

# Annual Report

Senfin Shariah Balanced Fund

FY 2023

**Trustee and Custodian**  
HNB Bank PLC

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



## **Senfin Shariah Balanced Fund**

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



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# Profile of the fund management company

## The Company

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

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



## Board of Directors

### Dr. Prathap Ramanujam - Chairman

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

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

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

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

### Mr. Sanath Divale Bandaranayake –Director

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

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

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



## Mr. Sonal Balasuriya -Director

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

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

## Mr. Tilak Collure - Director

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

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

## Mr. Keshav Balasuriya – Director

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

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

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

## Key Personnel

### Ms. Jeevan Sukumaran – Chief Executive Officer

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

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

### Mr. Murugiah Rajendran – Head of Compliance

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

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

### Mr. Surath Perera – Chief Investment Officer

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

Mr. Surath Perera has a Second-Class Upper Bachelor of Business Administration (Hons) degree specializing in Accounting from the University of Colombo, Sri Lanka. Mr. Surath Perera is an Associate Member (ACMA) of the Chartered Institute of Management Accountants (CIMA-UK) and

Chartered Global Management Accountant (CGMA). Mr. Surath Perera also has Dip.M (CIM) from the Chartered Institute of Marketing (CIM-UK) and has completed Level 1 of the Chartered Financial Analyst (CFA) Program

## **Rajitha Kapil Rathwatta Elapata – Senior Fund Manager**

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

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

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

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

## **Mr. Nilanka Gamaethige - Head of Client Services & Marketing**

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

In 2016, Mr. Nilanka Gamaethige moved to DFCC Bank PLC and worked for 5 plus years at retail banking handling the affluent client segment. Mr. Nilanka Gamaethige was assigned the task of setting up and operating the Negombo Premier center and acquiring affluent clients, which he successfully achieved within a short period of time. Mr. Nilanka Gamaethige also well contributed to the growth of SME and Corporate sector of the Negombo branch.

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



## Investment Committee

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

### Mr. Alastair Corera, CFA

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

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

### Mr. Mahendra Jayasekera

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

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

### Mr. Keshav Balasuriya

*see profile above*



## Risk Management Committee

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

## FUND MANAGER'S REPORT

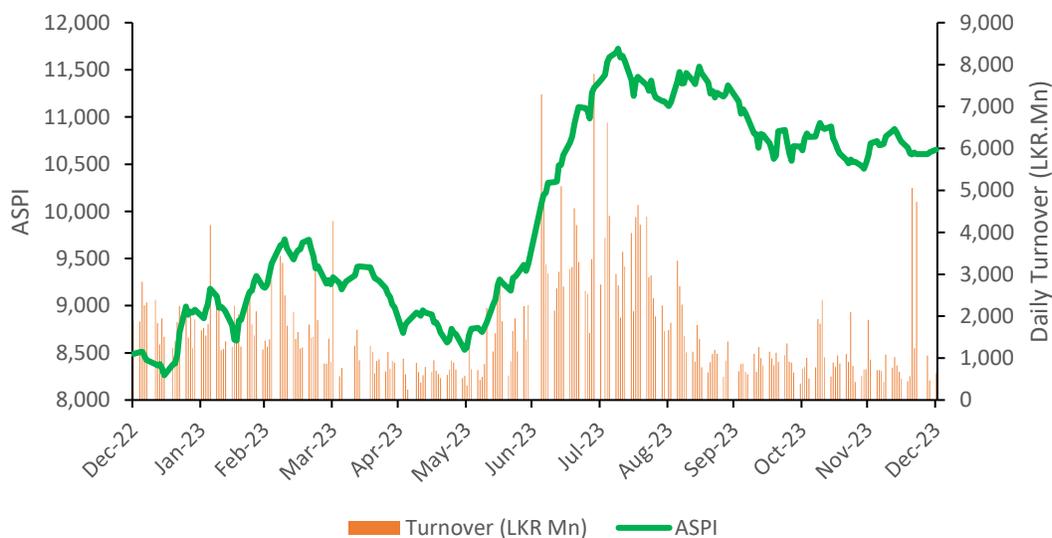
Dear Investor,

We are pleased to present the Annual Report of the Senfin Shariah Balanced Fund for the year ending 31<sup>st</sup> 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 2023 too assisted the upward momentum in equities. However, during the last few months of FY2023, 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 by December 2023. It is 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

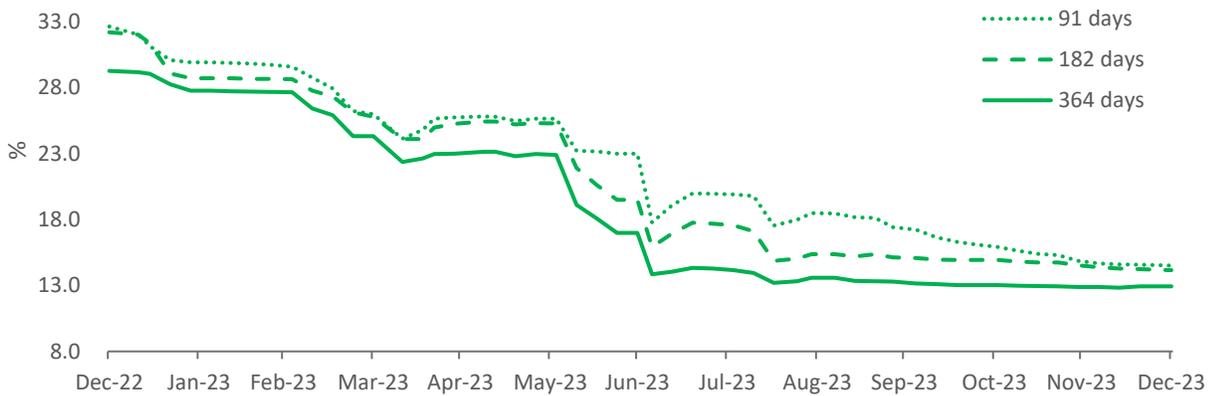


Source: Colombo Stock Exchange

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 favourable 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.

