

SAREGAMA, INC

AUDITED FINANCIAL STATEMENTS

Year ended March 31, 2022



Smart Accountants LLC
Certified Public Accountants
Texas, USA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	02-03
FINANCIAL STATEMENTS	
Balance sheet	04
Statement of Income	05
Statement of Retained Earnings	06
Statement of Cashflow	07
Statement of Change in Stockholder's Equity	08
Notes to the financial statements	09-11

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying Financial Statements of Saregama, Inc, which comprise the Balance sheets as of March 31, 2022 and 2021, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the Financial Statements.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of Saregama, Inc as of 31st March 2022, and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Saregama, Inc and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Saregama, Inc for the year ended March 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on May 10, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the Financial Statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Saregama, Inc's ability to continue as a going concern within one year after the date that the Financial Statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Financial Statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Financial Statements.
- Obtain an understanding of internal control relevant to the audit 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 Saregama, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Saregama, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Smart Accountants LLC
CERTIFIED PUBLIC ACCOUNTANT
Texas, 76017
30th April, 2022

Balance Sheet as at

Particulars	March 31, 2022	March 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 213,745	152,111
Advances To Vendors	-	2,500
Accounts Receivable	598,467	306,931
Inventory	111,767	359,909
Deferred Tax Asset	54,770	26,042
Total Current Assets	978,749	847,492
Other Assets		
Security Deposit - Rent	1,806	1,806
Total Other Assets	1,806	1,806
Total Assets	980,555	849,298
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable	549,253	491,237
Accrued Expenses & Taxes Payable	49,355	67,489
Current tax liabilities	17,462	-
Total Current Liabilities	616,070	558,726
Non-Current Liabilities		
Long Term Liabilities	-	-
Total Non-Current Liabilities	-	-
Total Liabilities	616,070	558,726
Stockholders' Equity		
Common Stock	400,000	1
Additional Paid In Capital	-	399,999
Retained Earnings	(35,514)	(109,429)
Total Stockholders' Equity	364,486	290,572
Total Liabilities and Stockholders' Equity	\$ 980,555	849,298

See Audit Report and Note Disclosures

Income statement for the year ended

Particulars	March 31, 2022	March 31, 2021
Revenues		
Sale of Products (Net)	\$ 577,355	143,966
Contract Manufacturing Charges	(204,991)	(49,237)
Freight & Forwarding Cost	(128,461)	(61,578)
Gross Profit on Product sales	243,903	33,151
License Fee & Sub Publishing Revenue	752,713	372,769
Advertising & Promotion Inc	-	379,046
Royalites Cost	(644,327)	(344,863)
Gross Margin on License Fee & Advertising & Promotion Inc	108,387	406,952
Total Revenues (Net)	352,290	440,103
Operating Expenses		
Accounting Fees	(9,000)	(9,000)
Advertising	(189,464)	(164,800)
Bank Charges	(2,693)	(2,573)
Consulting Fees	(71,244)	(63,967)
Insurance	(2,712)	(4,698)
Misc Expenses	(5,316)	(2,269)
Rent	(6,078)	(17,814)
Other Taxes	(982)	(3,008)
Travel and Conveyance	(2,096)	-
Total Operating Expenses	(289,585)	(268,129)
Total Operating Income/(Loss) before Taxes & Provisions & Other Inc.	62,705	171,974
Bad Debts	-	(3,850)
Exchange Loss	(57)	(3,409)
Profit/ (Loss) for the year	62,648	164,715
Income tax expense		
- Current tax	17,462	-
- Deferred Tax	(28,728)	(26,042)
Total tax expense	(11,266)	(26,042)
Profit for the year	\$ 73,914	190,757

Statement of Retained earnings for year ended

Particulars	March 31, 2022	March 31, 2021
Retained Earnings - Beginning of the Year	\$ (109,429)	(416,824)
Prior Year Adjustments - Reversal of Payable	-	116,640
Current Year Net Income	73,914	190,757
Retained Earnings - End of the Year	\$ (35,515)	(109,429)

Statement Of Cash Flows For Year Ended

	March 31, 2022	March 31, 2021
Cash Flow From Operating activities		
Net Income	\$ 73,914	190,757
Adjustment to reconcile Net Income to net cash provided by Operating Activities		
Depreciation	-	-
Changes in Assets & Liabilities		
(Increase) / Decrease in assets		
Accounts Receivable	(291,536)	202,572
Inventories	248,141	137,137
Advance To Vendors	2,500	-
Deferred Tax Asset	(28,728)	(26,042)
Increase(Decrease) in Liabilities		
Accounts Payable	58,016	(579,874)
Accrued Expenses & Other Current Liabilites	(18,134)	(18,115)
Due to Affiliates	-	(285,815)
Current tax liabilities	17,462	-
Net Cash Provided By Operating Activities	61,634	(379,381)
Cash Flow From Investing Activities		
Security deposit	-	-
Net Cash provided by Investing Activities	-	-
Cash Flow From Financing Activities		
Additional Paid tn Capital	-	399,999
Prior Year Adjustments -Reversal of Payable	-	116,640
Net cash provided by Financing Activities	-	516,639
Net Cash and cash Equivalent for the period	61,634	137,259
Cash and Equivalent at the beginning of the period	152,111	14,852
Cash and Equivalents at the end of the period	\$ 213,745	152,111

