

DIALOG FINANCE PLC

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THIRD QUARTER ENDED

31 DECEMBER 2018

DIALOG FINANCE PLC**Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	31 Dec 2018 (Unaudited)	31 Mar 2018 (Audited)
ASSETS		
Cash and cash equivalents	137,126	33,074
Placements with financial institutions	350,000	207,706
Securities purchased under repurchase agreements	14,703	26,609
Financial assets at fair value through profit or loss	1,024	1,568
Loans and receivables - Leases	119,659	224,446
Loans and receivables - Hire purchase	5,111	15,209
Loans and receivables - Other	939,115	611,282
Financial investments - Available-for-sale	346	346
Financial investments - Held to maturity	66,333	60,468
Amount due from related parties	73,766	-
Other assets	67,343	26,427
Intangible assets	66,857	6,336
Property, plant and equipment	55,313	27,677
Deferred tax assets	19,455	19,455
Total assets	1,916,151	1,260,603
LIABILITIES		
Amount due to customers	468,602	536,422
Amount due to related parties	453,084	294,143
Retirement benefit obligations	7,767	6,797
Other payables	45,897	13,224
Total liabilities	975,350	850,586
EQUITY		
Stated capital	907,813	309,889
Statutory reserve fund	11,361	11,361
Other reserves	60,000	60,000
Retained earnings	(38,373)	28,767
Total equity	940,801	410,017
Total equity and liabilities	1,916,151	1,260,603
Net assets per share (Rs.)	13.02	8.81

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 31 December 2018 and its loss for the period then ended 31 December 2018.

.....
Manager – Finance (Sgd)

.....
Director/Chief Executive Officer (Sgd)

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,

.....
Director (Sgd)

.....
Director (Sgd)

12 February 2019

DIALOG FINANCE PLC

Statements of comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Nine months ended 31 Dec			Quarter ended 31 Dec		
	2018 (Unaudited)	2017 (Unaudited)	Change %	2018 (Unaudited)	2017 (Unaudited)	Change %
Interest income	177,513	153,738	15	67,998	50,419	35
Interest expense	(64,460)	(71,959)	(10)	(21,663)	(23,368)	(7)
Net interest income	113,053	81,779	38	46,335	27,051	71
		-			-	
Fee and commission income	71,712	1,465	4,795	13,537	263	5,047
Fee and commission expenses	-	(25)	(100)	-	-	-
Net fee and commission income	71,712	1,440	4,880	13,537	263	5,047
		-			-	
Net (loss) / gain from financial instruments at fair value through profit or loss	(545)	419	(230)	(16)	(90)	(82)
Other operating income	5,535	6,021	(8)	2,341	2,054	14
Total operating income	189,755	89,659	112	62,197	29,278	112
Impairment expenses for loans and advances and other losses	(100,129)	(4,797)	1,987	(25,655)	(3,750)	584
Net operating income	89,626	84,862	6	36,542	25,528	43
Operating expenses						
Personnel expenses	(92,055)	(37,425)	146	(32,531)	(12,070)	170
Depreciation and amortization of property plant and equipment	(5,728)	(4,197)	36	(3,198)	(1,348)	137
General and administrative expenses	(56,968)	(28,919)	97	(30,754)	(10,061)	206
Operating (loss) / profit before VAT & NBT on financial services, debt repayment levy and income tax	(65,125)	14,321	(555)	(29,941)	2,049	(1,561)
Value added tax (VAT) & NBT on financial services, debt repayment levy	(1,600)	(7,076)	(77)	(1,600)	(2,359)	(32)
(Loss) / profit before tax for the period	(66,725)	7,245	(1,021)	(31,541)	(310)	10,075
Income tax expense	(415)	(5,462)	(92)	(415)	(2,201)	(81)
(Loss) / profit for the period	(67,140)	1,783	(3,866)	(31,956)	(2,511)	(1,173)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / income for the period	(67,140)	1,783	(3,866)	(31,956)	(2,511)	(1,173)
(Loss) / earnings per share (annualised)	(1.24)	0.05		(1.77)	(0.22)	

