REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and Those Charged with Governance of
IIFL Capital Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of IIFL Capital Inc. (the “Company”), as of March 31, 2023, the related statements of operations, changes in stockholder’s equity and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations and its cash flows for the year ended March 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Supplemental Information

The supplementary information, the Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission and the Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission, has been subjected to audit procedures performed in conjunction with the audit of the Company’s financial statements. The supplemental information is the responsibility of the Company’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplementary information, we evaluated whether the supplementary information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Company’s auditor since 2015.

Whippany, NJ
April 17, 2023
## Statement of Financial Condition
March 31, 2023

### Assets
- Cash and cash segregated under federal regulations: $1,260,882
- Fixed assets, net of accumulated depreciation of $984: 2,374
- Due from Parent: 400,000
- Deferred tax asset: 59,220
- Security deposits: 1,800
- Other assets: 9,100

**Total assets**: $1,733,376

### Liabilities and Stockholder’s Equity
- Accounts payable and other accrued liabilities: $416,469
- Due to affiliate: 2,928
- Income taxes payable: 8,050

**Total liabilities**: 427,447

Stockholder’s equity:
- Common stock, $0.01 par value. Authorized 1,000 shares; issued and outstanding 1,000 shares: 10
- Additional paid-in capital: 687,490
- Retained earnings: 618,429

**Total stockholder’s equity**: 1,305,929

**Total liabilities and stockholder’s equity**: $1,733,376

The accompanying notes are an integral part of these financial statements.
IIFL Capital Inc.  
(a wholly owned subsidiary of IIIFL Securities Limited)  
Statement of Operations  
For the Year Ended March 31, 2023  

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer pricing income</td>
<td>$1,685,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and benefits</td>
<td>$871,475</td>
</tr>
<tr>
<td>Commission expense</td>
<td>$292,534</td>
</tr>
<tr>
<td>Professional fees</td>
<td>$204,947</td>
</tr>
<tr>
<td>Travel, entertainment and promotional</td>
<td>$123,692</td>
</tr>
<tr>
<td>Occupancy and office expenses</td>
<td>$34,001</td>
</tr>
<tr>
<td>Regulatory fees and expenses</td>
<td>$15,850</td>
</tr>
<tr>
<td>Communications</td>
<td>$12,695</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$882</td>
</tr>
<tr>
<td>Other</td>
<td>$5,202</td>
</tr>
</tbody>
</table>

Total expenses  
$1,561,278  

Income before benefit from income taxes  
$123,722  

Income tax benefit  
$(31,645)  

Net income  
$155,367  

The accompanying notes are an integral part of these financial statements.
IIFL Capital Inc.
(a wholly owned subsidiary of IIFL Securities Limited)
Statement of Changes in Stockholder’s Equity
For the Year Ended March 31, 2023

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Retained Earnings</th>
<th>Total Stockholder's Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2022</td>
<td>$ 10</td>
<td>$ 687,490</td>
<td>$ 463,062</td>
<td>$ 1,150,562</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>$ 155,367</td>
<td>155,367</td>
</tr>
<tr>
<td>Balance at March 31, 2023</td>
<td>$ 10</td>
<td>$ 687,490</td>
<td>$ 618,429</td>
<td>$ 1,305,929</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
IIFL Capital Inc.
(a wholly owned subsidiary of IIFL Securities Limited)
Statement of Cash Flows
For the Year Ended March 31, 2023

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$ 155,367</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>882</td>
</tr>
<tr>
<td>Decrease (Increase) in operating assets</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>379</td>
</tr>
<tr>
<td>Due from Parent</td>
<td>(13,000)</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>(59,220)</td>
</tr>
<tr>
<td>Increase in operating liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other accrued liabilities</td>
<td>65,229</td>
</tr>
<tr>
<td>Due to affiliate</td>
<td>584</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>4,550</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>154,771</td>
</tr>
</tbody>
</table>

**Cash flows used in investing activities:**

| Purchase of fixed assets                                                   | (2,133)    |

Net increase in cash and cash segregated under federal regulations            152,638

Cash and cash segregated under federal regulations at beginning of year      1,108,244

Cash and cash segregated under federal regulations at end of year             $ 1,260,882

Supplemental disclosure of cash flow information

| Cash paid during the year for taxes                                       | $ 23,025   |

The accompanying notes are an integral part of these financial statements.
1. **Organization**

IIFL Capital Inc. (the Company) is a wholly owned subsidiary of IIFL Securities Limited, Mumbai, India (Parent). The Company provides brokerage and research services to institutional investors in the United States investing in securities of companies principally headquartered in India. The Company is registered with the Securities and Exchange Commission (the SEC) as a broker-dealer and is a member of the Financial Industry Regulatory Authority (FINRA).

The Company’s customers transact their business on a delivery versus payment basis. The settlement of the customer securities transactions is facilitated by its Parent in India for securities traded in the Indian stock markets. Accordingly, the Company operates under the exemptive provisions of Rule 15c3-3(k)(2)(i) of the Securities Exchange Act of 1934, and it is also subject to Rule 15c3-1, the Uniform Net Capital Rule.

