

Annual Report

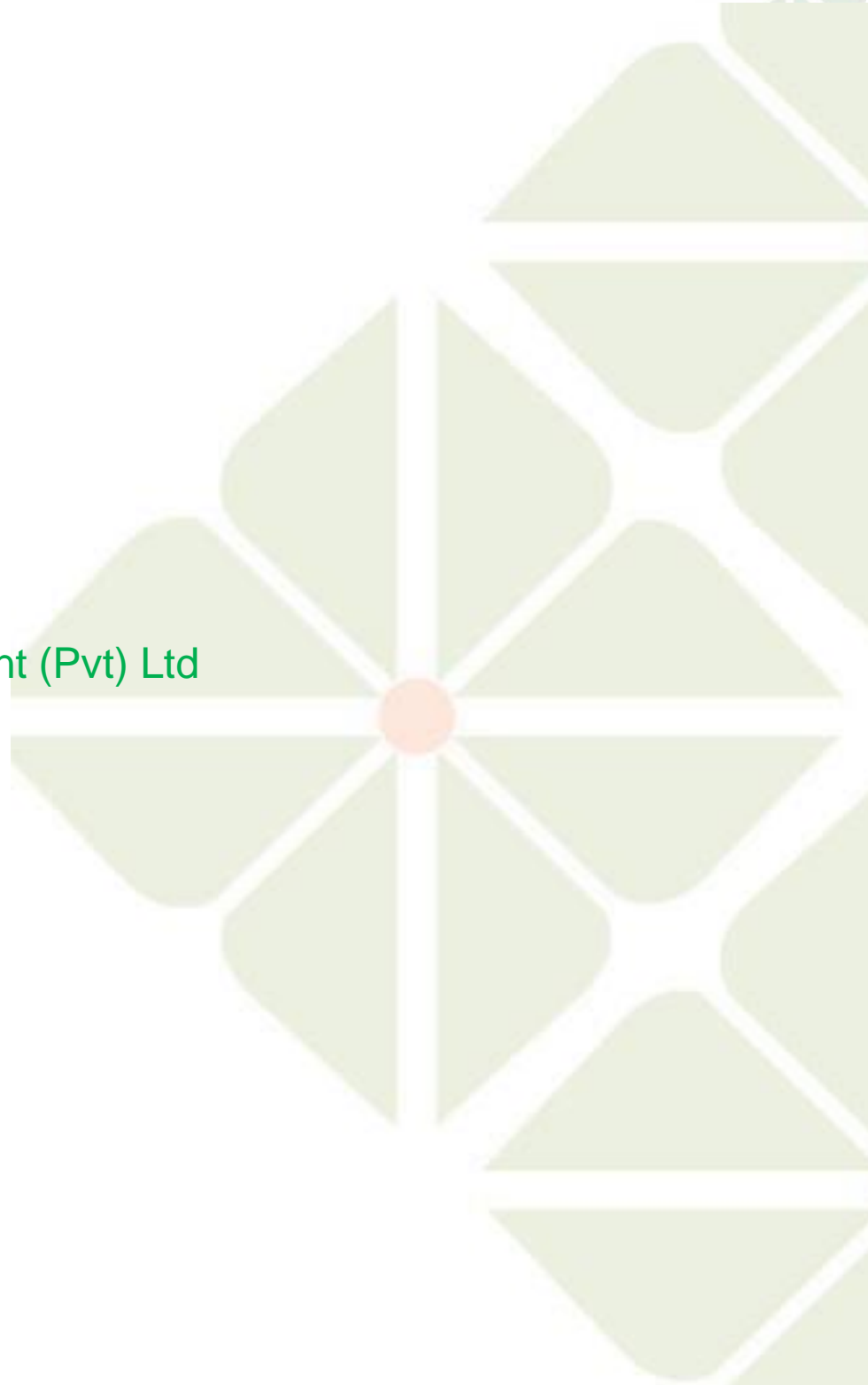
Senfin Dividend Fund

FY 2023



Trustee and Custodian
HNB Bank PLC

Fund Manager
Senfin Asset Management (Pvt) Ltd



Senfin Dividend Fund

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

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Profile of the fund management company

The Company

Senfin Asset Management (Pvt) Ltd (SFAM) was incorporated in 2010 and licensed by the Securities & Exchange Commission of Sri Lanka (SEC) to manage unit trust funds and third-party portfolios/private portfolios for institutional clients, private provident funds, insurance funds, and high net worth individuals.

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

Board of Directors

Dr. Prathap Ramanujam - Chairman

Dr. Prathap Ramanujam, was previously Chairman of Panasian Power PLC and has extensive experience in the public sector. During the last 14 years in the Public Sector, he was the Permanent Secretary to several Ministries and was responsible for the establishment of the Secretariat for Infrastructure Development & Investments (SIDI), which was instrumental in initiating the first mini hydro project as a Public Private sector project as far back as 1993.

Dr. Ramanujam has previously served on the Boards of several financial services institutions including the National Savings Bank, the State Mortgage and Investment Bank and Senkadagala Finance PLC., during his career. He also served as a Director in Panasian Power PLC, Manelwela Hydro Power Pvt. Ltd, Panasian Investment Pvt. Ltd, Paddiyapallela Hydropower Pvt. Ltd, and associated companies.

Dr. Ramanujam currently serves as director of Ceylon Grain Elevators PLC, Three Acre Farm PLC and Iconic Development Pvt. Ltd.

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

Mr. Sanath Divale Bandaranayake – Director

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

Mr. Bandaranayake currently serves as an Executive Director / Additional CEO of Senkadagala Finance PLC. Mr. Bandaranayake is also a director of Senfin Securities Ltd, Senkadagala Insurance Brokers (Pvt) Ltd, Sobhadanavi (Pvt) Ltd & Lakdhanavi (Pvt) Ltd

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

Mr. Sonal Balasuriya -Director

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

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

Mr. Tilak Collure - Director

Mr. Tilak Collure is a former Sri Lanka Administrative Service Special Grade officer who has held senior positions during 35 years in Government service mainly in the areas of trade, commerce, and logistics. Mr. Tilak Collure has served as the Secretary to the following Cabinet level Ministries: Ministry of Industry and Commerce, Ministry of Transport, Ministry of Shipping, Ports and Aviation. During his career, Mr. Collure has also headed several major public sector corporate institutions as their CEO/ Chairman. Mr. Tilak Collure served as a Member of the independent National Police Commission from 2015 to 2020. Mr. Tilak Collure has functioned as an Independent Non-Executive Director of Senkadagala Finance PLC, prior to the present appointment.

