DIALOG FINANCE PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2025

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DIALOG FINANCE PLC

Annual Report of the Board of Directors for the year ended 31 December 2025

The Board of Directors of Dialog Finance PLC ('the Company') is pleased to present its Annual Report on the State of Affairs of the Company for the year ended 31 December 2025, together with the audited financial statements of the Company.

This report contains the information required in terms of the Companies Act, No. 07 of 2007, Finance Business Act, No. 42 of 2011 and Directions issued there under and the Listing Rules of the Colombo Stock Exchange.

The Company

The Company bearing the registration No. PB 765 PQ, is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 475, Union Place, Colombo 02 and the principal place of business is located at No. 57, Srimath Anagarika Dharmapala Mawatha, Colombo 03.

The Company was incorporated on 25 November 1981, under the Companies Ordinance (Chapter 145), bearing the name Silvereen Finance Company Limited. The Company changed its name to People's Merchant Finance Company Limited on 30 September 2009 and Capital Alliance Finance Limited on 16 September 2011. The Company was re-registered under the provisions of the Companies Act, No. 07 of 2007 on 21 November 2011 and was accordingly renamed as Capital Alliance Finance PLC. On 22 December 2015, the Company changed its name to Colombo Trust Finance PLC and following the acquisition by Dialog Axiata PLC, the Company changed its name to Dialog Finance PLC on 15 September 2018.

The Company is a Licensed Finance Company under the Finance Business Act, No. 42 of 2011 and the ordinary shares of the Company were listed on the Colombo Stock Exchange ("CSE") on 4 October 2011.

Principal business activities

The Company offers a comprehensive range of financial services which include device financing, Merchant and SME loans, fixed and savings deposits, margin trading facilities, payment services and other financial facilities.

Financial statements

The financial statements of the Company as set out on pages 12 to 84, comprise of the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements of the Company. They have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, in compliance with the requirements of the Companies Act, No. 07 of 2007 ("the Companies Act") and the Finance Business Act, No. 42 of 2011.

The aforementioned financial statements for the year ended 31 December 2025 are duly signed by the Chief Executive Officer, Head of Corporate Finance/Budgeting/ALM/Treasury Management and two other Directors of the Company.

Independent auditors' report

The Independent Auditors of the Company are Messrs. Deloitte Partners ("Deloitte"), Chartered Accountants. Deloitte carried out the audit on the financial statements of the Company for the year ended 31 December 2025 and their report on the financial statements, is set out on pages 7 to 11.

Material accounting policies

The significant accounting policies adopted in the preparation of the financial statements are given on pages 17 to 39.

Directors' responsibility for financial reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that these financial statements appearing on pages 12 to 84 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, the Finance Business Act, No.42 of 2011 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The detailed Statement of Directors' Responsibility for Financial Reporting is set out on page 6.

DIALOG FINANCE PLC

Annual Report of the Board of Directors for the year ended 31 December 2025 (Continued)

Property, plant and equipment

The details of property, plant & equipment are given on Note 27 to the financial statements.

(a) Capital expenditure

The total capital expenditure made on acquiring property, plant and equipment and intangible assets of the Company amounted to Rs. 186.65Mn (For the year ended 31 December 2024 – Rs. 61.69Mn) and the details are given in Notes 27 and 28 to the financial statements.

(b) Capital commitments

The capital expenditure approved and contracted for, as at the reporting date is given in Note 38 to the financial statements.

Reserves

The aggregate value of reserves and their composition are set out in the Statement of Changes in Equity of the Company on page 15 to the financial statements.

(a) Statutory reserve fund

The statutory reserve fund is a capital reserve which consists of profits transferred as required by section 3 (b) (ii) of Central Bank Direction No. 1 of 2003.

Stated capital

The Stated Capital of the Company as at 31 December 2025 amounted to Rs. 2,934,582,100 consisting of 117,399,866 ordinary shares (31 December 2024 – Rs. 2,934,582,100 consisting of 117,399,866 ordinary shares).

(a) Shareholdings of the Company

The parent company, Dialog Axiata PLC, held 99.05% of the Ordinary shares in issue of the Company as at 31 December 2025. The main shareholders of the Company and corresponding holding percentages are set out below.

		31 December 2025	
	Name of Shareholder	**No. of shares**	**Holding %**
1	Dialog Axiata PLC	116,290,376	99.05
2	Hatton National Bank PLC / Dawi Investment Trust (Pvt) Ltd	131,541	0.11
3	GF Capital Global Limited	81,376	0.07
4	J.B. Cocoshell (Pvt) Ltd	44,203	0.04
5	Senkadagala Finance PLC / G.B.R.P.Gunawardana	35,511	0.03
6	Mr. P. Poongunaseelan	34,554	0.03
7	Citizens Development Business Finance PLC / D.M.H.B.Dasanayake	30,000	0.03
8	Commercial Bank of Ceylon PLC / P. Gajendra	27,301	0.02
9	Mr. A.P. Dhammika	27,000	0.02
10	Seylan Bank PLC / S.R. Fernando	26,872	0.02
11	Golden Top Far East Limited	25,000	0.02
12	Mr. R.J.K.I. Ranathunga	24,123	0.02
13	Senkadagala Finance PLC / A.N.S.Bandara	20,959	0.02
14	People's Leasing & Finance PLC / C.D.Kohombanwickramage	19,452	0.02
15	Mr. M.K. Gunawardena / Mr. M.K. Gunawardena (Joint)	16,190	0.01
16	Mr. M.A.T. Raaymakers	16,030	0.01
17	Citizens Development Business Finance PLC / K.D.C. Somalatha and K. Nandasiri	15,980	0.01
18	Senkadagala Finance PLC / A.K.G.Indika	15,100	0.01
19	Mr. P.S.M. Fernando	15,000	0.01
20	Mr. G.D.M. Ranasinghe / Mrs. O.R.K. Ranasinghe (Joint)	14,029	0.01
	Others	489,269	0.44
	Total	**117,399,866**	**100.00**

DIALOG FINANCE PLC

Annual Report of the Board of Directors for the year ended 31 December 2025 (Continued)

Stated capital (Continued)

(b) Minimum public holding requirement

The percentage of shares held by the public as at 31 December 2025 was 0.95%, in the hands of 926 public shareholders (31 December 2024 – 0.95% in the hands of 848 public shareholders)

The Company is not compliant with the Minimum Public Holding requirement under section 2 of Rule 7.14.1(b) of the Listing Rules of the Colombo Stock Exchange ("CSE"). Accordingly, the Company was transferred to the Second Board on 10 February 2020.

(c) Equitable treatment to shareholders

The Company has at all times ensured that all shareholders treated equitably.

Board of Directors

The Board of Directors of the Company comprise of 7 Directors (31 December 2024 - 7) with wide financial and commercial knowledge and experience.

The classification of Directors into Executive (ED), Non-Executive (NED), Independent (IND) and Non-Independent Directors (NID) is given against the names as per Listing Rules and Corporate Governance Rules of the CSE and the Finance Business Act Direction No 05 of 2021 and subsequent amendments thereto issued by the Central Bank of Sri Lanka.
The Directors of the Company as at 31 December 2025 were;

Name	Classification (NED/NID/ED)	Remarks (Appointed date, change of directorate to chairman etc)
Ms. Renuka Fernando (Chairperson)	NID/NED	22 May 2020
Mr. Supun Weerasinghe	NID/NED	09 November 2017
Ms. Lim Li San	NID/NED	11 October 2024
Mr.Shivan Kanag-Isvaran	IND/NED	05 March 2025
Mr.Uditha Chinthana Jayasinghe	IND/NED	11 April 2025
Mr. Alexander Lowback	IND/NED	11 October 2024
Mr. Nazeem Mohamed	NID/ED	24 June 2022

Board subcommittees

The Board, while assuming the overall responsibility and accountability for the management oversight of the Company, has also appointed Board Sub Committees to ensure that the activities of the Company are conducted with the highest ethical standards and the best interest of its stakeholders at all times. The Board has formed many sub committees including the following:

- Board Audit Committee
- Nominations and Governance Committee
- Remuneration Committee
- Board Integrated Risk Management Committee
- Related Party Transactions Review Committee
- Board Credit Committee

Directors' interest in contracts and proposed contracts

Directors of the Company have made necessary declarations of their interest in contracts or proposed contracts, in terms of the Section 192(1) and 192(2) of the Companies Act. These interests have been recorded in the interest register which is available for inspection in terms of the Companies Act. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed.

(a) Directors' interest in shares of the Company

None of the Directors and their close family members directly held any shares in the Company as at 31 December 2025. (As at 31 December 2024 – Nil).

DIALOG FINANCE PLC

Annual Report of the Board of Directors for the year ended 31 December 2025 (Continued)

Directors' remuneration

The details of Directors' emoluments and other benefits paid in respect of the Company during the year under review are given in Note 41 to the financial statements.

Related party transactions

The Directors have disclosed transactions if, any that could be classified as related party transactions in terms of Sri Lanka Accounting Standards – LKAS 24 (Related Party Disclosure) which is adopted in the preparation of the financial statements. The details of all related party transactions carried out during the period are disclosed in Note 41 to the financial statements.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2024 and that such transactions with the Company if any, have been disclosed while abstaining from voting on any matters of material interest.

Outstanding litigation

In the opinion of the Directors and in consultation with the Company lawyers, there were no pending litigations against the Company as at 31 December 2025 which would have a material impact on the reported financial results, or future operations, of the Company.

Statutory payments

The Directors, to the best of their knowledge and having made adequate inquiries from management, confirm that all taxes, duties, levies and statutory payments payable by the Company on behalf of and in respect of the employees of the Company as at the date of the statement of financial position have been duly paid, or where relevant, have been provided for, except as disclosed in Note 38 to the financial statements.

Risk management and internal controls

(a) Internal controls

The Directors of the Company have taken reasonable steps to safeguard the financial operations of the Company to prevent and detect fraud and any other irregularities. For this purpose, the Directors consider that the system of internal controls is appropriately designed for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the period and it is being regularly reviewed by the Board of Directors. The Directors further confirm that this is an on - going process to identify, evaluate and manage significant business risk.

(b) Corporate governance and compliance with laws and regulations

The Directors of the Company are committed towards maintaining an effective Corporate Governance Framework and implementing processes with respect to the management and operations of the Company in order to develop and nurture sustainable growth and long-term relationships with key stakeholders. The Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the CSE and the Directions on Corporate Governance issued by the Central Bank of Sri Lanka (CBSL).

The Company has not engaged in any activity that contravenes any applicable law or regulation, and to the best of the knowledge of the Directors the Company has been in compliance with all prudential requirements, regulations and laws.

Environmental protection

The Company makes every endeavour to comply with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the management, the Directors are satisfied that the Company operates in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on customers and the communities within which the Company operates.

To the best of the knowledge of the Board of Directors, the Company has not engaged in any activity which is harmful or hazardous to the environment and complies with the relevant environmental laws and regulations.

Donations

The Company has not made any donations during the year ended 31 December 2025. (For the year ended 31 December 2024 – Nil).

DIALOG FINANCE PLC

Annual Report of the Board of Directors for the year ended 31 December 2025 (Continued)

Taxation

Provision for taxation has been computed in accordance with income tax legislations and applicable tax rates are given in Note 15 to the financial statements.

Dividends

The Directors have not recommended a dividend for the year ended 31 December 2025. (For the year ended 31 December 2024 – Nil).

Going concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks and cash flows are satisfied that the Company has adequate resources to continue operations into the foreseeable future. Accordingly, the going concern basis is adopted in preparing the financial statements of the Company.

Auditors

The Independent Auditors of the Company during the year were Messrs. Deloitte Partners, Chartered Accountants.

The audit fees to the Auditors Messrs. Deloitte Partners for the year ended 31 December 2025 amounted to Rs. 2,027,000 (For the year ended 31 December 2024 – Rs. 1,843,000). In addition to the above, Rs. 1,318,028 was payable for the year ended 31 December 2025 (For the year ended 31 December 2024 – Rs. 1,171,000) for other permitted services.

Based on the declaration provided by Messrs. Deloitte Partners, and as far as the Directors are aware, the Independent Auditors do not have any relationship or interest with the Company that would impair their independence and objectivity.

Messrs. Deloitte Partners have expressed their willingness to continue as the Independent Auditors of the Company and a resolution proposing their re-appointment, as Auditors will be proposed at the forthcoming Annual General Meeting.

Employment policy

The Company believes that its potential rests on the skilled & competent workforce in the rapidly changing environment. As at 31 December 2025, the number of employees on the payroll of the Company was 215 (31 December 2024 – 169).

Modern Human Resources Management practices are adopted respecting each and every individual and providing equitable opportunities for career advancement for all employees. The Company complies with its policy of non-discrimination in terms of gender, race or religion in the matter of employment.

Fair Treatment to Stakeholders

The Board of Directors declare that the Company has taken necessary measures to ensure the fair and equitable treatment of all stakeholders, including its shareholders and depositors.

Events after the reporting period

No circumstances have arisen since the Statement of Financial Position date which would require adjustments to, or disclosure in the financial statements other than those disclosed in Note 39 to the financial statements.

By order of the Board

Director Director Secretary

Colombo

Date: 06 February 2026

DIALOG FINANCE PLC

The Statement of Directors' Responsibility

The responsibility of Directors in relation to the financial statements of Dialog Finance PLC ("the Company") is set out in the following statements. The responsibility of the Independent Auditor in relation to the financial statements prepared in accordance with the Companies Act, No.07 of 2007 ("the Companies Act"), is set out in the Independent Auditor's Report on pages 7 to 11.

The financial statements comprise of the following:

- the statement of financial position, which presents a true and fair view of the state of affairs of the Company as at 31 December 2025,
- the statement of profit or loss and other comprehensive income, which present a true and fair view of the profit or loss and other comprehensive income of the Company for the year ended 31 December 2025;
- Statement of changes in equity, Statement of cash flow and Notes to the financial statements.

In preparing these financial statements the Directors are required to ensure that:

- Appropriate accounting policies have been selected and applied in consistent manner and material departures, if any, have been disclosed and explained.
- All applicable accounting standards, as relevant, have been followed.
- Reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected.
- Information required by the Companies Act, Finance Business Act No. 42 of 2011 and the Continuing Listing Rules of the Colombo Stock Exchange has been disclosed.

The Directors are satisfied that the Company has adequate resources to continue in operation and justify applying going concern principle in the preparation of the financial statements.

The financial statements of the Company have been certified by Head of Corporate Finance/Budgeting/ALM/Treasury Management, the officer responsible for the preparation and the Chief Executive Officer and have been signed by two Directors on 06 February 2026 in conformity with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the date of the statement of financial position have been paid, or where relevant provided for, except as disclosed in Note 38 to the Financial Statements covering contingent liabilities.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board

Ms.Nipuni Fernando
Company Secretary

Colombo

06 February 2026

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DIALOG FINANCE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Dialog Finance PLC (the Company) which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants* issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

C S Manoharan FCA, T U Jayasinghe FCA, M D B Boyagoda FCA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, N R Gunasekera FCA, M S J Henry FCA, M M R Hilmy FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, M M M Manzeer FCA, L A C Tillekeratne ACA, D C A J Yapa ACA

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Deloitte.

