

Annual Report

Senfin Shariah Income Fund

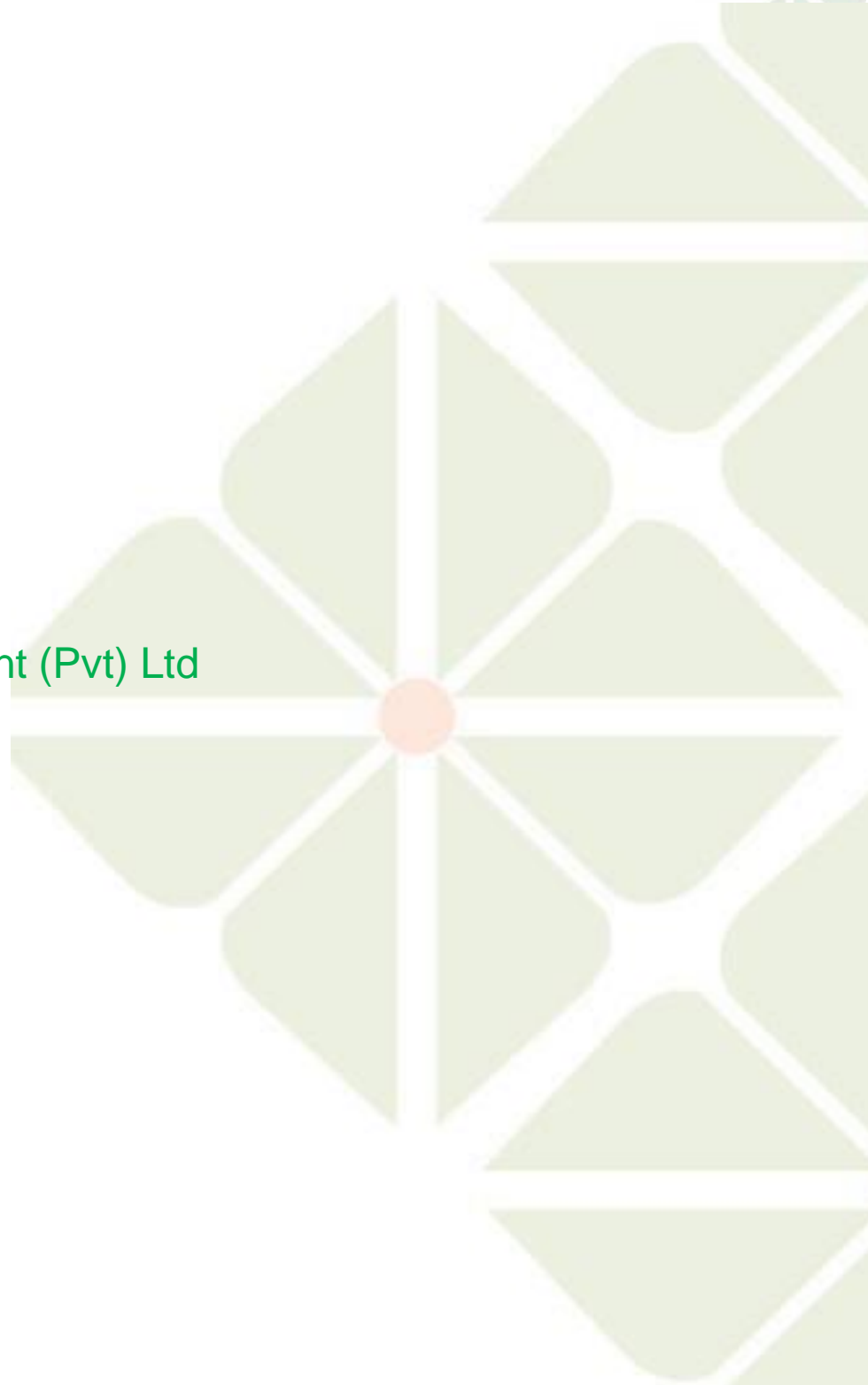
FY 2023



SenFin
ASSET MANAGEMENT

Trustee and Custodian
HNB Bank PLC

Fund Manager
Senfin Asset Management (Pvt) Ltd



Senfin Shariah Income 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) 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 (formally Candor Asset Management (Pvt) Ltd) is a wholly owned subsidiary of Senkadagala Finance PLC, a finance company licensed by the Central Bank of Sri Lanka. Senkadagala Finance PLC commenced operations in the city of Kandy in 1968 and since then has steadily gained momentum, leveraging on the varied partnerships it nurtured throughout the years.

Board of Directors

Dr. Prathap Ramanujam - Chairman

Dr. Prathap Ramanujam, was previously 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 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 currently serves as director of Ceylon Grain Elevators PLC, Three Acre Farm PLC and Iconic Development Pvt. 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. He worked as a Post-Doctoral Fellow at the Faculty of Economics at the University of Glasgow U.K.

Mr. Sanath Divale Bandaranayake –Director

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 currently serves as an Executive Director / Additional CEO of Senkadagala Finance PLC. Mr. Bandaranayake is also a director of 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. Sonal Balasuriya -Director

Mr. Sonal Balasuriya 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. 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.

Mr. Tilak Collure - Director

Mr. Tilak Collure is a former Sri Lanka Administrative Service Special Grade officer who has held senior positions during 35 years in Government service mainly in the areas of trade, commerce, and logistics. Mr. Tilak Collure 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. Mr. Tilak Collure served as a Member of the independent National Police Commission from 2015 to 2020. Mr. Tilak Collure has functioned as an Independent Non-Executive Director of Senkadagala Finance PLC, prior to the present appointment.

Mr. Collure holds a BSc in Natural Sciences (University of Sri Lanka, Colombo) and a Master's in Public Administration (Postgraduate Institute of Management/University of Sri Jayewardenepura).

Mr. Keshav Balasuriya – Director

Mr. Keshav Balasuriya has been instrumental in initiating and acquiring Candor Asset Management (Pvt) Ltd from Eagle Proprietary Investment Limited in 2020. Mr. Keshav Balasuriya serves as a member of the Investment Committee of Senfin Asset Management (Pvt) Ltd.