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

Mr. Keshav Balasuriya – Director

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

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

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

Key Personnel

Ms. Jeevan Sukumaran – Chief Executive Officer

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

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

Mr. Murugiah Rajendran – Head of Compliance

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

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

Mr. Surath Perera – Chief Investment Officer

Mr. Surath Perera is a Senior Fund Manager who has been in the unit trust industry for over twelve (12) years, of which, eight (8) years have been as a Fund Manager. Mr. Surath Perera joined Senfin in January 2021 and was previously employed at CT CLSA Asset Management (Pvt) Ltd. (CAM), a pioneer asset management company during which time he managed the Comtrust Equity Fund, the flagship fund and one of the first mutual funds launched in Sri Lanka. In addition to managing equity mutual funds, he is also experienced in managing high net worth client portfolios and fixed income portfolios etc.



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

Rajitha Kapil Rathwatta Elapata – Senior Fund Manager

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

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

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

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

Mr. Nilanka Gamaethige - Head of Client Services & Marketing

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

In 2016, Mr. Nilanka Gamaethige moved to DFCC Bank PLC and worked for 5 plus years at retail banking handling the affluent client segment. Mr. Nilanka Gamaethige was assigned the task of

setting up and operating the Negombo Premier center and acquiring affluent clients, which he successfully achieved within a short period of time. Mr. Nilanka Gamaethige also well contributed to the growth of SME and Corporate sector of the Negombo branch.

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

Investment Committee

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

Mr. Alastair Corera, CFA

Mr. Alastair Corera is an Executive Director of Orion Fund Management (Pvt) Ltd., a position he has held since 2006. Previously, he was at Fitch Ratings Lanka Ltd. where he headed the Financial Institutions team and was its Country Head from 2004 to 2006. Prior to that he was General Manager at Forbes ABN AMRO Securities (Pvt) Ltd.

Mr. Corera is a Chartered Financial Analyst, USA and a Fellow of the Chartered Institute of Management Accountants, UK. He is the Chairman/Independent Non-Executive Director at Citizens Development Business Finance PLC and an Independent Non-Executive Director in Citizens Development Business Finance PLC

Mr. Mahendra Jayasekera

Mr. Mahendra Jayasekera is a Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Lanka Ceramic PLC and Swisstek Aluminium Limited. He is also a Director of Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited.

Mr. Jayasekera holds a BSc Special (Hons) degree in Business Administration from the University of Sri Jayawardenapura and is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

Mr. Keshav Balasuriya

see profile above

Risk Management Committee

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

FUND MANAGER'S REPORT

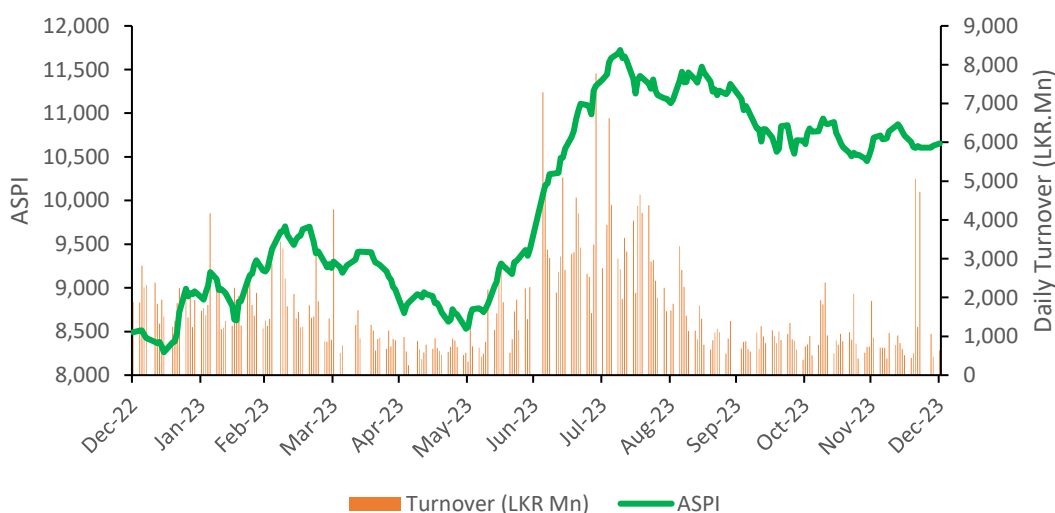
Dear Valued Investors,

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 December 2023 (FY 2023).

FY 2023 marks the recovery for Colombo Stock Exchange's (CSE) indices, recording a significant recovery for both All Share Price Index (ASPI) and S&P SL20 Index, resulting in increases of 25.5% and 16.4% respectively. The fund's benchmark All Share Total Return Index (ASTRI) also increased by 28.2%. During 1Q2023, indices displayed a positive momentum due to the expectation of the IMF Board Level Agreement. However, following the confirmation of the Board Level Agreement, the uncertainty over the possible Domestic Debt Optimization (DDO) took a toll on the indices. Subsequently, DDO was announced with mainly impacting CBSL G-Sec holdings and Superannuation Funds. Since the severity of DDO was much lesser than anticipated, especially with no major impact to the banking system, it resulted in a significant upward momentum in the equity market. In addition, the overall sentiment on equity largely improved on the back of the decline in market interest rates which is likely to direct fund inflows to equity from fixed income, seeking better returns. Furthermore, notable improvement in macro-economic variables during the course of 2023 too assisted the upward momentum in equities. However, during the last few months of FY 2023, indices displayed some negativity mainly due to profit taking, delayed approval of IMF 2nd tranche and tax hikes introduced.

Market capitalization of CSE increased 10.4% YoY from LKR 3,847.2 Bn to LKR 4,248.9 Bn. It's worth to note that this increase accounted for the delisting of Nestle Lanka PLC. The Price Earnings Ratio (PER) at the year-end recorded at 11.1x when compared to the heavily discounted PER of 5.0x at the end of 2022. This was mainly due to both the price appreciation of listed counters as well as decline in earnings.