2. **Significant Accounting Policies**

   a) **Cash and cash segregated under federal regulations**

   The Company maintains cash at federally insured banking institutions. Cash includes $89,739 in a special account segregated in compliance with federal regulations to cover commission rebate liabilities amounting to $26,452 included in accounts payable and other accrued liabilities. Total expense paid for such commission rebates was $292,534 and is recorded as commission expense on the statement of operations.

   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 $882 for the year ended March 31, 2023.

   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) **Basis of Presentation and Use of 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.
2. Significant Accounting Policies (continued)

e) Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

Significant Judgement

Significant judgement is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

Transfer Pricing Income

The Company provides execution and brokerage services for transactions between its U.S. institutional investors and its Parent, IIFL Securities Limited, in accordance with SEC Rule 15a-6(a)(3). Pursuant to a Brokerage Service Agreement between the Company and the IIFL Securities Limited, the Company provides execution, marketing and client relationship services to institutional customers in the purchase and sales of foreign securities. 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 and IIFL Securities Limited and is in agreement with a transfer pricing study obtained by both the parties to the agreement. 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.

Contract Assets and Liabilities

The Company had no customer receivables as of April 1, 2022, or March 31, 2023. The Company had no contract assets or liabilities as of April 1, 2022, or March 31, 2023.

f) Allowance for Credit Losses

The Company follows Accounting Standards Codification (“ASC”) Topic 326, Financial Instruments – Credit Losses (“ASC 326”). ASC 326 impacts the impairment model for certain financial assets by requiring a current expected credit loss (“CECL”) methodology to estimate expected credit losses over the entire life of the financial asset.

The Company did not have any accounts receivable impacted by the guidance.
2. Significant Accounting Policies (continued)

An allowance for credit losses may be based on the Company's expectation of the collectability of its receivables utilizing the CECL framework. The Company considers factors such as historical experience, credit quality, age of balances and current and future economic conditions that may affect the Company’s expectation of collectability in determining the allowance for credit losses. Since the Company had no accounts receivable, there is no credit risk; therefore, the Company has not provided an allowance for credit losses at March 31, 2023.

3. Related Party Transactions

An affiliated company paid $584 for expenses on behalf of the Company. As of March 31, 2023, the Company owed the affiliate $2,928.

For the year ended March 31, 2023, the Company earned $1,685,000 in transfer pricing revenue from its Parent. At March 31, 2023, $400,000 remained unpaid.

The accompanying financial statements have been prepared from the separate records maintained by the Company and, due to certain transactions and agreements with affiliated entities, such financial statements may not necessarily be indicative of the financial condition that would have existed or the results that would have been obtained from operations had the Company operated as an unaffiliated entity.

4. Net Capital Requirement

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined. The Company has elected to use the alternative method of computing its net capital. Under this method, net capital, as defined, shall not be less than $250,000. At March 31, 2023, the Company had net capital of approximately $833,000 which exceeded requirements by approximately $583,000.

5. 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.

6. Income Taxes

Total income tax benefit is $31,645 and represents federal, state and local taxes as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal income tax benefit</td>
<td>$(31,720)</td>
</tr>
<tr>
<td>State and local taxes</td>
<td>75</td>
</tr>
<tr>
<td>Total current tax benefit</td>
<td>$(31,645)</td>
</tr>
</tbody>
</table>

At March 31, 2023, the Company’s deferred tax assets are $59,220. The Company’s deferred tax assets were primarily related to the non-deductible portions of the accrued incentive compensation. The value of the deferred tax asset was calculated based on the estimated accrued incentive compensation as of March 31, 2023. The Company recognizes accrued
6. Income Taxes (continued)

interest and penalties related to uncertain tax positions in income tax expense (benefit) within
the statement of operations; however, there are none for the year ended March 31, 2023. At this
time, the Company does not expect any material change in the unrecognized tax benefits amount
over the next twelve months.

The Company does not have any uncertain tax positions or any material unrecognized tax
benefits or tax liabilities at March 31, 2023. The difference between the statutory federal rate of
21% and the effective tax rate of (25.6%) is due to the deductibility of certain expenses.

7. 401(k) Plan

The Company 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
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, 2023, was $21,459.

8. Concentrations

The Company is dependent on its Parent for all of its operating revenue.

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

The Company has significant cash balances at financial institutions which throughout the year
regularly exceed the federally insured limit of $250,000. Any loss incurred or lack of access to
such funds could have a significant adverse impact on the Company’s financial condition, results
of operations, and such cash flows.

9. Commitments and Contingent Liabilities

The Company rents office space under an operating lease with a term of three (3) months. The
lease automatically renews for three months unless 60 days’ notice to terminate the lease is
given. The quarterly amount under this arrangement is $3,600. Under the terms of the operating
lease, there are scheduled escalations that will bring the quarterly amount to $3,816.

Total rent expense for the year ended March 31, 2023, was $14,832 and is included in
occupancy and office expenses on the statement of operations.