

**DIALOG FINANCE PLC**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED  
30 SEPTEMBER 2019**

**DIALOG FINANCE PLC****Statement of financial position**

(all amounts in Sri Lanka Rupees thousands)

	<b>30 Sep 2019 (Unaudited)</b>	<b>31 Mar 2019 (Audited)</b>
<b>ASSETS</b>		
Cash and cash equivalents	190,821	91,704
Placements with banks and financial institutions	635,360	163,100
Securities purchased under repurchase agreements	80,632	17,755
Financial assets at fair value through profit or loss	1,030	907
Financial assets at amortised cost - loans and advance	1,063,377	991,417
Financial assets at fair value through other comprehensive income	346	346
Financial investments at amortised cost	2,034	66,368
Other assets	172,373	55,822
Current tax receivable	4,904	4,904
Right-of-use assets	32,745	38,062
Property, plant and equipment	121,389	66,387
Intangible assets	54,922	87,748
Deferred tax assets	36,948	36,948
<b>Total assets</b>	<b>2,396,881</b>	<b>1,621,468</b>
<b>LIABILITIES</b>		
Financial liabilities at amortised cost - due to customers	725,697	632,209
Retirement benefit obligations	6,895	6,717
Lease liabilities	34,957	38,837
Other liabilities	125,168	110,157
<b>Total liabilities</b>	<b>892,717</b>	<b>787,920</b>
<b>EQUITY</b>		
Stated capital	1,673,165	909,038
Statutory reserve fund	11,361	11,361
Other reserves	-	-
Retained earnings	(180,362)	(86,851)
<b>Total equity</b>	<b>1,504,164</b>	<b>833,548</b>
<b>Total equity and liabilities</b>	<b>2,396,881</b>	<b>1,621,468</b>
Net assets per share (Rs.)	16.47	11.54
Commitments and contingencies	303,898	206,552

The notes on pages 5 to 10 form an integral part of these financial statements.

**CERTIFICATION**

We certify that the above Interim Financial Statements are in compliance with the requirements of the Companies Act No: 7 of 2007 and give true and fair view of the state of affairs of Dialog Finance PLC as at 30 September 2019 and its loss for the period ended 30 September 2019.

Signed

.....

**Head of Finance**

Date: 05/11/2019

Signed

.....

**Director/Chief Executive Officer**

Date: 05/11/2019

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board of Directors by,

Signed

.....

**Director**

Date: 05/11/2019

Signed

.....

**Director**

Date: 05/11/2019

## DIALOG FINANCE PLC

### Statement of profit or loss and other comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Six months ended 30 Sep			Three months ended 30 Sep		
	2019 (Unaudited)	2018 (Unaudited)	Change %	2019 (Unaudited)	2018 (Unaudited)	Change %
Interest income	131,381	109,514	20	66,286	64,387	3
Less: Interest expense	(31,899)	(42,797)	(25)	(15,744)	(21,333)	(26)
<b>Net interest income</b>	<b>99,482</b>	<b>66,717</b>	<b>49</b>	<b>50,542</b>	<b>43,054</b>	<b>17</b>
Fee and commission income	47,493	58,175	(18)	23,752	21,041	13
Net gains / (losses) from trading	123	(529)	123	183	(223)	(182)
Other operating income	5,785	3,194	81	3,555	1,636	117
<b>Total operating income</b>	<b>152,883</b>	<b>127,557</b>	<b>20</b>	<b>78,032</b>	<b>65,508</b>	<b>19</b>
Less: Impairment charges and other losses	(63,806)	(74,474)	(14)	(34,493)	(63,207)	(45)
<b>Net operating income</b>	<b>89,077</b>	<b>53,083</b>	<b>68</b>	<b>43,539</b>	<b>2,301</b>	<b>1,792</b>
<b>Less: Operating expenses</b>						
Personnel expenses	(87,438)	(59,524)	47	(42,496)	(29,944)	42
Depreciation and amortization	(18,374)	(2,530)	626	(11,257)	(1,252)	799
Other expenses	(75,097)	(26,215)	186	(35,018)	(13,726)	155
<b>Operating loss before taxes on financial services</b>	<b>(91,832)</b>	<b>(35,186)</b>	<b>161</b>	<b>(45,232)</b>	<b>(42,621)</b>	<b>(6)</b>
Tax reversal on financial services	-	-	-	-	2,001	(100)
<b>Loss before tax for the period</b>	<b>(91,832)</b>	<b>(35,186)</b>	<b>161</b>	<b>(45,232)</b>	<b>(40,620)</b>	<b>(11)</b>
Income tax reversal	-	-	-	-	1,522	(100)
<b>Loss for the period</b>	<b>(91,832)</b>	<b>(35,186)</b>	<b>161</b>	<b>(45,232)</b>	<b>(39,098)</b>	<b>(16)</b>
<b>Total comprehensive (expense) / income for the period, net of tax</b>	<b>(91,832)</b>	<b>(35,186)</b>	<b>161</b>	<b>(45,232)</b>	<b>(39,098)</b>	<b>(16)</b>
Loss per share (annualised)	(2.04)	(0.97)		(1.98)	(2.17)	

