



K.B. GHIMIRE & COMPANY

Baneshwor, Kathmandu Nepal


Independent Auditors' Report

We have audited the accompanying financial statements of Music Royalty Collection Society Nepal, which comprises the Balance Sheet as at 32nd Ashadh, 2075, Income Statement, Cash Flow Statement, related Schedules and summary of significant accounting policies and other explanatory notes for the year then ended. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards (NAS). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We express our opinion that:

1. We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the company in so far as it appears from our examination of those books of account.
3. The Balance Sheet and Income Statement dealt with by this report agree with the books of account of the company.
4. In our opinion and to the best of our information and according to the explanations given to us, the said Statement of Accounts read with the notes give true and fair view:
 - a. In the case of the Balance Sheet, of the state of affair of the company as at 32nd Ashdh, 2075.
 - b. In the case of Income Statement, the Cash Flow Statement for the period ended on that date.
5. In our opinion and to the best of our information and according to the explanation given to us and from our examination of the books of account of the company, we have not come across the cases where board of directors or any member thereof or any employees of the company has acted in contravention of the existing laws, neither have they misappropriated fund nor caused any loss to the company so far as it appears from our audit.

Date: 11 Jan 2019
Place : Kathmandu, Nepal


Khadga Bahadur Ghimire
K.B. Ghimire & Company
Registered Auditor





MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu
Balance Sheet
As at 16 July 2018

Particulars	Schedule	Amount NPR	
		Current Year	Previous Year
Sources of Fund			
NET FUND	1	892,232	(989,965)
Less: Current Liabilities & Provisions Accrued Expenses and Other Payable	4	11,535,597	4,083,021
Total Sources of Fund		12,427,829	3,093,055
Application of Funds			
Fixed Assets	5	3,581,497	1,573,966
Gross Block		(1,326,541)	(1,193,401)
Less: Accumulated Depreciation Net Fixed Assets		2,254,956	380,565
Current Assets, Loans & Advances	2	9,156,680	1,697,121
Cash and Cash Equivalents	3	1,016,194	1,015,369
Advance, Prepaid & Deposits		10,172,873	2,712,490
Total Application of Funds		12,427,829	3,093,055

9

Significant Accounting Policies and Notes to Account
Schedules 1 - 5 & 9 form an integral part of this Balance Sheet


Chairman
Suresh Chandra Adhikari


General Secretary
Mahesh Kumar Khadka

Date : 11 Jan 2019
Place: Kathmandu

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Treasurer
Lok Raj Adhikari

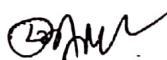

Auditor
Khadga Bahadur Ghimire




MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu
Statement of Income and Expenditure
For the period from 16 July 2017 to 16 July 2018


Particulars	Schedule	Amount NPR	
		Current Year	Previous Year
A. Income	6	2,552,681	921,355
		2,552,681	921,355
B. Less: Expenditure			
Employee Cost	7	2,070,924	1,973,043
Administrative Cost	8	2,869,689	2,929,439
Depreciation	5	133,141	122,957
Total expenditure for the year		5,073,753	5,025,440
C. Net expenditure transferred to Balance Sheet		(2,521,072)	(4,104,085)

9
 Significant Accounting Policies and Notes to Account
 Schedules 5-9 form an integral part of this Statement of Income and Expenditure


 Chairman
 Suresh Chandra Adhikari




 Treasurer
 Lok Raj Adhikari


 General Secretary
 Mahesh Kumar Khadka


 Auditor
 Khadga Bahadur Ghimire



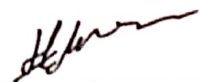
Date : 11 Jan 2019
 Place: Kathmandu

MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu
Statement of Cash Flows
For the period from 16 July 2017 to 16 July 2018

