MUSIC RIGHTS (SINGAPORE) PUBLIC LIMITED

UNIQUE ENTITY NUMBER : 201824573H

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

LO HOCK LING & CO

Chartered Accountants Singapore

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MUSIC RIGHTS (SINGAPORE) PUBLIC LIMITED
(Incorporated in the Republic of Singapore and Limited by Guarantee with no share capital)
(Unique Entity Number: 201824573H)

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Music Rights (Singapore) Public Limited (the "Company") for the financial year ended 31 December 2020.

In the opinion of the directors,

(a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in accumulated fund and cash flows of the Company for the financial year covered by the financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors in office at the date of this statement are as follows:

Ngiam Kwang Hwa	
Goh Jenfong	
Shawn Robert Paltiel	(Appointed on 20 March 2020)
Ang Jen Kin Gerald	(Appointed on 18 August 2020)
Simon Jerome Nasser	(Appointed on 1 September 2020)

Arrangements to enable directors to acquire benefits

Neither during nor at the end of the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits through the acquisition of shares in or debentures of any other body corporate.

Directors' interests

As the Company is a public company limited by guarantee and has no share capital, matters relating to the directors' interests in shares, debentures, and share options of the Company are not applicable.

Auditors

The Auditors, Messrs Lo Hock Ling & Co., have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

Director

Director

Singapore, 11 June 2021

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Music Rights (Singapore) Public Limited (the "Company") set out on pages 4 to 26, which comprise the statement of financial position (balance sheet) as at 31 December 2020, the statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Directors' Statement set out on pages 1 to 2 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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.

The directors' responsibilities include overseeing the Company's financial reporting process.

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Continued

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 SSAs will always detect a material misstatement when it exists. Misstatement 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism 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 the directors 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 Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

LO HOCK LING & CO.
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS SINGAPORE

Singapore, 11 June 2021

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MUSIC RIGHTS (SINGAPORE) PUBLIC LIMITED

(Incorporated in the Republic of Singapore and Limited by Guarantee)

Statement of Comprehensive Income
for the year ended 31 December 2020

	Notes	2020	2019
		$	$
Other income	3	386,764	2,797
Employee benefits expense	4	(779,745)	(1,000,253)
Depreciation on property, plant and equipment	8	(46,732)	(59,721)
Other expenses	5	(248,019)	(268,535)
Reimbursement of operating expenses by Record Companies		689,690	1,327,854
Profit before tax		1,958	2,142
Income tax expense	6	(1,958)	(2,142)
Profit for the year/period		-	-
Other Comprehensive Income			
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year/period		-	-

The accompanying notes form an integral part of these financial statements.

MUSIC RIGHTS (SINGAPORE) PUBLIC LIMITED

(Incorporated in the Republic of Singapore and Limited by Guarantee)

Statement of Financial Position as at 31 December 2020

	Notes	2020	2019
		$	$
ASSETS			
Non-Current Assets			
Right-of-use asset	7	258,747	-
Property, plant and equipment	8	59,575	106,307
Financial asset at fair value through other comprehensive income	9	47,756	47,756
Amounts due from related parties	11	19,269	9,384
		385,347	163,447
Current Assets			
Other receivables	10	943,386	927,129
Amounts due from related parties	11	16,835	50,840
Cash and bank balances		3,819,693	2,699,780
		4,779,914	3,677,749
Total Assets		5,165,261	3,841,196
LIABILITIES			
Non-Current Liabilities			
Lease liability	12	132,761	-
Provision	13	29,300	29,300
		162,061	29,300
Current Liabilities			
Lease liability	12	125,986	-
Other payables	14	112,351	235,733
Balances held in trust on behalf of Record Companies	15	4,762,215	3,574,021
Current tax liabilities		2,648	2,142
		5,003,200	3,811,896
Total Liabilities		5,165,261	3,841,196

The accompanying notes form an integral part of these financial statements.