ASPI Performance and Turnover

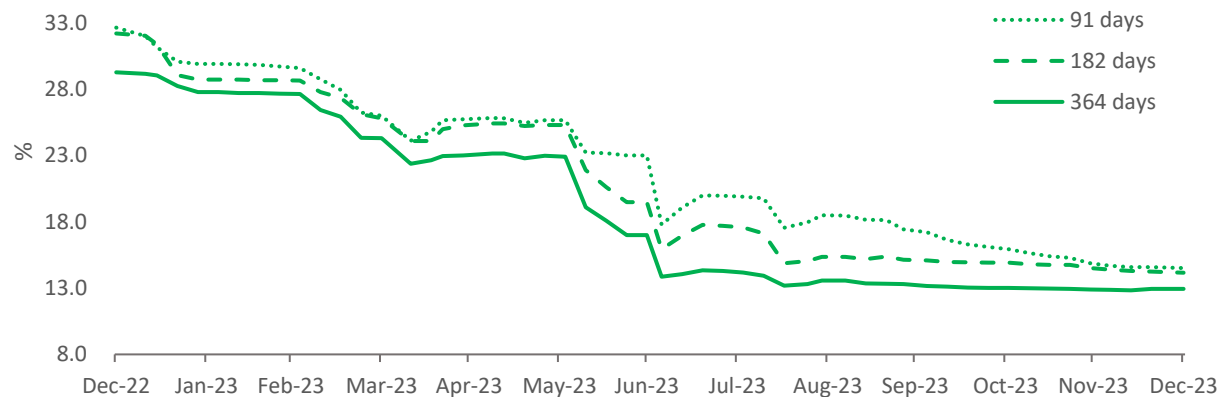


Source: Colombo Stock Exchange

During 1H2023, the Monetary Board of the Central Bank of Sri Lanka (CBSL) increased policy rates by 100 basis points prior to IMF Board Level Agreement in March 2023. However subsequent to that, with inflation coming down and favorable macro-economic variables as well as to revive economic growth, CBSL executed an expansionary monetary policy stance with reducing policy rates by a total of 650 bps starting from June 2023 up to the last policy meeting held in November 2023. Consequently, the Standing Deposit Facility Rate (SDFR) stood at 9.0% as at 31 Dec 2023 compared to 14.5% as at 31 Dec 2022 and the Standing Lending Facility Rate (SLFR) stood at 10.0% compared to 15.5% as at 31 Dec 2022. Similarly, the Statutory Reserve Ratio was also cut down to 2% during 2H2023 compared to 4.0% maintained up to July 2023.

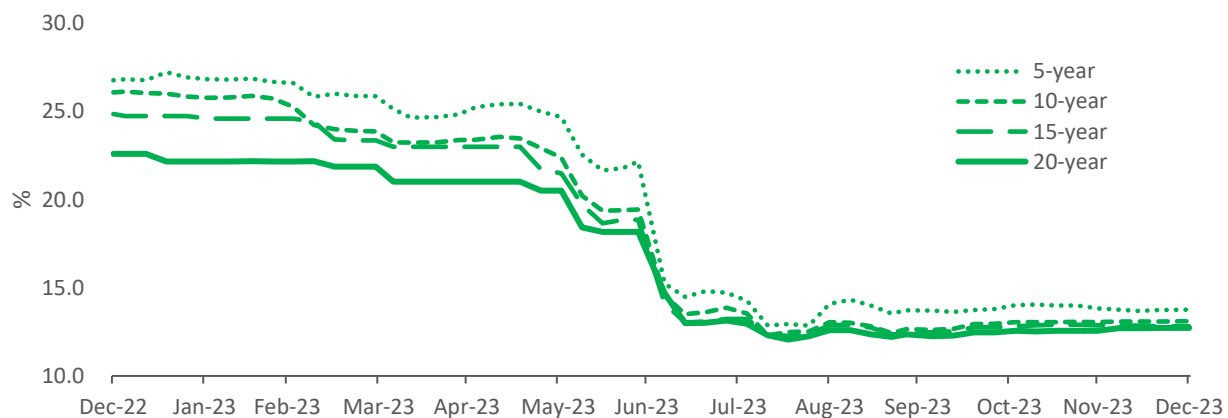
Treasury bill yields witnessed a significant decline during FY2023 with benchmark 3, 6 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at 31 Dec 2022 to 14.51%, 14.16% and 12.93% respectively as at 31 Dec 2023.