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. Mr. Keshav Balasuriya 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 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 SFAM, Mr. Sukumaran 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 an Associate Member (ACMA) of the Chartered Institute of Management Accountants (CIMA-UK) and a Chartered Global Management Accountant (CGMA). Mr. Sukumaran 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. Mr. Murugiah Rajendran 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. 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 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).

Mr. Surath Perera – Chief Investment Officer

Mr. Surath Perera is a Senior Fund Manager who has been in the unit trust industry for over twelve (12) years, of which, eight (8) years have been as a Fund Manager. Mr. Surath Perera 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. Surath Perera has a Second-Class Upper Bachelor of Business Administration (Hons) degree specializing in Accounting from the University of Colombo, Sri Lanka. Mr. Surath Perera is an Associate Member (ACMA) of the Chartered Institute of Management Accountants (CIMA-UK) and Chartered Global Management Accountant (CGMA). Mr. Surath Perera 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

Rajitha Kapil Rathwatta Elapata – Senior Fund Manager

Mr. Rajitha is recruited by Senfin Asset Management Private Ltd in November 2023 as a Senior Fund Manager and to deal with the Company's Collective Investment Schemes (Unit Trusts).

Mr. Rajitha brings over nine years of working experience as an analyst and fund manager. His previous working experience included Working on investment strategy, asset allocations policies and specific individual investment for all funds managed by Namal (for both Mutual and Private Portfolios), Generating key investment recommendations, Fund reporting, Origination, structuring, pricing and negotiation with investee companies, brokers, intermediaries and investment banks for debt, equity etc., Continuous monitoring of investments, the Capital & Money Market and their performance, market values & intrinsic values, Conduct macro-economic and political analysis, Performing industry and company specific analysis, Liaising with the regulators, the trustees, and the custodians to facilitate proper adherence of fund management activities, discussing with clients and trustees to understand their requirements, In-house research, Financial modelling, Portfolio management, Tracking liquidity position, Analysing return on portfolios, Product development and Worked as banking assistant – dealing with corporate and personal customers

Mr. Rajitha's previous employments include As a Fund Manager - Namal Asset Management, Analyst - Ceybank Asset Management Ltd, Senior Executive - Product Development & Operations at Entrust Wealth Management Ltd, Senior Executive Dealing & Front Office Sales - Entrust Securities Plc, Investment Analyst - Capital Trust Securities (Pvt) Ltd, Banking Assistant - HSBC, and Assistant Manager (Sports Dept) - as part time in University of Greenwich, UK.

Mr. Rajitha's academic and professional educational qualifications are Bachelor of Arts – Business with Economics at University Greenwich and presently attending the second semester for Master's (MFE) at the University of Colombo

Mr. 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 Bank 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, Mr. Nilanka Gamaethige moved to DFCC Bank PLC and worked for 5 plus years at retail banking handling the affluent client segment. Mr. Nilanka Gamaethige 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. Mr. Nilanka Gamaethige also well contributed to the growth of SME and Corporate sector of the Negombo branch.

Mr. Nilanka Gamaethige got the opportunity to complete a SME Workshop at JNIBF Hyderabad India.

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 and an Independent Non-Executive Director in 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

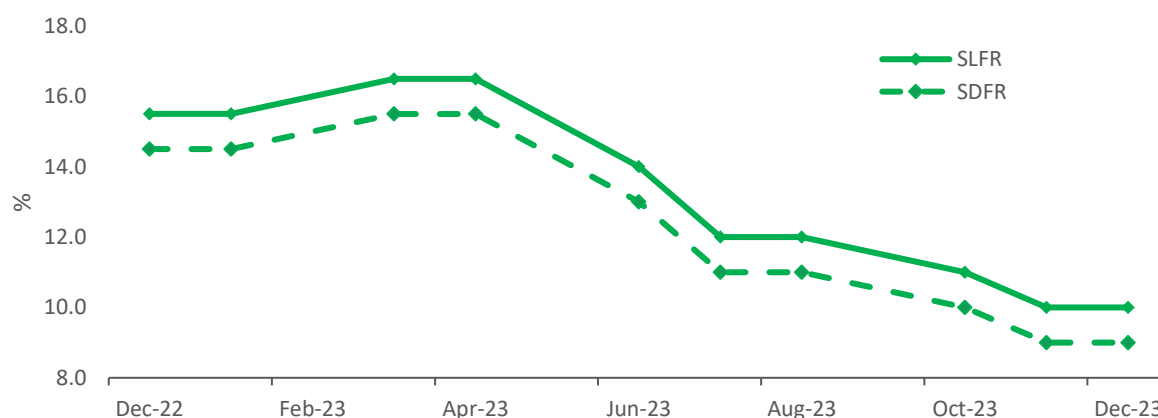
FUND MANAGER'S REPORT

Dear Investor,

We are pleased to present the Annual report of the Senfin Shariah Income Fund for the year ending 31st December 2023 (FY 2023).

During FY 2023, Sri Lanka saw their economic position improve from the crisis faced during 2022 with the economy rebounding for the first time following the economic crisis with Real GDP Growth for 4Q2023 closing at 4.5% compared to a contraction of 12.4% in 4Q2022. Growth was driven by expansion in activities in all three major economic sectors with highest growth being recorded in the Industry sector. Growth was supported by easing interest rates after elevated inflation levels were brought under control. However, the Real GDP Growth for the full year 2023 recorded -2.3% vs -7.3% seen in crisis hit 2022. The Central Bank of Sri Lanka commenced the reversal of its sharp monetary tightening in 2022 which helped bring inflation under control. Accordingly, policy rates were cut by a cumulative 650 bps from June 2023 onwards. The Standing Deposit Facility Rate (SDFR) stood at 9.0% as at 31 Dec 2023 compared to 14.5% as at 31 Dec 2022 and the Standing Lending Facility Rate (SLFR) stood at 10.0% compared to 15.5% as at 31 Dec 2022. Similarly, the Statutory Reserve Ratio was also cut down to 2.0% during 2H2023 compared to 4.0% maintained up to July 2023.

