

Saavn, LLC
Financial Statements
for the year ended 31st December, 2019

Independent Auditor's Report

To the Board of Directors Saavn Media Private Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of **Saavn, LLC** (“the Company”), which comprise the Balance Sheet as at December 31, 2019, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. These Ind AS financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act, 2013 (“the Act”), read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended), for the information and use of the board of directors of Saavn Media Private Limited (SMPL), the holding company and Reliance Industries Limited, the ultimate holding company, to comply with the financial reporting requirements in India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India. Our responsibilities under those Standards are further described in the ‘Auditor’s Responsibilities for the Audit of the Standalone Ind AS Financial Statements’ section of our report. We are independent of the Company in accordance with the ‘Code of Ethics’ issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Responsibility of Management for the Standalone Ind AS Financial Statements

Management of the Company including those charged with Governance are responsible for the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records, for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the Company are also responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- This report does not include report on the internal financial controls ('Report on internal financial controls'), since in our opinion and accordingly to the information and explanation given to us, the said report on internal financial controls is not applicable to the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

per Vishal Bansal

Partner

Membership Number: 097546

UDIN: 20097546AAAAAQ1038

Place of Signature: Mumbai

Date: April 3, 2020

Financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

Balance Sheet

Particulars	Notes	As at 31st December, 2019	As at 31st December, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	1	303	62
Financial assets	2	293	196
Other non-current assets	3	1,623	16
Total non-current assets		2,219	274
Current assets			
Financial assets			
Trade receivables	4	19,946	23,580
Cash and cash equivalents	5	1,612	454
Other current assets	6	120	346
Total current assets		21,678	24,380
TOTAL ASSETS		23,897	24,654
EQUITY AND LIABILITIES			
Equity			
Member's contribution	7	198,909	196,900
Member's other fund	7	(182,563)	(184,894)
TOTAL EQUITY		16,346	12,006
Current liabilities			
Financial liabilities			
Trade payables	8	7,255	12,433
Other financial liabilities	9	40	68
Other current liabilities	10	256	139
Provisions	11	-	8
Total current liabilities		7,551	12,648
TOTAL LIABILITIES		7,551	12,648
TOTAL EQUITY AND LIABILITIES		23,897	24,654

(The accompanying notes are an integral part of the financial statements)

As per our report on even date
For **S R B C & CO LLP**
Chartered Accountants
(Registration No.324982E/E300003)

For and on behalf of the Saavn, LLC

Vishal Bansal
Partner
Membership No. 097546

Rishi Malhotra
Chief Executive
Officer

Paramdeep Singh
Executive Vice
Chairman

Vinodh Bhat
President

Matthew Emerman
Chief Financial
Officer

Date: 03rd April, 2020
Mumbai

Date: 03rd April, 2020
New York

Date: 03rd April, 2020
New York

Date: 03rd April, 2020
New York

Date: 03rd April, 2020
Mumbai

Financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

Statement of Profit or Loss

Particulars	Notes	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Revenue from operations	12	21,512	18,176
Other income	13	10	1,738
Total income		21,522	19,914
Expenses			
Employee benefits expense	14	14,878	11,738
Finance cost	15	5	5
Depreciation and amortization expense	1	78	308
Other expenses	16	4,230	14,735
Total expenses		19,191	26,786
Profit/(Loss) before tax		2,331	(6,872)
Tax expenses	17	-	2
Profit/(Loss) for the year		2,331	(6,874)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/ (loss) for the year		2,331	(6,874)

(The accompanying notes are an integral part of the financial statements)

As per our report on even date

For S R B C & CO LLP

Chartered Accountants

(Registration No.324982E/E300003)

For and on behalf of the Saavn, LLC

Vishal Bansal
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Financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

Statement of Changes in Equity

	<i>Member's Contribution</i>	<i>Share in Net Income</i>	<i>Total</i>
As on 1st January 2018	178,417	(178,020)	397
Additional Contribution Received	18,483	-	18,483
Loss during the Year	-	(6,874)	(6,874)
As on 31st December 2018	196,900	(184,894)	12,006
Additional Contribution Received	2,009	-	2,009
Profit during the Year	-	2,331	2,331
As on 31st December 2019	198,909	(182,563)	16,346

As per our report on even date
For **SRBC & CO LLP**
Chartered Accountants
(Registration No.324982E/E300003)