MUSIC RIGHTS (SINGAPORE) PUBLIC LIMITED

(Incorporated in the Republic of Singapore and Limited by Guarantee)

Statement of Cash Flows
for the year ended 31 December 2020

	Notes	2020	2019
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,958	2,142
Adjustment for:			
Depreciation on property, plant and equipment	8	46,732	59,721
Operating profit before working capital changes		48,690	61,863
Increase in receivables		(16,257)	(967,624)
Increase in payables		1,064,812	3,879,549
Changes in working capital		1,048,555	2,911,925
Cash generated from operations		1,097,245	2,073,788
Income tax paid		(1,452)	-
Net cash from operating activities		1,095,793	2,973,788
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	-	(166,028)
Addition of investment in security	9	-	(47,756)
Net cash used in investing activities		-	(213,784)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease/(increase) in amount due from related parties		24,120	(60,224)
Net cash from/(used in) financing activities		24,120	(60,224)
Net increase in cash and cash equivalents		1,119,913	2,699,780
Cash and cash equivalents at beginning of the year/period		2,699,780	-
Cash and cash equivalents at end of the year/period	16	3,819,693	2,699,780

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2020

The following notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is domiciled and incorporated in the Republic of Singapore. Its principal place of business is located at 4 Leng Kee Road, #03-06/07 SiS Building, Singapore 159088.

Music Rights (Singapore) Public Limited, is a company limited by guarantee whereby every member of the Company undertakes to contribute an amount not exceeding $10 each, for payment of the debts and liabilities contracted by the Company in the event of the Company being wound up. The Company has five members as at 31 December 2020.

The principal activity of the Company is that of issuing licenses for the use of copy-righted materials belonging to the Record Companies, who are owners of sound recordings and cinematograph.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Company presents its financial statements in Singapore Dollars ("$"), which is also its functional currency. These financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and comply with Singapore Financial Reporting Standards ("FRS"), including related Interpretations promulgated by the Accounting Standards Council, as required by the Companies Act.

During the financial period, the Company adopted all the applicable new/revised FRSs which are relevant to the Company and effective for financial periods beginning on or after 1 January 2020.

2.1.1 Adoption of FRSs effective in 2020

The Company has adopted FRS 116 Leases on 1 January 2020. FRS 116 supersedes FRS 17 Leases, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating Leases-Incentives and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Adoption of FRS 116 Leases

The Company adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 January 2020. Under this method, lease liabilities are measured at present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2020. Instead, the Company applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

2.1.1 Adoption of FRSs effective in 2020 (continued)

Impact on financial statements

Amount recognised in the statement of comprehensive income

	$
2020 – Lease under FRS 116	
Expenses relating to short-term leases	110,857
2019 – Operating lease under FRS 17	
Lease expense	108,505

The Company has lease contracts for office premises before the adoption of FRS 116, the Company classified each of its leases (as lessee) at the inception date as an operating lease.

Upon adoption of FRS 116, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 January 2020 is disclosed in note 2.7. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The right-of-use assets for the leases were recognised at the amount equal to lease liabilities at the date of initial application.

The Company also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

2.1.1 Adoption of FRSs effective in 2020 (continued)

Leases previously accounted for as operating leases (continued)

A reconciliation of the operating lease commitments as at 31 December 2019 and the lease liabilities recognised as at 1 January 2020 are as follows:

	$
Operating lease commitments as at 31 December 2019	135,972
Less: Commitments relating to short-term leases	(135,972)
Discounted operating lease commitment as at 1 January 2020	-
Lease liabilities recognised as at 1 January 2020	-

The associated right-of-use assets ("ROU") were measured at an amount equal to lease liabilities. No right-of-use assets ("ROU") is recognized as at 1 January 2020.

2.2 Significant Accounting Estimates and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(A) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation on Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2.9. Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the year are disclosed in note 8 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant Accounting Estimates and Judgments (continued)

(A) Key sources of estimation uncertainty (continued)

(ii) Income Tax

Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. There were no significant deferred tax liabilities as at the balance sheet date.

