

CPS GOVERNANCE CENTRE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CPS GOVERNANCE CENTRE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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CPS GOVERNANCE CENTRE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY INFORMATION

BOARD OF DIRECTORS	CS Mercy Wanjau CS Lipio Mugambi FCS Justin Kimani CS Nelson Walusala Nyongesa CS Julia Kinandu FCS Waweru G. Mathenge Institute of Certified Secretaries	Chairperson
SECRETARY	Olmara Registrars LLP Real Towers Anex, Upper Hill P.O. Box 425202-00100 Nairobi	
REGISTERED OFFICE	CPS Governance Centre Kilimanjaro Road, Upper Hill P.O BOX 46935 - 00100 Nairobi	
AUDITOR	King'ang'i Kamau & Company Certified Public Accountants Electricity House, 8 th Floor Harambee Avenue P.O Box 5698- 00200 Nairobi	
BANKER	NCBA Bank Limited Masaba Road P.O. BOX 44599 - 00100 Nairobi	
LAWYER	Muma & Kanjama and Cyrus Maina Advocates I&M Bank House, 4 th Floor P.O Box 528 – 00100 Nairobi	

CPS GOVERNANCE CENTRE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020, in accordance with the Kenyan Companies Act, 2015, which discloses the state of affairs of CPS Governance Centre Limited

ACTIVITIES

The principal activity of the company is to develop CPS Governance Centre. The project inception was in 2010 and no much progress has materialized and the viability of the project is now highly doubtful given the glut of property market in upper hill, the significantly increased cost of the project from the initial anticipated cost due to inflation among other things and the effects of COVID 19 pandemic on potential investors capacity/ability to buy.

Future Outlook

The year 2021 is expected to be more favourable than 2020 due fact that the various Covid 19 vaccines are available and being administered globally.

RESULTS FOR THE YEAR

	2020 Shs	2019 Shs
(Loss)/profit after taxation	(15,745,292)	1,698,619

DIVIDENDS

The directors do not recommend payment of a dividend in respect of the year (2019; Nil)

GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

However, the directors are of the opinion that there exists a material uncertainty as to the going concern of the company since the board is recommending the abandonment of the project.

DIRECTORS

The current board of directors are shown on page 3.

**CPS GOVERNANCE CENTRE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

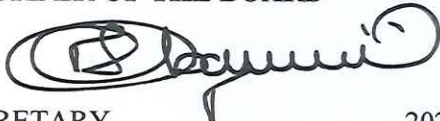
DIRECTORS' STATEMENT AS TO THE INFORMATION GIVEN TO THE AUDITORS

Each of the persons who is a director at the date of approval of this report on company that:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

The company's auditor, King'ang'i Kamau & Company Certified Public Accountants, have indicated their willingness to continue in office in accordance to the provisions of section 719(2) of the Kenya Companies Act 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD



SECRETARY2021

**CPS GOVERNANCE CENTRE LIMITED
BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020**



CS Mercy W. Wanjau - Chairperson



CS Julia M. Kinandu



FCS Waweru G. Mathenge



CS Lipio Mugambi



CS Nelson W. Nyongesa



FCS Justin Kimani

CPS GOVERNANCE CENTRE LIMITED

CHAIRPERSON'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020



**CS MERCY W. WANJAU
CHAIRPERSON, BOARD OF DIRECTORS**

PROGRESS REPORT ON DEVELOPMENT OF CPS GOVERNANCE CENTRE

The Institute of Certified Secretaries incorporated a Limited Company 'CPS Governance Centre Limited' to act as an investment vehicle to enable members of the Institute buy shares of the Company. Through this process, members of the Institute would participate in the ownership of the proposed Office Complex to be constructed on its one-acre property located along Kilimanjaro Road, Upper Hill.