For and on behalf of the Saavn, LLC

Vishal Bansal
Partner
Membership No. 097546

Rishi Malhotra
Chief Executive
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Mumbai

Financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

Statement of Cash Flows

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018		
(A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit/(Loss) before tax as per the statement of Profit and loss	2,331	(6,872)		
<i>Adjusted for:</i>				
Interest income	(5)	-		
Provision no longer required written back	(5)	-		
Finance cost	5	5		
Depreciation and amortization expense	78	308		
Provision for bad and doubtful debts	10	55		
Operating cash flows before working capital changes	2,414	(6,504)		
<i>Adjusted for:</i>				
Trade and other receivables	2,379	(20,893)		
Trade and other payables	(5,064)	6,216		
Cash generated from operations	(271)	(21,181)		
Taxes paid (Net)	-	(2)		
Net Cash used in operating activities	(271)	(21,183)		
(B) CASH FLOW FROM INVESTING ACTIVITIES				
Interest received	5	-		
Purchase of property plant and equipment and intangible assets	(303)	(32)		
Proceeds from disposal of property, plant and equipment and intangible assets	-	70		
Cash outflow for other financial assets	(250)	-		
Net Cash flow (used in)/ from investing activities	(548)	38		
(C) CASH FLOW FROM FINANCING ACTIVITIES				
Receipt of member's contribution	2,009	18,483		
Payments in respect of deferred consideration liabilities (including interest)	(32)	(51)		
Net Cash flow from financing activities	1,977	18,432		
Net increase (decrease) in cash and cash equivalents	1,158	(2,713)		
Cash and cash equivalents at the beginning of the year	454	3,167		
Cash and cash equivalents at the end of the year (Refer note 5)	1,612	454		
Changes in liabilities arising from financing activities				
Particulars	As at December 31, 2018	Accrual of interest expense	Cash Outflows	As at December 31, 2019
Deferred payment liabilities	68	5	(32)	40
Particulars	As at December 31, 2017	Accrual of interest expense	Cash Outflows	As at December 31, 2018
Deferred payment liabilities	114	5	(51)	68

As per our report on even date

For **SRBC & COLLP**

Chartered Accountants

(Registration No.324982E/E300003)

For and on behalf of the Saavn, LLC

Vishal Bansal
Partner
Membership No. 097546

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Date: 03rd April, 2020
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New York

Date: 03rd April, 2020
Mumbai

Notes to the financial statements for the year ended 31st December, 2019

A CORPORATE INFORMATION

Saavn, LLC (“the Company”) is a limited liability company incorporated under laws of Delaware in United States of America. The address of its registered office and principal place of business is “64 Wooster Street, 2nd Floor, New York, NY 10012, United States”. The Company is a wholly owned subsidiary of Saavn, Inc, an investment company which is a wholly owned subsidiary of Saavn Media Private Limited. The Company is an indirectly wholly owned subsidiary of Reliance Industries Limited, an Indian listed company (the “Ultimate Holding Company”). The Company is engaged in the business of providing Business Advisory, Marketing Support and Information Technology Support services to its parent company.

B SIGNIFICANT ACCOUNTING POLICIES

B.1 BASIS OF PREPARATION AND PRESENTATION

The financial statements have been prepared on an accrual basis under the historical cost convention except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The financial statements of the Company have been prepared to comply with the Indian Accounting Standards (“Ind AS”) specified under section 133 of the Companies Act, 2013 (“the Act”), read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended). These financial statements have been prepared for the limited purpose of its consolidation with Saavn Media Private Limited, the holding company and Reliance Industries Limited, the ultimate holding company.

The financial statements are presented in United States Dollars (USD) which is the Company’s functional currency and rounded off to nearest thousands (“000) except otherwise indicated.

B.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Current and Non Current Classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when-

- It is expected to be settled in normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b Property, plant and equipment

Property, plant and equipment are stated at cost, net of recoverable taxes, trade discount and rebates less accumulated depreciation and impairment losses, if any. Such cost includes purchase price, borrowing cost and any cost directly attributable to bringing the assets to its working condition for its intended use.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

Property, plant and equipment which are significant to the total cost of that item of property, plant and equipment and having different useful life are accounted separately.

Depreciation on property, plant and equipment is provided using straight line method. Depreciation is provided based on useful life determined based on period over which economic benefits are expected to be received from the use of asset.

