

**CPS GOVERNANCE CENTRE LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**CPS GOVERNANCE CENTRE LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

CONTENTS	PAGE
COMPANY INFORMATION	3
BOARD OF DIRECTORS	4
CHAIRPERSON'S STATEMENT	5-6
DIRECTORS' REPORT	7
STATEMENT OF DIRECTORS' RESPONSIBILITIES	8
AUDITORS' REPORT	9-11
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME	12
STATEMENT OF FINANCIAL POSITION	13
STATEMENT OF CHANGES IN EQUITY	14
STATEMENT OF CASHFLOWS	15
NOTES TO THE ACCOUNTS	16-22

**CPS GOVERNANCE CENTRE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**COMPANY INFORMATION**

BOARD OF DIRECTORS	CS	Mercy Wanjau	Chairperson
	FCS	Justin Kimani	
	CS	Nelson Walusala Nyongesa	
	CS	Julia Kinandu	
	CS	Diana Sawe Tanui	Appointed in 2021
	FCS	Dr. Nicholas K. Letting	Appointed in 2021
	CS	Calvin Nyachoti	Appointed in 2021
	FCS	Waweru G. Mathenge	Retired in 2021
CS	Lipio Mugambi	Retired in 2021	
	Institute of Certified Secretaries		

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<sup>th</sup> 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<sup>th</sup> Floor  
P.O Box 528 – 00100  
Nairobi

**CPS GOVERNANCE CENTRE LIMITED  
BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2021**



**CS Mercy W. Wanjau - Chairperson**



**CS Diana Sawe Tanui**



**CS Julia M. Kinandu**



**CS Calvin Nyachoti**



**CS Nelson W. Nyongesa**



**FCS Dr. Nicholas K. Letting**



**FCS Justin Kimani**

## **CPS GOVERNANCE CENTRE LIMITED**

### **CHAIRPERSON'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**



**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 2021, the Company was served by seven Directors as follows:

- |                             |   |             |
|-----------------------------|---|-------------|
| 1. CS Mercy W. Wanjau       | - | Chairperson |
| 2. CS Diana Sawe Tanui      | - | Member      |
| 3. CS Nelson W. Nyongesa    | - | Member      |
| 4. CS Julia M. Kinandu      | - | Member      |
| 5. CS Calvin Nyachoti       | - | Member      |
| 6. FCS Justin Kimani        | - | Member      |
| 7. FCS Dr Nicholas Letting' | - | Member      |

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

During the 9<sup>th</sup> Annual General Meeting of the company held on Friday, 25<sup>th</sup> June 2021, members approved as follows:

1. That in undertaking the CPS Governance Centre project, certain costs had been incurred.
2. That since the project was no longer viable, the attendant costs be adjusted and impaired.
3. That as a result of this impairment, the invested funds be impacted to the extent of making those impairments.
4. That as a result of the above, investors would not receive 100% refunds.
5. That indicatively, the refunds would stand at approximately 80%.
6. That computations would be done in an expedited manner to establish the amounts that would be refundable.
7. That the information on the computations would be brought to the attention of the investors for the Board to commence the refund process.



**CPS GOVERNANCE CENTRE LIMITED**

**CHAIRPERSON'S STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**PROGRESS REPORT ON DEVELOPMENT OF CPS GOVERNANCE CENTRE (Continued)**

The refunds were computed at 78% and accordingly communicated to the Members. The process of refund commenced in October 2021 and to date a total amount of approximately six million shillings has not been collected despite various communication sent to the respective Members. As part of the meeting agenda, the Members will be invited to discuss the way forward in regard to the remaining funds earmarked for refund.

Similarly, members will be invited to discuss the going concern of the Company and possibility of its winding up. In doing so, members are invited to note that the original objective of constructing the proposed Office Complex was to provide additional space for the Institute to conduct its activities. This objective remains undischarged.

