

# Annual Report

Senfin Shariah Income Fund

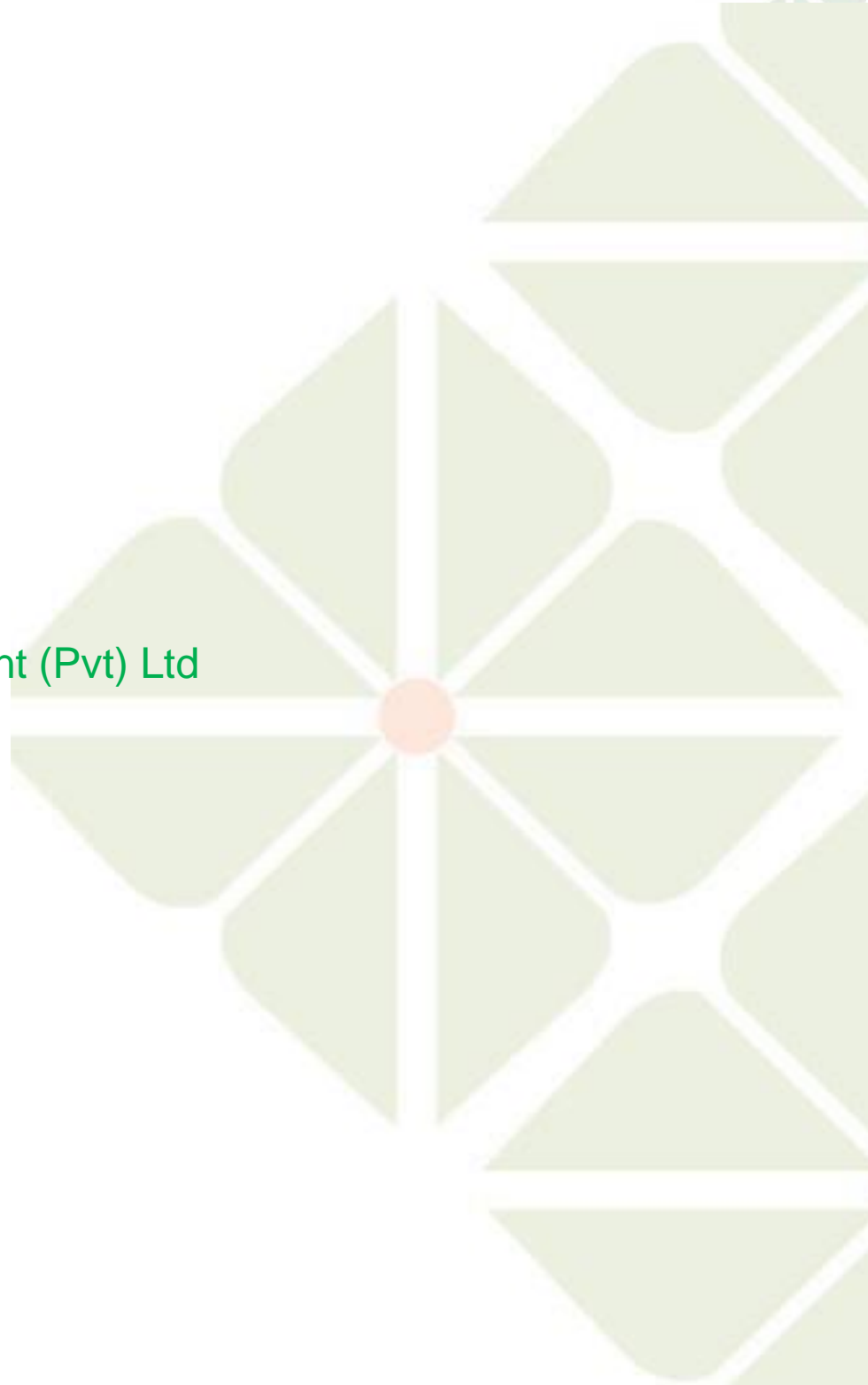
FY 2022



**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 was formerly known as Candor Asset Management (Pvt) Ltd and was acquired by Senkadagala Finance PLC in March 2020, with the former's name was changed to Senfin Asset Management (Pvt) Ltd in August of the same year.