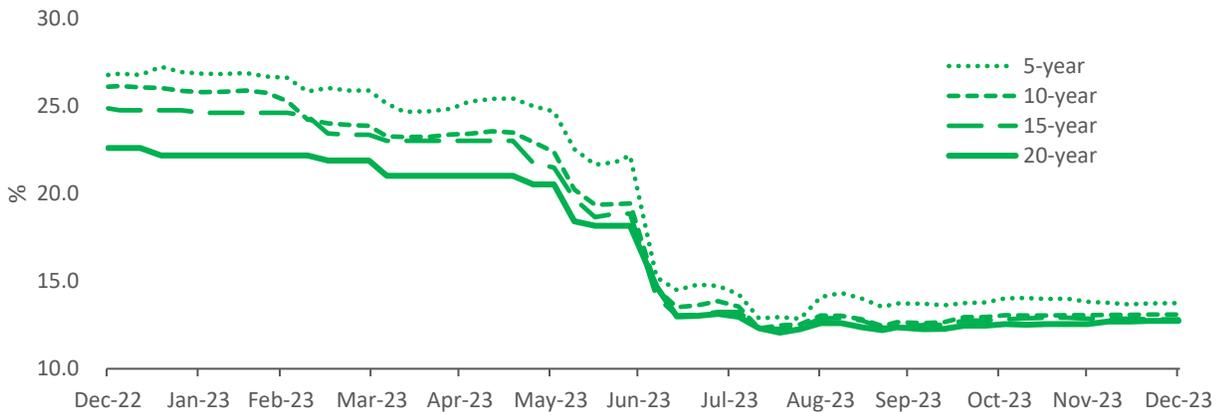
Treasury bill yields witnessed a significant decline during FY2023 with benchmark 3, 6 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at 31 Dec 2022 to 14.51%, 14.16% and 12.93% respectively as at 31 Dec 2023.

**Treasury Bill Rate Movement in 2023**



Source: Central Bank of Sri Lanka

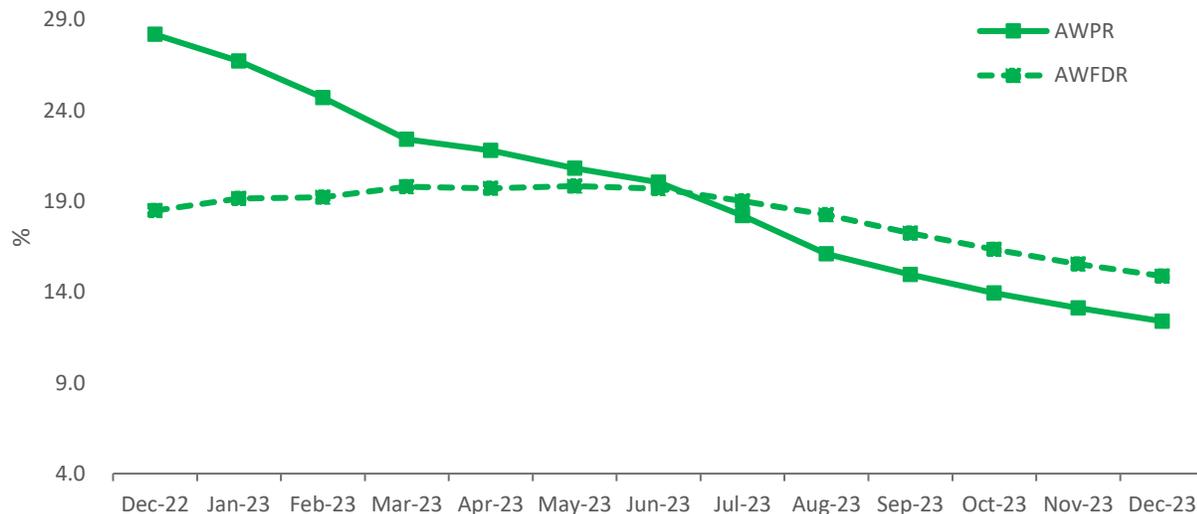
**Treasury Bond Rate Movement in 2023**



Source: Central Bank of Sri Lanka

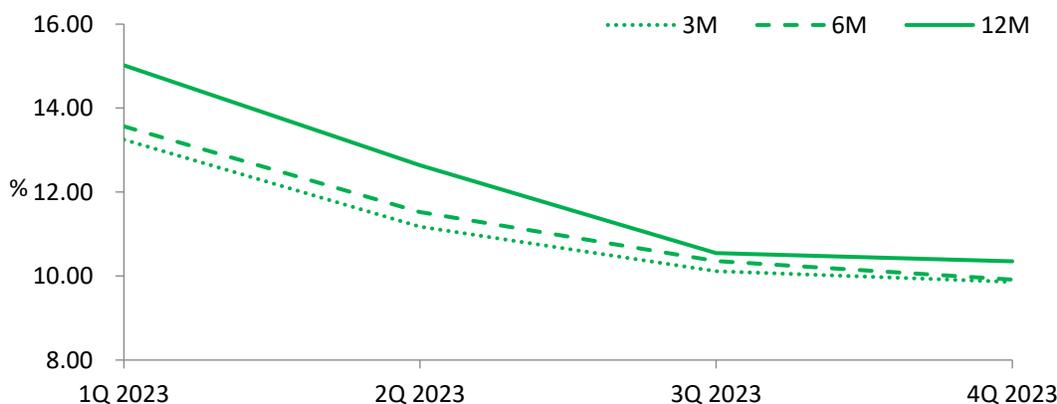


**Movement of Average Weighted Fixed Deposit Rate (AWFDR) and Average Weighted Prime Lending Rates (AWPR) of Commercial Banks (% p.a.) at month-end**



