# LLC IC FREEDOM FINANCE

Consolidated Financial Statements and Independent Auditor`s Report
For the years ended March 31, 2021 and 2020

**LLC IC FREEDOM FINANCE**
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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 consolidated financial statements of LLC IC Freedom Finance and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances,

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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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LLC IC Freedom Finance and its subsidiaries as of March 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the consolidated financial statements, additional paid in capital, noncontrolling interests, and accumulated other comprehensive loss were understated while retained earnings was overstated in the consolidated balance sheet as of March 31, 2020. Accordingly, adjustments were recorded to the previously issued consolidated financial statements to reflect the correction of this error. Our opinion is not modified with respect to that matter.

WSRP, LLC

Salt Lake City, Utah
August 31, 2021

## LLC IC FREEDOM FINANCE

## CONSOLIDATED BALANCE SHEETS

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

| | March 31, 2021 | March 31, 2020 (Recast) |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 606,113 | $ 115,348 |
| Restricted cash | 55,604 | 13,209 |
| Trading securities | 709,099 | 143,471 |
| Available-for-sale securities, at fair value | 1 | 1 |
| Brokerage and other receivables, net | 20,268 | 42,939 |
| Loans issued | 2,922 | 18,637 |
| Deferred tax assets | - | 748 |
| Fixed assets, net | 15,137 | 4,325 |
| Intangible assets, net | 5,789 | 3,048 |
| Right-of-use asset | 10,733 | 13,555 |
| Goodwill | 1,947 | 1,775 |
| Other assets, net | 12,765 | 3,493 |
| **TOTAL ASSETS** | **$ 1,440,378** | **$ 360,549** |
| **LIABILITIES AND EQUITY** | | |
| Debt securities issued | $ 47,572 | $ 51,427 |
| Customer liabilities | 768,005 | 148,717 |
| Trade payables | 696 | 1,794 |
| Securities repurchase agreement obligation | 417,522 | 48,204 |
| Lease liability | 10,707 | 13,381 |
| Loans received | 6,935 | - |
| Current income tax liability | 645 | - |
| Deferred income tax liabilities | 1,698 | - |
| Other liabilities | 6,724 | 2,483 |
| **TOTAL LIABILITIES** | **1,260,504** | **266,006** |
| **EQUITY** | | |
| Charter capital | 86,395 | 66,225 |
| Additional paid in capital | 29,731 | 20,953 |
| Retained earnings | 93,109 | 42,266 |
| Accumulated other comprehensive loss | (37,961) | (40,611) |
| **TOTAL EQUITY ATTRIBUTABLE TO THE COMPANY** | **171,274** | **88,833** |
| Noncontrolling interest | 8,600 | 5,710 |
| **TOTAL EQUITY** | **179,874** | **94,543** |
| **TOTAL LIABILITIES AND EQUITY** | **$ 1,440,378** | **$ 360,549** |

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

**On behalf of the Company:**

**Pochekuev V. A.**
**Chief Executive Officer**

**Morozova N.A.**
**Chief Accountant**

LLC IC FREEDOM FINANCE

## CONSOLIDATED 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, | |
|---|---|---|
| | **2021** | **2020** |
| ***Revenue:*** | | **(Recast)** |
| Fee and commission income | $ 70,027 | $ 34,177 |
| Net gain on trading securities | 37,144 | 15,462 |
| Interest income | 31,712 | 12,198 |
| Net gain/(loss) on derivatives | 74 | (138) |
| Net gain on foreign exchange operations | 3,944 | 2,391 |
| **TOTAL REVENUE** | **142,901** | **64,090** |
| ***Expense:*** | | |
| Fee and commission expense | 11,641 | 3,318 |
| Interest expense | 21,762 | 11,621 |
| Operating expense | 49,537 | 45,681 |
| Provision for impairment losses/(recoveries) | 862 | (1,087) |
| Other (income)/expense, net | (14) | 319 |
| **TOTAL EXPENSE** | **83,788** | **59,852** |
| NET INCOME BEFORE INCOME TAX | 59,113 | 4,238 |
| Income tax expense | (6,687) | (1,083) |
| **NET INCOME** | **$ 52,426** | **$ 3,155** |
| Less: Net income/(loss) attributable to noncontrolling interest in subsidiary | 1,583 | (91) |
| **NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS** | **50,843** | **3,246** |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Foreign currency translation adjustments, net of tax | 2,658 | (17,677) |
| **COMPREHENSIVE INCOME/(LOSS) BEFORE NONCONTROLLING INTERESTS** | **$ 55,084** | **$ (14,522)** |
| Less: Comprehensive income/(loss) attributable to noncontrolling interest in subsidiary | 1,583 | (91) |
| **COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS** | **$ 53,501** | **$ (14,431)** |

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

**On behalf of the Company:**

**Pochekuev V. A.**
**Chief Executive Officer**

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**Morozova N.A.**
**Chief Accountant**

**LLC IC FREEDOM FINANCE**

**CONSOLIDATED 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 | Noncontrolling interest | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at March 31, 2019 (Recast)** | **$ 56,725** | **$ 20,953** | **$ 39,020** | **$ (22,934)** | **$ 5,801** | **$ 99,565** |
| Capital contributions | 9,500 | - | - | - | - | 9,500 |
| Foreign currency translation loss | - | - | - | (17,677) | - | (17,677) |
| Net income | - | - | 3,246 | - | (91) | 3,155 |
| **Balance at March 31, 2020 (Recast)** | **$ 66,225** | **$ 20,953** | **$ 42,266** | **$ (40,611)** | **$ 5,710** | **$ 94,543** |
| Capital contributions | 20,000 | - | - | - | | 20,000 |
| Capital contribution from Freedom Holding Corp to increase ownership in subsidiary | - | 5,664 | - | - | 1,307 | 6,971 |
| Foreign currency translation gain | - | - | - | 2,650 | - | 2,650 |
| Net income | - | - | 50,843 | - | 1,583 | 52,426 |
| Merger of Zerich Capital Management from Freedom Holding Corp | 170 | 3,114 | - | - | - | 3,284 |
| **Balance at March 31, 2021** | **$ 86,395** | **$ 29,731** | **$ 93,109** | **$ (37,961)** | **$ 8,600** | **$ 179,874** |