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

## Board of Directors

### Dr. Prathap Ramanujam - Chairman

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

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

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

### Mr. Sanath Divale Bandaranayake – Executive Director

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

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



### **Mr. Ravindra Abeysuriya - Director**

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

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

### **Mr. Sonal Balasuriya -Director**

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

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

**Mr. Tilak Collure - Director**

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

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

**Mr. Keshav Balasuriya – Director**

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

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

## Key Personnel

### Mr. Jeevan Sukumaran – Chief Executive Officer

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

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

### Mr. Murugiah Rajendran – Head of Compliance

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

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



**Mr. Monica Wanigasekara - Fund Manager**

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

Ms. Wanigasekara has a Bachelor of Commerce (Special) (Hons) Degree and a Post Graduate Diploma in Applied Finance from the University of Sri Jayewardenepura, Sri Lanka. She is also a Certified

Business Accountant of the Institute of Chartered Accountants of Sri Lanka. She has been employed in the Company from 2011.

**Mr. Surath Perera – Fund Manager**

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

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

**Mr. Nuwan Kalupahana - Finance Manager**

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

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



### **Mr. Ravinath Weerakoon – Fund Manager**

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

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

### **Ms. Hesthika Perera - Assistant Registrar**

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

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

### **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 Banks he covered aspects mainly such as Portfolio Management, Proposition Management, PFS Lending, Brand Marketing, Operations, recoveries, branch management, strategic planning. While at Standard Chartered Bank he also worked as a Teller Service Manager and thereafter as the acting Branch Manager at the Negombo branch and a Relationship Manager at the Lipton Circle Branch, Colombo.

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

## Investment Committee

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

### Mr. Alastair Corera, CFA

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

### Mr. Mahendra Jayasekera

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

### Mr. Keshav Balasuriya

*see profile above*

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## **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

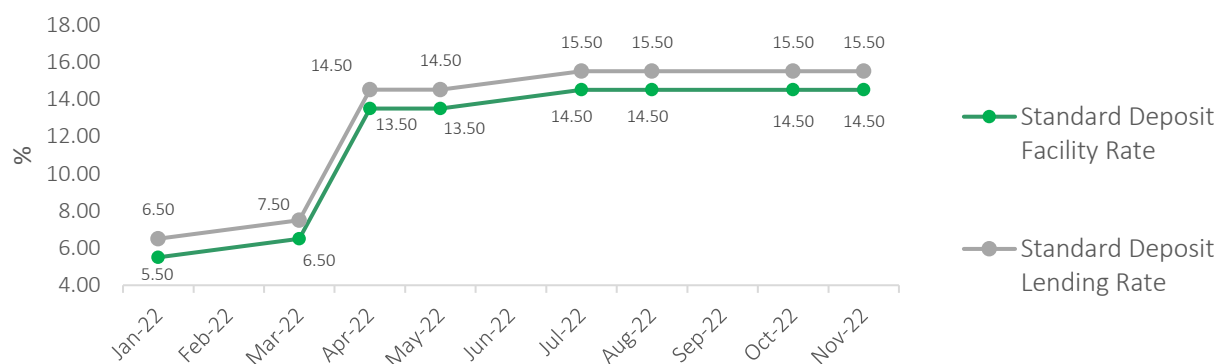
## FUND MANAGER'S REPORT

Dear Investor,

We are pleased to present the Annual report of the Senfin Shariah Income Fund for the year ending 31<sup>st</sup> December 2022.

During the year the country faced severe economic and social challenges mainly owing to foreign exchange shortages which lead to deteriorating macroeconomic fundamentals. Rising global commodity and energy prices, shortages in supply of essential food items and medication, escalating fuel prices and prolonged power cuts added mounting pressure on the local economy. During CY2022, the Monetary Board of the Central Bank of Sri Lanka (CBSL) executed a contractionary monetary policy stance with four rate hikes up to July 2022. Following that, rates were maintained during the latter part of 2022. Consequently, the Standing Deposit Facility Rate (SDFR)<sup>1</sup> stood at 14.50% as at 31 Dec 2022 compared to 5.00% as at 31 Dec 2021 and the Standing Lending Facility Rate (SLFR)<sup>1</sup> stood at 15.50% compared to 6.00% as at 31 Dec 2021. However, the Statutory Reserve Ratio<sup>1</sup> was maintained at 4.00% throughout the subject period.