Treasury Bill Rate Movement in 2023



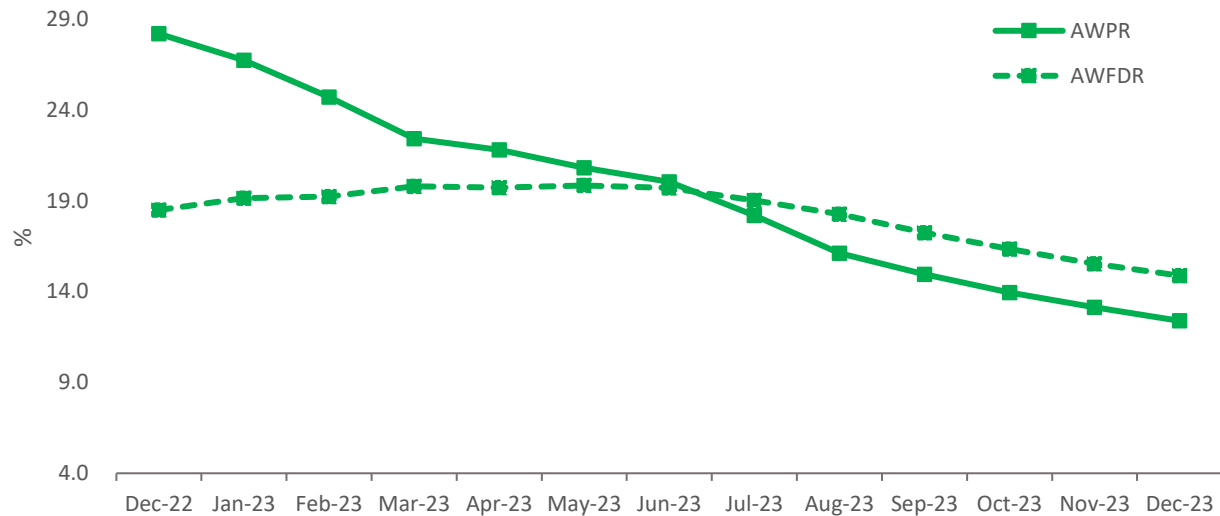
Source: Central Bank of Sri Lanka

Treasury Bond Rate Movement



Source: Central Bank of Sri Lanka

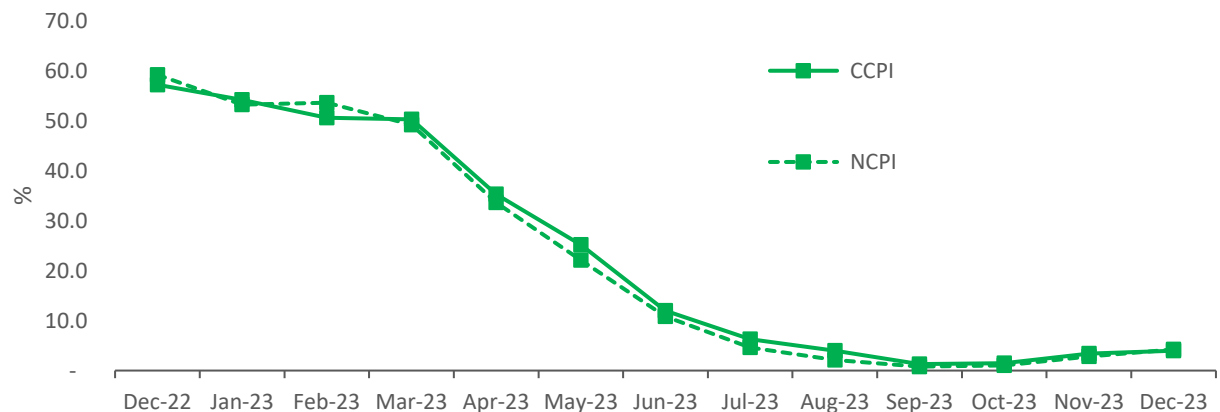
Movement of Average Weighted Fixed Deposit Rate (AWFDR) and Average Weighted Prime Lending Rates (AWPR) of Commercial Banks (% p.a.) at month-end



Source: Central Bank of Sri Lanka

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

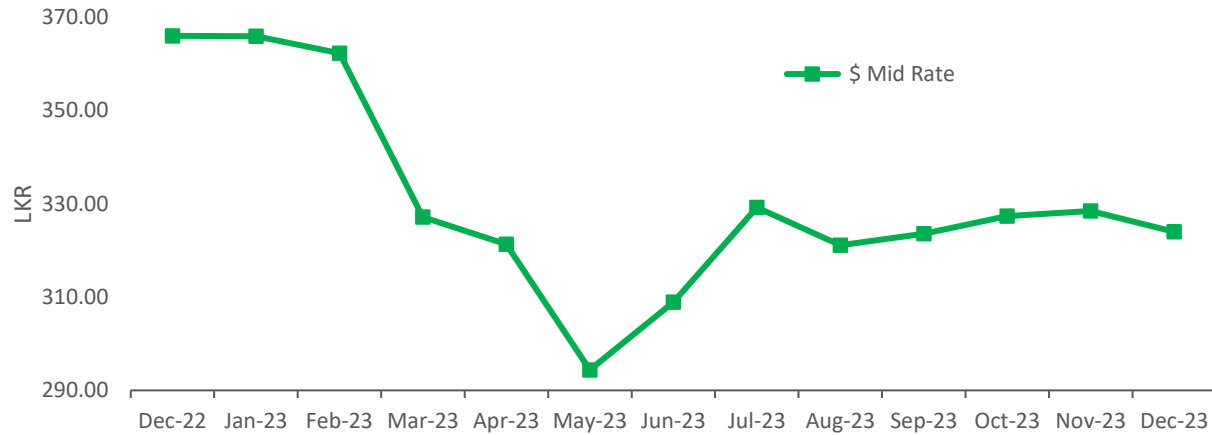
Movement in the CCPI and NCPI



Source: Central Bank of Sri Lanka



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



Source: Central Bank of Sri Lanka

Fund Performance

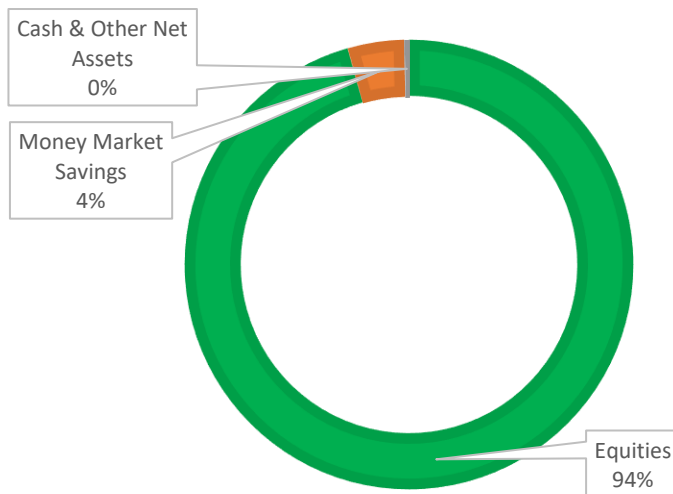
Fund Performance as at 31st Dec 2023

	Six Months Performance	One Year Performance	Cumulative Return since fund inception	Annualized Return since inception (CAGR)
Senfin Dividend Fund	13.48%	26.00%	10.10%	3.69%
All Share Total Return Index (ASTRI)	14.69%	28.17%	51.59%	16.97%