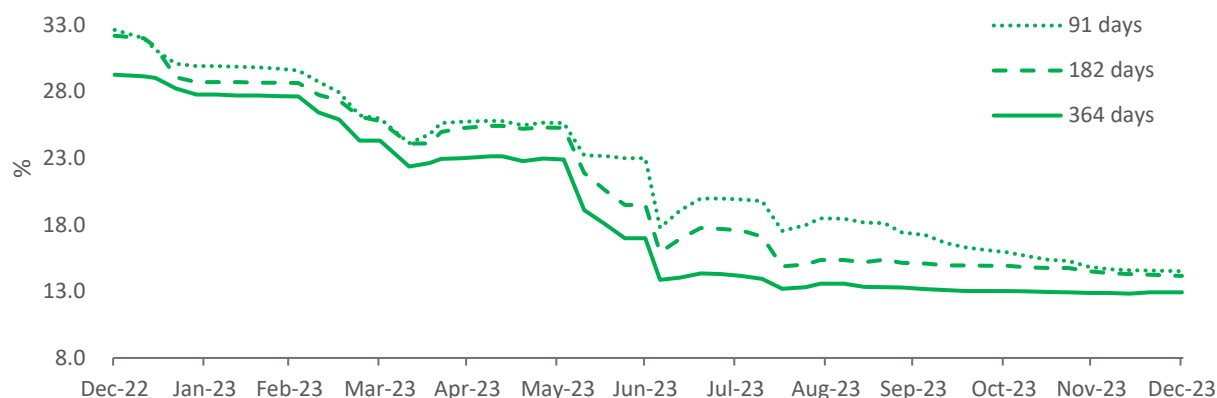
Movement in Policy Rates



Source: Central Bank of Sri Lanka

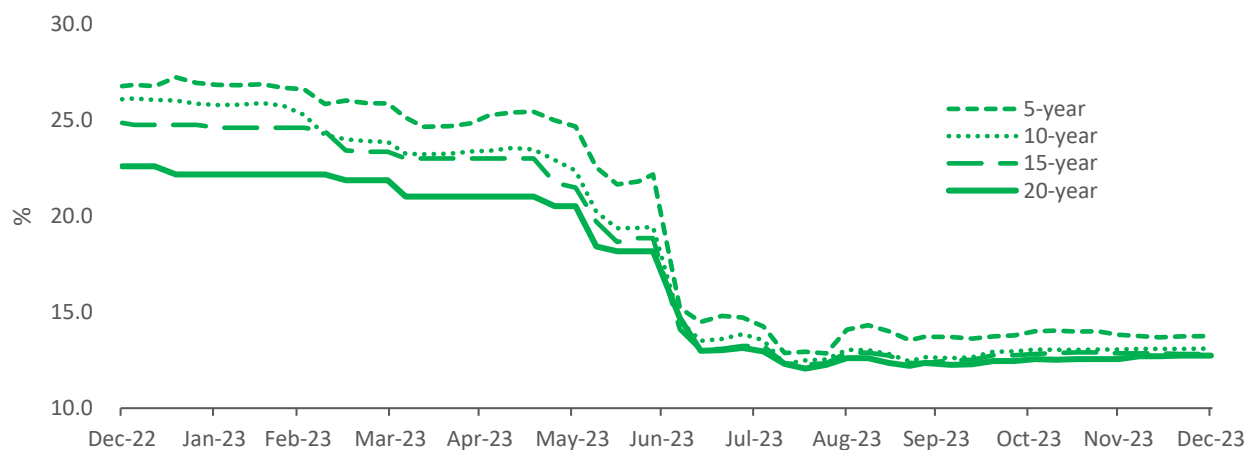
In line with the aforesaid changes to the Monetary Policy, Government Security yields as well as market interest rates on deposits offered by commercial banks and other non-banking financial institutions too followed a similar trajectory, especially subsequent to the Domestic Debt Optimization (DDO) announcement which was lenient than the market expectation. The benchmark 03, 06 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at the end of December 2022 to 14.51%, 14.16% and 12.93% respectively as at the end of December 2023. Similarly yields on long term government bonds too decreased as rates fell below the 15.00% mark across multiple maturities.

Treasury Bill Rate Movement



Source: Central Bank of Sri Lanka

Treasury Bond Rate Movement

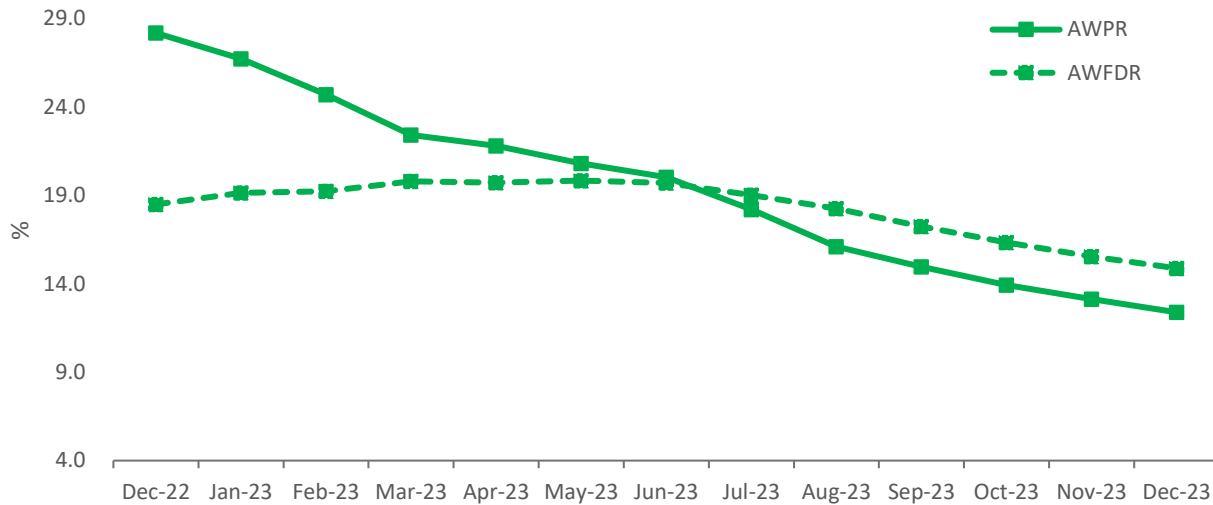


Source: Central Bank of Sri Lanka

Following the rate deduction by CBSL, all deposit and lending rates showed a decreasing trend, with Average Weighted Prime Lending Rate (AWPR) decreased to 12.39% and Average Fixed Deposit Rate (AWFDR) decreased to 14.88% by the end of December 2023 vs. 28.19% and 18.49% respectively by the end of December 2022.

