

# IIFL INC

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Financial Statements For the year Ended

March 31, 2015

And Independent Auditors' Report



Shrinivas, Elliott & Eday LLP  
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**NEW YORK OFFICE: 505 Eighth Avenue, Suite 1402, New York, NY 10018**  
**NEW JERSEY OFFICE: 250 Moonachie Road, Suite 301, Moonachie, NJ 07074**  
**Tel: (646) 416 6669 Direct: (917) 607 1900 Fax: (646) 395 1726**  
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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, 2015, 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.

*See us at*

**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, 2015, 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 16, 2015

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# IIFL INC

## Statement of Financial Condition March 31, 2015

in USD  
2015

### Assets

#### Current Assets

Cash and Cash Equivalents	605,770
Accounts receivable	167,314
Deposit	1,500
Prepaid Expenses	16,049
Deferred Tax Asset	143,845

**Total Current Assets** **934,478**

<b>Furniture &amp; Equipment</b>	67,336
Less: Accumulated Depreciation	-64,315
<b>Furniture &amp; Equipment, net</b>	<b>3,021</b>

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**Total Assets** **937,499**

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### Liabilities & Stockholder's Equity

#### Current Liabilities

Accrued Expenses	145,000
Accounts Payable	2,206
Due to Related Party	1,427

**Total Liabilities** **148,633**

#### 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	-240,634

**Total Stockholder's Equity** **788,866**

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**Total Liabilities & Stockholder's Equity** **937,499**

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See Independent Auditors' Report and notes to financial statements.

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# IIFL INC

Statement of operations for the year ended March 31, 2015

	In USD
	2015
<b>Revenues</b>	
Advisory Services Income	718,386
Interest & other	568
<b>Total revenues</b>	<b>718,954</b>
<b>Operating Expenses:</b>	
Sub Account Facilitation Expenses	280,000
Rent	82,439
Professional Fees	23,755
Doubtful & Bad Debts	18,160
Telephone expense	15,635
Depreciation Expense	9,850
Audit Fees	10,214
Office Supplies	2,912
Postage and Delivery	1,661
Bank Service Charges	1,195
Insurance Expense	1,876
Printing & Stationary	1,658
Compensation & benefits	447,325
Travel	63,374
License & Registration	2,684
Taxes, others	5,697
Business Promotion	8,296
Miscellaneous expenses	793
<b>Total Expenses</b>	<b>977,524</b>
<b>Loss before Income taxes</b>	<b>(258,570)</b>
Less: Provision (refund) of Income taxes	(61,203)
<b>Net Loss</b>	<b>(197,367)</b>

See Independent Auditors' Report and notes to financial statements.

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# IIFL INC

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Statement of changes in stockholder's equity for the year ended March 31, 2015

<b>Particulars</b>	<b>Amount in USD</b>
Stockholder's Equity April 1, 2014	986,233
Net Income / (Loss)	(197,367)
<b>Stockholder's Equity March 31, 2015</b>	<b>788,866</b>

See Independent Auditors' Report and notes to financial statements.

# IIFL INC

## Statement of Cash Flows for the year ended March 31, 2015

<b>Particulars</b>	<b>In USD 2015</b>
<b>Operating Activities</b>	
Net Income/ (Loss)	(197,367)
Adjustments to reconcile net loss to net cash used by Operating activities:	
Depreciation	9,850
Increase (decrease) in	
Accounts Receivable	(3,947)
Due from related party	2,290
Prepaid expenses	(3,876)
Deposit	(1,500)
Deferred tax asset	(61,203)
Increase in	
Accrued expenses	81,587
Accounts payable	2,206
Due to related party	1,427
<b>Net Cash used by operating activities</b>	<b>(170,533)</b>
<b>Investing Activities</b>	
Purchase of Equipment	(650)
<b>Net Cash used by investing activities</b>	<b>(650)</b>
<b>Net decrease in Cash</b>	<b>(171,183)</b>
Cash at beginning of year	776,953
<b>Cash at end of year</b>	<b>605,770</b>

See Independent Auditors' Report and notes to financial statements.

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# IIFL INC

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## Notes to Financial Statements March 31, 2015

### **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 and is registered with the Securities and Exchange Commission ("SEC") as an Investment Advisor.

The Company focuses its investments in the South East Asian markets, with primary focus on India and Singapore.

Pursuant to Securities Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, the Company has registered itself as Category II - Foreign Portfolio Investor. .

The Company also provides investment advice to its clients on investments in South East Asian markets, with a focus on India and Singapore. The Company also provides India investment related compliance and related advisory services to its clients and inter alia advises them on registration formalities for obtaining FPI license in India, which will enable its clients to invest into India, through the portfolio investment route. The Company's clients are predominately comprised of hedge funds, investment managers and banks.

Prior to July 9, 2013 the Company was also a SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA"). On July 9, 2013 FINRA granted the continuing membership application of the Company wherein the Company requested approval of an asset transfer to a new entity through succession and amendment to the Form BD pursuant to NASD Rule 1017. As a result the Company's status as a SEC registered broker-dealer and member of FINRA was transferred to I I F L Capital, Inc., a company under common ownership.

On February 18, 2014 the parent changed its name from India Infoline Limited to IIFL Holdings Limited.

### **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**

Advisory fees are generally recorded when earned and contractually due. Research fees are recorded when such fees are reasonably determinable or as received.

#### **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.

**IIFL, Inc.**

**Notes to Financial Statements March 31, 2015 (Continued)**

**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:

<b>Asset Class</b>	<b>Useful life (years)</b>
Office furniture and equipment	5
Computers	3

**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, 2015.

**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, 2015 are as follows:

Classified as current:	
Deferred tax asset	\$143,845
Less: valuation allowance	-
Net deferred tax asset	\$143,845

**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 40% to the loss before income taxes due to the following:

- The Company's year-end for financial reporting is March 31, however its yearend for tax purposes is December 31.
- Differences in depreciation for tax purposes.
- Differences in treatment of meals and entertainment expenses for tax purposes

**IIFL, Inc.**

**Notes to Financial Statements March 31, 2015 (Continued)**

**3. INCOME TAXES (CONTINUED)**

As of March 31, 2015, 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
2031	139,715
2034	219,899

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 2012.

**4. RELATED PARTY TRANSACTIONS**

During the year ended March 31, 2015, the Company paid \$280,000 to IIFL Private Wealth (Mauritius) Ltd., a company under common ownership, for subaccount facilitation fees. Such amount is included in the accompanying statement of operations.

During the year ended March 31, 2015 the Company received payments totaling \$100,825 that was due from IIFL Capital, Inc., a company under common ownership. The Company also paid expenses of \$28,936 on behalf of IIFL Capital, Inc. for the year ended March 31, 2015. As of March 31, 2015, the Company owed \$1,427 to IIFL Capital, Inc. which is reflected in the financial statements as due to related party.

**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, 2015 is as listed below:

Year Ending March 31:	Amount
2016	94,276

**6. SUSEQUENT EVENTS**

The Company evaluated subsequent events through April 16, 2015, 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.