

DIALOG FINANCE PLC

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2020**

DIALOG FINANCE PLC**Statement of financial position**

(all amounts in Sri Lanka Rupees thousands)

	31 Dec 2020 (Unaudited)	31 Dec 2019 (Audited)
ASSETS		
Cash and cash equivalents	648,006	129,419
Placements with banks and financial institutions	1,163,518	647,360
Securities purchased under repurchase agreements	77,722	76,221
Financial assets at fair value through profit or loss	1,513	1,286
Financial assets at amortised cost - loans and advances	806,332	1,023,629
Financial assets at fair value through other comprehensive income	2,098	1,980
Financial investments at amortised cost	2,186	2,085
Other assets	194,418	256,948
Current tax receivable	6,255	6,255
Right-of-use assets	24,100	30,934
Property, plant and equipment	77,555	88,445
Intangible assets	99,699	82,572
Deferred tax assets	123,820	36,948
Total assets	3,227,222	2,384,082
LIABILITIES		
Financial liabilities at amortised cost - due to customers	1,064,175	818,869
Retirement benefit obligations	8,429	7,900
Lease liabilities	24,966	29,803
Other liabilities	75,780	73,848
Total liabilities	1,173,350	930,420
EQUITY		
Stated capital	2,374,509	1,673,165
Statutory reserve fund	11,361	11,361
Fair value through other comprehensive income reserve	1,577	1,471
Accumulated losses	(333,575)	(232,335)
Total equity	2,053,872	1,453,662
Total equity and liabilities	3,227,222	2,384,082
Net assets per share (Rs.)	18.88	15.92
Commitments and contingencies	302,457	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 31 December 2020 and its loss for the year ended 31 December 2020.

Signed

Signed

.....
Head of Finance

Date: 18/02/2021

.....
Chief Executive Officer

Date: 18/02/2021

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

Signed

.....
Director

Date: 18/02/2021

.....
Director

Date: 18/02/2021

DIALOG FINANCE PLC

Statement of profit or loss and other comprehensive income

(all amounts in Sri Lanka Rupees thousands)

	Year ended 31 Dec	Nine months ended 31 Dec	Three months ended 31 Dec	Three months ended 31 Dec	
	2020 (Unaudited)	2019 (Audited)	2020 (Unaudited)	2019 (Unaudited)	Change %
Interest income	214,700	198,179	52,170	66,797	(22)
Less: Interest expense	(67,090)	(48,102)	(15,047)	(16,208)	(7)
Net interest income	147,610	150,077	37,123	50,589	(27)
Fee and commission income	1,961	60,043	652	12,550	(95)
Net gains from trading	283	379	339	256	32
Other operating income	18,846	9,490	1,582	3,705	(57)
Total operating income	168,700	219,989	39,696	67,100	(41)
Less: Impairment charges and other losses	(63,339)	(105,901)	(5,039)	(42,094)	(88)
Net operating income	105,361	114,088	34,657	25,006	39
Less: Operating expenses					
Personnel expenses	(136,865)	(125,902)	(29,611)	(38,485)	(23)
Depreciation and amortisation	(41,099)	(28,244)	(7,309)	(9,869)	(26)
Other expenses	(113,696)	(103,718)	(31,383)	(28,596)	10
Operating loss before taxes on financial services	(186,299)	(143,776)	(33,646)	(51,944)	35
Tax reversal on financial services	-	-	-	-	-
Loss before tax for the period	(186,299)	(143,776)	(33,646)	(51,944)	35
Income tax reversal	86,780	110	86,780	110	-
Loss for the period	(99,519)	(143,666)	53,134	(51,834)	203
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Changes in the fair value of equity investments at fair value through other comprehensive income	118	1,634	118	1,634	(93)
Remeasurement of defined benefit Obligations	(374)	(192)	(374)	(192)	95
Deferred tax effect on other comprehensive income	92	(110)	92	(110)	185
Other comprehensive income, net of tax	(164)	1,332	(164)	1,332	(107)
Total comprehensive income for the period, net of tax	(99,683)	(142,334)	52,970	(50,502)	207
Loss per share (Rs.)	(0.98)	(1.61)	0.52	(0.57)	

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	Fair value through other comprehensive income reserve	Total
Balance at 1 January 2020	1,673,165	(232,335)	11,361	1,471	1,453,662
Loss for the year	-	(99,519)	-	-	(99,519)
Other comprehensive income, net of tax	-	(270)	-	106	(164)
Total comprehensive income for the year	-	(99,789)	-	106	(99,683)
Rights issue during the year	701,344	-	-	-	701,344
Rights issue expenses	-	(1,451)	-	-	(1,451)
Balance at 31 December 2020	2,374,509	(333,575)	11,361	1,577	2,053,872
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