(iii) Expected on Credit Loss on Receivables

Expected credit losses (ECLs) are probability-weighted estimates of credit losses over the life of a financial instrument. In estimating ECLs to determine the probability of default of its debtors, the Company has used historical information, such as past credit loss experience. Where applicable, historical data are adjusted to reflect the effects of current conditions as well as management's assessment of future economic conditions based on observable market information, which involved significant estimates and judgement.

Based on the management assessment, there are no significant ECLs on the Company's receivables as at balance sheet date.

(iv) Leases - Estimating the Incremental Borrowing Rate

The Company cannot readily determine the interest rate implicit in some of the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(B) Critical judgments made in applying accounting policies

In the process of applying the Company's accounting policies, there are no significant items in the financial statements which require the exercise of critical judgments on the part of the management.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 FRSs issued but not effective

The Company has not applied any new/revised FRS that has been issued but is not yet effective. The directors do not anticipate the adoption of the new/revised FRS in future financial year to have any material impact on the Company's financial statements in the period of initial application.

2.4 Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

2.5 Government Grants

Government grants are recognised when there is a reasonable assurance that the grants will be received and conditions attached to the grants will be complied with. Grants related to income are recognised in profit or loss on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

2.6 Employee Benefits

(i) Defined Contribution Plans

The Company makes contributions to the state provident fund (Central Provident Fund). Such contributions are recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(ii) Short-term Compensated Absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet date.

2.7 Leases

(a) These accounting policies are applied on and after the initial application date of FRS 116 on 1 January 2020:

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(a) These accounting policies are applied on and after the initial application date of FRS 116 on 1 January 2020: (continued)

As lessee (continued)

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in note 2.16.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and lease of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(b) These accounting policies are applied before the initial application date of FRS 116 on 1 January 2020:

As lessee

Operating leases

Leases whereby the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. When the Company is the lessee, operating lease payments are recognised as an expense on a straight-line basis over the lease term.

2.8 Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised outside profit or loss (either in other comprehensive income or directly to equity), in which case, it is recognised in other comprehensive income or directly to equity accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to other comprehensive income or directly in equity if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income or directly to equity.

2.9 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to Company and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Any estimated costs of dismantling and removing the property, plant and equipment and reinstating the site to its original condition (reinstatement costs) are capitalised as part of the cost of the property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property, Plant and Equipment (continued)

Depreciation is calculated on the straight line basis so as to write off the cost, less the residual values, of the assets over their estimated useful lives. The annual rates of depreciation are as follows:

Office equipment	25%
Computers equipment	25%
Office renovations	20% to 67%

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate, at each financial year-end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and shall be included in profit or loss when the item is derecognised.

2.10 Financial Assets

Financial assets are recognised on the balance sheet when the Company becomes a contractual party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets are classified into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The basis of classification depends on the Company's business model and the contractual cash flow characteristics of the financial assets.

At initial recognition and Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Receivables that do not have a significant financing component are measured at their transaction price at initial recognition.

At subsequent measurement

There are three prescribed subsequent measurement categories - at amortised cost, FVOCI and FVPL, depending on the Company's business model for managing the financial assets and the cash flow characteristics of the assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial Assets (continued)

At subsequent measurement (continued)

The Company's financial assets, comprising mainly other receivables and cash and cash equivalents, are measured at amortised cost subsequent to initial recognition, as these are contractual cash flows which represent solely payments of principal and interest. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest rate method.

For investment in equity instruments that are not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income which will not be reclassified subsequently to profit or loss. Dividends from such investments are to be recognised in profit or loss when the Company's right to receive payments is established. For investments in equity instruments which the Company has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

2.11 Receivables

Receivables that do not have a significant financing component are measured at their transaction price at initial recognition, and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses, as explained in note 2.15. Receivables with a short duration are not discounted.

2.12 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

2.13 Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, including derivatives, which are measured at fair value. Financial liabilities with a short duration are not discounted.

