

**DIALOG FINANCE PLC**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FIRST QUARTER ENDED**

**30 JUNE 2019**

**DIALOG FINANCE PLC****Statements of financial position**

(all amounts in Sri Lanka Rupees thousands)

	<b>30 June 2019</b> <b>(Unaudited)</b>	<b>31 March 2019</b> <b>(Audited)</b>
<b>ASSETS</b>		
Cash and cash equivalents	270,708	91,704
Placements with financial institutions	395,220	163,100
Securities purchased under repurchase agreements	244,289	17,755
Financial assets at fair value through profit or loss	846	907
Financial assets at amortised cost - loans and advance	1,053,834	991,417
Financial assets at fair value through other comprehensive income	346	346
Financial investments at amortised cost	67,400	66,368
Other assets	133,252	55,822
Current tax receivable	4,904	4,904
Right-of-use assets	35,418	38,062
Property, plant and equipment	123,654	66,387
Intangible assets	89,286	87,748
Deferred tax assets	36,948	36,948
<b>Total assets</b>	<b>2,456,105</b>	<b>1,621,468</b>
<b>LIABILITIES</b>		
Financial liabilities at amortised cost - due to customers	668,512	632,209
Retirement benefit obligations	6,660	6,717
Lease liabilities	37,001	38,837
Other liabilities	192,857	110,157
<b>Total liabilities</b>	<b>905,030</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	(133,451)	(86,851)
<b>Total equity</b>	<b>1,551,075</b>	<b>833,548</b>
<b>Total equity and liabilities</b>	<b>2,456,105</b>	<b>1,621,468</b>
Net assets per share (Rs.)	16.98	11.54
Commitments and contingencies	174,162	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 June 2019 and its loss for the period ended 30 June 2019.

Signed

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**Head of Finance**

Date: 31/07/2019

Signed

.....

**Director/Chief Executive Officer**

Date: 31/07/2019

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: 31/07/2019

Signed

.....

**Director**

Date: 31/07/2019

**DIALOG FINANCE PLC****Statement of profit or loss and other comprehensive income**

(all amounts in Sri Lanka Rupees thousands)

	Three months ended 30 June		
	2019 (Unaudited)	2018 (Unaudited)	Change %
Interest income	65,095	45,127	44
Less: Interest expense	(16,155)	(21,464)	(25)
<b>Net interest income</b>	<b>48,940</b>	<b>23,663</b>	<b>107</b>
Fee and commission income	23,741	37,134	(36)
Less: Fee and commission expenses	-	-	-
<b>Net fee and commission income</b>	<b>23,741</b>	<b>37,134</b>	<b>(36)</b>
Net losses from trading	(60)	(306)	(80)
Other operating income	2,230	1,558	43
<b>Total operating income</b>	<b>74,851</b>	<b>62,049</b>	<b>21</b>
Less: Impairment charges and other losses	(29,313)	(11,267)	160
<b>Net operating income</b>	<b>45,538</b>	<b>50,782</b>	<b>(10)</b>
<b>Less: Operating expenses</b>			
Personnel expenses	(44,942)	(29,581)	52
Depreciation and amortisation	(7,117)	(1,278)	457
Other expenses	(40,079)	(12,487)	221
<b>Operating (loss) / profit before taxes on financial services</b>	<b>(46,600)</b>	<b>7,436</b>	<b>(727)</b>
Less: Taxes on financial services	-	(2,001)	(100)
<b>(Loss) / profit before tax for the period</b>	<b>(46,600)</b>	<b>5,435</b>	<b>(957)</b>
Income tax expense	-	(1,522)	(100)
<b>(Loss) / profit for the period</b>	<b>(46,600)</b>	<b>3,913</b>	<b>(1,291)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>(46,600)</b>	<b>3,913</b>	<b>(1,291)</b>
(Loss) / earnings per share (annualised)	(0.13)	0.34	

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
Loss for the period	-	(46,600)	-	-	(46,600)
<b>Balance at 30 June 2019</b>	<b>1,673,165</b>	<b>(133,451)</b>	<b>11,361</b>	-	<b>1,551,075</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
Profit for the period	-	3,913	-	-	3,913
<b>Balance at 30 June 2018</b>	<b>909,038</b>	<b>(13,246)</b>	<b>11,361</b>	<b>60,000</b>	<b>967,153</b>

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

**DIALOG FINANCE PLC****Statements of cash flows**

(all amounts in Sri Lanka Rupees thousands)