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
Balance at 1 April 2018	309,889	28,767	11,361	60,000	410,017
Rights issue during the period	597,924	-	-	-	597,924
Profit/(loss) for the period	-	(67,140)	-	-	(67,140)
Balance at 31 December 2018	907,813	(38,373)	11,361	60,000	940,801
Balance at 1 April 2017	309,889	51,749	11,361	60,000	432,999
Profit/(loss) for the period	-	1,783	-	-	1,783
Balance at 31 December 2017	309,889	53,532	11,361	60,000	434,782

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

DIALOG FINANCE PLC**Statements of cash flows**

(all amounts in Sri Lanka Rupees thousands)

For the nine months period ended	31 Dec	
	2018 (Unaudited)	2017 (Unaudited)
Cash flows from operating activities		
(Loss)/profit before income tax	(66,725)	7,244
Adjustment for,		
Depreciation and amortization	5,728	4,197
Profit on assets held for sale	-	(879)
Provision for retirement benefits obligation	970	815
Net loss / (gain) from financial instruments at fair value through profit or loss	545	(419)
Impairment on loans and advances	100,129	4,797
Operating profit before working capital changes	40,647	15,755
(Increase) / decrease in loans and advances	(313,077)	147,547
Increase in other assets	(114,683)	(3,504)
Increase / (decrease) in deposits from customers	91,121	(18,210)
Increase / (decrease) in trade and other payables	32,258	(1,799)
Cash (used in) / generated from operations	(263,734)	139,789
Payment of retirement gratuity	-	-
Income tax paid	-	-
Net cash (used in) / generated from operating activities	(263,734)	139,789
Cash flows from investing activities		
Proceeds from sale of assets held for sale	-	1,575
Acquisition of property plant and equipment	(93,885)	(734)
Net Investment in treasury bills	(5,865)	(16,591)
Net cash flow from securities purchased under repurchased agreement	11,906	17,446
Net placements with financial institutions	(142,294)	(130,000)
Net cash used in investing activities	(230,138)	(128,304)
Cash flows from financing activities		
Net cash received on right issue	597,924	-
Net cash generated from financing activities	597,924	-
Net increase in cash and cash equivalents	104,052	11,485
Cash and cash equivalents at the beginning of the year	33,074	16,557
Bank overdraft at the beginning of the year	-	(1,556)
Cash and cash equivalents at the end of the period	137,126	26,486
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	137,126	26,486
	137,126	26,486

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

DIALOG FINANCE PLC

Financial reporting by segment

(all amounts in Sri Lanka Rupees thousands)

For the nine months ended 31 December	Leasing & Hire purchase		Treasury/ Investments		Margin Trading		Other loan and advance		Device Financing		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net interest income	13,465	25,384	22,173	(6,307)	6,052	11,683	32,384	51,019	38,979	-	-	-	113,053	81,779
Net Fees and commission income	148	241	-	-	-	-	257	867	71,307	-	-	332	71,712	1,440
Other income	2,537	2,939	(295)	419	-	-	2,676	1,106	-	-	72	1,976	4,990	6,440
Operating income by segment	16,150	28,564	21,878	(5,888)	6,052	11,683	35,317	52,992	110,286	-	72	2,308	189,755	89,659
Total Operating income/(loss)	16,150	28,564	21,878	(5,888)	6,052	11,683	35,317	52,992	110,286	-	72	2,308	189,755	89,659
Impairment (expenses)/reversal	(5,563)	2,275	-	-	27	73	(55,229)	(7,145)	(39,364)	-	-	-	(100,129)	(4,797)
Net operating income	10,587	30,839	21,878	(5,888)	6,079	11,756	(19,912)	45,847	70,922	-	72	2,308	89,626	84,862
Operating expenses	(4,164)	(6,708)	(19,005)	(5,574)	(1,576)	(3,170)	(8,841)	(13,467)	(23,382)	-	-	-	(56,968)	(28,919)
Depreciation and amortization	(419)	(973)	(1,911)	(809)	(159)	(460)	(889)	(1,955)	(2,350)	-	-	-	(5,728)	(4,197)
Segment result	6,004	23,158	962	(12,271)	4,344	8,126	(29,642)	30,425	45,190	-	72	2,308	26,930	51,746
Personnel expenses													(92,055)	(37,425)
(Loss)/profit from operations													(65,125)	14,321
VAT on financial services													(1,600)	(7,076)
Income tax expense													(415)	(5,462)
Net profit for the period													(67,140)	1,783
Other information														
Segment assets	124,770	280,164	569,532	232,809	47,241	132,408	264,942	562,469	700,698	-	208,968	70,958	1,916,151	1,278,808
Total assets	124,770	280,164	569,532	232,809	47,241	132,408	264,942	562,469	700,698	-	208,968	70,958	1,916,151	1,278,808
Segment liabilities	71,284	192,483	325,386	159,949	26,990	90,969	151,367	386,439	400,323	-	-	-	975,350	829,840
Total liabilities	71,284	192,483	325,386	159,949	26,990	90,969	151,367	386,439	400,323	-	-	-	975,350	829,840