A financial liability is derecognised when the contractual obligation is discharged or cancelled or expires. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.15 Impairment of Financial Assets

The Company assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost, and recognises a loss allowance accordingly.

At each reporting date, the debt instruments are assessed to determine whether there is significant increase in credit risk on the debt instruments since initial recognition. If there is a significant increase in credit risk since initial recognition, lifetime expected credit losses will be calculated and recognised in the loss allowance. If credit risk on the debt instrument has not increased significantly since initial recognition, the loss allowance is measured based on 12-month expected credit losses. Adjustments to the loss allowance are recognised in profit or loss as an impairment gain or loss.

For receivables, the Company applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.16 Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less cost of disposal and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

An impairment loss on a non-revalued asset is recognised in profit or loss. An impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

2.17 Balance held in trust

Balance held in trust on behalf of Record companies represent the total amount of:

(i) Royalties that have been received but not distributed as at balance sheet date, and;
(ii) Royalties receivables for which invoices have been raised, but amount have not been received as at balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Related Parties

A related party is defined as follows:

(A) A person or a close member of that person's family is related to the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

3. OTHER INCOME

	2020	2019
	$	$
Government grants		
- Jobs Support Scheme	339,193	-
- Special Employment Credit	-	80
- Wage Credit Scheme	7,666	-
- Property tax rebate	3,365	-
- Rental relief	7,923	-
Reversal of provision for unutilised leave	25,845	
Others	2,772	2,717
	386,764	2,797

4. EMPLOYEE BENEFITS EXPENSE

	2020	2019
	$	$
Salaries and related costs	645,580	802,561
Employer's contribution to Central Provident Fund	83,335	126,605
Other benefits	50,830	71,087
	779,745	1,000,253

5. OTHER EXPENSES

Included in other expenses are the following items:

	2020	2019
	$	$
Lease expenses - short term lease	110,857	108,505
Legal and professional fees	7,924	24,246

6. INCOME TAX EXPENSE

	2020	2019
	$	$
Provision for current taxation	2,648	2,142
Over provision in prior years	(690)	-
	1,958	2,142

Reconciliation of income tax expense:

	2020	2019
Profit before tax	1,958	2,142
Taxation at statutory rate of 17%	333	364
Tax effects of:		
Tax on notional income	6,221	7,745
Statutory stepped income exemption	(4,666)	(5,809)
Tax rebates	-	(484)
Over provision in prior years	(690)	-
Others	760	326
	1,958	2,142

Tax is computed on a service company basis whereby all expenses incurred in the provision of services to the Record Companies are fully reimbursed by the Record Companies with a 5% notional profit computed by the Comptroller of Income Tax.

7. RIGHT-OF-USE ASSET

	Office Premise
	$
Cost	
At 1 January 2020	-
Addition	258,747
Carrying amount at 31 December 2020	258,747

The Company leases office premises for a period of 2 years, with no option for extension. The lease agreements do not impose any covenants.

The right-of-use assets are depreciated on a straight-line basis, which is the shorter of the assets' useful lives and the lease terms. Right-of-use asset is not depreciated as it refers to lease contracted before the financial year end, but lease period only starts after the financial year end.

8. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Computers equipment	Office renovation	Total
	$	$	$	$
Cost				
At 18 July 2018 (date of incorporation)	-	-	-	-
Addition	21,549	23,037	121,442	166,028
At 31 December 2019 and 1 January 2020	21,549	23,037	121,442	166,028
Addition	-	-	-	-
At 31 December 2020	21,549	23,037	121,442	166,028
Accumulated depreciation				
At 18 July 2018 (date of incorporation)	-	-	-	-
Charge for the period	10,581	6,864	42,276	59,721
At 31 December 2019 and 1 January 2020	10,581	6,864	42,276	59,721
Charge for the year	6,204	4,822	35,706	46,732
At 31 December 2020	16,785	11,686	77,982	106,453
Carrying amount				
At 31 December 2020	4,764	11,351	43,460	59,575
At 31 December 2019	10,968	16,173	79,166	106,307

9. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	$	$
Unquoted equity investment, at cost	47,756	47,756

The unquoted equity investment is not held for trading and is a strategic investment. The Company has irrevocably elected to recognise the investment as financial asset at fair value through other comprehensive income.