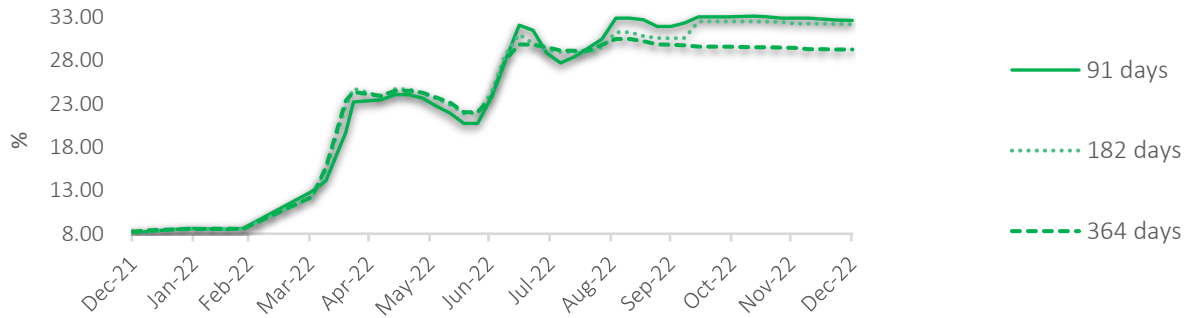
### Movement in Monetary policy



Source: Central Bank of Sri Lanka

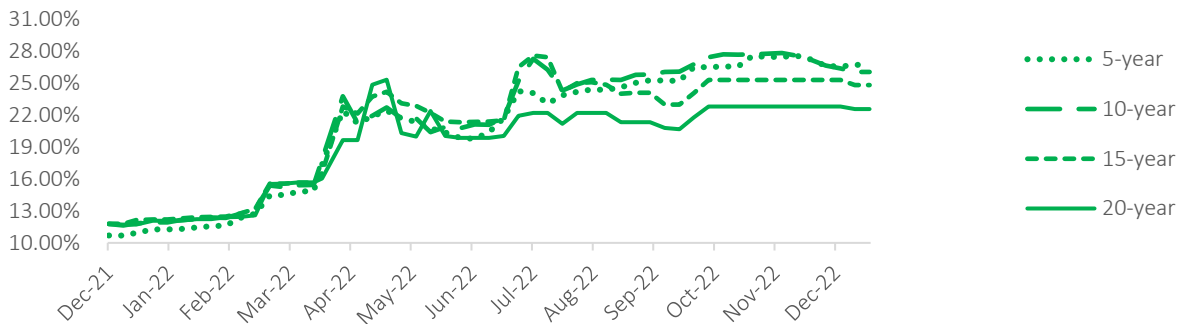
In line with the aforesaid changes to the Monetary Policy, Government Security yields as well as market interest rates on deposits offered by commercial banks and other non-bank financial institutions too followed a similar trajectory. Investor demand however, flowed into Treasury Bills and Treasury Bonds as yields reached historically high levels during the 1<sup>st</sup> half of the year. The benchmark 03, 06 and 12-month yields increased from 8.16%, 8.33% and 8.24% respectively as at the end of December 2021 to 32.64%, 32.20% and 29.27% respectively as at the end of December 2022<sup>2</sup>. Similarly yields on long term government bonds too increased as rates exceeded the 20.00% mark across multiple maturities.

**Treasury Bill Rate Movement**



Source: Central Bank of Sri Lanka

**Treasury Bond Rate Movement**

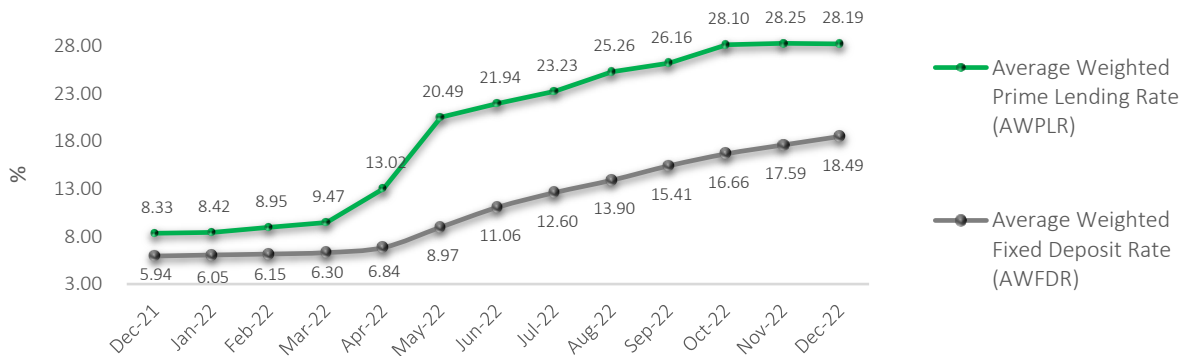


Source: Central Bank of Sri Lanka

Following the tightening of monetary conditions in the first quarter of 2022, all deposit and lending rates showed an increasing trend, with Average Weighted Prime Lending Rate (AWPLR) increased by 19.86% and Average Fixed Deposit Rate (AWFDR) increased by 12.55% from December 2021 through the end of December 2022.

