

DIALOG FINANCE PLC

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2020**

DIALOG FINANCE PLC**Statement of financial position**

(all amounts in Sri Lanka Rupees thousands)

	30 Sep 2020 (Unaudited)	31 Dec 2019 (Audited)
ASSETS		
Cash and cash equivalents	698,732	129,419
Placements with banks and financial institutions	1,145,806	647,360
Securities purchased under repurchase agreements	74,108	76,221
Financial assets at fair value through profit or loss	1,174	1,286
Financial assets at amortised cost - loans and advances	803,501	1,023,629
Financial assets at fair value through other comprehensive income	1,980	1,980
Financial investments at amortised cost	2,135	2,085
Other assets	199,095	256,948
Current tax receivable	6,255	6,255
Right-of-use assets	25,725	30,934
Property, plant and equipment	83,146	88,445
Intangible assets	87,846	82,572
Deferred tax assets	36,948	36,948
Total assets	3,166,451	2,384,082
LIABILITIES		
Financial liabilities at amortised cost - due to customers	1,055,076	818,869
Retirement benefit obligations	8,766	7,900
Lease liabilities	28,081	29,803
Other liabilities	73,626	73,848
Total liabilities	1,165,549	930,420
EQUITY		
Stated capital	2,374,510	1,673,165
Statutory reserve fund	11,361	11,361
Fair value through other comprehensive income reserve	1,471	1,471
Accumulated losses	(386,440)	(232,335)
Total equity	2,000,902	1,453,662
Total equity and liabilities	3,166,451	2,384,082
Net assets per share (Rs.)	18.39	15.92
Commitments and contingencies	227,679	225,052

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 2020 and its loss for the period ended 30 September 2020.

Signed

.....
Head of Finance

Date: 09/11/2020

Signed

.....
Director/Chief Executive Officer

Date: 09/11/2020

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: 09/11/2020

Signed

.....
Director

Date: 09/11/2020

DIALOG FINANCE PLC

Statement of profit or loss and other comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Nine months ended 30 Sep			Three months ended 30 Sep		
	2020 (Unaudited)	2019 (Unaudited)	Change %	2020 (Unaudited)	2019 (Unaudited)	Change %
Interest income	162,530	184,981	(12)	56,108	66,286	(15)
Less: Interest expense	(52,043)	(54,115)	(4)	(17,125)	(15,744)	9
Net interest income	110,487	130,866	(16)	38,983	50,542	(23)
Fee and commission income	1,309	67,782	(98)	614	23,752	(97)
Net (losses) / gains from trading	(56)	6	(1,033)	277	183	51
Other operating income	17,264	8,384	106	10,697	3,555	201
Total operating income	129,004	207,038	(38)	50,571	78,032	(35)
Less: Impairment charges and other losses / (reversals)	(58,300)	(96,815)	(40)	4,450	(34,493)	(113)
Net operating income	70,704	110,223	(36)	55,021	43,539	26
Less: Operating expenses						
Personnel expenses	(107,254)	(127,494)	(16)	(38,639)	(42,496)	(9)
Depreciation and amortisation	(33,790)	(27,479)	23	(12,893)	(11,257)	15
Other expenses	(82,313)	(110,827)	(26)	(21,164)	(35,018)	(40)
Operating loss before taxes on financial services	(152,653)	(155,577)	(2)	(17,675)	(45,232)	(61)
Tax reversal on financial services	-	1,475	(100)	-	-	-
Loss before tax for the period	(152,653)	(154,102)	(1)	(17,675)	(45,232)	(61)
Income tax reversal / (charge)	-	-	-	-	-	-
Loss for the period	(152,653)	(154,102)	(1)	(17,675)	(45,232)	(61)
Other comprehensive income						
Items that will not be reclassified to profit or loss:						
Actuarial gains on defined benefit plans	-	1,311	(100)	-	-	-
Deferred tax effect on actuarial gains on defined benefit plans	-	(367)	(100)	-	-	-
Other comprehensive income, net of tax	-	944	(100)	-	-	-
Total comprehensive income for the period, net of tax	(152,653)	(153,158)	(0)	(17,675)	(45,232)	(61)
Loss per share (Rs.)	(1.54)	(1.87)		(0.18)	(0.55)	

