Financial statements of
IIFL Capital (Canada) Limited

For the year ended March 31, 2020

Deloitte LLP
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Shareholder of
IIFL Capital (Canada) Limited

Opinion

We have audited the financial statements of IIFL Capital (Canada) Limited (the "Company"), which comprise the statement of financial position as at March 31, 2020 and 2019, and the statements of net (loss) income and comprehensive (loss) income, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Canadian GAAS 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.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 12, 2020

IIFL Capital (Canada) Limited

Statement of financial position

As at March 31, 2020

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	2020 ($)	2019 ($)
Assets			
Current assets			
Cash and cash equivalents		40,981	42,493
Prepayments and other receivables	8	153,901	74,958
		194,882	117,451
Other assets	7	5,938	13,567
Fixed Assets	6	98,278	43,680
		299,098	174,698
Liabilities and Equity			
Accounts payable and accrued liabilities	9	26,791	62,930
Finance lease obligation	10	64,167	—
		90,958	62,930
Shareholders' equity	4	208,140	111,768
		299,098	174,698

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

IIFL Capital (Canada) Limited

Statement of net (loss) income and comprehensive (loss) income

Year ended March 31, 2020

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	2020 ($)	2019 ($)
Revenue			
Business support fees	12	550,000	502,132
Other income			
Interest income		97	113
		550,097	502,245
Expenses			
Salary	12	389,953	303,356
Staff welfare expense		1,494	1,529
Marketing expense		3,170	9,865
Depreciation		44,033	1,620
Interest on lease		3,120	—
Bank charges		375	230
Communication		6,493	4,973
Professional fees		33,109	26,932
Office expense		6,348	4,615
Printing and stationary		563	1,638
Audit Fees		16,050	18,228
Foreign exchange		979	6,534
Office administrative expenses		32,862	58,430
Insurance		2,047	307
Travelling and conveyance		16,176	4,209
		556,772	442,466
Net (loss) income before income (benefit) tax		(6,675)	59,779
Income (benefit) tax for the year		(3,047)	4,020
Net (loss) income and comprehensive (loss) income		(3,628)	55,759

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

IIFL Capital (Canada) Limited

Statement of changes in shareholders' equity

Year ended March 31, 2020

(Expressed in Canadian dollars, unless otherwise stated)

	Share capital	Share premium	(Deficit) surplus	Total
	$	$	$	$
Balance at March 31, 2018	100,000	—	(43,991)	56,009
Net income and comprehensive income	—	—	55,759	55,759
Balance at March 31, 2019	100,000	—	11,768	111,768
Shares issued	87,030	12,970	—	100,000
Net loss and comprehensive loss	—	—	(3,628)	(3,628)
Balance at March 31, 2020	187,030	12,970	8,140	208,140

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

IIFL Capital (Canada) Limited

Statement of cash flows

Year ended March 31, 2020

(Expressed in Canadian dollars, unless otherwise stated)

	2020 ($)	2019 ($)
Operating activities		
Net (loss) income and comprehensive (loss) income	(6,675)	59,779
Adjustments for non-cash items		
Depreciation	44,033	1,620
Interest on lease	3,120	—
Net income	40,478	61,399
Income taxes paid	(973)	—
	39,505	61,399
Changes in working capital		
(Decrease)/Increase in current liabilities	(32,119)	37,655
Increase in prepayments and other receivables	(78,943)	(63,607)
Decrease/(Increase) in other assets	7,629	(7,383)
	(63,928)	28,064
Investing activities		
Investment in fixed assets	(1,368)	(43,131)
	(1,368)	(43,131)
Financing activities		
Shares issued	100,000	—
Payments on lease liabilities	(36,216)	—
	63,784	—
Decrease in cash	(1,512)	(15,067)
Cash, beginning of period	42,493	57,560
Cash, end of period	40,981	42,493

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 has received approval from Ontario Securities Commission for Exempt Market Dealer on March 14, 2019.

The registered office of the Company is 121 King Street West, Suite 1725, Toronto Province: Ontario, Postal Code: M5H 3T9.

2. Basis of preparation

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issuance on May 12, 2020.

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, 2020.

(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 business support and promotional services by the company, is recognized in the statement of (loss) income and other comprehensive (loss) income on an accrual basis when earned.

The Company recognizes revenue upon transfer of control of the business support and promotional services in an amount that reflects the consideration the Company expects to receive in exchange for those services. Performance obligations for the business support and promotional services are satisfied in accordance with the terms of the contracts and revenue is recognized at a point in time.

3. Significant accounting policies (continued)

(ii) Fixed assets

All items of fixed assets are initially recorded at cost. The cost of an item of fixed asset 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, fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.
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 fixed assets 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 fixed asset 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 derecognized.

(iii) Cash

Cash and cash equivalents comprise cash in bank.

(iv) IFRS 9 Financial Instruments

All financial assets are initially recognized at fair value in the financial statements and are subsequently classified as measured at fair value through profit or loss (FVTPL), fair value through other comprehensive (loss) income or amortized cost based on the company's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics.
The Company has made the following classifications:

	Classification
Cash	Amortised cost
Prepayments, accounts receivable and other assets	Amortised cost
Accounts payable and accrued liabilities	Amortised cost

3. Significant accounting policies (continued)

Impairment

The Company accounts for impairment of assets which are not held at fair value through profit and loss in accordance with IFRS 9. The Company performs expected credit losses ("ECL") assessment and calculation regularly to account for any required ECL, and changes in the ECL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition with movements in ECL reported through statement of net (loss) income and comprehensive (loss) income directly.

