise to increased interest rates; as a result, if interest rates adjust to give positive real returns, some funds in the equity market may shift towards fixed income. Furthermore, possible Year on Year decline in corporate earnings driven by supply side shocks, margin pressures, declining purchasing power due to high inflationary environment and macro-economic concerns such as LKR depreciation and foreign debt repayment may have a negative impact on the equity market in 2022. Therefore, taking into account aforementioned challenges, the Fund will remain invested in defensive shares and in undervalued counters with long term growth potential. On the fixed income front, with possible Monetary Policy tightening measures, we expect Mudarabah and Wakala rates to gradually increase. Therefore, we will be in short term instruments in the early part of 2022E and consider locking in for longer tenures once rates move up.

### ***Investment Team***



**SJMS Associates**  
Chartered Accountants  
No.11, Castle Lane  
Colombo 04  
Sri Lanka

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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SENFIN SHARIAH BALANCED FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Senfin Shariah Balanced Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of movements in unitholders' funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements of the Fund give a true and fair view of the financial position of the Fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended 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 CA Sri Lanka ("Code of Ethics") 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.

#### Other Information

The fund management company, ("the management") is responsible for the other information. The other information comprises the information included in the fund manager's report, but 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 will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 Management and the Trustee for the Financial Statements

The 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.

# Deloitte.

## 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 SLAuSs 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 SLAuSs, 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 the those charged with governance, 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 comply with the requirements of the Unit Trust code of September 2011 issued by the Securities and Exchange Commission of Sri Lanka under the Act No. 36 of 1987 and the Trust deed.

  
**SJMS ASSOCIATES**  
 Chartered Accountants  
 Colombo  
 08 March 2022



**SENFIN SHARIAH BALANCED FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 Rs.	2020 Rs.
<b>Investment income</b>			
Finance income from Mudharabah investments	4	149,359	165,503
Finance income from Wakala investments		776,922	157,446
Dividend income		2,109,062	394,350
Realized gains on financial assets measured at fair value through profit or loss	8.2	1,562,755	148,500
Net change in unrealized gains on financial assets measured at fair value through profit or loss	8.3	10,342,545	2,210,500
Total investment income		<u>14,940,643</u>	<u>3,076,299</u>
<b>Expenses</b>			
Management and registrar fees		(1,003,184)	(254,500)
Trustee and custodian fees		(352,063)	(282,774)
Audit fees		(182,625)	(175,044)
Other expenses		(1,184,457)	(392,877)
Impairment provision for income tax receivable		-	-
		<u>(2,722,329)</u>	<u>(1,105,195)</u>
<b>Profit before tax</b>		12,218,314	1,971,104
Income tax expense	5	-	-
<b>Profit for the year</b>		<u>12,218,314</u>	<u>1,971,104</u>
Other comprehensive income for the year		-	-
<b>Increase in net assets attributable to unitholders</b>		<u><u>12,218,314</u></u>	<u><u>1,971,104</u></u>

The accounting policies and notes from 1 to 17 form an integral part of these financial statements.

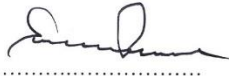




**SENFIN SHARIAH BALANCED FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Note	31.12.2021 Rs.	31.12.2020 Rs.
<b>Assets</b>			
Cash and cash equivalents	6	4,863,161	3,087,676
Financial assets at amortised cost	7	18,620,403	3,577,900
Financial assets at fair value through profit or loss	8	55,742,527	10,974,000
		<u>79,226,091</u>	<u>17,639,576</u>
<b>Liabilities</b>			
Accrued expenses and other payables	10	724,181	610,547
		<u>724,181</u>	<u>610,547</u>
<b>Net assets</b>			
		<u>78,501,910</u>	<u>17,029,029</u>
<b>Unitholders' funds</b>			
Net assets attributable to unitholders		<u>78,501,910</u>	<u>17,029,029</u>

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 Fund Management Company and the Trustee on 08 March 2022.

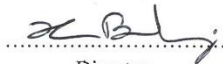


Director

Senfin Asset Management (Private) Limited  
Fund Management Company




Hatton National Bank PLC  
Trustee



Director

Senfin Asset Management (Private) Limited  
Fund Management Company

The accounting policies and notes from 1 to 17 form an integral part of these financial statements.