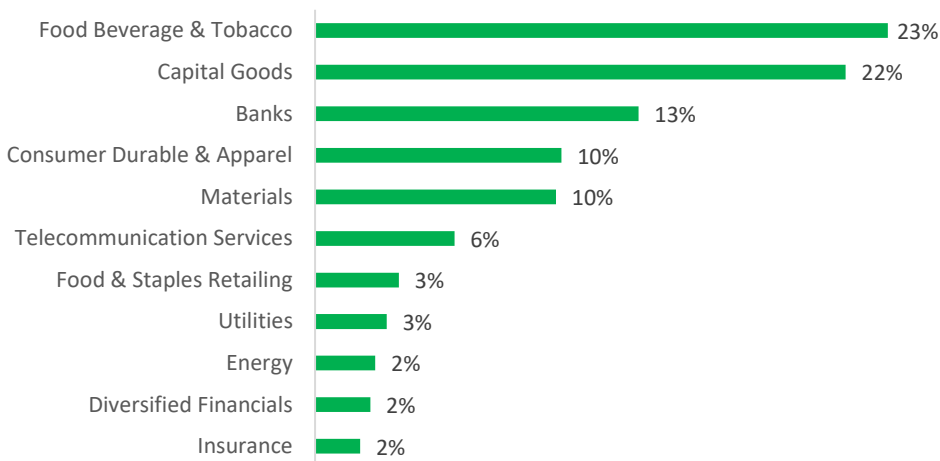
Source: Senfin Asset Management (Pvt) Ltd

Note:

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

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

Source: Senfin Asset Management (Pvt) Ltd

Equity Holding by Sector as at 31 Dec 2023 (as a percentage of Net Asset Value)

Source: Senfin Asset Management (Pvt) Ltd

We witness a recovery in key macroeconomic variables with correct policies in place. Factors such as single-digit inflation, LKR appreciation against the dollar, remarkable improvement in tourism arrivals, increasing remittances, positive GDP growth, low-interest rate environment, etc. are expected to improve positive sentiment towards equities. Therefore, we look forward bullishly on equity in the medium to long run. We continue to analyze and invest in counters that are expected to perform well in the medium/long run as well as counters that are expected to survive through the economic recovery phase while remaining committed to the overall aim of dividend income and capital appreciation.

Investment Team



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

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+ 94 (0) 11 2301396-7
Fax: + 94 (0) 11 2433388
Email: audit@kreston.lk
Web: www.kreston.lk

INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF SENFIN DIVIDEND FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of **SENFIN DIVIDEND FUND** (the Fund) which comprise the Statement of Financial Position as at 31st December 2023, and the Statement of Comprehensive Income, Statement of Movement in unit holders Fund and Statement of Cash Flows for the year then ended 31st December 2023, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 3 to 24.

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

Basis for Opinion

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

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

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

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

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



Member of Kreston Global UK

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 (Coi), MBA (PIM-SJP), ACA, CISA

Branches

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an Audit in accordance with Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the Audit. We also:

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

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

Report on Other Legal and Regulatory Requirements

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

Kreston MNS & Co
CHARTERED ACCOUNTANTS
COLOMBO
1ST MARCH 2024
ST/H/sk
 ST-Senfin Dividend Fund(Dec'2023)-C8





SENFIN DIVIDEND FUND

STATEMENT OF FINANCIAL POSITION AS AT

		31.12.2023 Rs.	31.12.2022 Rs.
	Note		
ASSETS			
Cash & Cash Equivalents	4	5,154,088	4,909,963
Financial Assets			
- Fair Value through Profit or Loss	5	120,391,612	71,359,615
TOTAL ASSETS		<u>125,545,700</u>	<u>76,269,578</u>

UNIT HOLDERS' FUNDS & LIABILITIES

LIABILITIES

Accrued & Other Payables	6	466,375	354,675
Total Liabilities (Excluding net assets attributable to Unit Holders)		<u>466,375</u>	<u>354,675</u>

UNIT HOLDERS FUNDS

Net Assets Attributable to Unit holders		125,079,325	75,914,903
		<u>125,545,700</u>	<u>76,269,578</u>

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

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

Director
Management Company

Director
Management Company

Trustee

1st March 2024





SENFIN DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

		31.12.2023 Rs.	31.12.2022 Rs.
	Note		
Investment Income			
Dividend Income	7.1	6,003,876	3,407,191
Interest Income	7.2	1,445,970	1,202,808
Realised Gains / (Losses) on financial assets held at fair value through profit or loss	8.1	1,936,148	(3,050,412)
Unrealised (Loss) / Gain on financial assets held at fair value through profit or loss	8.2	18,676,153	(17,804,920)
Total Investment Income		<u>28,062,147</u>	<u>(16,245,333)</u>
Less : Expenses			
Management Fees		863,932	569,715
Trustee Fees		203,800	127,490
Custody Fees		282,975	268,416
Audit Fees		131,999	141,450
- (Over) / Under Provision prior year		1,000	(8,401)
Professional Fee		84,184	73,564
Brokerage Fee		1,038,318	707,494
Other Expenses		13,088	10,288
Withholding Tax		58,216	-
		<u>2,677,511</u>	<u>1,890,016</u>
Net Profit / (Loss) Before Tax	9	<u>25,384,635</u>	<u>(18,135,349)</u>
Less : Income Tax Expense	10	-	-
Net Profit / (Loss) after Tax for the Year		<u>25,384,635</u>	<u>(18,135,349)</u>
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		<u><u>25,384,635</u></u>	<u><u>(18,135,349)</u></u>
Increase / (Decrease) in Net Assets Attributable to Unit Holders		25,384,635	(18,135,349)

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





SENFIN DIVIDEND FUND

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS

FOR THE YEAR ENDED 31.12.2023

	Rs.
Unit Holders Fund as at 01.01.2022	84,567,303
Received on Creation of Units	11,308,444
Paid on Redemption of Units	(267,935)
	<u>95,607,812</u>
Increase / (Decrease) in net assets attributable to Unit Holders during the year	(18,135,349)
Net Increase / (Decrease) due to Unitholders' Transactions	<u>77,472,463</u>
Income Distribution for the year	(1,557,560)
Unit Holders Funds as at 31.12.2022	<u><u>75,914,903</u></u>
Received on Creation of Units	24,000,000
Paid on Redemption of Units	(220,213)
	<u>99,694,690</u>
Increase / (Decrease) in net assets attributable to Unit Holders during the year	25,384,635
Net Increase / (Decrease) due to Unitholders' Transactions	<u>125,079,325</u>
Income Distribution for the year	-
Unit Holders Funds as at 31.12.2023	<u><u>125,079,325</u></u>

