QUBE CINEMA INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULE

.For the year ended March 31, 2019

WITH

INDEPENDENT AUDITORS' REPORT

Prepared by:

CHUGH CPAs LLP
1600 Duane Ave
Santa Clara CA 95054

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CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Qube Cinema Inc.

We have audited the accompanying financial statements of Qube Cinema Inc. (a California corporation), which comprise the balance sheet as of March 31, 2019, and the related statements of income, statement of stockholders 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 Qube Cinema Inc. as of March 31,2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Chugh CPAs LLP

Chugh CPAs LLP

Santa Clara, CA
June 25, 2019

QUBE CINEMA, INC.
BALANCE SHEET
AS OF MARCH 31, 2019

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ASSETS

CURRENT ASSETS		
Cash	$	355,345
Accounts Receivable, Net of allowances (note 4)		786,995
Inventory (note 5)		275,387
Prepaid Expenses		30,261
TOTAL CURRENT ASSETS		1,447,988
PROPERTY & EQUIPMENT		
Property & Equipment, at cost (note 6)		812,364
Less: Accumulated Depreciation		(412,644)
PROPERTY & EQUIPMENT, NET		399,720
OTHER ASSETS		
Deposits		13,231
Other Assets (note 7)		93,121
TOTAL OTHER ASSETS		106,352
TOTAL NON CURRENT ASSETS		506,072
TOTAL ASSETS	$	1,954,060

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LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts Payable	$	289,952
Accrued Expenses		101,274
Accrued Payroll		12,853
Credit Card Payables		12,517
Deferred Rent		1,834
Security Deposit		13,500
TOTAL CURRENT LIABILITIES		431,930
TOTAL LIABILITIES		431,930
STOCKHOLDERS' EQUITY		
Common Stock : Authorized 70,000,000 shares $0.1 par value 64,750,000 issued and outstanding shares		6,475,000
Retained Earnings		(4,952,870)
TOTAL STOCKHOLDERS' EQUITY		1,522,130
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$	1,954,060

QUBE CINEMA, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2019

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REVENUE	
Sales & Service Revenue, net	$ 2,484,238
Cost of goods sold (Schedule A)	1,388,235
GROSS PROFIT	1,096,003
Selling, General & Administrative Expenses (Schedule B)	1,046,834
OPERATING PROFIT	49,169
Other Income	13,865
PROFIT BEFORE INCOME TAX	63,034
Income Tax Expense	-
NET PROFIT	$ 63,034

 See - independent auditors' report & accompanying notes

QUBE CINEMA, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2019

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	Common Stock		Additional Paid	Retained	Total Stockholders'
	# of Shares	Amount	in Capital	Earnings	Equity
BALANCE, MARCH 31, 2018	46,750,000	$ 4,675,000	$ 1,800,000	$ (5,015,904)	$ 1,459,096
Stock Issued During The Year	18,000,000	1,800,000	(1,800,000)		
Net Income				63,034	63,034
BALANCE, March 31, 2019	64,750,000	$ 6,475,000	-	$ (4,952,870)	$ 1,522,130

QUBE CINEMA, INC.
STATEMENT OF CASH FLOWS
AS OF MARCH 31, 2019

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CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	$ 63,034
Provided by Operating Activities:	
Depreciation	70,200
(Increase) decrease in operating Assets:	
Accounts Receivable, Net	(486,794)
Inventories	(71,416)
Prepaid Expenses	(24,275)
Advance to Vendors	(80,000)
Increase (decrease) in operating Liabilities:	
Accounts Payable	215,392
Accrued Expenses	62,775
Accrued Payroll	727
Credit Card Payable	(11,938)
Deferred Rent	(7,381)
Deposit DCP Partner	3,000
Net Cash Used in Operating Activities	(266,676)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and equipment	(374,375)
Net Cash Used in Investing Activities	(374,375)
NET DECREASE IN CASH	(641,051)
CASH, beginning of year	996,396
CASH, end of year	$ 355,345

NOTE 1 - DESCRIPTION OF OPERATION

Qube Cinema, Inc. (the "Company") was incorporated in the state of California in September 2005. The Company was initially incorporated in the name of Real Image Media Technologies, Inc. (USA). The company amended the article in October 2005 and changed the name to Qube Cinema Inc. The Company provides wide range of high-quality digital cinema systems and solutions to the global media and entertainment market. The Company also provides a dedicated resource and support base in the US to address its rapidly expanding digital cinema market needs. The Company is now experimenting with different outsourced entities in geographies within and outside North America too, to be able to expand its reach for delivery and has accordingly appointed territorial partners with whose logistics support, deliveries are being affected on a test basis. The Company is a wholly owned subsidiary of India based technology company Qube Cinema Technologies Pvt. Ltd. ("QCT") formerly known as Real Image Media Technologies Private Limited ("RIMT").