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 period ended 31 December 2018 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 2018. There were no changes to the Accounting Policies since the publication of the Audited Financial Statements for the year ended 31st March 2018.

2 "SLFRS 9 - Financial Instruments

The Sri Lanka Accounting Standard, SLFRS 9 - Financial Instruments, which replaces the existing guidance on LKAS 39 on "Financial Instruments: Recognition and Measurement" has become effective for annual reporting periods beginning on or after 01 January 2018.

Based on the "Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements" issued by The Institute of Chartered Accountants of Sri Lanka entities are granted with the option to prepare Interim Financial Statements continuing the application of LKAS 39 with disclosures on impact to the Income Statement and Statement of Profit or Loss and Other Comprehensive Income for the period if SLFRS 9 has been applied.

Accordingly, as permitted by the above SoAT, the Company has prepared the Interim Financial Statements for the quarter ended 31 December 2018 based on LKAS 39 Financial Instrument: Measurement & Recognition.

The Company has performed provisional calculation for SLFRS 9 to identify the day 1 impact with the assistance of external consultant and has a fair view of the potential impact of SLFRS 9. The models used for impairment computations are designed and being further tested and improvements will be made by the Company having obtained the assistance from the external consultant and the management.

Based on the assessments undertaken to date, the total estimated additional impairment provision on the financial statements for the period ended 31 December 2018 on adoption of SLFRS 9 is expected to be in the range of Rs.50mn to Rs.55mn of the total impairment provision computed as per LKAS 39 Financial Instruments: Recognition and Measurement.

3 Events after the reporting period

No material events occurred after the balance sheet date that require adjustments to or disclosure in the Financial Statements other than those disclosed in Note 5 below.

4 Contingent liabilities

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

5 Rights issue

The Board of the Directors of the Company resolved on 26 October 2018 followed by a further resolution on 21 December 2018 to issue up to 19,103,158 shares by way of a right issue subject to the Colombo Stock Exchange approving in principle, the issue and listing of shares and obtaining shareholder approval at a General Meeting.

The purpose of the issue is to increase the Core capital in compliance with the Finance Business Act (Minimum Core Capital) No 02 of 2017 issued by the Central Bank of the Sri Lanka.

These shares are to be issued at an issue price of Rs 40/- per ordinary voting share, and the proportion in which shares are to be issued is 32 (Thirty-Two) new ordinary share for every 121 (Hundred and Twenty-One) ordinary voting shares held.