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)

	Year ended 31 Dec 2020 (Unaudited)	Nine months ended 31 Dec 2019 (Audited)
Cash flows from operating activities		
Loss before income tax	(186,299)	(143,776)
Adjustment for,		
Interest expenses	67,090	48,102
Depreciation and amortization	41,099	28,243
Provision for retirement benefit obligation	2,449	1,700
Net losses from financial assets at fair value through profit or loss	(283)	(379)
Interest on lease liabilities	832	4,013
Intangible assets transferred to a related party	-	33,699
Impairment charges and other losses	63,339	105,901
Cash (used in)/ generated from operations before working capital changes	(11,773)	77,503
Decrease / (increase) in loans and advances	217,297	(138,109)
Increase in other assets	(24,342)	(202,158)
Increase in amounts due to customers	245,306	184,869
Increase/ (decrease) in trade and other payables	1,931	(32,621)
Cash generated from / (used in) operations	428,419	(110,516)
Interest paid	(43,478)	(46,316)
Retirement benefits paid	(2,294)	(710)
Net cash generated from / (used in) operating activities	382,647	(157,542)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(36,169)	(34,567)
Proceeds from sale of property, plant and equipment	-	-
Acquisition of intangible assets	(3,256)	(40,791)
Net investment in treasury bills	(101)	64,283
Net cash flows from securities purchased under repurchased agreement	(1,501)	(58,466)
Net placements with banks and financial institutions	647,566	(484,260)
Net cash generated / (used in) investing activities	606,539	(553,801)
Cash flows from financing activities		
Net proceeds from rights issue	699,893	762,448
Repayment of lease liabilities	(6,635)	(13,385)
Net cash generated from financing activities	693,258	749,063
Net increase in cash and cash equivalents	1,682,444	37,720
Cash and cash equivalents at the beginning of the period	129,438	91,718
Cash and cash equivalents at the end of the period	1,811,882	129,438
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	648,157	129,438
Add: Placements with financial Institutions (less than 90 days)	1,163,725	-
	1,811,882	129,438
Less: Impairment provision	(358)	(19)
	1,811,524	129,419

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

DIALOG FINANCE PLC

Financial reporting by segment

(all amounts in Sri Lanka Rupees thousands)

For the year /nine months ended 31 Dec	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	4,048	7,218	56,453	43,026	8,043	4,208	50,815	36,115	28,251	59,510	-	-	147,610	150,077
Net fees and commission income / (expense)	76	25	-	-	-	-	1,934	1,799	(49)	58,219	-	-	1,961	60,043
Net other income	264	1,848	603	622	-	-	4,270	7,273	13,744	-	248	126	19,129	9,869
Operating income by segment	4,388	9,091	57,056	43,648	8,043	4,208	57,019	45,187	41,946	117,729	248	126	168,700	219,989
Total operating income	4,388	9,091	57,056	43,648	8,043	4,208	57,019	45,187	41,946	117,729	248	126	168,700	219,989
Impairment (expense) / reversal	(805)	2,188	195	(115)	(1,228)	(721)	(100,771)	7,614	39,270	(114,867)	-	-	(63,339)	(105,901)
Net operating income / (expense)	3,583	11,279	57,251	43,533	6,815	3,487	(43,752)	52,801	81,216	2,862	248	126	105,361	114,088
Operating expenses	(5,994)	(5,078)	-	-	(15,374)	(9,807)	(92,328)	(47,772)	-	(41,061)	-	-	(113,696)	(103,718)
Depreciation and amortization	(2,167)	(1,383)	-	-	(5,558)	(2,671)	(33,374)	(13,009)	-	(11,181)	-	-	(41,099)	(28,244)
Segment result	(4,578)	4,818	57,251	43,533	(14,117)	(8,991)	(169,454)	(7,980)	81,216	(49,380)	248	126	(49,434)	(17,874)
Personnel expenses													(136,865)	(125,902)
Loss from operations													(186,299)	(143,776)
VAT on financial services													-	-
Income tax reversal													86,780	110
Loss for the period													(99,519)	(143,666)
Other information														
Balance at 31 Dec														
Segment assets	42,465	50,114	1,895,043	757,327	108,921	96,786	654,109	471,480	-	405,249	526,684	603,126	3,227,222	2,384,082
Total assets	42,465	50,114	1,895,043	757,327	108,921	96,786	654,109	471,480	-	405,249	526,684	603,126	3,227,222	2,384,082
Segment liabilities	61,858	45,551	-	-	158,663	87,973	952,829	428,548	-	368,348	-	-	1,173,350	930,420
Total liabilities	61,858	45,551	-	-	158,663	87,973	952,829	428,548	-	368,348	-	-	1,173,350	930,420

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 year ended 31 December 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.

