MUSIC COPYRIGH SOCIETY OF KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended

30 JUNE 2022

Kreston KM & Co. LLP
Certified Public Accountants (K)
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MUSIC COPYRIGHT SOCIETY OF KENYA LIMITED
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FOR THE YEAR ENDED 30 JUNE 2022

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COMPANY INFORMATION

Board of Directors	Lazarus Muli	Chairman
	Joseph Shisia	Vice chairman
	Japhet Kasanga	
	John Mwangi	
	John Katana	
	Simon K. Nderitu	
	Paul Maina	
	James Likembe	
Key Management Staff	Dr. Ezekiel Mutua	Chief Executive Officer
	Richard Sereti	Ag. Operations Manager
	David Ochieng'	Ag. Finance Manager
	Joyce Nyambura	Human Resource & Administration Manager
	James Kisero	Internal Audit Manager
Company Secretary	Hezekiel Oira P.O BOX 51862 - 00202 Nairobi	
Registered Office and Principal Place of Business	Music Copyright Society of Kenya Limited P.O. Box 14806 - 00800 Slip Road, Waiyaki Way, Westlands Nairobi, Kenya	
Independent Auditors	Kreston KM & Company LLP Certified Public Accountants (K) Surveyors Court, Suite B6 Woodvale Grove, Westlands P.O. Box 66837 - 00800 Nairobi, Kenya	
Principal Bankers	Absa Bank Kenya Plc African Banking Corporation Limited Family Bank of Kenya Limited	

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2022, which disclose the state of affairs of the Company.

Principal Activities

The Company is a non-profit making organization established to administer certain rights granted under the Copyrights Act on behalf of members. Its core mandate is the collection and distribution of royalties to members.

Results

The net surplus for the year of Kshs 466,342 (2021 deficit of Kshs 7,119,376) has been added to the retained earnings.

Statement as disclosure to the Company's Auditors

With respect to each Director at the time this report was approved:
a) There is, so far as the Director is aware, no relevant audit information of which the Auditor is unaware; and

b) The person has taken all steps that ought to have taken as a Director so as to be aware of any relevant audit information and to establish that theCompany's auditor is aware of that information.

Directorate

The Directors who held office during the year and to the date of this report are set out on page 1.

Auditors

The Company's auditors, Messrs Kreston KM & Company LLP, have expressed their willingness to continue in office in accoradance with the provisions of Section 719(2) of the Companies Act, 2015.

By Order of the Board of Directors

....
Company Secretary

Date 1st February 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control relevant to the preparation of the financial statements.
(ii) Selecting and applying appropriate accounting policies; and
(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company as at 30 June 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act.

In preparing these financial statements, the Directors have assessed the Company's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 01 February 2024 and signed on its behalf by:

Director Lazarus Muli **Signature**
Chairman

Director Joseph Shisia **Signature**
Vice chairman

Director SIMON K. NPERITU **Signature**
Chair-Finance committe

Opinion

We have audited the accompanying financial statements of Music Copyright Society of Kenya Limited set out on pages 6 to 19 which comprise the Statement of Financial Position as at 30 June 2022, the Statement of Comprehensive Income, the Statement of Changes in Funds, and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the Company as at 30 June 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Kenyan Companies Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the Ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

Without qualifying our opinion, we draw attention to Note 20 in the financial statements which indicates that the Company's Current Liabilities exceed the Current Assets by Kshs. 207,392,390 (2021: Kshs. 207,971,362). At the same time accumulated losses as at 30 June 2022 amount to Kshs. 201,773,097 (2021: Kshs 202,239,439). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Directors have put in place various strategies for turning around the business. Accordingly, the financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of these strategies, and the continued support by the members, creditors, and financiers.

Other information

The directors are responsible for the other information. Other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, and for such internal control as the management determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 ISAs 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 financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the 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.
- 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 the Company's internal control.
- 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 up to 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 financial statements, including the disclosures, and whether the 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.

Report on other legal requirements

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

(iii) the Company's balance sheet and profit and loss account are in agreement with the books of account.

The Engagement Partner responsible for the audit resulting in this independent auditor's report is FCPA Dr. George Kimeu – P/No. 603.

