

Annual Report

Senfin Shariah Income Fund

FY 2021

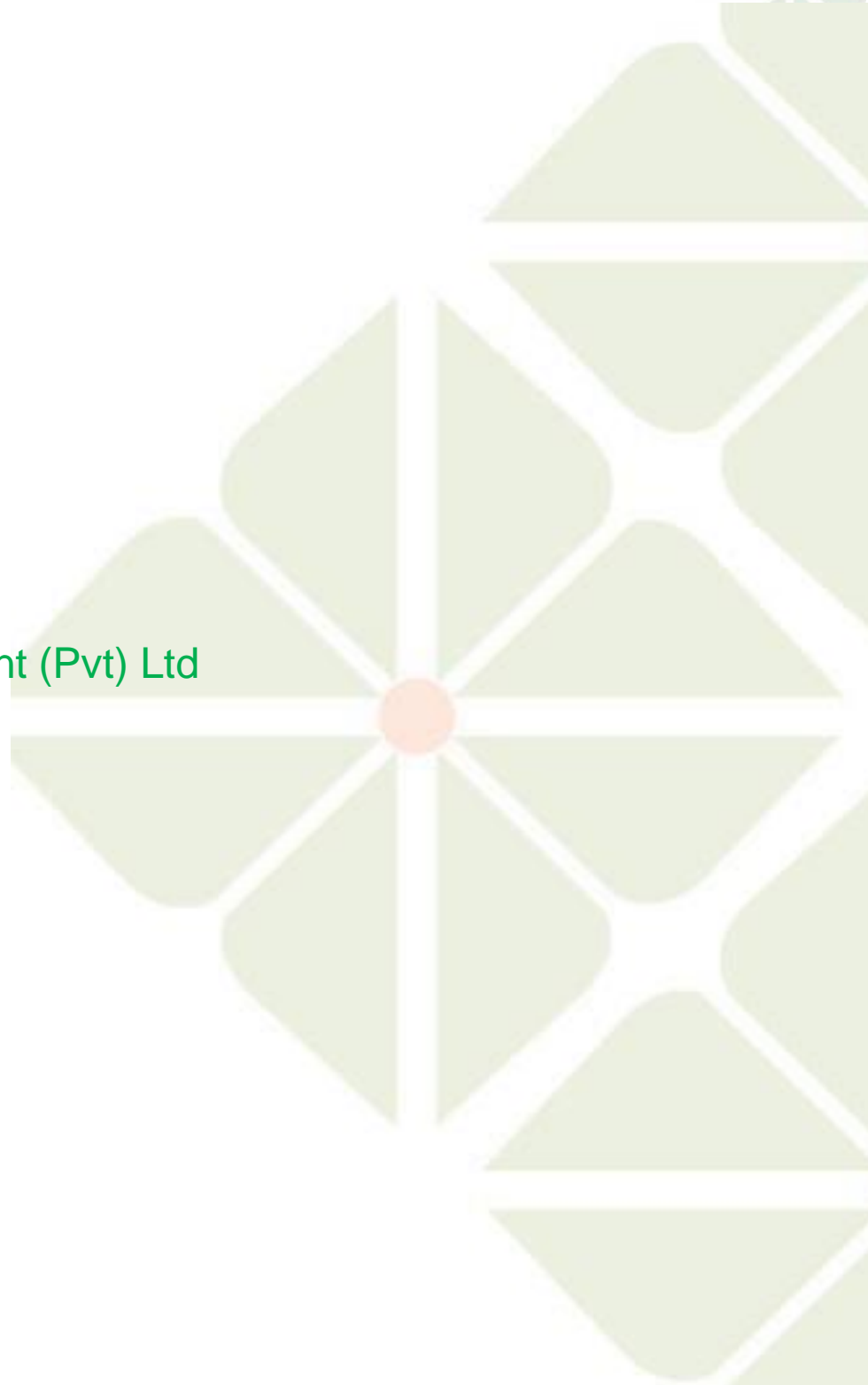


Senfin

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

Trustee and Custodian
HNB Bank PLC

Fund Manager
Senfin Asset Management (Pvt) Ltd



Senfin Shariah 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) (formally Candor Asset Management (Pvt) Ltd) is a company incorporated in Sri Lanka and licensed by the Securities & Exchange Commission of Sri Lanka (SEC) to manage unit trust funds and third-party portfolios/private portfolios for institutional clients, private provident funds, insurance funds, and high net worth individuals. SFAM also provides advisory services to high net-worth clients. With the acquisition of Candor Asset Management (Pvt) Ltd by Senkadagala Finance PLC in March 2020, the latter's name was changed to Senfin Asset Management (Pvt) Ltd in August of the same year.

SFAM is an ICRA [SL] BBB+ rated company

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

Board of Directors

Dr. Prathap Ramanujam - Chairman

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

He currently serves as director of Panasian Power PLC, Ceylon Grain Elevators PLC, Three Acre Farm PLC, Manelwela Hydro Power Pvt. Ltd, Padiyapelella Hydro Power Ltd.

