

**THE MOMBASA PARENTS CLUB
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31/12/2019**

***The Mombasa Parents Club
Annual Report and Financial Statements
For the year ended 31st December 2019***

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The following schedules form an integral part of these financial statements.

	Schedule
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2019 segments income & expenditure account	A
2018 segments income & expenditure account	B

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CLUB INFORMATION

The MOMBASA PARENTS CLUB was registered under the section 6(2) of the societies act on 13th August 1966 under Certificate of Registration COE/94001/65.

The Nyali School fully owned by MOMBASA PARENTS CLUB is registered under the Ministry of Education Science and Technology under registration number P/E/12448/14 on 22nd August 2014.

The CLUB is exclusively established for the purpose of educational development, welfare and happiness of children in Mombasa and its environs and doing of all such other things as are incidental or conducive to the attainment of the principal object.

THE PRINCIPAL PLACE OF BUSINESS:

The registered and operational offices of the MOMBASA PARENTS CLUB is located along:-

Links Road - Nyali

P O BOX 81050 - 80100

Mombasa, Kenya.

CLUB OFFICIALS:

The CLUB officials who served during the year and to the date of this report were :-

Mr Benjamin Gitonga	-	Chairman
Mr Feisal Abeid	-	V/Chairman
Mr Paul Munyao	-	Secretary
Mr Michael Wangamati	-	Treasurer
Ms Khadija Khalid Siraj	-	Education Secretary
Mr Joseph Weloba	-	Club Affairs Secretary
Mr Ali Mohamed	-	Committee Member
Mrs Lilian Kimalel	-	Committee Member
Mr Patrick Mwamisi	-	Committee Member
Mrs Anne Okumu	-	Committee Member
Mr Ramadhan Kimanzi	-	Committee Member
Mrs Caroline Ndege	-	Committee Member
Mr Herman Mwasaghua	-	Committee Member
Mr Thomas Bifwoli	-	Co-opted
Mr John Mwangi Muiyoro	-	Co-opted

TRUSTEES:

The CLUB trustees who served during the year and to the date of this report were :-

Maj (RTD) Moses Waweru Ndungu
Mr Daniel K. Tanui
Mr Ali Mandhry

BANKERS:

Kenya Commercial Bank Ltd
CFC Stanbic Bank of Kenya Ltd
Bank of Africa Limited

INDEPENDENT AUDITORS:

Yusuf J M & Co
Certified Public Accountants
Amir Suite, 2nd Floor
Sauti ya Kenya
P.O BOX 85803 - 80100
Mombasa, Kenya.

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MANAGEMENT BOARD REPORT

The managing committee submit their report and the audited financial statements for the year ended 31 December 2019 which show the state of the CLUB's financial affairs.

1. INCORPORATION

The CLUB is domiciled in Kenya where it is registered as a Society under the Society Act (CAP 108). The address of the registered office is set out on page 1.

2. CLUB OFFICIALS

The CLUB officials who served during the year and to the date of this report are set out on page 1.

3. PRINCIPAL ACTIVITIES

The principal object of the CLUB is educational development, welfare and happiness of children in Mombasa and its environs and doing of all such other things as are incidental or conducive to the attainment of the principal object.

4. KEY PERFORMANCE INDICATORS

(a) The results for the year are set out on page 7.

	2019 KShs	2018 KShs
Gross revenue	138,829,983	117,796,440
Surplus / (Deficit) for the year	16,449,335	(2,178,078)
Net assets	236,408,359	208,364,203

(b) The school performance indicators

	2019	2018
Number of students	1061	964
Students enrolment capacity	1320	1320
Ratio of enrolment capacity to No. of students	80.4%	73.0%
No of teachers	58	61
Ratio of students per teacher	18.3	15.8
Performance ranking in the county	3	2
Mean score	365.8	381.7
Students joining high school	93	92
Students sitting for KPCE	93	92
% Students joining high school to No. sat for KPCE	100.0%	100.0%

5. BUSINESS REVIEW

The gross income increased from KShs 117,796,440/- in 2018 to KShs 138,829,983/- in 2019. The main division returned the highest increase at KShs 19,357,864/-. The revenue increases in cafeteria and transport divisions were KShs 1,384,936/- and KShs 290,743/- respectively.

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MANAGEMENT BOARD REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

5. There was disproportionate increase in overhead costs compared to increase in revenue. Overheads rose by 1.9% compared to 17.9% increase in revenue. The total increase in overheads was KShs 2,319,926/- with KShs 1,364,704/- attributed to main division

At 31 December 2019 the net assets position of the CLUB was KShs 236,408,359/- compared to KShs 208,364,203/- in 2018.

