

J.B. Kattel & Associates

Registered Auditors

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PAN No:300969702



Ratnanagar-14, Pithua Chitwan
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INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements Music Royalty Collection Society Nepal. (PAN No 303304739), which comprise the Statement of Financial Position as at 15th July 2021, and the Statement of Profit or Loss, Cash Flow Statement and statement of changes in equity for the year then ended on 15th July 2021 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.

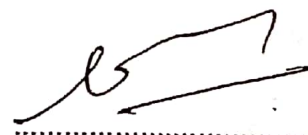
As a part of audit in accordance of NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

Place: Kathmandu, Nepal
Date: 2021/07/30



Janardan Babu Kattel
Proprietor
J.B. Kattel & Associates
Registered Auditor



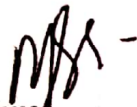
MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu
Balance Sheet
As at 15 July 2021

Amount NPR


Particulars	Schedule	Current Year	Previous Year
Sources of Fund			
NET FUND	1	(2,563,971)	(1,433,690)
Excess of Expenditure Over Income		(1,871,835)	(1,329,425)
Less: Current Liabilities & Provisions			
Accrued Expenses and Other Payable	4	24,516,682	25,846,101
Total Sources of Fund		20,080,876	23,082,986
Application of Funds			
Fixed Assets			
Gross Block	5	3,704,197	3,704,197
Less: Accumulated Depreciation		(1,595,939)	(1,522,335)
Net Fixed Assets		2,108,258	2,181,862
Current Assets, Loans & Advances			
Cash and Cash Equivalents	2	17,599,380	20,352,886
Advance, Prepaid, Deposits & Receivables	3	373,238	548,238
		17,972,618	20,901,124
Total Application of Funds		20,080,876	23,082,986

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

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Chairman
Mahesh Kumar Khadka


Treasurer
Shashi Sharma Majgainya


General Secretary
Chandra Prasad Sharma


Auditor
Janardan Babu Kattel

Date : 2021/7/30
Place: Kathmandu

MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu
Statement of Income and Expenditure
For the period from 16 July 2020 to 15 July 2021


Amount NPR

Particulars		Schedule	Current Year	Previous Year
A.	Income	6	912,482	1,591,541
			912,482	1,591,541
B.	Less: Expenditure			
	Employee Cost	7	1,300,044	1,381,690
	Administrative Cost	8	1,410,669	1,451,078
	Depreciation	5	73,604	88,198
	Total expenditure for the year		2,784,317	2,920,966
C.	Net expenditure transferred to Balance Sheet		(1,871,835)	(1,329,425)

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
Janardan Babu Kattel

Date : 2021/7/30
Place: Kathmandu

MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu

Schedules annexed to and forming part of Balance Sheet as at 15 July 2021

Fund from NORCODE

Schedule-1

Particulars	Current Year	Previous Year
Net Fund from previous year	(2,763,115)	(1,733,690)
Fund received during this year	199,144	300,000
NORCODE		
NCRO	199,144	300,000
Government		
Public/Artist	-	
Transferred from statement of Income & Expenditure	(1,871,835)	(1,329,425)
Total (A + B)	(4,435,806)	(2,763,115)

Cash and Cash Equivalent

Schedule-2

Particulars	Current Year	Previous Year
Cash at Bank	17,599,380	20,352,756
Nabil bank ltd 3101017500166	162,384	666,535
Nabil bank ltd 3101017500325	275,099	295,750
Nabil Bank ltd c3101017500126	5,972,752	5,904,690
Agricultural Dev Bank 021020053599011	2,123,082	1,675,382
Rastriya Barnijya Bank Ltd	9,066,063	11,810,400
Cash in Hand	-	131
Total	17,599,380	20,352,886

Advance, Prepaid, Deposits & Receivables

Schedule-3

Particulars	Current Year	Previous Year
Advance of Staff	238,238	213,238
Advance of Board member	35,000	35,000
House Rent Deposit	100,000	100,000
Receivables		200,000
Total	373,238	548,238