The Management is of the opinion that its cost is an appropriate estimate of fair value of the investment.

10. OTHER RECEIVABLES

	2020	2019
	$	$
JSS grant receivable *	85,507	-
Royalties receivables	736,075	873,637
Deposit	36,632	37,332
Prepayments	11,474	16,160
Goods and services tax receivable	73,698	-
	943,386	927,129

* The Jobs Support Scheme ("JSS") is a government grant in the form of wage support scheme to employers to help retain local employees during the period of economic uncertainty due to the Covid-19 pandemic.

Non-trade receivables are unsecured, interest-free and expected to be repayable on demand.

11. AMOUNTS DUE FROM RELATED PARTIES

	2020	2019
	$	$
Current (A)	16,835	50,840
Non-current (B)	19,269	9,384
	36,104	60,224

(A) The amount due from a related party is non-trade in nature, non-interest bearing, unsecured, and have no fixed term of repayment or repayable on demand.

(B) The amount due from a related party has non-trade in nature, unsecured and repayable when the related party has non-restricted accumulative profits and has financial resource available to do so. The amount bears interest at 6% per annum and no interest (2019: nil) is charged during the year.

12. LEASE LIABILITIES

Lease liabilities included in the Statement of Financial Position are as follows:

	2020
	$
Current	125,986
Non-current	132,761
	258,747

Maturity analysis - contractual undiscounted cash flows

Lease liabilities payable:

Within one year	135,972
More than one year but less than five years	135,972
	271,944

13. PROVISION

	2020	2019
	$	$
Provision for reinstatement cost	29,300	29,300

Provision for reinstatement cost relates to the estimated costs of dismantling, removing and restoring the leased premises at the expiration of the lease periods. The estimation was based on quotations received from an external contractor.

14. OTHER PAYABLES

	2020	2019
	$	$
Other payables	30	1,710
Advance from customers	20	3,171
Accruals expense	26,794	180,791
Deferred grant income *	85,507	-
Goods and services tax payable	-	50,061
	112,351	235,733

* Deferred grant income represents Jobs Support Scheme grant in respect of and receivable in the next financial year, for which the Company has fulfilled the grant requirements as at 31 December 2020. The amount is expected to be recognised as income in the next financial year.

15. BALANCES HELD IN TRUST ON BEHALF OF RECORD COMPANIES

During the financial year, royalties of $1,395,682 (2019: $2,572,327) due to the Record Companies were distributed out of the balances held in trust for them.

The balances held in trust include royalties receivables amounting to $736,075 (2019: $873,637) for which invoices have been raised, but the amounts have not been received as at 31 December 2020.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances as shown in the statement of financial position.

17. RELATED PARTY DISCLOSURES

Significant transactions and balances with related parties, not otherwise disclosed in the financial statements, are as follows:

	2020	2019
	$	$
(a) With entities in which the directors of the Company have significant influence/interest		
Non-trade receivables	16,835	48,484
Budget contribution allocated to	133,133	-
Salaries and bonus reimbursed from	67,534	66,749
Purchase of property, plant and equipments	-	39,976
Other operating expenses reimbursed from	7,537	42,160
Rental expenses recharged by	-	18,236
Rental expenses reimbursed from	26,202	28,554
Rental deposit transferred from	-	18,136
Other operating expense recharged by	-	182,477
Royalty distributed	1,272,935	2,277,429
(b) With an entity of which the Company is a substantial shareholder		
Non-trade receivables	19,269	11,740
Operating expense reimbursed from	-	2,356
Other operating expense recharged by	65,094	-

Related party transactions were based on terms agreed between the parties.