The notes on pages 5 to 10 form an integral part of these financial statements.

**DIALOG FINANCE PLC****Statement of changes in equity**

(all amounts in Sri Lanka Rupees thousands)

	Stated capital	Retained earnings	Statutory reserve fund	General reserve	Total
<b>Balance at 1 April 2019</b>	<b>909,038</b>	<b>(86,851)</b>	<b>11,361</b>	-	<b>833,548</b>
Rights issue during the period	764,127	-	-	-	764,127
Rights issue expenses		(1,679)			(1,679)
Loss for the period	-	(91,832)	-	-	(91,832)
<b>Balance at 30 September 2019</b>	<b>1,673,165</b>	<b>(180,362)</b>	<b>11,361</b>	-	<b>1,504,164</b>
<b>Balance at 1 April 2018</b>	<b>309,889</b>	<b>28,767</b>	<b>11,361</b>	<b>60,000</b>	<b>410,017</b>
Impact of adopting SLFRS 9 at 1 April 2018	-	(45,926)	-	-	(45,926)
<b>Restated balance under SLFRS 9 at 1 April 2018</b>	<b>309,889</b>	<b>(17,159)</b>	<b>11,361</b>	<b>60,000</b>	<b>364,091</b>
Rights issue during the period	599,149	-	-	-	599,149
Loss for the period	-	(35,186)	-	-	(35,186)
<b>Balance at 30 September 2018</b>	<b>909,038</b>	<b>(52,345)</b>	<b>11,361</b>	<b>60,000</b>	<b>928,054</b>
Balance at 1 October 2018	909,038	(52,345)	11,361	60,000	928,054
Loss for the period	-	(94,224)	-	-	(94,224)
Other comprehensive income, net of tax	-	944	-	-	944
<b>Total comprehensive income for the period</b>	-	<b>(92,280)</b>	-	-	<b>(92,280)</b>
Transferred to retained earnings	-	60,000	-	(60,000)	-
Rights issue expense	-	(1,226)	-	-	(1,226)
<b>Balance at 31 March 2019</b>	<b>909,038</b>	<b>(86,561)</b>	<b>11,361</b>	-	<b>833,548</b>

The notes on pages 5 to10 form an integral part of these financial statements.

**DIALOG FINANCE PLC****Statement of cash flows**

(all amounts in Sri Lanka Rupees thousands)

	<b>Six months ended 30 Sep</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Loss before income tax	(91,832)	(35,186)
<b>Adjustment for,</b>		
Interest expenses	31,899	42,797
Depreciation and amortisation	18,374	2,530
Provision for retirement benefits obligation	888	647
Net (gain) / loss from financial instruments at fair value through profit or loss	(123)	529
Impairment charges and other losses	63,806	74,474
	<b>23,012</b>	<b>85,791</b>
<b>Operating profit before working capital changes</b>		
Increase in loans and advances	(135,766)	(383,370)
Increase in other assets	(80,592)	(99,426)
Increase in deposits from customers	92,735	52,203
Increase in trade and other payables	18,238	56,300
	<b>(82,373)</b>	<b>(288,502)</b>
<b>Cash used in operations</b>		
Interest paid	(31,146)	(48,539)
Payment of retirement gratuity	(710)	-
	<b>(114,229)</b>	<b>(337,041)</b>
<b>Net cash used in from operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisition of property plant and equipment	(75,282)	(76,824)
Acquisition of intangible assets	864	-
Net Investment in treasury bills	64,334	(3,413)
Net cash flows from securities purchased under repurchased agreement	(62,878)	11,929
Net placements with banks and financial institutions	(472,260)	(191,294)
	<b>(545,222)</b>	<b>(259,602)</b>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Net cash received on rights issue	762,448	597,924
Principal element of lease payment	(3,880)	-
	<b>758,568</b>	<b>597,924</b>
<b>Net cash generated from financing activities</b>		
Net increase in cash and cash equivalents	99,117	1,281
Cash and cash equivalents at the beginning of the period	91,704	33,074
	<b>190,821</b>	<b>34,355</b>
<b>Cash and cash equivalents at the end of the period</b>		