Source: Central Bank of Sri Lanka

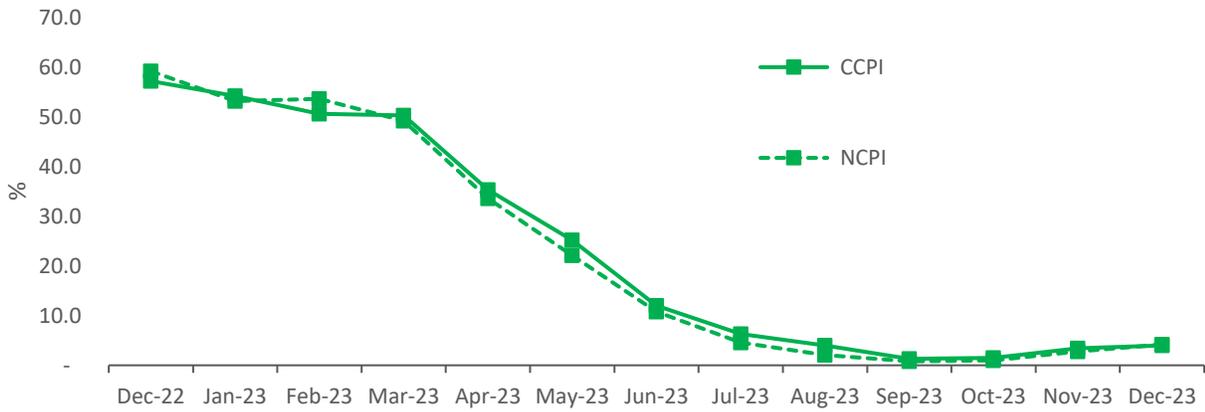
**Average Return on Mudarabah Term Deposits by each Quarter - 2023**



Source: Senfin Asset Management (Pvt) Ltd

**Movement in the CCPI and NCPI**

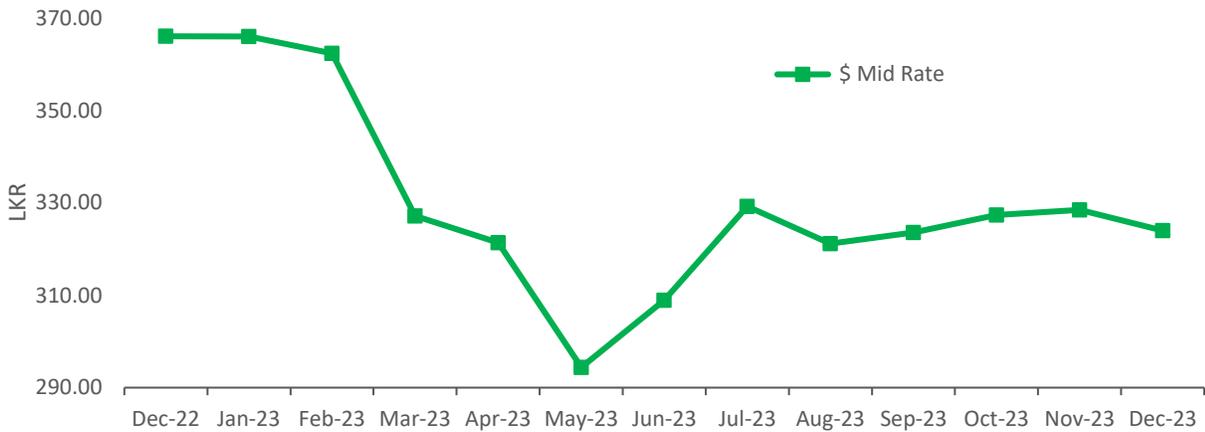
From as high as 57.2% recorded Inflation (measured by the year-on-year change in the Colombo Consumer Price Index - CCPI) in December 2022, Policy makers were successful enough to bring the inflation down to 4.0% in December 2023. Single digit inflation numbers started to report from July 2023. Further,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



Source: Central Bank of Sri Lanka

**Movement in the USD/LKR Rate**

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



Source: Central Bank of Sri Lanka

**Fund Performance**

**Fund Performance as at 31<sup>st</sup> Dec 2023**

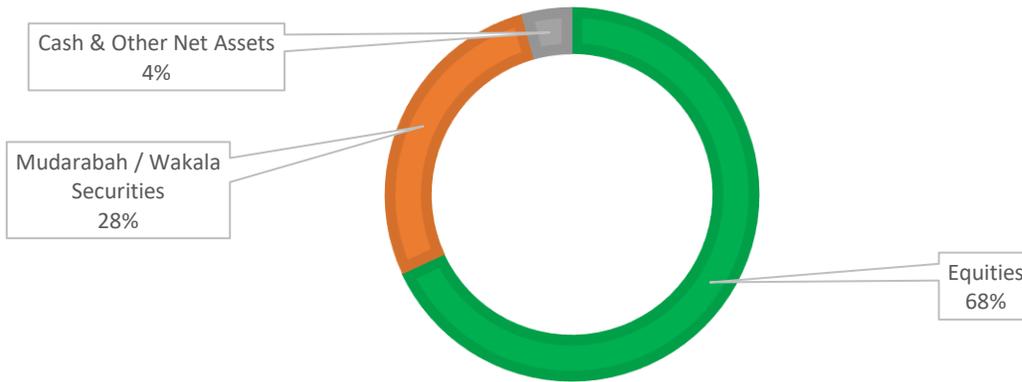
	Six Months Performance	One Year Performance	5-Year Cumulative return	Cumulative Return Since Inception	Annualized Return Since Inception (CAGR)
Senfin Shariah Balanced Fund	6.17%	13.06%	28.49%	63.26%	4.52%
All Share Total Return Index (ASTRI)	14.69%	28.17%	81.21%	119.97%	7.37%

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.