The consortium of Cadplan Architects Limited, Tana & Associates Limited, Kiri Consult Limited, Empaq Limited, and Eco Plan Management (Claimants) registered a dispute against CPS Governance Center Limited which is now before an Arbitration Tribunal. The matter relates to a dispute from a demand made by the Claimants for payment of the sum of KES. 174,267,610 allegedly due from the Company pursuant to a contract entered into on 4th April, 2014 ("the contract").

Under the Contract, payment for services rendered by the Claimants were payable at the times specified in the special conditions of the contract with the first payment of 50% of the fee being payable upon the signing of a financing agreement with the relevant financing institution. The Board maintains that financing has neither been obtained nor a financing agreement executed and therefore any alleged claim has not crystalized. The dispute is still under arbitration and the Board will update the Members accordingly.

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, 2022**

## CPS GOVERNANCE CENTRE LIMITED

### DIRECTORS' REPORT

#### FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, 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 on potential investors capacity/ability to buy.

#### RESULTS FOR THE YEAR

	2021	2020
Profit(loss) after taxation	Shs.198,015	Shs.(15,745,292)

#### DIVIDENDS

The directors do not recommend payment of a dividend in respect of the year (2020; 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 and refund of members contributions in the company. At 31 December 2021 kshs 38,517,596 was refunded to the members

#### DIRECTORS

The current board of directors are shown on page 4.

#### 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

Secretary

OLMARA REGISTRARS LLP

28<sup>th</sup> June 2022



**CPS GOVERNANCE CENTRE LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

28/06/2022  
.....

Date

.....  
Director

28/06/2022  
.....

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 12 to 22, which comprise the statement of financial position as at 31 December 2021, 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 2021 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.

### **Key audit matter**

#### **Material uncertainty related to going concern**

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. In light of this the directors proposed a part refund of the shareholders deposit of kshs 38,517,596 which was paid in the year 2021.

The effect of shareholders deposits refunds casts 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 7 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

  
For and on behalf of King'ang'i Kamau & Company

Certified Public Accountants

Nairobi, Kenya

Date:

**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 2021**


	<b>Note</b>	<b>2021 Shs</b>	<b>2020 Shs</b>
INCOME			
Interest Income	3	1,794,176	2,201,224
Financial and professional charges	4	1,321,307	272,164
Administration expenses	5	<u>180,750</u>	<u>70,000</u>
Total expenditure		<u>1,502,057</u>	<u>342,164</u>
Operating profit for the year		<u>292,119</u>	<u>1,859,060</u>
Taxation	12	(94,104)	(464,765)
Provision for Impairment of Construction costs	13	<u>-</u>	<u>(17,139,587)</u>
Profit/(loss)for the year after taxation		<u>198,015</u>	<u>(15,745,292)</u>



**CPS GOVERNANCE CENTRE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2021**

	Note	2021 Shs	2020 Shs
<b>ASSETS</b>			
<b>Current assets</b>			
Sundry receivable	6	67,488	67,488
Term deposits	7	-	43,774,862
Cash and bank balances	8	5,629,541	(847)
Tax recoverable	12	<u>166,554</u>	<u>21,560</u>
		<u>5,863,583</u>	<u>43,863,063</u>
<b>TOTAL ASSETS</b>		<u>5,863,583</u>	<u>43,863,063</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	9	963,000	962,900
Shareholders Deposits	9	10,571,102	49,088,698
Revenue reserves	10	<u>(9,938,712)</u>	<u>(10,136,727)</u>
		<u>1,595,390</u>	<u>39,914,871</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	<u>4,268,193</u>	<u>3,948,192</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>5,863,583</u>	<u>43,863,063</u>

The financial statements were approved by the board of directors on 28/06/2022 and signed on its behalf by:-

.....)  
  
 .....