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

**On behalf of the Company:**

**Pochekuev V. A.**
**Chief Executive Officer**

Общество с ограниченной ответственностью Инвестиционная компания «Фридом Финанс» ОГРН 1107746963785 Москва

**Morozova N.A.**
**Chief Accountant**

**LLC IC FREEDOM FINANCE**

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**(All amounts in thousands of United States dollars, unless otherwise stated)**

| | For the years ended | |
|---|---|---|
| | March 31, 2021 | March 31, 2020 |
| **Cash Flows From Operating Activities** | | |
| Net income | $ 52,426 | $ 3,155 |
| Adjustments to reconcile net income from operating activities: | | |
| Depreciation and amortization | 2,678 | 2,303 |
| Noncash lease expense | 5,229 | 5,602 |
| Loss on sale of fixed assets | - | 201 |
| Change in deferred taxes | 1,105 | 367 |
| Unrealized loss on trading securities | 950 | 7,401 |
| Allowance/(recoveries) for receivables | 862 | (1,087) |
| Net change in accrued interest | (13,153) | (802) |
| Changes in operating assets and liabilities: | | |
| Trading securities | (504,306) | (10,367) |
| Changes in lease liability | (5,083) | (5,796) |
| Brokerage and other receivables | 25,653 | (3,356) |
| Loans issued | 18,078 | (19,274) |
| Other assets | (6,626) | (702) |
| Securities sold, but not yet purchased – at fair value | 23 | - |
| Customer liabilities | 497,823 | 100,758 |
| Trade payables | (1,409) | (377) |
| Current income tax liability | (659) | - |
| Other liabilities | 2,685 | 156 |
| **Net cash flows from operating activities** | 76,276 | 78,182 |
| **Cash Flows From Investing Activities** | | |
| Purchase of fixed assets | (2,481) | (3,002) |
| Proceeds from sale of fixed assets | 91 | 285 |
| Consideration paid for Freedom Bank KZ | (43,462) | - |
| Cash, cash equivalents and restricted cash received from acquisition of Freedom Bank KZ | 129,185 | - |
| Cash, cash equivalents and restricted cash received from merge of Zerich | 14,411 | - |
| **Net cash flows from/(used in) investing activities** | 97,744 | (2,717) |
| **Cash Flows From Financing Activities** | | |
| Repurchase of securities repurchase agreement obligations | 342,128 | (16,730) |
| Proceeds from issuance of debt securities | 3,626 | 42,112 |
| Repurchase of debt securities | (8,350) | (9,578) |
| Capital contributions | 20,000 | 9,500 |
| Capital contribution from Freedom Holding Corp | 6,971 | - |
| **Net cash flows from financing activities** | 364,375 | 25,304 |
| Effect of changes in foreign exchange rates on cash and cash equivalents | (5,235) | (25,177) |
| **NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | 533,160 | 75,592 |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD** | 128,557 | 52,965 |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD** | $ 661,717 | $ 128,557 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**(All amounts in thousands of United States dollars, unless otherwise stated)**

| | For the years ended | | | |
|---|---|---|---|---|
| | March 31, 2021 | | March 31, 2020 | |
| **Supplemental disclosure of cash flow information:** | | | | |
| Cash paid for interest | $ | (19,153) | $ | (9,538) |
| Income tax paid | $ | (6,176) | $ | (1,233) |
| **Supplemental non-cash disclosures:** | | | | |
| Operating lease right-of-use assets obtained in exchange for operating lease obligations on adoption of new lease standard | $ | - | $ | 15,725 |
| Operating lease right-of-use assets obtained/disposed of in exchange for operating lease obligations during the period, net | $ | 2,171 | $ | 4,337 |

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statement of cash flow:

| | March 31, 2021 | | March 31, 2020 | |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 606,113 | $ | 115,348 |
| Restricted cash | | 55,604 | | 13,209 |
| **Total cash, cash and cash equivalents and restricted cash shown in the statement of cash flows** | **$** | **661,717** | **$** | **128,557** |

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

**On behalf of the Company:**

**Pochekuev V. A.**
**Chief Executive Officer**

**Morozova N.A.**
**Chief Accountant**

## Note 1 – Description of Business

***Overview***

LLC IC Freedom Finance (referred to herein as "Freedom RU" or the "Company") is a Russian limited liability 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 KZ is licensed to provide brokerage and financial services in the capital markets of Kazakhstan, including the right to maintain customer accounts, manage investment portfolios, provide financial consulting, provide underwriting services and engage in market making activities. FFIN Bank is licensed to engage in consumer banking operations in the Russian Federation. Freedom Bank KZ is licensed to engage in customer banking operations in Kazakhstan.

In December 2020 Freedom KZ completed the previously announced acquisition of Freedom Bank KZ (formerly known as JSC Kassa Nova Bank). Freedom Bank KZ, a Kazakhstani consumer bank, was established in 2009 and has ten branch offices across Kazakhstan.

In December 2020 Zerich, which commenced business in 1995 and is one of the oldest securities brokerage firms in Russia, ranking as the 19th largest brokerage house in Russia in terms of clients, was merged into Freedom RU and its separate legal existence terminated. In connection with the merger, the assets and liabilities of Zerich were transferred to Freedom RU.

Unless otherwise specifically indicated or as is otherwise contextually required, Freedom RU, Freedom KZ, FFIN Bank and Freedom Bank KZ are collectively referred to herein as the "Company".