	<b>Three months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
(Loss) / profit before income tax	(46,600)	5,434
<b>Adjustment for,</b>		
Interest expenses	16,155	21,464
Depreciation and amortisation	4,473	1,278
Depreciation for right-of-use assets	2,644	-
Interest on lease liability	1,416	-
Provision for retirement benefits obligation	420	323
Net loss from financial instruments at fair value through profit or loss	60	306
Impairment charges and other losses	29,313	11,267
	<b>7,881</b>	<b>40,072</b>
<b>Operating profit before working capital changes</b>		
Increase in loans and advances	(91,730)	(119,344)
Increase in other assets	(77,429)	(41,852)
Increase in deposits from customers	36,891	1,769
Increase in trade and other payables	82,700	110,098
	<b>(41,687)</b>	<b>(9,257)</b>
<b>Cash used in operations</b>		
Interest paid	(16,743)	(24,112)
Payment of retirement gratuity	(477)	-
	<b>(58,907)</b>	<b>(33,369)</b>
<b>Net cash used in from operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisition of property plant and equipment	(59,574)	(30,879)
Acquisition of intangible assets	(3,704)	-
Net Investment in treasury bills	(1,032)	(2,074)
Net cash flow from securities purchased under repurchased agreement	(226,534)	(8,004)
Net placements with financial institutions	(232,120)	171,078
	<b>(522,964)</b>	<b>130,121</b>
<b>Net cash (used in) / generated from investing activities</b>		
<b>Cash flows from financing activities</b>		
Net cash received on rights issue	764,127	599,149
Repayment of lease liability	(3,252)	-
	<b>760,875</b>	<b>599,149</b>
<b>Net cash generated from financing activities</b>		
Net increase in cash and cash equivalents	179,004	695,901
Cash and cash equivalents at the beginning of the period	91,704	33,074
Bank overdraft at the beginning of the period	-	-
	<b>270,708</b>	<b>728,975</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)

	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		
<b>For the three months ended 30 June</b>														
Net interest income	3,023	4,106	13,022	2,011	1,541	2,452	11,033	13,463	20,321	1,631	-	-	48,940	23,663
Net fees and commission income	4	-	-	-	-	-	287	40	23,450	37,060	-	34	23,741	37,134
Net other income	556	789	(60)	(306)	-	-	1,663	468	-	-	11	301	2,170	1,252
<b>Operating income by segment</b>	<b>3,583</b>	<b>4,895</b>	<b>12,962</b>	<b>1,705</b>	<b>1,541</b>	<b>2,452</b>	<b>12,983</b>	<b>13,971</b>	<b>43,771</b>	<b>38,691</b>	<b>11</b>	<b>335</b>	<b>74,851</b>	<b>62,049</b>
<b>Total operating income</b>	<b>3,583</b>	<b>4,895</b>	<b>12,962</b>	<b>1,705</b>	<b>1,541</b>	<b>2,452</b>	<b>12,983</b>	<b>13,971</b>	<b>43,771</b>	<b>38,691</b>	<b>11</b>	<b>335</b>	<b>74,851</b>	<b>62,049</b>
Impairment (expenses) / reversal	305	(3,678)	-	-	14	16	839	(7,455)	(30,471)	(150)	-	-	(29,313)	(11,267)
<b>Net operating income</b>	<b>3,888</b>	<b>1,217</b>	<b>12,962</b>	<b>1,705</b>	<b>1,555</b>	<b>2,468</b>	<b>13,822</b>	<b>6,516</b>	<b>13,300</b>	<b>38,541</b>	<b>11</b>	<b>335</b>	<b>45,538</b>	<b>50,782</b>
Operating expenses	(2,982)	(2,444)	-	-	(1,463)	(1,038)	(13,081)	(5,149)	(22,553)	(3,856)	-	-	(40,079)	(12,487)
Depreciation and amortization	(530)	(250)	-	-	(260)	(106)	(2,323)	(527)	(4,004)	(395)	-	-	(7,117)	(1,278)
<b>Segment result</b>	<b>376</b>	<b>(1,477)</b>	<b>12,962</b>	<b>1,705</b>	<b>(168)</b>	<b>1,324</b>	<b>(1,582)</b>	<b>840</b>	<b>(13,257)</b>	<b>34,290</b>	<b>11</b>	<b>335</b>	<b>(1,658)</b>	<b>37,017</b>
Personnel expenses													(44,942)	(29,581)
<b>(Loss) / profit from operations</b>													<b>(46,600)</b>	<b>7,436</b>
Taxes on financial services													-	(2,001)
Income tax reversal / (expense)													-	(1,522)
<b>Net (loss)/ profit for the period</b>													<b>(46,600)</b>	<b>3,913</b>
<b>Other information</b>														
<b>Balance at 30 June</b>														
Segment assets	78,413	196,195	878,819	864,366	38,461	83,324	343,949	413,343	593,009	309,642	523,454	107,859	2,456,105	1,974,729
<b>Total assets</b>	<b>78,413</b>	<b>196,195</b>	<b>878,819</b>	<b>864,366</b>	<b>38,461</b>	<b>83,324</b>	<b>343,949</b>	<b>413,343</b>	<b>593,009</b>	<b>309,642</b>	<b>523,454</b>	<b>107,859</b>	<b>2,456,105</b>	<b>1,974,729</b>
Segment liabilities	67,341	188,200	-	-	33,030	79,928	295,383	396,499	509,276	297,024	-	-	905,030	961,651
<b>Total liabilities</b>	<b>67,341</b>	<b>188,200</b>	<b>-</b>	<b>-</b>	<b>33,030</b>	<b>79,928</b>	<b>295,383</b>	<b>396,499</b>	<b>509,276</b>	<b>297,024</b>	<b>-</b>	<b>-</b>	<b>905,030</b>	<b>961,651</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 three months ended 30 June 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 June 19	31 March 19	
Dialog Axiata PLC	Parent	Fixed deposits	(9,496)	-	(433,410)	(423,914)	Customer deposit
Dialog Axiata PLC	Parent	Secondment staff cost	(14,457)	-	(68,501)	(54,044)	Service fee
Dialog Axiata PLC	Parent	Receipts	106,241	(84,397)	86,950	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 June 2019	31 March 2019	30 June 2019	31 March 2019	30 June 2019	31 March 2019
<b>Financial assets</b>						
Financial assets at fair value through profit or loss	846	907	-	-	846	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 June