**SENFIN SHARIAH BALANCED FUND  
STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 Rs.	2020 Rs.
Unitholders' funds as at the beginning of the year	17,029,029	16,318,457
Increase in net assets attributable to unitholders	12,218,314	1,971,104
Net decrease due to creations and redemption of units	49,254,567	(1,260,532)
<b>Unitholders' funds as at the end of the year</b>	<u><u>78,501,910</u></u>	<u><u>17,029,029</u></u>

The accounting policies and notes from 1 to 17 form an integral part of these financial statements.



**SENFIN SHARIAH BALANCED FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	*Note	2021 Rs.	2020 Rs.
<b>Cash flows from operating activities</b>			
Finance income on Mudharabah investments		149,359	165,503
Finance income from Wakala investments		757,279	157,446
Dividend received		2,109,062	394,350
Management fees and trustee fees paid		(1,257,702)	(536,754)
Other expenses paid		(1,350,993)	(566,003)
Purchase of equity securities		(53,879,338)	(1,646,444)
Sale proceeds from sale of equity securities	8.2	21,016,111	738,500
Net investment in wakala investment		(15,022,860)	(1,521,843)
<b>Net cash used in operating activities</b>		<u>(47,479,082)</u>	<u>(2,815,245)</u>
<b>Cash flows from financing activities</b>			
Cash received on creation of units		49,289,278	10,835
Cash paid on redemption of units		(34,711)	(1,271,367)
<b>Net cash flow generated from / (used in) financing activities</b>		<u>49,254,567</u>	<u>(1,260,532)</u>
Net decrease in cash and cash equivalents		1,775,485	(4,075,777)
Cash and cash equivalents at the beginning of the year		3,087,676	7,163,453
<b>Cash and cash equivalents at the end of the year</b>	6	<u>4,863,161</u>	<u>3,087,676</u>

The accounting policies and notes from 1 to 17 form an integral part of these financial statements.



**SENFIN SHARIAH BALANCED FUND  
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**1. General information**

**1.1 General**

Senfin Shariah Balanced Fund ("Fund") is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 3 December 2012.

The fund is managed by Senfin Asset Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at 267, Galle Road, Colombo 3. The trustee and custodian of the fund is Hatton National Bank PLC (HNB) having its place of business at 481, T. B. Jayah Mawatha, Colombo 10.

The investment objective of the fund is to achieve balance between capital appreciation and income over the medium and long term by investing in Shariah compliant equity securities and Shariah compliant income securities.

**1.2 Date of authorization for issue**

The financial statements of the fund for the year ended 31 December 2021 were authorized for issue by the fund management company and the trustee on 08 March 2022.

**2. Preparation of financial statements**

**2.1 Basis of preparation**

The financial statements are prepared and presented in accordance with and comply with the relevant Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The statement of financial position is presented on a liquidity basis. The financial statements have been prepared on the historical cost basis unless otherwise indicated. The financial statements are presented in Sri Lankan rupees (LKR).

**2.1.1 Statement of compliance**

The financial statements which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and other comprehensive income, statement of movements in unitholders' funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards.

**2.2 Significant accounting judgements, estimated and assumptions**

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses. In the selection and application of the company's accounting policies, which are described below, the fund management company is required to make judgements and assumptions and







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**2.2 Significant accounting judgements, estimated and assumptions (Contd...)**

use assumptions in measuring items reported in the financial statements. These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates were revised if the revision affects only that period or in the period of the revision and future periods as well, if the revision affects both the current and future periods.

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value.

Fair value of the quoted equity investment is valued by observable market prices or rates.

**2.3 Summary of significant accounting policies**

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**2.3.1 Financial instruments**

**(i) Recognition and initial measurement**

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

A financial asset or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss (FVTPL), 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.

**(ii) Classification and subsequent measurement**

**Financial assets**

**(a) Classification**

On initial recognition, a financial asset is classified as subsequently measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL) on a basis of both the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset.

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.





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**2.3.1 Financial instruments (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.
- The fund's financial assets classified under amortised cost include mudharabah and wakala investments and cash and cash equivalents.