## Note 2 – Summary of Significant Accounting Policies

### Accounting principles

The Company's accounting policies and accompanying consolidated 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 consolidated financial statements present the consolidated accounts of Freedom RU, Freedom KZ, FFIN Bank and Freedom Bank KZ. All significant inter-company balances and transactions have been eliminated from the consolidated financial statements.

## 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.

## 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 U.S. 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 Consolidated Statements of Operations and Statements of Other Comprehensive Loss 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).

Under Topic 606, the Company is required to recognize commission 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 in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- Step 2: Identify the performance obligations in the contract - A contract includes promises to transfer goods or services to a customer. If those goods or services are distinct, the promises are performance obligations and are accounted for separately.
- Step 3: Determine the transaction price - The transaction price is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price can be a fixed amount of customer consideration, but it may sometimes include variable consideration or consideration in a form other than cash. The

transaction price also is adjusted for the effects of the time value of money if the contract includes a significant financing component and for any consideration payable to the customer. If the consideration is variable, an entity estimates the amount of consideration to which it will be entitled in exchange for the promised goods or services. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- Step 4: Allocate the transaction price to the performance obligations in the contract - An entity typically allocates the transaction price to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. If a standalone selling price is not observable, an entity estimates it. Sometimes, the transaction price includes a discount or a variable amount of consideration that relates entirely to a part of the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation - An entity recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). The amount of revenue recognized is the amount allocated to the satisfied performance obligation. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For performance obligations satisfied over time, an entity recognizes revenue over time by selecting an appropriate method for measuring the entity's progress toward complete satisfaction of that performance obligation.

**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 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.

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 years ended March 31, 2021 and 2020, and are included in net loss on derivatives in the Consolidated Statements of Operations and 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 currencies are the Russian ruble and Kazakhstani tenge. The Parent Company'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.

The functional currencies of our operating subsidiaries are the Russian ruble and Kazakhstani tenge. For financial reporting purposes, those currencies are translated into USD as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at the balance sheet dates. Revenues and expenses are translated at the average rate of exchange prevailing during the reporting period. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of equity as accumulated other comprehensive loss.

**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 are recorded in the financial statements as cash placed on deposit collateralized by securities and are classified within cash and cash equivalents in the Consolidated 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 Consolidated Balance Sheets. The consideration received under repurchase agreements is classified as securities repurchase agreement obligations in the Consolidated Balance Sheets.

The Company enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions to, among other things, acquire securities to 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 Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss) and included in net gain on trading securities. Interest earned and dividend income are recognized in the Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss) 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 Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss).

**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 in the Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss) over the period of the borrowings using the effective interest method. If the Company purchases its own debt, it is removed from the Consolidated Balance Sheets and the difference between the carrying amount of the liability and the consideration paid is recognized in the Consolidated 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.

**Derecognition of financial assets**

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized where all of the following conditions are met:

- The transferred financial assets have been isolated from the Company - put presumptively beyond the reach of the Company and its creditors, even in bankruptcy or other receivership.
- The Company has rights to pledge or exchange financial assets.
- The Company or its agents do not maintain effective control over the transferred financial assets or third-party beneficial interests related to those transferred assets.

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

Where the Company has not met the asset derecognition conditions above, it continues to recognize the asset to the extent of its continuing involvement.

### 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, 2021 and 2020, the Company had not recorded any charges for impairment of long-lived assets.

### Impairment of goodwill

As of March 31, 2021 and 2020, goodwill recorded in the Company's Consolidated Balance Sheets totaled $1,947 and $1,775, respectively. The Company performs an impairment review at least annually, unless indicators of impairment exist in interim periods. The impairment test for goodwill uses a two-step approach. Step one compares the estimated fair value of a reporting unit with goodwill to its carrying value. If the carrying value exceeds the estimated fair value, step two must be performed. Step two compares the carrying value of the reporting unit to the fair value of all of the assets and liabilities of the reporting unit as if the reporting unit was acquired in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of its goodwill, an impairment loss is recognized in an amount equal to the excess. In its annual goodwill impairment test, the Company estimated the fair value of the reporting unit based on the income approach (also known as the discounted cash flow method) and as a result of the test the fair value of the Company's goodwill exceeded the carrying amount of the reporting unit's goodwill. The goodwill value as March 31, 2021 decreased compared to March 31, 2020 due to foreign exchange currency translation.

The changes in the carrying amount of goodwill for the year ended March 31, 2021 and 2020 were as follows:

| | | Amount |
|---|---|---|
| **Balance as of March 31, 2020** | **$** | **1,775** |
| Acquisition of Freedom Bank KZ | | 99 |
| Foreign currency translation | | 73 |
| **Balance as of March 31, 2021** | **$** | **1,947** |

### 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 provision for income taxes. As of March 31, 2021 and 2020, the Company had no accrued interest or penalties related to uncertain tax positions.

### 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

The Company adopted ASU No. 2016-02, “Leases (Topic 842),” which requires leases with durations greater than twelve months to be recognized on the balance sheet.

Operating lease assets and corresponding lease liabilities were recognized on the Company’s Consolidated Balance Sheets. Refer to Note 17 - Leases, within the notes to consolidated financial statements for additional disclosure and significant accounting policies affecting leases.

### 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, 2021 and 2020, the Company had expenses related to advertising in the amount of $2,543 and $3,466, respectively. All costs associated with advertising are expensed in the period incurred.

### Recent accounting pronouncements

In June 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. In November 2019, the FASB issued ASU 2019-10 "Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)". The Board developed a philosophy to extend and simplify how effective dates are staggered between larger public companies (bucket one) and all other entities (bucket two). Those other entities include private companies, smaller public companies, not-for-profit organizations, and employee benefit plans. Under this philosophy, a major update would first be effective for bucket-one entities, that is, public business entities that are SEC filers, excluding entities eligible to be smaller reporting companies (SRCs) under the SEC's definition. The Master Glossary of the Codification defines public business entities and SEC filers. All other entities, including SRCs, other public business entities, and nonpublic business entities (private companies, not-for-profit organizations, and employee benefit plans) would compose bucket two. For those entities, it is anticipated that the Board will consider requiring an effective date staggered at least two years after bucket one for major updates. The Company is currently an SRC and according to ASU 2019-10, qualifies for bucket two. Accordingly, ASU 2016-13 and ASU 2017-12 are effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact that ASU 2016-13 and 2017-12 will have on its consolidated financial statements and related disclosures.