The Company has entered into a Transfer Pricing Agreement with QCT in 2009, wherein the Company undertakes the marketing of Digital Cinema Products in the international markets, manufactured and supplied by QCT from time to time. In consideration of these activities, QCT agrees to reimburse the Company all the marketing related expenses and employee related cost of employees directly involved in the technical aspects of the products such as supports services.

This year they started with Qube Wire, which is self-service, single-window system for worldwide theatrical distribution. With a simple but comprehensive user interface, distributors can manage their digital cinema assets, assign territorial rights for their content and have their Digital Cinema Packages (DCPs) and keys (aka Key Delivery Messages or KDMs) delivered to movie theatres around the world.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Company uses the accrual method of accounting both for financial statements and income tax reporting purposes.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates. Estimates are used in accounting for, among other things, allowances for uncollectible receivables, depreciation and taxes.

Cash

Cash consist primarily of cash in checking and saving accounts.

Inventory

The company generally maintains very limited inventory in the stock. Inventory primarily consists of spares and components that would be required for sales support. The Company's policy is to order inventory items upon getting orders from the customers. Inventory at the end of the year are expected to be sold in short time and reported at cost in the financial statements.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using straight line method over the estimated useful lives of the related assets, which is 5 years. Small tools and equipment purchased under $1,000 are expensed as incurred. Maintenance and repairs are also expensed as incurred.

Revenue Recognition

The Company derives revenues from delivering digital cinema equipments (the "goods") as well as rendering support services and maintenance to the equipments sold and mastering services (the "services"). The company is shifting its focus from sale of equipments to providing service of enabling and delivery of digital content worldwide.

Revenue from Sales
Revenues from selling of the goods are billed upon shipping of the equipment to the customers. Out-of-pocket expenses as well as sales tax (characterized as "Reimbursements") incurred on selling of services and goods respectively are reimbursed and billed to the customers are reported separately in the income statement as revenue, and an equivalent amount is included in Cost of Sales.

Revenue from Services
The Company derives two types of service revenue. Revenue from maintenance services and Revenue from digital content delivery service. Revenues from the rendering services are recognized on the accrual basis as services are rendered. Revenue for maintenance services is recorded when invoices are raised upon underlying maintenance agreement for post contract support. Such service revenues are recognized on a straight-line basis over the term of the contract. Service from digital content delivery is facilitated by providing license keys to the customers. Revenue is charged and recognized based on system logs by the customers.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (Topic 606) which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. In April 2016, the FASB issued ASU No.2016-10, that clarifies two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements in

Topic 606 (and any other Topic amended by Update 2014-09). Management is currently evaluating the new update.

The guidance in this Update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic companies the new guidance will be required for annual reporting periods beginning after December 15, 2018, and interim and annual reporting periods after those reporting periods. Nonpublic companies may elect early application, but no earlier than the effective date for public entities. Management is currently evaluating the new standard.

In April 2016, the FASB issued ASU No.2016-10, "Revenue from Contracts with Customers" (Topic 606). This update clarifies two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Management is currently evaluating the new update.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows" (Topic 230) on Classification of Certain Cash Receipts and Cash Payments. The amendments in this Update apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in this Update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable.

Accounts Receivable

Accounts Receivables are recorded at the invoiced amount. The Company extends credit to its customers in the normal course of business. The company performs ongoing evaluation of its existing receivables and evaluation of periodic ageing of the accounts to estimate allowance for potential credit losses. Allowances are created at 1% of receivable balance at the year end. Losses are written off against the allowance when determined to be uncollectible.

Income Taxes

The Company accounts for income taxes in accordance with the provisions of FASB ASC 740, "Accounting for Income Taxes", which requires an assets and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax basis of assets and liabilities that results in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Subsequent Events

The Company has evaluated subsequent events through June 25, 2019, which is the date the Company's financial statements were issued. No material subsequent event occurred that requires disclosure.

NOTE 3 - CONCENTRATION IN CREDIT RISK

The Company performs periodic credit evaluations of its customers and maintains allowances for potential uncollectible accounts as deemed necessary. The Company generally does not require collateral to secure its accounts receivable. The Company estimates credit losses based on management's evaluation of the current industry trends. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

NOTE 4 – ACCOUNTS RECEIVABLE

As of March 31, 2019, Accounts Receivable balance was $786,995. The Company uses the Percentage of Accounts Receivable method for calculating an allowance for doubtful accounts after excluding the related party balances. As of March 31, 2019, the provision for doubtful accounts is $5,093 which is 1% of receivable balance (other than related party)

NOTE 5 – INVENTORY

The Company maintains inventory at cost. As on March 31, 2019 inventory was valued at $275,387.

NOTE 6– PROPERTY AND EQUIPMENT

As of March 31, 2019, property and equipment are comprised of the following:

Equipment & Other Depreciable Assets	$	785,069
Software		27,296
Total Assets		812,365
Less: Accumulated Depreciation		(412,644)
Fixed Assets, net of Accumulated Depreciation	$	399,721

Depreciation expense for the year ended March 31, 2019 was $70,200.