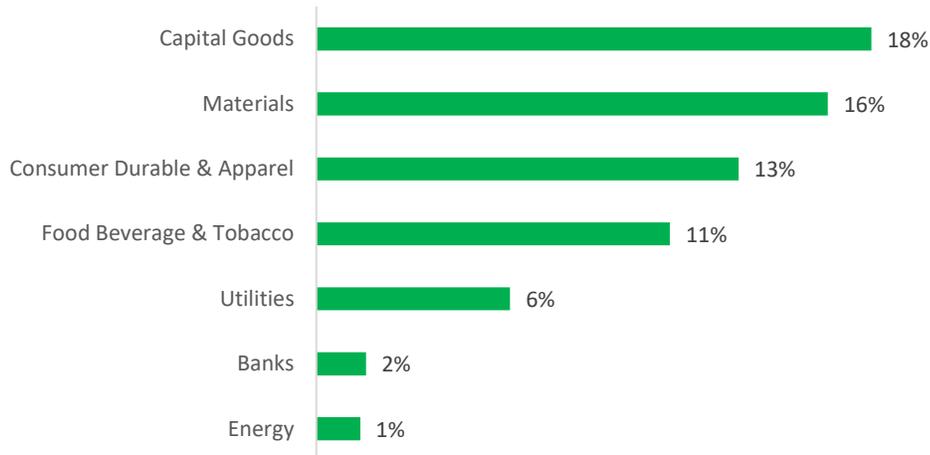
**Asset Allocation as a percentage of Net Asset Value as at 31 Dec 2023**



Source: Senfin Asset Management (Pvt) Ltd



### Equity Holdings 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 macro-economic 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. On fixed income front, Mudarabah rates have indicated a gradual drop from the peak in line with conventional interest rate drop and is expected to follow a similar trend in the coming year. Therefore, we will be consider locking in for longer tenures at higher rates.

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 capital appreciation and income by investing in Shariah compliant investment instruments.

### 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 UNITHOLDERS OF SENFIN SHARIAH BALANCED FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the Financial Statements of **SENFIN SHARIAH BALANCED FUND** (the Fund) which comprise the Statement of Financial Position as at 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 31<sup>st</sup> December 2023, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 3 to 22.

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 31<sup>st</sup> 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 (Col), MBA (PIM-SJP), ACA, CISA

#### Branches

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



#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

#### Report on Other Legal and Regulatory Requirements

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

Kreston MNS & Co  
 CHARTERED ACCOUNTANTS  
 COLOMBO  
 8<sup>TH</sup> APRIL 2024  
 ST/H/sk  
 ST-Senfin Shariah Balanced Fund (2023)-C8



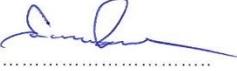
## SENFIN SHARIAH BALANCED FUND

## STATEMENT OF FINANCIAL POSITION AS AT

		31.12.2023 Rs.	31.12.2022 Rs.
<b>ASSETS</b>	<b>Note</b>		
Cash & Cash Equivalents	4	5,259,786	5,299,461
Financial Assets			
- Financial assets at fair value through profit or loss	5	49,507,320	38,071,044
- Financial assets at amortised cost	6	19,411,227	21,369,285
<b>TOTAL ASSETS</b>		<u>74,178,333</u>	<u>64,739,790</u>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued & Other Payables	7	1,427,318	1,012,096
<b>Total Liabilities (Excluding net assets attributable to Unit Holders)</b>		<u>1,427,318</u>	<u>1,012,096</u>
<b>UNIT HOLDERS FUNDS</b>			
Net Assets Attributable to Unit holders		<u>72,751,015</u>	<u>63,727,694</u>
		<u>74,178,333</u>	<u>64,739,790</u>

The Accounting Policies and the Notes on Pages 7 to 22 form an integral part of these Financial Statements.

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

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

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

  
 Hatton National Bank PLC  
 Trustee

8th April 2024



SENFIN SHARIAH BALANCED FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED

		31.12.2023 Rs.	31.12.2022 Rs.
	Note		
<b>Investment Income</b>			
Finance income from Mudharabah investments	8	64,957	220,726
Finance income from Wakala investments	8	3,898,269	2,742,371
Dividend income	8	2,594,940	2,243,047
Other Income	8	-	10,357
Realised (Loss) / Gain on financial assets held at fair value through profit or loss	9	(827,484)	3,210,655
Net change in unrealized gains on financial assets measured at fair value through profit or loss	9.1	5,781,708	(20,595,243)
<b>Total Investment Income</b>		<u>11,512,390</u>	<u>(12,168,088)</u>
<b>Less : Expenses</b>			
Management and Registrar Fees		1,221,611	1,178,158
Trustee and Custodian Fees		407,742	381,217
Audit Fees		163,843	176,812
Audit Fees Over Provision		-	(5,575)
Other Expenses		1,390,079	909,633
		<u>3,183,275</u>	<u>2,640,244</u>
<b>Net Profit / (Loss) Before Tax</b>	10	8,329,115	(14,808,332)
Less : Income Tax Expense	11	-	-
<b>Net Profit / (Loss) after Tax for the year</b>		<u>8,329,115</u>	<u>(14,808,332)</u>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the year</b>		<u>8,329,115</u>	<u>(14,808,332)</u>

The Accounting Policies and the Notes on Pages 7 to 22 form an integral part of these Financial Statements.