For and behalf of

Kreston KM & Company LLP

Certified Public Accountants (K)

Nairobi

02 February **2024**

KRESTON KM

Statement of Comprehensive Income

	Note	2022 KShs	2021 KShs
Gross Income	5	112,678,201	123,337,573
Direct Costs	6	3,781,032	2,984,792
Gross Profit		**108,897,169**	**120,352,781**
Members expenses	7	20,938,417	6,604,132
Board Expenses	8	20,653,338	17,318,408
Staff Costs	9	43,167,059	40,127,572
Administration Costs	10	23,183,080	36,606,210
Finance Costs	11	488,933	804,084
Total Expenses		**108,430,827**	**101,460,406**
Surplus before distribution		466,342	18,892,375
Provision for local distribution		-	(17,689,155)
Provision for foreign distribution		-	(4,724,351)
Surplus/(Deficit) after distribution		**466,342**	**(3,521,131)**
Less provision for taxes		-	(1,829,329)
Less transfer to socio-cultural fund		-	(1,768,916)
Surplus/(Deficit) for the Year		**466,342**	**(7,119,376)**

Statement of Financial Position

	Note	2022 KShs	2021 KShs
Non - current assets			
Property and Equiptment	13	5,507,554	4,873,068
Intagible Assets	14	3,104,464	3,851,580
		8,612,018	**8,724,648**
Current Assets			
Trade and Other Receivables	15	596,124	30,204,590
Deposits and Prepayments	16	2,166,413	1,938,684
Cash and Bank Balances	17	2,424,406	11,228,228
		5,186,943	**43,371,502**
Total Assets		**13,798,961**	**52,096,150**
Equity and Liabilities			
General Reserves		2,992,725	2,992,725
Accumulated Losses		(201,773,097)	(202,239,439)
		(198,780,372)	**(199,246,714)**
Current Liabilities			
Trade and Other Payables	18	165,470,241	190,338,854
Royalties Payable	19	47,109,092	61,004,010
		212,579,333	**251,342,864**
Total Equity and Liabilities		**13,798,961**	**52,096,150**

The financial statements on pages 6 to 19 were approved for issue by the Board of Directors on 01 February 2024 and were signed on their behalf by:

Director Lazarus Muli | **Signature**
Chairman

Director Joseph Shisia | **Signature**
Vice chairman

Director SIMON K. NDERITU | **Signature**
Chair- Finance committee

Statement of Changes in Funds

	SOCIAL FUND Kshs	GENERAL RESERVE Kshs	ACCUMULATED LOSSES Kshs	TOTAL Kshs
2021				
Balance as at 1 July 2019	-	2,992,725	(195,120,063)	(192,127,338)
Additions	1,768,916	-	-	1,768,916
Deficit for the year	-	-	(7,119,376)	(7,119,376)
Payments in the year	(1,768,916)	-	-	(1,768,916)
Balance as at 30 June 2021	**-**	**2,992,725**	**(202,239,439)**	**(199,246,714)**
2022				
Balance as at 1 July 2021	-	2,992,725	(202,239,439)	(199,246,714)
Surplus for the year	-	-	466,342	466,342
Balance as at 30 June 2022	**-**	**2,992,725**	**(201,773,097)**	**(198,780,372)**

Statement of Cash Flows	Note	2022 Kshs	2021 Kshs
Changes in Operating Activities			
Surplus/(Deficit) after distribution and before tax		466,342	(3,521,131)
Adjustments for:			
Finance costs		488,933	804,084
Depreciation	13	1,143,558	1,162,981
Amortization of intangible assets	14	776,116	962,895
Opearting surplus before working capital changes		**2,874,949**	**(591,171)**
Working Capital Changes			
Accounts receivable		29,608,466	(27,597,762)
Deposits and prepayments		(227,729)	910,339
Accounts payable		(24,868,613)	13,289,684
		4,512,124	**(13,397,739)**
Cash generated from operations		7,387,073	(13,988,910)
Royalties payable		(13,894,918)	17,689,155
Cash Generated from Operations		**(6,507,845)**	**3,700,245**
Cash from Investing Activities			
Socio cultural payments		-	(1,768,916)
Purchase of fixed assets		(1,778,044)	(404,000)
Purchase of intangible assets	14	(29,000)	-
		(1,807,044)	**(2,172,916)**
Cash from Financing Activities			
Finance charges paid		(488,933)	(804,084)
Total Cash from Financing Activities		**(488,933)**	**(804,084)**
Net Cash Inflows		**(8,803,822)**	**723,245**
Cash and Cash Equivalents as at 30 June 2021		11,228,228	10,504,983
Cash and Cash Equivalents as at 30 June 2022	17	**2,424,406**	**11,228,228**

NOTES

1. General Information

Music Copyright Society of Kenya Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private company limited by guarantee, and is domiciled in Kenya. The address of its registered office and principal place of business is Slip Road, Waiyaki Way, Westlands P.O. Box 14806-00800, Nairobi. The principal activity of the Company is the collection and distribution of royalties to members.

