

LLC IC FREEDOM FINANCE

Financial Statements and Independent Auditor's Report
For the years ended March 31, 2019 and 2018

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CERTIFIED PUBLIC
ACCOUNTANTS AND
BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Shareholders and Board of Directors LLC IC Freedom Finance Moscow, Russia

We have audited the accompanying financial statements of LLC IC Freedom Finance, which comprise the standalone balance sheets as of March 31, 2019 and 2018, and the related standalone statements of operations and statements of other comprehensive income/(loss), changes in equity, and cash flows for the years then ended, and the related notes to the standalone 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note 3 to the financial statements, the Company reports its investments in JSC Freedom Finance, FFIN Bank, and LLC First Stock Store (Freedom 24), majority-owned subsidiaries, on the cost method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of JSC Freedom Finance, FFIN Bank, and Freedom 24 had been consolidated with those of LLC IC Freedom Finance, as of March 31, 2019 and 2018 total assets would be increased by approximately \$171,842 and \$216,966, respectively, total liabilities would be increased by approximately \$142,145 and \$180,284, respectively; revenues would be increased by approximately \$34,449 and \$39,564, respectively, and expenses would be increased by approximately \$33,442 and \$25,117, respectively, for the years then ended.

Qualified Opinion

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of LLC IC Freedom Finance as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WSRP, LLC

Salt Lake City, Utah
August 20, 2019

LLC IC FREEDOM FINANCE

STANDALONE BALANCE SHEETS

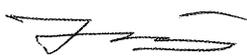
(All amounts in thousands of United States dollars, unless otherwise stated)

	March 31, 2019	March 31, 2018*
		(Recast)
ASSETS		
Cash and cash equivalents	\$ 18,577	\$ 6,233
Restricted cash	629	9,626
Trading securities	13,831	13,460
Investment in subsidiaries	46,569	27,562
Brokerage and other receivables, net	19,915	8,736
Loans issued	5,102	9,004
Deferred tax assets	1,167	640
Fixed assets, net	2,072	755
Intangible assets, net	2,789	3,672
Other assets, net	1,889	1,728
TOTAL ASSETS	\$ 112,540	\$ 81,416
LIABILITIES AND EQUITY		
Customer liabilities	\$ 29,242	\$ 15,272
Debt securities issued	7,838	-
Trade payables	2,203	929
Securities repurchase agreement obligation	2,146	12,286
Other liabilities	1,243	611
TOTAL LIABILITIES	42,672	29,098
Commitments and Contingent Liabilities (Note 22)	-	-
EQUITY		
Charter Capital	56,725	29,029
Additional paid in capital	13,519	21,824
Retained earnings	5,906	4,420
Accumulated Other Comprehensive Loss	(6,282)	(2,955)
TOTAL EQUITY	69,868	52,318
TOTAL LIABILITIES AND EQUITY	\$ 112,540	\$ 81,416

The accompanying notes are an integral part of these standalone financial statements.

* See Notes 2 and 4 for information regarding recast amounts and basis of financial statement presentation.

On behalf of the Company:



Turlov T. R.
 Chief Executive Officer





Morozova N.A.
 Chief Accountant

LLC IC FREEDOM FINANCE

STANDALONE STATEMENTS OF OPERATIONS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

(All amounts in thousands of United States dollars, unless otherwise stated)

	Years ended March 31,	
	2019	2018* (Recast)
<i>Revenue:</i>		
Fee and commission income	\$ 13,966	\$ 5,028
Net (loss)/gain on trading securities	(133)	3,984
Interest income	6,226	5,196
Net gain on derivatives	-	482
Net (loss)/gain on foreign exchange operations	(288)	764
Other income, net	9	236
TOTAL REVENUE, NET	19,780	15,690
<i>Expense:</i>		
Interest expense	517	1,200
Fee and commission expense	2,436	827
Operating expense	15,888	8,184
TOTAL EXPENSE	18,841	10,211
NET INCOME BEFORE INCOME TAX	939	5,479
Income tax benefit/(expense)	547	(338)
NET INCOME	\$ 1,486	\$ 5,141
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustments, net of tax	\$ (3,327)	\$ (191)
COMPREHENSIVE (LOSS)/ INCOME	\$ (1,841)	\$ 4,950

The accompanying notes are an integral part of these standalone financial statements.

* See Notes 2 and 4 for information regarding recast amounts and basis of financial statement presentation.

On behalf of the Company:

Turlov T. R.
Chief Executive Officer



Morozova N.A.
Chief Accountant

LLC IC FREEDOM FINANCE

STANDALONE STATEMENTS OF CHANGES IN EQUITY

(All amounts in thousands of United States dollars, unless otherwise stated)

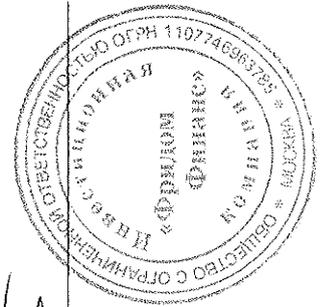
	Charter Capital	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance at March 31, 2017	\$ 21,104	\$ 9,072	\$ (721)	\$ (2,764)	\$ 26,691
Charter capital	7,925	5,715	-	-	13,640
Acquisition of Netrader	-	7,037	-	-	7,037
Foreign currency translation gain	-	-	-	(191)	(191)
Net income	-	-	5,141	-	5,141
Balance at March 31, 2018* (Recast)	29,029	21,824	4,420	(2,955)	52,318
Capital contributions	5,715	(5,715)	-	-	-
Charter capital	19,391	-	-	-	19,391
Acquisition of Netrader	2,590	(2,590)	-	-	-
Foreign currency translation loss	-	-	-	(3,327)	(3,327)
Net income	-	-	1,486	-	1,486
Balance at March 31, 2019	\$ 56,725	\$ 13,519	\$ 5,906	\$ (6,282)	\$ 69,868

The accompanying notes are an integral part of these standalone financial statements.
* See Notes 2 and 4 for information regarding recast amounts and basis of financial statement presentation.