## SENFIN SHARIAH BALANCED FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS

FOR THE YEAR ENDED	31.12.2023 Rs.	31.12.2022 Rs.
<b>Unit Holders Funds as at 01 January</b>	63,727,694	78,501,910
Received on Creation of Units	709,206	50,240
Paid on Redemption of Units	(15,000)	(16,124)
Increase/ (Decrease) in net assets attributable to unitholders	8,329,115	(14,808,332)
Net Increase / (Decrease) due to Unitholders' Transactions	72,751,015	63,727,694
Income Distribution for the year	-	-
<b>Unit Holders Funds as at 31 December</b>	<u>72,751,015</u>	<u>63,727,694</u>

The Accounting Policies and the Notes on Pages 7 to 22 form an integral part of these Financial Statements.



## SENFIN SHARIAH BALANCED FUND

## STATEMENT OF CASH FLOW

FOR THE YEAR ENDED

		31.12.2023	31.12.2022
		Rs.	Rs.
	Note		
<b>Cash Flow from Operating Activities</b>			
Finance income on Mudharabah investments		64,957	220,725
Finance income from Wakala investments		4,146,982	2,222,920
Wakala Placement fee Received		-	30,000
Dividend received		2,594,940	2,243,047
Management fees and trustee fees paid		(1,616,064)	(1,575,929)
Other expenses paid		(1,151,989)	(776,399)
Purchase of equity securities		(31,465,264)	(22,420,679)
Sale proceeds from sale of equity securities	9	24,983,211	22,707,573
Net investment in wakala investment		1,709,346	(2,249,074)
<b>Net Cash Generated from / (used in) Operating Activities</b>		<u>(733,881)</u>	<u>402,184</u>
<b>Cash Flows from Financing Activities</b>			
Cash received on Creation of Units		709,206	50,240
Cash paid on redemption of units		(15,000)	(16,124)
<b>Net Cash Generated from Financing Activities</b>		<u>694,206</u>	<u>34,116</u>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		<u>(39,675)</u>	<u>436,300</u>
<b>Cash and Cash Equivalents at the beginning of the year</b>		<u>5,299,461</u>	<u>4,863,161</u>
<b>Cash and Cash Equivalents at the end of the year</b>	4	<u><u>5,259,786</u></u>	<u><u>5,299,461</u></u>
<b>Analysis of Cash and Cash Equivalents at the end of the year</b>			
Cash & Bank Balances	4	<u><u>5,259,786</u></u>	<u><u>5,299,461</u></u>

The Accounting Policies and the Notes on Pages 7 to 22 form an integral part of these Financial Statements.



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

SENFIN SHARIAH BALANCED 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 03 December 2012.

The fund is managed by Senfin Asset Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at 267, Galle Road, Colombo 3. The trustee and custodian of the Fund is Hatton National Bank PLC (HNB) having its place of business at No 481, T. B. Jayah Mawatha, Colombo 10.

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

**NOTE 1.2 - DATE OF AUTHORIZATION FOR ISSUE.**

The financial statements of the fund for the year ended 31 December 2023 were authorized for issue by the fund management company and the trustee on 8<sup>th</sup> April 2024.

**NOTE 2 - PREPARATION OF FINANCIAL STATEMENTS****NOTE 2.1 - BASIS OF PREPARATION**

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

**NOTE 2.1.1 - STATEMENT OF COMPLIANCE**

The financial statements which comprise the statement of financial position as at 31 December 2023, statement of profit or loss and other comprehensive income, statement of movements in unitholders’ funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards.



**SENFIN SHARIAH BALANCED FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 2.1.1 - STATEMENT OF COMPLIANCE (CONTD.)**

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affects the application of policies and reported amounts of assets and liabilities, income and expenses.

In the selection and application of the fund's accounting policies, which are described below, the fund management company is required to make judgements and assumptions and use assumptions in measuring items reported in the financial statements. These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

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

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value. Fair value of the financial instruments are determined by observable market prices or rates.

**NOTE 2.3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2.3.1 - FINANCIAL ASSETS****(i) Recognition and initial measurement**

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

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification**

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





## SENFIN SHARIAH BALANCED FUND

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

#### NOTE 2.3.1 - FINANCIAL ASSETS (CONTD.)

Financial assets are not reclassified subsequent to their initial recognition unless the fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

The fund's financial assets classified under amortised cost include Mudharabah savings deposits, Wakala investments and cash and cash equivalents.

#### (iii) **Subsequent measurement and gains and losses**

<i>Financial assets at amortised cost</i>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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#### NOTE 2.3.2 - FINANCIAL LIABILITIES – CLASSIFICATION, SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES

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

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





## SENFIN SHARIAH BALANCED FUND

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

#### NOTE 2.3.3 - DERECOGNITION

#### NOTE 2.3.4 - FINANCIAL ASSETS

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

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

#### NOTE 2.3.5 - FINANCIAL LIABILITIES

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

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

#### NOTE 2.3.6 - OFFSETTING OF FINANCIAL INSTRUMENTS

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

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



**SENFIN SHARIAH BALANCED FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 2.3.7 - IMPAIRMENT**

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

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

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



**SENFIN SHARIAH BALANCED FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 2.3.7 - IMPAIRMENT (CONTD.)****Credit-impaired financial assets**

At each reporting date, the fund assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data: –

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the company on terms that the company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

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

**Presentation of allowance for ECL in the statement of financial position**

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

**Write-offs**

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

**NOTE 2.4 - RECOGNITION OF INCOME**

Income is recognized to the extent that it is probable that the economic benefits will flow to the fund and the income can be reliably measured.