Despite the isolation measures implemented by the authorities, due to the second wave of the outbreak in early October 2020, business activity recovered across the country and the Company saw a gradual improvement in recoveries. The company also expects growth opportunities relating to Fin-Tech business, resulting from individuals and businesses shifting financial activities on to digital platforms.

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.

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 year ended 31 December 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	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Financial assets						
Financial assets at fair value through profit or loss	1,513	1,286	-	-	1,513	1,286
Financial assets at fair value through other comprehensive income	-	-	2,098	1,980	2,098	1,980

8 Market price per share

For the three months ended 31 Dec

	2020 Rs.	2019 Rs.
- Highest	61.00	45.90
- Lowest	41.10	38.10
- Last traded	56.00	43.00

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 Mr.R.C.J Goonewardene	217,065	0.20%
3 J.B.Cocoshell (Pvt) Ltd	209,496	0.19%
4 Mrs.A.A.Raaymakers	25,000	0.02%
5 Mr. R.E Rambukwella	22,476	0.02%
6 Mr.P.S.M Fernando	20,000	0.02%
7 Mr. S.R.S De Saram	20,000	0.02%
8 People's Leasing & Finance PLC /C.D.Kohombanwickramage	17,820	0.02%
9 Mr.B.C.N Mendis	14,727	0.01%
10 Mr.B.C.V Mendis	13,727	0.01%
11 Mr.S.L Paranamange	13,700	0.01%
12 Mr.G.D.M Ranasinghe/ Mr.O.R.K Ranasinghe (joint)	13,000	0.01%
13 Mr.R.L.G Fernando	12,000	0.01%
14 Mr.T Thiruthanigainathan	11,844	0.01%
15 Mr.N.S Wijesekara	11,813	0.01%
16 Mr.K.N.Nandasiri / Mr. T.B.R. Sujeewa Tennakoon Banda (joint)	10,900	0.01%
17 Mr.O.W.D Yasapala	10,516	0.01%
18 Mr.H.V.S.M Navaratne	10,000	0.01%
19 Mr.T.D Mahaliyana	9,940	0.01%
20 Citizens Development Business Finance PLC/ K.D.C. Somalatha and K Nandasiri	8,414	0.01%
	108,427,741	99.67%
Others	355,621	0.33%
Total	108,783,362	100.00

10 Directors' shareholdings

None of the Directors and their close family members held any shares in the Company as at 31 December 2020.

11 Public shareholdings

Information pertaining to public shareholding is as follows:

	31 Dec 2020	31 Dec 2019
Public holding percentage	0.95%	1.12%
Number of public shareholders	679	741
Float adjusted market capitalisation (Rs.)	57,571,304	43,987,887

- (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 31 December 2020

12.1 Right issue – June 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 ending 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 31 Dec 2020	As at 31 Dec 2019
Regulatory capital adequacy		
Core capital (Tier I capital), Rs. '000	2,052,709	1,380,695
Tier I capital (after adjustments), Rs. '000	1,844,290	1,261,176
Total capital base, Rs. '000	1,844,290	2,196,334
Risk weighted assets, Rs. '000	1,989,409	2,196,334
Core capital adequacy ratio		
(As a % of risk weighted assets - Minimum requirement – 2020 - 6.5%, 2019 – 6%)	92.71%	57.42%
Total capital adequacy ratio		
(As a % of risk weighted assets - Minimum requirement – 2020 - 10.5%, 2019 - 10%)	92.71%	57.42%
Capital funds to deposit liabilities ratio	177.76%	204.36%
(Minimum requirement, 10%)		
Assets quality (quality of loan portfolio)		
Gross non-performing accommodations, Rs. '000	73,645	508,399
Gross non-performing accommodations ratio, %	8.30%	34.94%
Net-non-performing accommodations ratio, %	1.30%	7.66%
Profitability		
Interest margin, %	5.33%	8.69%
Return on assets (before taxes), %	-6.44%	-8.99%
Return on equity (after taxes), %	-4.83%	-14.35%
Regulatory liquidity (Rs. '000)		
Required minimum amount of liquid assets	70,590	86,820
Available amount of liquid assets	1,890,909	678,027
Required minimum amount of government securities	36,765	62,535
Available amount of government securities	78,963	75,091
Memorandum information		
Number of employees	44	164
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 resigned as a director of the Company with effect from 31 January 2021)

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