On behalf of the Company:

Turlov T. R.
Chief Executive Officer

Morozova N.A.
Chief Accountant



LLC IC FREEDOM FINANCE

STANDALONE STATEMENTS OF CASH FLOWS

(All amounts in thousands of United States dollars, unless otherwise stated)

	For the Years ended	
	March 31, 2019	March 31, 2018*
		(Recast)
Cash Flows From Operating Activities		
Net income	\$ 1,486	\$ 5,141
Adjustments to reconcile net income from operating activities:		
Depreciation and amortization	1,040	860
Change in deferred taxes	(600)	338
Derivatives	-	(482)
Unrealized gain/(loss) on trading securities	1,854	(1,634)
Allowance for receivables	(213)	-
Net change in accrued interest	114	-
Changes in operating assets and liabilities:		
Trading securities	(3,771)	4,127
Brokerage and other receivables	(11,934)	(3,885)
Loans issued	2,854	(4,889)
Other assets	(359)	(1,322)
Customer liabilities	15,679	9,003
Current income tax liability	-	(128)
Trade payables	1,376	849
Securities repurchase agreement obligation	(8,693)	(1,953)
Other liabilities	699	418
Net cash flows (used in)/ from operating activities	<u>(468)</u>	<u>6,443</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	(1,992)	(174)
Proceeds from sale of fixed assets	12	6
Proceeds from sale of intangible assets	-	10
Cash received at acquisition	-	1,058
Investments in subsidiaries	(19,007)	(11,458)
Net cash flows used in investing activities	<u>(20,987)</u>	<u>(10,558)</u>
Cash Flows From Financing Activities		
Capital contributions	19,391	13,640
Proceeds from issue of debt securities	7,698	-
Net cash flows from financing activities	<u>27,089</u>	<u>13,640</u>
Effect of changes in foreign exchange rates on cash and cash equivalents	(2,287)	(58)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>3,347</u>	<u>9,467</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	<u>15,859</u>	<u>6,392</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	<u>\$ 19,206</u>	<u>\$ 15,859</u>

LLC IC FREEDOM FINANCE

STANDALONE STATEMENTS OF CASH FLOWS

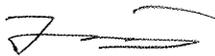
(All amounts in thousands of United States dollars, unless otherwise stated)

	For the years ended	
	March 31, 2019	March 31, 2018* (Recast)
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ (450)	\$ (1,135)
Income tax paid	\$ (105)	\$ (514)
Non-cash investing activities:		
Consideration for Nettrader acquisition to be settled	\$2,590	\$ -
Assets received from acquisition of Nettrader	\$ -	\$ 11,158
Liabilities assumed from Nettrader	\$ -	\$ 4,121

The accompanying notes are an integral part of these standalone financial statements.

* See Notes 2 and 4 for information regarding recast amounts and basis of financial statement presentation.

On behalf of the Company:



Turlov T. R.
Chief Executive Officer



Morozova N.A.
Chief Accountant

LLC IC FREEDOM FINANCE

NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

NOTE 1 – DESCRIPTION OF BUSINESS

Overview

LLC IC Freedom Finance (referred to herein as “Freedom RU” or the “Company”) is a Russian limited company that was organized in 2010. Since 2010, Freedom RU has been engaged in the securities brokerage and financial services business in the Russian Federation. Freedom RU is 100% owned by Freedom Holding Corp. (“Owner”).

Freedom RU provides brokerage and financial services in the capital markets in Russia, including maintaining customer accounts, managing investment portfolios, providing financial consulting and engaging in market making activities.

Freedom RU also maintains a representative office in Kazakhstan (referred to herein as “KZ Branch”). This office is located in Almaty, Kazakhstan. In addition to acting as the representative office of Freedom RU in Kazakhstan, the representative office offers educational courses, training materials and online resources to individuals interested in learning about stock markets and securities trading.

Unless otherwise specifically indicated or as is otherwise contextually required, Freedom RU and KZ Branch are collectively referred to herein as the “Company”.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

The Company’s accounting policies and accompanying Standalone financial statements conform to accounting principles generally accepted in the United States of America (US GAAP).

These financial statements have been prepared on the accrual basis of accounting.

Basis of presentation

The Company’s Standalone financial statements present the Standalone accounts of Freedom RU.

Use of estimates

The preparation of financial statements in conformity with US GAAP 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. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

LLC IC FREEDOM FINANCE

NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

Revenue and expense recognition

Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC Topic 606”), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services promised to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. A significant portion of the Company’s revenue-generating transactions are not subject to ASC Topic 606, including revenue generated from financial instruments, such as loans and investment securities, as these activities are subject to other US GAAP guidance discussed elsewhere within these disclosures. Descriptions of the Company’s revenue-generating activities that are within the scope of ASC Topic 606, which are presented in the Standalone Statements of Operations and Statements of Other Comprehensive Income as components of non-interest income are as follows:

- Commissions on brokerage services;
- Commissions on banking services (money transfers, foreign exchange operations and other); and
- Commissions on investment banking services (underwriting, market making, and bondholders’ representation services).