Statement for the Changes in Stockholder's Equity
For the year ended

Particulars		Share capital	Paid in Surplus	Retained Earnings	Total Equity
Balance as on April 1, 2020	\$	1	-	(416,824)	(416,823)
Issued during the year		-	399,999	-	399,999
Net Income		-	-	190,757	190,757
Prior Year Adjustments - Reversal of Payable		-	-	116,640	116,640
Balance as on March 31, 2021	\$	1	399,999	(109,429)	290,572

Particulars		Share capital	Paid in Surplus	Retained Earnings	Total Equity
Balance as on April 1, 2021	\$	1	399,999	(109,429)	290,572
Issued during the year		-	-	-	-
Net Income		-	-	73,914	73,914
Prior Year Adjustments - Reversal of Payable		-	-	-	-
Balance as on March 31, 2022	\$	1	399,999	(35,515)	364,485

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, it has 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. During current fiscal year company's direct sales revenue dropped significantly due to fact that company changed entire business model. The company have started granting licensing all their products through reputable third-party sub publishing vendor in USA with an arrangement to receive between 75% to 85% of Net revenue generated by them and have started new venue to participate in major trade shows and entertainment program and generate Net revenue from various sponsors as "Advertising & Promotion Revenue" without incurring any direct costs.

1.1 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.

1.2 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. Licensing fees & sub publishing revenue recognized based on collection from Sub-publisher after deducting all marketing, administrative and related local sales tax incurred by sub-publishing vendors. Advertising and Promotion income from various sponsors were recognized Net of Cost based on collection from various promoters.

1.3 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.

1.4 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 stored at public-warehouse rented by company. Comparative analysis of inventory movement reflects very slow-moving inventory of Bluetooth speakers. Management have assured us to dispose of such items in reasonable time and believe that no provision for inventory is required for current fiscal year

1.5 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.

1.6 Accounts Receivable - Accounting bad debts

Account receivable is 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. Management is of the view that outstanding balances reported under accounts receivable are collectible and no valuation allowance is made as per the status of these accounts.

1.7 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.

1 Significant Accounting Policies (Continued)

1.8 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. 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, 2022. 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.

1.9 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 for years ended March 31, 2022 & March 31, 2021 were \$189,464 & \$164,800 respectively.

2 Subsequent Events

On March 11, 2020 the World Health Organization declared the novel strain of Coronavirus (COVID-19) Global pandemic and recommended containment and mitigation measure worldwide, as of the date of this filing entire operation of retail distribution remain closed in USA subject to shut-down regulated by DE State, we cannot reasonably estimate length of severity of this pandemic or the extent to which the disruption may materially impact our financial position, results of operations and cash flow in the fiscal year ending March 31, 2022.

3 Financial Instruments

3.1 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: 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, 2022.

3.2 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, 2022 amounts due from top three customers aggregated to \$ 421,525 representing 70% of the total accounts receivable, as on that date. In the year ended March 31, 2022 aggregate revenues from the afore stated three customers accounted for 34% 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, 2022 will be material, accordingly, customer accounts are reported at the amount of principal outstanding.

SAREGAMA INC
Notes to Financial Statements (continued)

4 Royalty Expense

The company pays royalty to Saregama India Ltd of \$644,327 as a consideration for providing the copyrights, technical know-how and music rights/licenses/sub publishing revenue as well as advertising & promotion revenue, based upon transfer pricing benchmarking report done by Ernst & Young India for Saregama India Limited.

5 Deffered tax Asset

The company has provided for Deferred Tax Asset which is the difference between pretax book income and taxable income under tax returns which comes to to \$54770 (2021 - \$26,042) is shown as Deferred Tax Asset in the company's balance Sheet for March 31, 2022.

6 Related Party Transactions

The related party transactions as of March 31, 2022 are summarized as below:

Related Party	Nature of Relation	Transaction Type	Amount as on March 2022	Amount as on March 2021
Saregama PLC (UK Company)	Member (Holding Company)	Common Stock Additional Pd in Cap	\$ 1 \$ 399,999	\$ 1 \$ 399,999
Saregama India Ltd	Ultimate Holding company of Saregama PLC (UK Company)	Royalties Fees (Cost) Accounts Payable	\$ 644,327 \$ 279,608	\$ 344,863 \$ 51,078

7 Stockholder's Equity

Saregama PLC holds 100% of Stockholder's Equity as of March 31, 2022. 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. On September 15th, 2020, the company in compliance with Bylaws and the Article of Association, passed the resolution to issue 399,999 additional shares with a par value of \$1 each making the total share capital of \$400,000.