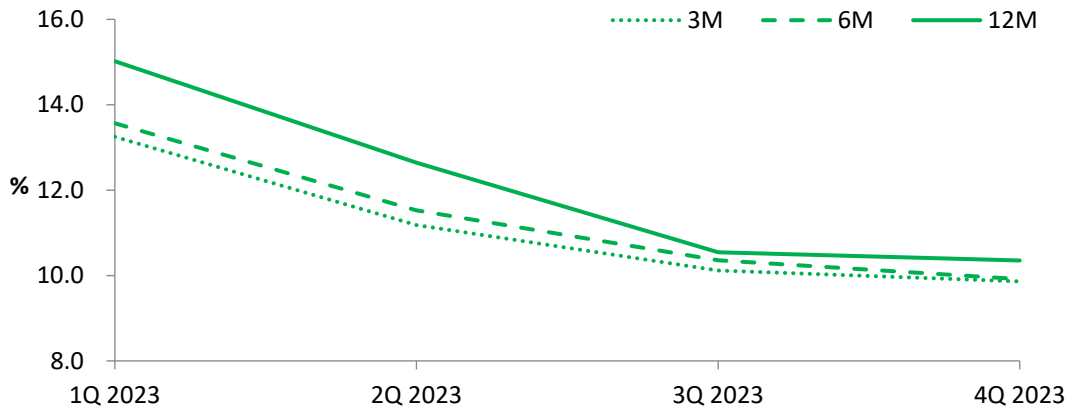
Mudarabah profit rates and wakala profit rates have also followed the declining trend similar to conventional rates and have continued to remain below the conventional money market rates.

Movement of AWFDR and AWPR of Commercial Banks (% p.a.) at month-end



Source: Central Bank of Sri Lanka

Average Return on Mudarabah Term Deposits by each Quarter - 2023

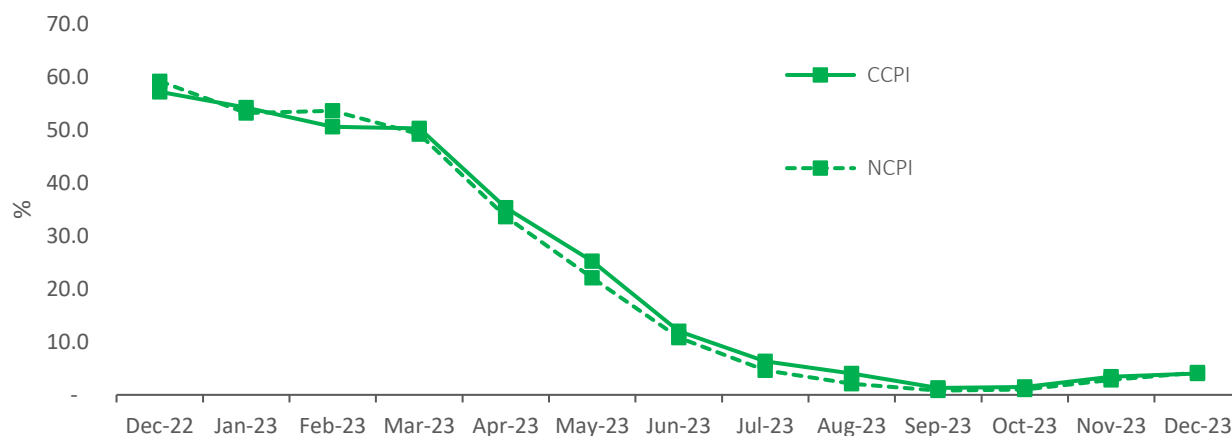


Source: Senfin Asset Management (Pvt) Ltd

From as high as 57.2% recorded Inflation (measured by the year-on-year change in the Colombo Consumer Price Index - CCPI) in December 2022, policy makers were successful enough to bring the inflation down to 4.0% in December 2023. Single digit inflation numbers started to report from July 2023. Further, Inflation measured by Year-on-Year change in the National Consumer Price Index (NCPI) decreased to 4.2% in December 2023 from 59.2% in December 2022.



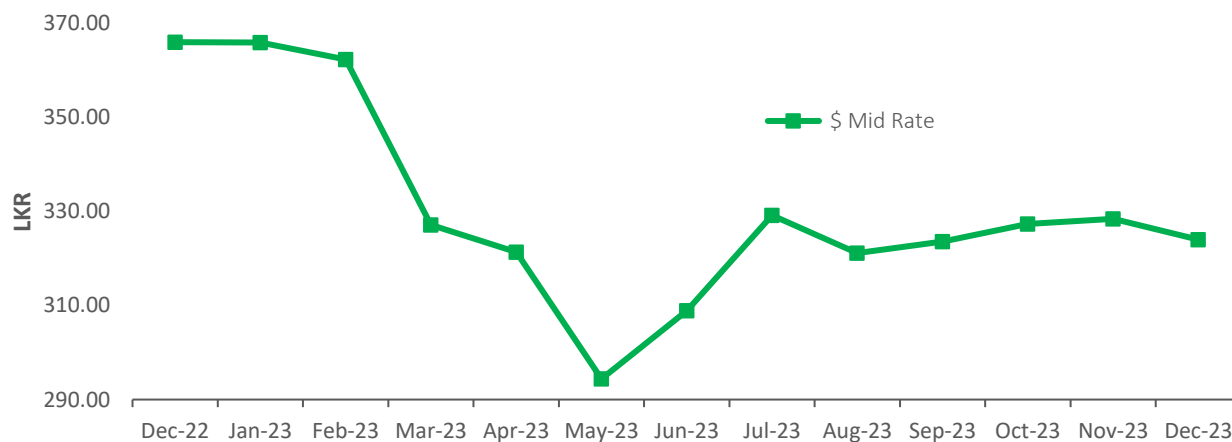
Movement in the CCPI and NCPI



Source: Central Bank of Sri Lanka

Movement in the USD/LKR Rate

On the back of IMF Extended Fund Facility, other foreign inflows, improved worker remittances and improved tourism earnings, the Gross Official Reserves witnessed a notable increase. As a result of those factors, LKR appreciated 11.5% against USD during FY2023.



