Financial statements of
IIFL Capital (Canada) Limited

For the period from July 01, 2017 to March 31, 2018

Deloitte.

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Independent Auditor's Report

To the Shareholder of
IIFL Capital (Canada) Limited

We have audited the accompanying financial statements of IIFL Capital (Canada) Limited, which comprise the statement of financial position as at March 31, 2018, and the statement of net loss and comprehensive loss, statement of changes in shareholders' equity and statement of cash flows for the period from July 1, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IIFL Capital (Canada) Limited as at March 31, 2018 and its financial performance and its cash flows for the period from July 1, 2017 to March 31, 2018 in accordance with International Financial Reporting Standards.

Deloitte LLP.

Chartered Professional Accountants
Licensed Public Accountants
April 24, 2018

IIFL Capital (Canada) Limited

Statement of financial position

As at March 31, 2018

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	$
Assets		
Current assets		
Cash and cash equivalents		**57,560**
Prepayments and other receivables	8	**11,351**
		68,911
Other assets	7	**6,184**
Property, plant and equipment	6	**2,169**
		77,264
Liabilities		
Accounts payable and accrued liabilities	9	**21,255**
Shareholders' equity	4	**56,009**
		77,264

The accompanying notes are an integral part of the financial statements.

K. Venkatesh

IIFL Capital (Canada) Limited

Statement of net loss and comprehensive loss

Period from July 1, 2017 to March 31, 2018

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	$
Revenue		
Marketing support fees	10	**113,737**
Other income		
Interest income		**172**
		113,909
Expenses		
Salary	10	**81,534**
Staff welfare expense		**675**
Marketing expense		**6,136**
Depreciation		**542**
Bank charges		**130**
Communication		**1,384**
Professional fees		**14,818**
Office expense		**694**
Printing and stationary		**842**
Audit Fees		**18,190**
Foreign exchange		**2,442**
Rent		**27,828**
Insurance		**1,042**
Travelling and conveyance		**1,643**
		157,900
Net loss and comprehensive loss		**(43,991)**

The accompanying notes are an integral part of the financial statements.

K. Venkatesh

IIFL Capital (Canada) Limited

Statement of changes in shareholders' equity

Period from July 1, 2017 to March 31, 2018

(Expressed in Canadian dollars, unless otherwise stated)

	Share capital	Deficit	Total
	$	$	$
Balance at July 1, 2017			
Capital contribution	100,000	—	100,000
Net loss and comprehensive loss	—	(43,991)	(43,991)
Balance at March 31, 2018	100,000	(43,991)	56,009

The accompanying notes are an integral part of the financial statements.

IIFL Capital (Canada) Limited

Statement of cash flows

Period from July 1, 2017 to March 31, 2018

(Expressed in Canadian dollars, unless otherwise stated)

	$
Operating activities	
Net loss and comprehensive loss	(43,989)
Adjustments for non-cash items	
Depreciation	542
Net loss	(43,447)
Changes in working capital	
Increase in current liabilities	21,255
Increase in prepayments and other receivables	(11,353)
Increase in other assets	(6,184)
	(39,729)
Investing activities	
Purchase of fixed assets	(2,711)
	(2,711)
Financing activities	
Capital contribution	100,000
	100,000
Increase in cash	57,560
Cash, beginning of period	—
Cash, end of period	57,560

The accompanying notes are an integral part of the financial statements.

1. Operations

IIFL Capital (Canada) Limited (the "Company") is a limited Company that was incorporated under the laws of the Province of Ontario pursuant to the Business Corporations Act on November 14, 2016. The Company commenced formal operations on July 1, 2017 and is carrying out business in financial services and will seek approval from Ontario Securities Commission to act as Exempt Market Dealer.

The registered office of the Company is 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9.

2. Basis of preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's accounting policies set out below have been applied to the period presented and are in accordance with IFRS issued and effective as of March 31, 2018.

(ii) Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company expects to continue as a going concern for the foreseeable future, accordingly, these financial statements have been prepared on a going concern basis.

(iii) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently in these financial statements.

(i) Revenue recognition

Revenue, which comprises fees for the provision of marketing support and promotional services by the Company, is recognized in the statement of net income (loss) and other comprehensive income (loss) on an accrual basis when earned.

(ii) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognized as an asset if, and only if, 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. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

3. Significant accounting policies (continued)

(ii) Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computers	3 years
Furniture and fixtures	5 years
Office equipment	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognition of the asset is included in income in the financial year the asset is derecognised.

(iii) Cash

Cash and cash equivalents comprise cash at a bank.

(iv) Financial instruments

Financial instruments are classified as one of the following: (i) held-to-maturity, (ii) loans and receivables, (iii) fair value through profit or loss ("FVTPL"), (iv) available-for-sale, or (v) other financial liabilities. Financial assets and liabilities classified as FVTPL are measured at fair value with gains and losses recognized in the statement of net loss and comprehensive loss. Financial instruments classified as held-to-maturity, loans and receivables or other financial liabilities are measured at amortized cost, using the effective interest method. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income.