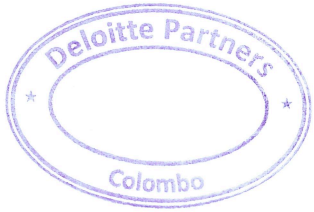
INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dialog Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Key Audit Matters (Contd)

Key audit matter	How our audit addressed the Key audit matter
Impairment of loans and advances Refer to the accounting policy Section 5.3: Impairment of financial assets and Notes 10 and 22 to the financial statements. As at 31 December 2025, total gross amount of loans and advances amounted to LKR 9,702 million, with a total allowance for impairment of LKR 543 million. Total net amount of loans and advances contribute 77% to the total assets. Management assesses whether the credit risk of loans and advances to customers have increased significantly since their initial recognition and applies a three-stage impairment model to calculate their Expected Credit Loss ("ECL"). ECL is calculated on either an individual basis or a collective basis. Collective impairment is calculated incorporating key parameters, including probability of default, loss given default, exposure at default and discount rates. Individual impairment is determined using discounted cash flows. The impairment of loans and advances using the ECL model was considered as a key audit matter due to factors such as: • The ECL model involves complex calculations with key variables used in the model requiring significant management judgment and use of assumptions. • The magnitude of the reported amounts of loans and advances to customers and the impairment allowances thereof.	The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and advances to customers in line with SLFRS 9 adopted, included the following: • Understanding, evaluating and testing the design and operating effectiveness of key controls in the lending and credit risk mitigation process including information systems; • Assessing the appropriateness of the criteria used by management to determine whether customer credit facilities are impaired; • Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgement made and assumptions used by management; • Checking the reasonability of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information; • For loans and advances individually impaired, assessing the reasonability on a sample basis, future cash flows forecasted by management and the discount rates supporting the loss allowance computation; • Checking the mathematical accuracy of the model and inputs used in the model on a sample basis; • Assessing the accuracy and sufficiency of related disclosures.



Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dialog Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

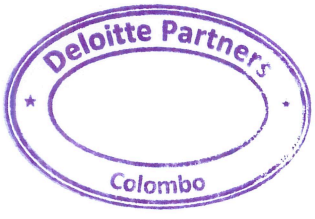
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dialog Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Auditor's Responsibilities for the Audit of the Financial Statements (Contd)

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dialog Finance PLC (Contd)

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 6355.

Deloitte Partners

DELOITTE PARTNERS
Chartered Accountants
Colombo

06 February 2026

Deloitte Partners
Colombo

DIALOG FINANCE PLC

Statement of Profit or Loss

(all amounts in Sri Lanka Rupees thousands)

	Note	Year ended 31 December	
		2025	**2024**
Interest income	6.1	1,742,461	1,038,173
Less: Interest expense	6.2	(404,973)	(259,932)
Net interest income	6	**1,337,488**	**778,241**
Fee and commission income	7.1	1,370,959	586,450
Less: Fee and commission expenses	7.2	(452,313)	(235,641)
Net fee and commission income	7	**918,646**	**350,809**
Net gains from trading	8	750	759
Other operating income	9	109,507	15,658
Total operating income		**2,366,391**	**1,145,467**
Less: Allowance for expected credit losses	10	(307,851)	(114,248)
Net operating income		**2,058,540**	**1,031,219**
Less: Operating expenses			
Personnel expenses	11	(496,030)	(337,319)
Depreciation and amortisation	12	(89,093)	(62,890)
Other expenses	13	(1,035,906)	(586,961)
Operating profit before taxes on financial services		**437,511**	**44,049**
Less: Taxes on financial services	14	(156,068)	(59,984)
Profit / (Loss) before tax for the year		**281,443**	**(15,935)**
Income tax expense	15	(121,716)	(25,148)
Profit / (Loss) for the year		**159,727**	**(41,083)**
Basic / diluted (loss) / profit per share for losses attributable to the ordinary equity holders of the Company (Rs.)	16.1	**1.36**	**(0.35)**

The notes on pages 17 to 84 form an integral part of these financial statements.

DIALOG FINANCE PLC

Statement of Other Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Year ended 31 December	
	2025	**2024**
Profit / (Loss) for the year	**159,727**	**(41,083)**
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 (Note 23)	147	173
- Remeasurement of defined benefit obligations (Note 32.1 a)	596	(1,265)
- Deferred tax effect on other comprehensive income (Note 15.1)	(525)	353
Other comprehensive income, net of tax	**218**	**(739)**
Total comprehensive income / (loss) for the year, net of tax	**159,945**	**(41,822)**

DIALOG FINANCE PLC

Statement of Financial Position

(all amounts in Sri Lanka Rupees thousands)

	Note	As at 31 December 2025	2024
ASSETS			
Cash and cash equivalents	18	602,236	252,167
Placements with financial Institutions	19	161,800	168,488
Securities purchased under repurchase agreements	20	625,521	509,924
Financial assets at fair value through profit or loss	21	3,976	257,224
Financial assets at amortised cost - loans and advances	22	9,158,595	5,171,335
Financial assets at fair value through other comprehensive income	23	2,505	2,358
Financial investments at amortised cost	24	400,714	387,959
Other assets	25	496,161	249,528
Current tax receivable		-	6,255
Right-of-use assets	26	92,624	36,308
Property, plant and equipment	27	58,115	53,518
Intangible assets	28	303,626	197,337
Deferred tax asset	29	45,994	92,698
Total assets		**11,951,867**	**7,385,099**
LIABILITIES			
Financial liabilities at amortised cost – due to customers	30	5,896,562	4,044,853
Financial liabilities at amortised cost – due to banks	31	2,109,980	100,296
Lease liabilities	26	97,457	40,286
Retirement benefit obligations	32	14,241	11,759
Current tax payable		69,283	-
Other liabilities	33	1,001,456	584,962
Total liabilities		**9,188,979**	**4,782,156**
EQUITY			
Stated capital	34	2,934,582	2,934,582
Statutory reserve	35	24,674	16,688
Fair value through other comprehensive income	36	3,102	3,301
Accumulated losses	36	(199,470)	(351,628)
Total equity		**2,762,888**	**2,602,943**
Total equity and liabilities		**11,951,867**	**7,385,099**
Net asset per share (Rs.)	16.4	23.53	22.17
Commitments and contingencies	38	112,842	458,542

We certify that these Financial Statements have been presented in compliance with the requirements of the Companies Act, No. 07 of 2007.

.....
Head of Corporate Finance, Budgeting, ALM and Treasury Management
06 February 2026

.....
Chief Executive Officer
06 February 2026

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board of Directors.

.....
Director
06 February 2026

Deloitte Partners Colombo

.....
Director
06 February 2026

The notes on pages 17 to 84 form an integral part of these financial statements

DIALOG FINANCE PLC

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees thousands)

	Note	Stated capital	Statutory reserve	Retained earnings/ (accumulated losses)	Fair value through OCI reserve	Total
Balance at 1 January 2024		**2,934,582**	**16,688**	**(309,659)**	**3,154**	**2,644,765**
Loss for the year		-	-	(41,083)	-	(41,083)
Other comprehensive income, net of tax		-	-	(886)	147	(739)
Total comprehensive income for the year		-	-	(41,969)	147	(41,822)
Balance at 31 December 2024		**2,934,582**	**16,688**	**(351,628)**	**3,301**	**2,602,943**
Balance at 1 January 2025		2,934,582	16,688	(351,628)	3,301	2,602,943
Profit for the year		-	-	159,727	-	159,727
Other comprehensive income, net of tax		-	-	417	(199)	218
Total comprehensive income for the year		-	-	160,144	(199)	159,945
Transferred to statutory reserve	**35**	-	7,986	(7,986)	-	-
Balance at 31 December 2025		**2,934,582**	**24,674**	**(199,470)**	**3,102**	**2,762,888**

DIALOG FINANCE PLC

Statement of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

	Note	Year ended 31 December	
		2025	2024
Cash flows from operating activities			
Profit /(Loss) before income tax		281,443	(15,935)
Adjustment for,			
Interest expenses	6.2	404,973	259,932
Gain on disposal of property, plant and equipment	9	(71,153)	-
Impairment charges and other losses	10	307,851	114,248
Provision for retirement benefits obligation	11	4,713	3,969
Depreciation of property plant and equipment	12	19,859	14,097
Depreciation of right-of-use assets	12	28,174	14,472
Amortisation of intangible assets	12	41,060	34,321
Interest on lease liabilities	26.2	6,864	2,609
Net gains on financial assets at fair value through profit or loss	8	(750)	(759)
Cash generated from operations before changes in operating assets and liabilities		**1,023,034**	**426,954**
Increase in loans and advances	22	(4,295,111)	(2,242,813)
Increase in other assets	25	(246,633)	(181,404)
Increase in amounts due to customers	30	1,851,709	1,428,087
Increase in other liabilities	33	416,494	456,792
Cash used in operations		**(1,250,507)**	**(112,384)**
Interest paid		(410,941)	(348,715)
Retirement benefits paid	32.1	(1,636)	(2,607)
Net cash generated used in operating activities		**(1,663,084)**	**(463,706)**
Cash flows from investing activities			
Acquisition of property plant and equipment and intangible assets	27/28	(186,653)	(61,690)
Proceeds from sale of property plant and equipment	27	86,000	-
Net investment in treasury bills	24	(12,755)	862,062
Net placements with financial institutions	19	6,688	(55,099)
Net investment in unit trust	21.2	253,998	865,746
Net cash flows from securities purchased under repurchased agreement	20	(115,597)	(510,114)
Net cash generated from investing activities		**31,681**	**1,100,905**
Cash flows from financing activities			
Net proceeds from bank borrowings	31	2,009,684	(401,821)
Repayment of lease liabilities	26.3	(27,319)	(11,811)
Net cash used in financing activities		**1,982,365**	**(413,632)**
Net increase in cash and cash equivalents		350,962	223,567
Cash and cash equivalents at the beginning of the year		311,570	88,003
Cash and cash equivalents at the end of the year		**662,532**	**311,570**
Analysis of cash and cash equivalents at the end of the year			
Cash and bank balances	18	602,321	252,249
Placements with financial institutions (less than 90 days)	19	60,211	59,321
		662,532	**311,570**
Less: Impairment provision		(123)	(116)
Cash and cash equivalents at the end of the year		**662,409**	**311,454**

The notes on pages 17 to 84 form an integral part of these financial statements.

DIALOG FINANCE PLC

Notes to the Financial Statements

(all amounts in the notes are in Sri Lanka Rupees thousands unless otherwise stated)

1 Corporate information

1.1 General

Dialog Finance PLC ('the Company'), is a public limited liability company incorporated and domiciled in Sri Lanka, incorporated under the Companies Ordinance (Chapter 145), and was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No. 07 of 2007. It is a Licensed Finance Company under the Finance Business Act No. 42 of 2011 and amendments thereto.

The Company is listed on the Colombo Stock Exchange since 4 October 2011.

The registered office of the Company is located at No. 475, Union Place, Colombo 02. The principal place of business is located at No. 57, Srimath Anagarika Dharmapala Mawatha, Colombo 03.

1.2 Principal activities

The Company offers a comprehensive range of financial services which include device financing, merchant and SME loans, fixed and savings deposits, margin trading facilities, payment services and other financial facilities.

1.3 Parent entity and ultimate parent entity

The Company's immediate parent is Dialog Axiata PLC and the Company's ultimate parent undertaking and controlling party is Axiata Group Berhad, a company incorporated in Malaysia.

1.4 Number of employees

The staff strength of the Company as at 31 December 2025 is 215 (31 December 2024 - 169).

1.5 Approval of financial statements by Directors

The financial statements of the Company, for the year ended 31 December 2025, were authorised for issue by the Board of Directors on 06 February 2026. The Directors have the power to amend and reissue the financial statements.

2 Basis of preparation

2.1 Statement of compliance

The financial statements of the Company, which comprise of the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements are prepared in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Companies Act, No. 7 of 2007, and provide appropriate disclosures as required by the Central Bank of Sri Lanka and Listing Rules of the Colombo Stock Exchange.

2.2 Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Accounting Standards and provide appropriate disclosures as required by the Central Bank of Sri Lanka and the listing rules of the Colombo Stock Exchange. The responsibility of the Directors in relation to the financial statements is set out in detail in the statement of Directors' responsibility report in the annual report.

2.3 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for following material items in the statement of financial position;

- Financial assets at fair value through other comprehensive income [Note 23];
- Financial assets at fair value through profit or loss [Note 21];
- Liabilities for defined benefit obligations are recognised at the present value of defined benefit obligation based on actuarial valuation [Note 32].

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

2 Basis of preparation (Continued)

2.4 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

2.5 Presentation of financial statements

The assets and liabilities of the Company presented in the statement of financial position are grouped by nature and listed in order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non – current) is presented in Note 44.

The amounts in the financial statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by LKAS 1 "Presentation of Financial Statements".

2.6 Materiality and aggregation

In compliance with LKAS 01 'Presentation of Financial Statements', each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are present separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an accounting standard.

2.7 Statement of cash flows

The cash flow statement has been prepared using the indirect method of preparing cash flows in accordance with LKAS 7 'Statement of Cash Flows', whereby operating, investing and financial activities have been separately recognised.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The cash and cash equivalents include cash in-hand, balances with banks and short-term deposits with banks (less than 3 months).

3 Significant accounting judgments, estimates and assumptions

In preparing the financial statements of the Company in conformity with SLFRSs and LKASs, the management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Significant areas of critical judgements, assumptions and estimation uncertainty, in applying Accounting Policies that have most significant effects on the amounts recognised in the Financial Statements of the Company are as follows:

3.1 Going concern

The Directors have made an assessment of the Company's ability to continue a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and does not intend either to liquidate or to cease operations. Therefore, the financial statements continue to be prepared on a going concern basis.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

3 Significant accounting judgments, estimates and assumptions (Continued)

3.2 Impairment losses on loans and advances

The measurement of impairment losses under SLFRS 9 'financial instruments' across all categories of financial assets require judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss (ECL) calculations are output of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include,

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets of their fair values when their ECL is assessed on a collective basis.
- Development of ECLs, models including various formulas and choice of inputs, such as multiple economic scenarios and collateral values and the effect on the probability of default (PDs), Exposure at Default (EADs) and loss given default (LGDs).

3.3 Fair value of financial instruments

The determination of fair value of financial assets and financial liabilities recorded on the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that includes the use of mathematical models. The valuation of financial instrument is described in Note 37 to the financial statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 37.3 to the financial statements.

3.4 Financial assets and financial liabilities classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at the inception into different accounting categories. The classification of financial instrument is disclosed in Note 17.

3.5 Taxation

(a) Income taxes

Judgment is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters results in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred income tax provisions in the period in which such determination is made.

(b) Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred income tax asset has been recognised.

3.6 Defined benefit obligation

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) for defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company determine the appropriate discount rate at the end of each financial reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Company considers the interest yield of long-term Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions as disclosed in Note 32 to the financial statements.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

3 Significant accounting judgments, estimates and assumptions (Continued)

3.7 Estimated useful lives of property, plant and equipment (PPE) and intangible assets

The Company reviews annually the estimated useful lives of PPE and intangible assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation charge and decrease the carrying value of PPE and intangible assets.

