

DIALOG FINANCE PLC

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
31 MARCH 2021**

DIALOG FINANCE PLC**Statement of financial position**

(all amounts in Sri Lanka Rupees thousands)

	31 March 2021 (Unaudited)	31 Dec 2020 (Audited)
ASSETS		
Cash and cash equivalents	919,418	648,006
Placements with banks and financial institutions	601,959	1,163,518
Securities purchased under repurchase agreements	71,149	77,722
Financial assets at fair value through profit or loss	1,179	1,513
Financial assets at amortised cost - loans and advances	1,062,047	806,332
Financial assets at fair value through other comprehensive income	2,098	2,098
Financial investments at amortised cost	2,238	2,186
Other assets	202,957	194,418
Current tax receivable	6,255	6,255
Right-of-use assets	22,476	24,100
Property, plant and equipment	74,378	77,555
Intangible assets	97,145	99,699
Deferred tax assets	123,820	123,820
Total assets	3,187,119	3,227,222
LIABILITIES		
Financial liabilities at amortised cost - due to customers	1,046,273	1,064,175
Retirement benefit obligations	9,153	8,429
Lease liabilities	24,310	24,966
Other liabilities	81,201	75,780
Total liabilities	1,160,937	1,173,350
EQUITY		
Stated capital	2,374,509	2,374,509
Statutory reserve fund	11,361	11,361
Fair value through other comprehensive income reserve	1,577	1,577
Accumulated losses	(361,265)	(333,575)
Total equity	2,026,182	2,053,872
Total equity and liabilities	3,187,119	3,227,222
Net assets per share (Rs.)	18.63	18.88
Commitments and contingencies	232,443	302,457

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 March 2021 and its loss for the period ended 31 March 2021.

Signed

Signed

.....
Head of Finance

Date: 10/05/2021

.....
Chief Executive Officer

Date: 10/05/2021

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: 10/05/2021

.....
Director

Date: 10/05/2021

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

(all amounts in Sri Lanka Rupees thousands)

	Three months ended 31 March	Three months ended 31 March	
	2021 (Unaudited)	2020 (Unaudited)	Change %
Interest income	51,038	56,382	(9)
Less: Interest expense	(14,006)	(18,472)	(24)
Net interest income	37,032	37,910	(2)
Fee and commission income	813	356	128
Net losses from trading	(334)	(537)	(38)
Other operating income	1,955	4,040	(52)
Total operating income	39,466	41,769	(6)
Less: Impairment charges and other losses	1,569	(33,381)	(105)
Net operating income	41,035	8,388	389
Less: Operating expenses			
Personnel expenses	(32,654)	(37,093)	(12)
Depreciation and amortisation	(10,695)	(10,862)	(2)
Other expenses	(25,376)	(32,807)	(23)
Operating loss before taxes on financial services	(27,690)	(72,374)	(62)
Tax reversal on financial services	-	-	-
Loss before tax for the period	(27,690)	(72,374)	(62)
Income tax reversal	-	-	-
Loss for the period	(27,690)	(72,374)	(62)
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	-	-	-
Remeasurement of defined benefit Obligations	-	-	-
Deferred tax effect on other comprehensive income	-	-	-
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the period, net of tax	(27,690)	(72,374)	(62)
Loss per share (Rs.)	(0.25)	(0.79)	

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	Shares pending allotment	Total
Balance at 1 January 2021	2,374,509	(333,575)	11,361	1,577	-	2,053,872
Loss for the period	-	(27,690)	-	-	-	(27,690)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	(27,690)	-	-	-	(27,690)
Balance at 31 March 2021	2,374,509	(361,265)	11,361	1,577	-	2,026,182
Balance at 1 January 2020	1,673,165	(232,335)	11,361	1,471	-	1,453,662
Loss for the period	-	(72,374)	-	-	-	(72,374)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	(72,374)	-	-	-	(72,374)
Shares pending allotment	-	-	-	-	701,344	701,344
Balance at 31 March 2020	1,673,165	(304,709)	11,361	1,471	701,344	2,082,632
Balance at 1 April 2020	1,673,165	(304,709)	11,361	1,471	701,344	2,082,632
Loss for the period	-	(27,145)	-	-	-	(27,145)
Other comprehensive income, net of tax	-	(270)	-	106	-	(164)
Total comprehensive income for the period	-	(27,415)	-	106	-	(27,309)
Rights issue during the period	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

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)