Dr. Ramanujam has a First Class B.Sc. (Hons.) degree from the University of Peradeniya Sri Lanka, a M.Sc. degree in Economics from the University of Bristol, U.K and a Ph.D in Economics from the Australian National University , Canberra, Australia.

Mr. Ravindra Abeysuriya - Director

Mr. Ravindra Abeysuriya has over two decades of experience in top management positions in private equity investments, investment banking, credit rating and investment research outsourcing, and has a distinctive track record of establishing highly successful companies from inception in the financial sector in Sri Lanka. He was the Head - Strategic Business Development and Shared Services of Hayleys Group, Managing Director of Amba Research Lanka - a pioneer investment research outsourcing company, Managing Director/CEO of Fitch Ratings Lanka, the Island's first global credit rating agency, and the Head of Corporate Finance at JP Morgan. He was appointed twice as a commission member of the Securities and Exchange Commission of Sri Lanka and was a director of Sri Lanka Insurance, the Island's largest insurance company. He currently serves as director of Seylan Bank PLC, HNB Assurance PLC, Bio Foods (Private) Limited, Candor Equities Limited, Candor Shared Services (Private) Limited, CFA Society Sri Lanka, The Sri Lanka Institute of Directors and Straight Sale (Private) Limited.

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

Mr. Sonal Balasuriya -Director

Mr. Sonal Balasuriya holds a First-Class B.Sc. (Hons) degree from the University of Westminster and a Distinction in MA. Architecture from the Bartlett School of Architecture, University College London. He is also a SLIA qualified Chartered Architect. He has gained 3 years of work experience in both the United Kingdom and Sri Lanka before starting his own practice Sonal Balasuriya Architects in 2016. He is the principal architect at Sonal Balasuriya Architects and Design Studio.

Mr. Tilak Collure - Director

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

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

Mr. Sanath Divale Bandaranayake – Executive Director

Mr. Bandaranayake currently serves as an Executive Director / Additional CEO of Senkadagala Finance PLC.

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

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

Mr. Keshav Balasuriya – Director

Mr. Keshav Balasuriya is an Investment/Portfolio Manager at E.W. Balasuriya & Co (Pvt) Ltd., covering Listed Equities, Fixed Income and Real Estate asset classes since 2013. He is also a member of the Treasury Department at Senkadagala Finance PLC, since 2016 covering funding and proprietary investments of Senkadagala Finance PLC which has been operating over 50 years.

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

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

Key Personnel

Ms. Ineka Dunuwille – Chief Executive Officer

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

Mr. Murugiah Rajendran – Head of Compliance

Mr. Rajendran started banking career with Commercial Bank of Ceylon Ltd, the largest and most awarded bank in SL and served the bank for 16 years mainly in Corporate Banking. He then moved to overseas and worked as Marketing Manager, National Bank of Oman, Abu Dhabi (for 2 years), Director, Standard Chartered Bank, Dubai (12 years) and Vice President Mashreq bank plc, Dubai (11 years). He has in total 41 years of experience in banking. He has acquired a skill sets in Risk Management (including Credit Approval, Credit Monitoring, Remedial Management etc.), Client Coverage, Operational Risk Management, Business Compliance Management and Internal Audit. He had completed 14 modules of 'The Credit Skills Component' of the Standard Chartered Bank Credit Programme conducted by the external agency and designated a 'Credit Professional'. Mr. Rajendran is an Associate Member of the Chartered Institute of Management Accountants – UK (ACMA), Chartered Global Management Accountant (CGMA) and an Associate Member in the Institute of Bankers, Sri Lanka (AIB).

Ms. Monica Wanigasekara - Fund Manager

Ms. Wanigasekara has a Bachelor of Commerce (Special) (Hons) Degree and a Post Graduate Diploma in Applied Finance from the University of Sri Jayewardenepura, Sri Lanka. She is also a Certified Business Accountant of the Institute of Chartered Accountants of Sri Lanka. She has been employed in the Company from 2011. Prior to joining the SFAM, she was employed at Employees' Provident Fund, the largest Social Security Scheme in Sri Lanka with total assets of Rs. 772 billion at end 2009 as a fund manager for eight years. Prior to this period, she was employed at Jayasinghe & Co, Chartered Accountants. She has 21 years' experience in the local accounting and finance industries of which 18 years are in fund management.