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 / accumulated losses	Statutory reserve fund	General reserve	Fair value through other comprehensive income reserve	Shares pending allotment	Total
Balance at 1 April 2019	909,038	(86,851)	11,361	-	-	-	833,548
Loss for the period	-	(143,666)	-	-	-	-	(143,666)
Other comprehensive income, net of tax	-	(139)	-	-	1,471	-	1,332
Total comprehensive income for the period	-	(143,805)	-	-	1,471	-	(142,334)
Rights issue during the period	764,127	-	-	-	-	-	764,127
Rights issue expenses	-	(1,679)	-	-	-	-	(1,679)
Balance at 31 December 2019	1,673,165	(232,335)	11,361	-	1,471	-	1,453,662
Balance at 1 January 2020	1,673,165	(232,335)	11,361	-	1,471	-	1,453,662
Loss for the period	-	(152,653)	-	-	-	-	(152,653)
Rights issue during the period	701,345	-	-	-	-	-	701,345
Rights issue expenses	-	(1,451)	-	-	-	-	(1,451)
Balance at 30 September 2020	2,374,510	(386,440)	11,361	-	1,471	-	2,000,902
Balance at 1 April 2018	309,889	28,767	11,361	60,000	-	-	410,017
Impact of adopting SLFRS 9 at 1 April 2018	-	(45,926)	-	-	-	-	(45,926)
Restated balance under SLFRS 9 at 1 April 2018	309,889	(17,159)	11,361	60,000	-	-	364,091
Rights issue during the period	599,149	-	-	-	-	-	599,149
Loss for the period	-	(67,140)	-	-	-	-	(67,140)
Balance at 31 December 2018	909,038	(84,299)	11,361	60,000	-	-	896,100
Balance at 1 January 2019	909,038	(84,299)	11,361	60,000	-	-	896,100
Loss for the period	-	(154,102)	-	-	-	-	(154,102)
Other comprehensive income, net of tax	-	944	-	-	-	-	944
Total comprehensive income for the period	-	(153,158)	-	-	-	-	(153,158)
Transferred to retained earnings	-	60,000	-	(60,000)	-	-	-
Rights issue during the period	764,127	-	-	-	-	-	764,127
Rights issue expense	-	(2,905)	-	-	-	-	(2,905)
Balance at 30 September 2019	1,673,165	(180,362)	11,361	-	-	-	1,504,164

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

DIALOG FINANCE PLC**Statement of cash flows**

(all amounts in Sri Lanka Rupees thousands)

	Nine months ended 30 Sep	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss before income tax	(152,653)	(154,102)
Adjustment for,		
Interest expenses	52,043	54,115
Depreciation and amortization	33,790	27,479
Provision for retirement benefit obligation	1,403	1,620
Net loss from financial assets at fair value through profit or loss	56	(6)
Interest on lease liability	(3,185)	4,789
Investment income	(320)	-
Profit on disposal of property, plant and equipment	-	(400)
Impairment charges and other losses	58,300	96,815
Operating (loss) / profit before working capital changes	(10,566)	30,310
Decrease / (increase) in loans and advances	173,343	(170,599)
Decrease / (increase) in other assets	81,742	(227)
Increase in deposits from customers	236,206	255,836
Decrease in trade and other payables	(7,632)	(360,579)
Cash generated from / (used in) operations	473,093	(245,259)
Interest paid	(52,043)	(52,856)
Payment of retirement gratuity	(537)	(1,181)
Net cash generated from / (used in) operating activities	420,513	(299,296)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(33,141)	(114,666)
Proceeds from sale of property, plant and equipment	-	400
Acquisition of intangible assets	(15,310)	864
Net Investment in treasury bills	(49)	64,299
Net cash flows from securities purchased under repurchased agreement	2,112	(65,931)
Net placements with banks and financial institutions	(498,447)	(285,395)
Investment income	320	-
Proceeds from sale of financial assets at fair value through profit or loss	56	-
Net cash used in investing activities	(544,459)	(400,429)
Cash flows from financing activities		
Net proceeds from the rights issue	699,894	762,448
Repayment of lease liability	(6,635)	(9,028)
Net cash generated from financing activities	693,259	753,420
Net increase in cash and cash equivalents	569,313	53,695
Cash and cash equivalents at the beginning of the period	129,419	137,126
Cash and cash equivalents at the end of the period	698,732	190,821
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	698,751	190,835
Less: Impairment provision	(19)	(14)
	698,732	190,821