The Company has made the following classifications:

	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Prepayments, accounts receivable and other assets	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

(v) Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they originate. All other financial assets (including assets designated at FVTPL) are recognized initially on the trade date at which the Company becomes a party to the contractual provision of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3. Significant accounting policies (continued)

(v) Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(vi) Non-derivative financial liabilities

The Company initially recognizes debt on the date that it originates. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

The Company has classified accounts payable and accrued liabilities as other financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(vii) 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value in these financial statements is determined on such basis, unless otherwise noted.

Except as noted, the carrying value of the Company's financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 which are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

(viii) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

3. Significant accounting policies (continued)

(viii) Impairment of financial assets (continued)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses professional judgment regarding the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected as a provision for doubtful accounts which is netted against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ix) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(x) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the Company may undertake in the future, actual results may differ from these estimates.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There were no areas with significant estimates and judgments required in the preparation of these financial statements.

3. Significant accounting policies (continued)

(xi) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

(xii) Future accounting policies

The following is a summary of recent accounting pronouncements which have not yet been adopted by the Company:

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. This new standard is effective for annual periods beginning on or after January 1, 2018. The Company is still assessing the impact of this standard on its financial statements, but is not expected to be material.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. The new standard includes a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. The Company is still assessing the impact of this standard on its financial statements, but is not expected to be material.

4. Equity

The Company's capital structure is comprised of

The Company has the following unit capital outstanding:

Authorized for issue	—
Units currently outstanding	100,000

(Expressed in Canadian dollars, unless otherwise stated)

The ordinary share capital issued and fully paid is 100,000 equity shares of CAD 1 each.

5. Capital management

The Company's objectives when managing capital are to ensure that it has the financial capacity to support its operations and growth strategy, as well as to meet regulatory capital requirements. The Company's primary source of capital is shareholder's equity.

The adequacy of the Company's capital structure is assessed on an ongoing basis and is adjusted as necessary after taking into consideration the Company's strategy, market and economic conditions and the associated risks.

6. Property, plant and equipment

	Computer	Furniture and fixtures	Total
	$	$	
Cost			
At July 1, 2017	—	—	—
Additions	2,146	565	2,711
At March 31, 2018	2,146	565	2,711
Depreciation/ Impairment			
At July 1, 2017	—	—	—
Charge for the year	476	66	542
At March 31, 2018	476	66	542
Net book values			
At March 31, 2018	1,670	499	2,169

7. Other assets

	$
Security deposit	6,184

8. Prepayments and other receivables

	$
Prepaid expenses	3,092
Harmonized Sales Tax recoverable	8,259
	11,351

(Expressed in Canadian dollars, unless otherwise stated)

9. Accounts payable and accrued liabilities

	$
Accrued liabilities	21,255
	21,255

10. Income taxes

As at March 31, 2018, the Company has non-capital losses of $43,989 available to reduce future taxable income and these losses are expected to expire in 2038. No deferred tax asset is recognized on this loss since there is no expectation of profit wherein the benefit can be applied against.

11. Related party transactions

The Company, in the normal course of business, enters into transactions with companies that fall within the definition of a related party.

For the period from July 1, 2017 to 31 March 2018, the Company had the following related party relationships:

Name of related party	Nature of relationship
IIFL Wealth Management Limited	Parent company
IIFL Asset Management (Mauritius) Limited	Fellow Subsidiary
Director	Key Management Personnel (“KMP”)

The Company, in the normal course of business, enters into transactions with companies that fall within the definition of a related party. This includes its parent IIFL Wealth Management Limited and another subsidiary, IIFL Asset Management (Mauritius) Limited. The Company received $100,000 from IIFL Wealth Management Limited on November 3, 2017 in exchange for 100,000 shares of the Company. In addition, for the period from July 1, 2017 to 31 March 2018, the Company earned $113,737 in fees from IIFL Asset Management (Mauritius) Limited in connection with a marketing support agreement as discussed in Note 3.

Key management personnel (KMP) are defined as those persons having authority and responsibility for the planning, directing and controlling the activities of the Company directly or indirectly, including any director of the Company. As at 31 March 2018, there was one director that met the definition of KMP and charges incurred for the provision of services to the Company was $ 82,209.

12. Risk management

The Company actively manages risks that arise as a result of its use of financial instruments. These risks include liquidity, credit, interest rate and foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Management monitors and meets regularly to review current and future cash inflows and requirements to maintain sufficient liquidity to meet its obligations.

Credit risk

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations.

The Company regularly reviews its credit exposure to each counterparty. The Company also monitors its credit risk management policies continuously to evaluate their effectiveness.

The Company holds its cash in current account with a Canadian chartered bank. The maximum exposure to credit risk from cash is its carrying value.

Interest rate risk

Interest rate risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in interest rates. The Company's exposure to and management of interest rate risk is nil.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to and management of foreign currency risk is not material because all accounts are currently held in Canadian dollars.