The balance held in trust on behalf of Record Companies in which the directors of the Company have significant influence/interest estimated by management is $ 4,374,546 (2019: $ 3,283,077) as at the financial year-end.

18. LEASE COMMITMENTS

The Company leases office units from non-related party under non-cancellable operating lease. As at the balance sheet date, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	2019
	$
Not later than one year	135,972

Minimum lease payments recognised as an expense in profit or loss for the period from 18 July 2018 to 31 December 2019 amounted to $108,505 after deducting the rental expenses reimbursed from related parties.

As disclosed in note 2.1.1 to the financial statements, the Company have adopted FRS 116 Leases on 1 January 2020. These leases payments have been recognised as right-of-use assets and lease liabilities on the Statements of Financial Position as at 31 December 2020, except for short-term leases and leases of low-value assets.

19. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk, liquidity risk and foreign exchange risk. The management reviews and agrees on policies for managing each of these risks and they are summarised below:

19.1 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the Company as and when they fall due.

(i) Risk Management

The Company's major financial assets are receivables, amount due from related parties and cash and bank balances. Bank balances are placed with financial institutions which are regulated.

The management has credit policies in place to minimise exposure to credit risk.

(ii) Recognition of expected credit losses (ECL)

The Company's financial assets that are subject to credit losses where the expected credit loss model has been applied are receivables. The Company assesses on forward looking basis the expected credit losses on its receivables, and recognises a loss allowance in accordance with FRS 109.

Based on the Company's historical collection trend, most outstanding receivables are generally settled within the credit term and there is a low risk of default. Receivables are assessed on a collective basis to determine whether there are changes in credit risk. Lifetime expected credit losses are recognised for specific receivables for which credit risk is deemed to have increased significantly.

Based on the assessment, there is no significant ECL on the Company's receivables as at the balance sheet date.

19.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	Within 1 year	More than 1 year but less than 5 years	Total
	$	$	$
2020			
Payables	4,789,059	-	4,789,059
Lease liabilities	135,972	135,972	271,944
	4,925,031	135,972	5,061,003

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments. (continued)

	Within 1 year	More than 1 year but less than 5 years	Total
	$	$	$
2019			
Payables	3,630,899	-	3,630,899
	3,630,899	-	3,630,899

19.3 Foreign exchange risk

The Company were primarily exposed to fluctuations in Euro (EUR) exchange rates arising from cash flows from anticipated transactions. The Company review periodically monetary assets and monetary liabilities held in currencies other than its functional currencies to ensure that net exposure is kept at an acceptable level.

The significant monetary assets and monetary liabilities held by the Company in EUR are as follows:

	2020	2019
	$	$
Amount due from related parties	19,269	9,384

Sensitivity analysis

A 10% strengthening of the Singapore dollars against EUR at the balance sheet date would decrease profits and equity by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

	2020	2019
	$	$
Equity	(1,927)	(938)
Profit	(1,927)	(938)

A 10% weakening of the Singapore dollars against EUR would have had the equal but opposite effects on EUR to the amounts shown above, on the basis that all other variables remain constant.

19.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their loan to a related party as disclosed in note 11 to the financial statements.

19. FINANCIAL RISK MANAGEMENT (continued)

19.4 Interest rate risk (continued)

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

20.1 *Fair Value Hierarchy*

The Company categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - valuation techniques using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

20.2 *Assets and Liabilities Measured at Fair Values and Not Measured at Fair Values but which Fair Values are disclosed*

The table below analyses the three-level fair value measurement hierarchy of the Company's financial assets which are carried at fair value:-

	Level 1	Level 2	Level 3	Total
	$	$	$	$
At 31 December 2020				
Financial asset through other comprehensive income	-	-	47,756	47,756
	-	-	47,756	47,756
At 31 December 2019				
Financial asset through other comprehensive income	-	-	47,756	47,756
	-	-	47,756	47,756

20.3 *Fair Values of Financial Instruments that are Not Carried at Fair Values*

The carrying amounts of cash and cash equivalents, receivables and payables classified as current assets and current liabilities, which are measured on amortised cost basis, approximate their fair values due to their short term nature.

