

IIFL INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

MARCH 31, 2021

IIFL INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Condition	2
Statement of Operations	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8



YSL & Associates LLC

Certified Public Accountants

Member of Parker Randall International

11 Broadway, Suite 700, New York, NY 10004

Tel: (212) 232-0122 Fax: (646) 218-4682

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
IIFL Inc.

We have audited the accompanying financial statements of IIFL Inc. (the "Company"), which comprise the statement of financial condition as of March 31, 2021, and the related statement of operations, changes in shareholder's 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 audits. We conducted our audits 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.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial condition of the Company as of March 31, 2021, 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.

YSL & Associates LLC

New York, NY
May 6, 2021

IIFL Inc.

Statement of Financial Condition March 31, 2021

Assets

Cash	\$	379,941
Due from affiliated company		41,194
Security deposit		30,000
Right-to-use asset		266,186
Fixed assets, net of accumulated depreciation of \$21,405		20,064
Total assets	\$	737,385

Liabilities and Stockholders' Equity

Accounts payable and other accrued liabilities	\$	21,598
Lease liability		268,930
Total liabilities		290,528
Stockholder's equity:		
Common stock, \$0.01 par value. Authorized 1,000 shares; issued and outstanding 140 shares		1
Additional paid-in capital		1,029,499
Accumulated deficit		(582,643)
Total stockholder's equity		446,857
Total liabilities and stockholder's equity	\$	737,385

The notes to financial statements are an integral part of this statement

IIFL Inc.

Statement of Operations For the Year Ended March 31, 2021

Revenue	
Service fee income	\$ 632,685
Expenses	
Compensation and benefits	585,290
Professional fees	117,709
Occupancy and office expenses	142,684
Travel, entertainment and promotional	170
Regulatory fees and expenses	14,746
Communications	23,031
Other	7,788
Depreciation	8,294
Total expenses	<u>899,712</u>
Loss before provision for income taxes	(267,027)
Income tax expense	<u>67,322</u>
Net loss	<u><u>\$ (334,349)</u></u>

The notes to financial statements are an integral part of this statement

IIFL Inc.

Statement of Changes in Stockholder's Equity For the Year Ended March 31, 2021

	<u>Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated (Deficit)</u>	<u>Total Stockholder's Equity</u>
Balance, April 1, 2020	140	\$ 1	\$ 1,029,499	\$ (248,294)	\$ 781,206
Net loss		-	-	(334,349)	(334,349)
Balance, March 31, 2021	<u>140</u>	<u>\$ 1</u>	<u>\$ 1,029,499</u>	<u>\$ (582,643)</u>	<u>\$ 446,857</u>

The notes to financial statements are an integral part of this statement

IIFL Inc.

Statement of Cash Flows For the Year Ended March 31, 2021

Cash flows from operating activities:

Net loss	\$ (334,349)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	8,294
Amortization of right-to-use asset	147,386
Decrease (increase) in operating assets	
Accounts receivable	128,349
Due from affiliated company	(41,194)
Prepaid expenses and other	11,615
Deferred tax asset	67,272
Increase (decrease) in operating liabilities:	
Accounts payable and other accrued liabilities	(27,635)
Lease liability	(146,668)
Due to affiliated company	(10,618)
Net cash used in operating activities	<u>(197,548)</u>
Net decrease in cash	(197,548)
Cash at beginning of year	<u>577,489</u>
Cash at end of year	<u>\$ 379,941</u>
Supplemental disclosure of cash flow information	
Cash paid during the year for taxes	<u>\$ 50</u>

The notes to financial statements are an integral part of this statement

IIFL Inc.

Notes to Financial Statements Year Ended March 31, 2021

1. Organization

IIFL Inc. (“the Company”) is a wholly owned subsidiary of IIFL Wealth Management Limited., Mumbai, India (Parent). The Company became a broker-dealer on April 11, 2019. However, it has withdrawn its broker-dealer membership effective October 1, 2020.

When the Company had license, the Company used to market India-oriented financial products to Institutions and Accredited Investors in the United States through Private Placements. IIFL Inc. did not handle investor funds or take custody of funds and securities as the investor funds the investment directly with the investment manager.