3.8 Commitment and Contingent Liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Company consults with legal counsel on matters related to litigation and other experts both within and outside the Company with respect to matters in the ordinary course of business.

4 Changes in accounting policies

4.1 New standards and amendments – applicable after 1 January 2025

The Company has applied the following amendments for the first time for their reporting period commencing 1 January 2025:

(a) Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique.

4.2 New standards, amendments and interpretations issued but not yet adopted in 2025 by the Company

The Company has not applied the following new and revised accounting standards that have been issued but are not yet effective for annual reporting period ending 31 December 2025.

(a) Amendments to SLFRS 9 and SLFRS 7 - Classification and Measurement of Financial Instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

4 Changes in accounting policies (Continued)

4.2 New standards, amendments and interpretations issued but not yet adopted in 2025 by the Company (Continued)

These amendments add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The Company anticipate that the application of these amendments may have have an impact on the Company's financial statements in future periods.

(b) SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 replaces LKAS 1, carrying forward many of the requirements in LKAS 1 unchanged and complementing them with new requirements. In addition, some LKAS 1 paragraphs have been moved to LKAS 8 and SLFRS 7. Furthermore, the IASB has made minor amendments to LKAS 7 and LKAS 33 Earnings per Share.

SLFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply SLFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to LKAS 7 and LKAS 33, as well as the revised LKAS 8 and SLFRS 7, become effective when an entity applies SLFRS 18. SLFRS 18 requires retrospective application with specific transition provisions.

The Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

(c) SLFRS 19 Subsidiaries without Public Accountability: Disclosures

SLFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying SLFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards. SLFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply SLFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with SLFRS Accounting Standards.

Eligible entities can apply SLFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply SLFRS 19 in its consolidated financial statement may do so in its separate financial statements. The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

The directors of the company do not anticipate that SLFRS 19 will be applied for purposes of the Company's financial statements.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

4 Changes in accounting policies (Continued)

4.2 New standards, amendments and interpretations issued but not yet adopted in 2025 by the Company (Continued)

(d) Annual improvements to IFRS – Volume 11

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

SLFRS 1 First-time Adoption of International Financial Reporting Standards;
SLFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing SLFRS 7;
SLFRS 9 Financial Instruments;
SLFRS 10 Consolidated Financial Statements; and
LKAS 7 Statement of Cash Flows.

These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted.

The Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

(e) Contracts Referencing Nature-dependent Electricity – Amendments to SLFRS 9 and SLFRS 7

The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the SLFRS 7 disclosure amendments must be implemented alongside the SLFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The directors of the company anticipate that the application of these improvements may not have an impact on the group's/company's consolidated financial statements in future periods.

(f) Amendment to LKAS 21 - Translation to a Hyperinflationary Presentation Currency

These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:

- its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or
- it is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.

The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.
The directors of the company anticipate that the application of these improvements may not have an impact on the group's/company's consolidated financial statements in future periods.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5. Summary of material accounting policies

The accounting policies set out below have been consistently applied the accounting policies to all periods presented in these financial statements.

5.1 Financial instruments – initial recognition, classification and subsequent measurement

(a) Date of recognition

All financial assets and liabilities are initially recognised when and only when the company becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(b) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value plus or minus in the cost of financial asset not at fair value through profit and loss (FVTPL), the transaction costs that are directly attributable to the acquisition of the financial assets. Transaction cost of financial assets at FVTPL are expended in the profit and loss.

(c) Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories;

- Amortised cost,
- Fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss. (FVTPL).

(i) Financial assets at amortised cost:

The Company only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal.

The details of the above conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Company’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company’s assessment

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.1 Financial instruments – initial recognition, classification and subsequent measurement (Continued)

(c) Classification and subsequent measurement of financial assets (Continued)

(i) Financial assets at amortised cost (Continued)

The business model assessment is based on reasonably expected scenarios without taking “worst case” or “stress case” scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company’s original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of the financial assets to identify whether they meet the SPPI test.

For the purpose of this test,

'Principal' is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms of that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Financial assets at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under LKAS 32 ‘Financial Instruments: Presentation’ and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Currently, the Company has recorded its non- quoted equity investments FVOCI at fair value. The details of equity instruments at FVOCI are given in Note 23 to the financial statements.

(iii) Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

Currently, the Company has recorded its quoted equity investments at fair value through profit or loss. The details of quoted equity instruments are given in Note 21 to the financial statements.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.1 Financial instruments – initial recognition, classification and subsequent measurement (Continued)

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in liabilities in the statement of financial position.

Details of cash and cash equivalents are given in Note 18 to the financial statements.

(e) Classification and subsequent measurement of financial liabilities

Financial instruments issued by the Company, that are not designated at fair value through profit or loss, are classified as liabilities under 'Due to customers (Deposits from customers) and other borrowings', where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued, and other borrowings are subsequently measured at amortised cost using the Effective intertest rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(f) Reclassifications of financial assets and financial liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Classification of financial liabilities is changed where the business model is changed. The Company did not reclassify any of its financial assets or liabilities in for the financial year ended 31 December 2025.

(g) Derecognition of financial assets and financial liabilities

(i) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset, if and only if, either:

- the Company has transferred its contractual rights to receive cash flows from the financial asset or,
- it retains the rights to cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.1 Financial instruments – initial recognition, classification and subsequent measurement (Continued)

(g) Derecognition of financial assets and financial liabilities (Continued)

(i) Derecognition of financial assets (Continued)

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset or,
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

On derecognition of a financial asset other than an equity instrument designated as fair value through other comprehensive income, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.2 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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:

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 - The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2 - The fair value of financial instruments that are not traded in an active market (for example, over-the-counter securities) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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.

The disclosure of fair value of financial instruments is disclosed in Note 37 to the financial statements.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.3 Impairment of financial assets

(i) Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at fair value through profit or loss, together with loan commitments, financial guarantee contracts, placements with financial institutions and cash and cash equivalents. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 42.2.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments. Asset classes where the Company calculates ECL on individual basis include credit impaired facilities of individually significant customers. Those financial assets for which, the Company determines that no provision is required under individual impairment are then collectively assessed for ECL. Financial assets are grouped based on similar risk characteristics for the purpose of ECL calculation on collective basis. Loans and advances to other customers are grouped into homogeneous portfolios, based on a combination of product and customer characteristics.

The Company established a policy to perform as assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI), as described below.

Stage 1 - When loans are first recognised, the Company recognises an allowance based on12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2 - When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3 - Loans considered credit-impaired. The Company records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.3 Impairment of financial assets (Continued)

(ii) The calculation of expected credit loss (ECL)

The key elements used in the ECL calculations are outlined below.

Probability of default (PD): The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities and accrued interest from missed payments.

Loss given default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method is summarised below;

Stage 1:
The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage 2:
When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3:
For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

(iii) Loan commitments:

When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

(iv) Financial Guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within provisions.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.3 Impairment of financial assets (Continued)

(iv) Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to statement of profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

(v) Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.

(vi) Forward looking information

In the models, the Company relies on a broad range of forward - looking information as economic inputs, such as:

- Gross Domestic Product growth in the principal market for the asset or liability;
- Unemployment rates published by Central Bank of Sri Lanka;
- Central Bank rates such as exchange rates, interest rates; and
- Inflation rates published by Central Bank of Sri Lanka.

The input and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustment or overlays are occasionally made as temporary adjustment when such differences are significantly material are stated at historical cost less accumulated depreciation and impairment losses.

5.4 Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a new asset at fair value and recalculates a new Effective Interest Rate (EIR) for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit impaired financial assets).

5.5 Write-off of loans and advances

Loans and advances are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.6 Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented as gross in the statement of financial position.

5.7 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Company retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'repurchase agreements', reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and re-purchase price is treated as interest expense and is accrued over the life of agreement using the EIR.

When the counter party has the right to sell or re-pledge the securities, the Company reclassifies those securities in its statement of financial position to 'Financial investments at amortised cost'. Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the Company.

5.8 Accounting for leases where the Company is the lessee

Leases are recognised as a right-of-use (ROU) asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(a) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentive received.
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(b) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable.
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable by the Company under residual value guarantees.
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.8 Accounting for leases where the Company is the lessee (Continued)

(b) Lease liabilities (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in comprehensive income.

(c) Remeasurement of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

In determining the lease term, the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

(d) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in comprehensive income.

5.9 Property, plant and equipment (PPE)

(a) Measurement

PPE are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of PPE comprises expenditure directly attributable to the acquisition of the item. These costs include the costs of dismantling, removal and restoration, and the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to comprehensive income during the reporting period in which they are incurred.

Borrowing costs directly incurred to finance the construction of PPE that takes more than twelve (12) months are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the qualified asset for its intended use.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.9 Property, plant and equipment (Continued)

(a) Measurement (Continued)

Depreciation of asset begins when it is available for use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to residual values over the estimated useful lives, in years as follows:

	Years
Buildings	40
Computer equipment	05
Office furniture	05
Office equipment	05
Mobile Point of Sales equipment (mPOS) & phones	02
Motor vehicles	05

Depreciation on assets under construction or capital work-in-progress commence when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income' in the comprehensive income.

(b) Asset exchange transaction

PPE may be acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets and is measured at fair value unless;

- the exchange transaction lacks commercial substance; or
- the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired item is measured in this way even if the Company cannot immediately derecognise the assets given up. If the acquired item cannot be reliably measured at fair value, its cost is measured at the carrying amount of the asset given up.

(c) Repairs and maintenance

Repairs and maintenance are charged to the comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. This cost is depreciated over the remaining useful life of the related asset.

(d) Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the statement of profit or loss as appropriate in the year the asset is derecognised.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.10 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of four (4) to eight (8) years.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Costs recognised as intangible assets are amortised using the straight-line method over their estimated useful lives, which do not exceed 8 years. An intangible asset which is not yet available for use is tested for impairment annually irrespective of whether there is any indication of impairment.

5.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The impairment loss is charged to comprehensive income. Any subsequent increase in recoverable amount is recognised in comprehensive income.

5.12 Stated capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

Where the Company purchases the Company's, equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently re issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(b) Share issue expenses

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(c) Dividends on ordinary shares

Dividends distribution is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.13 Employee benefits

(a) Short term employee benefits

Wages and salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(b) Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company contribute 12% and 3% respectively, of basic or consolidated wage or salary of each eligible employee. The contributions are recognised as employee benefit expense when they are due. The Company have no further payment obligation once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(c) Defined benefit plan – gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No.12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield rate of long-term government bonds that have terms to maturity approximating to the terms of the related defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and included in employee benefit expense in the comprehensive income. The current service cost of the defined benefit plan reflects the increase in the defined benefit obligations resulting from employee service in the current year. It is recognised in the comprehensive income in employee benefit expense, except where included in the cost of an asset. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in comprehensive income as past service costs.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position. The assumptions based on which the results of the actuarial valuation were determined, are included in Note 32 to the financial statements.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of LKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

5.14 Statutory reserve fund

The reserves recorded in the equity on the Company's statement of financial position includes the 'Statutory reserve fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.15 Provisions

Provisions are recognised when the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

5.16 Recognition of income and expenses

(a) Interest income and interest expense

Interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through other comprehensive income (FVTOCI) is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The EIR (and therefore, the amortised cost of the asset / liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset / liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income / interest expense. The adjustment is subsequently amortised through Interest income / Interest expense in the statement of profit or loss.

When a financial asset become credit - impaired (as set out in Note 42.2. (a)) and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit - impaired, the company reverts to calculating interest income on a gross basis

Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss FVTPL is recognised using the contractual interest rate under net interest income.

(b) Fees and commission income and expenses

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income – including account servicing fees, transaction fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.16 Recognition of income and expenses (Continued)

(b) Fees and commission income and expenses (Continued)

The Company earns a fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to two categories.

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period.

(ii) Fee expense incurred from services that are provided over a certain period of time

Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

(c) Other operating income

(i) Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

(ii) Recovery of bad debts written off

Recovery of amounts written off as bad and doubtful debts is recognised when received.

(iii) Other income

Other income is recognised on an accrual basis.

(d) Expenditure recognition

Expenses are recognised in the statement of profit or loss and other comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

(e) Personnel expenses

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

5.17 Taxes

(a) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable comprehensive income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.17 Taxes (Continued)

(a) Income tax (Continued)

by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(b) Value Added Tax (VAT) on financial services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT, SSCL and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

The VAT on Financial service is recognised as expense in the period it becomes due.

(c) Social Security Contribution Levy (SSCL) on financial services

SSCL on financial services is calculated in accordance with the Social Security Contribution Levy Act No.25 of 2002. The base for the computation of value added tax on financial services is the accounting profit before VAT, SSCL and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

The SSCL on Financial service is recognised as expense in the period it becomes due.

(d) Withholding tax on dividends

Withholding Tax on Dividends Distributed by the Company that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised. At present, the rate of 15% is deducted at source.

(e) Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

5.18 Deposit insurance and liquidity support scheme

In terms of sections 38, 39 and 41 of the Finance Business Act, No. 42 of 2011, all finance companies are required to insure their deposit liabilities under the deposit insurance scheme or under a body corporate authorised by the Monetary Board. Accordingly, all Finance Companies are required to insure their deposit liabilities in the “Sri Lanka Deposit Insurance and Liquidity Support Scheme” operated in Sri Lanka.

Deposit Insurance and Liquidity Support Scheme Regulations, No.02 of 2021 issued under the section 32E of the Monetary Law Act with effect from 6 August 2021.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

5 Summary of material accounting policies (Continued)

5.19 Deposit insurance and liquidity support scheme (Continued)

The deposits to be insured shall include eligible demand, time and savings deposit liabilities as defined in the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No.02 of 2021. Registered finance companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month within a period of 15 days from the end of the respective month.

5.20 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

5.21 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has three reportable segments, consumer segment, MSME (Micro, Small and Medium Enterprises) segment and treasury which are the Company's strategic products / divisions. In line with the changes made to the reported segment during the year. Those offer different products and services and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 45. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

5.22 Commitments and contingencies

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

The Company recognises separately the contingent liabilities of the acquirers as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions. Subsequent to the initial recognition, the Company measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of LKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation.