The notes on pages 5 to10 form an integral part of these financial statement

## DIALOG FINANCE PLC

### Financial reporting by segment

(all amounts in Sri Lanka Rupees thousands)

For the six months ended 30 September	Leasing and Hire purchase		Treasury / Investments		Margin Trading		Other loan and advance		Device Financing		Unallocated		2019	Total 2018
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018		
Net interest income	5,554	10,330	29,699	13,353	2,613	4,704	23,065	22,688	38,551	15,643	-	-	99,482	66,718
Net fees and commission income	11	109	-	-	-	-	907	184	46,575	57,882	-	-	47,493	58,175
Net other income / (expense)	1,134	1,850	366	(279)	-	-	4,361	1,040	-	-	47	53	5,908	2,664
<b>Operating income by segment</b>	<b>6,699</b>	<b>12,289</b>	<b>30,065</b>	<b>13,074</b>	<b>2,613</b>	<b>4,704</b>	<b>28,333</b>	<b>23,912</b>	<b>85,126</b>	<b>73,525</b>	<b>47</b>	<b>53</b>	<b>152,883</b>	<b>127,557</b>
<b>Total operating income</b>	<b>6,699</b>	<b>12,289</b>	<b>30,065</b>	<b>13,074</b>	<b>2,613</b>	<b>4,704</b>	<b>28,333</b>	<b>23,912</b>	<b>85,126</b>	<b>73,525</b>	<b>47</b>	<b>53</b>	<b>152,883</b>	<b>127,557</b>
Impairment (expenses) / reversal	1,923	(5,179)	-	-	(9)	29	5,469	(50,611)	(71,189)	(18,713)	-	-	(63,806)	(74,474)
<b>Net operating income</b>	<b>8,622</b>	<b>7,110</b>	<b>30,065</b>	<b>13,074</b>	<b>2,604</b>	<b>4,733</b>	<b>33,802</b>	<b>(26,699)</b>	<b>13,937</b>	<b>54,812</b>	<b>47</b>	<b>53</b>	<b>89,077</b>	<b>53,083</b>
Operating expenses	(4,380)	(3,284)	-	-	(4,531)	(1,240)	(28,587)	(6,857)	(37,600)	(14,834)	-	-	(75,097)	(26,215)
Depreciation and amortization	(1,072)	(317)	-	-	(1,108)	(120)	(6,994)	(661)	(9,199)	(1,432)	-	-	(18,374)	(2,530)
<b>Segment result</b>	<b>3,170</b>	<b>3,509</b>	<b>30,065</b>	<b>13,074</b>	<b>(3,035)</b>	<b>3,373</b>	<b>(1,779)</b>	<b>(34,217)</b>	<b>(32,862)</b>	<b>38,546</b>	<b>47</b>	<b>53</b>	<b>(4,394)</b>	<b>24,338</b>
Personnel expenses													(87,438)	(59,524)
<b>Loss from operations</b>													<b>(91,832)</b>	<b>(35,186)</b>
<b>Net loss for the period</b>													<b>(91,832)</b>	<b>(35,186)</b>
<b>Other information</b>														
<b>Balance at 30 September</b>														
Segment assets	62,015	153,718	864,627	513,301	64,153	58,037	404,787	320,888	532,420	694,420	468,879	186,385	2,396,881	1,926,749
<b>Total assets</b>	<b>62,015</b>	<b>153,718</b>	<b>864,627</b>	<b>513,301</b>	<b>64,153</b>	<b>58,037</b>	<b>404,787</b>	<b>320,888</b>	<b>532,420</b>	<b>694,420</b>	<b>468,879</b>	<b>186,385</b>	<b>2,396,881</b>	<b>1,926,749</b>
Segment liabilities	52,062	119,510	-	-	53,858	45,122	339,823	249,478	446,974	539,885	-	-	892,717	953,995
<b>Total liabilities</b>	<b>52,062</b>	<b>119,510</b>	<b>-</b>	<b>-</b>	<b>53,858</b>	<b>45,122</b>	<b>339,823</b>	<b>249,478</b>	<b>446,974</b>	<b>539,885</b>	<b>-</b>	<b>-</b>	<b>892,717</b>	<b>953,995</b>

## DIALOG FINANCE PLC

### Notes to the condensed interim financial statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

#### 1 Basis of preparation

The condensed interim financial statements for the six months ended 30 September 2019 of the Company have been prepared in accordance with Sri Lanka Accounting Standard LKAS 34, 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2019. There were no changes to the accounting policies since the publication of the audited financial statements for the year ended 31 March 2019.