The Company measures ECL over a 12-month time horizon for assets which were not credit impaired at initial recognition and which have not suffered a significant increase in credit risk since recognition. The Company elected to use the practical expedient which may be utilized for the assessment of increases in credit risk since inception. The practical expedient allows the Company to assume that the credit risk on a financial asset has not increased significantly since initial recognition, if the financial asset is determined to have low credit risk at the reporting date. The Company did not realize any impairment (expected credit losses) for the years ended March 31, 2020 and March 31, 2019.

(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.

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.

3. Significant accounting policies (continued)

(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) 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.

(ix) 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.

(Expressed in Canadian dollars, unless otherwise stated)

3. Significant accounting policies (continued)

(x) *Accounting policies adopted in the current year*

IFRS 16, "Leases" ("IFRS 16")

In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16 which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains largely unchanged, and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019. The Company adopted this standard effective April 1, 2019 without restatement of prior period comparatives. On transition to IFRS 16, the Company recognized a $97,263 right-of-use asset and a $97,263 lease liability.

The following table reconciles the Company's operating lease commitments at March 31, 2019 to the Company's lease liabilities on initial application at April 1, 2019:

	$
Operating lease commitment at March 31, 2019	102,612
Discounted using the incremental borrowing rate at April 1, 2019	4.00%
Lease liability recognized at April 1, 2019	97,263

(xi) Taxation

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

4. Equity

The Company has the following unit capital outstanding:

	2020 ($)	2019 ($)
Authorized for issue	—	—
Units currently outstanding	**187,030**	**100,000**

The ordinary share capital issued and fully paid is 187,030 (2019: 100,000) equity shares of CAD $1 each. During the year, IIFL Capital (Canada) Limited issued 87,030 shares @ CAD $1.14903 per share (par value CAD $1) to IIFL Wealth Management Limited.

(Expressed in Canadian dollars, unless otherwise stated)

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. Fixed assets

	Computer $	Furniture and fixtures $	Office equipmet $	Right of use - Premises $	Total $
Cost					
At March 31, 2018	2,146	565	-	-	2,711
Additions for the year	-	42,177	954	-	43,131
At March 31, 2019	**2,146**	**42,742**	**954**	**-**	**45,842**
Additions for the year	**-**	**1,368**	**-**	**97,263**	**98,631**
At March 31, 2020	**2,146**	**44,110**	**954**	**97,263**	**144,473**
Depreciation/Impairment					
At March 31, 2018	476	66	-	-	542
Charge for the year	715	889	16	-	1,620
At March 31, 2019	**1,191**	**955**	**16**	**-**	**2,162**
Charge for the year	**715**	**8,799**	**191**	**34,328**	**44,033**
At March 31, 2020	**1,906**	**9,754**	**207**	**34,328**	**46,195**
Net book values					
At March 31, 2019	**955**	**41,787**	**938**	**-**	**43,680**
At March 31, 2020	**240**	**34,356**	**747**	**62,935**	**98,278**

7. Other assets

	2020 ($)	2019 ($)
Security deposit	**5,938**	**13,567**
	5,938	**13,567**

8. Prepayments and other receivables

	2020 ($)	2019 ($)
Prepaid expenses	**1,755**	**1,808**
Harmonized Sales Tax recoverable	**7,146**	**—**
Accounts Receivable	**145,000**	**73,150**
	153,901	**74,958**

(Expressed in Canadian dollars, unless otherwise stated)

9. Accounts payable and accrued liabilities

	2020 ($)	2019 ($)
Accrued liabilities	26,791	62,930
	26,791	**62,930**

10. Finance lease obligation

As a lessee the Company previously classified its office lease as an operating lease. Upon adoption of IFRS 16, the Company now recognizes a right-of-use asset (“ROU asset”) and finance lease obligation for any leases it entered into, except for low value and short-term leases (less than one year). The ROU asset arising out of the office lease is now included on the statement of financial position.

At April 1, 2019, the finance lease obligation was measured at the present value of the remaining minimum lease rental payments, discounted at the Company’s incremental borrowing rate of 4%. The ROU asset was recorded at an amount equal to the finance lease obligation.

The table below outlines the balance on the right-of-use asset as at March 31, 2020**:**

	2020 ($)	2019 ($)
Balance, beginning of year	97,263	—
Addition during the year	—	—
Depreciation charge for the period	(34,328)	—
Balance, end of year	**62,935**	**—**

The balance on the finance lease obligation and the contractual discounted cash flows at March 31, 2020 were as follows:

Schedule of Lease Liability	2020 ($)	2019 ($)
Current	34,428	—
Non-Current	29,739	—
Balance, end of year	**64,167**	**—**

The table below shows the contractual undiscounted cash flows arising out of the office lease agreement currently in place until January 31, 2022 as shown below:

Maturity analysis - contractual undiscounted cash flows	2020 ($)	2019 ($)
One Year	34,428	—
Two to five years	29,739	—
Total undiscounted lease liabilites	**64,167**	**—**

11. Income taxes

The Company has provided for income tax provision of $ Nil (2019: $ 4,020) during the current year.

12. 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 April 1, 2019 to March 31, 2020, the Company had the following related party relationships:

Name of related party	Nature of relationship
IIFL Wealth Management Limited	Parent company
IIFL Capital Pte. Ltd.	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 other subsidiary IIFL Capital Pte. Ltd. For the period from April 1, 2019 to March 31, 2020 the Company earned $ 550,000 from IIFL Capital Pte. Ltd. in connection with a business 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 March 31, 2020, there was one director that met the definition of KMP and charges incurred for the provision of services to the Company was $ 139,456.

13. 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.