	Three months ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss before income tax	(27,690)	(72,374)
Adjustment for,		
Interest expenses	14,006	18,472
Impairment (reversal) / charges and other losses	(1,569)	33,381
Provision for retirement benefit obligation	861	468
Depreciation and amortization	10,695	10,862
Interest on lease liability	665	1,067
Net losses from financial assets at fair value through profit or loss	334	537
Cash used in from operations before working capital changes	(2,698)	(7,587)
(Increase)/ decrease in loans and advances	(254,499)	118,199
(Increase)/ decrease in other assets	(7,703)	50,921
(Decrease)/ increase in amounts due to customers	(17,901)	42,545
Increase/ (decrease) in trade and other payables	4,280	(1,988)
Cash (used in) / generated from operations	(278,521)	202,090
Interest paid	(14,006)	(16,152)
Retirement benefits paid	(137)	(114)
Net cash (used in) / generated from operating activities	(292,664)	185,824
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,965)	(84)
Acquisition of intangible assets	(1,374)	(3,574)
Net investment in treasury bills	(51)	38
Net placements with banks and financial institutions	-	166,348
Net cash flows from securities purchased under repurchased agreement	6,574	(553)
Net cash generated from investing activities	3,184	162,175
Cash flows from financing activities		
Net proceeds from rights issue	-	701,345
Repayment of lease liabilities	(667)	(3,173)
Net cash (used in) / generated from financing activities	(667)	698,172
Net (decrease) / increase in cash and cash equivalents	(290,147)	1,046,171
Cash and cash equivalents at the beginning of the period	1,811,882	129,419
Cash and cash equivalents at the end of the period	1,521,735	1,175,590
Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	919,569	1,175,590
Add: Placements with financial Institutions (less than 90 days)	602,166	-
	1,521,735	1,175,590
Less: Impairment provision	(358)	(19)
	1,521,377	1,175,571

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 three months ended 31 March	Factoring & Revolving Loans		Margin Trading		Enterprise Loans		Other loan and advance		Treasury / Investments		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income	8,142	9,840	4,411	2,076	10,264	663	3,397	18,510	10,818	6,821	-	-	37,032	37,910
Net fees and commission income / (expense)	696	278	-	-	-	-	117	78	-	-	-	-	813	356
Net other income	-	-	-	-	-	-	954	3,990	(334)	(537)	1,001	50	1,621	3,503
Operating income by segment	8,838	10,118	4,411	2,076	10,264	663	4,468	22,578	10,484	6,284	1,001	50	39,466	41,769
Total operating income	8,838	10,118	4,411	2,076	10,264	663	4,468	22,578	10,484	6,284	1,001	50	39,466	41,769
Impairment reversal/(expense)	327	(2,820)	-	(6)	(5,142)	(4,924)	6,384	(25,631)	-	-	-	-	1,569	(33,381)
Net operating income / (expense)	9,165	7,298	4,411	2,070	5,122	(4,261)	10,852	(3,053)	10,484	6,284	1,001	50	41,035	8,388
Operating expenses	(5,547)	(10,909)	(3,885)	(2,407)	(9,490)	(3,997)	(6,454)	(15,494)	-	-	-	-	(25,376)	(32,807)
Depreciation and amortisation	(2,338)	(3,612)	(1,637)	(797)	(4,000)	(1,323)	(2,720)	(5,130)	-	-	-	-	(10,695)	(10,862)
Segment result	1,280	(7,223)	(1,111)	(1,134)	(8,368)	(9,581)	1,678	(23,677)	10,484	6,284	1,001	50	4,964	(35,281)
Personnel expenses													(32,654)	(37,093)
Loss from operations													(27,690)	(72,374)
VAT on financial services													-	-
Income tax reversal													-	-
Loss for the period													(27,690)	(72,374)
Other information														
Balance at 31 March														
Segment assets	232,171	290,110	162,589	63,983	397,172	106,294	270,115	411,661	1,594,763	849,104	530,309	1,333,026	3,187,119	3,054,178
Total assets	232,171	290,110	162,589	63,983	397,172	106,294	270,115	411,661	1,594,763	849,104	530,309	1,333,026	3,187,119	3,054,178
Segment liabilities	253,789	326,283	177,728	71,283	434,154	119,548	295,266	454,431	-	-	-	-	1,160,937	971,545
Total liabilities	253,789	326,283	177,728	71,283	434,154	119,548	295,266	454,431	-	-	-	-	1,160,937	971,545

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 31 March 2021 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 December 2020.