The Company adopted the new guidance on April 1, 2018. Under Topic 606, the Company is required to recognize incentive fees when they are probable and there is not a significant chance of reversal in the future. For the brokerage commission, banking service commission and investment banking services commission contracts in place at the time of adoption, this change in policy did not result in any actual change in revenue that had already been recognized and therefore there was no transition adjustment necessary.

The Company recognizes revenue when five basic criteria have been met:

- The parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations.
- The entity can identify each party’s rights regarding the goods or services to be transferred.
- The entity can identify the payment terms for the goods or services to be transferred.
- The contract has commercial substance (that is, the risk, timing, or amount of the entity’s future cash flows is expected to change as a result of the contract).
- It is probable that the entity will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Derivative financial instruments

In the normal course of business, the Company invests in various derivative financial contracts including futures. Derivatives are initially recognized at fair value at the date a derivative contract

LLC IC FREEDOM FINANCE

NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in assets and liabilities at fair value through profit or loss in the Stand-Alone balance sheet.

The Company purchases foreign currency futures contracts from financial institutions to minimize the risk caused by foreign currency fluctuation on its foreign currency receivables and payables. Futures are traded on Kazakhstan Stock Exchange and represent commitments to purchase or sell a particular foreign currency at a future date and at a specific price.

All gains and losses on foreign currency contracts were realized during the year ended March 31, 2019, and are included in net gain on derivatives in the Standalone Statements of Operations and Statements of Other Comprehensive Income/(Loss).

Functional currency

Management has adopted ASC 830, Foreign Currency Translation Matters as it pertains to its foreign currency translation. The Company's functional currency is the Russian ruble. The Company's Parent's functional currency and reporting currency is the United States dollars. Consistent with the group policy the Company's reporting currency is the United States dollars. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Average monthly rates are used to translate revenues and expenses. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in revenue.

Cash and cash equivalents

Cash and cash equivalents are generally comprised of certain highly liquid investments with maturities of three months or less at the date of purchase. Cash and cash equivalents include securities received under agreement to repurchase which are recorded at the amounts at which the securities were acquired or sold plus accrued interest.

Securities reverse repurchase and repurchase agreements

A reverse repurchase agreement is a transaction in which the Company purchases financial instruments from a seller, typically in exchange for cash, and simultaneously enters into an agreement to resell the same or substantially the same financial instruments to the seller for an amount equal to the cash or other consideration exchanged plus interest at a future date. Securities purchased under reverse repurchase agreements are accounted for as collateralized financing transactions and are recorded at the contractual amount for which the securities will be resold, including accrued interest. Financial instruments purchased under reverse repurchase agreements

LLC IC FREEDOM FINANCE

NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

are recorded in the financial statements as cash placed on deposit collateralized by securities and classified as cash and cash equivalents in the Standalone Balance Sheets.

A repurchase agreement is a transaction in which the Company sells financial instruments to another party, typically in exchange for cash, and simultaneously enters into an agreement to reacquire the same or substantially the same financial instruments from the buyer for an amount equal to the cash or other consideration exchanged plus interest at a future date. These agreements are accounted for as collateralized financing transactions. The Company retains the financial instruments sold under repurchase agreements and classifies them as trading securities in the Standalone Balance Sheets. The consideration received under repurchase agreements is classified as securities repurchase agreement obligations in the Standalone Balance Sheets.

The Company enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions to, among other things, acquire securities to leverage and grow its proprietary trading portfolio, cover short positions and settle other securities obligations, to accommodate customers' needs and to finance its inventory positions. The Company enters into these transactions in accordance with normal market practice. Under standard terms for repurchase transactions, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

Trading securities

Financial assets are classified as trading securities if the financial asset has been acquired principally for the purpose of selling it in the near term.

Trading securities are stated at fair value, with any gains or losses arising on remeasurement recognized in revenue. Changes in fair value are recognized in the Standalone Statements of Operations and Statements of Other Comprehensive Income and included in net gain/(loss) on trading securities. Interest earned and dividend income are recognized in the Standalone Statements of Operations and Statements of Other Comprehensive Income and included in interest income, according to the terms of the contract and when the right to receive the payment has been established.

Investments in nonconsolidated managed funds are accounted for at fair value based on the net asset value ("NAV") of the funds provided by the fund managers with gains or losses included in net gain on trading securities in the Standalone Statements of Operations and Statements of Other Comprehensive Income.

Debt securities issued

Debt securities issued are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized over the period of the borrowings using the effective interest method. If the Company purchases its own debt it is removed from the Standalone Balance Sheets and the difference between the carrying amount of

LLC IC FREEDOM FINANCE

NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

the liability and the consideration paid is recognized in the Standalone Statements of Operations and Statements of Other Comprehensive Income/(Loss).

Brokerage and other receivables

Brokerage and other receivables comprise commissions and receivables related to the securities brokerage and banking activity of the Company. At initial recognition, brokerage and other receivables are recognized at fair value. Subsequently, brokerage and other receivables are carried at cost net of any allowance for impairment losses.

Impairment of long lived assets

In accordance with the accounting guidance for the impairment or disposal of long-lived assets, the Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the fair value from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost of disposal. As of March 31, 2019 and 2018, the Company had not recorded any charges for impairment of long-lived assets.

Income taxes

The Company recognizes deferred tax liabilities and assets based on the difference between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

Current income tax expenses are provided for in accordance with the laws of the relevant taxing authorities. As part of the process of preparing financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. The Company accounts for income taxes using the asset and liability approach. Under this method, deferred income taxes are recognized for tax consequences in future years based on differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at each year-end and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates applicable for the differences that are expected to affect taxable income.

The Company will include interest and penalties arising from the underpayment of income taxes in the Stand - Alone Statements of Operations and Statements of Other Comprehensive Income in the provision for income taxes. As of March 31, 2019 and 2018, the Company had no accrued interest or penalties related to uncertain tax positions.