**I. Finance income from Mudharabah investments**

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

**II. Finance income from Wakala investments**

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



**SENFIN SHARIAH BALANCED FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 2.4 - RECOGNITION OF INCOME (COTD.)****III. Dividend income**

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

**iv. Unrealised gains/ (losses) on financial assets at FVTPL**

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

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

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

**NOTE 2.5 - CASH AND CASH EQUIVALENTS**

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

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

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

**NOTE 2.6 - INCOME TAX**

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

**NOTE 2.7 - EXPENSES**

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

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



**SENFIN SHARIAH BALANCED FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 2.8 - UNITHOLDERS' FUNDS**

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

**NOTE 3 - FINANCIAL RISK MANAGEMENT**

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

Financial instruments of the fund comprise investments in trading securities, Mudharabah saving deposits and Wakala agreements for the purpose of generating a return on the investment made by unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

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

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and other comprehensive income and statement of financial position of the fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

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

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



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

## 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, 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.

2023 Counterparty	Credit rating	Rating agency
People's Leasing and Finance PLC	A(-)	Fitch Rating
Amana Bank PLC	BB+	Fitch Rating
Hatton National Bank PLC	A	Fitch Rating
Richard Pieris Finance Limited	A	Fitch Rating
National Development Bank PLC	A(-)	Fitch Rating
LB Finance PLC	BBB+	Fitch Rating

2022 Counterparty	Credit rating	Rating agency
People's Leasing and Finance PLC	A+	Fitch Rating
Amana Bank PLC	BB+	Fitch Rating
Hatton National Bank PLC	AA(-)	Fitch Rating
Richard Pieris Finance Limited	AA(-)	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.

## b) Market Risk

Market risk represents the risk that the value of the fund's investments portfolios will fluctuate as a result of changes in market prices. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the fund's investment portfolio in line with investment objectives of the fund.



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

## b) Price risk

Price risk is the risk that the fair value of the fund's investment in trading securities fluctuates as a result of changes in the price of the fund's investments in trading securities. Price risk exposure arises from the fund's investment portfolios.

The table below shows the impact on the statement of profit or loss and other comprehensive income and statement of financial position due to a reasonably possible change in the price of the fund's investment in financial assets held at fair value through profit or loss in note 8, with all other variables held constant:

	2023	2022
	Increase/ (decrease) on profit before tax and amounts attributable to unitholders	Increase/ (decrease) on profit before tax and amounts attributable to unitholders
	Rs.	Rs.
Change in price of the fund's investments in financial assets held at fair value through profit or loss		
+10%	4,950,732	3,807,104
-10%	(4,950,732)	(3,807,104)

## d) Profit Share Rate Risk

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

31 December 2023	Floating profit share rate	Fixed profit share rate	Non- profit share rate bearing	Total
	Rs.	Rs.	Rs.	Rs.
<i>Financial Assets</i>				
Cash and Cash Equivalents	1,400,291	-	3,859,495	5,259,786
Fixed Assets – FVTP&L	-	-	49,507,320	49,507,320
Financial Assets – Amortized cost	-	19,411,227	-	19,411,227
Total exposure	1,400,291	19,411,227	53,366,815	74,178,333



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

31 December 2022	Floating profit share rate	Fixed profit share rate	Non- profit share rate bearing	Total
	Rs.	Rs.	Rs.	Rs.
<i>Financial Assets</i>				
Cash and Cash Equivalents	3,339,393	-	1,960,068	5,299,461
Financial Assets at FVTP&L	-	-	38,071,044	38,071,044
Financial Assets – Amortized cost	-	21,369,285	-	21,369,285
Total exposure	3,339,393	21,369,285	40,031,112	64,739,790

## d) Liquidity Risk

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

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

- investing primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash.
- investing within established limits to ensure there is no concentration of risk.
- maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The Code requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)
- requiring at least 10 business days prior written notice for Unitholder redemption equal to or greater than 3% of the Net Asset Value of the fund.
- searching for new investors

The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. In addition, as per the Code and the Trust Deed, if redemptions value is 3% or more of the net assets value of the fund, the unitholder is required to give a minimum of 10 business 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.



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

## d) Liquidity Risk (Contd.)

The table below summarises the fund's non derivative financial assets and liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period.

31 December 2023	Less than 30 days (Rs.)	31 - 90 days (Rs.)	91 – 180 days (Rs.)	181 – 365 days (Rs.)	Total (Rs.)
Financial Assets	5,259,787	5,229,562	5,067,672	9,113,992	24,671,013
Financial Liabilities	1,427,318	-	-	-	1,427,318
<b>31 December 2022</b>					
Financial Assets	5,299,461	12,114,326	9,254,959	-	26,668,746
Financial Liabilities	430,003	405,282	176,812	-	1,012,096

## e) Capital Risk Management

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

Disclosures relevant to Unitholders' funds are as follows;

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

## I. In terms of value

	2023	2022
	Rs.	Rs.
Unitholders' funds as at 01 January	63,727,694	78,501,910
Creations during the year	709,206	50,240
Redemptions during the year	(15,000)	(16,124)
Increase/(Decrease) in net assets attributable to unitholders during the year	8,329,115	(14,808,332)
Unitholders' funds as at 31 December	<u>72,751,015</u>	<u>63,727,694</u>



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

In terms of No. of units	2023	2022
	5,586,889.00	5,584,449.4
Opening number of units as at 01 January	53,982.90	3,831.30
Unit creations during the year	(1,336.90)	(3,002.7)
Unit redemptions during the year		
Closing number of units as at 31 December	<u>5,639,535.00</u>	<u>5,586,889.00</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.



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 18 - RELATED PARTY TRANSACTIONS (CONTD.)