DIALOG FINANCE PLC

Notes to the condensed interim financial statements

6 Related party disclosure

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	31 Dec 18	31 Mar 18	
Dialog Axiata PLC	Parent	Fixed deposits	(1,948)	(117,912)	(414,003)	(294,143)	Funding
Dialog Axiata PLC	Parent	Secondment staff cost	(39,081)	-	(39,081)	-	Service fee
Dialog Axiata PLC	Parent	Facilitation fee	8,514	(8,514)	-	-	Service fee
Dialog Device Trading (Pvt) Ltd	Fellow Subsidiary	Facilitation fee	73,170	(58,013)	15,157	-	Service fee
Dialog Axiata PLC	Parent	Receipts	167,907	(109,298)	58,609	-	Collection of rentals

7 Fair value of financial Instruments

7.1 Valuation models

The determination of fair value for financial assets and financial liabilities for which there is no observable market price, requires the use of valuation techniques as described in Notes to the Financial Statements for financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

7.2 Valuation framework

The Company has an established control framework with respect to the measurement of fair values of investments. The investment committee has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements carried out by the treasury division, which include:

- Verification of observable pricing;
- Re-performance of model valuations;
- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 as explained below;

When third party information, such as broker quotes or pricing services, is used to measure fair value, documents of evidence obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRS/LKAS.

7.3 Classification of financial assets and financial liabilities

As at 31 December 2018	Held for trading	Held to maturity	Loans and receivables	Available for sale	Amortized cost	Total
Cash and cash equivalents	-	-	137,126	-	-	137,126
Placements with banks and financial institution	-	-	350,000	-	-	350,000
Securities purchased under repurchase agreements	-	-	14,703	-	-	14,703
Financial assets at fair value through profit or loss	1,024	-	-	-	-	1,024
Loans and advances	-	-	1,063,885	-	-	1,063,885
Financial investments available for sale	-	-	-	346	-	346
Financial investments held to maturity	-	66,333	-	-	-	66,333
Amount due from related parties	-	-	73,766	-	-	73,766
Total financial assets	1,024	66,333	1,639,480	346	-	1,707,183
Amount due to customers and banks	-	-	-	-	468,602	468,602
Amount due to related parties	-	-	-	-	453,084	453,084
Total financial liabilities	-	-	-	-	921,686	921,686

DIALOG FINANCE PLC

Notes to the condensed interim financial statements

7 Fair value of financial Instruments (Continued)

7.4 Classification of financial assets and financial liabilities

	Measurement criteria and the fair value			
	Level 1	Level 2	Level 3	Total
As at 31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss	1,024	-	-	1,024
Financial investments available for sale (*)	-	-	346	346
	<u>1,024</u>	<u>-</u>	<u>346</u>	<u>1,370</u>
As at 31 March 2018				
Financial assets				
Financial assets at fair value through profit or loss	1,568	-	-	1,568
Financial investments available for sale (*)	-	-	346	346
	<u>1,568</u>	<u>-</u>	<u>346</u>	<u>1,914</u>

(*) Value of unquoted shares of Rs. 0.35 Mn as at end of the 31 December 2018 (Rs.0.35 Mn as at end of 31st March 2018) categorized under financial investments available for sale, whose fair value cannot be reliably measured is stated at cost in the Statement of Financial Position as permitted by the Sri Lanka Accounting Standards - LKAS 39 on "Financial Instruments: Recognition and Measurement".

8 Market price per share

	31 Dec 2018 Rs.	31 Mar 2018 Rs.
- Highest	49.70	39.00
- Lowest	35.10	22.00
- Last traded	43.00	25.00

9 Twenty largest shareholders of the Company

Name of Shareholders	No. of shares	% Holding
1 Dialog Axiata PLC	71,421,450	98.88%
2 Mr.R.C.J Goonewardene	108,716	0.15%
3 Mr.L.C.Y Welikala	22,600	0.03%
4 Mr.P.S.M Fernando	22,173	0.03%
5 Mr. R.E Rambukwella	20,647	0.03%
6 Mrs.A.A.Raaymakers	19,802	0.03%
7 Mr.K.N.R.L.W Nandasiri / T.B.Ratna Sujeewa Tennakoon Banda	18,632	0.03%
8 Mr.K.A.D.R.N Gunawardena	15,801	0.02%
9 Mr.B.C.V Mendis	15,727	0.02%
9 Mr.B.C.N Mendis	15,727	0.02%
11 People's leasing & finance PLC/C.D.Kohombanwickramage	14,155	0.02%
12 Mr.S.L Paranamange	13,700	0.02%
13 Mr.W.S Perera / MRS. H.M.C.M. Perera	12,911	0.02%
14 Mr.R.L.G Fernando	12,000	0.02%
15 Mr.N.S Wijesekara	11,813	0.02%
16 Mr.O.W.D Yasapala	11,000	0.02%
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.T Thiruthanigainathan	9,763	0.01%
	71,796,557	99.39%
Others	437,259	0.61%
Total	72,233,816	100.00%

DIALOG FINANCE PLC

Notes to the condensed interim financial statements

10 Directors' shareholdings

None of the Directors and their close family members held any shares in the Company as at 31 December 2018.

