



K.B. GHIMIRE & COMPANY

Baneshwor, Kathmandu Nepal
Shantinagar-31, Kathmandu Nepal

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Music Royalty Collection Society Nepal which comprise the Statement of Financial Position as at 31st Ashad 2076 (16th July, 2019), and the Statement of Profit or Loss, Cash Flow Statement and statement of changes in equity for the year then ended on 31st Ashad 2076 (16th July, 2019), and a summary of significant accounting policies and other Explanatory Notes.

Basis of Opinion:

We conducted our audit in accordance with the Nepal Standards on Auditing. We are independent of the entity in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Nepal together with the ethical requirements that the Rules there under, and we have fulfilled our other either requirements 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 of our opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards. This responsibility also included maintenance of adequate accounting records for safeguarding the assets of the Entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the 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 are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSA's will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably expect to influence the economic decisions of users taken on the basis of these financial statements.

As a part of audit in accordance of NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risk of material misstatement of the financial statement whether due to fraud or error, design and perform audit procedure responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide an opinion. The risk of not detecting an material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Conclude an appropriateness of management use of going concern basis of accounting and, based in audit evidence obtained, whether a material uncertainty exists related to events or condition that may cast significant doubt on the company's ability to continue as 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure, and content of financial statement including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements. We remain solely responsible for our audit opinion.
- We communicate with those charges 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.

Report on Other Legal and Regulatory Requirement

- We have obtained information and explanations asked for, which, to the best knowledge and belief, were necessary for the purpose of our audit.
- In our opinion, statement of financial position, profit or loss, other comprehensive income, changes in equity and cash flows, have been prepared in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account maintained by the Company.
- To the best of our information and according to explanation given to us and so far appeared from our examination of the books of account of the Company, we have not come across cases where Board of Directors or any employees of the Company have acted contrary to the provisions of law relating to the accounts, or committed any misappropriation or caused loss or damage to the company.



[Handwritten Signature]

Place: Kathmandu, Nepal
Date: 13 February 2021

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

MUSIC ROYALTY COLLECTION SOCIETY NEPAL

Anamnagar, Kathmandu

Balance Sheet

As at 16 July 2019

Particulars	Schedule	Amount NPR	
		Current Year	Previous Year
Sources of Fund			
NET FUND	1	2,133,585	3,413,304
Excess of Expenditure Over Income		(4,041,876)	(2,521,072)
Less: Current Liabilities & Provisions			
Accrued Expenses and Other Payable	4	19,482,118	11,535,597
Total Sources of Fund		17,573,827	12,427,829
Application of Funds			
Fixed Assets			
Gross Block	5	3,704,197	3,581,497
Less: Accumulated Depreciation		(1,434,137)	(1,326,541)
Net Fixed Assets		2,270,060	2,254,956
Current Assets, Loans & Advances			
Cash and Cash Equivalents	2	14,830,862	9,156,680
Advance, Prepaid, Deposits & Receivables	3	472,905	1,016,194
		15,303,767	10,172,873
Total Application of Funds		17,573,827	12,427,829

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

9

Chairman
Mahesh Kumar Khadka

General Secretary
Chandra Prasad Sharma

Date : 13 Feb 2020
Place: Kathmandu

Treasurer
Shashi Sharma Majgainya

Auditor
Khadga Bahadur Ghimire





MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu
Statement of Income and Expenditure
For the period from 17 July 2018 to 16 July 2019


			Amount NPR	
	Particulars	Schedule	Current Year	Previous Year
A.	Income	6	1,334,586	2,552,681
			1,334,586	2,552,681
B.	Less: Expenditure			
	Employee Cost	7	2,257,530	2,070,924
	Administrative Cost	8	3,011,337	2,869,689
	Depreciation	5	107,596	133,141
	Total expenditure for the year		5,376,463	5,073,753
C.	Net expenditure transferred to Balance Sheet		(4,041,876)	(2,521,072)