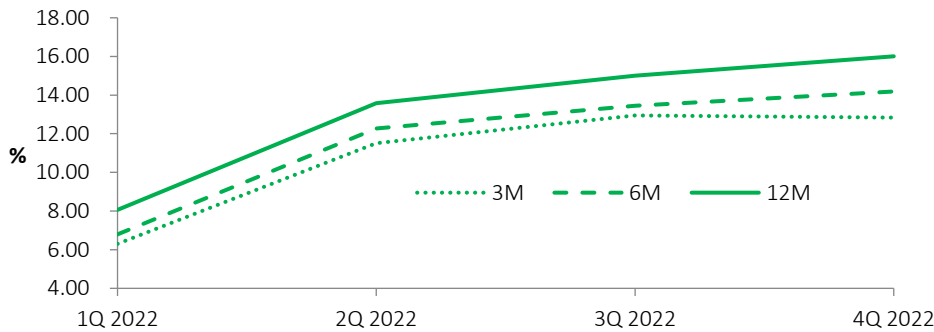
Mudharaba rates have also increased as displayed in the below graph. However, the growth has been at a slower pace than policy rates and treasury yields.

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



Source: Central Bank of Sri Lanka

**Average Return on Mudarabah Term Deposits by each Quarter - 2022**

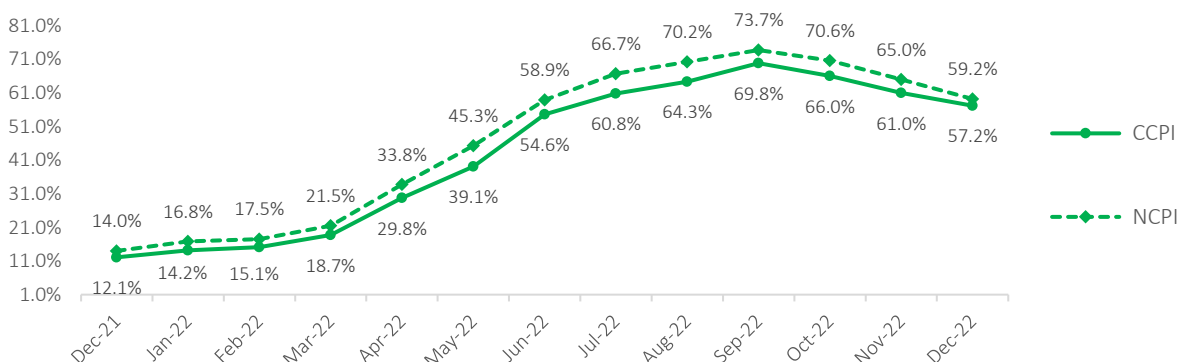


Source: Senfin Asset Management (Pvt) Ltd

Headline inflation measured by the year-on-year change in the Colombo Consumer Price Index (CCPI) increased from 12.1% as at the end of December 2021 to 57.2% as at the end of December 2022. We experienced the highest inflation rate on record of 69.8% in September 2022, which was driven by increases in both food and non-food categories. Food inflation rose to 64.4%, and non-food inflation rose by 53.4% in December 2022. Similarly, Inflation measured by the year-on-year change in the National Consumer Price Index (NCPI) increased from 14.0% to 59.2% during the same period.

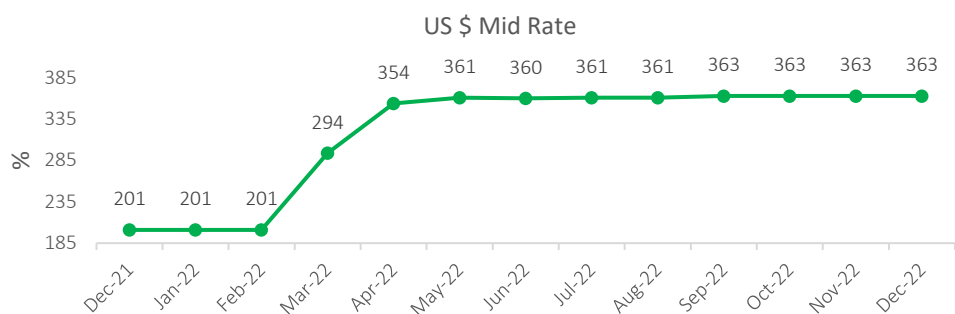
However, year-on-year headline inflation based on both the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) continued to decelerate in December 2022 for the third consecutive month, supported by subdued aggregate demand resulting from tight monetary and fiscal policies.

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



Source: Central Bank of Sri Lanka

**Movement in the USD/LKR Rate**



Source: Central Bank of Sri Lanka

**Fund Performance**

During the period under review, Senfin Shariah Income Fund posted an annualized return of 5.74%.