Source: Central Bank of Sri Lanka

Fund Performance

During the period under review, Senfin Shariah Income Fund posted an annualized return of 15.71%.

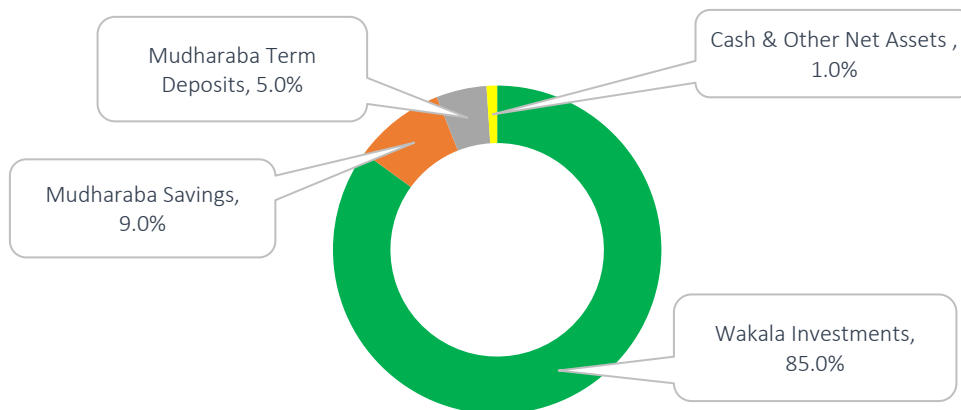
Fund Performance as at 31st Dec 2023

Period	Since Inception	1-Year	6-month	3-month
Fund Return	7.15%	15.71%	13.90%	12.71%

Source: Senfin Asset Management (Pvt) Ltd

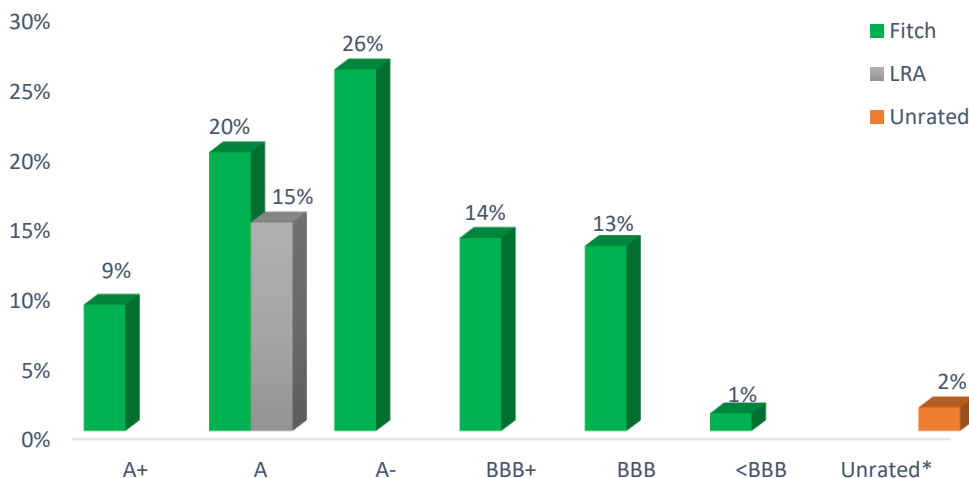
Note: Performance data is net of management fees and taxes. Returns are annualized.

Asset Allocation as a percentage of Net Asset Value as at 31st Dec 2023



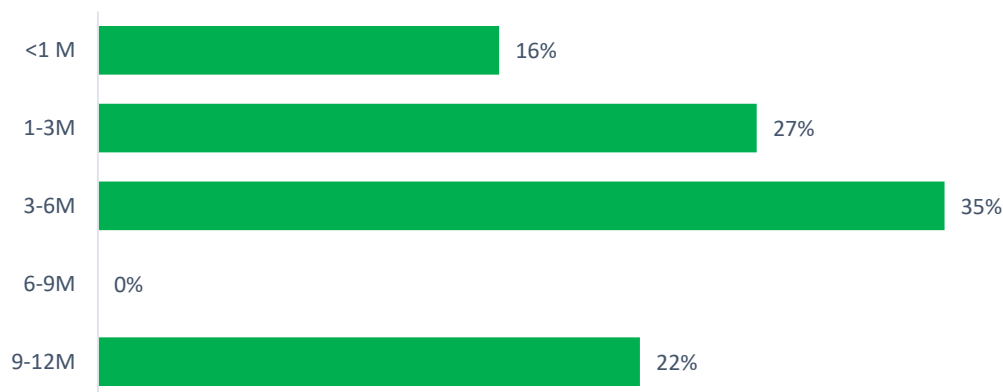
Source: Senfin Asset Management (Pvt) Ltd

Credit Profile of the Fund as at 31st Dec 2023



Source: Senfin Asset Management (Pvt) Ltd

Maturity Profile of the Fund as at 31st December 2023



Source: Senfin Asset Management (Pvt) Ltd

With the assistance of correct policies in place, we witness a sound recovery in key macro-economic variables such as single digit inflation, LKR appreciation against the dollar, remarkable improvement in tourism arrivals, increasing remittances, improved official reserves, positive GDP growth etc.