DIRECTORS

**CPS GOVERNANCE CENTRE LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share Capital Kshs	Share Deposits	Revenue Reserves Kshs	Total Kshs
As at 1 January 2021	962,900	49,088,698	(10,136,727)	39,914,871
Share capital adjustment	100	-	-	100
Refund to Members'	-	(38,517,596)	-	(38,517,596)
Profit after taxation	-	-	198,015	198,015
Balance at 31 December 2021	<u>963,000</u>	<u>10,571,102</u>	<u>(9,938,712)</u>	<u>1,595,390</u>
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>

**CPS GOVERNANCE CENTRE LIMITED**  
**STATEMENT OF CASHFLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>2021</b> <b>Shs</b>	<b>2020</b> <b>Shs</b>
<b>Cash flows from operating activities</b>		
Operating profit for the year before taxation	292,119	1,859,060
Tax recoverable write of	21,560	-
Increase in accounts payable	<u>320,001</u>	<u>183,689</u>
	<u>633,680</u>	<u>2,042,749</u>
Taxation paid	(260,658)	(367,403)
<b>Cash flows generated in financing activities</b>		
Decrease in shareholders deposits	<u>(38,517,496)</u>	<u>(12,000)</u>
<b>(Decrease)/increase in cash and cash equivalent</b>	<u>(38,144,474)</u>	<u>1,663,346</u>
Cash and cash equivalents at beginning of the year	43,774,015	42,110,669
Net (decrease)/increase in cash and cash equivalents	<u>(38,144,474)</u>	<u>1,663,346</u>
Cash and cash equivalents at end the year	<u>5,629,541</u>	<u>43,774,015</u>
Represented by:		
Term deposits	-	43,774,862
Bank Balance	<u>5,629,541</u>	<u>(847)</u>
	<u>5,629,541</u>	<u>43,774,015</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) applicable to the company under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

##### i) Impact of new standards effective for the year ended 31 December 2021

###### **Amendments to IAS 1 and IAS 8 -Definition of material**

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'.

###### **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

###### **IFRS 7, IFRS 9 AND IAS 39 IBOR reform phase 1 amendments- Applicable to annual reporting periods beginning on or after 1 January 2021**

The IASB issued 'Interest Rate Benchmark Reform ' as a first reaction to the potential effects the IBOR reform could have on financial reporting.

##### ii) New standards and amendments to published standards but not effective for the year ended 31 December 2021

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:

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 17-Insurance	1 January 2023, with earlier application permitted
Amendments to IAS 1 and IAS 8- <i>Definition of material</i>	1 January 2023, with earlier application permitted
Amendment of IAS 16 - <i>Proceeds before intended use</i>	1 January 2022, with earlier application permitted
Amendments to IAS 37 - <i>Onerous Contracts</i>	1 January 2022
Amendments to IFRS 3 <i>Updating a reference to Conceptual Framework</i>	1 January 2022, 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 the 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)**

	2021 Shs	2020 Shs
<b>3. Income</b>		
Interest Income	<u>1,794,176</u>	<u>2,201,224</u>
<b>4. Financial and professional charges</b>		
Bank Charges	4,147	2,564
Company Secretarial services	139,480	193,480
Audit and taxation fee	76,120	76,120
Legal fees	1,080,000	-
Tax recoverable Write of	<u>21,560</u>	<u>-</u>
	<u>1,321,307</u>	<u>272,164</u>
<b>5. Administration Expenses</b>		
Directors' allowances	172,500	60,000
AGM expenses	<u>8,250</u>	<u>10,000</u>
	<u>180,750</u>	<u>70,000</u>
<b>6. Accounts Receivable</b>		
Due from ICPSK	<u>67,488</u>	<u>67,488</u>
<b>7. Term Deposits</b>		
<u>Held to maturity</u>		
NCBA Bank limited	<u>-</u>	<u>43,774,862</u>
The weighted average effective interest rate on the term deposits at 31 December 2021 was 4.5% (2020: 6.5%).		
<b>8. Cash and Cash Balances</b>		
NCBA Bank Limited	<u>5,629,541</u>	<u>(847)</u>
<b>9.a Share Capital</b>		
Authorized		
50,000 ordinary shares of Kshs 100/- each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued and Fully paid Ordinary Shares</b>		
9,630 (2020-9,629 ) ordinary shares of Kshs 100/- each	<u>963,000</u>	<u>962,900</u>