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





SENFIN DIVIDEND FUND

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED

		31.12.2023 Rs.	31.12.2022 Rs.
	Note		
Cash Flow from Operating Activities			
Dividend Received	7.1	5,730,551	3,282,766
Interest Received	7.2	1,445,970	1,209,932
Net investment from treasury bill repurchase agreements		-	10,000,000
Proceeds from sale of quoted equity securities		33,850,769	22,945,873
Payments on purchase of quoted equity securities		(61,997,141)	(46,266,078)
Operating expenses paid		(2,565,811)	(1,786,036)
Net Cash used in Operating Activities		<u>(23,535,662)</u>	<u>(10,613,543)</u>
Cash Flows from Financing Activities			
Cash received on Creation of Units		24,000,000	9,808,000
Cash paid on redemption of Units		(220,213)	(267,935)
Income Distribution paid		-	(57,116)
Net Cash Generated from Financing Activities		<u>23,779,787</u>	<u>9,482,949</u>
Net Increase / (Decrease) in Cash & Cash Equivalents		<u>244,125</u>	<u>(1,130,594)</u>
Cash and Cash Equivalents at the beginning of the year		<u>4,909,963</u>	<u>6,040,557</u>
Cash and Cash Equivalents at the end of the year	4	<u><u>5,154,088</u></u>	<u><u>4,909,963</u></u>
Analysis of Cash and Cash Equivalents at the end of the year			
Cash & Bank Balances		<u>5,154,088</u>	<u>4,909,963</u>

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



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

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

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

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

NOTE 1.2 - DATE OF AUTHORIZATION FOR ISSUE

The financial statements of the fund for the year ended 31st December 2023 were authorized for issue by the fund management company and the trustee on 1st March 2024.

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

The Financial Statements of the Fund for the year ended 31st December 2023 have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS & SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Trust deed and Collective Investment Scheme Code of 2022 set by the Securities and Exchange Commission of Sri Lanka. They are presented in Sri Lankan Rupees (Rs), which is also the functional currency of the Fund.

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

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

NOTE 3.2 - BASIS OF PREPARATION

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

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

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





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.3 - REVENUE RECOGNITION

(a) Interest Income

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

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

(b) Dividend Income

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

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

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

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

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

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

NOTE 3.4.1 - RECOGNITION AND INITIAL MEASUREMENT OF FINANCIAL ASSETS

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

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

NOTE 3.4.2 - CLASSIFICATION

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





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.4.2 – CLASSIFICATION (CONTD)

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

NOTE 3.4.3 - SUBSEQUENT MEASUREMENT AND GAINS OR LOSSES

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

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

NOTE 3.4.4 - DERECOGNITION

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

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

NOTE 3.4.5 - RECOGNITION AND INITIAL MEASUREMENT OF FINANCIAL LIABILITIES

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

Accrued Expenses

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





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.4.6 - CLASSIFICATION AND SUBSEQUENT MEASUREMENT (CONTD.)

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

Financial liabilities include accrued expenses and other payables.

NOTE 3.4.7 - DERECOGNITION

The fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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

NOTE 3.4.8 - OFFSETTING OF FINANCIAL INSTRUMENTS

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

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

NOTE 3.4.9 - IMPAIRMENT

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

The fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Presentation of allowance for ECL in the statement of financial position

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





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.4.9 – IMPAIRMENT (CONTD.)

WRITE OFFS

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

NOTE 3.5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash at bank.

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

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

NOTE 3.6 - PROVISIONS

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

NOTE 3.7 - INCOME TAX

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

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

NOTE 3.8 - EXPENSES

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

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





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3.9 - UNIT HOLDERS' FUNDS

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

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

NOTE 3.10 - DISTRIBUTIONS

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

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

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

Significant management judgments

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

Estimation uncertainty

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

NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Instruments:

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

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



SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

b) Financial risk management objectives, policies and processes:

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

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

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

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

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

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

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

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



SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

i) Interest Rate Risk:

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

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

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

31 December 2023	Floating interest rate Rs.	Fixed interest rate Rs.	Non-interest bearing Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	-	5,129,088	25,000	5,154,088
Financial asset held at fair value through profit or loss	-	-	120,391,612	120,391,612
Financial asset at amortised cost	-	-	-	-
Other receivables	-	-	-	-
Total exposure	-	5,129,088	120,416,612	125,545,700
31 December 2022	Floating interest rate Rs.	Fixed interest rate Rs.	Non-interest bearing Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	-	4,884,963	25,000	4,909,963
Financial asset held at fair value through profit or loss	-	-	71,359,615	71,359,615
Financial asset at amortised cost	-	-	-	-
Other receivables	-	-	-	-
Total exposure	-	4,884,963	71,384,615	76,269,578



SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

ii) Credit Risk:

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

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

Counterparty	Credit rating		Rating agency
	2023	2022	
Hatton National Bank PLC	A	A	Fitch
Union Bank of Colombo PLC	BBB-	BBB-	Fitch

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

iii) Market risk

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

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

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



SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

iv) **Price risk**

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

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

	31 December 2023	
	Increases/ (decreases) on profit before tax	Increases/ (decreases) on amounts attributable to unit holders
	Rs.	Rs.
Change in price of the Fund's investment in trading securities existing as of reporting date:		
+10%	12,039,161	12,039,161
-10%	(12,039,161)	(12,039,161)

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

vi) **Liquidity Risk:**

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

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

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



SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The Collective Investment Scheme Code of 2022 requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)
- Requiring a at least 14 days prior written notice for Unit holder redemption equal to or greater than 3% of the net asset value of the fund
- Searching for new investors
- The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. In addition, as per the Collective Investment Scheme Code of 2022 and the Trust Deed, if the redemption value is 3% or more of the net assets value of the fund, the unit holder is required to give a minimum of 14 days prior notice. Further, the fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. No such borrowings have arisen during the period.

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

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

31st December 2023	Less than 30 days	31 - 90 days	91 – 180 days	181 – 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets	125,545,700	-	-	-	-	125,545,700
Financial Liabilities	122,626	216,183	-	-	127,566	466,375

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



SENFIN DIVIDEND FUND
NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

vii. Capital risk management

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

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

Following being the disclosures of Unit holders' Funds;

The movement in the Unit holder's Funds for the year ended 31 December 2023.