*A debt investment is measured at FVOCI if it meets both of the following conditions:*

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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 or FVOCI as described above are measured at FVTPL. However, an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

*(a) Subsequent measurement and gains and losses*

<i>Financial assets at FVTPL</i>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<i>Financial assets at amortised cost</i>	These assets 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. Any gain or loss on derecognition is recognised in profit or loss.
<i>Debt investments at FVOCI</i>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. The changes in fair value of FVOCI debt instruments are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.





**SENFIN SHARIAH BALANCED FUND  
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**2.3.2 Financial liabilities – Classification, subsequent measurement and gains and losses**

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

Financial liabilities measured at amortised cost include accrued expenses and other payables.

**2.3.3 Derecognition**

**Financial assets**

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.

**Financial liabilities**

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.

**2.3.4 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.





**SENFIN SHARIAH BALANCED FUND  
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### **2.3.5 Impairment**

The fund recognises 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.

#### **Credit-impaired financial assets**

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset 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 Fund on terms that the Fund would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the date of the statement of financial position the fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.

#### **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.

#### **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.


  
**SENFIN SHARIAH BALANCED FUND**  
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## 2.4 Recognition of income

Income is recognized to the extent that it is probable that the economic benefits will flow to the fund and the income can be reliably measured. The following specific criteria must also be met before income is recognized.

### (i) Finance income from Mudharabah and Wakala investments

Finance income from Mudharabah investments is recognized using anticipated profit sharing rate.

### (ii) Finance income from unquoted debentures

Finance income from unquoted debentures is recognised using agreed profit sharing rate.

### (iii) Dividend income

Dividend income is recognised when the fund's right to receive payment is established.

### (iv) 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.

### (v) Realised gains/ (losses) on financial assets at FVTPL

Realised gains/ (losses) on financial assets at FVTPL includes results of buying and selling of quoted equity securities.

## 2.5 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank, mudharabah savings and wakala investments with less than three months tenure.

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.

## 2.6 Income tax

The fund is not liable to pay income tax as at the reporting date in accordance with Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021.



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**2.7 Expenses**

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

Management fee	-	1.5% p.a of net asset value of the fund calculated on a daily basis
Trustee fee	-	0.15% of net asset value of the fund calculated on a daily basis
Registrar fee	-	0.25% p.a of net asset value of the fund calculated on a daily bas
Custodian fee	-	Flat fee of Rs. 20,000 per month

**2.8 Unitholders' funds**

Unitholders' 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 unitholders as at the reporting date.

**3 Financial risk management**

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 credit risk, market risk, and liquidity risk.

Financial instruments of the fund comprise investments in trading securities, mudharabah and wakala investments for the purpose of generating a return on the investment made by unitholders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. The fund manager agrees on 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 fund 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 within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, investment committee, and ultimately the trustee 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



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### 3 Financial risk management (Contd..)

economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

#### a) 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.

2021 Counterparty	Credit rating	Rating agency
People's Leasing and Finance PLC	A+	Fitch
Amana Bank PLC	BB+	Fitch
Hatton National Bank PLC	AA-	Fitch
MCB Bank Limited	A+	ICRA
Richard Pieris Finance Ltd	AA-	Fitch
Commercial Leasing & Finance PLC	A	ICRA

2020 Counterparty	Credit rating	Rating agency
People's Leasing and Finance PLC	A+	Fitch
Amana Bank PLC	BB+	Fitch
Hatton National Bank PLC	AA+	Fitch
MCB Bank Limited	A+	ICRA
Bank of Ceylon	AA+	Fitch
National Development Bank PLC	A+	Fitch
LB Finance PLC	A-	Fitch

The Fund is also subject to credit risk on its bank balance. The credit risk exposure on these instruments is not deemed to be significant.



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**b). 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. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the fund's investment portfolio in line with investment objectives of the fund.

**c). Price risk**

Price risk is the risk that the fair value of the fund's investment in trading securities fluctuates 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 profit or loss and other comprehensive income and statement of financial position due to a reasonably possible change in the price of the fund's investment in financial assets held at fair value through profit or loss in note 7, with all other variables held constant:

	<b>2021</b>	<b>2020</b>
	<b>Increase/ (decrease) on profit before tax and amounts attributable to unitholders Rs.</b>	<b>Increase/ (decrease) on profit before tax and amounts attributable to unitholders Rs.</b>
Change in price of the fund's investments in financial assets held at fair value through profit or loss		
+10%	5,574,253	1,097,400
-10%	(5,574,253)	(1,097,400)





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**a) Profit share rate risk**

Profit share rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market rates. However, due to the short-term nature of the instruments it is reasonably expected that the fluctuation in market rate will not materially impact the net assets value of the fund, hence a sensitivity analysis has not been presented. The table below summarizes the fund's exposure to anticipated profit share rate risk.