**CPS GOVERNANCE CENTRE LIMITED**

**NOTES TO THE ACCOUNTS (Cont'd)**

	2021 Shs	2020 Shs
<b>9.b Shareholders Deposits</b>		
At January	49,088,698	49,088,698
Additions	5,900	-
Refund during the year	<u>(38,523,496)</u>	-
At year end	<u>10,571,102</u>	<u>49,088,698</u>
<b>10. Revenue reserves</b>		
At January	(10,136,727)	5,608,565
Profit/(loss) for the year after taxation	<u>198,015</u>	<u>(15,745,292)</u>
At year end	<u>(9,938,712)</u>	<u>(10,136,727)</u>
<b>11. Accounts payable and Accruals</b>		
Audit fees payable	76,120	63,720
Muma & Kanjama Advocates and Cyrus Maina Advocates	3,613,820	3,613,820
Legal fees payable	540,000	-
Olmara Registrars Limited	38,253	68,152
Director's allowance Accrued	-	<u>202,500</u>
	<u>4,268,193</u>	<u>3,948,192</u>
<p>The amount payable to Muma &amp; Kanjama Advocates and Cyrus Maina Advocates relates to a provision for legal services assignment which has since not been completed.</p>		
<b>12. Taxation</b>		
<b>(a) Taxation charge</b>		
Taxable income	<u>313,679</u>	<u>1,859,060</u>
Current taxation based on taxable profit for the year at 30% (2020 30%) .	<u>(94,104)</u>	<u>(464,765)</u>
<b>(b) Tax recoverable</b>		
At start of year	(21,560)	(118,922)
Overstated tax recoverable	21,560	-
Charge for the year	94,104	464,765
Paid during the year	<u>(260,658)</u>	<u>(367,403)</u>
At year end	<u>(166,554)</u>	<u>(21,560)</u>
<b>13. Provision for impairment</b>		
Provision for Impairment of Construction costs	<u>-</u>	<u>17,139,587</u>



## CPS GOVERNANCE CENTRE LIMITED

### NOTES TO THE ACCOUNTS (Cont'd)

#### 14. 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 2021 is made up as follows:

	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount Shs	Loss allowance Shs	Net amount Shs
<b>31 December 2021</b>						
Trade receivables and prepayments	6	Performing	Lifetime ECL (simplified approach)	67,488	-	67,488
Bank balances	8	BBB	12 months ECL	<u>5,629,541</u>	-	<u>5,629,541</u>
				<u>5,697,029</u>	-	<u>5,697,029</u>
<b>31 December 2020</b>						
Trade receivables and prepayments	6	Performing	Lifetime ECL (simplified approach)	67,488	-	67,488
Bank balances	8	BBB	12 months ECL	<u>(847)</u>	-	<u>(847)</u>
				<u>66,641</u>	-	<u>66,641</u>

## CPS GOVERNANCE CENTRE LIMITED

### NOTES TO THE ACCOUNTS (Cont'd)

#### 14. 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
<b>31 December 2021</b>			
Payables and accruals	<u>-</u>	<u>4,268,193</u>	<u>4,268,193</u>
<b>31 December 2020</b>			
Payables and accruals	<u>-</u>	<u>3,948,192</u>	<u>3,948,192</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.

#### 15. 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, 2019, however the company has not been filling the monthly P.A.Y.E return on the itax portal from February 2020 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.

#### 16. INCORPORATION

The company is incorporated in Kenya under the Companies Act.

#### 17. CURRENCY

These financial statements are prepared in Kenya shillings (Shs)