#### 2 Events after the reporting period

No material events occurred after the balance sheet date that require adjustments to or disclosure in the financial statements.

#### 3 Contingent liabilities

There were no material contingent liabilities as at the reporting date which require adjustments to/or disclosures in the financial statements.

#### 4 Rights issue

During the period under review, the Company issued 19,103,158 ordinary shares by way of a Rights Issue in the proportion of thirty-two (32) new Ordinary Shares for one hundred and twenty-one (121) existing Ordinary shares held in the capital of the Company and shares were listed on 26 April 2019. The Company raised Rs. 764,126,320 from the Rights Issue and increased the Stated Capital of the Company from Rs. 909,038,222 representing 72,233,816 shares to Rs.1,673,164,542 representing 91,336,974 shares.

#### 5 Related party transactions

Name of the company	Relationship	Nature of transaction	Transactions during the period		Balance (payable) / receivable as at		The rationale for entering into the transaction
			(Accrued) / Charged	(Received) / Paid	30 Sep 19	31 Mar 19	
Dialog Axiata PLC	Parent	Fixed deposits	(18,158)	-	(442,072)	(423,914)	Customer deposit
Dialog Axiata PLC	Parent	Secondment staff cost	(34,463)	79,680	(8,827)	(54,044)	Service fee
Dialog Axiata PLC	Parent	Receipts	237,746	(217,062)	85,790	65,106	Collection of rentals

## DIALOG FINANCE PLC

### Notes to the condensed interim financial statements (Continued)

#### 6 Fair value of financial instruments

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	Measurement criteria and the fair value					
	Level 1		Level 3		Total	
	30 Sep 2019	31 Mar 2019	30 Sep 2019	31 Mar 2019	30 Sep 2019	31 Mar 2019
<b>Financial assets</b>						
Financial assets at fair value through profit or loss	1,030	907	-	-	1,030	907
Financial assets at fair value through other comprehensive income	-	-	346	346	346	346

#### 7 Market price per share

For the three months ended 30 September

	2019 Rs.	2018 Rs.
- Highest	44.90	50.90
- Lowest	30.10	30.20
- Last traded	40.00	46.90



## DIALOG FINANCE PLC

### Notes to the condensed interim financial statements (Continued)

#### 8 Twenty largest shareholders of the Company

Name of Shareholders	No. of shares	% Holding
1 Dialog Axiata PLC	90,309,767	98.88%
2 J.B.Cocoshell (Pvt) Ltd	209,496	0.23%
3 Mr.R.C.J Goonewardene	144,702	0.16%
4 Mrs.A.A.Raaymakers	25,000	0.03%
5 Mr.P.S.M Fernando	22,601	0.02%
6 Mr.L.C.Y Welikala	22,600	0.02%
7 Mr. R.E Rambukwella	21,948	0.02%
8 Mr.K.N.R.L.W Nandasiri / T.B.Ratna Sujeewa Tennakoon Banda	18,632	0.02%
9 People's Leasing & Finance PLC /C.D.Kohombanwickramage	17,820	0.02%
10 Mr.B.C.N Mendis	14,727	0.02%
11 Mr.B.C.V Mendis	13,727	0.02%
12 Mr.S.L Paranamange	13,700	0.01%
13 Mr.T Thirutthanigainathan	12,344	0.01%
14 Mr.R.L.G Fernando	12,000	0.01%
15 Mr.N.S Wijesekara	11,813	0.01%
16 Mr.O.W.D Yasapala	11,000	0.01%
17 Mr.G.D.M Ranasinghe/ Mr.O.R.K Ranasinghe	10,000	0.01%
17 Mr.H.V.S.M Navaratne	10,000	0.01%
19 Mr.T.D Mahaliyana	9,940	0.01%
20 Mr.B. P. Sinhage	8,000	0.01%
	<b>90,919,817</b>	<b>99.54%</b>
Others	417,157	0.46%
<b>Total</b>	<b>91,336,974</b>	<b>100.00%</b>

#### 9 Directors' shareholdings

None of the Directors and their close family members held any shares in the Company as at 30 September 2019.