LLC IC FREEDOM FINANCE

NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

Financial instruments

Financial instruments are carried at fair value as described below.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Fair value is the current bid price for financial assets, current ask price for financial liabilities and the average of current bid and ask prices when the Company is both in short and long positions for the financial instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Leases

Rent payable under operating leases is charged to expense on a straight-line basis over the term of the relevant lease.

Fixed assets

Fixed assets are carried at cost, net of accumulated depreciation. Maintenance, repairs, and minor renewals are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range between three and seven years.

Advertising expense

For the years ended March 31, 2019 and 2018, the Company had expenses related to advertising in the amount of \$2,145 and \$925, respectively. All costs associated with advertising are expensed in the period incurred.

Recent accounting pronouncements

In May 2018, the FASB issued ASU No. 2018-06, Codification Improvements to Topic 942, Financial Services - Depository and Lending. The FASB issued this Update to supersede outdated guidance related to the Office of the Comptroller of the Currency's Banking Circular 202, Accounting for Net Deferred Tax Charges (Circular 202). The Board has an ongoing project on its agenda about Codification improvements to clarify the FASB Accounting Standards Codification or to correct unintended application of guidance. Those Codification improvement items generally are not expected to have a significant effect on current accounting practice or to create a significant administrative cost for most entities. The amendments in this Update are of a similar nature, and, therefore, the Board is addressing the improvements through the Codification improvements project. The Board decided to issue a separate Update to increase stakeholders' awareness of the improvements to Topic 942, Financial Services—Depository and Lending. The amendments in

LLC IC FREEDOM FINANCE

NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

this Update remove outdated guidance related to Circular 202 and should have no effect on reporting entities.

ASU 2016-02, "Leases," ASU 2018-01, "Land Easement Practical Expedient for Transition to Topic 842," ASU 2018-10, "Codification Improvements to Topic 842, Leases" and ASU 2018-11, "Leases (Topic 842): Targeted Improvements": In February 2016, the FASB issued ASU 2016-02 which requires entities to include substantially all leases on the balance sheet by requiring the recognition of right-of-use assets and lease liabilities for all leases. Entities may elect to exclude from the balance sheet those leases with a maximum possible term of less than 12 months. For lessees, a lease is classified as finance or operating, and the asset and liability are initially measured at the present value of the lease payments. For lessors, accounting for leases is largely unchanged from previous provisions of U.S. GAAP, other than certain changes to align lessor accounting to specific changes made to lessee accounting and ASC 606. ASU 2016-02 also requires new qualitative and quantitative disclosures for both lessees and lessors. In July 2018 the FASB adopted ASU 2018-10 which makes technical corrections and clarifications to the accounting guidance in Topic 842.

For public entities, ASU 2016-02, 2018-01, 2018-10, 2018-11, 2018-20 and 2019-01 are effective for fiscal years beginning after December 15, 2018, including interim periods therein, with early adoption permitted. ASU 2016-02 requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2018-11 provides entities an optional transition method to apply the new guidance as of the adoption date, rather than as of the earliest period presented. In transition, entities may elect certain practical expedients when applying ASU 2016-02. These include a package of practical expedients that must be applied in its entirety to all leases commencing before the effective date, unless the lease is modified, to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, which effectively allows entities to carryforward accounting conclusions under previous U.S. GAAP. ASU 2016-02 also includes a practical expedient to use hindsight in making judgments when determining the lease term and any long-lived asset impairment. ASU 2018-01 allows entities to elect a practical expedient that would exclude application of ASU 2016-02 to land easements that existed prior to its adoption, if they were not accounted for as leases under previous U.S. GAAP. ASU 2018-11 provides a lessor practical expedient for separating lease and non-lease components. The Company plans to apply the practical expedients permitted within the guidance, which allows the Company to carryforward its historical lease classification, and to apply the transition option which does not require application of the guidance to comparative periods in the year of adoption. ASU 2018-20 affect the amendments in Update 2016-02, which are not yet effective but can be early adopted. ASU 2019-01 brings attention to issues related to Update 2016-02: (a) determining the fair value of the underlying asset by lessors that are not manufacturers or dealers; (b) Presentation on the statement of cash flows—sales-type and direct financing leases; (c) Transition disclosures related to Topic 250, Accounting Changes and Error Corrections. The adoption of this ASU will result in the recognition of significant right-of-use assets and lease liabilities in the Company's Standalone Balance Sheets. The preparation for adoption is ongoing, including the assessment of other potential impacts of this ASU, which includes analysis of potential transitional adjustments to Stockholders' equity and impact of

LLC IC FREEDOM FINANCE

NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

adoption on the Standalone Statements of Operations and the Standalone Statements of Cash Flows.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. In March 2014, the Board issued a proposed FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, which the Board finalized on August 28, 2018. The disclosure framework project's objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles (GAAP). The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The amendments in this Update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses. On June 16, 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced an expected credit loss methodology for the impairment of financial assets measured at amortized cost basis. That methodology replaces the probable, incurred loss model for those assets. Through that Update, the Board added Topic 326 and made several consequential amendments to the FASB Accounting Standards Codification. The amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. For public business entities that are U.S. Securities and Exchange Commission (SEC) filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The effective date and transition requirements for the amendments in this Update are the same as the effective dates and transition requirements in Update 2016-13, as amended by this Update. The Company does not expect material impact from new guidance on its condensed consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-19 Codification Improvements to Topic 326, Financial Instruments—Credit Losses. On June 16, 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced an expected credit loss methodology for the impairment of financial assets measured at amortized cost basis. That methodology replaces the probable, incurred loss model for those assets. Through that Update, the Board added Topic 326 and made several consequential amendments to the FASB Accounting Standards Codification. The amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. For public business entities that are U.S.

