Financial statements of

IIFL Capital (Canada) Limited

For the year ended March 31, 2022 and 2021

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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, 2022 and 2021, and the statements of net income and comprehensive 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, 2022 and 2021, and its financial performance and its cash flows for the years 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
April 28, 2022

IIFL Capital (Canada) Limited

Statement of financial position

As at March 31, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	2022 ($)	2021 ($)
Assets			
Current assets			
Cash and cash equivalents		146,984	88,909
Prepayments and other receivables	8	208,587	141,016
		355,571	229,925
Other assets	7	6,518	5,938
Fixed Assets	6	83,071	54,698
		445,160	290,561
Liabilities and Equity			
Accounts payable and accrued liabilities	9	125,351	30,102
Finance lease obligation	10	72,255	29,739
		197,606	59,841
Shareholders' equity	4	247,554	230,720
		445,160	290,561

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

IIFL Capital (Canada) Limited

Statement of net income and comprehensive income

Years ended March 31, 2022 and March 31, 2021
(Expressed in Canadian dollars, unless otherwise stated)

	Notes	2022 ($)	2021 ($)
Revenue			
Business support fees	12	506,148	286,580
Other income		195	23,500
		506,343	310,080
Expenses			
Salary	12	351,030	142,282
Marketing expense		368	10,000
Depreciation		43,616	43,580
Interest on lease		707	1,788
Bank charges		303	125
Communication		4,096	3,553
Professional fees		22,402	22,285
Office expense		5,362	5,696
Audit Fees		23,540	19,710
Foreign exchange		—	25
Office administrative expenses		22,936	29,082
Insurance		4,650	2,141
Travelling and conveyance		3,037	52
		482,047	280,319
Net income before income tax		24,296	29,761
Income tax for the year (Note 11)		7,462	7,181
Net income and comprehensive income		16,834	22,580

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, 2022 and 2021
(Expressed in Canadian dollars, unless otherwise stated)

	Share capital	Share premium	(Deficit) surplus	Total
	$	$	$	$
Balance at March 31, 2020	**187,030**	**12,970**	**8,140**	**208,140**
Net income and comprehensive income	**—**	**—**	**22,580**	**22,580**
Balance at March 31, 2021	**187,030**	**12,970**	**30,720**	**230,720**
Net income and comprehensive income	**—**	**—**	**16,834**	**16,834**
Balance at March 31, 2022	**187,030**	**12,970**	**47,554**	**247,554**

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

IIFL Capital (Canada) Limited

Statement of cash flows

Years ended March 31, 2022 and 2021

(Expressed in Canadian dollars, unless other stated)

	2022 ($)	2021 ($)
Operating activities		
Net income and comprehensive income	16,834	22,580
Adjustments for non-cash items		
Depreciation	43,616	43,580
Interest on lease	706	1,788
Adjusted net income	61,156	67,948
Changes in working capital		
Increase in current liabilities	95,250	3,311
(Increase) in prepayments and other receivables	(67,571)	12,885
(Increase) in other assets	(580)	—
	88,255	84,144
Investing activities	—	—
Financing activities		
Payments on lease liabilities	(30,180)	(36,216)
	(30,180)	(36,216)
Increase in cash	58,075	47,928
Cash- beginning of year	88,909	40,981
Cash- end of year	146,984	88,909

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 April 28, 2022.

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, 2022.

(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 net income and comprehensive 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	Amortized cost
Prepayments, accounts receivable and other assets	Amortized cost
Accounts payable and accrued liabilities	Amortized 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 recognize any impairment (expected credit losses) for the years ended March 31, 2022 and March 31, 2021.

(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.

Useful life of assets: As described in note 3(ii), the Company reviews the useful life of fixed assets as each reporting date. The Company has determined that the useful life is based on the expected usage of the asset.

3. Significant accounting policies (continued)

(x) Right of use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurements of lease liabilities.