There were no changes to the accounting policies since the publication of the audited financial statements for the year ended 31 December 2020.

2 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.

3 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 in 2020.

Despite the second wave of the outbreak in early October 2020, business activity recovered across the country and the Company continued to see a gradual improvement in recoveries in the first quarter ended 31 March 2021. However, with the resurgence of a third wave of outbreak and related restrictions commencing mid-April 2021, uncertainty prevails over economic revival and business activity.

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 three months ended 31 March 2021.

4 Contingent liabilities

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

DIALOG FINANCE PLC

Notes to the condensed interim financial statements (Continued)

5 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 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Financial assets						
Financial assets at fair value through profit or loss	1,179	1,513	-	-	1,179	1,513
Financial assets at fair value through other comprehensive income	-	-	2,098	2,098	2,098	2,098

6 Market price per share

For the three months ended 31 March

	2021 Rs.	2020 Rs.
- Highest	60.20	42.70
- Lowest	50.00	30.10
- Last traded	60.00	35.00

DIALOG FINANCE PLC

Notes to the condensed interim financial statements (Continued)

7 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	222,742	0.20%
3 J. B. Cocoshell (Pvt) Ltd	209,496	0.19%
4 Mr. S.R.S De Saram	30,900	0.03%
5 Mrs. A. A. Raaymakers	27,115	0.02%
6 Mr. R. E Rambukwella	22,476	0.02%
7 Mr. P. S. M Fernando	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. G. D. M Ranasinghe/ Mr. O. R. K Ranasinghe (joint)	13,000	0.01%
12 Mr. R. L. G Fernando	12,000	0.01%
13 Mr. N. S Wijesekara	11,813	0.01%
14 Mr. T. Thiruthanigainathan	11,262	0.01%
15 Mr. K. N. Nandasiri / Mr. T.B.R. Sujeewa Tennakoon Banda (joint)	10,900	0.01%
16 Mr. H. V. S. M Navaratne	10,000	0.01%
17 Mr. T. D Mahaliyana	9,940	0.01%
18 Ms. A Radhakrishnan	8,462	0.01%
19 Citizens Development Business Finance PLC/ K.D.C. Somalatha and K Nandasiri	8,414	0.01%
20 Ms. M. P. Radhakrishnan	8,246	0.01%
	<hr/>	
	108,438,343	99.68%
Others	345,019	0.32%
Total	<hr/>	
	108,783,362	100.00

8 Directors' shareholdings

None of the Directors and their close family members held any shares in the Company as at 31 March 2021.

9 Public shareholdings

Information pertaining to public shareholding is as follows:

	31 March 2021	31 March 2020
Public holding percentage	0.95%	1.12%
Number of public shareholders	651	743
Float adjusted market capitalisation (Rs.)	62,006,516	35,804,094

- (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)

10 Rights issue funds utilisation as at 31 March 2021

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%	346,810,800	45%	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 March 2021	As at 31 March 2020
Regulatory capital adequacy		
Core capital (Tier I capital), Rs. '000	2,027,080	2,065,785
Tier I capital (after adjustments), Rs. '000	1,812,974	1,945,950
Total capital base, Rs. '000	1,812,974	1,945,950
Risk weighted assets, Rs. '000	2,261,257	1,981,895
Core capital adequacy ratio (As a % of risk weighted assets - Minimum requirement – 6.5%)	80.18%	98.19%
Total capital adequacy ratio (As a % of risk weighted assets - Minimum requirement – 10.5%)	80.18%	98.19%
Capital funds to deposit liabilities ratio (Minimum requirement, 10%)	194%	271%
Assets quality (quality of loan portfolio)		
Gross non-performing accommodations, Rs. '000	72,236	560,829
Gross non-performing accommodations ratio, %	6.32%	41.82%
Net-non-performing accommodations ratio, %	0.98%	8.18%
Profitability		
Interest margin, %	5.51%	6.57%
Return on assets (before taxes), %	-3.43%	-8.76%
Return on equity (after taxes), %	-5.44%	-13.94%
Regulatory liquidity (Rs. '000)		
Required minimum amount of liquid assets	69,165	91,000
Available amount of liquid assets	1,600,451	1,746,474
Required minimum amount of government securities	47,745	55,147
Available amount of government securities	70,553	76,761
Memorandum information		
Number of employees	98	149
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