

**SAREGAMA INC**  
**BALANCE SHEET AS AT MARCH 31st, 2020**

		\$
<b>Assets</b>		
<b>Current assets</b>		
Cash In Bank		14,852
Advances To Vendors		2,500
Accounts Receivable		509,503
Inventory		497,046
<b>Total Current Assets</b>	<b>\$</b>	<b>1,023,901</b>
<b>Other Assets</b>		
Security Deposit - Rent		1,806
<b>Total Other Assets</b>	<b>\$</b>	<b>1,806</b>
<b>Total Assets</b>	<b>\$</b>	<b>1,025,707</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable		1,071,111
Accrued Expenses		85,604
<b>Total Current Liabilities</b>	<b>\$</b>	<b>1,156,715</b>
Long Term Liabilities		
Due To Affiliates		285,815
<b>Total Long Term Liabilities</b>		<b>285,815</b>
<b>Stockholders' Equity</b>		
Common Stock		1
Retained Earnings		(416,824)
<b>Total Stockholders' Equity</b>	<b>\$</b>	<b>(416,823)</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b>1,025,707</b>



**SAREGAMA INC**  
**INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2020**

<b>REVENUES</b>	<b>\$</b>
Sales (Net)	1,654,048
<b>COST OF GOODS SOLD</b>	
Contract Manufacturing Charges	836,663
Changes In Inventories	(204,234)
Freight & Forwarding Costs	237,190
Amazon Fees	89,524
<b>TOTAL COST OF GOODS SOLD</b>	<b>959,143</b>
<b>GROSS PROFIT</b>	<b>694,905</b>
<b>OPERATING EXPENSES</b>	
Accounting Fees	9,000
Advertising	613,968
Bank Charges	7,218
Consulting Fees	118,729
Insurance	2,524
Misc Expenses	2,447
Other Taxes	6,148
Printing & Stationery	13,773
Rent	13,588
Royalties	235,105
Travel Expense	39,413
<b>TOTAL OPERATING EXPENSES</b>	<b>1,061,913</b>
<b>TOTAL OPERATING INCOME/(LOSS) BEFORE TAXES &amp; PROVISIONS</b>	<b>(367,008)</b>
Provision For Bad Debts	(71,439)
Exchange Gain	3,997
<b>Profit/(Loss) for the year</b>	<b>(434,450)</b>



**SAREGAMA INC**  
**STATEMENT OF RETAINED EARNINGS FOR YEAR ENDED MARCH 31, 2020**

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	\$
<b>Retained Earnings - Beginning of the Year</b>	17,626
Current Year Net Income	(434,450)
<b>Retained Earnings - End of the Year</b>	\$ <u><u>(416,824)</u></u>



**SAREGAMA INC**  
**STATEMENT FOR THE CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR YEAR ENDED MARCH 31, 2020**

				\$
	Share capital	Paid in Surplus	Retained Earnings	Total Equity
<b>Balance Apr 1, 2019</b>	1	-	17,626	17,627
Net Income	-	-	(434,450)	(434,450)
<b>Balance as of Mar 31, 2020</b>	<b>1</b>	<b>-</b>	<b>(416,824)</b>	<b>(416,823)</b>



**SAREGAMA INC**  
**STATEMENT OF CASH FLOWS FOR YEAR ENDED MARCH 31, 2020**

	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
<b>Net Loss</b>	(434,450)
<b>Adjustment to reconcile Net Income to net cash provided by Operating Activities</b>	
Depreciation	-
<b>Changes in Assets &amp; Liabilities :</b>	
<b>(Increase) / Decrease in assets</b>	
Accounts Receivable	(24,508)
Inventories	(204,234)
Advance To Vendors	(2,500)
<b>Increase(Decrease) in Liabilities</b>	
Accounts Payable	486,932
Accrued Expenses & Other Current Liabilites	39,157
Due To Affiliates	(205,815)
<b>Net Cash provided by Operating Activities</b>	<b>(345,418)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Security deposit	-
<b>Net Cash provided by Investing Activities</b>	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Due To Affiliates	285,815
<b>Net cash provided by Financing Activities</b>	<b>285,815</b>
Net Cash and cash Equivalent for the period	(59,603)
Cash and Equivalent at the beginning of the period	74,455
<b>Cash and Equivalents at the end of the period</b>	<b>\$ 14,852</b>