Undrawn loan commitment

Undrawn loan commitments are commitments under which, are over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirement.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

6 Net interest income

6.1 Interest income

	Year ended 31 December	
	2025	**2024**
Placements with banks and financial institutions	43,959	85,744
Securities purchased under repurchase agreements	27,069	11,241
Sri Lanka government securities	31,719	90,886
Lease receivable	68,147	77,197
Factoring and revolving loans	22,490	49,897
Margin trading receivables	127,304	107,645
Term loans	1,421,773	615,563
Total interest income	**1,742,461**	**1,038,173**

6.2 Interest expenses

Deposits from customers	325,992	249,567
Bank borrowings	78,981	10,365
Total interest expense	**404,973**	**259,932**
Net interest income	**1,337,488**	**778,241**

7 Net fee and commission income

7.1 Fee and commission income

	Year ended 31 December	
	2025	**2024**
Loans & advances related services	532,519	206,881
Savings & debit card related services	128,567	85,222
Other financial services	709,873	294,347
Total fee and commission income	**1,370,959**	**586,450**

7.2 Fee and commission expenses

	Year ended 31 December	
	2025	**2024**
Other financial services	452,313	235,641
Total fee and commission expenses	**452,313**	**235,641**
Net fee and commission income	**918,646**	**350,809**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

8 Net gains / (losses) from trading

	Year ended 31 December	
	2025	**2024**
Equities		
Net gains on financial assets at fair value through profit or loss (Note 21.1)	750	759
	750	**759**

9 Other operating income

	Year ended 31 December	
	2025	**2024**
Default charges	27,803	12,943
Recovery of bad debt written off	2,124	1,484
Gains from disposal of fixed assets	71,153	-
Dividend income (Note 23)	291	229
Other income	8,136	1,002
	109,507	**15,658**

10 Credit loss expense on financial assets and other losses

The table below shows the expected credit loss (ECL) charges for financial assets for the year ended 31 December 2025 and for the year ended 31 December 2024 recorded in the income statement.

	Year ended 31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents (Note 18.1)	3	-	-	3
Placement with financial institutions (Note 19.1)	4	-	-	4
Securities purchased under repurchase agreements (Note 20.1)	(73)	-	-	(73)
Financial assets at fair value through profit or loss (Note 21.2.1)	(95)	-	-	(95)
Financial investments at amortised cost (Note 24.1)	-	-	-	-
Lease receivables (Note 22.1.c)	(1,823)	344	5,201	3,722
Factoring and revolving loans (Note 22.2.b)	(280)	211	6,500	6,431
Margin trading receivables (Note 22.3.b)	1,452	-	-	1,452
Term loans (Note 22.4.b)	79,162	43,810	173,435	296,407
	78,350	**44,365**	**185,136**	**307,851**

	Year ended 31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents (Note 18.1)	77	-	-	77
Placement with financial institutions (Note 19.1)	21	-	-	21
Securities purchased under repurchase agreements (Note 20.1)	190	-	-	190
Financial assets at fair value through profit or loss (Note 21.2.1)	(421)	-	-	(421)
Financial investments at amortised cost (Note 24.1)	-	-	-	-
Lease receivables (Note 22.1.c)	(4,262)	(4,984)	(5,435)	(14,681)
Factoring and revolving loans (Note 22.2.b)	(2,900)	(1)	13,344	10,443
Margin trading receivables (Note 22.3.b)	(921)	-	-	(921)
Term Loans (Note 22.4.b)	26,614	(16,341)	109,267	119.540
	18,398	**(21,326)**	**117,176**	**114,248**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

11 Personnel expenses

	Year ended 31 December	
	2025	**2024**
Wages, salaries and others	403,941	265,217
staff allowances and benefits	46,326	38,124
Contributions to defined contribution plans	41,050	30,009
Contributions to defined benefit plans (Note 32.1.(a))	4,713	3,969
	496,030	**337,319**

12 Depreciation and amortisation

	Year ended 31 December	
	2025	**2024**
Depreciation of property, plant and equipment (Note 27)	19,859	14,097
Amortisation of intangible assets (Note 28)	41,060	34,321
Depreciation of right-of-use assets (Note 26.2)	28,174	14,472
	89,093	**62,890**

13 Other expenses

Profit from operations is stated after charging the following expenses.

	Year ended 31 December	
	2025	**2024**
Directors' emoluments	5,764	4,385
Independence auditor remuneration		
- Audit fees	2,027	1,843
- Non-audit and other services	1,318	1,171
Professional and legal expenses	42,789	22,662
Deposit insurance premium	4,855	4,091
Donations	-	-
Interest on lease liability (Note 26.2)	6,864	2,609
IT related expenses	217,238	178,718
Savings & payment services operating expenses	322,421	190,296
Advertising & sales promotion expenses	105,861	24,443
Unrecoverable VAT expenses	66,803	44,667
Office administration expenses	55,734	31,001
Operational risk loss provision (Note 25.1)	10,616	25,691
Other expenses	193,616	55,384
	1,035,906	**586,961**

14 Taxes on financial services

	Year ended 31 December	
	2025	**2024**
Value added tax on financial services	137,035	52,689
Social Security levy on financial services	19,033	7,295
	156,068	**59,984**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

15 Income tax expense

15.1 The major components of income tax expense for the year ended 31 December 2025 and for the year ended 31 December 2024 are as follows:

	Year ended 31 December	
	2025	**2024**
Current tax expense		
Current tax expense for the year	75,537	-
Deferred tax reversal		
Deferred tax asset reversal for the year (Note 29)	46,179	25,148
	121,716	**25,148**
Deferred tax reversal / (charge) on other comprehensive income	**(525)**	**353**
Effective tax rate	**43.25%**	**-157.82%**

15.2 Reconciliation of accounting profit and taxable income

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate as per the Inland Revenue Act for the Years ended 31 March 2025 and 2024 is as follows.

	Year ended 31 December	
	2025	**2024**
Profit / (Loss) before tax	281,443	(15,935)
At the statutory income tax rate of 30%	84,433	(4,780)
Tax effect of non-deductible expenses	190,791	71,475
Tax effect of other allowable credits	(106,447)	(62,519)
Tax effect of losses claimed	(93,240)	(4,176)
	75,537	**-**

The Company's profit is subjected to a corporate tax of 30% during the year ended 31 December 2025 and during the year ended 31 December 2024.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

16 Profit / (loss) per share – basic

16.1 Profit / (loss) per share

	Year ended 31 December	
	2025	**2024**
Profit / (loss) attributable to the equity holders of the Company	159,727	(41,083)
Weighted average number of ordinary shares during the year (Note 16.2)	117,399,866	117,399,866
Basic / Diluted Earnings per Share (Rs)	**1.36**	**(0.35)**

16.2 Weighted average number of ordinary shares

	Number of shares		Weighted average number of shares	
	31 December 2025	**31 December 2024**	**31 December 2025**	**31 December 2024**
Number of ordinary shares in issue as at 1 January	117,399,866	117,399,866	117,399,866	117,399,866
Number of shares in issue / weighted average number of ordinary shares as at 31 December	**117,399,866**	**117,399,866**	**117,399,866**	**117,399,866**

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, which would require the restatement of EPS.

16.3 Diluted earnings per share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earnings per share as shown above.

16.4 Net assets per share

	31 December	
	2025	**2024**
Total net assets	2,762,888	2,602,943
Weighted average number of ordinary shares during the year (Note 16.2)	117,399,866	117,399,866
Net assets per share (Rs.)	**23.53**	**22.17**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

17 Analysis of financial instruments by measurement basis

As at 31 December 2025	Amortised Cost	Equity Instruments FVTPL	Equity Instruments FVTOCI	Total
Financial assets				
Cash and cash equivalents	602,236	-	-	602,236
Placements with banks and financial institutions	161,800	-	-	161,800
Securities purchased under repurchase agreements	625,521	-	-	625,521
Financial assets at fair value through profit or loss	-	3,976	-	3,976
Financial assets at amortised cost - loans and advances	9,158,595	-	-	9,158,595
Financial assets at fair value through other comprehensive income	-	-	2,505	2,505
Financial investments at amortised cost	400,714	-	-	400,714
Other assets	496,161	-	-	496,161
Total financial assets	**11,445,027**	**3,976**	**2,505**	**11,451,508**
Financial liabilities				
Financial liabilities at amortised cost – due to customers	5,896,562	-	-	5,896,562
Financial liabilities at amortised cost - due to banks	2,109,980	-	-	2,109,980
Lease liabilities	97,457	-	-	97,457
Other liabilities	1,001,456	-	-	1,001,456
Total financial liabilities	**9,105,455**	**-**	**-**	**9,105,455**

As at 31 December 2024	Amortised Cost	Equity Instrument FVTPL	Equity Instrument FVTOCI	Tota
Financial assets				
Cash and cash equivalents	252,167	-	-	252,167
Placements with banks and financial institutions	168,488	-	-	168,488
Securities purchased under repurchase agreements	509,924	-	-	509,924
Financial assets at fair value through profit or loss	-	257,224	-	257,224
Financial assets at amortised cost - loans and advance	5,171,335	-	-	5,171,335
Financial assets at fair value through other comprehensive income	-	-	2,358	2,358
Financial investments at amortised cost	387,959	-	-	387,959
Other assets	249,528	-	-	249,528
Total financial assets	**6,739,401**	**257,224**	**2,358**	**6,998,983**
Financial liabilities				
Financial liabilities at amortised cost – due to customers	4,044,853	-	-	4,044,853
Financial liabilities at amortised cost - due to banks	100,296	-	-	100,296
Lease liabilities	40,286	-	-	40,286
Other liabilities	584,962	-	-	584,962
Total financial liabilities	**4,770,397**	**-**	**-**	**4,770,397**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

18 Cash and cash equivalents

	31 December	
	2025	**2024**
Cash in hand	25	20
Cash in EZ cash wallet	49,787	57,295
Balances with banks	552,509	194,934
	602,321	**252,249**
Less: Allowance for expected credit loss (Note 18.1)	(85)	(82)
	602,236	**252,167**

18.1 The movement in provision for stage 1 expected credit losses are as follows;

	2025	**2024**
Balance as at 1 January	82	5
Charge for the year	3	77
Balance as at 31 December	**85**	**82**

18.2 Reconciliation to statement of cashflows

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2025	**2024**
Cash and cash equivalents	602,236	252,167
Placement with financial institutions (less than 3 months) (Note 19)	60,173	59,287
Cash and cash equivalents at the end of the year	**662,409**	**311,454**

There were no cash and cash equivalents held by the Company that were not available for use by the Company.

19 Placements with financial institutions

	31 December	
	2025	**2024**
Placement with financial institutions (less than 3 months)	60,211	59,321
Placement with financial institutions (more than 3 months)	101,627	109,201
Less: Allowance for expected credit losses (Note 19.1)	(38)	(34)
-	**161,800**	**168,488**

19.1 The movement in provision for stage 1 expected credit losses are as follows;

	2025	**2024**
Balance as at 1 January	34	13
Charge for the year	4	21
Balance as at 31 December	**38**	**34**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

20 Securities purchased under repurchase agreements

	31 December	
	2025	**2024**
Repurchase agreements	625,637	510,114
Less: Allowance for expected credit loss (Note20.1)	(116)	(190)
	625,521	**509,924**

20.1 The movement in provision for stage 1 expected credit losses are as follows;

	2025	**2024**
Balance as at 1 January	190	-
(Reversal) / charge for the year	(74)	190
Balance as at 31 December	**116**	**190**

21 Financial assets at fair value through profit or loss

	31 December	
	2025	**2024**
Quoted equity shares (Note 21.1)	3,976	3,226
Investment in unit trust (Note 21.2)	-	253,998
	3,976	**257,224**

21.1 Quoted equity shares

	31 December		31 December	
	2025		**2024**	
	No of Shares	**Fair value**	**No of Shares**	**Fair value**
John Keells Hotels PLC	32,584	746	32,584	671
Balangoda Plantations PLC	22,000	1,567	22,000	1,767
Tokyo Cement Company (Lanka) PLC	8,972	1,018	8,972	628
The Kingsbury PLC	30,000	645	30,000	360
Total market value		**3,976**		**3,226**

21.1.1 The amount of investment in quoted equity shares is as follows

	31 December	
	2025	**2024**
Balance at the beginning of the year	3,226	2,467
Fair value gain (Note 8)	750	759
Balance at the end of the year	**3,976**	**3,226**

21.2 The amount of Investment in unit trust is as follows

	31 December	
	2025	**2024**
Balance at the beginning of the year	254,093	1,119,839
Net investment during the year	(254,093)	(865,746)
	-	254,093
Less: Allowances for expected credit loss (Note 21.2.1)	-	(95)
Balance at the end of the year	**-**	**253,998**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

21 Financial assets at fair value through profit or loss (Continued)

21.2.1 The movement in provision for stage 1 expected credit losses are as follows;

	2025	2024
Balance as at 1 January	95	516
Reversal for the year	(95)	(421)
Balance as at 31 December	**-**	**95**

22 Loans and advances

	31 December	
	2025	**2024**
Gross loans and advances	9,701,967	5,406,695
Less: Allowance for expected credit losses	(543,372)	(235,360)
	9,158,595	**5,171,335**

	31 December	
	2025	**2024**
Lease receivables (Note 22.1)	418,100	341,806
Factoring and revolving loans (Note 22.2)	7,612	130,636
Margin trading receivables (Note 22.3)	1,167,735	632,682
Term loans (Note 22.4)	7,565,148	4,066,211
	9,158,595	**5,171,335**

22.1 Lease receivables

	31 December	
	2025	**2024**
At amortised cost		
Total rental receivables		
Within one year	211,176	161,425
From one to five years	353,512	312,968
	564,688	**474,393**
Less: Unearned interest income	(124,962)	(114,683)
Gross rentals receivable	**439,726**	**359,710**
Less: Allowance for expected credit losses		
Stage 1	(1,565)	(3,388)
Stage 2	(4,300)	(3,956)
Stage 3	(15,761)	(10,560)
Net rentals receivable	**418,100**	**341,806**

The Company provides finance leasing facilities. No lease receivables as at 31 December 2025 have been assigned for funding arrangements (31 December 2024 - Nil).

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

22 Loans and advances (Continued)

22.1 Lease receivables (Continued)

(a) Maturity analysis of net receivable

	1 Year	1 - 5 Years	More than 5 Years	Total
As at 31 December 2025				
Total rental receivable	211,176	353,512	-	564,688
Less: Unearned interest income	(55,317)	(69,645)	-	(124,962)
Gross rentals receivable	**155,859**	**283,867**	**-**	**439,726**
Less: Allowance for expected credit losses	(1,218)	(20,408)	-	(21,626)
Net rentals receivable	**154,641**	**263,459**	**-**	**418,100**

	1 Year	1 - 5 Year	More than 5 Year	Total
As at 31 December 2024				
Total rental receivable	161,425	312,968	-	474,393
Less: Unearned lease interest income	(48,086)	(66,597)	-	(114,683)
Gross rentals receivable	**113,339**	**246,371**	**-**	**359,710**
Less: Allowance for expected credit losses	(1,681)	(16,223)	-	(17,904)
Net rentals receivable	**111,658**	**230,148**	**-**	**341,806**

(b) Analysis of receivable on maximum exposure to credit risk

As at 31 December 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables subject to Individually impairment	-	-	25,375	25,375
Receivables subject to collective impairment	339,740	58,695	15,916	414,351
Less: Allowance for expected credit losses	(1,565)	(4,300)	(15,761)	(21,626)
	338,175	**54,395**	**25,530**	**418,100**

As at 31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables subject to Individually impairment	-	-	11,520	11,520
Receivables subject to collective impairment	292,276	47,045	8,869	348,190
Less: Allowance for expected credit losses	(3,388)	(3,956)	(10,560)	(17,904)
	288,888	**43,089**	**9,829**	**341,806**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

22 Loans and advances (Continued)

22.1 Lease receivables (Continued)

(c) Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	3,388	3,956	10,560	17,904
(Reversal) / charge to statement of profit or loss (Note 10)	(1,823)	344	5,201	3,722
Balance as at 31 December 2025	**1,565**	**4,300**	**15,761**	**21,626**
Balance as at 1 January 2024	7,650	8,940	15,995	32,585
(Reversal) / charge to statement of profit or loss (Note 10)	(4,262)	(4,984)	(5,435)	(14,681)
Balance as at 31 December 2024	**3,388**	**3,956**	**10,560**	**17,904**

(d) Interest income from lease contracts

The Company has earned following income from the lease contracts which the Company acts as the lessor.