2. Basis of Preparation and Summary of Significant Accounting Policies

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (Kshs). The measurement basis used is the historical cost basis except where otherwise stated.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

(a) Revenue Recognition
Revenue from sales of goods and services is recognised when the goods and services are delivered and the title has passed. Revenue is measured at the fair value of the consideration receivable net of discounts and sale-related taxes collected on behalf of the government of Kenya.

(b) Borrowing Costs
All borrowing costs are recognised in profit or loss in the year in which they are incurred.

(c) Income tax
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES

a. Assets Held for Sale and Investment Property
Property held on operating leases are depreciated as the lessor has a right to eventually assume ownership of the assets.

b. Appropriation of Surpluses
Subject to withholding tax on Royalties at applicable rates, surplus is distributed to members as royalties based on scientific logs of music played by broadcasters. Additionally some amount is transfered to Socio cultutural account based on a predetermined copyright methodology.

NOTES (Continued)

c. Income

Income earned is brought into the accounting period on the following basis:-

(i) Incomes constitute license fees and royalties and are recognised when there is contractual evidence that they have been earned or received, which evidence include invoices, direct bank deposits and cash collected.

(ii) Gains on disposal of fixed assets include income received and accrued during the accounting period.

(iii) Other incomes include incomes from members entrance fees and other miscellaneous incomes from interest earned on bank deposits.

d. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity.

Held to Maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Were the Company to sell, other than insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. These include treasury bills and bonds.

Available for Sale

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Company or held to maturity. Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial liabilities are classified either as trading financial liabilities or other financial liabilities.

Recognition and Measurement

The Company recognizes assets on the date it commits to purchase the asset. From this date, any gains or losses arising from changes in fair value of the assets are recognized directly in the equity and for financial assets at fair value through profit and loss.

Derecognition

A financial asset is derecognized when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as of the date the Company commits to sell the assets. The Company uses the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments are derecognized on the day they are transferred by the Company.

Identification and Measurement of Impairment of Financial Assets

At each balance sheet date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

NOTES (Continued)

Identification and measurement of impairment of financial assets (contd...)

The company considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by the company together for all financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a debt by the company on terms that the company would otherwise consider, indications that a debtor will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of debtors in the market, or economic conditions that correlate with defaults in the market.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the expected recoverable amount based on the value of securities. Losses are recognized in profit or loss and reflected in an allowance account against the debts.

Impairment losses on available-for-sale investment securities are recognized by transferring the difference between the amortized acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

e. Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

f. Taxation

The Company surpluses are not subjected to income tax but withholding tax is levied on royalties paid to members and returns to the tax authorities made appropriately.

g. Impairment Losses

Provisions are recognized when there is a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

h. Impairment for Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

i. Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

j. Related Party Transactions

The Company discloses the nature and amounts outstanding at the end of the financial year from transactions with related parties, which include transactions with directors, employees and related companies.

NOTES (Continued)

k. Finance Charges

Finance charges represent bank and other charges.

l. Comparatives

Where necessary comparative figures have been restated, redescribed and or reclassified to conform to changes in presentation in the current year.

m. Employee Benefits

Company employees contribute to the National Social Security Fund (NSSF) an amount of Ksh 200 per month, an amount similarly contributed by the company for each employee. Additionally, it runs a contributory pensions scheme where an employee contributes 7.5% of their basic salary while the company contributes 12.5% of the employee's basic salary.

4 FINANCIAL RISK MANAGEMENT

The Directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

a. Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's transactions with customers, other institutions and investment securities. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure.

Management of Credit Risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Directors have established a credit policy or standard under which each new customer is analyzed individually for creditworthiness before the Company's business transactions are entered into and delivery terms and conditions are offered, initiated, executed or effected. The Company's review includes external ratings, image profiling and public knowledge and in some cases references, where available. Credit limits are established for each customer, which includes a maximum open ceiling.