31 December 2021	Floating profit share rate	Fixed profit share rate	Non- profit share rate bearing	Total
	Rs.	Rs.	Rs.	Rs.
Financial assets				
Cash and cash equivalents	980,810	-	3,882,351	4,863,161
Financial assets at FVTPL	-	-	55,742,527	55,742,527
Financial assets at amortised cost	-	18,620,403	-	18,620,403
<b>Total exposure</b>	<b>980,810</b>	<b>18,620,403</b>	<b>59,624,878</b>	<b>79,226,091</b>

31 December 2020	Floating profit share rate	Fixed profit share rate	Non- profit share rate bearing	Total
	Rs.	Rs.	Rs.	Rs.
<i>Financial assets</i>				
Cash and cash equivalents	2,967,566	-	120,110	3,087,676
Financial assets at FVTPL	-	-	10,974,000	10,974,000
Financial asset at amortised cost	-	3,577,900	-	3,577,900
<b>Total exposure</b>	<b>2,967,566</b>	<b>3,577,900</b>	<b>11,094,110</b>	<b>17,639,576</b>



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**b) Liquidity risk**

Liquidity risk is the risk that the fund will encounter difficulty in raising funds to meet its obligation 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 unitholder'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.
- 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 at least 14 days prior written notice for unitholder 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 redemption value is 3% or more of the net assets value of the fund, the unitholder 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 summarises the fund's non derivative financial assets and liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period.



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**c) Liquidity risk (Contd....)**

31 December 2021	Less than 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Total
Financial assets	7,426,910	9,757,671	6,298,983	-	23,483,564
Financial liabilities	241,556	482,625	-	-	724,181
31 December 2020					
Financial assets	5,660,645	1,004,931	-	-	6,665,576
Financial liabilities	49,012	561,535	-	-	610,547

**d) Capital risk management**

Unitholder's fund has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of liabilities, as at the statement of financial position date.

The movement in the unitholders' funds as at 31 December 2021 and 31 December 2020.

**I. In terms of value**

	2021	2020
	Rs.	Rs.
Unitholders' funds as at 01 January	17,029,029	16,318,457
Increase / (decrease) in net assets attributable to unitholders during the period	12,218,314	1,971,104
Creation of units	49,289,278	10,835
Redemption of units	(34,711)	(1,271,367)
Unitholders' funds as at 31 December	78,501,910	17,029,029

**II. In terms of number of units**

	2021	2020
Opening number of units as at 01 January	1,414,522.4	1,553,643.2
Unit creations during the year	4,172,929.7	1,113.2
Unit redemptions during the year	(3,002.7)	(140,234.0)
Closing number of units as at 31 December	<u>5,584,449.4</u>	<u>1,414,522.4</u>



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**SENFIN SHARIAH BALANCED FUND  
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d) Capital risk management (Contd...)

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.

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	2021 Rs.	2020 Rs.
<b>4. Finance income from Mudharabah investments</b>		
Finance income from Mudharabah saving deposits	149,359	165,503
	<u>149,359</u>	<u>165,503</u>
<b>5. Income tax expense</b>		
As per the Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021, the fund is deemed as conducting an 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.		
	31.12.2021 Rs.	31.12.2020 Rs.
<b>5.2 Income tax receivable</b>		
Income tax receivable	676,437	676,437
Allowance on impairment provision for income tax receivable	<u>(676,437)</u>	<u>(676,437)</u>
	<u>-</u>	<u>-</u>

The net income tax recoverable comprised of withholding tax (WHT) of Rs.676,437. The Fund Manager intends to claim the WHT recoverable by means of a refund. Due to uncertainties in recoverability, an allowance for impairment provision is made against the income tax receivable balance amounting to Rs.676,437.