In August 2020 the FASB issued Accounting Standards Update No. 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)": Accounting for Convertible Instruments and Contracts in an Entity's Own Equity." This ASU amends FASB Accounting Standards Codification ("ASC" or the "Codification") to simplify the guidance on (1) accounting for convertible instruments, and (2) the derivatives scope exception for contracts in an entity's own equity. The Board issued this update to address issues identified as a result of the complexity associated with applying U.S. GAAP for certain financial instruments with characteristics of liabilities and equity. Complexity associated with the accounting is a significant contributing factor to numerous financial statement restatements and results in complexity for users attempting to understand the results of applying the current guidance. In addressing the complexity, the Board focused on amending the guidance on convertible instruments and the guidance on the derivatives scope exception for contracts in an entity's own equity. ASU 2020-06 is effective for fiscal years beginning after August 5, 2020. The Company does not expect that the new guidance will significantly impact on its consolidated financial statements.

In October 2020 the FASB issued Accounting Standards Update (ASU) No. 2020-09, Debt (Topic 470): Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762, which amends various Securities and Exchange Commission (SEC) paragraphs in the FASB Accounting Standards Codification based on the issuance of SEC Final Rulemaking Release No. 33-10762, Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities. Release No. 33-10762 amends Rules 3-10, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered, and 3-16 of Regulation S-X, Financial Statements of Affiliates Whose Securities Collateralize an Issue Registered or Being Registered, both of which apply mainly to specific types of registered debt offerings. The amendments, which are the result of the SEC's ongoing, comprehensive evaluation of its existing disclosure requirements, are intended to (1) make the disclosures required by the rules more useful to investors and to simplify and streamline the disclosure obligations imposed on registrants; (2) encourage issuers to offer registered guaranteed or collateralized securities, thereby potentially providing investors protection they may not be afforded in offerings conducted on an unregistered basis; and (3) increase the number of registered offerings that include guarantees as credit enhancements, which could result in a lower cost of capital for issuers and an increased level of protection for investors. ASU 2020-09 is effective for fiscal years beginning after January 4, 2021. The Company does not expect that the new guidance will significantly impact on its consolidated financial statements.

In January 2021 the FASB issued Accounting Standards Update (ASU) No. 2021-01, Reference Rate Reform (Topic 848): Scope, which clarifies that certain optional expedients and exceptions in Table of Contents link FASB Accounting Standards Codification (ASC) Topic 848, Reference Rate Reform, for contract modifications and hedge accounting apply as well to derivatives that are affected by the changes in interest rates used for margining, discounting or contract price alignment (i.e., the discounting transition). Examples of such use include (1) rates used in interest rate swaps to compute the cash flows for the swap's variable leg, (2) interest rate indexes used to discount the future cash flows of a derivative instrument to determine its fair value, and (3) the compensation or the interest amount earned on margin payments (i.e., contract price alignment). The amended guidance in ASU No. 2021-01 is effective immediately for all entities. The guidance may be applied on (1) a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or (2) a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of ASU No. 2021-01 through the date that financial statements are available to be issued. If any of the amendments are applied for an eligible hedging relationship, adjustments resulting therefrom must be reflected as of the date that the election is applied. The Company is currently evaluating the impact that ASU 2021-01 will have on its consolidated financial statements and related disclosures.

In April 2021 the FASB issued Accounting Standards Update (ASU) No. 2021-03, Intangibles-Goodwill and Other: Accounting Alternative for Evaluating Triggering Events, which provides private companies and not-for-profit organizations (NFPs) with an option to perform the identification and evaluation of a triggering event for goodwill impairment only as of the end of an interim or annual reporting period. Thus, upon election of the option, goodwill impairment triggering events are required to be monitored only as of the end of each reporting period, rather than as it now stands pursuant to Table of Contents link FASB Accounting Standards Codification (ASC) Subtopic 350-20, Intangibles-Goodwill and Other-Goodwill, when a triggering event occurs. ASU No. 2021-03 was issued in response to concerns by constituents (1) about the cost and complexity of evaluating triggering events and potentially measuring a goodwill impairment during the reporting period, rather than completing the analysis as of the end of the reporting period, and (2) that because some private companies perform the goodwill impairment analysis as part of their annual financial reporting process, it is difficult for such companies to determine whether there was a triggering event during the period and the date on which the triggering event occurred. The amended guidance is effective on a prospective basis for fiscal years beginning after December 15, 2019, with early adoption permitted for both interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021 (i.e., the date that ASU No. 2021-03 was issued). The Company does not expect that the new guidance will significantly impact on its consolidated financial statements.