In 2020, the Company was served by seven Directors as follows:

- | | | |
|---------------------------------------|---|-------------|
| 1. CS Mercy W. Wanjau | - | Chairperson |
| 2. FCS Waweru Mathenge | - | Member |
| 3. CS Nelson W. Nyongesa | - | Member |
| 4. CS Julia M. Kinandu | - | Member |
| 5. CS Lipio Mugambi | - | Member |
| 6. FCS Justin Kimani | - | Member |
| 7. Institute of Certified Secretaries | - | Member |

Majority of the Directors represent the Institute of Certified Secretaries (ICS).

During a joint meeting held between the Council of the Institute of Certified Secretaries and the Board of CPS Governance Centre Limited, a resolution was passed that an Advisory Committee be constituted to look into the concerns raised including the viability of the project as initially envisioned and the shifting property landscape in Upper hill and in Nairobi at large. The Advisory Committee presented a report to a joint meeting of the Council and the Board of CPS Governance Centre Limited.

After deliberations and considering the recommendations of the Advisory Committee, the Council and the Board of CPS Governance Centre Limited made the following observations/resolutions: -

1. That the project, as initially envisioned, is no longer viable,
2. That all investors are to be refunded their funds taking into consideration the interest earned over time and sunk costs incurred to date,

CPS GOVERNANCE CENTRE LIMITED

CHAIRPERSON'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

PROGRESS REPORT ON DEVELOPMENT OF CPS GOVERNANCE CENTRE(Continued)

3. That the project, as initially envisioned, is no longer viable,
4. That all investors are to be refunded their funds taking into consideration the interest earned over time and sunk costs incurred to date,
5. That the consortium of Consultants, who were handling the project, have declared a dispute and gone for Arbitration. The Board of CPS Governance Centre Limited has appointed a legal counsel to represent it in the matter. Currently the Consultants and the Board of CPS Governance Centre Limited are exploring the possibility of an amicable settlement of the dispute.
6. That the matters shall be brought before AGMs/SGMs of both the Institute and the CPS Governance Centre Limited for considerations and approvals/ratifications.

During the 30th Annual General Meeting of the Institute of Certified Secretaries held on Friday, May 28, 2021, the meeting approved and adopted the following:

- (a) The joint recommendations by the Council and the Board of CPS Governance Centre Limited as per their reports.
- (b) That recommendations be made to the Board of CPS Governance Centre Limited to expedite refunds to the investors as approved by the joint meeting between the Council and the CPS Governance Centre Board in their reports.
- (c) That the project is no longer viable as initially conceptualized and should be abandoned and reconsidered in its entirety.

The above recommendations were tabled in the Board meeting of CPS Governance Centre Limited and the Board wishes to highlight the following:

1. That in undertaking the CPS Governance Centre project, certain costs were incurred.
2. That since the project is no longer viable, the attendant costs have now been adjusted and will be impaired.
3. That as a result of this impairment, the invested funds will be impacted to the extent of making those impairments.
4. That as a result of the above, investors are unlikely to receive 100% refunds.
5. That indicatively, the refunds will stand at around 80%.
6. That computations will be done in an expedited manner to establish the amounts that will be refundable.
7. That the information on the computations will be brought to the attention of the investors so that the Board of CPS Governance Centre Limited commences the refund process.

Once again, we request for continued patience, understanding and support as we work towards concluding this matter.

I take this opportunity to sincerely and gratefully acknowledge the support provided by the Board of CPS Governance Centre Limited, the ICS Council, the Secretariat and our members.

CS Mercy Wanjau

Chairperson

CPS Governance Centre Limited

June, 2021

CPS GOVERNANCE CENTRE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

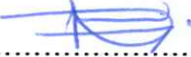
The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.


The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

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


.....
Director
18th / 06 / 2021
.....
Date


.....
Director
15th / 06 / 2021
.....
Date



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CPS GOVERNANCE CENTRE LIMITED

Opinion

We have audited the accompanying financial statements of CPS Governance Centre Limited, set out on pages 13 to 25, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity 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 give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act.