In term of Value	Rs.
Unit holders' funds as at beginning of the year	75,914,903
Creations during the year	24,000,000
Redemptions during the year	(220,213)
Increase in net assets attributable to Unit Holders during the year	25,384,635
Income distribution	-
Unit Holders' Funds as at 31 December 2023	125,079,325

In term of No. of units

Opening number of units as at beginning of the year	8,854,672.80
Unit creations during the year	2,742,461.30
Unit redemptions during the year	(22,001.90)
Closing no of units as at 31 December 2023	11,575,132.20

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





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.12.2023
Rs.31.12.2022
Rs.

NOTE 4 - CASH & CASH EQUIVALENTS

Cash at Bank

Hatton National Bank - Money Market - 003020860027
 Hatton National Bank - Current Account - 003010540214

5,129,088	4,884,963
25,000	25,000
<u>5,154,088</u>	<u>4,909,963</u>

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

Quoted Equity Securities (5.1)

<u>120,391,613</u>	<u>71,359,615</u>
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NOTE 5.1 - QUOTED EQUITY SECURITIES

Cost as at 31 st December
 Appreciation/Depreciation of market value quoted equity securities
 Market value as at 31 st December (5.1(a))

114,679,400	84,323,555
5,712,212	(12,963,940)
<u>120,391,612</u>	<u>71,359,615</u>

NOTE 5.2 - DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY

Financial Assets at Fair Value through Profit or Loss

	Level 1	Level 2	Level 3	Total
Quoted Equity Securities	<u>120,391,612</u>	<u>-</u>	<u>-</u>	<u>120,391,612</u>
Total Financial Assets at Fair Value as at 31st December 2023	<u>120,391,612</u>	<u>-</u>	<u>-</u>	<u>120,391,612</u>
Quoted Equity Securities	<u>71,359,615</u>	<u>-</u>	<u>-</u>	<u>71,359,615</u>
Total Financial Assets at Fair Value as at 31st December 2022	<u>71,359,615</u>	<u>-</u>	<u>-</u>	<u>71,359,615</u>

Determination of fair value and fair value hierarchy

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

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

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

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



SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

Company	31.12.2023			31.12.2022		
	No. of Shares	Market Value	Holding as at % of Net Asset value	No. of Shares	Market Value	Holding as at % of Net Asset value
Banks, Finance and Insurance						
Nations Trust Bank PLC	34,443	3,702,623	3%	-	-	-
Commercial Bank Of Ceylon PLC	90,663	8,658,317	7%	71,458	3,587,192	5%
Hatton National Bank PLC (Nv)	29,107	4,074,980	3%	-	-	-
Ceylinco Insurance PLC (Nv)	2,800	2,296,000	2%	-	-	-
Total		18,731,919	15%		3,587,192	5%
Diversified Financials						
First Capital Holdings PLC	100,000	2,810,000	2%	-	-	-
LB Finance PLC	-	-	-	20,000	800,000	1%
Total		2,810,000	2%		800,000	1%
Materials						
Chevron Lubricants Lanka PLC	60,000	5,418,000	4%	-	-	-
Tokyo Cement Co. (Lanka) PLC (Nv)	179,416	6,817,808	6%	75,000	1,950,000	3%
Total		12,235,808	10%		1,950,000	3%
Capital Goods						
John Keells Holdings PLC	59,000	11,269,000	9%	39,000	5,274,750	7%
Lanka Tiles PLC	70,000	2,954,000	2%	70,000	3,227,000	4%
Aitken Spence PLC	23,683	2,747,228	2%	43,683	5,591,424	7%
Hemas Holdings PLC	90,299	6,022,943	5%	90,299	5,092,864	7%
ACL Cables PLC	57,500	3,956,000	3%	-	-	-
Total		26,949,171	22%		19,186,038	25%
Consumer Durables & Apparel						
Textured Jersey Lanka PLC	344,798	12,516,167	10%	244,798	7,760,096	10%
Hayleys Fabric PLC	-	-	-	189,380	4,279,988	6%
Total		12,516,167	10%		12,040,084	16%
Foods & Staples Retailing						
Cargills (Ceylon) PLC	12,600	4,265,100	3%	15,600	3,662,100	5%
Total		4,265,100	3%		3,662,100	5%
Foods Beverages & Tobacco						
Ceylon Cold Stores PLC	175,000	7,420,000	6%	125,000	4,612,500	6%
Ceylon Tobacco Company PLC	5,959	5,683,396	5%	7,959	4,974,375	7%
Lanka Milk Foods (Cwe) PLC	30,000	6,862,500	5%	30,000	3,712,500	5%
Bairaha Farms PLC	30,000	5,565,000	4%	11,000	1,732,500	2%
Ceylon Grain Elevators PLC	22,500	3,566,250	3%	22,500	1,811,250	2%
Nestle Lanka PLC	-	-	-	2,094	1,895,070	2%
Distilleries Company of Sri Lanka PLC	-	-	-	120,000	1,584,000	2%
Total		29,097,146	23%		20,322,195	27%
Telecommunication Services						
Dialog Axiata PLC	787,089	7,083,801	6%	387,089	3,290,256	4%
Total		7,083,801	6%		3,290,256	4%
Utilities						
Lanka IOC PLC	30,000	3,060,000	3%	-	-	-
Vallibel Power Erathna PLC	250,000	1,800,000	1%	250,000	1,575,000	2%
Vidullanka PLC	275,000	1,842,500	2%	275,000	1,677,500	2%
LVL Energy Fund PLC	-	-	-	150,000	900,000	1%
Total		6,702,500	6%		4,152,500	5%
Transport						
Expo Lanka Holdings PLC	-	-	-	13000	2,369,250	3%
Total		-	-		2,369,250	3%
Total Value of Quoted Equity Securities		120,391,612			71,359,615	





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.12.2023	31.12.2022
Rs.	Rs.