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

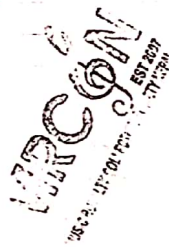
Chairman 
 Mahesh Kumar Khadka

Treasurer 
 Shashi Sharma Majgainya

General Secretary 
 Chandra Prasad Sharma

Auditor 
 Khadga Bahadur Ghimire

Date : 13 Feb 2020
 Place: Kathmandu



MUSIC ROYALTY COLLECTION SOCIETY NEPAL

Anamnagar, Kathmandu

Statement of Cash Flows

For the period from 17 July 2018 to 16 July 2019

Particulars	Current Year	Previous Year
	NPR	NPR
Cash Flow from Operating Activities		
Profit/(Loss) Before Tax	(4,041,876)	(2,521,072)
Adjustment for:		
Depreciation	107,596	133,141
Operating Profit Before Changes in Working Capital	(3,934,281)	(2,387,931)
(Increase)/Decrease in Advance, Prepaid & Deposit	543,289	(825)
Increase/(Decrease) in Other Current liabilities	7,946,521	7,452,576
Increase/(Decrease) in Head office Account	1,241,353	4,403,269
Remittance from NORCODE		
Net Changes in Working Capital	9,731,163	11,855,021
Net Cash Flow from Operating Activities (A)	5,796,883	9,467,090
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(122,700)	(2,007,531)
Net Cash Flow from Investing Activities (B)	(122,700)	(2,007,531)
Cash Flow Financing Activities		
Net Cash Flow from Financing Activities (C)		
Net Cash Flow (A+B+C)	5,674,183	7,459,558
Opening Cash and Cash Equivalent	9,156,680	1,697,121
Closing Cash and Cash Equivalent	14,830,862	9,156,679

Chairman
Mahesh Kumar Khadka

General Secretary
Chandra Prasad Sharma

Date : 13 Feb 2020
Place: Kathmandu

Treasurer
Shashi Sharma Majgainya

Auditor
Khadga Bahaclur Ghimire



MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu

Schedules annexed to and forming part of Balance Sheet as at 16 July 2019

Particulars	Schedule-1	
	Current Year	Previous Year
Net Fund from previous year	892,232	(989,965)
Fund received during this year	1,241,353	4,403,269
NORCODE	656,127	2,244,714
NCRO	392,211	207,889
Government	193,015	1,950,666
Public/Artist		
Transferred from statement of Income & Expenditure	(4,041,876)	(2,521,072)
Total (A + B)	(1,908,291)	892,232

Particulars	Schedule-2	
	Current Year	Previous Year
Cash at Bank	14,800,769	9,154,596
Nabil bank ltd 3101017500166	32,014	206,362
Nabil bank ltd 3101017500325	691,202	2,102,815
Nabil Bank ltd c3101017500126	3,671,621	3,331,238
Agricultural Dev Bank 021020053599011	951,282	431,982
Rastriya Banijya Bank Ltd	9,454,650	3,082,200
Cash in Hand	30,093	2,083
Total	14,830,862	9,156,680

Particulars	Schedule-3	
	Current Year	Previous Year
Advance of Staff	147,905	896,194
Advance of Board member	25,000	120,000
House Rent Deposit	100,000	
Receivables	200,000	
Total	472,905	1,016,194

Particulars	Schedule-4	
	Current Year	Previous Year
Royalty	17,860,667	11,447,052
Providend fund to staff	38,967	6,917
Salary Payable	144,472	
Audit Fee Payable	29,601	18,700
TDS payable	26,434	41,000
Other payable	1,381,978	21,928
Total	19,482,118	11,535,597

Particulars	Details of Royalty payable	
	Current Year	Previous Year
Namaste Enterprise	3,600	3,600
Nepal Telecom	1,757,170	1,778,279
Nepal Television	85,000	85,000
Radio Nepal	18,569	76,561
Butwal FM	9,761	9,761
Music Nepal	128,599	128,599
Excellent Mobile	11,129	11,129
Internet Radio HD	55,213	55,212
Internet Radio HD MODERN	38,876	22,680
Media Space Solution	10,257	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	1,500
Hidden Treasure	16,760	16,760
NCELL	4,147,389	4,844,020
Lekhnath Udhyog Banijya Sangh	12,500	12,500
Royalty from Public Hall	93,189	75,065
Television	347,964	60,188
Transportation	375,945	5,663
Performers Society Of Nepal	9,701,284	4,119,990
Katmandu fun Valley Water park	463,451	28,489
Mixar Producer Society Of Nepal	37,500	37,500
Restaurant	463,451	28,489
Winners	48,300	7,051
Winners	4,500	
Total	17,860,667	11,447,052