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

Securities and Exchange Commission (SEC) filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The effective date and transition requirements for the amendments in this Update are the same as the effective dates and transition requirements in Update 2016-13, as amended by this Update. The Company does not expect material impact from new guidance on its condensed consolidated financial statements.

NOTE 3 – RELATED PARTIES AND UNCONSOLIDATED SUBSIDIARIES

For the year ended March 31, 2019, the Company had investment balance in amount of \$46,569 in the following wholly-owned subsidiaries: JSC Freedom Finance (Freedom KZ), an Almaty, Kazakhstan-based securities broker-dealer and FFIN Bank, a Moscow, Russia-based bank.

For the year ended March 31, 2018, the investment balance in wholly-owned subsidiaries, i.e. JSC Freedom Finance (Freedom KZ), an Almaty, Kazakhstan-based securities broker-dealer, FFIN Bank, a Moscow, Russia-based bank, KZ Branch and LLC First Stock Store (Freedom 24), was \$27,562.

The accompanying financial statements do not include the assets, liabilities and operations of Freedom KZ, FFIN Bank as required by US GAAP. Consolidation of these subsidiaries in the accompanying financial statements at March 31, 2019 and 2018 would result in an increase of total assets of approximately \$171,842 and \$216,966, respectively, an increase in total liabilities of approximately \$142,145 and \$180,284, respectively, an increase in total equity of approximately \$29,697 and \$36,682, and revenues would be increased by \$34,449 and \$39,564, respectively, and expenses would be increased by \$33,442 and \$25,117, respectively, for the years then ended.

NOTE 4 – REVISION OF FINANCIAL STATEMENT

When preparing the consolidated financial statements for the year ended March 31, 2019, management determined that certain amounts included in the Company's March 31, 2018, Standalone financial statements required revision, due to the completion of Nettrader merger in May 2018.

Certain reclassifications also have been made to the prior year's Standalone financial statements to enhance comparability with the current year's Standalone financial statements. As a result, certain line items have been amended in the Standalone Balance Sheets. Comparative figures have been adjusted to conform to the current period's presentation.

The previously issued standalone Balance Sheet as of March 31, 2018, and Standalone Statement of Operations and Statements of Other Comprehensive Income for the year ended March 31, 2018 have been revised as follows:

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

BALANCE SHEETS (RECAST)	As of March 31, 2018		
	As previously reported	Recast	As recasted
ASSETS			
Cash and cash equivalents	\$ 6,158	\$ 75	\$ 6,233
Restricted cash	1,396	8,230	9,626
Trading securities	21,627	(8,167)	13,460
Investments in subsidiaries	19,328	8,234	27,562
Brokerage and other receivables, net	3,134	5,602	8,736
Loans issued	9,004	-	9,004
Deferred tax assets	527	113	640
Fixed assets, net	301	454	755
Intangible assets, net	1	3,671	3,672
Other assets, net	1,701	27	1,728
TOTAL ASSETS	\$ 63,177	\$ 18,239	\$ 81,416
LIABILITIES AND EQUITY			
Customer liabilities	\$3,449	\$11,823	\$15,272
Trade payables	915	14	929
Securities repurchase agreement obligations	12,286	-	12,286
Other liabilities	569	42	611
TOTAL LIABILITIES	17,219	11,879	29,098
EQUITY			
Charter capital	29,029	-	29,029
Additional paid in capital	14,787	7,037	21,824
Retained earnings	5,094	(674)	4,420
Accumulated other comprehensive loss	(2,952)	(3)	(2,955)
TOTAL EQUITY	45,958	6,360	52,318
TOTAL LIABILITIES AND EQUITY	\$ 63,177	\$ 18,239	\$ 81,416

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

STATEMENTS OF OPERATIONS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME (RECAST)	For the year ended March 31, 2018		
	As previously reported	Recast	As recasted
<i>Revenue:</i>			
Fee and commission income	\$ 3,924	\$ 1,104	\$ 5,028
Net gain on trading securities	3,985	(1)	3,984
Interest income	4,982	214	5,196
Net gain on derivatives	482	-	482
Net gain on foreign exchange operations	761	3	764
Other income, net	294	(58)	236
TOTAL REVENUE, NET	14,428	1,262	15,690
<i>Expense:</i>			
Interest expense	1,200	-	1,200
Fee and commission expense	683	144	827
Operating expense	6,340	1,844	8,184
TOTAL EXPENSE	8,223	1,988	10,211
NET INCOME BEFORE INCOME TAX	6,205	(726)	5,479
Income tax expense	(390)	52	(338)
NET INCOME	\$ 5,815	\$ (674)	\$ 5,141
OTHER COMPREHENSIVE LOSS			
Foreign currency translation adjustments, net of tax	(188)	(3)	(191)
COMPREHENSIVE INCOME	\$ 5,627	\$ (677)	\$ 4,950

NOTE 5 – CASH AND CASH EQUIVALENTS

	March 31, 2019	March 31, 2018 (Recast)
Accounts with stock exchange	\$ 10,400	\$ 162
Current accounts with clearing organizations	3,689	-
Current accounts with brokers	2,350	1,578
Current account with National Settlement Depository (Russia)	1,275	1,242
Current accounts with commercial banks	745	3,034
Current account with Central Depository (Kazakhstan)	118	-
Securities purchased under reverse repurchase agreements	-	217
Total cash and cash equivalents	\$ 18,577	\$ 6,233

As of March 31, 2019 and March 31, 2018, cash and cash equivalents were not insured.