Notes to the financial statements for the year ended 31st December, 2019

The depreciation is provided based on useful life of the asset as prescribed in Schedule II to the Companies Act, 2013, except following:

<i>Assets</i>	<i>Useful life in years as per management's estimates</i>	<i>Remarks</i>
Furniture and fixtures	5	Over its useful life as technically assessed

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting year end and adjusted prospectively, if appropriate.

Gains or losses arising from derecognition of a property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

c Leases

Leases are classified as finance leases whenever the terms of the lease, transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term except where another systematic basis is more representative of time pattern in which economic benefits from the leased assets are consumed.

d Intangible assets

Intangible assets are stated at cost of acquisition net of recoverable taxes, trade discount and rebates less accumulated amortisation/depletion and impairment loss, if any. Such cost includes purchase price, borrowing costs, and any cost directly attributable to bringing the asset to its working condition for the intended use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Amortisation on intangible assets is provided using straight line method. Amortisation is provided based on useful life determined based on period over which such intangibles are available to use. The useful lives of the different category of assets are as under:

<i>Assets</i>	<i>Useful life in years</i>
Original Programming	1

e Impairment of non-financial assets

The Company assesses at each reporting date as to whether there is any indication that any property, plant and equipment and intangible assets or group of assets, called cash generating units (CGU), may be impaired. If any such indication exists the recoverable amount of an asset or CGU is estimated to determine the extent of impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

An impairment loss is recognised in the Statement of Profit and Loss to the extent the asset's carrying amount exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less cost of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the assets.

The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

Notes to the financial statements for the year ended 31st December, 2019

f Provisions, Contingent Assets and Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Disclosure of contingent liability is made when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources embodying economic benefits will be required to settle or a reliable estimate of amount cannot be made. Contingent assets neither disclosed nor recognized in Financial Statements.

g Employee Benefits Expense

Short Term Employee Benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period when the employees render the services.

Post-Employment Benefits

Defined Contribution Plans: A defined contribution plan is a post-employment benefit plan under which the Company pays specified contributions to 401(k) retirement benefit. The Company makes specified monthly contributions towards qualified retirement benefit plan. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

h Tax Expenses

The tax expense for the period comprises current and deferred tax. Tax expense is recognised in Statement of Profit and Loss, except to the extent that it relates to items recognised in other comprehensive income or in equity, in which case, the related tax expense is also recognised in other comprehensive income or equity respectively.

i. Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset, or to realise the asset and settle the liability simultaneously.

ii. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are recognised to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of Deferred tax liabilities and assets are reviewed at the end of each reporting period.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Notes to the financial statements for the year ended 31st December, 2019

i Foreign currency transactions and translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in Statement of Profit and Loss. The Company do not hold any non-monetary items denominated in foreign currencies.

j Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services. The Company is generally the principal as it typically controls the goods or services before transferring them to the customer.

Subscription revenue

The Company receives subscription revenue from the sale of premium version of its music streaming service called "Saavn Pro". The Company recognizes subscription revenues over time because the customer simultaneously receives and consumes the benefits provided by the Company. The progress is measured using the output method which measures revenue by comparing 'time elapsed' to the 'total subscription period'.

Advertising revenue

The Company offers customers the right to purchase advertising space on its websites and applications. Revenue from such advertisement is measured at fair value of consideration received or receivable net of return and allowances, trade discounts and volume rebates. The Company recognizes advertising revenues over time because the customer simultaneously receives and consumes the benefits provided by the Company. The progress is measured using the output method which measures revenue by comparing 'task completed' to the 'total contractual task'.

Income from music publishing

Music publishing revenues are earned from the receipt of royalties relating to the licensing of rights in musical compositions. The receipt of royalties principally relates to amounts earned from the public performance of copyrighted material. In accordance with contractual arrangement, music publishing royalties are recognized as revenue on accrual basis.

Royalty Fees

Royalty fees is recognised when the out-licensing of technologies and trademark made available for use and obligation pertaining to the same have been fulfilled as per contractual arrangement.

Contract Balances

Trade Receivables

A receivable represents the Company's right to an amount of consideration that is unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Interest Income

Interest Income from a Financial Assets is recognized using effective interest rate method.

k Cash and cash equivalents

Cash and cash equivalents for Balance Sheet and Statement of Cash flow comprises of cash on hand, cash at banks and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Notes to the financial statements for the year ended 31st December, 2019

I Financial instruments

Financial Asset

A. Initial recognition and measurement

All financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Purchase and sale of financial assets are recognised using trade date accounting.