Emphasis of matter

The company's core business was the development of the CPS Governance Centre which was conceptualized in 2010 and has been raising finances from the members. In the recent past, the project has faced challenges and no much progress has materialized hence the viability of the project is now highly doubtful given the glut of property market in upper hill, the significantly increased cost of the project from the initial anticipated cost due to inflation among other things and the effects of COVID 19 pandemic on potential investors capacity/ability to buy.

The directors has proposed cessation of the project subject to approval by the members resulting to material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for 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 the Audit of the financial statements section of our report. We are independent of the company in accordance with the Institute of Certified Public Accountants of Kenya Code of ethics (ICPAK Code of Ethics), which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code), together with other ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CPS GOVERNANCE CENTRE LIMITED (Continued)

Other information

The directors are responsible for the other information, which comprises the report of directors as required by the Kenyan Companies Act. The other information 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 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 the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as Directors determine are 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. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CPS GOVERNANCE CENTRE LIMITED (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain responsible for our audit opinion.

Report on other matters prescribed by the Kenya Companies Act, 2015

Report of the Directors

In our opinion the information given in the Report of the Directors on page 4 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's reports is CPA David Kamau, Practising Certificate No 1296

King'angi

For and on behalf of King'angi Kamau & Company

Certified Public Accountants

Nairobi, Kenya

Date: 24/06/2021

**KING'ANG'I KAMAU AND
COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 5698 - 00200
NAIROBI**

CPS GOVERNANCE CENTRE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 Shs	2019 Shs
INCOME			
Interest Income	3	2,201,224	2,739,219
Financial and professional charges	4	272,164	112,240
Administration expenses	5	<u>70,000</u>	<u>200,380</u>
Total expenditure		<u>342,164</u>	<u>312,620</u>
Operating profit for the year		<u>1,859,060</u>	<u>2,426,599</u>
Taxation	14	(464,765)	(727,980)
Provision for Impairment of Construction costs	15	<u>(17,139,587)</u>	<u>-</u>
(Loss)/profit for the year after taxation		<u>(15,745,292)</u>	<u>1,698,619</u>

CPS GOVERNANCE CENTRE LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Note	2020 Shs	2019 Shs
ASSETS			
Non-current assets			
Preliminary Costs	6	-	747,640
Construction work in progress	7	<u>-</u>	<u>16,391,947</u>
		<u>-</u>	<u>17,139,587</u>
Current assets			
Sundry receivable	8	67,488	67,488
Term deposits	9	43,774,862	41,995,880
Cash and bank balances	10	(847)	114,789
Tax recoverable	14	<u>21,560</u>	<u>118,922</u>
		<u>43,863,063</u>	<u>42,297,079</u>
TOTAL ASSETS		<u><u>43,863,063</u></u>	<u><u>59,436,666</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	962,900	974,900
Share premium	11	49,088,698	49,088,698
Revenue reserves	12	<u>(10,136,727)</u>	<u>5,608,565</u>
		<u>39,914,871</u>	<u>55,672,163</u>
Current liabilities			
Accounts payable and accruals	13	<u>3,948,192</u>	<u>3,764,503</u>
TOTAL EQUITY AND LIABILITIES		<u><u>43,863,063</u></u>	<u><u>59,436,666</u></u>

The financial statements were approved by the board of directors on ^{18th}/₁₀ 2021 and signed on its behalf by:-

.....)