## SAREGAMA, INC

### Notes to Financial Statements

#### Note 1- Significant accounting policies

##### The Company – Nature of Operations

Saregama, Inc, (the Company) was incorporated in Delaware State of USA on August 27, 2015. The company is a wholly owned subsidiary of an UK based company named Saregama Limited. The Company is engaged in the business of selling (wholesale & Retail) Carvaan Bluetooth speaker, its got a number of interesting features built in, most notable of which is that it comes with 5,000 classic songs in different languages (Hindi, Tamil, Punjabi, Bengali & Marathi) which you can listen to anytime you want to, without any internet connection. The company also sells Carvaan Mini, a smaller version of (Carvaan Bluetooth speaker), its sleek and portable speaker allows you to stream music from your phone or music-streaming apps. The company also introduced selling of USB music drive which has a storage capacity of 4GB with 200 HD Quality songs preloaded in different languages, Caravaan Go Mini Speaker with 3,000 Preloaded Songs in Multiple Languages.

##### Basis of preparation of financial statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). All income and expenditures having a material bearing on the financial statements are recognized on accrual basis and all amounts are stated in United States dollars.

##### Revenue recognition

The Company derives its revenues from sale of Carvaan Bluetooth speaker and Carvaan Mini Bluetooth speaker. The Company recognizes revenue through a sale to distributor and through online retail sales to amazon after deducting Amazon Fees & Credit card processing fees, when revenue from respective activity is realized or realizable and earned. The Company, considers the revenue, realized or realizable and earned, when it has persuasive evidence of an arrangement, delivery has occurred, the price is fixed and determinable and collectability is reasonably assured. The direct costs, selling and general administrative expenses are charged, to cost or expense, as incurred.

##### Use of Estimates

Preparation of financial statements in conformity with the generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the reported revenues and expenses during the reporting period. As a result, actual amounts could differ from these estimates. Estimates are used for but not limited to accounting for allowance for doubtful accounts, useful lives of fixed assets and capitalization of cost, etc.

##### Inventory

Inventories are stated at the lower of cost or market using the first-in first-out method. Generally, the Company procures material from the vendors against the sales orders booked by it, and therefore, inventory holding as on a date represents material that is with shipping agency concerned, ready to be shipped on board. Thus, its nature of operations does not create obsolete and slow-moving inventory or over stocking of materials purchased, and further, management tracks each supply from the vendor and ensures delivery to the respective buyer on an ongoing basis.



SAREGAMA, INC  
Notes to Financial Statements (continued)

Cash & Cash Equivalents

The Company considers all highly liquid investments with a remaining maturity at the date of purchase/investment of 3 months or less to be cash equivalents. Cash and Cash equivalents consist of cash, cash on deposit with banks, and deposits with corporations.

Accounts Receivable – Accounting bad debts

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of March 31, 2020, as per the assessment of the management, all outstanding accounts receivable were estimated to be collectible and accordingly, no amount was charged to earnings to create allowance. Management is of the view that outstanding balances reported under accounts receivable are collectible except for the amount of \$71,439 for which valuation allowance is made as per the status of these accounts.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. The company undertakes revaluation of its monetary assets and liabilities denominated in foreign currency, on its balance sheet. The company reported exchange transaction gain of \$3,997 representing net gain derived from revaluation of its monetary assets and liabilities denominated in foreign currency.

Income Taxes

Pursuant to the Internal Revenue Code, the company has elected to be treated as an association taxable as a corporation. Income taxes are accounted for under the asset liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities, and their respective tax bases and operating losses, and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. Deferred income tax expense (benefit) represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and noncurrent based on their characteristics. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized.





SAREGAMA, INC  
Notes to Financial Statements (continued)

The Company evaluates for uncertain tax positions in accordance with Accounting Standards Codification (ASC) 740, *Income taxes*. ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties and financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

The Company classifies interest related to the underpayment of income taxes as a component of interest expense and classifies any related penalties in general and administrative expenses in the Statements of Income. There were no penalties or interest related to income taxes recognized during the year ended March 31, 2020.