Accrued Expenses and Other Payables

Schedule-4

Particulars	Current Year	Previous Year
Royalty	23,500,209	23,389,835
Providend fund to staff	6,916	6,916
House Rent Payable	-	186,000
Salary Payable		
Audit Fee Payable	40,000	39,550
TDS payable	23,902	61,236
Other payable	4,500	636,885
Performers Society Of Nepal	470,577	762,839
Music Producer Society Of Nepal	470,577	762,839
Total	24,516,682	25,846,101

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MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Schedules annexed to and forming part of Balance Sheet as at 15 July 2021

Schedule 5 Fixed Assets and Depreciation

Particulars	Gross Block		Total	DEPRECIATION			As at 15/07/2021
	Gross Block	Addition		Of This Year Assets as Per Income Tax	Of Previous Year Assets as Per Income Tax	Accumulated Depreciation till This Year	
Furniture and Fixture	394,114		394,114	6,944		373,283	20,831
Land	1,950,666		1,950,666				1,950,666
Other Office Asset:	402,058		402,058	9,081		374,814	27,244
Computers and Accessories	583,717		583,717	24,243		510,987	72,730
Computer software	145,466		145,466	29,093		124,325	21,141
Musical Instruments	83,276		83,276	1,325		79,300	3,976
Vehicle	144,900		144,900	2,917		133,230	11,670
Grand Total	3,704,197	-	3,704,197	73,604	-	1,595,939	2,108,258

Amount in NPR

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Chandra
Sharma

Chandra
Sharma

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MUSIC ROYALTY COLLECTION SOCIETY NEPAL
Anamnagar, Kathmandu

Schedules annexed to and forming part of Balance Sheet as at 15 July 2021

Details of Royalty payable

Particulars	Current Year	Previous Year
Namaste Enterprise	3,600	3,600
Nepal Telecom	1,756,594	1,756,594
Nepal Television	85,000	85,000
Radio Nepal	76,561	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	55,213
Internet Radio HD MODERN	38,876	38,876
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	1,500
Hidden Treasure	16,760	16,760
NCELL	7,518,019	6,383,920
Lekhnath Udhog Banijya Sangh	12,500	12,500
Royalty from Public Hall	108,247	108,247
FM	697,474	459,814
Television	920,850	616,219
Transportation	11,789,960	13,476,726
Kathmandu Fun Valley Water park	37,500	37,500
Restaurant	78,300	70,800
Others	114,750	1,500
Total	23,500,209	23,389,835

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Chandra Shrestha

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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 2020 to 15 July 2021

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Schedule-6

Income	Current Year	Previous Year
Particulars		
Service charge	865,852	1,443,031
Membership fee	15,000	51,000
Bank Interest	21,929	49,207
Card Charge	2,700	7,350
MIS Income	7,000	40,953
Total	912,482	1,591,541

Schedule-7

Employee Cost	Current Year	Previous Year
Particulars		
Salaries and Allowances	1,300,044	1,381,690
Total	1,300,044	1,381,690

Schedule-8

Administrative Cost	Current Year	Previous Year
Particulars		
Electricity Expenses	27,644	31,254
Telephone and Internet Expenses	42,193	43,070
House Rent	413,333	362,222
Stationary and Printing	60,222	52,660
Audit Fee	40,000	39,550
Consultancy Fee		
Staff Welfare & Hospitality	112,180	87,131
Website Charges and Computer maintenance	73,337	35,825
Fuel and Maintenance	18,568	29,836
Awareness Program Expenses	199,145	325,500
Licensing Program		
Transportation Royalty Management	1,400	
Staff Recruitment	-	16,577
Repair & Maintenance		
Office Staff Training		
Communication and Transportation	14,155	5,650
Meeting Allowance and Expenditure	21,000	220,200
Office Expenses	10,295	40,001
Guest Hospitality	22,970	13,232
Advertisement Expenses	28,994	25,893
Postage and Courier	-	-
Bank Charges	1,290	1,635
Special Event Expenses	-	-
Royalty Distribution Expenses	-	-
Renew Charges	309,100	79,394
AGM Expenses	5,570	36,189
Office Accessories	9,273	5,260
Legal Fees	-	-
Total	1,410,669	1,451,078

Music Royalty Collection Society Nepal (MRCSN)
Kathmandu, Nepal

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 2020 to 15th July 2021. 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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Sharma

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