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		31.12.2021 Rs.	31.12.2020 Rs.
<b>6. Cash and cash equivalents</b>			
Hatton National Bank PLC current account		3,882,351	120,110
Mudharabah savings accounts	6.1	980,810	2,967,566
		<u>4,863,161</u>	<u>3,087,676</u>
<b>6.1 Mudharabah savings accounts</b>			
Bank of Ceylon - Islamic Banking Unit		-	134,673
Amana Bank PLC		62,120	60,759
Hatton National Bank PLC - Islamic Banking Unit		215,260	1,180,412
People's Leasing and Finance PLC - Islamic Banking Unit		346,265	1,239,953
MCB Bank Limited		357,165	351,769
		<u>980,810</u>	<u>2,967,566</u>
<b>7. Financial assets at amortised cost</b>			
Wakala investments	7.1	18,600,760	3,577,900
Placement fee		19,643	-
		<u>18,620,403</u>	<u>3,577,900</u>
<b>7.1 Wakala investments</b>			
Richard Pieris Finance Ltd		8,843,085	-
Commercial Leasing & Finance PLC		9,757,675	-
National Development Bank PLC		-	2,572,969
LB Finance PLC		-	1,004,931
		<u>18,600,760</u>	<u>3,577,900</u>



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	31.12.2021 Rs.	31.12.2020 Rs.
<b>8. Financial assets at fair value through profit or loss</b>		
<b>8.1 Quoted equity securities</b>		
Cost	42,153,891	7,727,909
Unrealised gain on market value of quoted equity securities	13,588,636	3,246,091
Market value as at	<u>55,742,527</u>	<u>10,974,000</u>

**8.1.1 Quoted equity securities**

Company	2021			2020		
	No. of ordinary shares	Market value Rs.	Holdings as a % of net asset value	No. of ordinary shares	Market value Rs.	Holdings as a % of net asset value
<b>Capital Goods</b>						
Hemas Holdings PLC	95,000	6,355,500	8.10%	20,000	1,998,000	11.73%
ACL Cables PLC	30,000	3,007,500	3.83%	40,000	3,064,000	17.99%
Hayleys PLC	45,000	5,850,000	7.45%	-	-	-
Lanka Tiles PLC	58,482	6,433,020	8.19%	-	-	-
		<u>21,646,020</u>	<u>27.57%</u>		<u>5,062,000</u>	<u>29.72%</u>
<b>Consumer Durables &amp; Apparel</b>						
Textured Jersey PLC	142,065	6,307,687	8.04%	25,000	950,000	5.58%
Hayleys Fabric PLC	50,000	2,060,000	2.62%	-	-	-
		<u>8,367,687</u>	<u>10.66%</u>		<u>950,000</u>	<u>5.58%</u>
<b>Energy</b>						
Lanka IOC PLC	-	-	0.00%	100,000	2,240,000	13.15%
		<u>-</u>	<u>0.00%</u>		<u>2,240,000</u>	<u>13.15%</u>
<b>Food, Beverage &amp; Tobacco</b>						
Ceylon Grain Elevators PLC	3,000	365,250	0.47%	3,000	333,000	1.96%
Watawala Plantations PLC	30,000	3,900,000	4.97%	20,000	1,132,000	6.65%
Bairaha Farms PLC	5,000	1,432,500	1.82%	-	-	-
Nestle Lanka PLC	900	1,093,950	1.39%	-	-	-
Sunshine Holdings PLC	125,000	5,675,000	7.23%	-	-	-
		<u>12,466,700</u>	<u>15.88%</u>		<u>1,465,000</u>	<u>8.61%</u>
<b>Materials</b>						
Haycarb PLC	34,053	2,615,270	3.33%	-	-	-
		<u>2,615,270</u>	<u>3.33%</u>		<u>-</u>	<u>-</u>
<b>Retailing</b>						
United Motors Lanka PLC	1,000	93,100	0.12%	1,000	79,000	0.46%
		<u>93,100</u>	<u>0.12%</u>		<u>79,000</u>	<u>0.46%</u>
<b>Telecommunication Services</b>						
Dialog Axiata PLC	-	-	-	95,000	1,178,000	6.92%
		<u>-</u>	<u>0.00%</u>		<u>1,178,000</u>	<u>6.92%</u>
<b>Transportation</b>						
Expolanka Holdings PLC	15,000	5,628,750	7.17%	-	-	-
		<u>5,628,750</u>	<u>7.17%</u>		<u>-</u>	<u>-</u>
<b>Utilities</b>						
Vallibel Power Erathna PLC	300,000	2,580,000	3.29%	-	-	-
Vidullanka PLC	350,000	2,345,000	2.99%	-	-	-
		<u>4,925,000</u>	<u>6.27%</u>		<u>-</u>	<u>-</u>
<b>Total value of Quoted Equity Securities (At Market Value)</b>		<u>55,742,527</u>	<u>71.01%</u>		<u>10,974,000</u>	<u>64.44%</u>