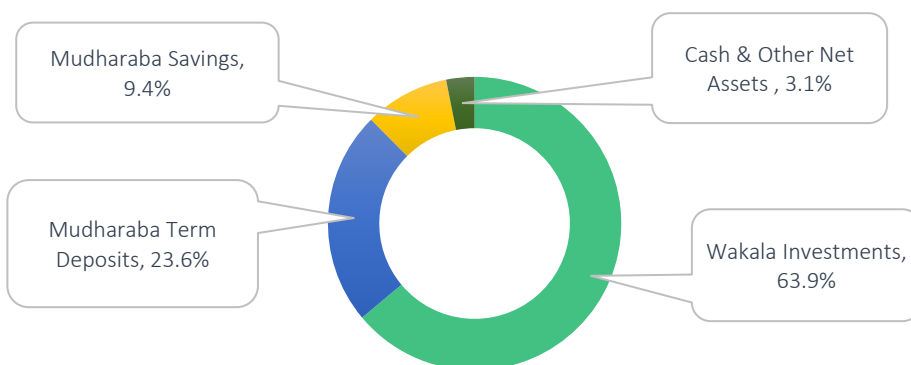
**Fund Performance as at 31<sup>st</sup> December 2022**

Period	Since Inception	Year to Date	6-month	3-month
Fund Return	6.14%	9.85%	13.45%	15.47%

Source: Senfin Asset Management (Pvt) Ltd

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

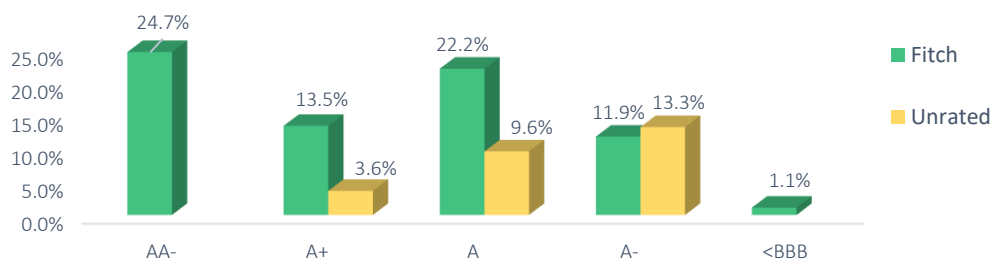
**Asset Allocation as a percentage of Total Net Assets as at 31<sup>st</sup> December 2022 (Net of payables)**



Source: Senfin Asset Management (Pvt) Ltd

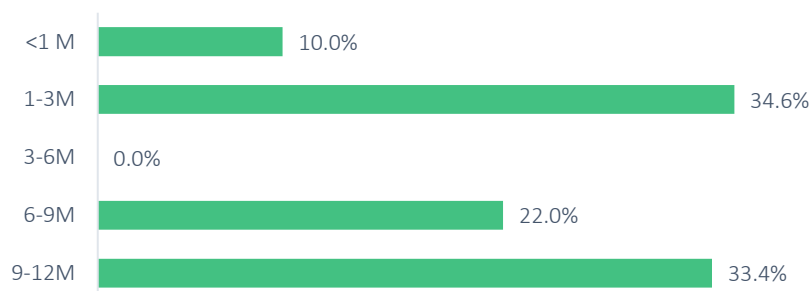


**Credit Profile of the Fund as at 31<sup>st</sup> December 2022**



Source: Senfin Asset Management (Pvt) Ltd

**Maturity Profile of the Fund as at 31<sup>st</sup> December 2022**



Source: Senfin Asset Management (Pvt) Ltd

Subsequent to CY2022 being negatively impacted by economic downturn, CY2023 is largely seen as a year of recovery. It is evident from factors such as inflation heading downwards, gradually reducing interest rates, LKR showing signs of appreciation, increasing tourist arrivals, increasing remittances, uninterrupted power supply and availability of necessities etc. as well as the approval of IMF facility. However, as the government moves ahead with the reforms proposed by the IMF, the uncertainty over the likelihood of a Debt Restructure on Rupee denominated Government Securities, market rates on government securities have been volatile despite rates easing off in 2023.