The Company files income tax returns in the U.S. federal jurisdiction, and state jurisdictions. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2016.

Advertising

The Company expenses advertising costs as they are incurred. Actual Expenses are billed to company on actual broadcast of their advertisement by all media company. Advertising expenses incurred in the year ended March 31, 2020 were \$613,968 which is very material amount to 37% of Total Revenue.

Note 2: Subsequent Events

The Company has evaluated subsequent events through May 24, 2020, which is the date financial statements were available to be issued, and, found significant events requiring disclosure described below in Note 5.

Note 3 – Financial Instruments

Fair Value Measurements

Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (*FASB ASC 825-10*), requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using the present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of instruments. Certain financial and nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts do not represent the underlying value of the Company. The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:





SAREGAMA, INC  
Notes to Financial Statements (continued)

Cash and cash equivalents: The carrying amounts reported in the statement of financial condition for cash & cash equivalents approximate those assets fair values.

Other current assets: These represent amounts receivable with no significant change in credit risk, and fair values are based on carrying amounts. The Company has no time deposits or investment securities or fixed rate loans on its statement of financial condition as of March 31, 2020.

Concentration of Credit Risk and Customers

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of trade receivable. The Company grants credit to its customers on a regular basis. On March 31, 2020 amounts due from top three customers aggregated to \$ 279,078 representing 55% of the total accounts receivable, as on that date. In the year ended March 31, 2020 aggregate revenues from the afore-stated three customers accounted for 16% of total revenues. Customer accounts are typically collected within a short period of time, and based on its assessment of current conditions, management believes realization losses on the amounts outstanding at the end of March 31, 2020 will be material, accordingly, customer accounts are reported at the amount of principal outstanding.

Note 4 – Royalty Expense

The company pays royalty to Saregama India Ltd of \$235,105 which is in the range of 13-15% of sales as a consideration for providing the copyrights, technical know-how and music rights/licenses, based upon transfer pricing benchmarking report done by Ernst & Young India for Saregama India Limited.

NOTE 5- GOING CONCERN

The Company has evaluated the impact of COVID – 19 pandemic and considering having on their operations using the guidance in ASC-855, subsequent event and have also evaluated their ability to continue as going concern for upcoming year as per ASC 205-40. As indicated in the accompanying financial statements, the Company reported a net loss of USD 434,450 during the period ended March 31, 2020. As of March 31, 2020, the Company's total liabilities exceeded total assets by USD 416,824. The management of the Company is positive of continuing posting of net income in coming years and ensuring turnaround gradually. The detailed future plan will increase the revenue from other revenue streams as well in the coming year.



SAREGAMA, INC  
Notes to Financial Statements (continued)

Note 6 -Related Party Transactions

The related party transactions as of March 31, 2020 are summarized as below:

<u>Related Party</u>	<u>Nature of Relation</u>	<u>Transaction Type</u>	<u>Amount</u>
Saregama PLC (UK Company)	Member (Holding Company)	Dues to Affiliates	\$ 285,815
Saregama India Ltd	Ultimate Holding Company Of Saregama PLC (UK Company)	Royalties Fees (Cost) Accounts Payable	\$ 209,148 \$ 444,252

Note 7-Commitments & Contingencies

The company has entered into an agreement with Regus management Group LLC (Landlord) for the office space situated as follows:

Premises	Lease Duration	Lease Payments Due	Security Dep Paid
30 Knightsbridge Rd Suite 525 Piscataway, NJ 08854	03/11/2019 03/31/2020	\$-	\$ 1,806

Note 8- Stockholder's equity

Saregama PLC holds 100% of Stockholder's Equity as of March 31, 2020. Management confirmed that there have been no amendments to the certificate of formation subsequent to August 27, 2015 as up to the date of audit report.

Note 9 – Due to Affiliates

The amount of \$285,815 represents advances for working capital given by parent company (Saregama Ltd) which is to be given back interest free over a long-term period.

Note 10 – Contingent Liability for State Corporate Taxes

The company is filing sales tax return in various states for sales of Carvaan Bluetooth speaker, which triggers Nexus in various state where there could be requirement to file state corporate returns and pay state corporate tax. The amount is not material for current fiscal year but in future company should provide for such taxes and file required state corporation returns.