B. Subsequent measurement

Financial assets carried at amortised cost (AC)

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories are measured at FVTPL.

Impairment of financial assets

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).

Expected credit losses are measured through a loss allowance at an amount equal to:

- The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) if there is no significant increases in credit risk since initial recognition; or
- The lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument) if there is significant increase in credit risk since initial recognition.

For trade receivables, the Company applies 'simplified approach' which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The Company uses historical default rates and future expectations to determine impairment loss on the portfolio of trade receivables. At every reporting date, these historical default rates are reviewed and changes in the forward looking estimates are analysed.

Financial liabilities

A. Initial recognition and measurement

All financial liabilities are recognized at fair value and in case of loans, net of directly attributable cost.

B. Subsequent measurement

Financial liabilities are carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Derecognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, and only when, the Company has a legally enforceable right to set off the amount and it intends, either to settle them on a net basis or realise the asset and settle the liability simultaneously.

Notes to the financial statements for the year ended 31st December, 2019

m Earnings Per Share

Basic earnings per share is calculated by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year adjusted for bonus element in equity share.

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as at the beginning of the period unless issued at a later date.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

C STANDARD ISSUED BUT NOT EFFECTIVE

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Ind AS 116 Leases

Ind AS 116 Leases replaces Ind AS 17 Leases, including appendices thereto and will be applicable to the Company's financial statements beginning 1 January 2020. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17.

The Company will adopt Ind AS 116 from financial year beginning January 1, 2020. On adoption, the Company expects to recognise lease liabilities with corresponding ROU assets for certain leases where the company is a lessee. The single lessee accounting model of Ind AS 116 will result in a front-loaded lease expense pattern. While the Company continues to evaluate certain aspects of Ind AS 116, it does not expect Ind AS 116 adoption to have a material effect on its financial statements.

Other changes to Ind AS

In addition to Ind AS 116, the MCA has also notified the following changes which will be applicable to the Company's financial statements beginning 1 January 2020. The Company will adopt these changes from the date effective; however, the adoption of these changes is unlikely to have any impact on the financial statements:

- Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment
- Amendments to Ind AS 109: Prepayment Features with Negative Compensation
- Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement
- Amendments to Ind AS 28: Long-term interests in associates and joint ventures
- Annual improvement to Ind AS (2018) – These improvements include:
 - Amendments to Ind AS 103: Party to a Joint Arrangements obtains control of a business that is a Joint Operation
 - Amendments to Ind AS 111: Joint Arrangements
 - Amendments to Ind AS 12: Income Taxes
 - Amendments to Ind AS 23: Borrowing Costs

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

1 PROPERTY, PLANT AND EQUIPMENT

As at 31st December, 2019

Description	Gross Block			Depreciation			Net Block		
	As at 01-01-2019	Additions/ Adjustments	Deductions/ Adjustments	As at 31-12-2019	For the Year	Deductions/ Adjustments	Upto 31-12-2019	As at 31-12-2019	As at 01-01-2019
OWN ASSETS									
Leasehold improvements	81	182	1	264	40	1	102	162	20
Equipments	344	45	(280)	109	25	(280)	52	57	37
Furniture and fixtures	10	92	(2)	100	13	(2)	16	84	5
Sub-Total	435	319	(281)	473	78	(281)	170	303	62
INTANGIBLE ASSETS									
Others	1,302	-	-	1,302	-	-	1,302	-	-
Sub-Total	1,302	-	-	1,302	-	-	1,302	-	-
Total	1,737	319	(281)	1,775	78	(281)	1,471	303	62

As at 31st December, 2018

Description	Gross Block			Depreciation			Net Block		
	As at 01-01-2018	Additions/ Adjustments	Deductions/ Adjustments	As at 31-12-2018	For the Year	Deductions/ Adjustments	Upto 31-12-2018	As at 31-12-2018	As at 01-01-2018
OWN ASSETS									
Leasehold improvements	81	-	-	81	22	-	61	20	43
Equipments	327	17	-	344	37	-	307	37	57
Furniture and fixtures	10	-	-	10	2	-	5	5	7
Sub-Total	418	17	-	435	60	-	373	62	106
INTANGIBLE ASSETS									
Others	1,357	15	(70)	1,302	248	-	1,302	-	303
Sub-Total	1,357	15	(70)	1,302	248	-	1,302	-	303
Total	1,775	32	(70)	1,737	308	-	1,674	62	409

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

2 FINANCIAL ASSETS - NON CURRENT

Particulars	As at 31st December, 2019	As at 31st December, 2018
Security deposits	43	196
Other bank balances	250	-
Total	<u>293</u>	<u>196</u>

Note:

1. The company has given security deposit for premises taken on lease. The amount is refundable as at the end of lease period.
2. Other bank balances represents amount placed in Escrow account for letter of credit by the bank towards security deposit of its New York premises. The balance carries interest prevailing in the money market.