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 nine months ended 30 Sep	Leasing and Hire purchase		Treasury / Investments		Margin Trading		Other loan and advance		Device Financing		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net interest income	2,174	7,684	44,584	38,460	5,939	4,028	36,976	23,449	20,814	57,245	-	-	110,487	130,866
Net fees and commission income / (expense)	70	37	-	-	-	-	1,288	1,614	(49)	66,131	-	-	1,309	67,782
Net other income	708	1,717	264	254	-	-	15,988	5,805	-	-	248	614	17,208	8,390
Operating income by segment	2,952	9,438	44,848	38,714	5,939	4,028	54,252	30,868	20,765	123,376	248	614	129,004	207,038
Total operating income	2,952	9,438	44,848	38,714	5,939	4,028	54,252	30,868	20,765	123,376	248	614	129,004	207,038
Impairment (expense) / reversal	(1,498)	13,610	-	43	5	549	(96,077)	19,268	39,270	(130,285)	-	-	(58,300)	(96,815)
Net operating income / (expense)	1,454	23,048	44,848	38,757	5,944	4,577	(41,825)	50,136	60,035	(6,909)	248	614	70,704	110,223
Operating expenses	(4,984)	(7,670)	-	-	(8,471)	(6,329)	(53,774)	(37,925)	(15,084)	(58,903)	-	-	(82,313)	(110,827)
Depreciation and amortization	(2,046)	(1,910)	-	-	(3,477)	(1,568)	(22,075)	(9,374)	(6,192)	(14,627)	-	-	(33,790)	(27,479)
Segment result	(5,576)	13,468	44,848	38,757	(6,004)	(3,320)	(117,674)	2,837	38,759	(80,439)	248	614	(45,399)	(28,083)
Personnel expenses													(107,254)	(127,494)
Loss from operations													(152,653)	(155,577)
Tax reversal on financial services													-	1,475
Loss for the period													(152,653)	(154,102)
Other information														
Balance at 30 Sep														
Segment assets	48,650	62,015	1,923,935	864,627	82,692	64,153	524,917	404,787	147,242	532,420	439,015	468,879	3,166,451	2,396,881
Total assets	48,650	62,015	1,923,935	864,627	82,692	64,153	524,917	404,787	147,242	532,420	439,015	468,879	3,166,451	2,396,881
Segment liabilities	70,571	52,062	-	-	119,952	53,858	761,438	339,823	213,587	446,974	-	-	1,165,548	892,717
Total liabilities	70,571	52,062	-	-	119,952	53,858	761,438	339,823	213,587	446,974	-	-	1,165,548	892,717

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 nine months ended 30 September 2020 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 nine months ended 31 December 2019.

There were no changes to the accounting policies since the publication of the audited financial statements for the nine months ended 31 December 2019.

2 Change of financial year end

The Company has changed its balance sheet date from 31 March to 31 December with effect from 31 December 2019, in order to align balance sheet date of the Company with that of its holding company, Dialog Axiata PLC.

3 Events after the reporting period

No circumstances have arisen since the statement of financial position date which requires adjustments to or disclosures in the financial statements.

4 Significant unusual events or transactions affecting assets, liabilities, equity, net income or cash flows

COVID-19 pandemic has resulted in a substantive shift in management's focus towards ensuring the continued safety of people, uninterrupted services to customers, compliance with guidelines issued by various government authorities and continuity of critical business operations in line with our re-assessed business continuity plan.