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

NOTE 6 – RESTRICTED CASH

As of March 31, 2019 and 2018, the Company's restricted cash consisted of cash segregated in a special custody account for the exclusive benefit of our brokerage customers in the amount of \$629 and \$9,626, respectively.

NOTE 7 – TRADING SECURITIES

	March 31, 2019	March 31, 2018 (Recast)
Equity securities	\$ 11,556	\$ 10,261
Debt securities	2,035	2,929
Mutual investment funds	240	270
Total trading securities	\$ 13,831	\$ 13,460

The Company recognized no other than temporary impairment in accumulated other comprehensive income.

The fair value of assets and liabilities is determined using observable market data based on recent trading activity. Where observable market data is unavailable due to a lack of trading activity, the Company utilizes internally developed models to estimate fair value and independent third parties to validate assumptions, when appropriate. Estimating fair value requires significant management judgment, including benchmarking to similar instruments with observable market data and applying appropriate discounts that reflect differences between the securities that the Company is valuing and the selected benchmark. Depending on the type of securities owned by the Company, other valuation methodologies may be required.

Measurement of fair value is classified within a hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The valuation hierarchy contains three levels:

- Level 1 - Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2 - Valuation inputs are quoted market prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets, and other observable inputs directly or indirectly related to the asset or liability being measured.
- Level 3 - Valuation inputs are unobservable and significant to the fair value measurement.

The following table presents trading securities assets and redeemable non-controlling interests in the standalone financial statements or disclosed in the notes to the financial statements at fair value on a recurring basis as March 31, 2019 and 2018:

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

		Fair Value Measurements at March 31, 2019 using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant unobservable units (Level 3)
March 31, 2019				
Equity securities	\$ 11,556	\$ 11,556	\$ -	\$ -
Debt securities	2,035	2,035	-	-
Mutual investment funds	240	240	-	-
Trading securities	\$ 13,831	\$ 13,831	\$ -	\$ -

		Fair Value Measurements at March 31, 2018 using (Recast)		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant unobservable units (Level 3)
March 31, 2018* (Recast)				
Equity securities	\$ 10,261	\$ 10,261	\$ -	\$ -
Debt securities	2,929	2,929	-	-
Mutual investment funds	270	270	-	-
Trading securities	\$ 13,460	\$ 13,460	\$ -	\$ -

NOTE 8 – INVESTMENTS IN SUBSIDIARIES

The Company's principal subsidiaries as of March 31, 2019 and 2018 are set out below. The proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

	March 31, 2019		March 31, 2018 (Recast)		Country	Sector
	Ownership	Percentage, %	Ownership	Percentage, %		
JSC Freedom Finance	\$ 41,851	94.13 %	\$ 22,664	100 %	Republic of Kazakhstan	Brokerage and dealing services
FFIN Bank	4,718	100 %	4,718	100 %	Russian Federation	Banking services
LLC First Stock Store	-	0 %	180	99.5 %	Russian Federation	Brokerage and dealing services internet project
Total investments in subsidiaries	<u>\$ 46,569</u>		<u>\$ 27,562</u>			

NOTE 9 – BROKERAGE AND OTHER RECEIVABLES, NET

	March 31, 2019	March 31, 2018 (Recast)
Margin lending receivables	\$ 19,876	\$ 6,087
Receivables from brokerage clients	35	152
Other receivables	4	8
Receivable from purchase or sale of securities	-	2,489
Total brokerage and other receivables, net	<u>\$ 19,915</u>	<u>\$ 8,736</u>

On March 31, 2019 amounts due from a single related party customer were \$12,063 or 61%. Based on past experience Company considers receivables with related party fully collectible. Company allowed to directly withhold it's brokerage commissions from client's broker accounts and thus evaluates collectability of receivables nearly 100% thereof no allowance for uncollectible amounts is recognized as of March 31, 2019 and 2018.

NOTE 10 – LOANS ISSUED

As of March 31, 2019, and March 31, 2018 the Company had loans issued in the amount of \$5,102 and \$9,004, respectively. Loans issued as of March 31, 2019, consisted of \$1,888 collateralized loans issued with \$4,718 fair value of collateral due in December 2019 with 4.75% interest rate, \$3,214 subordinated loan issued to subsidiary with interest rate of 3% and undefined maturity date. Loans issued as of March 31, 2018, consisted of \$5,371 collateralized loans issued with \$6,992 fair value of collateral due in January-February 2019 with 3% interest rate, \$3,633 subordinated loan issued to subsidiary with interest rate of 3% and undefined maturity date.

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

NOTE 11 – DEFERRED TAX ASSETS

The Company is subject to taxation in the Russian Federation and Kazakhstan.

The tax rates used for deferred tax assets and liabilities for the years ended March 31, 2019 and 2018, is the 20% for the Russian Federation and Kazakhstan.

Deferred tax assets and liabilities of the Company are comprised of the following:

	March 31, 2019	March 31, 2018 (Recast)
<i>Deferred tax assets:</i>		
Tax losses carryforward	\$ 1,124	\$ 988
Revaluation on trading securities	63	-
Valuation allowance	(20)	-
Deferred tax assets	\$ 1,167	\$ 988
<i>Deferred tax liabilities:</i>		
Revaluation on trading securities	\$ -	\$ 348
Deferred tax liabilities	\$ -	\$ 348
Net deferred tax assets	\$ 1,167	\$ 640

The income tax expense comprises:

	Year ended March 31, 2019	Year ended March 31, 2018 (Recast)
Current income tax benefit	\$ (1,073)	\$ (18)
Deferred income tax charge	526	356
Income tax (benefit)/provision	\$ (547)	\$ 338

During the years ended March 31, 2019 and 2018, the effective tax rate was equal to (58.25%) and 6.17% respectively. During the year ended March 31, 2019, the Company realized net income before income tax of \$939, primarily from non-taxable dividend income received from JSC Freedom Finance (Freedom KZ) in the amount of \$4,699. This resulted in the Company realizing an income tax benefit for the year ended March 31, 2019 in amount of \$547 and income tax expense for the year ended March 31, 2018 in amount of \$338.