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

### Revision of Previously Issued Consolidated Financial Statements

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported net income. The table below details the Consolidated Balance Sheets and the Consolidated Statements of Operations and Statements of Other Comprehensive Income/(Loss) reclassifications:

| | **March 31, 2020** | | |
|---|---|---|---|
| | **As previously reported** | **Reclassified** | **As corrected** |
| Additional paid in capital | $ 19,416 | $ 1,537 | $ 20,953 |
| Retained earnings | 42,730 | (464) | 42,266 |
| Accumulated other comprehensive loss | (33,828) | (6,783) | (40,611) |
| Noncontrolling interest | - | 5,710 | 5,710 |

| | **March 31, 2020** | | |
|---|---|---|---|
| | **As previously reported** | **Reclassified** | **As corrected** |
| NET INCOME | $ 3,155 | $ - | $ 3,155 |
| Less: Net loss attributable to noncontrolling interest in subsidiary | - | (91) | (91) |
| NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS | 3,155 | 91 | 3,246 |
| **COMPREHENSIVE LOSS BEFORE NONCONTROLLING INTERESTS** | **$ (14,522)** | - | **$ (14,522)** |
| Less: Comprehensive loss attributable to noncontrolling interest in subsidiary | - | (91) | (91) |
| **COMPREHENSIVE LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS** | **$ (14,522)** | $ 91 | **$ (14,431)** |

### Note 3 – Cash and Cash Equivalents

| | **March 31, 2021** | **March 31, 2020** |
|---|---|---|
| Securities purchased under reverse repurchase agreements | $ 248,746 | $ 9,319 |
| Accounts with stock exchange | 98,016 | 14,885 |
| Current account in clearing organizations | 83,194 | 6,590 |
| Current accounts with brokers | 57,767 | 58,061 |
| Current account with National Bank (Kazakhstan) | 36,726 | - |

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

| | | |
|---|---|---|
| Current account with National Settlement Depository (Russia) | 28,215 | 1,348 |
| Petty cash in bank vault and on hand | 25,800 | 8,970 |
| Current account with commercial banks | 20,649 | 12,947 |
| Current account with Central Bank (Russia) | 6,931 | 2,726 |
| Current account with Central Depository (Kazakhstan) | 69 | 502 |
| **Total cash and cash equivalents** | $ 606,113 | $ 115,348 |

As of March 31, 2021, and 2020, cash and cash equivalents were not insured. As of March 31, 2021, and 2020, the cash and cash equivalents balance included collateralized securities received under reverse repurchase agreements on the terms presented below:

| | March 31, 2021 | | | |
|---|---|---|---|---|
| | Interest rates and remaining contractual maturity of the agreements | | | |
| | **Average Interest rate** | **Up to 30 days** | **30-90 days** | **Total** |
| **Securities purchased under reverse repurchase agreements** | | | | |
| Non-US sovereign debt | 1.07% | $ 101,057 | $ - | $ 101,057 |
| Corporate debt | 4.42% | 94,563 | - | 94,563 |
| Corporate equity | 2.76% | 51,564 | - | 51,564 |
| US sovereign debt | 0.50% | 1,562 | - | 1,562 |
| **Total** | | $ 248,746 | - | $ 248,746 |

| | March 31, 2020 | | | |
|---|---|---|---|---|
| | Interest rates and remaining contractual maturity of the agreements | | | |
| | **Average Interest rate** | **Up to 30 days** | **30-90 days** | **Total** |
| **Securities purchased under reverse repurchase agreements** | | | | |
| Corporate equity | 13.65% | $ 9,211 | $ - | $ 9,211 |
| Corporate debt | 14.25% | 108 | - | 108 |
| **Total** | | $ 9,319 | $ - | $ 9,319 |

The securities received by the Company as collateral under reverse repurchase agreements are liquid trading securities with market quotes and significant trading volume. The fair value of collateral received by the Company under reverse repurchase agreements as of March 31, 2021 and 2020, is $272,586 and $9,968, respectively.

## Note 4 – Restricted Cash

As of March 31, 2021, and 2020, the Company's restricted cash consisted of cash segregated in a special custody account for the exclusive benefit of our brokerage customers and required reserves with the Central Bank of the Russian Federation which represents cash on hand balance requirements. Restricted cash consisted of:

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

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Brokerage customers' cash | $ 53,415 | $ 12,217 |
| Reserve with Central Bank | 1,758 | 476 |
| Guarantee deposits | 431 | 516 |
| **Total restricted cash** | $ 55,604 | $ 13,209 |

## Note 5 – Trading and Available-For-Sale Securities, at fair value

As of March 31, 2021, and 2020, trading and available-for-sale securities consisted of:

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Corporate debt | $ 334,021 | $ 58,447 |
| Non-U.S. sovereign debt | 326,116 | 27,150 |
| Corporate equity | 28,496 | 57,874 |
| U.S. sovereign debt | 10,828 | - |
| Exchange traded notes | 9,638 | - |
| **Total trading securities** | $ 709,099 | $ 143,471 |
| | | |
| Equity securities | $ 1 | $ 1 |
| **Total available-for-sale securities, at fair value** | $ 1 | $ 1 |

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.

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

● Level 3 - Valuation inputs are unobservable and significant to the fair value measurement.

The following tables present trading securities assets in the Consolidated Financial Statements or disclosed in the Notes to the Consolidated Financial Statements at fair value on a recurring basis as of March 31, 2021 and 2020:

| | | | Fair Value Measurements at March 31, 2021 using | | |
|---|---|---|---|---|---|
| | Weighted average interest rate | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant unobservable units (Level 3) |
| Corporate debt | 9.21% | $ 334,021 | $ 334,021 | $ - | $ - |
| Non-U.S. sovereign debt | 8.15% | 326,116 | 326,116 | - | - |
| Corporate equity | - | 28,496 | 28,459 | 1 | 36 |
| U.S. sovereign debt | 1.68% | 10,828 | 10,828 | - | - |
| Exchange traded notes | - | 9,638 | 9,638 | - | - |
| **Total trading securities** | | $ 709,099 | $ 709,062 | $ 1 | $ 36 |
| Equity securities | - | $ 1 | $ - | $ - | $ 1 |
| **Total available-for-sale securities, at fair value** | | $ 1 | $ - | $ - | $ 1 |

| | | | Fair Value Measurements at March 31, 2020 using | | |
|---|---|---|---|---|---|
| | Weighted average interest rate | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant unobservable units (Level 3) |
| Corporate debt | 9.51% | $ 58,447 | $ 58,447 | $ - | $ - |
| Non-U.S. sovereign debt | 5.10% | 27,150 | 27,150 | - | - |
| Corporate equity | - | 57,874 | 57,874 | - | - |
| **Total trading securities** | | $ 143,471 | $ 143,471 | $ - | $ - |
| Equity securities | - | $ 1 | $ - | $ - | $ 1 |
| **Total available-for-sale securities, at fair value** | | $ 1 | $ - | $ - | $ 1 |