It is expected that there's further room for market interest rates to decline in the short run. However, in the second half of 2024, there could be some upward pressure on market interest rates. The Policy Rates are projected to align with the statement of the CBSL and maintained at current levels in the short run. However, it is anticipated that a monetary policy easing could take place in the event of a change in the direction of market interest rates. Mudarabah rates are also expected to slightly decline further in the coming months and follow a similar trajectory to conventional rates.

Given the current macroeconomic and interest rate conditions, our commitment is to maximize returns for the fund by investing in high-quality asset classes based on their respective risk profiles in the Shariah Investment Universe. Further, our key priorities are to provide current income and liquidity to unit holders by investing in Shariah compliant income-based securities.

Investment Team



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

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Email: audit@kreston.lk
Web: www.kreston.lk

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

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of **SENFIN SHARIAH INCOME FUND** (the Fund) which comprise the Statement of Financial Position as at 31st December 2023 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 2023, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 3 to 19.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Fund as at 31st December 2023, and of its financial performance and its cash flows for the year then ended 31st December 2023 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

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Partners

S Rajanathan FCA, FCMA (UK) | N K Atukorala FCA, ACMA | Ms. H D S C A Tillekeratne 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, CISA

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
2ND APRIL 2024
ST/H/sk
 ST-Senfin Shariah Income Fund (2023)-c8



SENFIN SHARIAH INCOME FUND

STATEMENT OF FINANCIAL POSITION AS AT

		31.12.2023 Rs.	31.12.2022 Rs.
ASSETS	Note		
Cash & Cash Equivalents	4	13,719,225	5,304,609
Financial Assets at amortized cost			
- Mudharabah Term Deposits	5.1	6,459,085	12,593,200
- Wakala Investments	5.2	111,337,261	34,910,991
TOTAL ASSETS		131,515,571	52,808,800
UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued & Other Payables	6	1,071,901	330,440
Total Liabilities (Excluding net assets attributable to Unit Holders)		1,071,901	330,440
UNIT HOLDERS FUNDS			
Net Assets Attributable to Unit holders		130,443,670	52,478,360
		131,515,571	52,808,800

The Accounting Policies and the Notes on Pages 7 to 19 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
 Senfin Asset Management (Pvt) Ltd.
 Fund Management Company


 Director
 Senfin Asset Management (Pvt) Ltd.
 Fund Management Company



2nd April 2024



SENFIN SHARIAH INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

		31.12.2023 Rs.	31.12.2022 Rs.
	Note		
Investment Income			
Finance Income	7	16,035,348	5,588,453
Total Investment Income		<u>16,035,348</u>	<u>5,588,453</u>
Less : Expenses			
Management Fees		586,644	296,995
Trustee Fees		172,985	83,114
Custody Fees		283,076	268,416
Audit Fees		164,891	176,916
Audit Fees Under Provision		-	(6,213)
Other Expenses		89,493	86,813
Withholding Tax		885,243	-
		<u>2,182,332</u>	<u>906,041</u>
Net Profit Before Tax	8	13,853,016	4,682,412
Less : Income Tax Expense	9	-	-
Net Profit after Tax for the year		<u>13,853,016</u>	<u>4,682,412</u>
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		<u>13,853,016</u>	<u>4,682,412</u>
Increase / (Decrease) in Net Assets Attributable to Unit Holders		13,853,016	4,682,412

The Accounting Policies and the Notes on Pages 7 to 19 form an integral part of these Financial Statements.



SENFIN SHARIAH INCOME FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS

FOR THE YEAR ENDED

	31.12.2023 Rs.	31.12.2022 Rs.
Unit Holders Funds as at 01st January	52,478,360	47,777,949
Received on Creation of Units	67,522,500	21,000
Paid on Redemption of Units	(3,410,206)	(3,001)
Increase / (Decrease) in net assets attributable to Unit Holders during the year	13,853,016	4,682,412
Net Increase / (Decrease) due to Unitholders' Transactions	130,443,670	52,478,360
Income Distribution for the year	-	-
Unit Holders Funds as at 31st December	130,443,670	52,478,360

The Accounting Policies and the Notes on Pages 7 to 19 form an integral part of these Financial Statements.



SENFIN SHARIAH INCOME FUND

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED

	31.12.2023 Rs.	31.12.2022 Rs.
Cash Flow from Operating Activities		
Finance income received	10,271,929	5,370,172
Management, Trustee & Custodian Fees paid	(992,162)	(376,378)
Other expenses paid	(448,709)	(528,880)
Net investment (in) / from mudharabah term deposits	6,000,000	(1,000,000)
Net investment in wakala investments	(70,528,736)	(1,558,299)
Net Cash Generated from / (used in) Operating Activities	(55,697,678)	1,906,615
Cash Flows from Financing Activities		
Cash received on Creation of Units	67,522,500	21,000
Cash paid on redemption of units	(3,410,206)	(3,001)
Net Cash Generated from Financing Activities	64,112,294	17,999
Net Increase in Cash & Cash Equivalents	8,414,616	1,924,614
Cash and Cash Equivalents at the beginning of the year	5,304,609	3,379,995
Cash and Cash Equivalents at the end of the year	13,719,225	5,304,609
Analysis of Cash and Cash Equivalents at the end of the year		
Cash & Bank Balances	13,719,225	5,304,609

The Accounting Policies and the Notes on Pages 7 to 19 form an integral part of these Financial Statements.



SENFIN SHARIAH INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS****NOTE 1 - CORPORATE INFORMATION****NOTE 1.1 - GENERAL INFORMATION**

Senfin Shariah Income Fund ("the Fund") is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched on 07 October 2014.

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 No 481, T. B. Jayah Mawatha, Colombo 10.

The investment objective of the fund is to achieve a regular stream of income by investing in a well-diversified portfolio of Shariah compliant income generating securities.

NOTE 1.2 - DATE OF AUTHORIZATION FOR ISSUE.

The financial statements of the fund for the year ended 31st December 2023 were authorized for issue by the fund management company and the trustee on 2nd April 2024.

NOTE 2 - PREPARATION OF FINANCIAL STATEMENTS**NOTE 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).