## Related party unit holding

The following are the units held by related parties of Senfin Shariah Balanced Fund.

	Relationship	No. of Units	Value of units held Rs.	Total interest held as a % of NAV
<b>As at 31 st December 2023</b>				
E.W Balasuriya & Co (Pvt) Ltd	Ultimate Parent	4,170,406.10	53,381,198.08	74%
<b>As at 31 st December 2022</b>				
E.W Balasuriya & Co (Pvt) Ltd	Ultimate Parent	4,170,406.10	47,292,405.17	75%

## Transactions with and amounts due to related parties

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

	Payable as at 31.12.2023	Payable as at 31.12.2022
Management and registrar fees	108,301	95,593
Trustee and custodian fees	34,991	34,410
	Charge for the year	Charge for the year
Management and registrar fees	1,221,611	1,178,158
Trustee and custodian fees	407,742	381,217
Profit share income on mudharabah saving account from HNB PLC	5,535	6,819
	As at 31.12.2023 Rs.	As at 31.12.2022 Rs.
The Bank Balance held at HNB PLC	3,859,495	1,960,068
The Money Market Account balance held at HNB PLC	226,661	221,744



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 17 - RELATED PARTY TRANSACTIONS

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

**Responsible entity**

The management Company of SENFIN SHARIAH BALANCED 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 year.

Dr. Prathap Ramanujam

Mr. Darshan Ravindra Abeysuriya (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 year are given below:

Mr. Jeevan Sukumaran - Chief Executive Officer

Mr. Surath Perera - Chief Investment Officer

Mr. Murugiah Rajendran - Head of Compliance

Mr. Nilanka Gamaethige - Head of Client Services & Marketing

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

**Key management personnel compensation**

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 SHARIAH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 12 - CAPITAL COMMITMENTS

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

NOTE 13 - EVENTS AFTER THE REPORTING DATE

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

NOTE 14 - CONTINGENCIES

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

NOTE 15 - 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	72,751,015	63,727,694
Income Tax Receivable	-	-
Other Expense over / under provision	1	26,812
Published Net Asset Value	<u>72,751,016</u>	<u>63,754,506</u>
Number of units outstanding	5,639,535.6	5,586,889.6
Published Net Asset Value per Unit	<u>12.90</u>	<u>11.41</u>

NOTE 16 - UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31st December 2023 is 5,639,535.60 (31 December 2022 is 5,586,889.6). The Net Asset Value per unit as at this date was Rs. 12.90 ( 31.12.2022 - Rs. 11.41).



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	31.12.2023 Rs.	31.12.2022 Rs.
<b>NOTE 8 - FINANCE INCOME</b>		
Finance income from Mudharabah saving deposits	64,957	220,726
Finance income from Wakala investments	3,898,269	2,742,371
Dividend income	2,594,940	2,243,047
Other Income	-	10,357
	<u>6,558,166</u>	<u>5,216,501</u>

**NOTE 9 - REALISED GAINS / (LOSSES) ON FINANCIAL ASSETS FAIR VALUE THROUGH PROFIT OR LOSS****Quoted equity securities**

Proceeds on sale of quoted equity securities	24,983,211	22,707,573
Average cost of equity securities sold	(25,810,695)	(19,496,918)
	<u>(827,484)</u>	<u>3,210,655</u>

**NOTE 9.1 - NET CHANGE IN UNREALIZED GAINS ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Quoted Equity Securities	<u>5,781,708</u>	<u>20,595,243</u>
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**NOTE 10 - NET PROFIT / (LOSS) BEFORE TAXATION**

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

Management and Registrar Fees	1,221,611	1,178,158
Trustee and Custodian Fees	407,742	381,217
Audit Fees	163,843	176,812
- Over provision prior year	-	(5,575)
Other Expenses	1,390,079	909,633
	<u>1,390,079</u>	<u>909,633</u>

**NOTE 11 - 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	8,329,115	(14,808,332)
Aggregate disallowable expenses / net gains	-	-
Income Exempt from tax	(8,329,115)	14,808,332
Aggregate allowable net (gains) / Losses	-	-
Statutory Income / (Loss)	-	-
Total statutory income	<u>-</u>	<u>-</u>

**Income tax at the rate of 10%**

Income tax expense reported in the Statement of Comprehensive Income	<u>-</u>	<u>-</u>
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**NOTE 11.1 - INCOME TAX RECEIVABLE**

Income Tax Receivable	676,437	676,437
Allowance on impairment provision for Income Tax Receivable	(676,437)	(676,437)
	<u>-</u>	<u>-</u>

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



## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	31.12.2023 Rs.	31.12.2022 Rs.
<b>NOTE 6 - FINANCIAL ASSETS AT AMORTISED COST</b>		
Wakala Investments (Note 6.1)	19,411,227	21,369,285
	<u>19,411,227</u>	<u>21,369,285</u>

**NOTE 6.1 - WAKALA INVESTMENTS**

Richard Pieris Finance Ltd	10,297,234	-
National Development Bank PLC	-	5,117,124
LB Finance PLC	-	9,254,959
Vidullanka PLC	9,113,993	6,997,202
	<u>19,411,227</u>	<u>21,369,285</u>

**NOTE 7 - ACCRUED & OTHER PAYABLES****Accrued Expenses**

Management and Registrar Fee	108,301	95,593
Trustee Fee and Custodian Fee	34,991	34,410
Audit Fee	164,998	176,812
Professional fee payable	106,456	-
Provision for Non Permissible Income	600,002	600,000
Others	412,570	105,281
	<u>1,427,318</u>	<u>1,012,096</u>





## SENFIN SHARIAH BALANCED FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 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

The following assumptions used to value the level 2 securities where there is no active trading price is available:

## a) Quoted Securities

All quoted securities are valued at the last trading price. However, if there is no trades for last 90 calendar days for a particular quoted security (ies), those quoted securities are valued on mark to market basis using the daily yield curve released by the Central Bank of Sri Lanka (CBSL) until the next trading day, including any risk premium attached to the instrument.