2. Significant Accounting Policies

a) Cash

The Company maintains cash at federally insured banking institutions. Cash on deposit with financial institutions may, at times, exceed federal insurance limits; however, the Company does not consider itself to be at risk with respect to its cash deposits.

b) Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets and amounted to \$8,294 for the year ended March 31, 2021.

c) 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. Deferred tax assets and liabilities are recognized subject to management’s judgment that realization is more likely than not.

d) Estimates

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) which 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) Revenue Recognition

Effective April 1, 2019, the Company adopted ASC Topic 606 Revenue from Contracts with Customers.

**Notes to Financial Statements
Year Ended March 31, 2021**

2. Significant Accounting Policies (Continued)

e) Revenue Recognition (continued)

Service Fee Income

The Company provides marketing and client relationship services for transactions between U.S. institutional and accredited investors and its affiliate, IIFL Wealth Prime Limited. This represents the only performance obligation which is satisfied over time as the services are provided. The Company recorded revenue based on a cost plus 8% arrangement that was agreed to by the Company. Revenue is recognized monthly as earned based on the corresponding costs in accordance with the agreement as services are rendered. Related receivables are generally satisfied within 2 months. However, the service fee income has been terminated since October 2020 due to surrender of the Company's broker-dealer license. No service fee income was charged after September 30, 2020.

3. Related Party Transactions

The Company maintains an administrative services agreement with an affiliated entity in the US, IIFL Capital Inc. whereby IIFL Inc. is to provide certain services. Management determined the amount of certain expenses paid directly by IIFL Inc. that should be allocated to IIFL Capital Inc., such as rent, office expenses and other operating expenses. The aggregate amount of these services billed to IIFL Capital Inc. during the fiscal year was \$53,975 and the accumulated balance of \$108,267 remained uncollected and is included in due from affiliated company as of March 31, 2021. IIFL Capital Inc., on behalf of IIFL Inc., paid certain expenses and a total of \$67,073 was due to the affiliated company. As of March 31, 2021, the net balance of due from affiliated company was \$41,194.

4. Off-Balance-Sheet Risk, Concentration Risk and Credit Risk

The Company's policy is to continuously monitor its exposure to market and counterparty risk by using a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the credit standing of each customer and/or other counterparty with which it conducts business.

5. Income Taxes

The Company has accumulated operating loss of \$582,643 as of March 31, 2021. The management has evaluated the likelihood of its tax position and resulted in a full valuation allowance. The management has decided to write off its deferred tax asset of \$67,272.

At March 31, 2021, the Company has determined that the Company has no uncertain tax positions that would require financial statement recognition.

6. 401k Plan

The Company also sponsors a qualified defined contribution salary reduction 401(k) plan covering all eligible employees. The maximum contribution payable under the plan is equal to a defined

IIFL Inc.

Notes to Financial Statements Year Ended March 31, 2021

6. 401k Plan (Continued)

percentage of the eligible employee's salary subject to Internal Revenue Service ("IRS") limits. Employee contributions may be matched at the discretion of the Company subject to IRS limits. The expense related to the 401(k) plan for the year ended March 31, 2021 was \$7,347.

7. Concentrations

The Company is dependent on its affiliate for 100% of its revenue.

Most of the Company's assets are held in the form of cash in accounts at major commercial banks.

Management does not expect any losses to result with respect to any of these concentrations.

8. Commitments and Contingent Liabilities

The Company is a co-signer along with IIFL Capital Inc. on the lease for its office space, such lease expiring on November 30, 2022. For the year ended March 31, 2021, the rent expenses were \$126,254 and is included in occupancy and office expenses on the statement of operations. The Company would be obligated on the full amount of lease payments remaining at any time should IIFL Capital Inc. default on its portion. Future annual lease payments are as follows:

Year Ending March 31	Total
2022	Commitments
	169,394
Thereafter	<u>113,915</u>
	<u>\$ 283,309</u>

9. COVID-19

During the 2020 calendar year, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern". This pandemic has disrupted economic markets and the economic impact, duration and spread of the COVID-19 virus is uncertain at this time. The financial performance of the Company is subject to future developments related to the COVID-19 outbreak and possible government advisories and restrictions placed on the financial markets and business activities. The impact on financial markets and the overall economy, all of which are highly uncertain, cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period the Company's results may be materially affected. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

10. Subsequent Event

Management of the Company has evaluated subsequent events through auditor's report date, which is the date the financial statements are available to be issued. The Management has determined that no material events have occurred which would require disclosure in the financial statements.