NOTE 2.1.1 - STATEMENT OF COMPLIANCE

The financial statements which comprise the statement of financial position as at 31 December 2023, 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 information have been prepared and presented in accordance with Sri Lanka Accounting Standards.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 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 fund's accounting policies, which are described below, the fund management company is required to make judgements and assumptions and 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 financial instruments are determined by observable market prices or rates.

NOTE 2.3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2.3.1 - FINANCIAL ASSETS

(i) Recognition and initial measurement

Shariah compliant 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 is initially measured at fair value plus, for an item not at 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

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.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.1 - FINANCIAL ASSETS (CONTD.)

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.

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 Mudarabah term deposits, Wakala investments and cash and cash equivalents.

(iii) Subsequent measurement and gains and losses

<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.
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NOTE 2.3.2 - FINANCIAL LIABILITIES - CLASSIFICATION, SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES

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 measured at amortised cost include accrued expenses and other payables.

NOTE 2.3.4 - 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.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.5 - FINANCIAL LIABILITIES

The fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or when expires. 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 2.3.6 - 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 2.3.7 - IMPAIRMENT

The fund recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized 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.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 2.3.7 - IMPAIRMENT (CONTD.)

Credit-impaired financial assets

At each reporting date, the fund assesses whether financial assets carried at amortized 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 company on terms that the company 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 amortized 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.

NOTE 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.

(i) Finance income from Mudharabah investments

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

(ii) Finance income from Wakala investments

Finance income from Wakala investments are accrued using agreed profit sharing rate.



SENFIN SHARIAH INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 2.5 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the statement of financial position comprise cash at bank and Mudharabah saving accounts.

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 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.

NOTE 2.7 - EXPENSES

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

Management fee	-	0.6% p.a of net asset value of the fund calculated on a daily basis
Trustee fee	-	0.15% p.a of net asset value of the fund calculated on a daily
Custodian fee	-	Flat fee of Rs.20,000 per month

NOTE 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 unit holders as at the reporting date.

NOTE 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, profit share rate risk and liquidity risk.

Financial instruments of the fund comprise investments in Mudharabah term deposits, Mudharabah saving deposits and Wakala agreements 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 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.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)

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 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 finance income 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. The fund is subject to credit risk on its mudharabah savings, mudharabah term deposits and wakala investment balances.

It is the fund's policy to enter into financial instruments with reputable counterparties which are approved by the Shariah Supervisory Board. This is categorized objectively by the criteria that the fund will invest only in companies carrying a good rating.

b) **Credit Risk (Contd.)**

2023 Counterparty	Credit rating	Rating agency
LOLC Finance PLC	A	Lanka Rating
People's Leasing and Finance PLC	A(-)	Fitch Rating
Amana Bank PLC	BB+	Fitch Rating
Hatton National Bank PLC	A	Fitch Rating
MCB Bank Limited	A+	ICRA Rating
Richard Pieris Finance Limited	A	Fitch Rating
National Development Bank PLC	A(-)	Fitch Rating
LB Finance PLC	BBB+	Fitch Rating
Vidulanka PLC	A+	Fitch Rating
Citizen Development Business Fi	BBB	Fitch Rating



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)

2022 Counterparty	Credit rating	Rating agency
LOLC Finance PLC	A	ICRA
People's Leasing and Finance PLC	A+	Fitch Rating
Amana Bank PLC	BB+	Fitch Rating
Hatton National Bank PLC	AA(-)	Fitch Rating
MCB Bank Limited	A+	ICRA
Richard Pieris Finance Limited	AA(-)	Fitch Rating
National Development Bank PLC	A(-)	Fitch Rating
LB Finance PLC	A(-)	Fitch Rating
Commercial Leasing & Finance PLC	A	ICRA

The fund is also subject to credit risk on its bank balance. The credit risk exposure on these instruments is managed by banking with financial institutions carrying a good credit rating.

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.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)

c) 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. The table below summarizes the fund's exposure to anticipated profit share rate risks.

31 December 2023	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	11,728,660	-	1,990,565	13,719,225
Financial Assets – Amortized cost	6,459,085	111,337,261	-	117,796,346
Total exposure	18,187,745	111,337,261	1,990,565	131,515,571

31 December 2022	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	4,925,076	-	379,533	5,304,609
Financial Assets – Amortized cost	12,593,200	34,910,991	-	47,504,191
Total exposure	17,518,276	34,910,991	379,533	52,808,800



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)

d) Liquidity Risk

Liquidity risk is the risk that the fund will encounter difficulty in raising fund's 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 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.
- maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The 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 Code and the Trust Deed, if redemptions 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 year.

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.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)

	Less than 30 days (Rs.)	31 - 90 days (Rs.)	91 – 180 days (Rs.)	181 – 365 days (Rs.)	Total (Rs.)
31 December 2023					
Financial Assets	23,598,142	34,731,608	35,930,542	37,255,279	131,515,571
Financial Liabilities	809,707	262,194	-	-	1,071,901
31 December 2022					
Financial Assets	5,304,609	18,256,726	-	29,247,465	52,808,800
Financial Liabilities	153,520	176,916	-	-	330,440

e) Capital Risk Management

The fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unit holders are classified as a liability.

Disclosures relevant to Unitholders' funds are as follows;

The movement in the Unitholders' funds as at 31 December 2023 and 31 December 2022.

I. In terms of value

	2023	2022
	Rs.	Rs.
Unitholders' funds as at 01 January	52,478,360	47,777,949
Creations during the year	67,522,500	21,000
Redemptions during the year	(3,410,206)	(3,001)
Increase in net assets attributable to unitholders during the year	13,853,016	4,682,412
Unitholders' funds as at 31 December	130,443,670	52,478,360

II. In terms of No. of units

	2023	2022
Opening number of units as at 01 January	3,734,485.3	3,733,086.3
Unit creations during the year	4,505,812.1	1,619
Unit redemptions during the year	(221,731.5)	(220)
Closing number of units as at 31 December	8,018,565.9	3,734,485.3



SENFIN SHARIAH INCOME FUND**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)**

As stipulated in 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.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.12.2023

31.12.2022

Rs.

Rs.