The outbreak and the associated developments impacted the business, our customers and staff due to restrictions on movement and economic slowdown. The Company remains committed to support the personal and corporate customers and has adhered to the guidelines and directions issued by the Government and CBSL, when providing financial support and relief to sectors of the economy impacted by the pandemic. The aforesaid relief measures and related restrictions had an adverse impact on the earnings and expected credit losses on loans and advances of the Company.

With the easing of strict lockdown measures starting mid-May, business activity resumed across the country and the Company saw a gradual improvement in recoveries. However, the second wave of outbreak which commenced in early October, is more widespread and the elevated risks result in a gradual shutdown of the country

The current unprecedented situation is yet evolving and the future impact will heavily depend on the complete removal of restrictions and time taken for economic activity to rebound to pre COVID-19 levels. The Company has resorted to aggressive cost rescaling and rationalisation initiatives both in operating and capital expenditure to soften the impact on the business.

Accordingly, the Company does not consider it practical to provide a quantitative estimate of the potential impact in the current context.

There were no other unusual events or transactions affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 30 September 2020.

5 Contingent liabilities

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

6 Rights issue

During the period, the Company has issued 17,446,388 shares by way of a Rights Issue in the proportion of seventeen (17) new shares for eighty-nine (89) existing shares held in the capital of the Company. The shares were listed on 3 June 2020. The Company raised Rs. 701,344,798 from the Rights Issue and increased the Stated Capital of the Company from Rs.1,673,164,542 representing 91,336,974 shares to Rs. 2,374,509,340 representing 108,783,362 shares.

DIALOG FINANCE PLC

Notes to the condensed interim financial statements (Continued)

7 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 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Financial assets						
Financial assets at fair value through profit or loss	1,174	1,286	-	-	1,174	1,286
Financial assets at fair value through other comprehensive income	-	-	1,980	1,980	1,980	1,980

8 Market price per share

For the three months ended 30 Sep

	2020 Rs.	2019 Rs.
- Highest	53.00	44.90
- Lowest	34.00	30.10
- Last traded	51.00	40.00

DIALOG FINANCE PLC

Notes to the condensed interim financial statements (Continued)

9 Twenty largest shareholders of the Company

Name of Shareholders	No. of shares	% Holding
1 Dialog Axiata PLC	107,755,303	99.05
2 J.B. Cocoshell (Pvt) Ltd	209,496	0.19
3 Mr.R.C.J Goonewardene	177,585	0.16
4 Mrs.A.A.Raaymakers	25,000	0.02
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	22,476	0.02
8 People's Leasing & Finance PLC /C.D.Kohombanwickramage	17,820	0.02
9 Mr.K.N.Nandasiri / T.B.Ratna Sujeewa Tennakoon Banda	17,600	0.02
10 Mr.B.C.N Mendis	14,727	0.01
11 Mr.B.C.V Mendis	13,727	0.01
12 Mr.S.L Paranamange	13,700	0.01
13 Mr.G.D.M Ranasinghe/ Mr.O.R.K Ranasinghe	13,000	0.01
14 Mr.T Thiruththanigainathan	12,344	0.01
15 Mr.R.L.G Fernando	12,000	0.01
16 Mr.N.S Wijesekara	11,813	0.01
17 Mr.O.W.D Yasapala	11,000	0.01
18 Mr.H.V.S.M Navaratne	10,000	0.01
19 Mr.T.D Mahaliyana	9,940	0.01
20 Mr.S.R.S De Saram	8,000	0.01
Mr.B.P. Sinhage	8,000	0.01
	<hr/>	
	108,408,732	99.65
Others	382,630	0.35
Total	<hr/>	
	108,791,362	100.00

10 Directors' shareholdings

None of the Directors and their close family members held any shares in the Company as at 30 September 2020.