	2019 Rs.	2018 Rs.
- Highest	41.60	78.70
- Lowest	30.00	28.60
- Last traded	34.90	39.90

**DIALOG FINANCE PLC****Notes to the condensed interim financial statements (Continued)****8 Twenty largest shareholders of the Company**

<b>Name of Shareholders</b>	<b>No. of shares</b>	<b>% Holding</b>
1 Dialog Axiata PLC	90,309,767	98.88%
2 J.B.Cocoshell (Pvt) Ltd	209,596	0.23%
3 Mr.R.C.J Goonewardene	118,300	0.13%
4 Mrs.A.A.Raaymakers	25,000	0.03%
5 Mr.L.C.Y Welikala	22,600	0.02%
6 Mr.P.S.M Fernando	22,173	0.02%
7 Mr. R.E Rambukwella	21,013	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.V Mendis	15,727	0.02%
10 Mr.B.C.N Mendis	15,727	0.02%
12 Mr.S.L Paranamange	13,700	0.01%
13 Mr.W.S Perera / MRS. H.M.C.M. Perera	12,899	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%
17 Mr.G.D.M Ranasinghe/ Mr.O.R.K Ranasinghe	10,000	0.01%
19 Mr.H.V.S.M Navaratne	10,000	0.01%
20 Mr.T.D Mahaliyana	9,940	0.01%
	<b>90,900,051</b>	<b>99.52%</b>
Others	436,923	0.48%
<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 June 2019.

**10 Public shareholdings**

Information pertaining to public shareholding is as follows:

	<b>30 June 2019</b>	<b>30 June 2018</b>
Public holding percentage	1.12%	1.13%
Number of public shareholders	776	917

(a) Float Adjusted Market Capitalization as at 30 June 2019 was - Rs. 35,701,796.40

(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.

**DIALOG FINANCE PLC****Notes to the condensed interim financial statements (Continued)****11 Rights issue funds utilisation as at 30 June 2019**

<b>Objective number</b>	<b>Objective as per circular</b>	<b>Amount allocated as per circular Rs.</b>	<b>Proposed date of utilisation as per circular</b>	<b>Amount allocated from proceeds Rs. (A)</b>	<b>% of total proceeds</b>	<b>Amounts utilised Rs. (B)</b>	<b>% of utilisation against allocation (B/A)</b>	<b>Clarification if not fully utilised including where the funds are invested</b>
<b>1</b>	To utilise for lending purpose	762,586,320	Financial year 2019/20	762,586,320	99.80%	-	-	Funds are placed with banks and financial institutes
<b>2</b>	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 June 2019	As at 30 June 2018
<b>Regulatory capital adequacy</b>		
Core capital (Tier I capital), Rs. '000	1,530,612	1,009,166
Tier I capital (after adjustments), Rs. '000	1,434,443	1,009,166
Total capital base, Rs. '000	1,434,443	1,010,282
Risk weighted assets, Rs. '000	2,202,233	1,113,656
<b>Core capital adequacy ratio</b> (As a % of risk weighted assets - Minimum requirement - 5%)	65.14%	90.62%
<b>Total capital adequacy ratio</b> (As a % of risk weighted assets - Minimum requirement - 10%)	65.14%	90.72%
<b>Capital funds to deposit liabilities ratio</b> (Minimum requirement, 10%)	204%	118.08%
<b>Assets quality (quality of loan portfolio)</b>		
Gross non-performing accommodations, Rs. '000	403,809	158,385
Gross non-performing accommodations ratio, %	28.44%	14.48%
Net-non-performing accommodations ratio, %	7.67%	2.92%
<b>Profitability</b>		
Interest margin, %	8.53%	7.32%
Return on assets (before taxes), %	-7.60%	0.86%
Return on equity (after taxes), %	-11.91%	2.03%
<b>Regulatory liquidity (Rs. '000)</b>		
Required minimum amount of liquid assets	67,472	81,488
Available amount of liquid assets	854,708	862,990
Required minimum amount of government securities	62,535	61,582
Available amount of government securities	309,132	95,250
<b>Memorandum information</b>		
Number of employees	174	57
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. 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

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

### 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