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected normal operational expenses. This excludes the servicing of financial obligations which are separately planned for. Also excluded are the potential impacts of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The responsibility for managing daily liquidity assessment resides with the Directors. However, the balance sheet liquidity management is a companywide task.

c. Currency Risk

The Company operates wholly within Kenya and its assets and liabilities are carried in the local currency. The Company is not exposed to foreign currency risk.

NOTES (Continued)

d Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology, and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

5. INCOME

Turnover represents proceeds from license fees received by the Company during the year.

	Note	2022 Kshs	2021 Kshs
(a) DISTRIBUTABLE INCOME			
Licensing & broadcasting income	5c	85,245,055	102,209,246
Mechanicals rights		24,113,139	18,800,013
		109,358,194	**121,009,259**
(b) NON-DISTRIBUTABLE INCOME			
Member registration income		1,190,005	2,087,120
Income from surcharge		32,055	-
Other Income		2,097,947	241,194
		3,320,007	**2,328,314**
		112,678,201	**123,337,573**
(c) JOINT INCOME AND EXPENDITURES			
Share of joint collections		100,776,913	120,585,159
Share of joint payments			
Performance and commissions		(5,110,817)	(6,893,787)
Salaries		(5,552,799)	(5,552,799)
Office expenses		(4,868,241)	(5,929,326)
		85,245,055	**102,209,246**

The income collected was Kshs 185,319,810, and the MCSK share was 54.38%, amounting to Kshs 100,776,913.

	2022 Kshs	2021 Kshs
6 DIRECT COSTS - COLLECTION COSTS		
Marketing and licensing expenses mapping	3,701,032	1,092,232
Security on collection	80,000	1,134,560
Advocacy	-	758,000
	3,781,032	**2,984,792**
7 MEMBERS EXPENSE		
General reserves head office	5,704,941	1,010,000
Tripartite board meetings	1,610,650	1,131,000
AGM and seminar costs	6,208,645	2,100,000
Membership approval	1,714,181	1,095,340
Constitution amendment meeting	5,700,000	1,267,792
	20,938,417	**6,604,132**
8 BOARD EXPENSES		
Board allowances	4,041,600	4,403,603
Board gratuity	1,920,000	1,920,000
Honorarium	11,170,500	8,572,857
Special board meeting	1,860,438	1,210,000
Finance, human resource and administrative allowances	1,660,800	1,211,948
	20,653,338	**17,318,408**

NOTES (Continued)

9 STAFF COSTS	2022 Kshs	2021 Kshs
Salaries and wages	40,531,519	31,171,024
Pension employers contributions	2,492,910	1,866,081
Pension employers (NSSF contributions)	87,400	71,800
Perfomance bonus & commissions	-	6,893,787
Medical insurance premiums	55,230	124,880
	43,167,059	**40,127,572**

The average number of the employees during the year was 34 (2021:36).

10 ADMINISTRATIVE COSTS	2022 Kshs	2021 Kshs
Rent and rates	3,041,446	3,041,446
Repairs and maintenance	640,470	55,878
Depreciation	1,143,558	1,162,981
Disturbance and terminal benefits	90,676	172,216
Telephone, postage and internet	1,240,918	1,788,190
Printing and stationery	618,693	346,018
Office expenses	674,087	585,760
Transport, travel and accomodation	2,358,325	2,340,069
Audit fees - external	972,363	875,961
Forensic audit	-	2,153,448
Legal fees	6,906,891	14,352,239
Newspapers and periodicals	680	300
Licenses & permits	48,840	964,284
Subscriptions	643,824	391,235
Motor vehicles expenses	115,400	111,979
Publications and advertisements	128,412	55,794
Water and electricity	102,668	304,071
Security expenses	4,000	4,000
Training	100,000	265,900
Cleaning expenses	117,439	84,275
IT related expenses	1,691,476	4,243,803
Amortization costs	776,116	962,895
MCSK foundation/beneveolent expenses	720,000	252,076
Members/Music Digitization	176,195	-
Impairement of Mpesa balance	870,603	
Provision for doubtful debts	-	2,091,392
	23,183,080	**36,606,210**

11 FINANCE COSTS	2022 Kshs	2021 Kshs
Bank charges/finance costs	**488,933**	**804,084**

12 TAXATION

The Company's operating surpluses/losses are not subjected to income tax. Instead witholding tax is retained from any distribution to members and returns filed appropriately.