## b) Risk Premium

The risk premium for valuation of quoted and unquoted debt securities shall continue to be calculated as the difference between the yield on the corporate debt and the yield on the government security of a similar maturity at the time of investing.

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

Financial Assets at Fair Value through Profit or Loss As at 31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets - fair value through profit or loss				
Quoted equity securities	49,507,320	-	-	49,507,320
Total Financial Assets at Fair Value as at 31st December 2023	49,507,320	-	-	49,507,320
Financial Assets at Fair Value through Profit or Loss As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets - fair value through profit or loss				
Quoted equity securities	38,071,044	-	-	38,071,044
Total Financial Assets at Fair Value as at 31st December 2022	38,071,044	-	-	38,071,044





## SENFIN SHARIAH BALANCED FUND

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## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.12.2023  
Rs.31.12.2022  
Rs.

## NOTE 4 - CASH &amp; CASH EQUIVALENTS

## Cash at Bank

Hatton National Bank PLC current account	3,859,495	1,960,068
Mudharabah savings accounts (Note 4.1)	1,400,291	3,339,393
	<u>5,259,786</u>	<u>5,299,461</u>

## NOTE 4.1 - Mudharabah savings accounts

Amana Bank PLC	66,210	63,818
Hatton National Bank PLC - Islamic Banking Unit	226,661	221,744
People's Leasing and Finance PLC - Islamic Banking Unit	1,107,420	3,053,831
	<u>1,400,291</u>	<u>3,339,393</u>

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

Cost	50,732,220	45,077,652
Unrealised Loss on market value of quoted equity securities	(1,224,900)	(7,006,608)
Market value as at	<u>49,507,320</u>	<u>38,071,044</u>

## NOTE 5.1 - QUOTED SHARES

	31.12.2023			31.12.2022		
	No. of shares	Market Value	Holdings as % of net asset value	No. of shares	Market Value	Holdings as % of net asset value
		Rs.			Rs.	
<b>Capital Goods</b>						
Hemas Holdings PLC	149,594	9,977,920	14%	130,000	7,332,000	12%
ACL Cables PLC	42,500	2,924,000	4%	-	-	-
Hayleys PLC	-	-	-	95,000	6,460,000	10%
Lanka Tiles PLC	-	-	-	58,482	2,696,020	4%
		<u>12,901,920</u>	<u>18%</u>		<u>16,488,020</u>	<u>25.87%</u>
<b>Consumer Durables &amp; Apparel</b>						
Textured Jersey PLC	270,379	9,814,758	13%	202,033	6,404,446	10%
Hayleys Fabric PLC	-	-	-	100,000	2,260,000	4%
		<u>9,814,758</u>	<u>13%</u>		<u>8,664,446</u>	<u>13.60%</u>
<b>Food, Beverage &amp; Tobacco</b>						
Ceylon Grain Elevators PLC	10,000	1,585,000	2%	-	-	-
Watawala Plantations PLC	15,000	1,083,000	1%	30,000	2,220,000	3.48%
Bairaha Farms PLC	17,000	3,153,500	4%	5,500	866,250	1.36%
Nestle Lanka PLC	-	-	-	900	814,500	1.28%
Kelani Valley Plantations PLC	33,045	2,399,067	3%	-	-	-
		<u>8,220,567</u>	<u>11%</u>		<u>3,900,750</u>	<u>6.12%</u>
<b>Materials</b>						
Haycarb PLC	-	-	-	34,053	1,961,453	3.08%
Chevron Lubricants Lanka PLC	50,000	4,515,000	6%	-	-	-
Tokyo Cement PLC	194,152	7,377,775	10%	50,000	1,300,000	2.04%
		<u>11,892,775</u>	<u>16%</u>		<u>3,261,453</u>	<u>5.12%</u>
<b>Transportation</b>						
Expolanka Holdings PLC	-	-	-	9,500	1,731,375	2.72%
		<u>-</u>	<u>-</u>		<u>1,731,375</u>	<u>2.72%</u>
<b>Energy</b>						
Lanka IOC PLC	10,000	1,020,000	1%	-	-	-
		<u>1,020,000</u>	<u>1%</u>		<u>-</u>	<u>-</u>
<b>Bank &amp; Finance</b>						
Amana Bank PLC	501,000	1,152,300	2%	-	-	-
		<u>1,152,300</u>	<u>2%</u>		<u>-</u>	<u>-</u>
<b>Utilities</b>						
Vallibel Power Erathna PLC	300,000	2,160,000	3%	300,000	1,890,000	2.97%
Vidullanka PLC	350,000	2,345,000	3%	350,000	2,135,000	3.35%
		<u>4,505,000</u>	<u>6%</u>		<u>4,025,000</u>	<u>6.32%</u>
		<u>49,507,320</u>	<u>68%</u>		<u>38,071,044</u>	<u>59.74%</u>





*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 Assēt Management (Private) Limited, the Managers of the **Senfin Shariah Balanced Fund** hereby declare that

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

.....  
**Director**  
**Management Company**

.....  
**Director**  
**Management Company**

.....  
**Trustee of the Fund**

## Management Company Information

### Managing Company

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### Bankers

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Kollupitiya Branch  
285, Galle Road,  
Colombo- 03.

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

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

### Auditors

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

### Lawyers

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



# Senfin Asset Management (Pvt) Ltd

(A fully owned subsidiary of Senkadagala Finance PLC)

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