21. FINANCIAL INSTRUMENTS BY CATEGORY

The aggregate carrying amounts of financial instruments by category are as follows:

	2020	2019
	$	$
Financial asset at fair value through other comprehensive income	47,756	47,756
Financial assets at amortised cost	4,714,011	3,670,974
Financial liabilities at amortised cost	5,047,786	3,630,899

22. CAPITAL MANAGEMENT

The capital management objective of the Company is to safeguard the Company's ability to continue as a going concern and to maintain adequate working capital for development of its principal activities for the longer term.

The Company monitors its cash flow, debt maturity profile, cost of funds and overall liquidity position on a continuous basis and the Record Companies provide annual allocated budget for the Company's operation.

The Company is not subject to externally imposed capital requirements

23. COMPARATIVE FIGURES

The audited financial statements for 2020 cover the reporting period from 1 January 2020 to 31 December 2020 while the audited financial statements for 2019 cover the reporting period from 18 July 2018 to 31 December 2019. Therefore, the comparative amounts for the Statement of Comprehensive Income, Statement of Cash Flows and related notes are not entirely comparable.

24. CURRENT UNCERTAINTIES IN THE ECONOMY RELATING TO THE COVID-19 PANDEMIC

Since the outbreak of the Corona Virus Disease 2019 ("COVID-19") in early 2020, the pandemic has significantly disrupted global businesses and supply chains due to border closures, movement controls, and other measures imposed by various governments. This has adversely impacted various sectors of global economies, including Singapore.

As the COVID-19 pandemic evolves, governments are implementing additional measures to address the resulting public health issues and alleviate the negative economic impact. However, the global situation remains fluid. The restrictions to curb the spread of the disease had adversely affected royalties income collected on behalf of the Record companies. As at the date of issue of these financial statements, the Company is unable to reasonably ascertain the full extent of the probable impact of the pandemic on its operations and financial performance for the financial year ending 31 December 2021. The management continues to monitor the developments and will take further action as necessary in response to the economic disruption.

25. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a directors' resolution dated 11 June 2021.

MUSIC RIGHTS (SINGAPORE) PUBLIC LIMITED

(Incorporated in the Republic of Singapore and Limited by Guarantee)

Profit and Loss Account
for the year ended 31 December 2020

	2020	2019
	$	$
INCOME		
Other income	386,764	2,797
LESS EXPENSES		
Advertising	-	4,074
Audit fees	9,000	10,000
Bank charges	885	494
Bonus	-	130,345
Computer supplies	514	2,133
Depreciation of property, plant and equipment	46,732	59,721
Central provident fund contribution	83,335	126,605
Entertainment	5,195	22,756
IT maintenance expenses	66,674	-
Legal and professional fees	7,924	24,246
Miscellaneous expenses	5,101	2,391
Office cleaning	7,125	7,719
Office insurance	1,531	1,544
Office maintenance	1,241	5,343
Office refreshment	213	563
Office rental	110,857	108,505
Office telephone and internet charges	1,730	1,695
Office utilities	3,342	4,390
Payroll taxes	1,112	1,273
Parking expenses	3,060	2,430
Postage and courier fees	1,042	3,340
Printing and stationery	2,351	5,193
Salaries	613,545	590,605
Secretarial fees	1,275	4,913
Staff commission	32,035	81,611
Staff insurance	15,161	16,798
Staff welfare	1,172	9,232
Staff training	-	1,410
Taxation	1,500	1,300
Transportation	14	949
Transport allowance	44,413	62,039
Telephone allowance	6,417	9,048
Unutilised leave	-	25,844
	1,074,496	1,328,509
Reimbursement of operating expenses by Record Companies	689,690	1,327,854
Profit before tax	1,958	2,142

This Statement is prepared for the Management's use only
and does not form part of the statutory audited financial statements.