NOTES (Continued)

13 PROPERTY AND EQUIPMENT

	Furniture and fittings Kshs 12.5%	Office Equipments Kshs 12.5%	Computer and printers Kshs 30%	Motor Vehicles Kshs 25%	TOTAL Kshs
COST					
Balance as at 1 July 2021	7,924,130	1,863,267	11,793,342	2,528,395	24,109,134
Additions	1,449,667	199,877	128,500	-	1,778,044
Cost as at 30 June 2022	9,373,797	2,063,144	11,921,842	2,528,395	25,887,178
Accumalated Depreciation					
As at 1 July 2021	5,401,990	1,296,237	10,459,444	2,078,395	19,236,066
Charge for the year	496,476	95,863	438,719	112,500	1,143,558
As at 30 June 2022	5,898,466	1,392,100	10,898,163	2,190,895	20,379,624
Net Book Value as at 30 June 2022	**3,475,331**	**671,044**	**1,023,679**	**337,500**	**5,507,554**
Net Book Value as at 30 June 2021	**2,522,140**	**567,030**	**1,333,898**	**450,000**	**4,873,068**
YEAR END JUNE 2019					
Cost					
Balance as at 1 July 2019	7,700,130	1,818,267	11,658,342	2,528,395	23,705,134
Additions during the year	224,000	45,000	135,000	-	404,000
Cost as at 30 June 2021	7,924,130	1,863,267	11,793,342	2,528,395	24,109,134
Accumalated Depreciation					
As at 1 July 2019	5,041,684	1,215,233	9,887,773	1,928,395	18,073,085
Charge for the year	360,306	81,004	571,671	150,000	1,162,981
As at 30 June 2021	5,401,990	1,296,237	10,459,444	2,078,395	19,236,066
Net Book Value as at 30 June 2021	**2,522,140**	**567,030**	**1,333,898**	**450,000**	**4,873,068**

NOTES (Continued)

	2022 Kshs	2021 Kshs
14 INTANGIBLE ASSETS		
Cost	11,735,128	11,735,128
Additions	29,000	-
	11,764,128	11,735,128
Less: Amortization		
Balance as at 01.07	7,883,548	6,920,653
Charge for the year	776,116	962,895
	8,659,664	7,883,548
Net Book Value	**3,104,464**	**3,851,580**

	2022 Kshs	2021 Kshs
15 TRADE AND OTHER RECEIVABLES		
Trade and other receivables	70,481,389	70,481,643
KPM receivables	-	31,703,608
Staff debtors	293,608	289,604
	70,774,997	102,474,855
Impairment loss provision	(70,178,873)	(72,270,265)
	596,124	**30,204,590**

	2022 Kshs	2021 Kshs
16 DEPOSITS AND PREPAYMENTS		
Deposits - dropping zone	123,028	25,299
Rent deposit	1,872,710	1,872,710
Security deposit	35,175	35,175
Electricity deposit	5,500	5,500
Advance Royalties	130,000	-
	2,166,413	**1,938,684**

	2022 Kshs	2021 Kshs
17 CASH AND BANK BALANCES		
Cash head office	9,855	-
Absa Bank Plc	947,760	3,044,709
ABC Bank Ltd	293,491	1,449,646
Family Bank	(20,053)	(30,389)
Mpesa Paybill	303,139	5,364
Mpesa paybill 504641	7,713	2,077
NCBA Joint Account	340,607	735,284
ABC Bank - Fixed Deposit Account	541,894	6,021,537
	2,424,406	**11,228,228**

NOTES (Continued)

	2022 Kshs	2021 Kshs
18 TRADE AND OTHER PAYABLES		
Trade payables	111,560,442	127,832,111
Provisions	35,032,238	43,698,564
Foreign royalties	15,373,088	15,373,088
Other payable	2,532,110	2,559,130
Audit fees	972,363	875,961
	165,470,241	**190,338,854**
19 ROYALTIES PAYABLE		
Royalties brought forward	35,515,756	17,826,601
Add: Royalties provided for the year	-	19,458,071
	35,515,756	37,284,672
Less: Royalties paid to members during the year	(13,894,918)	-
Less: Socio-cultural payments	-	(1,768,916)
	21,620,838	35,515,756
Tax on royalties brought forward	25,488,254	23,658,925
Tax on royalties for current year	-	1,829,329
	25,488,254	25,488,254
Total Royalties and Tax Payable	**47,109,092**	**61,004,010**

During the 31st Annual General Meeting held on 15th November 2022, members passed a resolution that royalties that had been unpaid as of June 2022 will be written back in 2023 financial year and none will be provided for and paid for the period ended 30th June 2022.