11 Public shareholdings

Information pertaining to public shareholding is as follows:

	31 Dec 2018	31 Mar 2018
Public holding percentage	1.12%	1.13%
Number of public shareholders	781	544

(a) Float Adjusted Market Capitalization as at 31 December 2018 - Rs. 34,787,805.78

(b) 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"). However, in terms of Listing Rule 7.13.3 (iii), the CSE has granted an exemption to the Company up to 2 August 2019 to comply with the minimum public holding requirement, subject to the Company making appropriate disclosures to the market in this regard.

12 Right issue funds utilization as at 31 December 2018

Objective Number	Objective as per Circular	Amount allocated as per Circular LKR	Proposed date of Utilization as per Circular	Amount allocated from proceeds in LKR (A)	% of Total Proceeds	Amounts utilization in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested
1	To expand the lending portfolio of the company	597,609,551	Financial Year 2018/19	597,719,613	99.76%	247,719,613	41%	Remaining funds are Placed with Banks and Financial Institutes
2	Expenses relating to the R/I	1,540,000	Financial Year 2018/19	1,429,938	0.24%	1,429,938	100%	-

DIALOG FINANCE PLC**Selected performance indicators**

Item	As at 31.12.2018	As at 31.12.2017
Regulatory capital adequacy		
Core capital (Tier I capital), Rs. '000	960,718	432,999
Tier I Capital (after adjustments), Rs. '000	874,546	-
Total capital base, Rs. '000	875,662	438,091
Risk weighted assets, Rs. '000	1,865,333	1,065,735
Core capital adequacy ratio		
(As a % of risk weighted assets - Minimum requirement - 6%)	46.88%	40.63%
Total capital adequacy ratio		
(As a % of risk weighted assets - Minimum requirement - 11%)	46.94%	41.11%
Capital funds to deposit liabilities ratio		
(Minimum requirement, 10%)	111%	61.94%
Assets quality (quality of loan portfolio)		
Gross non-performing accommodations, Rs'000	259,277	75,543
Gross non-performing accommodations Ratio, %	20.14%	7.20%
Net-non-performing accommodations Ratio, %	4.63%	1.17%
Profitability		
Interest margin, %	9.30%	8.68%
Return on assets (before taxes), %	-9.52%	0.53%
Return on equity (after taxes), %	-4.59%	0.75%
Regulatory liquidity (Rs. '000)		
Required minimum amount of liquid assets	88,403	81,244
Available amount of liquid assets	223,088	99,923
Required minimum amount of government securities	61,582	51,990
Available amount of government securities	79,203	72,416
Memorandum information		
Number of employees	71	39
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

25th November 1981

Company Registration No.

PB 765 PQ

Board of Directors

Dr.Hansa 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

Colombo Office

123, Hunupitiya Lake Road, Colombo 02.

Tel : + 94 11 4317317

Fax :+ 94 11 4317335

E-mail : inquiries@ctf.lk

Bankers

Seylan Bank PLC
Commercial Bank of Ceylon PLC
Nations Trust Bank PLC
Bank of Ceylon
DFCC Bank PLC
Union Bank of Colombo PLC
Cargills Bank Ltd
People's Bank

Auditors

Messrs. PricewaterhouseCoopers
Chartered Accountants
100, Braybrooke Place
Colombo 02, Sri Lanka

Compliance Officer

Ms. Pamodha Subasinghe

Credit Rating

AA (Ika) was affirmed by Fitch Ratings Lanka Ltd

Tax Payer Identification Number (TIN)

104079687