Mr. Surath Perera – Fund Manager

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

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

Ms. Dulmini Ponnampereuma - Finance Manager

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

Mr. Ravinath Weerakoon – Fund Manager

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

Ms. Methmila Pelawatta- Assistant Registrar

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

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



Investment Committee

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

Mr. Alastair Corera, CFA

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

Mr. Mahendra Jayasekera

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

Mr. Keshav Balasuriya

see profile above

Risk Management Committee

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

FUND MANAGER'S REPORT

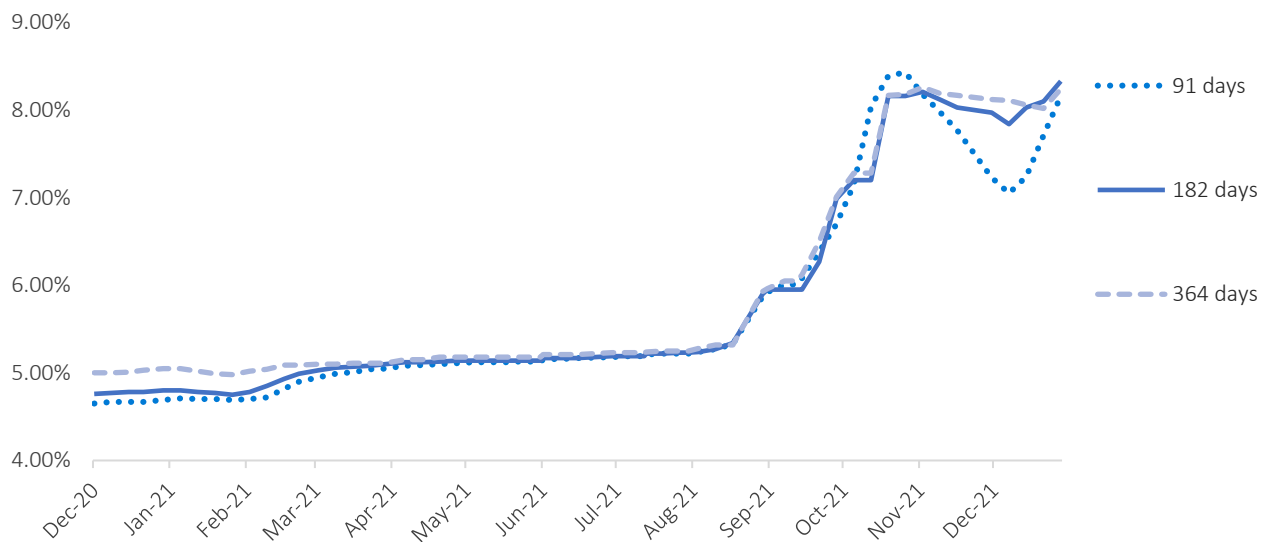
Dear Investor,

We are pleased to present the Annual Report of the Senfin Shariah Income Fund for the year ending 31st December 2021.

During 1H2021, the Monetary board of the Central Bank of Sri Lanka (CBSL) continued a loose monetary policy by maintaining Standard Deposit Facility Rate (SDFR) and Standard Lending Facility Rate (SLFR) as low as 4.5% and 5.5% respectively in order to boost economic activity amidst the spread of the Covid-19 Pandemic. However, as a means of resolving imbalances in the domestic financial markets and the external sector as well as to control the buildup of excessive inflationary pressures, the Central Bank increased policy rates in mid August 2021 by increasing the SDFR and the SLFR by 50 basis points to 5.00% and 6.00% respectively. The Statutory Reserve Ratio for banks was also increased by 200 basis points to 4.00%. Rates were maintained at these levels in the two subsequent Monetary Policy Reviews.

The benchmark 3-month, 6-month and 12-month Treasury bill yields increased by 347bp, 353bp and 319bp respectively for the year ending 31st December 2021; the 3-month, 6-month and 12-month Treasury bill yields at end December 2021 were 8.16%, 8.33% and 8.24% respectively. Treasury bill rates witnessed a significant increase following the Policy Rate increase in August 2021.