	31 December	
	2025	**2024**
Interest income from leases the Company acts as the lessor	68,147	77,197
	68,147	**77,197**

22.2 Factoring and revolving loans

	31 December	
	2025	**2024**
Gross factoring and revolving loan receivable	27,690	144,283
Less: Allowance for expected credit losses		
Stage 1	(5)	(285)
Stage 2	(211)	-
Stage 3	(19,862)	(13,362)
Net factoring and revolving loan receivable	**7,612**	**130,636**

(a) Analysis of factoring and revolving loans on maximum exposure to credit risk

As at 31 December 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables subject to Individually impairment	-	449	24,768	25,217
Receivables subject to collective impairment	2,287	-	186	2,473
Less: Allowance for expected credit losses	(5)	(211)	(19,862)	(20,078)
	2,282	**238**	**5,092**	**7,612**

As at 31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables subject to Individually impairment	-	-	29,040	29,040
Receivables subject to collective impairment	111,690	-	3,553	115,243
Less: Allowance for expected credit losses	(285)	-	(13,362)	(13,647)
	111,405	**-**	**19,231**	**130,636**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

22 Loans and advances (Continued)

22.2 Factoring and revolving loans (Continued)

(b) Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	285	-	13,362	13,647
(Reversal) / charge to statement of profit or loss (Note 10)	(280)	211	6,500	6,431
Balance as at 31 December 2025	**5**	**211**	**19,862**	**20,078**
Balance as at 1 January 2024	3,185	1	18	3,204
(Reversal) / charge to statement of profit or loss (Note 10)	(2,900)	(1)	13,344	10,443
Balance as at 31 December 2024	**285**	**-**	**13,362**	**13,647**

22.3 Margin trading receivables

	31 December	
	2025	2024
Balance as at 1 January	635,179	724,350
Net payment and receipts	536,505	(89,171)
Balance as at 31 December	**1,171,684**	**635,179**
Less: Allowance for expected credit losses		
Stage 1	(3,949)	(2,497)
Net margin trading receivables	**1,167,735**	**632,682**

(a) Analysis of factoring and revolving loans on maximum exposure to credit risk

As at 31 December 2025	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	-	-	-
Receivables subject to collective impairment	1,171,684	-	-	1,171,684
Less: Allowance for expected credit losses	(3,949)	-	-	(3,949)
	1,167,735	**-**	**-**	**1,167,735**

As at 31 December 2024	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	-	-	-
Receivables subject to collective impairment	635,179	-	-	635,179
Less: Allowance for expected credit losses	(2,497)	-	-	(2,497)
	632,682	**-**	**-**	**632,682**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

22 Loans and advances (Continued)

22.3 Margin trading receivables (Continued)

(b) Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	2,497	-	-	2,497
(Reversal) / charge to statement of profit or loss (Note 10)	1,452	-	-	1,452
Balance as at 31 December 2025	**3,949**	**-**	**-**	**3,949**
Balance as at 1 January 2024	3,418	-	-	3,418
(Reversal) / charge to statement of profit or loss (Note 10)	(921)	-	-	(921)
Balance as at 31 December 2024	**2,497**	**-**	**-**	**2,497**

22.4 Term Loans

	31 December	
	2025	2024
Gross investment in term loans	8,782,319	4,892,536
Term loans in arrears	822,938	277,580
	9,605,257	5,170,116
Unearned interest income	(1,542,390)	(902,593)
	8,062,867	**4,267,523**
Less: Allowance for expected credit losses		
Stage 1	(118,495)	(39,333)
Stage 2	(63,087)	(19,277)
Stage 3	(316,137)	(142,702)
Net investment in term loans	**7,565,148**	**4,066,211**

(a) Analysis of term loan receivable on maximum exposure to credit risk

As at 31 December 2025	Stage 1	Stage 2	Stage 3	Total
Receivables subject to Individually impairment	-	7,659	119,078	126,737
Receivables subject to collective impairment	7,266,096	375,666	294,368	7,936,130
Less: Allowance for expected credit losses	(118,495)	(63,087)	(316,137)	(497,719)
	7,147,601	**320,238**	**97,309**	**7,565,148**

As at 31 December 2024	Stage 1	Stage 2	Stage 3	Total
Receivable subject to Individually impairment	-	12,355	72,884	85,239
Receivable subject to collective impairment	3,895,560	168,990	117,734	4,182,284
Less: Allowance for expected credit losses	(39,333)	(19,277)	(142,702)	(201,312)
	3,856,227	**162,068**	**47,916**	**4,066,211**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

22 Loans and advances (Continued)

22.4 Term Loans (Continued)

(a) Movement in allowance for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	39,333	19,277	142,702	201,312
(Reversal) / charge to statement of profit or loss (Note 10)	79,162	43,810	173,435	296,407
Balance as at 31 December 2025	**118,495**	**63,087**	**316,137**	**497,719**
Balance as at 1 January 2024	12,719	35,618	55,189	103,526
(Reversal) / charge to statement of profit or loss (Note 10)	26,614	(16,341)	109,267	119,540
Amounts written of	-	-	(21,754)	(21,754)
Balance as at 31 December 2024	**39,333**	**19,277**	**142,702**	**201,312**

During the year there is no term loans and advances written off amount. (Loans and advances written off during the year ended 31 December 2024 amounted Rs. 21.75Mn).

23 Financial assets fair value through other comprehensive income

	31 December	
	2025	**2024**
Financial assets at fair value through other comprehensive income (FVOCI)	2,505	2,358
	2,505	**2,358**

(a) Financial assets at fair value through other comprehensive income consist of 100 shares invested in unquoted shares of Credit Information Bureau of Sri Lanka.

(b) During the year ended 31 December 2025, the Company received dividend of Rs. 291,200 from unquoted equity investments and recognized as other operating income (Dividend income for the year ended 31 December 2024 -Rs. 228,565).

24 Financial investments at amortised cost

	31 December	
	2025	**2024**
Government of Sri Lanka Treasury Bills	400,714	387,959
	400,714	**387,959**

The Company did not have any defaults of principal or interest or breaches with respect to its debt securities during the year ended 31 December 2025 and 31 December 2024.

25 Other assets

	31 December	
	2025	**2024**
Amounts due from related companies (Note 41)	46,160	55,141
Deposits and prepayments	411,389	144,510
WHT receivables	23,638	20,152
Debit card inventory	4,022	3,260
Other receivables (Note 25.1)	10,952	26,465
	496,161	**249,528**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

25 Other assets (Continued)

25.1 The Company is continuing the recovery efforts on case relating to external financial fraud that occurred in June 2024. As at the reporting date, the gross outstanding amount to be recovered was LKR 37.7Mn and based on an assessment of recoverability, the Company has recognized a provision for loss of LKR 25.6Mn and LKR 8.3Mn in the statements of profit or loss in 2024 and 2025 respectively. Consequently, the net amount outstanding to be recovered as of the reporting date is LKR 3.7Mn, which is reported under "other assets" in the statement of financial position.

The Company is continuing the legal action and working with law enforcement authorities to recover the remaining funds. As of the reporting date, the investigation and recovery efforts are ongoing. The Company will continue to monitor the progress of these actions and will assess the recoverability of the outstanding receivables recognised at each reporting date.

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26 Leases

This note provides information for leases where the Company is a lessee.

26.1 Amounts recognised in the statement of financial position

	31 December	
	2025	**2024**
Right-of-use assets		
Buildings	92,624	36,308
	92,624	**36,308**
Lease liabilities		
Current	31,907	16,942
Non-current	65,550	23,344
	97,457	**40,286**

26.2 Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2025	**2024**
Depreciation charge of right-of-use assets (Note 12)	28,174	14,472
Interest expense (Note 13)	6,864	2,609

26.3 Amounts presented in the statement of cash flows

	Year ended 31 December	
	2025	**2024**
Total cash outflow for leases	34,183	14,420

26.4 Right-of-use ("ROU") assets

	31 December	
	2025	**2024**
At beginning of the year	36,308	18,708
Addition	84,490	32,072
Depreciation during the year	(28,174)	(14,472)
At end of the year	**92,624**	**36,308**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

26 Leases (Continued)

26.5 Lease liabilities

	31 December	
	2025	**2024**
At beginning of the year	40,286	20,025
Payments during the year	(34,183)	(14,420)
Addition	84,490	32,072
Interest for the year	6,864	2,609
At end of the year	**97,457**	**40,286**

27 Property, plant and equipment

	Land and Building	Furniture Fittings and other Equipment	Motor Vehicles	Computers	Total
At 31 December 2025					
Cost	-	52,680	240	139,145	192,065
Accumulated depreciation	-	(40,771)	(240)	(92,939)	(133,950)
Net book amount	**-**	**11,909**	-	**46,206**	**58,115**
Year ended 31 December 2025					
Opening net book amount	15,068	8,133	-	30,317	53,518
Additions	-	13,247	-	26,057	39,304
Disposals –Cost	(23,835)	-	-	-	(23,835)
Disposals –Accumulated depreciation	8,988	-	-	-	8,988
Depreciation charge	(221)	(9,470)	-	(10,168)	(19,859)
Closing net book amount	**-**	**11,909**	-	**46,206**	**58,115**
At 31 December 2024					
Cost	23,835	39,434	240	113,088	176,597
Accumulated depreciation	(8,767)	(31,301)	(240)	(82,771)	(123,079)
Net book amount	**15,068**	**8,133**		**30,317**	**53,518**
Year ended 31 December 2024					
Opening net book amount	15,365	12,114	-	19,710	47,189
Additions	-	2,179	-	18,247	20,426
Disposals –Cost	-	-	-	-	-
Disposals -Accumulated depreciation	-	-	-	-	-
Depreciation charge	(297)	(6,160)	-	(7,640)	(14,097)
Closing net book amount	**15,068**	**8,133**	-	**30,317**	**53,518**

27.1 During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 39.30Mn. (31 December 2024 - Rs. 20.43 Mn).

27.2 Cost of fully-depreciated property, plant and equipment, which are still in use as at 31 December 2025 is Rs. 85.09Mn. (31 December 2024 - Rs.80.42 Mn)

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

27 Property, plant and equipment (Continued)

27.3 There were no items of property plant and equipment pledge as security for liabilities of the company as at the reporting date.

27.4 Information on the freehold land and buildings of the Company

Address	Land Extent (A-R-P)	Building Extent (Sq. Ft.)	Number of Building	Cost of land and building 31 December		Carrying Amount of land and building 31 December	
				2025	2024	2025	2024
No: 21, Kumara Veediya, within Ward No: 19 of Kandy Municipal Council, Kandy District, Central Province.	0A-0R-4.75P	3040	1	-	23,835	-	15,068

27.5 On September 30, 2025, the Company sold above mentioned land for Rs. 86 million in cash, resulting in a gain of Rs. 71 million based on a carrying amount of Rs.15 million, recognized in other income for the year ended 31 December 2025.

28 Intangible assets

	Software	Capital work-in progress (CWIP)	Total
At 31 December 2025			
Cost	368,195	108,082	476,277
Accumulated depreciation	(172,651)	-	(172,651)
Net book amount	**195,544**	**108,082**	**303,626**
Year ended 31 December 2025			
Opening net book amount	186,195	11,142	197,337
Additions	42,784	104,565	147,349
Transfers	7,625	(7,625)	-
Amortisation charge	(41,060)	-	(41,060)
Closing net book amount	**195,544**	**108,082**	**303,626**
At 31 December 2024			
Cost	317,786	11,142	328,928
Accumulated depreciation	(131,591)	-	(131,591)
Net book amount	**186,195**	**11,142**	**197,337**
Year ended 31 December 2024			
Opening net book amount	164,627	25,767	190,394
Additions	38,319	2,945	41,264
Transfers	17,570	(17,570)	-
Amortisation charge	(34,321)	-	(34,321)
Closing net book amount	**186,195**	**11,142**	**197,337**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

28 Intangible assets (Continued)

28.1 During the financial year, the Company acquired intangible assets (computer software) to the aggregate value of Rs. 147.35Mn. (31 December 2024: Rs. 41.26Mn).

28.2 Cost of fully depreciated intangible assets, which are still in use as at 31 December 2025 was Rs. 13.77Mn (31December 2024: Rs. 13.76Mn).

29 Deferred tax asset

(a) The movement on the deferred income tax asset account is as follows:

	Accelerated depreciation for tax purposes		Equity securities	Provision for loan losses	Retirement benefit obligation	Tax on carried forward losses	Total
	PPE	Leased assets/ liabilities	FVTOCI				
Balance as at 1 January 2025	(14,588)	858	(302)	17,433	3,528	85,769	92,698
Income statement (Note 15.1)	4,228	388	-	34,051	923	(85,769)	(46,179)
Other comprehensive income	-	-	(346)	-	(179)	-	(525)
Balance as at 31 December 2025	**(10,360)**	**1,246**	**(648)**	**51,484**	**4,272**	**-**	**45,994**
Balance as at 1 January 2023	(17,341)	(360)	(276)	24,395	2,741	108,334	117,493
Income statement (Note 15.1)	2,753	1,218		(6,962)	408	(22,565)	(25,148)
Other comprehensive income	-	-	(26)	-	379	-	(353)
Balance as at 31 December 2024	**(14,588)**	**858**	**(302)**	**17,433**	**3,528**	**85,769**	**92,698**

Deferred tax assets and liabilities are measured at the tax rate of 30% (2024-30%).

30 Financial liabilities at amortised cost – due to customers

	31 December	
	2025	2024
Savings deposits	2,094,960	1,639,433
Time deposits	3,801,602	2,405,420
	5,896,562	**4,044,853**

31 Financial liabilities at amortised cost – due to bank

	31 December	
	2025	2024
Short-term Bank borrowings		
DFCC Bank PLC	1,105,751	100,296
Hatton National Bank PLC	502,135	-
Seylan Bank PLC	502,094	-
	2,109,980	**100,296**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

32 Retirement benefit obligations

32.1 Defined benefit obligations

(a) The movement in the present value of defined benefit obligations over the year is as follows:

	31 December	
	2025	**2024**
At 1 January	11,759	9,133
Current service cost	3,537	2,781
Interest expense	1,176	1,187
Total amount recognised in profit and loss	**4,713**	**3,968**
Amount recognised in other comprehensive income		
Remeasurement (gain) / losses on defined benefit obligations	(595)	1,265
Total amount recognised in other comprehensive income	**(595)**	**1,265**
Benefits paid	(1,636)	(2,607)
At 31 December	**14,241**	**11,759**

This obligation is not externally funded.

