

IIFL INC

Financial Statements for the year ended

March 31, 2019

And Independent Auditors' Report



Shrinivas, Elliott & Eday LLP
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IIFL INC

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
IIFL Inc.

We have audited the accompanying statement of financial condition of IIFL Inc., (the Company) as of March 31, 2019, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IIFL Inc as of March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Shrinivas Elliott & Eday LLP, CPAs

New York, NY
April 30, 2019

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IIFL INC

Statement of Financial Condition March 31, 2019

	In USD 2019	In USD 2019
Assets		
Current Assets		
Cash and Cash Equivalent		447,876
Accounts receivable		27,986
Deposit		71,806
Prepaid Expenses		2,290
Deferred Tax Asset		104,773
Total Current Assets		654,731
Furniture & Equipment	157,278	
Less: Accumulated Depreciation	<u>(84,413)</u>	
		72,865
Total Assets		727,596
Liabilities & Stockholder's Equity		
Current Liabilities		
Accrued Expenses		20,350
Accounts Payable		24,307
Total Liabilities		44,657
Stockholder's Equity		
Common stock 1000 shares authorized, \$0.01 par value		
140 shares issued and outstanding		1
Additional paid-in capital/ share premium		1,029,499
Retained Deficit		(346,561)
Total Stockholder's Equity		682,939
Total Liabilities & Stockholder's Equity		727,596

See Independent Auditors' Report and notes to financial statements.

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IIFL INC

Statement of operations for the year ended March 31, 2019

	In USD
	2019
Revenues	
Business Support fees	1,540,000
Compliance Support fees	187,968
Interest & other	81
Total revenues	1,728,049
Operating Expenses	
Rent	91,688
Professional Fees	126,238
Telephone Expense	21,471
Depreciation Expense	12,627
Audit Fee	13,200
Office Supplies	9,960
Repairs & Maintenance	12,777
Postage and Delivery	4,941
Dues and Subscriptions	628
Bank Service Charges	455
Insurance Expense	1,873
Compensation & benefits	1,040,011
Travel	84,224
License & Registration	8,394
Taxes, others	1,235
Business Promotion	21,778
Donations	500
Miscellaneous Expense	(6)
Total Expenses	1,451,994
Income before Income taxes	276,055
Less Provision (refund) of income taxes	(1,296)
Less Deferred tax expense	49,944
Net Income	227,407

See Independent Auditors' Report and notes to financial statements.

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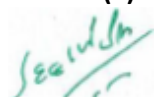
IIFL INC

Statement of changes in stockholder's equity for the year ended March 31, 2019

Particulars	Amount in USD
Stockholder's Equity April 1, 2018	455,532
Net Income / (Loss)	227,407
Stockholder's Equity March 31, 2019	682,939

See Independent Auditors' Report and notes to financial statements.

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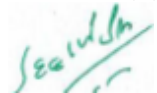
IIFL INC

Statement of Cash Flows for the year ended March 31, 2019

	In USD 2019
Particulars	
Operating Activities	
Net Income/ (Loss)	276,055
Adjustments to reconcile net income to net cash	
Depreciation	12,626
Changes in Workings Capital	
Decrease in Accounts Receivable	8,912
Increase in Accounts payable	23,786
Increase in Prepaid Expenses	(327)
Increase in Deposit	(2,200)
Decrease in Accrued Expenses	(100,362)
Decrease in Other current assets	4,000
Net cash used by operating activities (before income tax)	222,490
Excess income tax refunded for earlier years	1296
Net Cash provided by operating activities	223,786
Investing Activities	
Purchase of furniture & fixture	(56,203)
Net Cash used by investing activities	(56,203)
Net Increase in Cash	167,583
Cash at beginning of year	280,293
Cash at end of year	447,876

See Independent Auditors' Report and notes to financial statements.