Tax losses carryforward as of March 31, 2019 comprises \$1,124 and are subject to income tax in Russia.

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

NOTE 12 – FIXED ASSETS, NET

	<u>March 31, 2019</u>	<u>March 31, 2018</u> (Recast)
Capital expenditures on lease improvement	\$ 852	\$ 1
Furniture	581	152
Land	394	445
Office equipment	363	213
Vehicles	297	333
Other	140	19
Total fixed assets	2,627	1,163
Less: Accumulated depreciation	(555)	(408)
Total fixed assets, net	\$ 2,072	\$ 755

Depreciation expense totaled \$268 and \$74 for the years ended March 31, 2019 and 2018, respectively.

NOTE 13 – INTANGIBLE ASSETS, NET

	<u>March 31, 2019</u>	<u>March 31, 2018</u> (Recast)
Trading platform	\$ 3,052	\$ 3,451
Client base	483	718
Other intangible assets	506	153
Total intangible assets	4,041	4,322
Less: Accumulated depreciation and amortization	(1,252)	(650)
Total intangible assets, net	\$ 2,789	\$ 3,672

Amortization expense totaled \$772 and \$786 for the years ended March 31, 2019 and 2018, respectively.

NOTE 14 – DEBT SECURITIES ISSUED

	<u>March 31, 2019</u>	<u>March 31, 2018</u> (Recast)
Debt securities issued denominated in RUB	\$7,724	\$ -
Accrued interest	114	-
Total	\$ 7,838	\$ -

As of March 31, 2019, the Company had bonds of Freedom RU issued under Russian Federation law in the amount of \$7,724. As of March 31, 2019, Company issued bonds with fixed annual coupon rate 12% and maturity date February 2022.

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

Accrued interest on debt securities issued as of March 31, 2019 was equal to \$114. The Freedom RU bonds are actively traded on Moscow Exchange.

NOTE 15 – CUSTOMER LIABILITIES

The Company recognizes customer liabilities associated with funds held by our brokerage customers. As of March 31, 2019 and 2018 the Company had customer liabilities in the amount of \$29,242 and \$15,272, respectively.

NOTE 16 – TRADE PAYABLES

	<u>March 31, 2019</u>	<u>March 31, 2018</u> (Recast)
Margin lending payable	\$1,929	\$ -
Payables to suppliers of goods and services	274	189
Guaranty fee received	-	709
Other	-	31
Total	<u>\$ 2,203</u>	<u>\$ 929</u>

As of March 31, 2019, the amount due to a single related party was equal to \$1,925 or 87%.

NOTE 17 – OTHER LIABILITIES

	<u>March 31, 2019</u>	<u>March 31, 2018</u> (Recast)
Salaries and other employee benefits	\$ 556	\$ 168
Vacation reserve	589	241
Taxes payable other than income tax	95	105
Other	3	97
Total	<u>\$ 1,243</u>	<u>\$ 611</u>

NOTE 18 – SECURITIES REPURCHASE AGREEMENT OBLIGATIONS

As of March 31, 2019 and 2018, trading securities included collateralized securities subject to repurchase obligations as described in the following table:

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

March 31, 2019					
Interest rates and remaining contractual maturity of the agreements					
	Average interest rate	Up to 30 days	30-90 days	Over 90 days	Total
<i>Securities sold under repurchase agreements</i>					
Corporate equity	4.75%	\$ -	\$ -	\$ 2,146	\$ 2,146
Total		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,146</u>	<u>\$ 2,146</u>
March 31, 2018 (Recast)					
Interest rates and remaining contractual maturity of the agreements					
	Average interest rate	Up to 30 days	30-90 days	Over 90 days	Total
<i>Securities sold under agreement to repurchase</i>					
Corporate equity	7.31%	\$ 4,004	\$ 993	\$ 7,149	\$ 12,146
Non-US sovereign debt	7.24%	140	-	-	140
Total		<u>\$ 4,144</u>	<u>\$ 993</u>	<u>\$ 7,149</u>	<u>\$ 12,286</u>

The fair value of collateral pledged under repurchase agreements as of March 31, 2019 and 2018 was \$4,718 and \$14,679 respectively.

Securities pledged as collateral by the Company under repurchase agreements are liquid trading securities with market quotes and significant trading volume.

NOTE 19 – EQUITY

As at March 31, 2019 and 2018 the authorized charter capital comprised \$56,725 and \$29,029, respectively. As at March 31, 2019 and 2018 the additional paid in capital comprised of \$13,519 and \$21,824, respectively.

During the year ended March 31, 2019, Freedom Holding Corp. made capital contributions in the amount of \$19,391. During the year ended March 31, 2019, the Company registered as an authorized charter capital contributions made in previous financial year in the amount of \$5,715 and accordingly reclassified this amount from additional paid-in capital to charter capital.

During the year ended March 31, 2018, the shareholders of the Company made a decision to increase authorized charter capital and additional paid in capital by means of an equity injection in the amount of \$13,640.