11 Public shareholdings

Information pertaining to public shareholding is as follows:

	30 Sep 2020	30 Sep 2019
Public holding percentage	0.95%	1.12%
Number of public shareholders	710	757
Float adjusted market capitalisation (Rs.)	52,705,539	40,458,776

(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'). Accordingly, the Company was transferred to the Second Board on 10 February 2020.

DIALOG FINANCE PLC

Notes to the condensed interim financial statements (Continued)

12 Rights issue funds utilisation as at 30 September 2020

12.1 Right issue – September 2020

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	699,739,798	Within 12 months (June 2021)	699,739,798	99.77%	-	-	Remaining funds are placed with banks
2	Expenses relating to the Rights Issue	1,605,000	-	1,605,000	0.23%	1,451,460	90%	Remaining funds are placed with banks

12.2 Right issue - April 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	762,446,843	99.78%	91,446,091	12%	Remaining funds are placed with banks
2	Expenses relating to the Rights Issue	1,540,000	Financial year 2019/20	1,679,477	0.22%	1,679,477	100%	-

DIALOG FINANCE PLC**Selected performance indicators**

Item	As at 30 Sep 2020	As at 30 Sep 2019
Regulatory capital adequacy		
Core capital (Tier I capital), Rs. '000	1,914,311	1,453,172
Tier I capital (after adjustments), Rs. '000	1,789,517	1,370,259
Total capital base, Rs. '000	1,789,517	1,370,259
Risk weighted assets, Rs. '000	1,857,439	2,213,125
Core capital adequacy ratio		
(As a % of risk weighted assets - Minimum requirement – 2020 - 6.5%, 2019 – 6%)	96.34%	61.92%
Total capital adequacy ratio		
(As a % of risk weighted assets - Minimum requirement – 2020 - 10.5%, 2019 - 10%)	96.34%	61.92%
Capital funds to deposit liabilities ratio		
(Minimum requirement, 10%)	189.65%	206.83%
Assets quality (quality of loan portfolio)		
Gross non-performing accommodations, Rs. '000	616,198	469,990
Gross non-performing accommodations ratio, %	47.63%	31.96%
Net-non-performing accommodations ratio, %	5.03%	7.36%
Profitability		
Interest margin, %	5.65%	8.57%
Return on assets (before taxes), %	-7.25%	-7.52%
Return on equity (after taxes), %	-9.77%	-11.90%
Regulatory liquidity (Rs. '000)		
Required minimum amount of liquid assets	69,386	73,114
Available amount of liquid assets	1,946,954	744,626
Required minimum amount of government securities	36,765	62,535
Available amount of government securities	74,003	80,245
Memorandum information		
Number of employees	141	168
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 which was quoted on the Diri Savi Board of the Colombo Stock Exchange on 4th October 2011 and subsequently transferred to the Second Board on 10 February 2020.

Date of Incorporation

25 November 1981

Company Registration No.

PB 765 PQ

Board of Directors

Ms. Renuka Fernando – Chairperson
 Mr. Supun Weerasinghe
 Mr. Roshan Hettiaratchi
 Mr. Priyan Edirisinghe
 Mr. Sheyantha Abeykoon
 Mr. Asanga Priyadarshana - CEO / Director

Registered Office

No. 475, Union Place, Colombo 2

Principal Office

1st Floor, 57, Srimath Anagarika Dharmapala Mawatha, Colombo 3.

Tel : + 94 11 4317317

Fax :+ 94 11 4317335

E-mail: financialservice@dialog.lk

(Principal office was changed to above with effect from 27 July 2020. Principal office was maintained at '2nd Floor, Parkland 01, No. 33, Park Street, Colombo 02' until 26 July 2020 prior to the change.)

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
 DFCC Bank PLC

Auditors

Messrs. PricewaterhouseCoopers
 Chartered Accountants
 100, Braybrooke Place,
 Colombo 2, Sri Lanka.

Credit Rating

AA (Ika) was affirmed by Fitch Ratings Lanka Ltd

Tax Payer Identification Number (TIN)

104079687