Movement in Treasury bill Rates in 2021

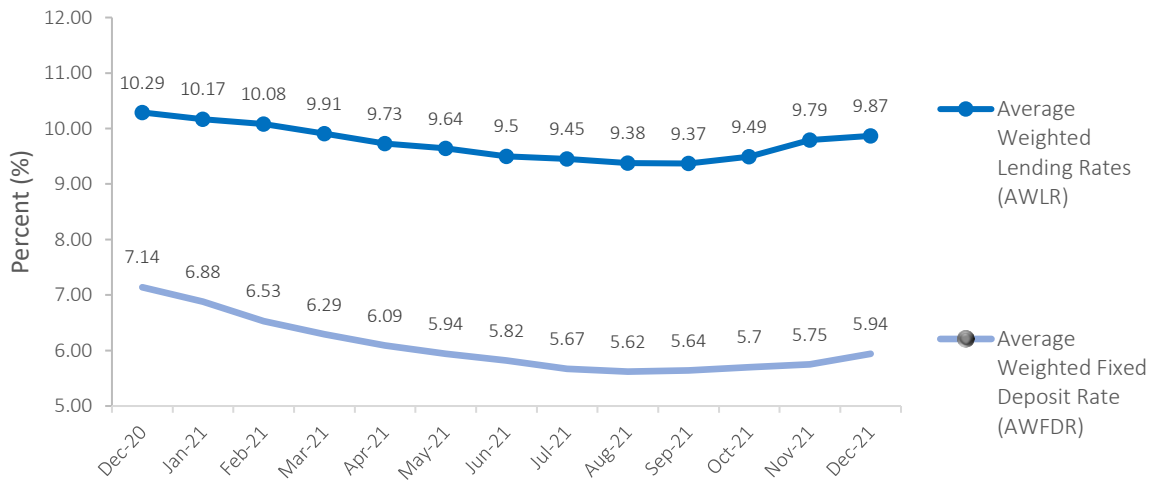


Source: Central Bank of Sri Lanka

However, the lending and deposit rates in the market as indicated by the Average Weighted Lending Rate (AWLR) and the Average Weighted Fixed Deposit Rate (AWFDR) moved down during 2H2021.



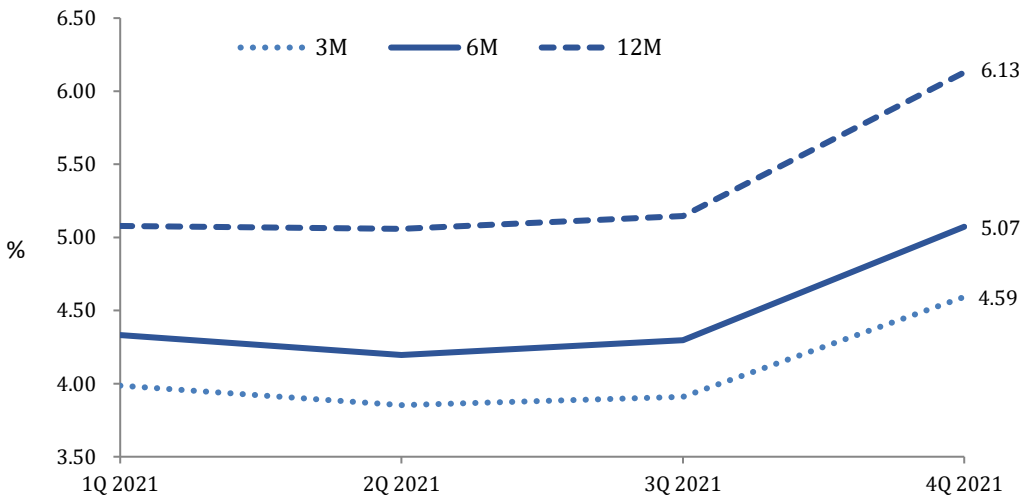
Movement of Average Weighted Fixed Deposit Rate and Average Weighted Lending Rates of Commercial Banks (% p.a.) at month-end



Source: Central Bank of Sri Lanka

Average Return on Mudharaba Term Deposits by each Quarter – 2021

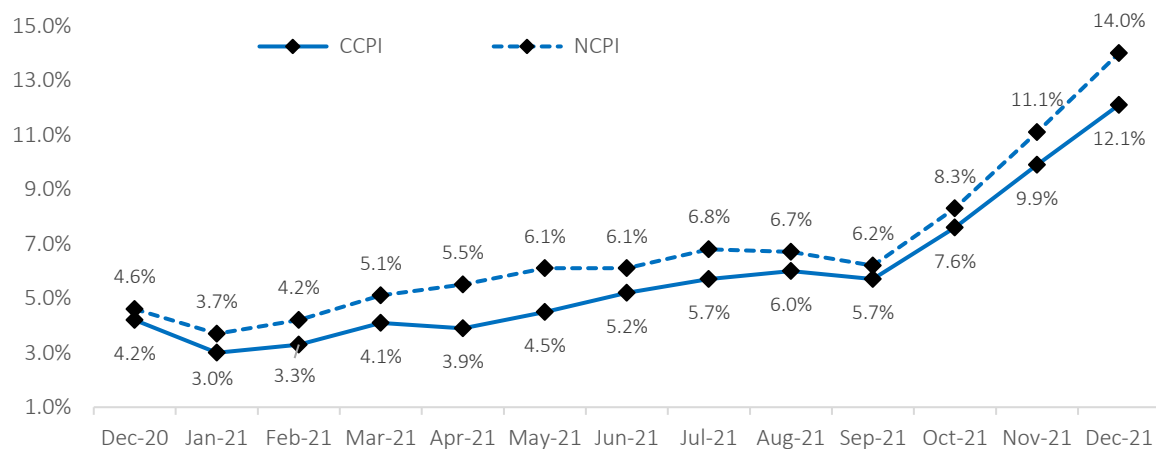
Mudharaba returns have marginally moved up after 3rd quarter of 2021.