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

As of March 31, 2017, the sole shareholder of Freedom RU was Mr. Turlov who is the founder and who was owner of 100% of the authorized charter capital of Freedom RU since November 25, 2010. On June 29, 2017, Freedom Holding Corp. and Mr. Turlov closed the acquisition of Freedom RU and Freedom RU became a wholly owned subsidiary of Freedom Holding Corp. Pursuant to the terms of the Acquisition Agreement, Mr. Turlov received a total of 20,665,023 shares of restricted common stock of Freedom Holding Corp. in exchange for his 100% interest in Freedom RU.

As of March 31, 2019 and 2018 the sole shareholder of Freedom RU was Freedom Holding Corp.

NOTE 20 – RELATED PARTY TRANSACTIONS

On December 28, 2016, Freedom RU entered into a derivative instrument agreement with a related party which included a call option feature. The gain or loss associated with this agreement is recognized as gain on a derivative instrument in the Consolidated Statements of Operations and Statements of Other Comprehensive Income. The Company recorded a derivative liability of \$495 as of March 31, 2017. On June 14, 2017, the derivative instrument expired unexercised by the holder, and the Company recognized a gain on the derivative instrument of \$482.

During the year ended March 31, 2019 and 2018, the Company earned commission income from related parties in the amounts of \$12,915 and \$2,754, respectively. Commission income earned from related parties is comprised primarily of brokerage commissions and commissions for money transfers by brokerage clients. During the year ended March 31, 2019 and 2018, the Company also paid commission expense to related parties in the amounts of \$1,408 and \$657, respectively.

As of March 31, 2019, and March 31, 2018, the Company had brokerage and other receivables from related parties totalling \$13 and \$119, respectively. Brokerage and other receivables from related parties result principally from commissions receivable on the brokerage operations of related parties.

As of March 31, 2019, and March 31, 2018, the Company had brokerage account with related party totalling \$1,265 and \$1,473, respectively.

As of March 31, 2019, and March 31, 2018, the Company had loan issued to related party totalling \$5,101 and \$3,633, respectively.

During the year ended March 31, 2019 and 2018, the Company earned interest income from related parties in the amounts of \$251 and \$108, respectively.

As of March 31, 2019, and March 31, 2018, the Company had marginal lending receivables with related party totalling \$17,228 and \$226, respectively.

As of March 31, 2019, and March 31, 2018, the Company had trade payables with related parties totaling \$2,124 and \$104, respectively.

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

As of March 31, 2019, and March 31, 2018, the Company had customer liabilities on brokerage accounts and bank accounts of related parties totalling \$12,257 and \$2,210, respectively.

As of March 31, 2019, and March 31, 2018, the Company had restricted cash on brokerage accounts and bank accounts of related parties totalling \$640 and \$813, respectively.

During the year ended March 31, 2019 and 2018, the Company earned dividend income from related parties in the amounts of \$4,699 and \$3,800, respectively.

During the year ended March 31, 2019 and 2018, the Company earned rent income from related parties in the amounts of \$206 and \$168, respectively.

NOTE 21 – ACQUISITIONS

Acquisition of Nettrader

On May 28, 2018, we completed the acquisition and merger of Nettrader. This acquisition also finalized our acquisition of the Tradernet trading platform, a browser-based application and in some countries a supporting mobile app to facilitate our customers' trading activities and ability to monitor and manage all aspects of their personal accounts and participate in our client social network. Nettrader was formerly owned by Mr. Turlov since May 18, 2017. The Company acquired Nettrader for approximately \$3.8 million.

When preparing the Standalone Financial Statements for the year ended March 31, 2019, management determined that certain amounts included in the Company's Standalone Financial Statements as of March 31, 2018 and for the year ended March 31, 2018, required revision, due to the completion of the merger of Nettrader in May 2018, which was deemed to be an entity under common control with the Company since May 18, 2017. The transaction is accounted for as a restructuring transaction and all the assets and liabilities of Nettrader were transferred to the Company at their respective carrying amounts on the date of transaction.

As of the acquisition date by Mr. Turlov, the fair value of Nettrader was \$7,037. The total purchase price was allocated as follows:

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NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

	Purchase price allocation
	As of May 18, 2017
Assets:	
Cash and cash equivalents	\$ 120
Restricted cash	938
Brokerage and other receivables	4,637
Loan issued	338
Fixed assets	460
Intangible assets	4,523
Deferred income tax assets	60
Other assets	81
Total assets	\$ 11,157
Liabilities:	
Customer liabilities	\$ 4,103
Trade and other payables	3
Other liabilities	14
Total liabilities	\$ 4,120
Net assets acquired	\$ 7,037
Total purchase price	\$ 7,037

NOTE 22 – COMMITMENTS AND CONTINGENT LIABILITIES

The table below shows approximate lease commitments and other contingent liabilities of the Company as of March 31, 2019:

Contractual obligations	Total	Less than 1 year	1-3 years
Office leases ⁽¹⁾	\$4,257	\$2,707	\$1,550
Total	\$4,257	\$2,707	\$1,550

⁽¹⁾ The Company has number of lease agreements for office spaces in different locations. In general, all agreements are made for a one-year period with extension or termination provisions, except two lease agreements with longer lease terms.

The Company's rent expense for office space was \$2,013 and \$1,415 for the year ended March 31, 2019 and 2018, respectively.

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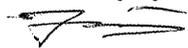
NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in thousands of United States Dollars, unless otherwise stated)

NOTE 23 – SUBSEQUENT EVENTS

The Company has performed an evaluation of subsequent events through the time of filing this annual report and has determined that there are no such events to report.

On behalf of the Company



Turlov T. R.
Chief Executive Officer



Morozova N.A.
Chief Accountant