NOTE 4 - CASH & CASH EQUIVALENTS

Cash at Bank

Hatton National Bank PLC (A/c No. 003 010 527453)

1,990,565

379,533

Mudharabah saving accounts (Note 4.1)

11,728,660

4,925,076

13,719,225

5,304,609

NOTE 4.1 - INVESTMENTS IN MUDHARABAH SAVINGS DEPOSITS

LOLC Finance PLC- Islamic Banking Unit

2,322,259

10,606

People's Leasing and Finance PLC - Islamic Banking Unit

3,936,977

600,674

Amana Bank PLC

1,633,744

578,852

Hatton National Bank PLC - Islamic Banking Unit

1,643,745

1,815,457

MCB Bank Limited

2,191,935

1,919,487

11,728,660

4,925,076

NOTE 5 - FINANCIAL ASSETS - DEBT INSTRUMENTS AS AT AMORTIZED COST

NOTE 5.1 - INVESTMENTS IN MUDHARABAH TERM DEPOSITS

	31.12.2023	Holdings as % of net asset value	31.12.2022	Holdings as % of net asset value
	Rs.		Rs.	
Hatton National Bank PLC - Islamic Banking Unit	-	-	6,112,192	12%
Peoples Leasing & Finance PLC	6,459,085	5%	6,481,008	12%
	6,459,085	5%	12,593,200	24%

NOTE 5.2 - INVESTMENTS IN WAKALA INVESTMENTS

LOLC Finance PLC	16,987,271	13%	5,041,918	10%
National Development Bank PLC	18,061,128	14%	11,627,895	22%
LB Finance PLC	18,309,294	14%	6,226,849	12%
Richard Pieris Finance Ltd	18,059,288	14%	-	-
Hatton National Bank PLC - Islamic Banking Unit	6,059,967	5%	5,026,370	10%
Vidullanka PLC	11,684,369	9%	6,987,959	13%
Citizen Development Business Finance PLC	17,171,454	13%	-	-
Peoples Leasing and Finance PLC	5,004,490	4%	-	-
	111,337,261	86%	34,910,991	67%

NOTE 6 - ACCRUED & OTHER PAYABLES

Accrued Expenses

Management fee payable

66,157

26,608

Trustee fee payable

19,508

8,008

Custodian fees payable

24,042

24,548

Audit and tax consultancy fees payable

164,998

176,916

Professional Fee Payable

97,196

94,360

Unidentified Deposits

700,000

-

1,071,901

330,440





SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 7 - INVESTMENT INCOME

	31.12.2023 Rs.	31.12.2022 Rs.
Mudharabah Savings Deposits	340,257	106,711
Mudharabah Term Deposits	1,735,488	1,137,054
Wakala Investments	13,959,603	4,324,314
Placement	-	20,374
	<u>16,035,348</u>	<u>5,588,453</u>

NOTE 8 - NET PROFIT / (LOSS) BEFORE TAXATION

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

Management Fees	586,644	296,995
Trustee Fees	172,985	83,114
Custodian Fees	283,076	268,416
Audit Fees	164,891	176,916
Audit Fees Under Provision	-	(6,213)
Other Expenses & Withholding Tax	<u>974,736</u>	<u>86,813</u>

NOTE 9 - 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:

	31.12.2023 Rs.	31.12.2022 Rs.
Net Profit before tax	13,853,016	4,682,412
Aggregate disallowable expenses / net gains	-	-
Income Exempt from tax	<u>(13,853,016)</u>	<u>(4,682,412)</u>
Aggregate allowable net (gains) / Losses	-	-
Statutory Income / (Loss)	-	-
Total statutory income	<u>-</u>	<u>-</u>

Income tax at the rate of 10%

Income tax expense reported in the Statement of Comprehensive Income

-	-
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NOTE 9.1 - INCOME TAX RECEIVABLE

Income Tax Receivable	129,217	129,217
Allowance for impairment provision for Income Tax Receivable	<u>(129,217)</u>	<u>(129,217)</u>
	<u>-</u>	<u>-</u>

The net income tax recoverable comprised of Withholding Tax (WHT) of Rs. 129,217/-. The Fund Manager intends to claim the WHT recoverable by means of a refund. Due to uncertainties in recoverability, an allowance for impairment is made against the income tax receivable balance amounting to Rs. 129,217/-.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 15 - 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 SHARIAH INCOME FUND is Senfin Asset Management (Private) Limited.

The Trustee is Hatton National Bank PLC

Key Management Personneli) **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 Abeyesuriya (Upto 02.11.2023)

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:

Mr. Jeevan Sukumaran - Chief Executive Officer

Mr. Surath Perera - Chief Investment Officer

Mr. Murugiah Rajendran - Head Of Compliance

Mr. Nilanka Gamaethige - Head of Client Services & Marketing

Mr. Rajitha Elapatha - Senior Fund Manager (From 01.12.2023)

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.

Other transactions within the Fund

Apart from those details disclosed in Note 16, key management personnel have not entered in to any other transactions involving the fund during the financial year.



SENFIN SHARIAH INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 16 - RELATED PARTY TRANSACTIONS (CONTD.)

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 31.12.2023 Rs.	Payable as at 31.12.2022 Rs.
Management Fees	66,157	26,608
Trustee Fees	19,508	8,008
Custody Fee	24,042	24,548
	Charge for the year Rs.	Charge for the year Rs.
Management Fees	586,644	296,995
Trustee Fees	172,985	83,114
Custody Fees	283,086	268,416
	Income for the year Rs.	Income for the year Rs.
Mudharabah savings deposits	47,760	35,982
Mudharabah term deposits	937,808	229,315
income from wakala investments	925,315	916,589
	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
The Bank Balance held at HNB	1,990,565	379,533
Mudharabah Savings HNB PLC	1,643,745	1,815,457
Mudharabah Term Deposit HNB PLC	-	6,112,192
Wakala Agreements HNB PLC	6,059,967	5,026,370





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 Income 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.

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Senfin Asset Management (Pvt) Ltd

(A fully owned subsidiary of Senkadagala Finance PLC)

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