SENFIN SHARIAH BALANCED FUND  
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	2021	2020
	Rs.	Rs.
8.2 Realised gain on financial assets - fair value through profit or loss		
<b>Quoted equity securities</b>		
Proceeds on sale of quoted equity securities	21,016,111	738,500
Average cost of equity securities sold	<u>(19,453,356)</u>	<u>(590,000)</u>
	<u>1,562,755</u>	<u>148,500</u>
8.3 Net change in unrealized gains on financial assets measured at fair value through profit or loss		
Quoted equity securities	<u>10,342,545</u>	<u>2,210,500</u>







**SENFIN SHARIAH BALANCED FUND  
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**9. Fair value hierarchy**

**Determination of fair value and fair value hierarchy**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

**Level 1** - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2** - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices)

**Level 3** - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2021	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets - fair value through profit or loss				
Quoted equity securities	55,742,527	-	-	55,742,527
<b>As at 31 December 2020</b>	<b>Level 1 Rs.</b>	<b>Level 2 Rs.</b>	<b>Level 3 Rs.</b>	<b>Total Rs.</b>
Financial assets - fair value through profit or loss				
Quoted equity securities	10,974,000	-	-	10,974,000

**Financial Assets and Financial Liabilities not carried at fair value**

Assets for which fair value approximates carrying value:

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Accordingly, the following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value.

**Assets**

Cash and cash equivalents  
Financial assets at amortised cost

**Liabilities**

Accrued expenses and other payables



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	31.12.2021	31.12.2020
	Rs.	Rs.
<b>10. Accrued expenses and other payables</b>		
Management and registrar fee payable	113,990	24,765
Trustee fee and custodian fee payable	32,567	24,247
Audit fee payable	182,625	173,745
Other payable	394,999	387,790
	724,181	610,547
<b>11. Contingencies</b>		
There are no material contingencies existing as at the reporting date that require adjustments to, or disclosure in the financial statements.		
<b>12. Events occurring after reporting date</b>		
There have been no significant events occurring after the reporting date that require adjustments to or disclosures in the financial statements.		
<b>13. Capital commitments</b>		
There were no material capital and financial commitments as at the reporting date.		
<b>14. Units in issue and unit price</b>		
Units in issue and deemed to be in issue as at 31 December 2021 is 5,584,449.4 (2020 - 1,414,522.4). Net Assets Value per unit as at 31 December 2021 is Rs. 14.06 (2020- Rs. 12.04). Net Assets Value per unit is used to value the units held in note 15. Redemption price of unit as at the reporting date is Rs. 13.95 (2020 - Rs.11.95).		
<b>15. Related party disclosures</b>		
<b>15.1 Management Company and Trustee</b>		
<b>15.1.1</b>	The Management Company is Senfin Asset Management (Private) Limited.	
<b>15.1.2</b>	The Trustee to the fund is Hatton National Bank (HNB) PLC.	
<b>15.2 Key management personnel</b>		
Key management personnel includes persons who were directors of Senfin Asset Management (Private) Limited during the financial year.		
<b>i) Directors</b>		
Dr. Prathap Ramanujam		
Mr. Lakshman Balasuriya (resigned w.e.f. 11 June 2021)		
Mr. Darshan Ravindra Abeysuriya		
Mr. Sonal Balasuriya		
Mr. Keshav Balasuriya (appointed w.e.f. 19 May 2021)		
Mr. Tilak Collure (appointed w.e. f.19 May 2021)		
Mr. Sanath Bandaranayake (appointed w.e.f. 12 July 2021)		



**SENFIN SHARIAH BALANCED FUND  
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**15. Related party disclosures (Contd...)**

**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 year are given below;

Ms. Ineka Dunuwille - Chief Executive Officer/Fund Manager  
Ms. Monica Wanigasekara - Fund Manager  
Mr. Surath Perera - Fund Manager  
Mr. Ravinath Weerakoon - Fund Manager

**15.3 Key management personnel compensation**

There were no payments made to the directors of Senfin Asset Management (Private) Limited during the year by the fund.