20 CONTINGENT LIABILITIES

The total disclosed potential claims in the lawyers' confirmations as at 30th June 2022 amounted to Kshs. 105m by Rombo & Company Advocates and MCSK internal legal status reports.

The Directors are of the opinion that appeals were made in respect of the cases and the final ruling is yet to come up hence the final liability figures are yet to be determined.

No provision has been made in these accounts in respect of any liabilities that may arise out of those cases as the Directors are of the view that these liabilities will not crystalise in the foreseeable future.

21 INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act as a private company limited by guarantee and is domiciled in Kenya.

22 CURRENCY

The financial statements are expressed in Kenya Shillings (Kshs).

NOTES (Continued)

23 GOING CONCERN

The Company's Current Liabilities exceed the Current Assets by Kshs. 207,392,390 (2021: Kshs. 207,971,362). At the same time accumulated losses as at 30 June 2022 amount to Kshs. 201,773,097 (2021: Kshs 202,239,439). All these matters make the going concern of the Company doubtful. Hence, the going concern of the business is highly dependent on continued support by the members, creditors, and financiers.

The entire year of 2021/2022 was spent mostly on rebuilding efforts. Music Copyright Society of Kenya (MCSK) just like any other business in the economy was affected by the global effect of COVID-19 where businesses were either closed or operations scaled down.

The effects of COVID 19 further led to the closure of many businesses which were the mainstream of income to MCSK, and this led to a decrease in revenue and the recovery process of the world economy was rather too slow during the period especially in the entertainment sector where MCSK gets biggest chunk of its revenue.

Some of the contributing factors to the low revenue experienced by MCSK during the period also include the

i) The Kenya Copyright Board came up with a new discounted Tariff, which contributed to the low income in the year under review.

ii) The Regulator refusing to renew our license for the two years thus hampering collections which had started

iii) Lack of support from government agencies hampered collections thus non-compliance rates were very high (police enforcement).

iv) Broadcasters who are major consumers of musical works in the years 2021/2022 did not pay for copyright licenses denying MCSK revenue, thus no revenue was earned by MCSK making fixed costs not to be settled leading to high accumulated creditors in the last two financial periods.

To mitigate these going concern challenges the Directors have come up with various turnaround strategies.

A) INCOMES

MCSK has devised the below strategies in maintain good trajectory in its cash flow management:

i) MCSK has entered a new contract with GOOGLE where the international royalties are going to double as per the new agreements. These would reflect in higher income.

ii) MCSK through Kenya Copyright Board (KECOBO) reviewed the tariff upward by 50% which has been gazetted and is applicable. This would translate to an increment in the collection of 50%.

iii) MCSK and the Government are working in partnership to implement the Blanket Tape levy. This is a new stream of revenue that has not been exploited in the past. In this New income stream, MCSK would collect Fifty Million (Kshs 50 million) as an additional income.

iv) MCSK and the Government have come up with a new approach to compel the Broadcasters to acquire MCSK license as a precondition before being cleared to do business. These would reduce the cost of operations.

v) MCSK got its operational license for the year 2023 which has been a major court battle with the Regulator; this is a show of government support and collaboration.

B) EXPENDITURES

MCSK has been able to manage its debts and overhead expenditures and the organization has equally undertaken the bellow measures to address its expenses and pending obligations:

i) MCSK has managed to get the consent of its members during the last AGM to write off from its books of accounts the accumulated debts i.e. unpaid royalties.

ii) MCSK intends to engage its suppliers, particularly legal representatives on how they can take reduced payment as full and final payment for past work done in hope of future business with them.

iii) MCSK intends to hire an internal legal litigation officer to handle all MCSK cases in court in the hope of minimizing the legal expenses in court.

iv) MCSK intends to further reduce its operational costs by converting its licensing staff to agents thus commission-based remuneration will be standard thus removing the fixed costs element in its operations.