An actuarial valuation of the gratuity fund was carried out as at 31 December 2025 by Ms. P Senevirathne, AIA of Messrs Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuary. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method", recommended by Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

32.2 Key assumptions used in the above valuation are as follows:

	31 December	
	2025	**2024**
Discount rate per annum	9.75%	10.00%
Future salary increment rate	8.00%	8.00%
Retirement age (years)	60 years	60 years
Mortality	A 1967/70 Mortality Table	A 1967/70 Mortality Table

Expected average future working life of the active participants is 2.7 years (31 December 2024 - 2.9 years)

32.2 The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows

		31 December 2025		31 December 2024	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1.00%	Decrease by 3.17%	Increase by 3.37%	Decrease by 3.57%	Increase by 3.83%
Future salary growth rate	1.00%	Increase by 3.57%	Decrease by 3.41%	Increase by 4.06%	Increase by 3.85%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

32 Retirement benefit obligations (Continued)

32.4 Maturity profile of defined benefit obligation

The distribution of the timing of undiscounted benefit payments is as follows:

	31 December	
	2025	**2024**
Within the next 12 months	3,574	2,067
Between 1-2 years	4,772	4,531
Between 3-5 years	4,460	4,009
Between 6-10 years	7,239	6,880
Beyond 10 years	623	774
	20,668	**18,261**
Weighted average duration of defined benefit obligation	3.6 years	4.00 years

33 Other liabilities

	31 December	
	2025	**2024**
Amounts due to related companies (Note 41)	84,155	38,788
Payable to margin trading customers	27,076	79,524
Accrued expenses	178,803	40,509
Vendor & other payables	636,132	394,367
Other payables	75,290	31,774
Total other liabilities	**1,001,456**	**584,962**

34 Stated capital

	31 December 2025		31 December 2024	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Authorised, Issued and fully paid Ordinary shares				
Ordinary Shares as at 1 January	117,399,866	2,934,582	117,399,866	2,934,582
Ordinary Shares as at 31 December	**117,399,866**	**2,934,582**	**117,399,866**	**2,934,582**

The shares of the Company are quoted on the Colombo Stock Exchange. The holders of ordinary shares are entitled to one vote per share at General Meetings of the Company.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

35 Statutory reserve funds

	31 December	
	2025	**2024**
Balance as at 1 January	16,688	16,688
Transfers during the year	7,986	-
Balance as at 31 December	**24,674**	**16,688**

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) ii of the said Direction.

36 Other reserves

The movement of the reserves is as follows:

	Fair value through other comprehensive income	**Accumulated losses**	**Total**
Balance at 1 January 2024	**3,154**	**(309,659)**	**(306,505)**
Loss for the period	-	(41,083)	41,083)
Other comprehensive income, net of tax	147	(886)	(739)
Total comprehensive income for the period	147	(41,969)	(41,822)
Transferred to retained earnings	-	-	-
Balance as at 31 December 2024	**3,301**	**(351,628)**	**(348,327)**
Balance at 1 January 2025	3,301	(351,628)	(348,327)
Proft for the period	-	159,727	159,727
Other comprehensive income, net of tax	(199)	417	218
Total comprehensive income for the period	(199)	160,144	159,945
Transferred to retained earnings	-	(7,986)	(7,986)
Balance as at 31 December 2025	**3,102**	**(199,470)**	**(196,368)**

The changes in fair value of unquoted equity securities are recognised in fair value through other comprehensive income (Note 23).

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

37 Fair value of asset and liabilities

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income primarily consist of unquoted equity securities. Determination of the fair value of unquoted equity is detailed in Note 37.2.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

Variable rate financial instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

37.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table represents the fair value level of the financial assets and liabilities that are measured at fair value at the end of the reporting period.

	Level 1		Level 3		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
As at 31 December						
Financial Assets						
Financial assets at FVTPL	3,976	257,224	-	-	3,976	257,224
Financial assets at FVTOCI	**-**	**-**	2,505	2,358	2,505	2,358
	3,976	**257,224**	**2,505**	**2,358**	**6,481**	**259,582**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

37 Fair value of asset and liabilities

37.2 Valuation inputs and relationship to fair value

The following table summaries the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value 31 December		Unobservable input	Range of inputs 31 December		Relationship of unobservable inputs to fair value
	2025	2024		2025	2024	
Unlisted equity securities	2,505	2,358	Adjusted net assets value per share	2,505	2,358	31 December 2025: increasing / decreasing adjusted net assets per share by 5% would change the fair value by Rs 125,255. 31 December 2024: increasing / decreasing adjusted net assets per share by 5% would change the fair value by Rs 117,900.

The following table summaries the movement of recurring FV measurement categorized within level 3:

	31 December	
	2025	2024
Amount as at the beginning of the year	2,358	2,185
Total gain included under the other comprehensive income	147	173
Amount as at the end of the year	**2,505**	**2,358**

37.3 Financial instruments not measured at fair value and fair value hierarchy

The following table sets out the fair values of financial assets and liabilities not measured at fair value and related fair value hierarchy used:

	Carrying value	Quoted prices in active markets	Significant observable input	Significant unobservable inputs	Total
		Level 1	Level 2	Level 3	
As at 31 December 2025					
Financial assets					
Financial assets at amortised cost					
Loans and advance	9,158,595	-	9,158,595	-	9,158,595
Financial investments at amortised cost (Treasury bills)	400,714	-	400,714	-	400,714
Total financial assets	**9,559,309**	**-**	**9,559,309**	**-**	**9,559,309**
Financial liabilities					
Financial liabilities at amortised cost – due to customers	5,896,562	-	5,896,562	-	5,896,562
Financial liabilities at amortised cost–due to banks	2,109,980	-	2,109,980	-	2,109,980
Total financial liabilities	**8,006,542**	**-**	**8,006,542**	**-**	**8,006,542**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

37 Fair value of asset and liabilities (Continued)

37.3 Financial instruments not measured at fair value and fair value hierarchy

	Carrying value	Quoted prices in active markets	Significant observable input	Significant unobservable inputs	Total
		Level 1	Level 2	Level 3	
As at 31 December 2024					
Financial assets					
Financial assets at amortised cost - Loans and advance	5,171,335	-	5,171,335	-	5,171,335
Financial investments at amortised cost (Treasury bills)	387,959	-	387,959	-	387,959
Total financial assets	**5,559,294**	**-**	**5,559,294**	**-**	**5,559,924**
Financial liabilities					
Financial liabilities at amortised cost – due to customers	4,044,853	**-**	4,044,853	**-**	4,044,853
Financial liabilities at amortised cost–due to banks	100,296	**-**	100,296	**-**	100,296
Total financial liabilities	**4,145,149**	**-**	**4,145,149**	**-**	**4,145,149**

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values since, they are short term in nature or re-priced to current market rates frequently.

Assets
Cash and bank balances
Securities purchased under repurchase agreements
Placements with financial Institutions
Other assets

Liabilities
Other payables
All of the resulting fair value estimates are included in level 2, except for fair value hierarchies disclosed elsewhere in the financial statements, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

38 Commitments and contingencies

	31 December	
	2025	**2024**
Commitments		
Commitment for unutilized facilities		
Factoring & revolving loans	2,713	425,176
Capital commitments	110,129	33,366
	112,842	**458,542**
Contingent liabilities		
Guarantees	-	-
	-	**-**
Total commitments and contingencies	**112,842**	**458,542**

38.1 Commitment and contingencies

As at 31 December 2025	**On demand**	**Within 01 year**	**1 - 5 years**	**More than 5 years**	**Total**
Commitments					
Commitment for unutilized facilities					
Factoring & revolving loans	2,713	-	-	-	2,713
Capital commitments	-	110,129		-	110,129
	2,713	**110,129**	**-**	**-**	**112,842**
Contingent liabilities					
Guarantees	-	-	-	-	-
	-	-	-	-	-
Total commitments and contingencies	**2,713**	**110,129**	**-**	**-**	**112,842**
As at 31 December 2024					
Commitments					
Commitment for unutilized facilities					
Factoring & revolving loans	425,176	-	-	-	425,176
Capital commitments	-	33,366	-	-	33,366
	425,176	**33,366**	**-**	**-**	**458,542**
Contingent liabilities					
Guarantees	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
Total commitments and contingencies	**425,176**	**33,366**	**-**	**-**	**458,542**

38.2 Litigation filed by the Company/ against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigations against the Company as at 31 December 2025 which would have a material impact on the financial statements.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

39 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.

40 Comparative information

The comparative information is reclassified wherever necessary to conform to the current period's presentation.

41 Related party transactions

The Company carried out transactions in the normal course of business at prices available at negotiated terms with the parties who are defined as Related Parties as per the LKAS 24. The names of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of LKAS 24: “Related Party Disclosure”.

41.1 Parent and ultimate parent

Dialog Axiata PLC owns 99.05% of the total number of shares in issue of the Company. The remaining 0.95% of the shares are widely held. The ultimate parent of the Company is Axiata Group Berhad.

41.2 Transactions with key management personnel

According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity). Such KMPs include the Board of Directors of the Company.

Close Family Members (CFMs) of KMPs are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. CFMs may include the domestic partner and children of KMP's domestic partner and dependents of KMP and the KMP's domestic partner.

	31 December	
	2025	**2024**
Statement of Financial Position		
Assets		
Financial assets at amortised cost - Loans and advances	-	-
Liabilities		
Financial liabilities at amortised cost - Due to depositors	400,126	303,740
Net accommodation as a % of Company's regulatory capital		
Direct accommodation	*0.0%*	*0.0%*

	Year ended 31 December	
	2025	**2024**
Statement of Profit or Loss		
Expenses		
Directors' fees and short-term employee benefits	25,083	23,920
Interest expense	38,474	26,792

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

41. Related party transactions (Continued)

41.3 Transactions with related companies

(a) Transactions with the parent company, Dialog Axiata PLC

	31 December	
	2025	**2024**
Statement of Financial Position		
Assets		
Cash in EZ cash wallet	49,787	57,295
Other assets	45,499	55,141
Liabilities		
Financial liabilities at amortised cost - due to depositors	1,547,030	1,361,976
Other liabilities	49,072	24,849

	Year ended 31 December	
	2025	**2024**
Statement of Profit or Loss		
Income		
Fee & commission income	604,429	233,453
Expenses		
Interest expense	53,838	51,112
Hosting fee	12,512	7,474
Commission expenses	21,910	5,055
Telecommunication services	3,641	2,312

(b) Transactions with the affiliates

	31 December	
	2025	**2024**
Statement of Financial Position		
Assets		
Purchase of intangible assets	-	4,838
Other assets	661	-
Liabilities		
Financial liabilities at amortised cost - due to depositors	1,108	1,098
Other liabilities	35,083	13,939
Net accommodation as a % of Company's regulatory capital		
Direct accommodation	*0.0%*	*0.0%*

	Year ended 31 December	
	2025	**2024**
Statement of Profit or Loss		
Income		
Interest & fee income	-	117
Lease rental	-	360
Expenses		
Interest expense	64	454
Telecommunication Services	115,420	93,673
Maintenance & support services	2,429	6,212

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management

42.1 Introduction

Risk is inherent in all aspects of financial business activities and whilst many of these risks cannot be eliminated, they can however be identified, quantified and controlled. Company had implemented a robust Enterprise Risk Management system for identifying, assessing, monitoring and managing material risk throughout the organisation which includes:

- Oversight of the risk management system.
- Examination of the Company's risk profile which contains a description of the material risks faced by the Company including financial and non-financial matters.
- Mechanism to review, at least annually, the effectiveness of the Company's implementation of the risk management system.

This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

(a) Risk governance

The Board of Directors have overall responsibility to ensure that an effective Risk Management framework is developed and implemented across the company and the Board have delegated this responsibility to the Board Integrated Risk Management Committee (BIRMC). The BIRMC was set up to fulfil the requirements set out in the Finance companies Direction No. 5 of 2021 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No.42 of 2011. This subcommittee will be primarily responsible for the following,

- Assess all credit, market, liquidly, operation and strategic risk.
- Review the adequacy and effectiveness of all management level committees such as Asset and Liability Management Committee (ALCO) and Credit Committee.
- Adequacy of the Company's capital.
- Risk exposures and risk profiles of the company are within the Risk Appetite and to make recommendations to the Board of Directors on any action required.
- Ensure the company is compliant with relevant laws, regulations and standards

The BIRMC Committee consists membership of 3 Directors (appointed by the Board), Chief Executive Officer and key management personnel from Risk Management, Finance and Operations.

The Assets and Liability Committee (ALCO) of the company meets every month to assess and discuss the Risk relating to Market, Liquidity, Assets and Liabilities. Investment related risks are also reviewed. Significant decisions made by ALCO is updated to the BIRMC and to the Board of Directors on a quarterly basis.

Further, Credit Committee decisions and credit related risks are also updated to BIRMC and to the Board of Directors on a quarterly basis.

Board approved Risk management policy provides the guidelines to identify analyse and manage the risks faced by the Company and to ensure the risks are maintained within the risk appetite of the company through necessary controls and setting of limits. The policy also stipulates the process of ongoing monitoring of the identified risks. Risk policy and Risk Management framework are reviewed regularly to reflect changes in the market conditions, products and services offered. Employees of the company are constantly provided with updates and are enlightened of their roles and responsibilities through training, procedures and disciplined control environment maintained by the Company.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

41 Risk management (Continued)

42.1 Introduction (Continued)

(a) Risk governance (Continued)

The Company adopts the Three Lines of Defence model in managing risks. The oversight responsibilities are outlined below,

i. 1st Line of Defence

Department Head / Manager should identify, assess, monitoring and reporting risks.

ii. 2nd Line of Defence

BIRMC, ALCO, Head of Risk and Compliance and Head of Legal and Regulatory will develop, implement & monitor effective Enterprise Risk Management Framework to ensure risks are within the risk appetite of the company.

In addition to the BIRM Committee and ALCO, the Enterprise Risk Management function in the company is carried out by Risk Management Department (RMD). RMD is responsible for implementing and maintaining the risk management framework including, implementing the risk policy, maintaining the risk registers and ensuring risk mitigating actions are taken by closely working with the relevant departments in the company. This unit submits a monthly report to Board on identified key risks to the company.

iii. 3rd Line of Defence

Oversight by Internal Audit and Board Audit Committee.

Based on the above the Company is exposed to Credit Risk, Market Risk- Interest Rate Risk, Liquidity Risk, Regulatory & Compliance Risk, Operations Risk and Reputation Risk.

42.2 Credit risk

Credit risk, or default risk, is the risk that a financial loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations in a timely manner. It is therefore a function of the following: the value of the position exposed to default (the credit or credit risk exposure); the proportion of this value that would be recovered in the event of a default; and the probability of default. The risk is primarily that of the lender and incudes lost capital and interest, disruption to cash flows, and results in accelerated recovery costs.

The strategy of Company is not to eliminate credit risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

Managing credit risk

The company manages its credit risk through a robust credit model that considers the behavioural pattern of individual customers. In addition, the company also carries out rigorous screening and review process of facilities granted to corporates and their loan limits are assigned considering the collateral, the repayment ability, Guarantors and financial position of the borrower.