NOTE 7 – ADVANCE TO VENDORS

The Company has paid USD 80,000 towards advance for purchase of Perpetual Software License to Tugg Inc's Platform which is a part of Other Assets on the Balance Sheet. There is an ongoing discussions & negotiations between the Company & Tugg Inc in connection with the Company's investment in Tugg Inc for total consideration of USD 650,000 towards assumption of Tugg's trade debts and USD 90,000 towards purchase of all IP of Tugg Inc.

NOTE 8 – INCOME TAXES

The provision for income taxes for the year ended March 31, 2019, consists of the following:

(A) Income tax expense:

Current income tax expense

Federal taxes	$	-
State taxes		800
Total current taxes	$	800

(B) Valuation Allowance:

At March 31, 2019, the Company had net operating loss carry forwards for federal and state income tax purposes of $4.72 million and $3.34 million respectively. Federal net operating loss will be carried forward indefinitely per the recent tax law. State net operating loss carry forwards of $2.95 million in total from the year 2006 to 2008 have expired and the remaining carry forwards of $ 1.82 million begin to expire in 2019.

Utilization of net operating loss may be subject to a substantial annual limitation due to the ownership change limitation provided by the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of the net operating loss before utilization.

The U.S. Tax Cuts and Jobs Act (Tax Act) was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

As of March 31, 2019, the Company has federal and state deferred tax assets of $0.99 million and $0.20 million, respectively, which have been fully offset by a valuation allowance. Deferred tax assets relate primarily to net operating loss carry forwards. FASB ASC 740 *Accounting for Income Taxes,* provides for recognition of deferred tax assets if realization of such assets is more likely than not. Based upon the weight of available evidence, which includes the Company's net losses since 2005, the Company has provided a full valuation allowance against its deferred tax assets.

NOTE 9 – STOCKHOLDERS' EQUITY

The Company had authorized capital of 70,000,000 shares of its common stock at par value of $0.1 per share as of March 31, 2019. The company had 46,750,000 issued and outstanding shares at the beginning of the year. The company issued additional 18,000,000 shares during the period ended March 31, 2019 to Qube Cinema Technologies Pvt Ltd, the parent company. The company had a total of 64,750,000 shares issued and outstanding as of March 31, 2019.

NOTE 10 – GOING CONCERN

Historically, the Company has had operating losses. During the year ended March 31, 2019, the Company incurred a profit of $63,034. In the same period, the Company had operating cash outflows of $266,676. However, in view of the financial support by the stockholders, these matters do not raise substantial doubt about the Company's ability to continue as going concern.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Lease of Premises

The Company had entered into a lease agreement on June 2016 with Realty Associates Fund IX. The lease commenced on July 2016. The lease will expire 38 months after the Commencement date.

Rent Expenses for the year ended March 31, 2019 were $53,668.

The future minimum lease payments under this operating lease are as follows:

Year	Amount
2019-2020	21,257

NOTE 12 - RELATED PARTY TRANSACTION

The company purchases the goods from its parent company, Qube Cinema Technologies Pvt. Ltd. formerly known as Real Image Media Technologies Private Limited. As per the Transfer Pricing Agreement, QCT reimburses the company commission, employee related costs, marketing related expenses including tradeshows, travelling, lodging and boarding and other incidental expenses. Details of the transactions between the company and its parent company for the year ended March 31, 2019 are as follows.

Qube Cinema Technologies Pvt. Ltd.	**Amount**
Purchases	48,798
Sales	1,000
Net Accounts Receivable	257,411
Reimbursement of expenses	679,255
Royalty Paid	54,774

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors and Stockholders
of Qube Cinema Inc.

We have audited the financial statements of Qube Cinema Inc. as of and for the year ended March 31, 2019, and our report thereon dated June 25, 2019, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in Schedule A: Cost of Goods Sold and Schedule B: Statement of Selling, General and Administrative Expenses are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Chugh CPAs LLP

Chugh CPAs LLP

Santa Clara, CA

June 25, 2019

QUBE CINEMA, INC.
SCHEDULE A
COST OF GOODS SOLD
FOR THE YEAR ENDED MARCH 31, 2019

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Consumables	$	145,873
DCP Duplication charges		815,010
DCP Delivery Charges		427,352
TOTAL COST OF GOODS SOLD	$	1,388,235

QUBE CINEMA, INC.
SCHEDULE B
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

Accounting Fees	$	16,500
Advertisment		5,030
Auto Expense		7,127
Bad Debts		5,093
Bank Service Charges		49,897
Depreciation Expense		70,200
Dues & Subscription		20,768
Fees & Licenses		48,692
Insurance		5,558
Legal & Professional Expenses		193,517
Maintenance		27,201
Office Expense		10,858
Outside Services		210,797
Payroll Expense		203,568
Postage & Delivery		27,582
Rent		53,668
Royalty Fees		54,774
Property Taxes		2,589
Penalty		29
Taxes - Use Tax & Sales Tax		378
Telephone		26,090
Travel Expenses		237
Utilities		6,681
TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	$	1,046,834