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

| Type | Valuation | FV as of March 31, 2021 | FV as of March 31, 2020 | Significant Unobservable Inputs | % |
|---|---|---|---|---|---|
| Corporate equity | DCF | $ 36 | $ - | Discount rate | 10.40% |
| | | | | Estimated number of years | 9 years |

| | Trading securities | Available-for-sale securities |
|---|---|---|
| **Balance as of March 31, 2019** | **$ 504** | **$ 2** |
| Sale of investments that use Level 3 inputs | (497) | |
| Foreign currency translation | (7) | (1) |
| **Balance as of March 31, 2020** | **$ -** | **$ 1** |
| Purchase of investments that use Level 3 inputs | 98 | - |
| Revaluation of securities | (62) | - |
| **Balance as of March 31, 2021** | **$ 36** | **$ 1** |

| | March 31, 2021 | | |
|---|---|---|---|
| | Assets measured at amortized cost | Unrealized gain accumulated in other comprehensive income | Assets measured at fair value |
| Equity securities | $ 1 | $ - | $ 1 |
| **Available-for-sale securities, at fair value** | $ 1 | $ - | $ 1 |

| | March 31, 2020 | | |
|---|---|---|---|
| | Assets measured at amortized cost | Unrealized gain accumulated in other comprehensive income | Assets measured at fair value |
| Equity securities | $ 1 | $ - | $ 1 |
| **Available-for-sale securities, at fair value** | $ 1 | $ - | $ 1 |

## Note 6 – Brokerage and Other Receivables, net

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Margin lending receivables | $ 14,957 | $ 42,092 |
| Receivables from brokerage clients | 2,940 | 796 |
| Dividends accrued | 1,392 | 1 |
| Long-term installments receivables | 1,280 | - |
| Bank commissions receivable | 795 | 218 |
| Receivable for underwriting market-making services | 525 | 67 |
| Other receivables | 25 | 35 |

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

| | | |
|---|---|---|
| Receivable from purchase or sale of securities | - | 71 |
| Allowance for receivables | (1,646) | (341) |
| **Total brokerage and other receivables, net** | $ 20,268 | $ 42,939 |

On March 31, 2021 and 2020, amounts due from a single related party customer were $335 or 2% and $22,614 or 53%, of total brokerage and other receivables, respectively. Based on experience, the Company considers receivables due from related parties fully collectible. During the years ended March 31, 2021 and 2020, using historical and statistical data, the Company recorded an allowance for brokerage receivables in the amount of $1,646 and $341, respectively.

## Note 7 – Loans Issued

Loans issued as of March 31, 2021 consisted of the following:

| | Amount Outstanding | Due Dates | Average Interest Rate | Fair Value of Collateral | Loan Currency |
|---|---|---|---|---|---|
| Uncollateralized non-bank loan | $ 1,384 | May, 2021 | 13.00% | - | RUB |
| Bank customer loans | 658 | July, 2021 - September, 2045 | 11.27% | 611 | RUB |
| Bank customer loans | 880 | March, 2024 | 15.41% | 729 | KZT |
| | $ 2,922 | | | | |

Loans issued as of March 31, 2020, consisted of the following:

| | Amount Outstanding | Due Dates | Average Interest Rate | Fair Value of Collateral | Loan Currency |
|---|---|---|---|---|---|
| Subordinated loan | $ 16,873 | January, 2020 -February, 2021 | 11 % | - | KZT |
| Bank customer loans | 1,635 | July, 2020 - May, 2044 | 14.31 % | 258 | RUB |
| Uncollateralized non-bank loan | 129 | March, 2021 | 6.00 % | - | RUB |
| | $ 18,637 | | | | |

## Note 8 – Deferred Tax (Liabilities)/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, 2021 and 2020, is 20% for the Russian Federation and Kazakhstan.

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

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

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| ***Deferred tax assets:*** | | |
| Accrued liabilities | $ 140 | $ 74 |
| Tax losses carryforward | - | 1,068 |
| Revaluation on trading securities | - | 7 |
| Valuation allowance | - | (55) |
| **Deferred tax assets** | $ 140 | $ 1,094 |
| ***Deferred tax liabilities:*** | | |
| Fixed and intangible assets | $ 806 | $ - |
| Subordinated debt | 524 | |
| Revaluation on trading securities | 508 | 346 |
| **Deferred tax liabilities** | $ 1,838 | $ 346 |
| **Net deferred tax (liabilities)/assets** | $ (1,698) | $ 748 |

The Company is subject to the Russian and Kazakhstan income taxes at a rate of 20%. The reconciliation of the provision for income taxes at the 20% tax rate compared to the Company's income tax expense/(benefit) as reported is as follows:

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Profit before tax at 20% | $ 11,823 | $ 848 |
| Provision for impairment losses/(recoveries) | 187 | (295) |
| Foreign tax differential | (389) | (12) |
| Permanent differences | (690) | - |
| Nontaxable (loss)/gain on trading securities | (4,244) | 402 |
| Other permanent items | - | 288 |
| Valuation allowance | - | 6 |
| Losses carryforward adjustment | - | (154) |
| **Income tax expense** | $ 6,687 | $ 1,083 |

The income tax expense comprises:

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Current income tax expense | $ 5,578 | $ 566 |
| Deferred income tax expense | 1,109 | 517 |
| **Income tax expense** | $ 6,687 | $ 1,083 |

During the years ended March 31, 2021 and 2020, the effective tax rate was equal to 11.31% and 25.56%, respectively. During the years ended March 31, 2021, and March 31, 2020 the Company recognized a net income before income tax of $59,113 and $4,238, respectively, primarily from taxable fee and commission income. This resulted in the Company realizing an income tax expenses for the years ended March 31, 2021 and March 31, 2020, of $6,687 and 1,083, respectively.

