

03 January 2023

Ms. Nilupa Perera
Senior Vice President – Trading Operations, Market Surveillance & Corporate Affairs
Colombo Stock Exchange
04-01, West Block
World Trade Center

Colombo 01.

Dear Madam,

Resolution of the basis for Qualified Audit Opinion

With reference to the captioned matter, we would hereby confirm that the matters giving rise to the basis for the Qualified Audit Opinion have been resolved by 30th December 2022.

Further to the above confirmation, we hereby submit the following for your reference;

1. Opinion from the external auditors, M/s KPMG confirming that the matters giving rise to the basis for the Qualified Audit Opinion of the Company have been resolved,
2. The declaration by the Board of Directors of the Company on 1 above,
3. Confirmation issued by the Audit Committee on the same.

Considering the above, we therefore request Colombo Stock Exchange to take necessary action required.

Thanking you,

Yours faithfully,



C. Y. B. Weerakoon
Chief Executive Officer

Cc;

1. Chairman and the Board of Directors of Nation Lanka Finance PLC
2. Securities and Exchange Commission

Directors

Mr. Victor Ramanan (Chairman)

Mrs. S.A. Wickramasinghe | Mr. Jayaprakash Rudra | Mr. Jagath Dissanayake | Mr. A.G. Maheen Priyantha



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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Internet : www.kpmg.com/lk

The Board of Directors
Nation Lanka Finance PLC
No 960, Galle Road
Colombo.

30th December 2022

Dear Sirs,

Nation Lanka Finance PLC
Modified Audit Opinion on the Financial Statements for the year ended 31st March 2022

We refer to the request made by you as per the letter dated 30th December 2022 to issue a letter confirming that matter that gave rise to the modified audit report has been resolved by the management.

At your request, we have conducted a review of the condensed financial statements of National Lanka Finance PLC for the six months ended 30th September 2022 as per *SLSRE 2410: Sri Lanka Standard on Review engagements*. Based on our review, we wish to state the following.

As disclosed in the basis for qualified opinion included in our audit report for the year ended 31st March 2022, qualified opinion is related to the recognition of deferred tax assets based on a future taxable profit forecast which is contingent upon the capital infusion. Nation Lanka Finance PLC concluded the Right Issue in September 2022, with a total subscription of Rs.1,106,030,963. Accordingly, the qualification has been removed from reviewed condensed financial statements for the period ended 30th September 2022.

Yours faithfully.

Chartered Accountants

03rd January 2023**DECLARATION BY THE BOARD OF DIRECTORS OF NATION LANKA FINANCE PLC**

We the undersigned the Board of Directors of Nation Lanka Finance PLC ("the Company") declares that, based on the Auditor's Report in the Financial Statements for the year ended 31st March 2022, the Colombo Stock Exchange transferred the shares of the Company to the "Watch List" in accordance with the Rule 7.5 (d) (11) (3) of the Enforcement Rules of the Colombo Stock Exchange with effect from 9th September 2022.

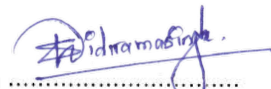
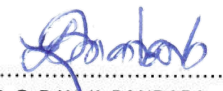
We requested the external Auditors of the Company to review the Financial Statements as at 30th September 2022.

The Audit Committee evaluated the Auditor's Review Report as at 30th September 2022 and we are in agreement with their conclusion that there is no basis for Nation Lanka Finance PLC, to continue the said basis for Qualified Opinion included in the audit report dated 31st March 2022 related to recognition of deferred tax assets based on the future taxable profit contingent upon the capital infusion, as the Company concluded the Rights Issue in September 2022, with a total subscription of Rs. 1,106,030,963.40.

The Board hereby declares that the Company has accordingly resolved the matters that have given rise to the said basis for Qualified Opinion by the Auditors and accordingly, the said Qualified Opinion expressed in the Financial Statements as at 31st March 2022 stands resolved.

Thanking you.

Yours faithfully,


.....
V R RAMANAN
Chairman
.....
A G M PRIYANTHA
Non-Executive Director
.....
S A WICKRAMASINGHE
Non-Executive / Independent Director
.....
K G D W K BANDARA
Non-Executive / Independent Director

Directors

Mr. Victor Ramanan (Chairman)

Mrs. S.A. Wickramasinghe | Mr. Jayaprakash Rudra | Mr. Jagath Dissanayake | Mr. A.G. Maheen Priyantha

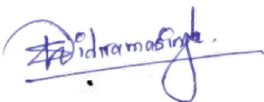
**DECLARATION OF THE AUDIT COMMITTEE ON RESOLVING BASIS PERTAINING TO THE AUDIT
OPINION ON THE FINANCIAL STATEMENTS OF NATION LANKA FINANCE PLC FOR THE YEAR
ENDED 31ST MARCH 2022.**

As disclosed in the auditor's report for the year ended 31st March 2022, a Qualified Audit Opinion related to recognition of deferred tax assets based on the future taxable profit contingent upon the capital infusion has been included.

However, subsequent to the reporting date, Nation Lanka Finance PLC concluded the Right Issue in September 2022, with a total subscription of Rs. 1,106,030,963.40 and the Company received the approval of the Monetary Board of the Central Bank of Sri Lanka, under the Master Plan for Consolidation of Non-Bank Financial Institution, to Amalgamate the Company with Kanrich Finance Limited.

Accordingly, the Board Audit Committee hereby declares that the Company has accordingly resolved the matters that have given rise to the said basis for Qualified Opinion by the Auditors and accordingly, the said Qualified Opinion expressed in the Financial Statements as at 31st March 2022 stands resolved.

Yours faithfully



S.A Wickramasinghe
Chairperson of Audit Committee

03rd January 2023

Directors

Mr. Victor Ramanan (Chairman)

Mrs. S.A. Wickramasinghe | Mr. Jayaprakash Rudra | Mr. Jagath Dissanayake | Mr. A.G. Maheen Priyantha