Particulars	Current Year	Previous Year
	NPR	NPR
Cash Flow from Operating Activities		
Profit/(Loss) Before Tax	(2,521,072)	(4,104,085)
Adjustment for:		
Depreciation	133,141	122,957
	(2,387,931)	(3,981,127)
Operating Profit Before Changes in Working Capital		
(Increase)/Decrease in Advance, Prepaid & Deposit	(825)	(513,642)
Increase/(Decrease) in Other Current liabilities	7,452,576	1,035,450
Increase/(Decrease) in Head office Account		
Remittance from NORCODE	4,403,269	2,796,950
	11,855,021	3,318,758
Net Changes in Working Capital		
	9,467,090	(662,369)
Net Cash Flow from Operating Activities (A)		
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(2,007,531)	(4,000)
Net Cash Flow from Investing Activities (B)	(2,007,531)	(4,000)
Cash Flow Financing Activities		
Net Cash Flow from Financing Activities (C)		
Net Cash Flow (A+B+C)	7,459,558	(666,369)
Opening Cash and Cash Equivalent	1,697,121	2,363,490
Closing Cash and Cash Equivalent	9,156,679	1,697,121



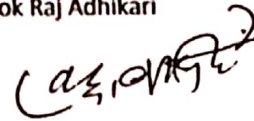
Chairman
Suresh Chandra Adhikari



General Secretary
Mahesh Kumar Khadka



Treasurer
Lok Raj Adhikari



Auditor
Khadga Bahadur Ghimire



Date : 11 Jan 2019
Place: Kathmandu



MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu

Schedules annexed to and forming part of Balance Sheet as at 16 July 2018

Fund from NORCODE		Schedule-1	
Particulars	Current Year	Previous Year	
Net Fund from previous year	(989,965)	317,169	
Fund received during this year	4,403,269	2,796,951	
NORCODE	2,244,714	2,496,951	
NCRO	207,889	300,000	
Government	1,950,666		
Transferred from statement of Income & Expenditure	(2,521,072)	(4,104,085)	
Total (A + B)	892,232	(989,965)	

Cash and Cash Equivalent		Schedule-2	
Particulars	Current Year	Previous Year	
Cash at Bank	9,154,596	1,666,343	
Nabil bank ltd 3101017500166	206,362	11,157	
Nabil bank ltd 3101017500325	2,102,815	330,351	
Nabil Bank ltd c3101017500126	3,331,238	1,292,617	
Agricultural Dev Bank 021020053599011	431,982	32,217	
Rastriya Barmijya Bank Ltd	3,082,200		
Cash in Hand	2,083	30,778	
Total	9,156,680	1,697,121	

Advance, Prepaid & Receivables		Schedule-3	
Particulars	Current Year	Previous Year	
Advance of Staff	896,194	297,968	
Advance of Board member	120,000	120,000	
Ncell	-	597,401	
Total	1,016,194	1,015,369	

Accrued Expenses and Other Payables		Schedule-4	
Particulars	Current Year	Previous Year	
Royalty	11,447,052	3,999,543	
Providend fund to staff	6,917	6,917	
Audit Fee Payable	18,700	18,700	
TDS payable	41,000	54,882	
Other payable	21,928	2,979	
Total	11,535,597	4,083,021	

Details of Royalty payable			
Particulars	Current Year	Previous Year	
Namaste Enterprise	3,600	3,600	
Nepal Telecom	1,778,279	2,153,843	
Nepal Television	85,000	85,000	
Radio Nepal	76,561	76,561	
Butwal FM	9,761	9,761	
Music Nepal	128,599	133,738	
Excellent Mobile	11,129	11,129	
Internet Radio HD	55,212	46,356	
Internet Radio HD MODERN	22,680	22,680	
Media Space Solution	10,258	10,258	
Music Research Development Forum Nepal	501	501	
Nepal Tunes	12,000	12,000	
Bro Sis Mobile Hub	6,000	6,000	
Free Nepali Songs	10,258	10,258	
Tulsi Parajuli	1,500	3,000	
Hidden Treasure	16,760	16,020	
NCELL	4,844,020	1,327,359	
Lekhnath Udhyog Baniya Sangh	12,500	25,000	
Royalty from Public Hall	75,065	46,480	
FM	60,188	-	
Television	5,663	-	
Transportation	4,119,990	-	
Performer Society of Nepal	28,489	-	
Kathmandu Fun Valley Water Park	37,500	-	
Music Producer Society Nepal	28,489	-	
Restaurant	7,051	-	
Total	11,447,052	3,999,543	

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MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Schedules annexed to and forming part of Balance Sheet as at 16 July 2018