3 OTHER NON CURRENT ASSETS

Particulars	As at 31st December, 2019	As at 31st December, 2018
Capital advances	-	16
Balance with government authorities	1,623	-
Total	<u>1,623</u>	<u>16</u>

4 TRADE RECEIVABLES

Particulars	As at 31st December, 2019	As at 31st December, 2018
Unsecured and considered good		
From related parties	19,787	23,032
From others	159	548
Unsecured and considered doubtful		
From others	17	84
Less: Allowance for doubtful doubts	(17)	(84)
Total	<u>19,946</u>	<u>23,580</u>

5 CASH AND CASH EQUIVALENTS

Particulars	As at 31st December, 2019	As at 31st December, 2018
Balances with banks	1,610	453
Balances with E-commerce intermediaries (payment gateways)	2	1
Total	<u>1,612</u>	<u>454</u>

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

6 OTHER CURRENT ASSETS

Particulars	As at 31st December, 2019	As at 31st December, 2018
Prepaid rent	-	7
Other prepaid expenses	120	339
Total	120	346

7 EQUITY

Members contribution

The Company is LLC and as a result does not have shares. The only member of Saavn, LLC is Saavn, Inc.

Particulars	As at 31st December 2019	As at 31st December, 2018
Contribution by holding company	198,909	196,900
Total	198,909	196,900

Member's other funds

Particulars	As at 31st December 2019	As at 31st December, 2018
Share in net income		
Opening balance	(184,894)	(178,020)
Add: Profit/(Loss) for the year	2,331	(6,874)
Closing balance	(182,563)	(184,894)
Total	(182,563)	(184,894)

8 TRADE PAYABLES (CURRENT)

Particulars	As at 31st December 2019	As at 31st December, 2018
Dues to micro and small enterprises	-	-
Dues to others	7,255	12,433
Total	7,255	12,433

Note: 1. The Company does not have any dues outstanding to Micro and Small Enterprises as mentioned in the Micro, Small and Medium Enterprises Development Act 2006. This is determined on the basis of information available with the Company.

9 FINACIAL LIABILITES (CURRENT)

Particulars	As at 31st December, 2019	As at 31st December, 2018
Deferred payment liabilites - current maturities	40	68
Total	40	68

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

10 OTHER CURRENT LIABILITIES

Particulars	As at 31st December, 2019	As at 31st December, 2018
Deferred revenue	61	139
Lease equalisation liability	195	-
Total	256	139

11 PROVISIONS (CURRENT)

Particulars	As at 31st December, 2019	As at 31st December, 2018
Other statutory dues	-	8
Total	-	8

12 REVENUE FROM OPERATIONS

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Service fees	20,708	14,368
Revenue from online advertising	341	1,531
Royalty revenue	261	217
Other revenue	202	69
Revenue from subscription	-	1,991
Total	21,512	18,176

13 OTHER INCOME

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Interest income on financial assets at amortised cost		
Deposits	-	14
Other	5	3
Provision/Liability no longer required written back	5	1,445
Foreign exchange gain (net)	-	276
Total	10	1,738

14 EMPLOYEE BENEFITS EXPENSES

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Salaries and wages	14,048	10,930
Contribution to retirement benefit funds	184	157
Staff welfare expenses	646	651
Total	14,878	11,738

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

15 FINANCE COST

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Interest on financial liabilities at amortised cost	5	5
Total	5	5

16 OTHER EXPENSES

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018
General expenses	891	2,478
Rent expenses	893	560
Travelling expenses	872	1,111
Marketing expenses	828	1,156
Professional fees	652	1,914
Repairs and maintenance - office	50	23
Insurance expenses	34	37
Provision for bad and doubtful debts	10	55
Content expenses	-	6,132
Website operations and delivery	-	1,269
Total	4,230	14,735

17 INCOME TAXES

DEFERRED TAX ASSETS (NET)