Similarly, Mudarabah rates have also indicated a gradual drop from the peak in line with conventional interest rate drops, and they are expected to follow a similar trend in the coming year. Therefore, we should consider locking in for longer tenures at higher rates

**Investment Team**



Kreston MNS & Co  
Chartered Accountants  
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E-mail: 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 2022, and the Statement of Comprehensive Income, Statement of Movement in unit holders Fund and Statement of Cash Flows for the year then ended 31<sup>st</sup> December 2022, 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 2022, and of its financial performance and its cash flows for the year then ended 31<sup>st</sup> December 2022 in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements of the Code of Ethics issued by Chartered Accountants of Sri Lanka that are relevant to our audit of the Financial Statements and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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



#### Member of Kreston Global UK

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

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

#### Partners

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

#### 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**  
**30<sup>TH</sup> MARCH 2023**  
ST/H/sk  
ST-Senfin Shariah Income Fund (2022)-c8



## SENFIN SHARIAH INCOME FUND

### STATEMENT OF FINANCIAL POSITION AS AT

	Note	31.12.2022 Rs.	31.12.2021 Rs.
<b>ASSETS</b>			
Cash & Cash Equivalents	4	5,304,609	3,379,995
Financial assets at amortized cost			
- Mudharabah term deposits	5.1	12,593,200	11,568,963
- Wakala investments	5.2	34,910,991	33,158,638
<b>TOTAL ASSETS</b>		<b>52,808,800</b>	<b>48,107,596</b>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued & Other Payables	6	330,440	329,647
<b>Total Liabilities (Excluding net assets attributable to Unit Holders)</b>		<b>330,440</b>	<b>329,647</b>
<b>UNIT HOLDERS FUNDS</b>			
Net Assets Attributable to Unit holders		52,478,360	47,777,949
		<b>52,808,800</b>	<b>48,107,596</b>

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.

  
 Trustee  
 Hatton National Bank PLC  
 Fund Management Company

30th March 2023



## SENFIN SHARIAH INCOME FUND

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED

		31.12.2022 Rs.	31.12.2021 Rs.
<b>Investment Income</b>	<b>Note</b>		
Finance Income	7	5,588,453	2,442,510
<b>Total Investment Income</b>		<u>5,588,453</u>	<u>2,442,510</u>
<b>Less : Expenses</b>			
Management Fees		296,995	281,809
Trustee Fees		83,114	76,088
Custody Fees		268,416	259,197
Audit Fees		176,916	191,758
Audit Fees Under Provision		(6,213)	-
Other Expenses		86,813	72,991
		<u>906,041</u>	<u>881,843</u>
<b>Net Profit / (Loss) Before Tax</b>	8	4,682,412	1,560,667
Less : Income Tax Expense	9	-	-
<b>Net Profit / (Loss) after Tax for the year</b>		<u>4,682,412</u>	<u>1,560,667</u>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the year</b>		<u>4,682,412</u>	<u>1,560,667</u>
<b>Increase / (Decrease) in Net Assets Attributable to Unit Holders</b>		4,682,412	1,560,667

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**

	31.12.2022 Rs.	31.12.2021 Rs.
<b>Unit Holders Funds as at 01st January</b>	47,777,949	46,190,835
Received on Creation of Units	21,000	45,100
Paid on Redemption of Units	(3,001)	(18,653)
Increase / (Decrease) in net assets attributable to Unit Holders during the year	4,682,412	1,560,667
Net Increase / (Decrease) due to Unitholders' Transactions	52,478,360	47,777,949
Income Distribution for the year	-	-
<b>Unit Holders Funds as at 31st December</b>	<b>52,478,360</b>	<b>47,777,949</b>

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**

	31.12.2022 Rs.	31.12.2021 Rs.
	Note	
<b>Cash Flow from Operating Activities</b>		
Finance income received	5,370,172	2,152,049
Management, trustee fees paid	(376,378)	(615,901)
Other expenses paid	(528,880)	(269,694)
Net investment (in) / from mudharabah term deposits	(1,000,000)	4,600,000
Net investment in wakala investments	(1,558,299)	(7,271,103)
<b>Net Cash Generated from / (used in) Operating Activities</b>	<u>1,906,615</u>	<u>(1,404,649)</u>
<b>Cash Flows from Financing Activities</b>		
Cash received on Creation of Units	21,000	45,100
Cash paid on redemption of units	(3,001)	(18,653)
<b>Net Cash Generated from / (used in) Financing Activities</b>	<u>17,999</u>	<u>26,447</u>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	1,924,614	(1,378,202)
<b>Cash and Cash Equivalents at the beginning of the year</b>	<u>3,379,995</u>	<u>4,758,197</u>
<b>Cash and Cash Equivalents at the end of the year</b>	4 5,304,609	<u>3,379,995</u>
<b>Analysis of Cash and Cash Equivalents at the end of the year</b>		
Cash & Bank Balances	<u>5,304,609</u>	<u>3,379,995</u>

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 31 December 2022 were authorized for issue by the fund management company and the trustee on 30<sup>th</sup> March 2023

**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 2022, 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.

**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.





## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 2.2 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS [CONTD.]