Post disbursement of the facility, ongoing monitoring is carried out by Credit Risk Management Department whilst also carrying out monthly performance review of Corporate clients to identify potential warning signs of default and taking corrective action such as reporting to the relevant relationship managers.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.2 Credit risk (Continued)

Managing credit risk (Continued)

(a) Impairment Assessment

The model of impairment assessment has been explained in Note 5.3 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

(i) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal assessment of the borrower indicating default and near-default
- The borrower requesting emergency funding from the Company
- The borrower having past due liabilities to public creditors
- The borrower is deceased
- A material decreases in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decreases in the borrower's turnover or the loss of a major customer
- A covenant breach not waived off by the Company
- The debtor (or any legal entity within debtor's group) filing for bankruptcy
- Debtor's listed debt or equity is suspended at the primary exchange because of rumors or facts about financial difficulties

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

(ii) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. The Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk basing on its age movements and the exposure defaults basing on the objective evidence.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.2 Credit risk (Continued)

(b) Credit quality by class of financial assets

		At 31 December 2025					At 31 December 2024				
	Note	Neither Past Due nor Impaired	Past due but not individually impaired	Individually impaired	Total	%	Neither past due nor impaired	Past due but not individually impaired	Individually impaired	Total	%
Assets											
Cash and bank balances	18	602,321	-	-	602,321	5.02%	252,249	-	-	252,249	3.49%
Placements with banks	19	161,838	-	-	161,838	1.35%	168,522	-	-	168,522	2.33%
Securities purchased under repurchase agreements	20	625,637	-	-	625,637	5.22%	510,114	-	-	510,114	7.05%
Financial assets at fair value through profit or loss	21	3,976	-	-	3,976	0.03%	257,319	-	-	257,319	3.56%
Lease receivable	22.1	196,657	217,694	25,375	439,726	3.67%	181,476	166,714	11,520	359,710	4.97%
Factoring & revolving loans	22.2	-	2,473	25,217	27,690	0.23%	111,690	3,553	29,040	144,283	1.99%
Margin trading receivable	22.3	1,171,684	-	-	1,171,684	9.77%	635,179	-	-	635,179	8.78%
Term loans	22.4	6,173,359	1,762,771	126,737	8,062,867	67.22%	3,289,461	892,822	85,240	4,267,523	58.99%
Financial assets at fair value through other comprehensive income	23	2,505	-	-	2,505	0.02%	2,358	-	-	2,358	0.03%
Financial investment at amortised cost	24	400,714	-	-	400,714	3.34%	387,959	-	-	387,959	5.36%
Other financial assets	25	496,161	-	-	496,161	4.13%	249,528	-	-	249,528	3.45%
Total financial assets		**9,834,852**	**1,982,938**	**177,329**	**11,995,119**	**100.00%**	**6,045,855**	**1,063,089**	**125,800**	**7,234,744**	**100.00%**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.2 Credit risk (Continued)

(b) Credit quality by class of financial assets (Continued)

(i) Aging analysis of past due (i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of financial assets

	31 December 2025					31 December 2024				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Lease receivable	144,878	23,443	33,457	15,916	217,694	110,800	45,641	1,404	8,869	166,714
Factoring & revolving loans	2,287	-	-	186	2,473	-	-	-	3,553	3,553
Margin trading receivable	-	-	-	-	-	-	-	-	-	-
Term loans	1,010,556	371,308	89,785	291,122	1,762,771	489,513	242,938	49,961	110,410	892,822
Total	**1,157,721**	**394,751**	**123,242**	**307,224**	**1,982,938**	**600,313**	**288,579**	**51,365**	**122,832**	**1,063,089**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.2 Credit risk (Continued)

(c) Maximum exposure to credit risk

As at 31 December	At 31 December 2025		At 31 December 2024	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
Financial assets				
Cash and bank balances	602,321	602,236	252,249	252,167
Placements with banks	161,838	161,800	168,522	168,488
Securities purchased under repurchase agreements	625,637	625,521	510,114	509,924
Financial assets at fair value through profit or loss	3,976	3,976	257,319	257,224
Lease receivable	439,726	418,100	359,710	341,806
Factoring & revolving loans	27,690	7,612	144,283	130,636
Margin trading receivable	1,171,684	1,167,735	635,179	632,682
Term loans	8,062,867	7,565,148	4,267,523	4,066,211
Financial assets at fair value through other comprehensive income	2,505	2,505	2,358	2,358
Financial investment at amortised cost	400,714	400,714	387,959	387,959
Other financial assets	496,161	496,161	249,528	249,528
Total financial assets	**11,995,119**	**11,451,508**	**7,234,744**	**6,998,983**

99.74% of loans and advances are secured against securities including immovable property, movable property, deposits held within the Company and other securities as at end of 31 December 2025. (31 December 2024 – 99.99%)

(d) Collateral and other credit enhancements – Stage 3 Loans and advances

	31 December 2025				31 December 2024			
	Vehicles	Land Security	Other Security	Total	Vehicles	Land Security	Other Security	Total
Lease receivable	41,291	-	-	41,291	20,389	-	-	20,389
Factoring & revolving loans	-	186	24,768	24,954	-	186	18,531	18,717
Term loans	-	15,340	397,969	413,309	-	1,175	189,444	190,619
	41,291	**15,526**	**422,737**	**479,554**	**20,389**	**1,361**	**207,975**	**229,725**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.2 Credit risk (Continued)

(e) Analysis of risk concentration

The following table shows the risk concentration by sector for the financial assets components of the statement of financial position.

As at 31 December 2025	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumption	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	602,236	-	-	602,236
Placements with banks	-	-	-	-	-	-	-	-	161,800	-	-	161,800
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	-	625,521	-	-	625,521
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	3,976	3,976
Lease receivables	96,155	20,271	-	105,780	6,051	31,956	47,527	-	42,213	68,147	-	418,100
Factoring & revolving loans	2,282	-	-	123	5,207	-	-	-	-	-	-	7,612
Margin trading receivables	-	-	-	-	-	-	-	-	1,167,596	139	-	1,167,735
Term loans	142,126	35,462	26,361	3,587,791	8,739	28,683	514,756	-	22,123	3,199,107	-	7,565,148
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	2,505	2,505
Financial investments at amortised cost	-	-	-	-	-	-	-	400,714	-	-	-	400,714
Other financial assets	-	-	-	-	-	-	-	-	-	-	496,161	491,161
Total financial assets	**240,563**	**55,733**	**26,361**	**3,693,694**	**19,997**	**60,639**	**562,283**	**400,714**	**2,621,489**	**3,267,393**	**502,642**	**11,451,508**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.2 Credit risk (Continued)

(e) Analysis of risk concentration (Continued)

As at 31 December 2024	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumption	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	252,167	-	-	252,167
Placements with banks	-	-	-	-	-	-	-	-	168,488	-	-	168,488
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	-	509,924	-	-	509,924
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	257,224	257,224
Lease receivable	52,783	-	-	31,349	274	9,119	61,211	-	-	187,070	-	341,806
Factoring & revolving loans	41,207	-	-	37,703	8,252	19,686	23,788	-	-	-	-	130,636
Margin trading receivables	-	-	-	-	-	-	-	-	632,682	-	-	632,682
Term loans	31,058	2,018	14,134	1,655,904	15,534	21,419	663,828	-	-	1,662,316	-	4,066,211
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	2,358	2,358
Financial investments at amortised cost	-	-	-	-	-	-	-	387,959	-	-	-	387,959
Other financial assets	-	-	-	-	-	-	-	-	-	-	249,528	249,528
Total financial assets	**125,048**	**2,018**	**14,134**	**1,724,956**	**24,060**	**50,224**	**748,827**	**387,959**	**1,563,261**	**1,849,386**	**509,110**	**6,998,983**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.2 Credit risk (Continued)

(f) Credit exposure and provision for impairment movement - Loans & Advances

Financial assets at amortized cost – loans & advances As at 31 December 2025	Carrying amount	Subject to: 12 months ECL (Stage 1)	Life-time ECL not credit impaired (Stage 2)	Life-time ECL credit impaired (Stage 3)
Gross carrying amount as at 1 January 2025	**5,406,695**	**4,934,705**	**228,390**	**243,600**
Transfer to stage 1	-	60,578	(57,601)	(2,977)
Transfer to stage 2	-	(193,615)	196,026	(2,411)
Transfer to stage 3	-	(127,850)	(54,616)	182,466
New assets originated or purchased	17,082,177	15,999,136	478,406	604,635
Financial assets de-recognised or repaid	(12,786,905)	(11,893,147)	(348,136)	(545,622)
Gross carrying amount as at 31 December 2025	**9,701,967**	**8,779,807**	**442,469**	**479,691**

Financial assets at amortized cost – loans & advances As at 31 December 2025	Carrying amount	Subject to: 12 months ECL (Stage 1)	Life-time ECL not credit impaired (Stage 2)	Life-time ECL credit impaired (Stage 3)
Provision for impairment as at 1 January 2025	**235,360**	**45,503**	**23,233**	**166,624**
Transfer to stage 1	-	5,042	(3,884)	(1,158)
Transfer to stage 2	-	(2,118)	2,894	(776)
Transfer to stage 3	-	(2,978)	(8,575)	11,553
New assets originated or purchased	351,598	100,881	62,660	188,057
Financial assets de-recognised or repaid	(43,586)	(22,316)	(8,730)	(12,540)
Provision for impairment as at 31 December 2025	**543,372**	**124,014**	**67,598**	**351,760**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.2 Credit risk (Continued)

(f) Credit exposure and provision for impairment movement - Loans & Advances (Continued)

Financial assets at amortized cost – loans & advances As at 31 December 2024	Carrying amount	Subject to 12 months ECL (Stage 1)	Life-time ECL not credit impaired (Stage 2)	Life-time ECL credit impaired (Stage 3)
Gross carrying amount as at 1 January 2024	**3,185,635**	**2,846,345**	**187,724**	**151,566**
Transfer to stage 1	-	41,279	(32,839)	(8,440)
Transfer to stage 2	-	(92,757)	98,277	(5,520)
Transfer to stage 3	-	(63,294)	(50,464)	113,758
New assets originated or purchased	8,739,316	8,282,621	221,615	235,080
Financial assets de-recognised or repaid	(6,596,489)	(6,169,176)	(200,691)	(226,622)
Write-offs	(21,754)	-	-	(21,754)
Other movements (Reschedule facilities)	99,987	89,687	4,768	5,532
Gross carrying amount as at 31 December 2024	**5,406,695**	**4,934,705**	**228,390**	**243,600**

Financial assets at amortized cost – loans & advances As at 31 December 2024	Carrying amount	Subject to 12 months ECL (Stage 1)	Life-time ECL not credit impaired (Stage 2)	Life-time ECL credit impaired (Stage 3)
Gross carrying amount as at 1 January 2024	**142,733**	**26,972**	**44,559**	**71,202**
Transfer to stage 1	-	6,056	(2,915)	(3,141)
Transfer to stage 2	-	(1,137)	3,210	(2,073)
Transfer to stage 3	-	(383)	(30,094)	30,477
New assets originated or purchased	105,164	38,152	17,273	49,739
Financial assets de-recognised or repaid	(47,088)	(10,746)	(10,320)	(26,022)
Write-offs	21,754	-	-	21,754
Other movements (Reschedule facilities)	12,797	(13,411)	1,520	24,688
Gross carrying amount as at 31 December 2024	**235,360**	**45,503**	**23,233**	**166,624**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.3 Market risk

Market risk is the risk that arises from movements in stock prices, interest rates, exchange rates, and commodity prices. The company has identified that Interest Rate Risk as the most critical risk to the organisation.

(a) Interest rate risk

Interest Rate Risk (IRR) is the loss of net interest income to the company due to changes in the market interest rates as the company is involved in lending to borrowers from the funds obtained as deposits from customers. It refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

Managing interest rate risk

Interest rate risk is managed principally through interest rate gaps and by having pre-approved limits for re-pricing products. ALCO is the monitoring body for compliance with these limits and assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risk arising from the maturity and re-pricing

i. Interest rate risk exposure on non-trading financial assets & liabilities

The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 December 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non-Interest Bearing	Total
Financial assets							
Cash and cash equivalents	602,236	-	-	-	-	-	602,236
Placements with financial institution	60,173	101,627	-	-	-	-	161,800
Securities purchased under repurchase agreements	625,521	-	-	-	-	-	625,521
Financial assets at fair value through profit or loss	-	-	-	-	-	3,976	3,976
Lease receivables	46,124	114,482	167,451	90,043	-	-	418,100
Factoring & revolving loans	7,612	-	-	-	-	-	7,612
Margin trading receivables	1,167,735	-	-	-	-	-	1,167,735
Term loans	2,305,450	3,158,567	2,021,421	79,710	-		7,565,148
Equity instruments at fair value through other comprehensive Income	-	-	-	-	-	2,505	2,505
Financial investments at amortised cost	400,714	-	-	-	-	-	400,714
Other financial assets	-	-	-	-	-	491,161	491,161
Total financial assets	**5,215,565**	**3,374,676**	**2,188,872**	**169,753**	**-**	**504,642**	**11,451,508**
Financial liabilities							
Financial liabilities							
Financial liabilities at amortised cost – Due to customers	3,541,118	2,016,542	323,237	15,665	-	-	5,896,562
Financial liabilities at amortised cost – Due to banks	1,559,980	550,000	-	-	-	-	2,109,980
Lease liabilities	5,254	23,690	68,513	-	-	-	97,457
Other financial liabilities	-	-	-	-	-	1,001,456	1,001,456
Total financial liabilities	**5,106,352**	**2,590,232**	**391,750**	**15,665**	**-**	**1,001,456**	**9,105,445**
Interest sensitivity gap	**109,213**	**784,444**	**1,797,122**	**154,088**	**-**	**(498,814)**	**2,346,053**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.3 Market risk (Continued)

(a) Interest rate risk (continued)

As at 31 December 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non-Interest Bearing	Total
Financial assets							
Cash and cash equivalents	252,167	-	-	-	-	-	252,167
Placements with financial institution	59,287	109,201	-	-	-	-	168,488
Securities purchased under repurchase agreements	509,924	-	-	-	-	-	509,924
Financial assets at fair value through profit or loss	-	-	-	-	-	257,224	257,224
Lease receivables	39,014	77,837	134,843	90,112	-	-	341,806
Factoring & revolving loans	101,967	28,669	-	-	-	-	130,636
Margin trading receivables	632,682	-	-	-	-	-	632,682
Term loans	1,200,052	1,475,658	1,285,303	105,198	-		4,066,211
Equity instruments at fair value through other comprehensive Income	-	-	-	-	-	2,358	2,358
Financial investments at amortised cost	99,208	288,751	-	-	-	-	387,959
Other financial assets	-	-	-	-	-	249,528	249,528
Total financial assets	**2,894,301**	**1,980,116**	**1,420,146**	**195,310**	**-**	**509,110**	**6,998,983**
Financial liabilities							
Financial liabilities							
Financial liabilities at amortised cost – Due to customers	2,780,512	1,122,658	127,402	14,281	-	-	4,044,853
Financial liabilities at amortised cost – Due to banks	100,296	-	-	-	-	-	100,296
Lease liabilities	6,790	10,152	16,730	6,614	-	-	40,286
Other financial liabilities	-	-	-	-	-	584,962	584,962
Total financial liabilities	**2,887,598**	**1,132,810**	**144,132**	**20,895**	**-**	**584,962**	**4,770,397**
Interest sensitivity gap	**6,703**	**847,306**	**1,276,014**	**174,415**	**-**	**(75,852)**	**2,228,586**

ii. Interest rate risk exposure on non-trading financial assets & liabilities

The table below analyses the sensitivity of the Company's Income Statement (net impact) due to change in interest rates by 100 bps on interest bearing non trading financial assets and liabilities with all other variables held constant as at the reporting date

The impact of changes in interest rates on NII is measured applying interest rate shocks on static balance sheet. In line with the industry practices, interest rate shocks of 100 bps is applied on Rs. denominated assets and liabilities. The potential impact on the Company's profitability due to changes in interest rates is evaluated to ensure that the volatilities are prudently managed within the internal tolerance limits.