Source: Senfin Asst Management (Pvt) Ltd

Headline inflation measured by the point-to-point change in the Colombo Consumer Price Index (CCPI) increased from 4.2% as at the end of December 2020 to 12.1% as at the end of December 2021. It was the highest inflation rate since December 2008 due to supply disruptions and a surge in commodity prices. Inflation was mainly driven by food inflation, which rose to 22.1% in December 2021. At the same time, additional upward pressure also came from non-food products and it also increased to 7.6% in the same period. Similarly, Inflation measured by the point-to-point change in the National Consumer Price Index (NCPI) increased from 4.6% to 14.0% during the same period.

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



Source: Department of Census & Statistics

Performance Review of the Fund

The Fund posted a return of 3.38% as at 31st December 2021. During the period under the review, the rates offered by banks for shariah compliant financial products were very low compared to the conventional rates in the market. In addition, limited investment options available during the year and the small fund size (which restricted the fund from qualifying for better rates with some institutions) have resulted in a lower yield for Year 2021.

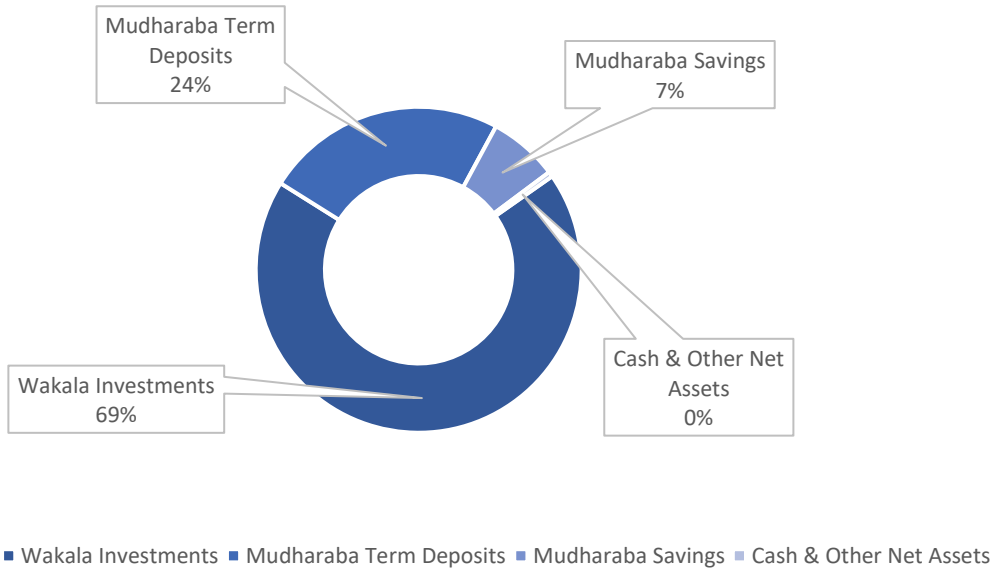
The Fund Performance as at 31st December 2021

Period	Since Inception (02 Nov 2014)	36-months	24-months	Year to Date
Annualized Fund Return	5.64%	4.83%	3.90%	3.38%

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

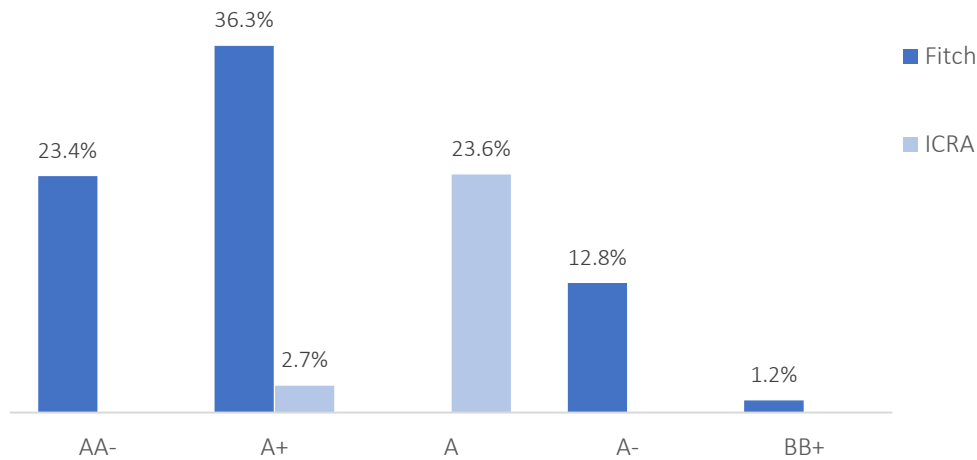
Source: Senfin Asset Management (Pvt) Ltd

