

SAREGAMA, INC
Financial Statements
and
Independent Auditors' Report
March 31, 2019



SAREGAMA, INC

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INDEPENDENT AUDITORS' REPORT

To Stockholder
Saregama, Inc
200 Continental Drive, Ste # 401
Newark, DE 19713

We have audited the accompanying financial statements of Saregama, Inc (a Delaware Corporation), which comprise the balance sheet as of March 31, 2019, and the related statements of Income, retained earnings, stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saregama, Inc, as of March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pandya, Kapadia & Associates CPA PA

Pandya, Kapadia & Associates, CPA, P.A.
May 02, 2019

SAREGAMA INC
BALANCE SHEET AS AT MARCH 31st, 2019

	Mar 31st, 2019
Assets	
Current assets	
Cash In Bank	74,455
Accounts Receivable	484,994
Inventory	292,813
Total Current Assets	\$ 852,262
Other Assets	
Security Deposit - Rent	1,806
Total Other Assets	\$ 1,806
Total Assets	\$ 854,068
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts Payable	584,179
Accrued Expenses	46,447
Dues To Affiliates	205,815
Total Current Liabilities	\$ 836,441
Stockholders' Equity	
Common Stock	1
Retained Earnings	17,626
Total Stockholders' Equity	\$ 17,627
Total Liabilities and Stockholders' Equity	\$ 854,068



SAREGAMA INC
INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

REVENUES	Mar 31st, 2019
Sales (Net)	1,469,232
COST OF GOODS SOLD	
Contract Manufacturing Charges	466,358
Freight & Forwarding Costs	122,882
TOTAL COST OF GOODS SOLD	589,240
GROSS PROFIT	879,992
Expenses:	
Operating Expenses	793,712
Total Income From Operations	86,280
INCOME BEFORE TAXES	86,280
Corporate Taxes - Federal (Current)	3,369
Corporate Taxes - State (Current)	1,581
Profit/(Loss) for the year	81,330



SAREGAMA INC
STATEMENT OF RETAINED EARNINGS FOR YEAR ENDED MARCH 31, 2019

	\$
Retained Earnings - Beginning of the Year	(63,704)
Current Year Net Income	81,330
Retained Earnings - End of the Year	\$ <u><u>17,626</u></u>



SAREGAMA INC
STATEMENT FOR THE CHANGES IN STOCKHOLDER'S EQUITY
FOR YEAR ENDED MARCH 31, 2019

	Share capital	Paid in Surplus	Retained Earnings	Total Equity
Balance Apr 1, 2018	1	-	(63,704)	(63,703)
Net Income	-	-	81,330	81,330
Balance as of Mar 31, 2019	1	-	17,626	17,627



SAREGAMA INC
STATEMENT OF CASH FLOWS FOR YEAR ENDED MARCH 31, 2019

3/31/2019

CASH FLOW FROM OPERATING ACTIVITIES	
Net Income	81,330
Adjustment to reconcile Net Income to net cash provided by Operating Activities	
Depreciation	-
Changes in Assets & Liabilities :	
(Increase) / Decrease in assets	
Accounts Receivable	(365,946)
Inventories	(122,364)
Increase(Decrease) in Liabilities	
Accounts Payable	365,297
Accrued Expenses & Other Current Liabilities	26,899
Net Cash provided by Operating Activities	(14,784)
CASH FLOW FROM INVESTING ACTIVITIES	
Security deposit	307
Net Cash provided by Investing Activities	307
CASH FLOW FROM FINANCING ACTIVITIES	
Net cash provided by Financing Activities	-
Net Cash and cash Equivalent for the period	(14,477)
Cash and Equivalent at the beginning of the period	88,932
Cash and Equivalents at the end of the period	\$ 74,455

SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATING EXPENSES



SAREGAMA INC
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATING EXPENSES FOR YEAR ENDED MARCH 31, 2019

	<u>3/31/2019</u>
Accounting Fees	11,719
Advertisement	425,396
Bank Charges	3,259
Consulting Fees	107,789
Dues & Subscription	139
Insurance	7,294
License & Fees	308
Misc Expenses	6,758
Rent	10,271
Royalties Expense	209,148
Travel Expense	11,631
TOTAL	\$ 793,712



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 Plc.

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 Hindi songs, 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.

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 particular 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 current 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, 2019, 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 and no valuation allowance was required.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. As at March 31, 2019, the Company has no monetary assets and liabilities denominated in foreign currency, on its balance sheet. The company reports 100% of transaction in US dollars and does not have any exchange gain or loss during the year.

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, 2019.

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 2015.

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, 2019 were \$ 425,396.

Note 2: Subsequent Events

The Company has evaluated subsequent events through May 13, 2019, which is the date financial statements were available to be issued, and, found no significant events requiring disclosure.

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, 2019.

Concentration of Credit Risk arising from Cash Deposits in Excess of Insured Limits:

The Company maintains its cash balances with Bank in its operating account. The balances are insured by the Federal Deposit Insurance Corporation. As of the Balance sheet date, and periodically throughout the year 2019, the Company has maintained balances in these accounts, in excess of federally insured limits.

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, 2019 amounts due from top three customers aggregated to \$ 260,318, representing 54% of the total accounts receivable, as on that date. In the year ended March 31, 2019 aggregate revenues from the afore-stated three customers accounted for 33% 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, 2019 will be immaterial, accordingly, customer accounts are reported at the amount of principal outstanding.

Note 4- Income Taxes

The provision for income taxes as of the balance sheet date(s) consists of the following components, as at March 31, 2019:

	<u>2018</u>
Current Taxes	\$ 4,950
Deferred Taxes	\$ -

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes because certain expenses are not deductible for tax purposes.

Note 5 – Royalty Expense

The company pays royalty to Saregama India Ltd of \$209,148 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.



SAREGAMA, INC
Notes to Financial Statements (continued)

Note 6 -Related Party Transactions

The related party transactions as of March 31, 2019 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	\$ 205,815
Saregama India Ltd	Ultimate Holding Company Of Saregama PLC (UK Company)	Royalties Fees (Cost)	\$ 209,148
		Accounts Payable	\$ 209,148

Note 7-Commitments & Contingencies

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

<u>Premises</u>	<u>Lease Duration</u>	<u>Lease Payments Due</u>	<u>Security Dep Paid</u>
581 Main Street Woodbridge, NJ 07095	04/15/18-04/30/19	\$833	\$ 1,666

Note 8- Stockholder's equity

Saregama PLC holds 100% of Stockholder's Equity as of March 31, 2019. 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 \$205,815 represents advances for working capital given by parent company (Saregama PLC) which is to be given back 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 provided for such taxes and file required state corporation returns.