NOTE 6 - ACCRUED & OTHER PAYABLES

Accrued Expenses

Management Fees	79,849	49,255
Trustee Fees	18,836	11,856
Custody Fees	23,941	24,548
Audit Fees	131,999	141,450
Professional Fee	211,750	127,566
	<u>466,375</u>	<u>354,675</u>





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 7 - INVESTMENT INCOME

	31.12.2023 Rs.	31.12.2022 Rs.
7.1 Dividend Income	6,003,876	3,407,191
7.2 Interest Income		
Interest Income on Treasury Bill Repurchase Agreement	339,827	142,160
Interest Income on Money Market Savings	1,106,143	914,693
Interest Received on Deposit	-	131,522
Placement Fee Income	-	14,433
	<u>1,445,970</u>	<u>1,202,808</u>

NOTE 8.1 - REALISED GAINS / (LOSSES) ON FINANCIAL ASSETS-FAIR VALUE THROUGH PROFIT OR LOSS

Equity Securities

Proceeds on sale of equity shares	33,850,769	19,110,975
Average cost of equity shares sold	(31,914,621)	(22,161,387)
	<u>1,936,148</u>	<u>(3,050,412)</u>

NOTE 8.2 - UNREALISED GAINS / (LOSSES) ON FINANCIAL ASSETS FAIR VALUE THROUGH PROFIT OR LOSS

Equity Securities	<u>18,676,153</u>	<u>(17,804,920)</u>
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NOTE 9 - NET PROFIT / (LOSS) BEFORE TAXATION

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

Management Fees	863,932	569,715
Trustee Fees	203,800	127,490
Custodian Fees	282,975	268,416
Audit Fees	131,999	141,450
- (Over) / Under Provision prior year	1,000	(8,401)
Brokerage Expense	<u>1,038,318</u>	<u>707,494</u>

NOTE 10 - INCOME TAX EXPENSES

Tax expense for the year

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

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

	31.12.2023 Rs.	31.12.2022 Rs.
Net Profit / (Loss) before tax	25,384,635	(18,135,349)
Aggregate disallowable expenses / net gains	-	-
Income Exempt from tax	(25,384,635)	18,135,349
Aggregate allowable net (gains) / Losses	-	-
Statutory Income / (Loss)	-	-
Loss claimed 35% of Statutory Income	-	-
Total statutory income	<u>-</u>	<u>-</u>
Income tax at the rate of 10%	-	-
Income tax expense reported in the Statement of Comprehensive Income	<u>-</u>	<u>-</u>





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 11 - CAPITAL COMMITMENTS

There were no material Capital Commitments as at 31st December 2023.

NOTE 12 - EVENTS AFTER THE REPORTING DATE

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

NOTE 13 - CONTINGENCIES

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

NOTE 14 - RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	2023 Rs.	2022 Rs.
Net Asset Value as per Financial Statements	125,079,325	75,914,903
Income Tax Receivable	-	-
Other Expense over / under provision	-	21,814
Published Net Asset Value	<u>125,079,325</u>	<u>75,936,717</u>
Number of units outstanding	11,575,132	8,854,673
Net Asset Value per Unit	<u>10.81</u>	<u>8.57</u>

IN ISSUE AND UNIT PRICE

deemed to be in issue as at 31st December 2023 is 11,575,132/-. The Net Asset Value per was Rs. 10.81 (2022 - Rs. 8.57).





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 16 - RELATED PARTY TRANSACTIONS

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

Responsible entity

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

Key management personnel

i) Directors

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

Dr. Prathap Ramanujam
Mr. Darshan Ravindra Abeyesuriya (Upto 02.11.2023)
Mr. Sonal Balasuriya
Mr. Keshav Balasuriya
Mr. Tilak Collure
Mr. Sanath Bandaranayake

ii) Other key management personnel

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

Mr. Jeevan Sukumaran - Chief Executive Officer
Ms. Monica Wanigasekara - Fund Manager (Upto 30/09/2023)
Mr. Surath Perera - Chief Investment Officer
Mr. Ravinath Weerakoon - Fund Manager (Upto 30/09/2023)
Mr. Murugiah Rajendran - Head Of Compliance
Mr. Nilanka Gamaethige - Head of Client Services & Marketing
Mr. Rajitha Elapatha - Senior Fund Manager (From 01.12.2023)

Key management personnel compensation

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

Other transactions within the Fund

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





SENFIN DIVIDEND FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 16 - RELATED PARTY TRANSACTIONS (CONTD.)

Related party unit holding

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

As at 31 st December 2023	Relationship	No. of Units	Value of units held Rs.	Total interest held as a % of NAV
E.W.Balasuriya and Company (Private) Limited	Ultimate Parent Company of the Management Company	5,099,177	54,507,140	43.58%
Senfin Asset Management (Pvt) Ltd	Management Company	438,977	4,692,404	3.75%
Senkadagala Finance PLC	Parent Company of the Management Company	242,009	2,586,929	2.07%
Mr. Surath Perera	Chief Investment Officer	510	5,451	0.00%
Mr. Sanath Bandaranayake	Director	925	9,888	0.01%
		<u>5,781,598</u>	<u>61,801,812</u>	

As at 31 st December 2022	Relationship	No. of Units	Value of units held Rs.	Total interest held as a % of NAV
E W Balasuriya & Company (Pvt) Ltd	Ultimate Parent Company of the Management Company	5,099,177	43,269,575	56.99%
Senkadagala Finance PLC	Parent Company of the Management Company	242,009	2,053,590	2.70%
Ms. Ineka Dunuwille	Chief Executive Officer (Up to 31.10.2022)	3,000	25,457	0.03%
Mr. Surath Perera	Fund Manager	510	4,327	0.005%
Mr. Ravinath Weerakoon	Fund Manager	9,438	80,083	0.105%
Mr. Sanath Bandaranayake	Director	925	7,849	0.01%
		<u>5,355,983</u>	<u>45,440,881</u>	

Transactions with and amounts due to related parties

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

	Payable as at 31 December 2023	Payable as at 31 December 2022
Management fees	79,849	49,255
Trustee Fees	18,836	11,856
Custody Fee	23,941	24,548
	Charge for the year	Charge for the year
Management Fees	863,932	569,715
Trustee Fees	203,800	127,490
Custody Fees	282,975	268,416
	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
The Bank Balance held at HNB	25,000	25,000
The Money Market Account balance held at HNB	5,129,088	4,884,963





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

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

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

Director
Management Company

Director
Management Company

Trustee of the Fund

Management Company Information

Managing Company

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

Bankers

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

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

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

Auditors

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

Lawyers

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

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Senfin Asset Management (Pvt) Ltd

(A fully owned subsidiary of Senkadagala Finance PLC)

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