DIRECTORS

CPS GOVERNANCE CENTRE LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share Capital Kshs	Share Premium	Revenue Reserves Kshs	Total Kshs
As at 1 January 2020	974,900	49,088,698	5,608,565	55,672,163
Share capital adjustment	(12,000)			(12,000)
Loss after taxation	_____ -	_____ -	(15,745,292)	(15,745,292)
Balance at 31 December 2020	<u>962,900</u>	<u>49,088,698</u>	<u>(10,136,727)</u>	<u>39,914,871</u>
As at 1 January 2019	971,400	48,879,530	3,909,946	53,760,876
Increase in share capital	3,500	209,168	-	212,668
Profit after taxation	_____ -	_____ -	1,698,619	1,698,619
Balance at 31 December 2019	<u>974,900</u>	<u>49,088,698</u>	<u>5,608,565</u>	<u>55,672,163</u>

CPS GOVERNANCE CENTRE LIMITED
STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	Shs	Shs
Cash flows from operating activities		
Operating profit for the year before taxation	1,859,060	2,426,599
Increase/(decrease) in accounts payable	<u>183,689</u>	<u>(278,750)</u>
	<u>2,042,749</u>	<u>2,147,849</u>
Taxation paid	(367,403)	(973,097)
Cash flows generated in financing activities		
Increase/(decrease) in share capital	<u>(12,000)</u>	<u>212,668</u>
Increase in cash and cash equivalent	<u>1,663,346</u>	<u>1,387,420</u>
Cash and cash equivalents at beginning of the year	42,110,669	40,723,249
Net increase in cash and cash equivalents	<u>1,663,346</u>	<u>1,387,420</u>
Cash and cash equivalents at end the year	<u>43,774,015</u>	<u>42,110,669</u>
Represented by:		
Term deposits	43,774,862	41,995,880
Bank Balance	<u>(847)</u>	<u>114,789</u>
	<u>43,774,015</u>	<u>42,110,669</u>

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

New and amended IFRS Standards that are effective for the current year ended 31 December 2020

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the Amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8 -Definition of material

Effective for annual periods beginning on or after 1 January 2020

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1

Amendments to IFRS 3 -Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

ACCOUNTING POLICIES (Continued)

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

New standards and amendments to published standards effective for the year ended 31 December 2020

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and, in some cases, had not yet been adopted by the Company:

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
<i>IFRS 17-Insurance</i>	1 January 2023, with earlier application permitted
<i>Amendments to IAS 10 and IAS 28 Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i>	Yet to be set, however earlier application permitted
<i>Amendments to IAS 1 and IAS 8- Definition of material</i>	1 January 2023, with earlier application permitted

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

ACCOUNTING POLICIES (Continued)

b) Significant accounting policies

The principal accounting policies adopted are set out below:

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting. The principal accounting policies adopted remain unchanged from the previous year are set out below.

Revenue recognition

Income is recognized upon performance of the stipulated sales and customer's acceptance.

Currency

The financial statements are presented in Kenya Shillings (Shs), which is also the company's functional Currency

Payables and accruals

Payables and accruals are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Investment properties

Investment properties are treated as long term investments at fair value. Investment properties are not subject to depreciation. A gain or loss arising from change in fair value of investment property is dealt with in profit or loss for the period in which it arises. Investment properties include leasehold land. External valuation for the investment is performed when management believes there have been a significant change in the value of the asset on disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is dealt with in profit and loss.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

ACCOUNTING POLICIES (Continued)

Taxation

The income tax expense represents the sum of the current tax and deferred taxation. Current taxation is provided for on the basis of the results for the years as shown in the financial statements, adjusted in accordance with tax legislation. The company's liability for the current tax is calculated using tax values that have been enacted or substantively enacted by the reporting date.

Trade receivables

Trade receivables are carried at anticipated realizable value, reduced by appropriate allowances for estimated irrecoverable amounts. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counter party or when there is default or delinquency in payment according to agreed terms. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when reasonable steps to recover them have failed.

Held to Maturity investments

Held to maturity investments, which relate to short term deposits, are non-derivative financial assets with fixed or determinable payment and fixed maturity dates the company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held to maturity investments are measured at amortized cost using the effective method less an impairment

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process applying the entity's accounting policies, management is required to make judgments on estimates and assumptions about the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates including expectations of future events that are believed to be reasonable under the circumstances.

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

Key sources of estimation uncertainty

The following is the key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the applicable asset's recoverable amount is estimated and an impairment loss is recognized in the income statement.