#### 10 Public shareholdings

Information pertaining to public shareholding is as follows:

	<b>30 Sep 2019</b>	<b>30 Sep 2018</b>
Public holding percentage	1.12%	1.12%
Number of public shareholders	757	803
Float adjusted market capitalisation (Rs.)	40,458,776	37,942,979

(a) The Company is not compliant with the Minimum Public Holding requirement under Option 2 of Rule 7.13.1(b) of the Listing Rules of the Colombo Stock Exchange ("CSE"). As requested by the CSE, the Company will continue to make appropriate disclosures to the market in this regard.

## DIALOG FINANCE PLC

### Notes to the condensed interim financial statements (Continued)

#### 11 Rights issue funds utilisation as at 30 September 2019

Objective number	Objective as per circular	Amount allocated as per circular Rs.	Proposed date of utilisation as per circular	Amount allocated from proceeds Rs. (A)	% of total proceeds	Amounts utilised Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	To utilise for lending purpose	762,586,320	Financial year 2019/20	762,586,320	99.80%	-	-	Funds are placed with banks and financial institutions
2	Expenses relating to the R/I	1,540,000	Financial year 2019/20	1,540,000	0.20%	1,540,000	100%	-

## DIALOG FINANCE PLC

### Selected performance indicators

Item	As at 30 Sep 2019	As at 30 Sep 2018
<b>Regulatory capital adequacy</b>		
Core capital (Tier I capital), Rs. '000	1,453,172	1,009,166
Tier I capital (after adjustments), Rs. '000	1,370,259	984,086
Total capital base, Rs. '000	1,370,259	985,202
Risk weighted assets, Rs. '000	2,213,125	2,050,101
<b>Core capital adequacy ratio</b> (As a % of risk weighted assets - Minimum requirement – 6.5%)	61.92%	48.00%
<b>Total capital adequacy ratio</b> (As a % of risk weighted assets - Minimum requirement – 10.5%)	61.92%	48.06%
<b>Capital funds to deposit liabilities ratio</b> (Minimum requirement, 10%)	206.83%	108.40%
<b>Assets quality (quality of loan portfolio)</b>		
Gross non-performing accommodations, Rs. '000	469,990	154,801
Gross non-performing accommodations ratio, %	31.96%	11.40%
Net-non-performing accommodations ratio, %	7.36%	1.75%
<b>Profitability</b>		
Interest margin, %	8.57%	8.68%
Return on assets (before taxes), %	-7.52%	-4.23%
Return on equity (after taxes), %	-11.90%	-7.63%
<b>Regulatory liquidity (Rs. '000)</b>		
Required minimum amount of liquid assets	73,114	85,353
Available amount of liquid assets	744,626	118,566
Required minimum amount of government securities	62,535	61,582
Available amount of government securities	80,245	76,654
<b>Memorandum information</b>		
Number of employees	168	65
Number of branches	2	2

## Corporate Information

### Name of the Company

Dialog Finance PLC

### Legal Form and Stock Exchange Listing

A Public Quoted Company with Limited Liability Shares were quoted on the Diri Savi Board of the Colombo Stock Exchange on 04th day of October 2011.

### Date of Incorporation

25 November 1981

### Company Registration No.

PB 765 PQ

### Board of Directors

Dr. Hans Wijayasuriya - Chairman

Mr. Supun Weerasinghe

Mr. Roshaan Hettiaratchi

Mr. Priyan Edirisinghe

Mr. Sheyantha Abeykoon

Mr. Asanga Priyadarshana - CEO / Director

### Registered Office

No. 475, Union Place, Colombo 2

### Principal Office

2nd Floor, Parkland 01, No. 33, Park Street, Colombo 02.

Tel : + 94 11 4317317

Fax :+ 94 11 4317335

E-mail: [financialservice@dialog.lk](mailto:financialservice@dialog.lk)

### Bankers

Seylan Bank PLC

Commercial Bank of Ceylon PLC

Nations Trust Bank PLC

Bank of Ceylon

Cargills Bank Ltd

People's Bank

Hatton National Bank PLC

National Development Bank PLC

### Auditors

Messrs. PricewaterhouseCoopers

Chartered Accountants

100, Braybrooke Place

Colombo 02, Sri Lanka

### Credit Rating

AA (Ika) was affirmed by Fitch Ratings Lanka Ltd

### Tax Payer Identification Number (TIN)

104079687