Particulars	As at 31st December, 2019	As at 31st December, 2018
Deferred tax assets	-	4
Less: Deferred tax liabilities	-	(4)
Total	-	-

NET CURRENT TAX ASSETS / (LIABILITIES)

Particulars	As at 31st December, 2019	As at 31st December, 2018
Current tax assets (advance tax, self assessment tax, and withholding taxes)	-	1
Provision for income tax	-	(1)
Total	-	-

INCOME TAX RECOGNISED IN STATEMENT OF PROFIT AND LOSS

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Current tax expense	-	2
Deferred tax Benefit	-	-
Total	-	2

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

RECONCILIATION OF EFFECTIVE TAX RATE

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Profit before tax	2,331	(6,872)
Tax at the USA tax rate of 21%*	489	(1,443)
<i>Adjustments:</i>		
Expenses disallowed	-	26
Expenses not deducted in books but allowed for tax purpose	-	(13)
State taxes	-	1
Effect of temporary difference on which no deferred taxes were recognised	(489)	1,431
Tax expense as per statement of profit or loss	-	2

*The tax rate used for the above reconciliation is the corporate tax rate applicable to the Company under tax laws of United States of America.

With regard to taxes paid by company by way of withholding on services rendered outside United States of America; the Company can claim the amount as a foreign tax credit in future years. Consequently, tax expenses for the Company is Nil.

RECONCILIATION OF CURRENT TAX ASSETS/(LIABILITIES)

Particulars	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Opening balance of current tax assets/(liabilities)	-	-
Add: Taxes paid	-	2
Less: Current tax payable for the year	-	(2)
Closing balance of current tax assets/(liabilities)	-	-

MOVEMENT OF DEFERRED TAX BALANCES FOR THE YEAR ENDED DECEMBER 31, 2019

Particulars	Net deferred tax asset (liability) balance as on January 1, 2019	Recognised in profit and loss	Recognised in OCI	Net deferred tax asset (liability) balance as on December 31, 2019
Deferred revenue	3	(3)	-	-
Property, plant, and equipment	(4)	4	-	-
Impairment allowance for financial assets	1	(1)	-	-
Total	-	-	-	-

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

MOVEMENT OF DEFERRED TAX BALANCES FOR THE YEAR ENDED DECEMBER 31, 2018

Particulars	Net deferred tax asset (liability) balance as on January 1, 2018	Recognised in profit and loss	Recognised in OCI	Net deferred tax asset (liability) balance as on December 31, 2018
Deferred revenue	-	3	-	3
Property, plant, and equipment	(11)	7	-	(4)
Intangible assets	(79)	79	-	-
Impairment allowance for financial assets	40	(39)	-	1
Charitable contributions	25	(25)	-	-
Net operating losses	25	(25)	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

UNRECOGNISED DEDUCTIBLE TEMPORARY DIFFERENCES, UNUSED TAX LOSSES, AND UNUSED TAX CREDITS

Particulars	As at 31st December, 2019	As at 31st December, 2018
*Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following		
- Tax losses (will begin to expire from 2031)	94,009	44,239
Total	<u>94,009</u>	<u>44,239</u>

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

18 FINANCIAL INSTRUMENTS

A Capital management

The capital structure of the Company consists of member's contribution and member's other fund. The Company is not subject to any externally imposed capital requirements. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for members and to maintain an optimal capital structure to reduce the cost of capital. As on reporting date Company does not have any external debt.

This framework is adjusted based on underlying macro-economic factors affecting business environment, financial market conditions, and interest rates environment.

B Financial instruments

B.1 Categories of financial instruments:

Subsequent to initial recognition, all the financial instruments recognised in the balance sheet are measured at amortised cost. Considering short term maturities and materiality of amounts the company considers that the carrying amounts (i.e., amortised costs) of financial assets and financial liabilities, approximate their fair values.