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 2.3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTD.]

## NOTE 2.3.1 - FINANCIAL ASSETS [CONTD.]

(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 2.3.3 - DERECOGNITION

## 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.

## 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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 2.3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTD.]****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.

**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;
- contract such as a default or being more than 90 days past due;
- restructuring of a loan or advance by the company on terms that the company would not consider otherwise;
- 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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****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.

**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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****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.

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)

## b) Credit Risk (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		
Richard Pieris Finance Limited	AA(-)	Fitch Rating
National Development Bank PLC	A(-)	Fitch Rating
LB Finance PLC	A(-)	Fitch Rating
Commercial Leasing & Finance PLC		
Viddullanka PLC		

2021 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.

## 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)

## c) Profit Share Rate Risk (Contd.)

31 December 2022	Floating profit share rate Rs.	Fixed profit share rate Rs.	Non- profit share rate bearing Rs.	Total 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

## c) Profit Share Rate Risk (Contd.)

31 December 2021	Floating profit share rate Rs.	Fixed profit share rate Rs.	Non- profit share rate bearing Rs.	Total Rs.
<i>Financial Assets</i>				
Cash and Cash Equivalents	3,328,978	-	51,017	3,379,995
Financial Assets – Amortized cost	11,568,963	33,158,638	-	44,727,601
Total exposure	14,897,941	33,158,638	51,017	48,107,596

## 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



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)

## d) Liquidity Risk (Contd.)

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.

## d) Liquidity Risk (Contd.)

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.

31 December 2022	Less than 30 days (Rs.)	31 - 90 days (Rs.)	91 – 180 days (Rs.)	181 – 365 days (Rs.)	Total (Rs.)
Financial Assets	5,304,609	18,256,726	-	29,247,465	52,808,800
Financial Liabilities	153,520	176,916	-	-	330,440
<b>31 December 2021</b>					
Financial Assets	3,379,995	5,305,542	16,591,226	22,830,833	48,107,596
Financial Liabilities	137,890	191,757	-	-	329,647

## 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 2022 and 31 December 2021.

## I. In terms of value

	2022 Rs.	2021 Rs.
Unitholders' funds as at 01 January	47,777,949	46,190,835
Creations during the year	21,000	45,100
Redemptions during the year	(3,001)	(18,653)
Increase in net assets attributable to unitholders during the year	4,682,412	1,560,667
Unitholders' funds as at 31 December	<u>52,478,360</u>	<u>47,777,949</u>





**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**

**NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTD.)**

**e) Capital Risk Management (contd.)**

**II. In terms of No. of units**

	<b>2022</b>	<b>2021</b>
Opening number of units as at 01 January	3,733,086.3	3,731,039.9
Unit creations during the year	1,619	3,546.4
Unit redemptions during the year	(220)	(1,500.0)
Closing number of units as at 31 December	<u>3,734,485.3</u>	<u>3,733,086.3</u>

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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)	31.12.2022	31.12.2021
	Rs.	Rs.
<b>NOTE 4 - CASH &amp; CASH EQUIVALENTS</b>		
<b>Cash at Bank</b>		
Hatton National Bank PLC (A/c No. 003 010 527453)	379,533	51,017
Mudharabah saving accounts (Note 4.1)	4,925,076	3,328,978
	<u>5,304,609</u>	<u>3,379,995</u>

**NOTE 4.1 - INVESTMENTS IN MUDHARABAH SAVINGS DEPOSITS**

LOLC Finance PLC- Islamic Banking Unit	10,606	10,055
People's Leasing and Finance PLC - Islamic Banking Unit	600,674	569,791
Amana Bank PLC	578,852	563,377
Hatton National Bank PLC - Islamic Banking Unit	1,815,457	939,885
MCB Bank Limited	1,919,487	1,245,870
	<u>4,925,076</u>	<u>3,328,978</u>

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

**NOTE 5.1 - INVESTMENTS IN MUDHARABAH TERM DEPOSITS**

	31.12.2022	Holdings as % of net asset value	31.12.2021	Holdings as % of net asset value
	Rs.		Rs.	
Hatton National Bank PLC - Islamic Banking Unit	6,112,192	12%	5,128,459	11%
Peoples Leasing & Finance PLC	6,481,008	12%	6,440,504	13%
	<u>12,593,200</u>	<u>24%</u>	<u>11,568,963</u>	<u>24%</u>