Asset Allocation as a percentage of Net Asset Value as at 31st December 2021



Source: Senfin Asset Management (Pvt) Ltd

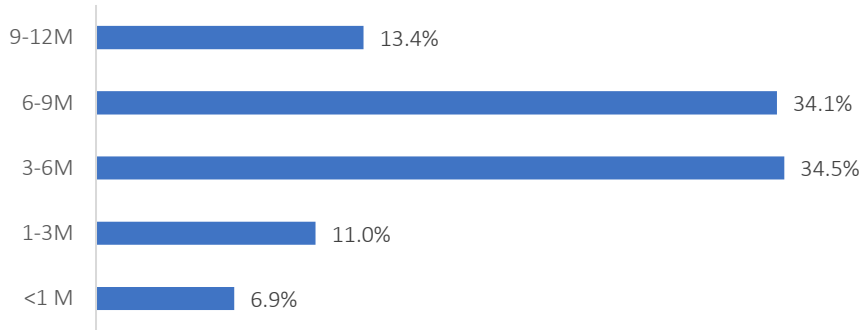
Credit Profile of Fund as at 31st December 2021



Source: Senfin Asset Management (Pvt) Ltd



Maturity Profile of the Fund as at 31st December 2021



Source: Senfin Asset Management (Pvt) Ltd

The latter part of the year saw macroeconomic fundamentals further weakening which has resulted in a steep rise in inflation as well as adding more pressure on the exchange rate, trade balances and budget deficit. Given these factors, with possible Monetary Policy tightening measures, we expect Mudarabha and Wakala rates to gradually increase in the year 2022. We however reiterate that in the current challenging macro-environment, we remain cautious and will adopt a low-risk strategy for investments in the Fund.

Investment Team



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

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SENFIN SHARIAH 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 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of movements in unitholders' funds and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements of the Fund give a true and fair view of the financial position of the Fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Information

The fund management company, (the management) is responsible for the other information. The other information comprises the information included in the fund manager's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and the Trustee for the Financial Statements

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

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

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

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Unit Trust code of September 2011 issued by the Securities and Exchange Commission of Sri Lanka under the Act No. 36 of 1987 and the Trust deed.

[Signature]
SJMS ASSOCIATES
 Chartered Accountants
 Colombo
 15 March 2022



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

	Note	2021 Rs.	2020 Rs.
Investment income			
Finance income from mudharabah investments	4	667,652	1,113,319
Finance income from wakala investments		<u>1,774,858</u>	<u>1,734,794</u>
Total investment income		<u>2,442,510</u>	<u>2,848,113</u>
Expenses			
Management fees		(281,809)	(273,050)
Trustee fees		(76,088)	(73,723)
Custodian fees		(259,197)	(259,215)
Audit fees		(191,758)	(183,798)
Other expenses		<u>(72,991)</u>	<u>(92,109)</u>
		<u>(881,843)</u>	<u>(881,895)</u>
Profit before tax		1,560,667	1,966,218
Income tax expense	5	-	-
Profit for the period		<u>1,560,667</u>	<u>1,966,218</u>
Other comprehensive income, net of income taxes		-	-
Total comprehensive income for the year		<u>1,560,667</u>	<u>1,966,218</u>
Increase in net assets attributable to unitholders		<u>1,560,667</u>	<u>1,966,218</u>

The accounting policies and notes from 1 to 16 form an integral part of these financial statements.



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

	Note	31.12.2021 Rs.	31.12.2020 Rs.
Assets			
Cash and cash equivalents	6	3,379,995	4,758,197
Financial assets at amortized cost	7	44,727,601	41,766,037
		<u>48,107,596</u>	<u>46,524,234</u>
Liabilities			
Accrued expenses	9	329,647	333,399
Total liabilities		<u>329,647</u>	<u>333,399</u>
Net assets		<u>47,777,949</u>	<u>46,190,835</u>
Unitholders' funds			
Net assets attributable to unitholders		<u>47,777,949</u>	<u>46,190,835</u>

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These financial statements were approved by the Fund Management Company and the Trustee on 15 March 2022.



 Director
 Senfin Asset Management (Private) Limited
 Fund Management Company



 Hatton National Bank PLC
 Trustee





 Director
 Senfin Asset Management (Private) Limited
 Fund Management Company

The accounting policies and notes from 1 to 16 form an integral part of these financial statements.



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

	2021 Rs.	2020 Rs.
Unitholders' funds as at 01 January	46,190,835	44,588,549
Increase in net assets attributable to unitholders	1,560,667	1,966,218
Received on creation of units	45,100	86,100
Paid on redemption of units	(18,653)	(450,032)
Net increase due to unitholders' transactions	<u>26,447</u>	<u>(363,932)</u>
Unitholders' funds as at 31 December	<u>47,777,949</u>	<u>46,190,835</u>

The accounting policies and notes from 1 to 16 form an integral part of these financial statements.