MUSIC ROYALTY COLLECTION SOCIETY NEPAL
EST 2017

MS
Chandra
Thome

2020/07/16

(Signature)



MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Schedules annexed to and forming part of Balance Sheet as at 16 July 2019

Schedule 5 Fixed Assets and Depreciation

Particulars	Gross Block		Total	ACCUMULATED DEPRECIATION		Of This Year Assets as Per Income Tax	Accumulated Depreciation till This Year	As at 16/07/2019
	Gross Block	Addition		Percentage	Depreciation till previous year			
Furniture and Fixture	394,114		394,114	25%	344,736	12,345	357,081	37,034
Land	1,950,666		1,950,666					1,950,666
Other Office Assets	402,058		402,058	25%	337,479	16,145	353,624	48,434
Computers and Accessories	519,817	63,900	583,717	25%	411,321	27,124	454,420	129,797
Computer software	86,666	58,800	145,466	5 Years	37,045	17,333	66,138	79,328
Musical Instruments	83,276		83,276	25%	73,852	2,356	76,208	7,068
Vehicle	144,900		144,900	20%	122,108	4,558	126,666	18,234
Grand Total	3,581,497	122,700	3,704,197		1,326,541	79,861	1,434,137	2,270,060

Amount in NPR

<NET BLOCK>

Handwritten signature

MSS

Chandee Thambi

(Handwritten signature)



MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu

Schedules annexed to and forming part of Statement of Income and Expenditure for the period from July 2018 to 16 July 2019 17

Schedule-6

Particulars	Current Year	Previous Year
Service charge	1,137,724	2,412,662
Membership fee	117,450	87,600
Bank Interest	30,962	22,569
Card Charge	15,150	5,850
MIS Income	33,300	24,000
Total	1,334,586	2,552,681

Schedule-7

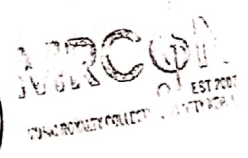
Particulars	Current Year	Previous Year
Salaries and Allowances	2,257,530	2,070,924
Total	2,257,530	2,070,924

Schedule-8

Particulars	Current Year	Previous Year
Electricity Expenses	34,022	19,820
Telephone and Internet Expenses	42,637	73,094
House Rent	373,333	359,659
Stationary and Printing	107,383	174,721
Audit Fee	30,000	83,500
Consultancy Fee	30,000	
Staff Welfare & Hospitality	214,736	303,068
Website Charges and Computer maintenance	92,250	38,710
Fuel and Maintenance	40,367	50,795
Awareness Program Expenses	543,490	515,396
Licensing Program		16,173
Transportation Royalty Management	193,015	
Staff Recuirment	5,085	
Repair & Maintenance	17,000	
Office Staff Training	38,898	
Communication and Transportation	116,000	41,500
Meeting Allowance and Expenditure	125,500	193,000
Office Expenses	31,981	28,163
Guest Hospitality	76,913	182,702
Advertisement Expenses	66,894	54,250
Postage and Courier	1,253	7,783
Bank Charges	1,335	1,790
Special Event Expenses	15,788	278,536
Royalty Distribution Expenses	47,391	
Renew Charges	6,383	171,129
AGM Expenses	483,323	90,862
Office Accessories	10,760	15,538
Legal Fees	165,600	169,500
Total	3,011,337	2,869,689

MMS
Chandra
Thapa

Chandra



Music Royalty Collection Society Nepal (MRCNS)
Kathmandu, Nepal

Schedule 9: Significant Accounting Policies & Notes to Accounts

1) Significant Accounting Policies

i) General information

MRCNS 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. MRCNS 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 17th July 2018 to 16th July 2019. 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.

MRS. Chandra Sharma

2019/12/21

(Signature)



MRCNS