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IIFL INC

Notes to Financial Statements March 31, 2019

1. ORGANIZATION AND NATURE OF BUSINESS

IIFL, Inc. (the "Company") is a wholly owned subsidiary of IIFL Wealth Management Limited (IIFLW), a public limited company incorporated in India. IIFLW acquired the entire equity share capital of IIFL Inc. from IIFL Holdings Limited (formerly known as India Infoline Limited), on June 18, 2014, an internal transfer within IIFL Group. IIFLW is subsidiary of IIFL Holdings Limited and accordingly IIFL Holdings Limited continues to be ultimate holding company of IIFLW.

The Company was incorporated on January 30, 2008 under the laws of the State of New York.

The company had made an application for Broker Dealer to Financial Industry Regulatory Authority and received its approval in April 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company keeps its books and prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Business and Compliance support fees are generally recorded when earned and contractually due.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers highly liquid investments, with original maturities of 90 days or less, that are not held for sale in the ordinary course of business to be cash equivalents.

Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective asset class as follows:

Asset Class	Useful life (years)
Office furniture and equipment	5
Computers	3

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See accompanying independent auditors' report.

IIFL, Inc.
Notes to Financial Statements March 31, 2019 (Continued)

Translation of foreign currencies

The Company's functional currency is the U.S. dollar. Assets and liabilities denominated in foreign currencies, if any, are translated based on the current rates of exchange at each balance sheet date, while income statement accounts are translated based on the rates of exchange at the time of each transaction. Gains or losses resulting from foreign currency transactions, if any, are included in net income.

Advertising costs

Advertising costs, if any, are charged to expenses as incurred. The Company incurred no advertising costs for the year ended March 31, 2019.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for expected future tax consequences of events that have been included in the financial statements. Under this method deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year the differences are expected to reverse. The effect of the change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

3. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax asset as of March 31, 2019 are as follows:

Classified as current:

Deferred tax asset	\$104,773
Less: valuation allowance	-
Net deferred tax asset	\$104,773

Income tax

The Company has not provided a valuation reserve against the deferred tax asset since management believes it is more likely that the full amount of the benefit will be realized in the future.

The provision for income taxes on the accompanying statement of operations differs from the amount computed by applying the combined federal and state statutory rate of 25% to the loss before income taxes due to the following:

- Differences in depreciation for tax purposes.
- Differences in treatment of meals and entertainment expenses for tax purposes

As of March 31, 2019, the Company has available unused net operating loss carry forwards that may be applied against future taxable income and that expire as follows:

Year of Expiration	Amount
2033	139,715
2034	96,079
2035	100,918
2036	5,147
2037	353,287

The Company files income tax returns in the U.S. federal, state and local jurisdictions. With few exceptions, the Company is no longer subject to-examination by federal, state and local tax authorities for years before 2014.

See accompanying independent auditors' report.

See audit
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IIFL, Inc.

Notes to Financial Statements March 31, 2019 (Continued)

4. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2019, the Company has provided business support services to IIFL Asset Management (Mauritius) Ltd., a company under common ownership, for USD 1,525,000. The Company has also provided business support services to IIFL Wealth Management Limited (immediate holding company) for USD 15,000. Such amount is included in the accompanying statement of operations.

During the year ended March 31, 2019 the Company paid expenses of \$354,055 on behalf of IIFL Capital Inc. At the same time IIFL Capital Inc has paid expenses on behalf of the company amounting to \$11,850 and the same was outstanding as on 31st March 2019.

5. COMMITMENTS AND CONTINGENCIES

The Company has obligations under an operating lease with initial non-cancelable terms in excess of one year. Aggregate annual rental for office space at March 31, 2019 is as listed below:

Year Ending March 31:	Amount
2020	275,063
2021	233,719

6. SUSEQUENT EVENTS

The Company evaluated subsequent events through April 30, 2019, the date its financial statements were available to be issued. The Company did not identify any material subsequent events requiring adjustment to or disclosure in its financial statements.

See accompanying independent auditors' report.

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