

**SAREGAMA, INC**  
***Financial Statements***  
***and***  
***Independent Auditors' Report***  
***March 31, 2021***



# 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, 2021 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, 2021, 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.

  
**Ashwin Pandya, CPA.**  
**May 10, 2021**



**SAREGAMA INC**  
**BALANCE SHEET AS AT MARCH 31st, 2021**

	\$
<b>Assets</b>	
<b>Current assets</b>	
Cash In Bank	152,111
Advances To Vendors	2,500
Accounts Receivable	306,931
Inventory	359,909
Deferred Tax Asset	26,042
<b>Total Current Assets</b>	<b>\$ 847,493</b>
<b>Other Assets</b>	
Security Deposit - Rent	1,806
<b>Total Other Assets</b>	<b>\$ 1,806</b>
<b>Total Assets</b>	<b>\$ 849,299</b>
<b>Liabilities and Stockholders' Equity</b>	
<b>Current Liabilities</b>	
Accounts Payable	491,237
Accrued Expenses & Taxes Payable	67,489
<b>Total Current Liabilities</b>	<b>\$ 558,726</b>
Long Term Liabilities	-
<b>Total Long Term Liabilities</b>	<b>-</b>
<b>Stockholders' Equity</b>	
Common Stock	1
Additional Paid In Capital	399,999
Retained Earnings	(109,428)
<b>Total Stockholders' Equity</b>	<b>\$ 290,573</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 849,299</b>



**SAREGAMA INC**  
**INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2021**

<b>REVENUES</b>	<b>\$</b>
Sale of Products (Net)	143,966
Less : Contract Manufacturing Charges	(49,237)
Less: Freight & Forwarding Cost	(61,578)
<b>Gross Profit on Product Sales</b>	<b>33,151</b>
License Fee & Sub Publishing Revenue	372,769
Advertising & Promotion Inc	379,046
Less: Royalites Cost	(344,863)
<b>Gross Margin on License Fee &amp; Advertising &amp; Promotion Inc</b>	<b>406,952</b>
<b>TOTAL REVENUES (NET)</b>	<b>440,103</b>
<b>OPERATING EXPENSES</b>	
Accounting Fees	9,000
Advertising	164,800
Bank Charges	2,573
Consulting Fees	63,967
Insurance	4,698
Misc Expenses	2,269
Rent	17,814
Other Taxes	3,008
<b>TOTAL OPERATING EXPENSES</b>	<b>268,129</b>
<b>TOTAL OPERATING INCOME/(LOSS) BEFORE TAXES &amp; PROVISIONS &amp; OTHER INC</b>	<b>171,974</b>
Bad Debts	(3,850)
Exchange Loss	(3,409)
Other Income	26,042
<b>Profit/(Loss) for the year</b>	<b>190,757</b>



**SAREGAMA INC**  
**STATEMENT OF RETAINED EARNINGS FOR YEAR ENDED MARCH 31, 2021**

		\$
<b>Retained Earnings - Beginning of the Year</b>		(416,824)
Prior Year Adjustements - Reversal of Payable		116,640
Current Year Net Income		190,757
<b>Retained Earnings - End of the Year</b>	<b>\$</b>	<b>(109,428)</b>





**SAREGAMA INC**  
**STATEMENT FOR THE CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR YEAR ENDED MARCH 31, 2021**

				\$
	Share capital	Paid in Surplus	Retained Earnings	Total Equity
<b>Balance Apr 1, 2020</b>	1	-	(416,824)	(416,823)
Net Income	-	-	190,757	190,757
Prior Year Adjustments - Reversal of Payable			116,640	116,640
<b>Balance as of Mar 31, 2021</b>	<b>1</b>	<b>399,999</b>	<b>(109,428)</b>	<b>290,573</b>





**SAREGAMA INC**  
**STATEMENT OF CASH FLOWS FOR YEAR ENDED MARCH 31, 2021**

	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net Income	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	202,572
Inventories	137,137
Advance To Vendors	-
Deferred Tax Asset	(26,042)
Increase(Decrease) in Liabilities	
Accounts Payable	(579,874)
Accrued Expenses & Other Current Liabilities	(18,115)
Due To Affiliates	(285,815)
<b>Net Cash provided by Operating Activities</b>	<b>(379,380)</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>	
Additional Paid In Capital	399,999
Prior Year Adjustments -Reversal of Payable	116,640
<b>Net cash provided by Financing Activities</b>	<b>516,639</b>
Net Cash and cash Equivalent for the period	137,259
Cash and Equivalent at the beginning of the period	14,852
<b>Cash and Equivalents at the end of the period</b>	<b>\$ 152,111</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, 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.

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. 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.





SAREGAMA, INC  
Notes to Financial Statements (continued)

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 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.

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

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. As of March 31, 2021, as per the assessment of the management, an amount of \$3,850 was considered as uncollectible receivable and accordingly, credited 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.

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 loss of \$3,409 representing net loss derived from revaluation of its monetary assets and liabilities denominated in foreign currency.



SAREGAMA, INC  
Notes to Financial Statements (continued)

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, 2021.

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 for years ended March 31, 2021 & March 31, 2020 were \$164,800 & \$723,492, respectively.





SAREGAMA, INC  
Notes to Financial Statements (continued)

Note 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.

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:

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, 2021.

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, 2021 amounts due from top three customers aggregated to \$ 148,297 representing 48% of the total accounts receivable, as on that date. In the year ended March 31, 2021 aggregate revenues from the afore-stated three customers accounted for 15% 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, 2021 will be material, accordingly, customer accounts are reported at the amount of principal outstanding.



SAREGAMA, INC  
Notes to Financial Statements (continued)

Note 4 – Royalty Expense

The company pays royalty to Saregama India Ltd of \$344,863 which is in the range of 13-15% of sales of product 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.

Note 5 – Deferred 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 about \$86,805 on which 30% Tax comes to \$26,042 is shown as Deferred Tax Asset in the company's balance Sheet for March 31, 2021.

Note 6 -Related Party Transactions

The related party transactions as of March 31, 2021 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)	Common Stock Additional Pd in Cap	\$ 1 \$ 399,999
Saregama India Ltd	Ultimate Holding Company Of Saregama PLC (UK Company)	Royalties Fees (Cost) Accounts Payable	\$ 344,863 \$ 51,078

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>
30 Knightsbridge Rd Suite 525 Piscataway, NJ 08854	03/11/2020 03/31/2021	\$-	\$ 1,806

Note 8- Stockholder's equity

Saregama PLC holds 100% of Stockholder's Equity as of March 31, 2021. 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 15<sup>th</sup>, 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.