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

	Note	2021 Rs.	2020 Rs.
Cash flows from operating activities			
Finance income received		2,152,049	2,599,302
Management, trustee fees paid		(615,901)	(605,081)
Other expenses paid		(269,694)	(249,278)
Net investment (in) / from mudharabah term deposits		4,600,000	(5,000,000)
Net investment in wakala investments		(7,271,103)	(1,768,232)
Net cash flow used in operating activities		<u>(1,404,649)</u>	<u>(5,023,289)</u>
Cash flows from financing activities			
Cash received on creation of units		45,100	86,100
Cash paid on redemption of units		(18,653)	(450,032)
Net cash flows from / (used) in financing activities		<u>26,447</u>	<u>(363,932)</u>
Net decrease in cash and cash equivalents		(1,378,202)	(5,387,221)
Cash and cash equivalents at the beginning of the year	6	4,758,197	10,145,418
Cash and cash equivalents at the end of the year	6	<u>3,379,995</u>	<u>4,758,197</u>

The accounting policies and notes from 1 to 16 form an integral part of the financial statements.



**SENFIN SHARIAH INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information**1.1 General**

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.

1.2 Date of authorization for issue.

The financial statements of the fund for the year ended 31 December 2021 were authorized for issue by the fund management company and the trustee on 15 March 2022.

2. Preparation of financial statements**2.1 Basis of preparation**

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

2.1.1 Statement of compliance

The financial statements which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and other comprehensive income, statement of movements in unitholders’ funds and 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.

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.



**SENFIN SHARIAH INCOME FUND
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2.2 Significant accounting judgements, estimated and assumptions (Contd...)

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.

2.3 Summary of significant accounting policies

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

2.3.1 Financial 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.

(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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**SENFIN SHARIAH INCOME FUND
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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.

2.3.3 Derecognition**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.

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.

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.

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.



**SENFIN SHARIAH INCOME FUND
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2.3.7 Impairment (Contd...)

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;
- 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.

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.

2.5 Cash and cash equivalents

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



**SENFIN SHARIAH INCOME FUND
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2.5 Cash and cash equivalents (Contd...)

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

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

2.6 Income tax

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

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

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.

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
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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.

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



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b) Credit risk (Contd..)

2020 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	BBB+	Fitch Rating
National Development Bank PLC	A+	Fitch Rating
LB Finance PLC	A-	Fitch Rating

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.

a) 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.

b). 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 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



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b). Profit share rate risk (contd....)

31 December 2020	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	3,951,256	-	806,941	4,758,197
Financial assets – Amortized cost	16,379,421	25,386,616	-	41,766,037
Total exposure	20,330,677	25,386,616	806,941	46,524,234

C). 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 Unit Trust Code requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)
- requiring at least 14 days prior written notice for Unitholder redemption equal to or greater than 3% of the Net Asset Value of the fund.
- searching for new investors

The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. In addition, as per the Unit Trust Code and the Trust Deed, if 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.



**SENFIN SHARIAH INCOME FUND
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C). 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 2021	Less than 30 days (Rs.)	31 - 90 days (Rs.)	91 – 180 days (Rs.)	181 – 365 days (Rs.)	Total (Rs.)
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
31 December 2020					
Financial assets	10,808,170	11,125,479	19,423,781	5,166,804	46,524,234
Financial liabilities	51,696	281,703	-	-	333,399

d). 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 2021 and 31 December 2020.

I. In terms of value

	2021 Rs.	2020 Rs.
Unitholders' funds as at 01 January	46,190,835	44,588,549
Creations during the year	45,100	86,100
Redemptions during the year	(18,653)	(450,032)
Increase in net assets attributable to unitholders during the year	<u>1,560,667</u>	<u>1,966,218</u>
Unitholders' funds as at 31 December	<u>47,777,949</u>	<u>46,190,835</u>

II. In terms of No. of units

	2021 Rs.	2020 Rs.
Opening number of units as at 01 January	3,731,039.9	3,760,944.9
Unit creations during the year	3,546.4	6,969.6
Unit redemptions during the year	<u>(1,500.0)</u>	<u>(36,874.6)</u>
Closing number of units as at 31 December	<u>3,733,086.3</u>	<u>3,731,039.9</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.

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	2021	2020
	Rs.	Rs.
4. Investment income		
Mudharabah savings deposits	130,680	252,351
Mudharabah term deposits	536,972	860,968
	<u>667,652</u>	<u>1,113,319</u>
5. Income tax expense		
As per the Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021, the fund is deemed as conducting 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.		
	2021	2020
	Rs.	Rs.
5.1 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.