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

## Note 9 – Fixed Assets, Net

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Buildings | $ 8,014 | $ - |
| Office equipment | 2,892 | 1,691 |
| Capital expenditures on lease improvement | 2,586 | 1,968 |
| Furniture | 1,774 | 1,623 |
| Other | 1,313 | 418 |
| Land | 743 | - |
| Vehicles | 702 | 286 |
| Servers | 142 | 44 |
| Less: Accumulated depreciation | (3,029) | (1,705) |
| Total fixed assets | $ 15,137 | $ 4,325 |

Depreciation expense totaled $1,514 and $1,073 for the years ended March 31, 2021 and 2020, respectively.

## Note 10 – Intangible Assets, Net

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Software | $ 3,305 | $ 1,319 |
| Trading platform | 2,610 | 2,542 |
| Client base | 2,095 | 2,009 |
| Licenses | 2,012 | 215 |
| Less: Accumulated amortization | (4,233) | (3,037) |
| Total intangible assets | $ 5,789 | $ 3,048 |

Amortization expense totaled $1,164 and $1,230 for the years ended March 31, 2021 and 2020, respectively.

## Note 11 – Other Assets, net

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Outstanding transfer transactions | $ 5,731 | $ 310 |
| Advances paid | 2,648 | 806 |
| Due from banks | 2,043 | - |
| Current income tax asset | 947 | 851 |
| Rent guarantee deposit | 582 | 1,337 |
| Taxes other than income taxes | 209 | 98 |
| Prepaid insurance | 2 | 21 |
| Other | 631 | 91 |
| Total other assets | 12,793 | 3,514 |
| Allowance for other assets | (28) | (21) |
| **Other assets, net** | $ 12,765 | $ 3,493 |

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

## Note 12 – Debt Securities Issued

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Debt securities issued denominated in USD | $ 40,246 | $ 44,226 |
| Debt securities issued denominated in RUB | 6,605 | 6,432 |
| Accrued interest | 721 | 769 |
| **Total** | $ 47,572 | $ 51,427 |

As of March 31, 2021, and March 31, 2020, the Company had debt securities issued in the amount of $47,572 and $51,427, respectively. As of March 31, 2021, the Company's outstanding debt securities had fixed annual coupon rates ranging from 6.5% to 12% and maturity dates ranging from May 2021 to January 2023. The Company's debt securities include bonds of Freedom KZ and RU issued under Kazakhstani and Russian Federation law, which trade on the Kazakhstan Stock Exchange and the Moscow Exchange, respectively.

Debt securities issued are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. Debt securities issued as of March 31, 2021 and March 31, 2020 included $721 and $769 accrued interest, respectively. The Freedom bonds are actively traded on Kazakhstan Stock Exchange and on Moscow Exchange.

## Note 13 – Customer Liabilities

The Company recognizes customer liabilities associated with funds held by our brokerage and bank customers. Customer liabilities consist of:

| | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Brokerage customers | $ 497,147 | $ 94,654 |
| Banking customers | 270,858 | 54,063 |
| **Total** | $ 768,005 | $ 148,717 |

## Note 14 – Securities Repurchase Agreement Obligations

As of March 31, 2021 and 2020, trading securities included collateralized securities subject to repurchase obligations as described in the following table:

| | March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Interest rates and remaining contractual maturity of the agreements | | | | |
| | **Average interest rate** | **Up to 30 days** | **30-90 days** | **Over 90 days** | **Total** |
| ***Securities sold under repurchase agreements*** | | | | | |
| Non-US sovereign debt | 9.30% | $ 227,196 | $ - | $ - | $ 227,196 |
| Corporate debt | 9.27% | 187,208 | - | - | 187,208 |
| US sovereign debt | 0.40% | 1,809 | - | - | 1,809 |
| Corporate equity | 12.40% | 1,309 | - | - | 1,309 |
| **Total** | | $ 417,522 | $ - | $ - | $ 417,522 |

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

| | March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Interest rates and remaining contractual maturity of the agreements | | | | |
| | **Average interest rate** | **Up to 30 days** | **30-90 days** | **Over 90 days** | **Total** |
| ***Securities sold under repurchase agreements*** | | | | | |
| Corporate equity | 12.16% | $ 20,711 | $ - | $ - | $ 20,711 |
| Corporate debt | 13.27% | 15,973 | - | - | 15,974 |
| Non-US sovereign debt | 13.00% | 11,520 | - | - | 11,520 |
| **Total** | | $ 48,204 | $ - | $ - | $ 48,204 |

The fair value of collateral pledged under repurchase agreements as of March 31, 2021 and March 31, 2020, was $417,168 and $54,222, respectively. Securities pledged as collateral by the Company under repurchase agreements are liquid trading securities with market quotes and significant trading volume.

## Note 15 – Equity

As at March 31, 2021 and 2020 the authorized charter capital comprised $86,395 and $66,225, respectively. As at March 31, 2021 and 2020 the additional paid in capital comprised of $29,731 and $20,953.

On July 2, 2020, Freedom Holding Corp. completed the acquisition of Zerich following receipt of approval from the Russian Federal Antimonopoly Service. On December 27, 2020, Zerich was merged into Freedom RU and its separate legal existence terminated. The assets and liabilities of Zerich in the net amount of $3,284 were transferred to Freedom RU at their perspective carrying amounts on the date the merger was completed. As a result, during the year ended March 31, 2021, Charter capital and Additional paid in capital of Freedom RU increased by $170 and $3,114, respectively, in exchange for the Net assets received as a result of the merger.