**NOTE 5.2 - INVESTMENTS IN WAKALA INVESTMENTS**

LOLC Finance PLC	5,041,918	10%	5,181,672	11%
National Development Bank PLC	11,627,895	22%	10,240,411	21%
LB Finance PLC	6,226,849	12%	6,149,918	13%
Richard Pieris Finance Ltd	-	-	5,305,542	11%
Commercial Leasing & Finance PLC	-	-	6,281,095	13%
Hatton National Bank PLC - Islamic Banking Unit	5,026,370	10%	-	-
Vidullanka PLC	6,987,959	13%	-	-
	<u>34,910,991</u>	<u>67%</u>	<u>33,158,638</u>	<u>69%</u>

**NOTE 6 - ACCRUED & OTHER PAYABLES**

<b>Accrued Expenses</b>		
Management fee payable	26,608	24,311
Trustee fee payable	8,008	6,564
Custodian fees payable	24,548	22,014
Audit and tax consultancy fees payable	176,916	191,757
Professional Fee Payable	94,360	85,001
	<u>330,440</u>	<u>329,647</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)	31.12.2022 Rs.	31.12.2021 Rs.
<b>NOTE 7 - INVESTMENT INCOME</b>		
Mudharabah Savings Deposits	106,711	130,680
Mudharabah Term Deposits	1,137,054	536,972
Wakala Investments	4,324,314	1,736,024
Placement	20,374	38,834
	<u>5,588,453</u>	<u>2,442,510</u>

**NOTE 8 - NET PROFIT / (LOSS) BEFORE TAXATION**

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

Management Fees	296,995	281,809
Trustee Fees	83,114	76,088
Custodian Fees	268,416	259,197
Audit Fees	176,916	191,758
Audit Fees Under Provision	(6,213)	-
Other Expenses	86,813	72,991
	<u>86,813</u>	<u>72,991</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:**

	31.12.2022 Rs.	31.12.2021 Rs.
Net Profit / (Loss) before tax	4,682,412	1,560,667
Aggregate disallowable expenses / net gains	-	-
Income Exempt from tax	(4,682,412)	(1,560,667)
Aggregate allowable net (gains) / Losses	-	-
Statutory Income / (Loss)	-	-
Total statutory income	<u>-</u>	<u>-</u>
<b>Income tax at the rate of 10%</b>		
Income tax expense reported in the Statement of Comprehensive Income	<u>-</u>	<u>-</u>



**NOTE 9.1 - INCOME TAX RECEIVABLE**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**

**NOTE 10 - CAPITAL COMMITMENTS**

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

**NOTE 11 - EVENTS AFTER THE REPORTING DATE**

There have been no significant events occurring after the reporting date that require adjustments to or disclosures in the financial statements.

**NOTE 12 - CONTINGENCIES**

There are no material contingencies existing as at the reporting date that require adjustments to or disclosures in the financial statements.

**NOTE 13 - RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE**

	2022 Rs.	2021 Rs.
Net Asset Value as per Financial Statements	52,478,360	47,777,949
Other Expense over / under provision	26,920	-
Published Net Asset Value	<u>52,505,280</u>	<u>47,777,949</u>
Number of units outstanding	3,734,485.3	3,733,086.3
Published Net Asset Value per Unit	<u>14.06</u>	<u>12.80</u>

**NOTE 14 - UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 31st December 2022 is 3,734,485.70 The Net Asset Value per unit as at this date was Rs. 14.06 (2021 - 12.80).



**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 personnel****i) Directors**

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

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

**ii) Other key management personnel**

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

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

**Key management personnel compensation**

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.

## 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 31.12.2022 Rs.	Payable as at 31.12.2021 Rs.
Management Fees	26,608	24,311
Trustee Fees	8,008	6,564
Custody Fee	24,548	22,014
	<b>Charge for the year Rs.</b>	<b>Charge for the year Rs.</b>
Management Fees	296,995	281,809
Trustee Fees	83,114	76,088
Custody Fees	268,416	259,197
	<b>Income for the year Rs.</b>	<b>Income for the year Rs.</b>
Mudharabah savings deposits	35,982	21,470
Mudharabah term deposits	229,315	218,323
income from wakala investments	916,589	-
	<b>As at 31.12.2022 Rs.</b>	<b>As at 31.12.2021 Rs.</b>
The Bank Balance held at HNB	379,533	51,017
Mudharabah Savings HNB PLC	1,815,457	939,885
Mudharabah Term Deposit HNB PLC	6,112,192	5,128,459
Wakala Agreements HNB PLC	5,026,370	-



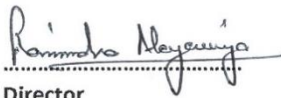
*Declaration by Trustees and Management Company as per SEC Circular No: 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds.*

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

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## **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)

### Correspondence Address

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