(xi) Lease liability

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liability is measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(xii) Taxation

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

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.

(Expressed in Canadian dollars, unless otherwise stated)

4. Equity

The Company has the following share capital outstanding:

	2022 ($)	2021 ($)
Authorized for issue	—	—
Shares currently outstanding	187,030	187,030

The ordinary share capital issued and fully paid is 187,030 (2021: 187,030) 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. Fixed assets

	Computer $	Furniture and fixtures $	Office equipmet $	Right of use - Premises $	Total $
Cost					
At March 31, 2020	2,146	44,110	954	97,263	144,473
Additions for the year	-	-	-	-	-
At March 31, 2021	2,146	44,110	954	97,263	144,473
Additions for the year	-	-	-	71,989	71,989
At March 31, 2022	2,146	44,110	954	169,252	216,462
Depreciation/Impairment					
At March 31, 2020	1,906	9,754	207	34,328	46,195
Charge for the year	240	8,822	190	34,328	43,580
At March 31, 2021	2,146	18,576	397	68,656	89,775
Charge for the year	-	8,819	191	34,606	43,616
At March 31, 2022	2,146	27,395	588	103,262	133,391
Net book values					
At March 31, 2021	-	25,534	557	28,607	54,698
At March 31, 2022	-	16,715	366	65,990	83,071

(Expressed in Canadian dollars, unless otherwise stated)

7. Other assets

	2022 ($)	2021 ($)
Security deposit	**5,938**	**5,938**
Advance Tax	**580**	**—**
	6,518	**5,938**

8. Prepayments and other receivables

	2022 ($)	2021 ($)
Prepaid expenses	**1,159**	**6,881**
Harmonized Sales Tax recoverable	**10,939**	**12,555**
Accounts Receivable	**196,489**	**121,580**
	208,587	**141,016**

9. Accounts payable and accrued liabilities

	2022 ($)	2021 ($)
Accrued liabilities	**125,351**	**30,102**
	125,351	**30,102**

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, 2022**:**

	2022 ($)	2021 ($)
Balance, beginning of year	28,607	62,935
Addition during the year	71,989	—
Depreciation charge for the period	(34,606)	(34,328)
Balance, end of year	**65,990**	**28,607**

(Expressed in Canadian dollars, unless otherwise stated)

10. Finance lease obligation (continued)

The balance on the finance lease obligation and the contractual discounted cash flows at March 31, 2022 were as follows:

Schedule of Lease Liability	2022 ($)	2021 ($)
Current	39,008	29,739
Non-Current	33,247	—
Balance, end of year	**72,255**	**29,739**

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	2022 ($)	2021 ($)
One Year	39,008	29,739
Two to five years	33,247	—
Total undiscounted lease liabilites	**72,255**	**29,739**

11. Income taxes

The Company has provided for income tax provision of $ 7,462 (2021: $ 7,181) during the current year.

	2022 ($)	2021 ($)
Current:		
Current year tax expense	7,462	7,181
Deferrred:		
Original/reversal of temporary differences	—	—
	7,462	**7,181**

Reconciliaton of effective tax rate	2022 ($)	2021 ($)
Net income (loss) before income tax	24,296	29,761
Rate	26.50%	26.50%
Expected income tax at statutory rate	6,438	7,887
Prior year true up	(522)	(861)
Other	1,546	155
	7,462	7,181
Total income tax (recovery)	**30.71%**	**24.13%**
Comprised of:		
Current income tax expense	7,462	7,181
Deferred income tax (recovery)	-	-

The Company has no tax losses carry forward at the end of 2022.

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, 2021 to March 31, 2022, 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, 2021 to March 31, 2022 the Company earned $ 506,148 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, 2022, there was one director that met the definition of KMP and charges incurred for the provision of services to the Company was $ 351,030.

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 and its receivables are from the group company. The maximum exposure to credit risk from cash & receivables 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.