Schedule 5 Fixed Assets and Depreciation

Particulars	Gross Block		Opening WDV		DEPRECIATION			NET BLOCK	
	Gross Block	Addition	Total	Opening	Addition during the year	Total	Percentage	Unamortised portion	As at 16/07/2018
Furniture and Fixture	394,114		394,114	119537		119537	25%	344735	49379
Land	1,850,666		1,850,666		1,850,666	1,850,666			1,850,666
Other Office Assets	391,859	10,189	402,058	145931	339973	149330	25%	37479	44279
Computers and Accessories	519,817		519,817	16742		16742	25%	41321	123436
Computer software	40,000	44,666	84,666	20480	46466	67146	5 years	37043	48211
Musical Instruments	83,276		83,276	18449		18449	25%	73852	9421
Vehicle	144,900		144,900	37885		37885	25%	122208	22792
Grand Total	3,573,966	2,007,531	5,581,497	503,523	2,000,732	2,504,255		1,324,541	6,759
									2,234,856

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MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu

Schedules annexed to and forming part of Statement of Income and Expenditure for the period from July 2017 to 16 July 2018

16

Income

Schedule-6

Particulars	Current Year	Previous Year
Service charge	2,412,662	776,100
Membership fee	87,600	115,500
Bank Interest	22,569	11,254
Card Charge	5,850	4,500
MIS Income	24,000	14,000
Total	2,552,681	921,355

Employee Cost

Schedule-7

Particulars	Current Year	Previous Year
Salaries and Allowances	2,070,924	1,973,043
Total	2,070,924	1,973,043

Administrative Cost

Schedule-8

Particulars	Current Year	Previous Year
Electricity Expenses	19,820	19,330
Telephone and Internet Expenses	73,094	57,543
House Rent	359,659	340,909
Stationary and Printing	174,721	81,790
Audit Fee <u>12525</u>	83,500	83,500
Refreshment & Hospitality	303,068	255,203
Website and maintenance	38,710	47,700
Fuel and Maintenance	50,795	45,751
Awareness Program Expenses	515,396	333,939
Licensing Program	16,173	72,000
Communication and Transportation	41,500	84,040
Meeting Allowance and Expenditure	193,000	112,500
Miscellaneous Expenses	28,163	63,185
Guest Hospitality	182,702	150,208
Advertisement Expenses → <u>813</u>	54,250	28,500
Postage and Courier	7,783	3,000
Bank Charges	1,790	60
Special Event Expenses	278,536	250,418
Renew Charges	171,129	140,778
AGM Expenses	90,862	745,705
Office-Accessories	15,538	13,380
Legal Fees <u>2542</u>	169,500	
Total	2,869,689	2,929,439

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Schedule 9: Significant Accounting Policies & Notes to Accounts

1) Significant Accounting Policies

i) **General information**

MRCSN is registered with the Copyright Registration Office, Nepal Government on 2064.2.2 with certificate no 01/063/064.

The main objective of the organization is to protect and administer the rights of authors and composers. It is administered by people like authors and composers, whose sole interest is to collectively ensure that copyright owner's receive every benefit provided by law. MRCSN monitor the use of the works concerned, negotiate with the prospective users, provide them licenses against appropriate fees and under appropriate conditions collect such fees and distribute among the owners of rights.

ii) **Basis of accounting**

Financial statements are prepared under the historical cost convention, in accordance with Nepal Accounting Standards and Generally Accepted Accounting Principles as applicable in Nepal and the requirements of Company Act 2063.

The organization follows the mercantile system of accounting and recognizes expenditure on accrual basis.

iii) **Use of estimates**

The preparation of financial statements in conformity with Nepal Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and expenses during the reporting period. The organization management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

iv) **Financial Period and Comparative Information**

The financials are prepared for the period from 16th July 2017 to 16th July 2018. The accounting policies have been consistently applied by the organization. All figures are rounded off to the nearest rupee. Previous period's figures have been regrouped/rearranged wherever necessary.

v) **Fixed Assets**

Fixed assets are recorded at cost less accumulated depreciation. All direct costs relating to the acquisition and installation of Fixed Assets are capitalized and depreciated using Written Down Method (WDV) of depreciation using the rates and method given by Income Tax Act, 2002.

vi) **Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand and deposits held in bank in current accounts.



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