Year ended 31 December	2025		2024	
	Interest rate increase	Interest rate decrease	Interest rate increase	Interest rate decrease
Impact on Net Interest Income				
Average for the period	22,640	(22,640)	26,750	(26,750)

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.3 Market risk (Continued)

(b) Equity price risk

Equity price risk arises as a result of any change in market prices and volatilities of individual equities. The Company conducts mark-to-market calculations on a daily, monthly and on a need basis to identify the impact due to changes in equity prices. The table below summarises the impact (both to Income Statement and to equity) due to a change of 10% on equity prices.

Year ended 31 December	2025	2024
	Financial assets recognised through profit or loss	Financial assets recognised through profit or loss
Market value of equity securities	3,976	3,226
Stress Level	**Impact**	**Impact**
Shock of 10% on equity prices (upward)	398	323
Shock of 10% on equity prices (downward)	(398)	(323)

42.4 Liquidity risk

The Risk of an organisation not having funds to meet its payment obligations is defined as Liquidity Risk. The company has maintained sufficient levels of liquidity during the financial period.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

Managing liquidity risk

Liquidity Risk is monitored and managed by ALCO and Finance Department. ALCO provides the necessary guidance to ensure that this risk is avoided by the company. The Company ensures that it always manages the liquidity risk by having sufficient liquidity to meet its liability obligations.

The Company has implemented the Asset and Liability Management (ALM) policy, internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy wide) factors.

42.4.1 Liquid Asset

Liquid asset calculation is performed based on the following calculations as prescribed in the sections 2, 3 and 4 of the Finance Companies (liquid assets) Direction No.04 of 2013.

Liquid assets requirement
Every finance company shall maintain a minimum holding of 15% of savings deposit liabilities, 10% of nontransferable certificates and time deposit liabilities and 10% of borrowings at the close of the business on any day (as per the section 2 and 3 of the said direction).

Sri Lanka government treasury bills, Sri Lanka government securities and the Central Bank of Sri Lanka securities requirement

Every finance company shall maintain a minimum holding of 7.5% of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per the section 4 of the said direction). Liquid assets are maintained in the form of Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka Securities which constitutes a part of a liquid asset requirement defined above as per the section 2 and 3 of the said direction.

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.4 Liquidity risk (Continued)

42.4.1 Liquid asset (Continued)

The Company maintained statutory liquid assets above the level prescribed by the Central Bank of Sri Lanka throughout the year.

	At 31 December 2025		At 31 December 2024	
	Actual	CBSL minimum requirement	Actual	CBSL minimum requirement
Total liquid assets	1,652,160	905,402	1,263,426	496,487
Approved government securities	1,020,795	253,784	898,649	241,244

42.4.2 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities

The table below summarizes the maturity profile of the undiscounted cash flows of the Companies financial assets and liabilities as at 31 December 2025.

The table below analyses the company's internal interest rate risk exposure on non-trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 December 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
Financial assets						
Cash and cash equivalents	602,321	-	-	-	-	602,321
Placements with Financial Institution	60,211	101,627	-	-	-	161,838
Securities purchased under repurchase agreements	625,637	-	-	-	-	625,637
Financial assets at fair value through profit or loss	3,976	-	-	-	-	3,976
Lease receivables	62,828	154,313	235,920	111,628	-	564,689
Factoring & revolving loans	27,690	-	-	-		27,690
Margin trading receivables	1,171,684	-	-	-		1,171,684
Term loans	3,008,542	3,975,156	2,516,472	105,087		9,605,257
Financial assets at fair value through OCI	-	-	-	-	2,505	2,505
Financial investments at amortised cost	400,714	-	-	-	-	400,714
Other financial assets	450,001	46,160	-	-	-	496,161
Total Financial Assets	**6,413,604**	**4,277,256**	**2,752,392**	**216,715**	**2,505**	**13,662,472**
Financial liabilities						
Financial liabilities at amortised cost – Due to depositors	3,594,000	2,110,368	424,954	17,594	-	6,146,916
Financial liabilities at amortised cost – Due to banks	1,003,595	1,140,607	-	-	-	2,144,202
Lease liabilities	5,254	23,690	68,513	-	-	97,457
Other financial liabilities	917,301	84,155	-	-	-	1,001,456
Total financial Liabilities	**5,520,150**	**3,358,820**	**493,467**	**17,594**	**-**	**9,390,031**
Net financial asset / liabilities	**893,454**	**918,436**	**2,258,925**	**199,121**	**2,505**	**4,272,441**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

42 Risk management (Continued)

42.4 Liquidity risk (Continued)

42.4.2 Contractual maturities of undiscounted cash flows of financial assets and financial liabilities (Continued)

As at 31 December 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
Financial assets						
Cash and cash equivalents	252,249	-	-	-	-	252,249
Placements with Financial Institution	60,455	111,751	-	-	-	172,206
Securities purchased under repurchase agreements	510,114	-	-	-	-	510,114
Financial assets at fair value through profit or loss	257,319	-	-	-	-	257,319
Lease receivables	53,890	112,729	199,466	108,308		474,393
Factoring & revolving loans	115,543	28,740	-	-		144,283
Margin trading receivables	635,179	-	-	-	-	635,179
Term loans	1,493,285	1,906,867	1,642,074	127,889		5,170,115
Financial assets at	-	-	-	-	-	
fair value through OCI	-	-	-	-	2,358	2,358
Financial investments at amortised cost	100,000	300,000	-	-	-	400,000
Other financial assets	194,388	55,140	-	-	-	249,528
Total Financial Assets	**3,672,422**	**2,515,227**	**1,841,540**	**236,197**	**2,358**	**8,267,744**
Financial liabilities						
Financial liabilities at amortised cost – Due to depositors	2,791,524	1,199,081	168,532	15,643	-	4,174,780
Financial liabilities at amortised cost – Due to banks	102,219	-	-	-	-	102,219
Lease liabilities	7,778	12,419	19,993	6872	-	47,062
Other financial liabilities	546,174	38,788	-	-	-	584,962
Total financial Liabilities	**3,447,695**	**1,250,288**	**188,525**	**22,515**	**-**	**4,909,023**
Net financial asset / liabilities	**224,727**	**1,264,939**	**1,653,015**	**213,682**	**2,358**	**3,358,721**

43 Capital management

The primary objective of the Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value. The Company is required to maintain minimum capital requirements as per the guidelines issued by the Central Bank of Sri Lanka (CBSL).

The Company maintained capital and reserves of Rs. 2,759,786,713 as at 31 December 2025 which was above the minimum capital requirement of Rs. 2,500,000,000 as at that date.

Further, the Tier I capital adequacy ratio (CAR) and total CAR of the Company recorded at 17.03% as at 31 December 2025, which were well above the CBSL’s prescribed minimum thresholds. The Company is required to maintain Tier I CAR at 8.5% and total CAR at 12.5%

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

44 Maturity analysis

As at 31 December 2025

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
Assets						
Cash and cash equivalents	602,236	-	-	-	-	602,236
Placements with financial institution	60,173	101,627	-	-	-	161,800
Securities purchased under repurchase agreements	625,521	-	-	-	-	625,521
Financial assets at FVTPL	3,976	-	-	-	-	3,976
Lease receivables	46,124	114,482	167,451	90,043	-	418,100
Factoring & revolving loans	7,612	-	-	-	-	7,612
Margin trading receivables	1,167,735	-	-	-	-	1,167,735
Term loans	2,305,450	3,158,567	2,021,421	79,710	-	7,565,148
Financial asset at FVTOCI	-	-	-	-	2,505	2,505
Financial investments at AC	400,714	-	-	-	-	400,714
Other assets	37,870	458,291	-	-	-	496,161
Income tax receivable	-	-	-	-	-	-
Right-of-use assets	5,730	25,782	61,112	-	-	92,624
Property, plant & equipment	-	-	-	46,206	11,909	58,115
Intangible assets	-	-	-	-	303,626	303,626
Deferred tax assets	-	-	45,994	-	-	45,994
Total assets	**5,263,141**	**3,858,749**	**2,295,978**	**215,959**	**318,040**	**11,951,867**
Liabilities						
Financial liabilities at amortised cost– due to customers	3,541,118	2,016,542	323,237	15,665	-	5,896,562
Financial liabilities at amortised cost– due to banks	1,559,980	550,000	-	-	-	2,109,980
Retirement benefit obligations	-	-	-	-	14,241	14,241
Lease liability	5,254	23,690	68,513	-	-	97,457
Income tax payable	-	69,283				69,283
Other liabilities	917,301	84,155	-	-	-	1,001,456
Total liabilities	**6,023,653**	**2,743,670**	**391,750**	**15,665**	**14,241**	**9,188,979**
Equities						
Stated capital	-	-	-	-	2,934,582	2,934,582
Statutory reserve fund	-	-	-	-	24,674	24,674
FVTOCI	-	-	-	-	3,102	3,102
Retained earnings	-	-	-	-	(199,470)	(199,470)
Total equities	**-**	**-**	**-**	**-**	**2,762,888**	**2,762,888**
Total liabilities and equities	**6,023,653**	**2,743,670**	**391,750**	**15,665**	**2,777,129**	**11,951,867**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

44 Maturity analysis (Continued)

As at 31 December 2024

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
Assets						
Cash and cash equivalents	252,167	-	-	-	-	252,167
Placements with financial institution	59,287	109,201	-	-	-	168,488
Securities purchased under repurchase agreements	509,924	-	-	-	-	509,924
Financial assets at FVTPL	257,224	-	-	-	-	257,224
Lease receivable	39,014	77,837	134,843	90,112	-	341,806
Factoring & revolving loans	101,967	28,669	-	-	-	130,636
Margin trading receivables	632,682	-	-	-	-	632,682
Term loans	1,200,052	1,475,658	1,285,303	105,198	-	4,066,211
Financial asset at FVTOCI	-	-	-	-	2,358	2,358
Financial investments at AC	99,208	288,751	-	-	-	387,959
Other assets	194,388	55,140			-	249,528
Income tax receivable	6,255	-	-	-	-	6,255
Right-of-use assets	-	-	-	36,308	-	36,308
Property, plant & equipment	-	-	-	30,317	23,201	53,518
Intangible assets	-	-	-	-	197,337	197,337
Deferred tax assets	-	-	92,698	-	-	92,698
Total assets	**3,352,168**	**2,035,256**	**1,512,844**	**261,935**	**222,896**	**7,385,099**
Liabilities						
Financial liabilities at amortised cost– due to customers	2,780,512	1,122,658	127,402	14,281	-	4,044,853
Financial liabilities at amortised cost due to banks	100,296	-	-	-	-	100,296
Retirement benefit obligations	-	-	-	-	11,759	11,759
Lease liability	6,790	10,152	16,730	6,614	-	40,286
Other liabilities	546,174	38,788	-	-	-	584,962
Total liabilities	**3,433,772**	**1,171,598**	**144,132**	**20,895**	**11,759**	**4,782,156**
Equities						
Stated capital	-	-	-	-	2,934,582	2,934,582
Statutory reserve fund	-	-	-	-	16,688	16,688
FVTOCI	-	-	-	-	2,415	2,415
Retained earnings	-	-	-	-	(350,742)	(350,742)
Total equities	**-**	**-**	**-**	**-**	**2,602,943**	**2,602,943**
Total liabilities and equities	**3,433,772**	**1,171,598**	**144,132**	**20,895**	**2,614,702**	**7,385,099**

DIALOG FINANCE PLC

Notes to the Financial Statements (Continued)

45 Financial reporting by segment

For the year ended 31 December	Consumer Segment		MSME Segment		Treasury/investments		Unallocated		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Interest income	943,006	488,414	696,707	361,888	102,748	187,871	-	-	1,742,461	1,038,173
Interest expenses	(138,800)	(91,769)	(133,803)	(81,604)	(132,370)	(86,559)	-	-	(404,973)	(259,932)
Net interest income	**804,206**	**396,645**	**562,904**	**280,284**	**(29,622)**	**101,312**	**-**	**-**	**1,337,488**	**778,241**
Net Fee & commission income	611,442	258,675	307,204	92,134	-	-	-	-	918,646	350,809
Other income	33,597	11,003	5,216	4,705	291	709	71,153	-	110,257	16,417
Operating income by segment	**1,449,245**	**666,323**	**875,324**	**377,123**	**(29,331)**	**102,021**	**71,153**	**-**	**2,366,391**	**1,145,467**
Impairment (expense) / reversal	(190,564)	(58,410)	(117,449)	(55,971)	162	133	-	-	(307,851)	(114,248)
Net operating income	**1,258,681**	**607,913**	**757,875**	**321,152**	**(29,169)**	**102,154**	**71,153**	**-**	**2,058,540**	**1,031,219**
Operating expenses	(141,827)	(138,408)	(100,266)	(113,053)	-	-	(793,813)	(335,500)	(1,035,906)	(586,961)
Segment result	**1,116,854**	**469,505**	**657,609**	**208,099**	**(29,169)**	**102,154**	**(722,660)**	**(335,500)**	**1,022,634**	**444,258**
Personnel expenses									(496,030)	(337,319)
Depreciation and amortization									(89,093)	(62,890)
Profit from operations									**437,511**	**44,049**
VAT on financial services									(156,068)	(59,984)
Income tax expense									(121,716)	(25,148)
(Loss) / profit for the year									**159,727**	**(41,083)**
Other information										
Balance at 31 December										
Segment assets	4,763,724	2,631,468	4,388,617	2,539,867	1,796,753	1,578,120	1,002,773	635,644	11,951,867	7,385,099
Total assets	**4,763,724**	**2,631,468**	**4,388,617**	**2,539,867**	**1,796,753**	**1,578,120**	**1,002,773**	**635,644**	**11,951,867**	**7,385,099**
Segment liabilities	4,686,707	2,540,591	4,502,272	2,241,565	-	-	-	-	9,188,979	4,782,156
Total liabilities	**4,686,707**	**2,540,591**	**4,502,272**	**2,241,565**	**-**	**-**	**-**	**-**	**9,188,979**	**4,782,156**