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

	2020	2019
	Shs	Shs
3. Income		
Interest Income	<u>2,201,224</u>	<u>2,739,219</u>
4. Financial and professional charges		
Bank Charges	2,564	3,600
Company Secretarial services	193,480	45,240
Audit and taxation fee	<u>76,120</u>	<u>63,400</u>
	<u>272,164</u>	<u>112,240</u>
5. Administration Expenses		
Directors' allowances	60,000	135,000
AGM expenses	<u>10,000</u>	<u>65,380</u>
	<u>70,000</u>	<u>200,380</u>
6. Preliminary Costs		
Legal Fees	-	245,600
Registration and Stamp Duty	<u>-</u>	<u>502,040</u>
	<u>-</u>	<u>747,640</u>
7. Construction Work in Progress		
Cost to date	<u>-</u>	<u>16,391,947</u>
8. Accounts Receivable		
Due from ICPSK	<u>67,488</u>	<u>67,488</u>
9. Term Deposits		
<u>Held to maturity</u>		
NCBA Bank limited	<u>43,774,862</u>	<u>41,995,880</u>
The weighted average effective interest rate on the term deposits at 31 December 2020 was 4.5% (2019: 6.5%).		
10. Cash and Cash Balances		
NCBA Bank Limited	<u>(847)</u>	<u>114,789</u>
11.a Share Capital		
Authorized		
500,000 ordinary shares of Kshs 100/- each	<u>50,000,000</u>	<u>50,000,000</u>
Issued and Fully paid Ordinary Shares		
9,629 (2019-9,749) ordinary shares of Kshs 100/- each	<u>962,900</u>	<u>974,900</u>

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

	2020	2019
	Shs	Shs
11.b Share Capital		
Share Premium	<u>49,088,698</u>	<u>49,088,698</u>
12. Revenue reserves		
At January	5,608,565	3,909,946
(Loss)/profit for the year after taxation	<u>(15,745,292)</u>	<u>1,698,619</u>
At year end	<u>(10,136,727)</u>	<u>5,608,565</u>
13. Accounts payable and Accruals		
Audit fees payable	63,720	50,000
Muma & Kanjama Advocates and Cyrus Maina Advocates	3,613,820	3,613,820
Olmara Registrars Limited	68,152	18,183
Director's allowance Accrued	<u>202,500</u>	<u>82,500</u>
	<u>3,948,192</u>	<u>3,764,503</u>
<p>The amount payable to Muma & Kanjama Advocates and Cyrus Maina Advocates relates to a provision for legal services assignment which has since not been completed.</p>		
14. Taxation		
(a) Taxation charge		
Taxable income	<u>1,859,060</u>	<u>2,426,599</u>
Current taxation based on taxable profit for the year at 25% (2019 30%) .	<u>(464,765)</u>	<u>(727,980)</u>
(b) Tax recoverable		
At start of year	(118,922)	126,195
Charge for the year	464,765	727,980
Paid during the year	<u>(367,403)</u>	<u>(973,097)</u>
At year end	<u>(21,560)</u>	<u>(118,922)</u>
15. Provision for impairment		
Provision for Impairment of Construction costs	<u>17,139,587</u>	<u>-</u>

This is to write off initial construction costs (work in progress) which relates to Legal fees, payment of stamp duty to subscription for NEMA Certificate which has since expired and Inspection and Infrastructure development levy which has since been overtaken by events among other initial costs since the board is recommending abandonment of the project.

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

16. FINANCIAL RISK MANAGEMENT

The directors monitor and manage financial risk relating to the operations of the company. The risks include market risk (including foreign currency risk, interest risk and price risk), credit risk and liquidity

Foreign exchange risk

The Company does not deal with foreign accounts which may expose the Company to losses that may arise from fluctuation in the foreign currency exchange rates.