Fair Value Hierarchy

Particulars	As at 31st December 2019				As at 31st December 2018			
	Carrying Amount	Level 1	Level 2	Level 3	Carrying Amount	Level 1	Level 2	Level 3
<u>Financial Assets</u>								
At Amortised Cost								
Trade Receivables	19,946	-	-	-	23,580	-	-	-
Cash and Cash Equivalents	1,612	-	-	-	454	-	-	-
Security Deposits	293	-	-	-	196	-	-	-
<u>Financial Liabilities</u>								
At Amortised Cost								
Deferred Payment Liabilities	40	-	-	-	68	-	-	-
Trade Payables	7,255	-	-	-	12,433	-	-	-

B.2 Financial risk management

The Company's business activities expose it to a variety of financial risks, namely , credit risk, and liquidity risk. The following table summarises the risks, its source, and its management:

Risk	Source of exposure	Management
Liquidity risk	Deferred payment liabilities	Rolling cash flow forecasts

Liquidity risk:

Liquidity risk arises from the Company's inability to meet its cash flow commitments on the due date. The Company maintains sufficient cash and other liquid funds to ensure that it will have funds to meet its liabilities when due without incurring unacceptable losses.

Particulars [^]	As at 31st December, 2019		As at 31st December, 2018	
	Upto 1 year	1 to 5 Years	Upto 1 year	1 to 5 Years
Deferred Payment Liabilities	40	-	75	-

[^]Does not include Trade Payables (Current) amounting to USD 7,255 (Previous year USD 12,433)

The management believes that the Company will be able to generate sufficient cash to settle the obligations on timely basis.

Notes to the financial statements for the year ended 31st December, 2019

(All amounts are in thousands of USD unless stated otherwise)

19 RELATED PARTY

As per Ind AS 24, list of related parties where control exists and related parties with whom transactions have taken place and relationships are given below:

<i>Name of the Related Party</i>	<i>Relation</i>
Saavn Inc.	Holding Company (Control Exist)
Saavn Media Private Limited ^	Holding Company (Control Exist); w.e.f. 5th April 2018
Reliance Industries Limited	Ultimate Holding Company (Control Exist); w.e.f. 5th April 2018
Saavn Global Holdings Limited	Ultimate Holding Company upto 4th April 2018
Rishi Malhotra	Key Managerial Personnel
Paramdeep Singh	Key Managerial Personnel
Vinod Bhat	Key Managerial Personnel
Viacom 18 Limited	Fellow Subsidiary w.e.f. 5th April 2018
IndiaCast UK Limited	Fellow Subsidiary w.e.f. 5th April 2018

^ Was the fellow subsidiary till 4th April 2018

Related party transactions:

Name of the Related Party	Nature of transaction	For the year ended 31st December, 2019	For the year ended 31st December, 2018
Saavn, Inc	Member's Contribution received	2,009	18,483
Saavn Media Private Limited	Service Fees (Cost incurred)	-	1,330
Saavn Media Private Limited	Service Fees (Revenue earned)	20,708	14,368
Saavn Media Private Limited	Royalty (Revenue earned)	261	217
Viacom18 Limited	Advertisement Revenue earned	2	31
IndiaCast UK Limited	Advertisement - Outdoor Media	-	31
Key Managerial Personnel	Remuneration (Short-term benefits)	5,340	4,005

Related party balances:

Name of the Related Party	Nature of balances	As at 31st December, 2019	As at 31st December, 2018
Saavn Media Private Limited	Trade Receivables	19,787	23,032
Saavn Media Private Limited	Trade Payables	-	2,737

Notes to the financial statements for the year ended 31st December, 2019
(All amounts are in thousands of USD unless stated otherwise)

20 LEASES

Operating lease commitments — Company as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

Particulars	As at 31st December, 2019	As at 31st December, 2018
Within one year	500	-
After one year but not more than five years	1,918	-
More than five years	-	-

21 CONTINGENT LIABILITIES AND COMMITMENTS

Commitments

	As at 31st December, 2019	As at 31st December 2018
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	16

22 SEGMENT REPORTING

The Company is mainly engaged in one segment i.e. “Advisory and Support” services and hence there is no separate reportable segment as per Ind AS 108 - Operating Segments.

In the current year, the company earned 92% of its revenue from single customer. (Previous year: 80% from one customer)

As per our report on even date

For **SRBC & CO LLP**
 Chartered Accountants
 (Registration No.324982E/E300003)

For and on behalf of the Saavn, LLC

Vishal Bansal
 Partner
 Membership No. 097546

Rishi Malhotra
 Chief Executive
 Officer

Paramdeep Singh
 Executive Vice
 Chairman

Vinodh Bhat
 President

Matthew Emerman
 Chief Financial
 Officer

Date: 03rd April, 2020
Mumbai

Date: 03rd April, 2020
New York

Date: 03rd April, 2020
New York

Date: 03rd April, 2020
New York

Date: 03rd April, 2020
Mumbai