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	31.12.2021	31.12.2020
	Rs.	Rs.
6. Cash and cash equivalents		
Hatton National Bank PLC- Current account	51,017	806,941
Mudharabah saving accounts (Note 6.1)	3,328,978	3,951,256
	<u>3,379,995</u>	<u>4,758,197</u>
6.1 Investments in Mudharabah savings deposits		
LOLC Finance PLC- Islamic Banking Unit	10,055	629,167
People's Leasing and Finance PLC - Islamic Banking Unit	569,791	549,488
Amana Bank PLC	563,377	251,706
Hatton National Bank PLC - Islamic Banking Unit	939,885	933,377
MCB Bank Limited	1,245,870	1,587,518
	<u>3,328,978</u>	<u>3,951,256</u>
7. Financial assets at amortized cost		
Mudharabah term deposits (Note 7.1)	11,568,963	16,379,421
Wakala investments (Note 7.2)	33,158,638	25,386,616
	<u>44,727,601</u>	<u>41,766,037</u>
7.1 Investments in Mudharabah term deposits		
Hatton National Bank PLC - Islamic Banking Unit	5,128,459	5,156,024
Peoples Leasing & Finance PLC	6,440,504	6,049,972
Amana Bank PLC	-	5,173,425
	<u>11,568,963</u>	<u>16,379,421</u>
7.2 Investments in Wakala investments		
LOLC Finance PLC	5,181,672	5,016,935
National Development Bank PLC	10,240,411	9,244,201
LB Finance PLC	6,149,918	6,048,083
Richard Pieris Finance Ltd	5,305,542	-
Commercial Leasing & Finance PLC	6,281,095	-
Hatton National Bank PLC - Islamic Banking Unit	-	5,077,397
	<u>33,158,638</u>	<u>25,386,616</u>



**SENFIN SHARIAH INCOME FUND
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8. Fair value of financial instruments

Financial assets and financial liabilities not carried at fair value

Assets for which fair value approximates carrying value:

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

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

Assets	Liabilities	
Financial assets - at amortized cost		
Cash and cash equivalents		
	31.12.2021	31.12.2020
	Rs.	Rs.
9. Accrued expenses		
Management fee payable	24,311	23,419
Trustee fee payable	6,564	6,323
Custodian fees payable	22,014	21,954
Audit and tax consultancy fees payable	276,758	281,703
	<u>329,647</u>	<u>333,399</u>



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10. Contingencies

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

11. Events occurring after reporting date

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

12. Capital commitments

There were no material capital and financial commitments as at the reporting date.

13. Units in issue and unit price

Units in issue as at 31 December 2021 is 3,733,086.3 (2020- 3,731,039.9). Net assets value per unit as at 31 December 2021 is Rs. 12.80 (2020- Rs.12.38). The creation and redemption price as at which date was Rs. 12.7985. (2020- Rs. 12.38).

14. Related party disclosures**14.1 Management company and trustee**

The Management Company is Senfin Asset Management (Private) Limited.

The Trustee to the Fund is Hatton National Bank (HNB) PLC.

14.2 Key management personnel

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

i) Directors

Dr. Prathap Ramanujam
Mr. Lakshman Balasuriya (resigned w.e.f. 11 June 2021)
Mr. Darshan Ravindra Abey Suriya
Mr. Sonal Balasuriya
Mr. Keshav Balasuriya (appointed w.e.f. 19 May 2021)
Mr. Tilak Collure (appointed w.e.f. 19 May 2021)
Mr. Sanath Bandaranayake (appointed w.e.f. 12 July 2021)

ii) Other key management personnel

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

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



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14.3 Key management personnel compensation

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

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

14.4 Other transactions within the fund

Apart from those details disclosed in note 14.5 and 14.6, key management personnel have not entered in to any other transactions involving the fund during the financial year.

14.5 Related party unitholders

There were no related party unit holders as at the reporting date.

14.6 Transactions with and amounts due to/from related parties

Transactions with related parties are disclosed below:

	Transactions during the year		Payables as at 31 December	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Management fees to Senfin Asset Management (Private) Limited	281,809	273,050	24,311	23,419
Trustee fees to HNB PLC	76,088	73,723	6,564	6,323
Custodian fees to HNB PLC	259,197	259,215	22,014	21,954
Profit share income on mudharabah saving account from HNB PLC	21,470	90,658	-	-
Profit share income on mudharabah term deposits from HNB PLC	218,323	316,918	-	-
			31.12.2021	31.12.2020
			Rs.	Rs.
The bank balance held at HNB PLC			51,017	806,941
The mudharabah savings balance held at HNB PLC			939,885	933,377
The term deposits held at HNB PLC			5,128,459	5,156,024
The wakala investments held at HNB PLC			-	5,077,397



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

	31.12.2021 Rs.	31.12.2020 Rs.
Net asset value as per financial statements	47,777,949	46,190,835
Other adjustments	-	730
Published net asset value	<u>47,777,949</u>	<u>46,191,565</u>
Number of units outstanding	3,733,086.3	3,731,039.9
Net asset value per unit	<u>12.80</u>	<u>12.38</u>

16. COVID 19 - Impact

During first half (1H) of 2021, the Monetary Board of the Central Bank of Sri Lanka (CBSL) continued a loose monetary policy stance in order to boost economic activity amidst the spread of the COVID-19 pandemic. Due to this, rates offered for Shariah compliant fixed income were comparatively low in comparison to past rates. However, during the August 2021 Monetary Policy Review, the rates were increased by 50 bps each, which drove conventional interest rates higher. Despite this, rates offered in the market for Shariah compliant fixed income securities remained low throughout the year. The Fund did not experience any significant redemptions due to COVID-19 in 2021.



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
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