Credit risk management

Credit risk arises from cash and deposits with banks and financial institutions as well as credit exposures by members, including outstanding service charge receivables. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. Management assesses the credit quality of each member, considering its financial position, past experiences and other factors.

The members under the fully performing category are paying their service charge. The loss allowance represents the debt that is fully provided for in line with the expected credit loss model.

Bank balances are held by reputable financial institution of B+ rating. ECL on bank balances has been assessed to have no material impact on the financial statements. The company does not have a significant credit risk exposure to any other single counter party or group of related counterparties.

The amount that represents the company's maximum exposure to credit risk at 31 December 2020 is made up as follows:

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount Shs	Loss allowance Shs	Net amount Shs
31 December 2020						
Trade receivables and prepayments	8	Performing	Lifetime ECL (simplified approach)	67,488	-	67,488
Bank balances	10	BBB	12 months ECL	(847)	-	(847)
				<u>66,641</u>	<u>-</u>	<u>66,641</u>
31 December 2019						
Trade receivables and prepayments	8	Performing	Lifetime ECL (simplified approach)	67,488	-	67,488
Bank balances	10	BBB	12 months ECL	<u>114,789</u>	<u>-</u>	<u>114,789</u>
				<u>182,277</u>	<u>-</u>	<u>182,277</u>

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

16. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk Management

The Company manages liquidity by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 3 Month Shs	Over 3 Months Shs	Total Shs
31 December 2020			
Payables and accruals	<u>-</u>	<u>3,948,192</u>	<u>3,948,192</u>
31 December 2019			
Payables and accruals	<u>-</u>	<u>1,013,190</u>	<u>1,013,190</u>

Capital risk management

The company objectives when managing capital are to safeguard the company's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The gearing level is managed on an ongoing basis to ensure it is within acceptable levels as determined by the board. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2020 Shs	2019 Shs
Total borrowings	-	-
Less bank balances	<u>(847)</u>	<u>114,789</u>
Net debt	<u>(847)</u>	<u>114,789</u>
Total equity	<u>39,914,871</u>	<u>55,672,163</u>
Gearing ratio	-	-

CPS GOVERNANCE CENTRE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

17. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The contract with technical consultant Cadplan Architects and legal consultants Muma & Kanjama Advocates and Cyrus Maina Advocates provides that their fees shall become due upon Successful sourcing of project finances and the signing of the financing agreements with the financiers. However, to date the project has not had financiers and therefore the commitments are not likely to crystallize to actual liabilities.

The company is registered for Pay as you earn tax obligation effective from June 13, 2018, however the company has not been filling the monthly P.A.Y.E return on the itax portal from February 2019 to date, this may attract penalties and interests for non-filing of the returns. The company is in the process of reconciling with the Tax authorities.

18. SUBSEQUENT EVENT -COVID -19 ASSESSMENT

The extent to which COVID-19 pandemic impacts future results will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain the spread or treat its impact, among others. Future results may therefore be adversely affected by the economic impact of the pandemic as it unfolds.

The World Health Organization declared the coronavirus disease (COVID-19) a public health emergency of international concern on 30th January 2020. The first corona case in Kenya was reported on 13th March 2020.

The virus continues to spread with the Government reviewing and putting in place measures aimed at containing it. So far, the reported cases are 148,128 with recovered cases being 99,580 and deaths being 2,420 as at 14th April, 2021.

There are now several vaccines that are in use. The first mass vaccination programme started in early December 2020 and as of 18 March 2021, 364.1 million vaccine doses have been administered. At least 7 different vaccines (3 platforms) have been administered.

Kenya has ordered 24 million doses of the COVID-19 vaccine developed by AstraZeneca and 1 Million doses arrived on 3rd March 2021.

While not yet fully quantifiable, the directors believe the extent to which the COVID-19 Coronavirus pandemic will impact the company's business, financial results, liquidity and cash flows will depend on future developments which are highly uncertain and cannot be predicted.

19. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

20. CURRENCY

These financial statements are prepared in Kenya shillings (Shs)