Other 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.

**15.4 Other transactions within the fund**

Apart from those details disclosed in note 15.5 and 15.6, key management personnel have not entered into any other transactions involving the fund during the financial year.

**15.5 Related party unit holding**

The following are the units held by related parties.

As at 31 December 2021	Relationship	No: of units	Value of units held	Total interest held as a % of NAV	Net Movement of creation / (redemption) during the year
<b>Unitholder</b>					
E W Balasuriya & Company (Pvt) Ltd	Ultimate Parent Company of the Management Company	4,170,406.1	58,635,910	74.69%	49,259,308
		Number of units purchased by related parties	4,170,406.1		
		Number of units sold by related parties	-		

**15.6 Transactions with and amounts due to/from related parties**

Transactions with related parties are disclosed below:

	Transaction during the year		Payable as at 31 December	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Management and registrar fees to Senfin Asset Management ( Pvt) Ltd	1,003,184	254,500	113,990	24,765
Trustee and custodian fees to HNB PLC	352,063	282,774	32,567	24,247
Profit share income on mudharabah saving account from HNB PLC	38,170	41,524	-	-
			<b>31.12.2021 Rs.</b>	<b>31.12.2020 Rs.</b>
The bank balance held at Hatton National Bank PLC			3,882,351	120,110
The mudharaba saving balance held at Hatton National Bank PLC			214,819	1,180,412



**SENFIN SHARIAH BALANCED FUND  
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**16. Reconciliation between the net asset value as per financial statements and the published net asset value**

	31.12.2021 Rs.	31.12.2020 Rs.
Net asset value as per financial statements	78,501,910	17,029,029
Other audit adjustments	-	(452)
Published net asset value	<u>78,501,910</u>	<u>17,028,577</u>
Number of units outstanding	5,584,449	1,414,522
Net asset value per unit	<u>14.06</u>	<u>12.04</u>

**17. Covid-19 Impact**

The Senfin Shariah Balanced Fund is a balanced fund that invests part of its assets in Shariah compliant shares listed on the Colombo Stock Exchange (CSE) based on a white list and the other part in Shariah compliant fixed income securities. The fund size increased from Rs.17 Mn as at 31 Dec 2020 to Rs.78.5 Mn as at 31 December 2021 mainly due to new inflows as well as due to the growth in the equity market. Despite two Covid waves and macro-economic challenges, the fund did not incur significant redemptions during year 2021.

In terms of equity market performance, CSE indices witnessed a significant growth over the subject year with All Share Price Index (ASPI) gaining 80.5% and S&P SL20 Index gaining 60.5% while the All Share Total Return Index (ASTRI) gained 80.9%. The market was mainly driven by local retail participation on the back of low interest rate environment. In addition, positive sentiment was witnessed throughout the year due to Year-on-Year growth in corporate earnings of listed companies especially in sectors that benefitted from the pandemic such as import restricted sectors, logistics sector etc. while pent up demand from Covid hit 2020 kicked in for many sectors in 2021. The fund was able to partly capitalize on this market growth and the fund performance recorded a 16.8% growth during year 2021. However, the growth was limited during the initial part of the year as the fund had a more stringent white list with limited number of stocks based on AAOOFI (Accounting and Auditing Organization for Islamic Financial Institutions) Standards. During the year, with the approval of Securities & Exchange Commission (SEC), the white list was changed to I Capital Partners' (ICP) white list.

During first half 2021, the Monetary Board of the Central Bank of Sri Lanka (CBSL) continued a loose monetary policy stance in order to boost economic activity amidst the spread of the Covid-19 Pandemic. Due to this, rates offered for Shariah compliant fixed income were comparatively low in comparison to past rates. However, during the August 2021 Monetary Policy Review, the rates were increased by 50 bps each, which drove conventional interest rates higher. Despite this, rates offered in the market for Shariah compliant fixed income securities remained low throughout the year.





*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 Shariah Balanced 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](http://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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