During the year ended March 31, 2021, Additional paid in capital increased by $6,971 as a result of the increase of Noncontrolling interest occurred as a result of the capital contribution made by Freedom Holding Corp.

During the years ended March 31, 2021 and 2020 shareholders made capital contribution in the amount of $20,000 and $9,500, respectively.

## Note 16 – Related Party Transactions

During the years ended March 31, 2021 and 2020, the Company earned commission income from related parties in the amounts of $16,814 and $23,575, respectively. Commission income earned from related parties is comprised primarily of brokerage commissions and agency fees for referrals of new brokerage clients to other brokers and commissions for money transfers by brokerage clients.

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

As of March 31, 2021, and 2020, the Company had brokerage and other receivables from related parties totaling $792 and $175, respectively. Brokerage and other receivables from related parties result principally from commissions receivable on the brokerage operations of related parties.

As of March 31, 2021, and March 31, 2020, the Company had loans issued to related parties totaling $0 and $18,351, respectively.

As of March 31, 2021, and March 31, 2020, the Company had loans received from related parties totaling $9,549 and $0, respectively.

As of March 31, 2021, and 2020, the Company had marginal lending receivables with related party totaling $21 and $41,053, respectively.

As of March 31, 2021, and 2020, the Company had cash and cash equivalents held in brokerage accounts with related parties totaling $67,650 and $55,169, respectively.

As of March 31, 2021, and 2020, the Company had customer liabilities on brokerage accounts and bank accounts of related parties totaling $154,308 and $20,123, respectively.

## Note 17 – Leases

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company must discount lease payments based on an estimate of its incremental borrowing rate.

The table below presents the lease related assets and liabilities recorded on the Company's consolidated balance sheets as of March 31, 2021:

| | Classification on Balance Sheet | March 31, 2021 |
|---|---|---|
| **Assets** | | |
| Operating lease assets | Right-of-use assets | $ 10,733 |
| **Total lease assets** | | **$ 10,733** |
| **Liabilities** | | |
| Operating lease liability | Operating lease obligations | $ 10,707 |
| **Total lease liability** | | **$ 10,707** |

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

Lease obligations at March 31, 2021, consisted of the following:

| | | |
|---|---|---|
| Twelve months ending March 31, | | |
| 2022 | $ | 5,560 |
| 2023 | | 4,431 |
| 2024 | | 1,486 |
| 2025 | | 649 |
| Thereafter | | 373 |
| Total payments | | 12,499 |
| Less: amounts representing interest | | (1,792) |
| Lease liability, net | **$** | **10,707** |
| Weighted average remaining lease term (in months) | | 28 |
| Weighted average discount rate | | 12% |

Lease commitments for short-term operating leases as of March 31, 2021 was approximately $380. The Company's rent expense for office space was $655 for the year ended March 31, 2021 and $1,048 for the year ended March 31, 2020, respectively.

## Note 18 – Acquisitions

The acquisitions below were accounted for under the acquisition method of accounting in accordance with ASU Topic 805, Business Combinations.

*Acquisition of Zerich*

On July 2, 2020, Freedom Holding Corp. completed the acquisition of Zerich following receipt of approval from the Russian Federal Antimonopoly Service. On December 27, 2020, Zerich was merged into Freedom RU and its separate legal existence terminated. The assets of $14,965 and liabilities of $11,681 of Zerich in the net amount of $3,284 were transferred to Freedom RU at their perspective carrying amounts on the date the merger was completed. As a result, during the year ended March 31, 2021, Charter capital and Additional paid in capital of Freedom RU increased by $170 and $3,114, respectively, in exchange for the Net assets received as a result of the merger.

*Acquisition of Freedom Bank KZ*

On December 28, 2020, the Company closed the acquisition of Freedom Bank KZ, following receipt of approval from the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market. Freedom Bank KZ is a Kazakhstani based second tier Bank. For accounting purposes, on December 25, 2020, the Company acquired control over the entity by purchasing the common shares of Freedom Bank KZ. The total purchase price of this acquisition was $43,462 which was paid in cash. The purchase price included consideration paid for the outstanding common shares in the amount of $40,984 and consideration paid for the outstanding preferred shares in the amount of $2,478. The purchase price as of the control acquisition date was allocated as follows:

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

| | | Purchase price allocation As of December 25, 2020 |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | $ | 129,185 |
| Trading securities | | 50,684 |
| Brokerage and other receivables | | 2,601 |
| Fixed assets | | 10,987 |
| Intangible assets | | 2,769 |
| Right-of-use asset | | 338 |
| Loans issued | | 1,023 |
| Other assets | | 2,352 |
| **Total assets** | **$** | **199,939** |
| **Liabilities:** | | |
| Customer liabilities | $ | 117,195 |
| Current income tax liability | | 1,234 |
| Trade payables | | 104 |
| Subordinated debt | | 6,969 |
| Securities repurchase agreement obligation | | 28,500 |
| Lease liability | | 338 |
| Other liabilities | | 837 |
| Deferred income tax liabilities | | 1,399 |
| **Total liability** | **$** | **156,576** |
| Net Assets Acquired | $ | 43,363 |
| Goodwill | | 99 |
| Consideration paid for common shares | | 40,984 |
| Consideration paid for preferred shares | | 2,478 |
| **Total purchase price** | **$** | **43,462** |

## Note 19 – Subsequent Events

The Company has performed an evaluation of subsequent events through the time of filing this annual report. Other than as disclosed below, during this period the Company did not have any additional material recognizable subsequent events.

On May 26, 2021, debt securities of Freedom KZ denominated in Kazakhstan tenge and indexed to U.S. dollar which had a fixed annual coupon rate of 8% and a carrying value of $10,477 including interest accrued of $274 as of March 31, 2021, matured and were retired by Freedom KZ.

**On behalf of the Company:**

**Pochekuev V. A.**
**Chief Executive Officer**

**Morozova N.A.**
**Chief Accountant**