6. PRINCIPAL RISKS AND UNCERTAINTY

Mombasa Parents Club's business plan envisioned an ambitious expansion project to develop a high school ostensibly for Nyali Primary School graduates continuity in addition to direct admissions. After two years of project commencement, development stalled in 2017. The contractor has vacated the site and to date there are no activities on the ground. The effects of abandonment toll due to weather vagaries are becoming more evident with gradual detachment of columns from walls and cracks are becoming more noticeable.

The projected in-flows from the business plan were to service KShs 0.5billion loan budgeted to complete the project. However with the project having stalled Mombasa Parents Club is faced with risk and uncertainty of writing-off KShs 53.0 million absorbed to date. Additional costs are likely to be incurred as preservation measures as to remain indifferent will be too costly.

The Management Committee's resolve to steer the project's development course commenced with termination of the project development contract. This was achieved in the year 2020 where a final claim owed to the contractor was finalised and settled in full.

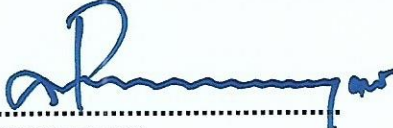
7. STATEMENT AS TO DISCLOSURE TO THE CLUB'S AUDITOR

At the date of this report, officials were not aware of any circumstances that would have rendered the values attributed to the assets in the financial statements misleading.

8. TERMS OF APPOINTMENT OF AUDITOR

Yusuf J M & Co was appointed during the year and continues in accordance with Sec 717 Companies Act 2015.

By order of the Management Committee


.....
SECRETARY
11th February 2021

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STATEMENT OF MANAGEMENT BOARD RESPONSIBILITIES:

The CLUB constitution requires that the officials prepare financial statements for each financial year that give a true and fair view of the state of the CLUB as at the end of the financial year and its surplus or deficit.

It also requires the officials to ensure the CLUB keeps proper accounting records that disclose with reasonable accuracy the financial position of the CLUB.

They are further responsible for safeguarding the assets of the CLUB.

Specifically:

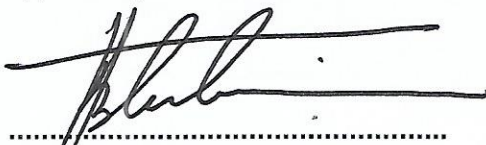
- a. Section 40(C) provides for adoption of annual accounts and financial statements as an agenda during the AGM.
- b. Section 49(a) provides that the accounts of the club and the school shall be audited annually.
- c. Section 55(b) provides that the accounts of the cafeteria shall be audited annually.
- d. Section 57(C) provides that the accounts of transport shall be audited annually.

The officials accept responsibility for the annual report and financial statements which have been prepared using appropriate accounting policies supported by reasonable judgment and estimates in conformity with International Financial Reporting Standards and the requirements of the CLUB's constitution.

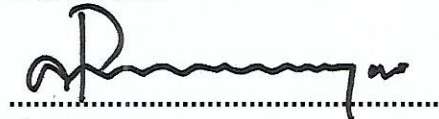
The officials further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal controls.

The officials are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the CLUB and of its results and nothing has come to the attention of the officials that the CLUB will not remain a going concern for at least twelve months from the date of this statement.

Approved by the officials on 11th February.....2021 and signed on its behalf by:



.....
The Hon. Chair



.....
The Hon. Secretary.



.....
The Hon. Treasurer

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REPORT ON THE FINANCIAL STATEMENTS.

Opinion

We have audited the accompanying financial statements of Mombasa Parents Club (the CLUB), set out on pages 7 to 20, which comprise the balance sheet as at 31st December 2019, the profit and loss account and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, 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 Club as at 31st December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis of Opinion

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

Emphasis of Matter

At the close of 1st term a contagious virus affecting respiratory organs was diagnosed and has since pervaded globally bringing businesses tumbling worldwide.

The CLUB officials are of the view MPC will be negatively impacted by the spread of the COVID-19 virus with likely outcome being increased overheads costs arising from mitigation interventions. It is estimated that incremental overhead costs will be over 9.4% of establishment costs.

Other Information

The Management Board is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statement and our auditor's report.

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.

Management's Board Responsibilities

the management board are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the IFRS and the requirement of the Kenyan Companies Act, 2015, and for such internal control as the director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the management board are responsible for assessing the CLUB's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis for accounting unless the management board either intend to liquidate the CLUB or to cease operation, or have no realistic alternative but to do so.

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REPORT ON THE FINANCIAL STATEMENTS.

Auditors' Responsibilities for the Audit of 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 scepticism throughout the planning and performance of 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 entity'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 CLUB'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 the auditor's report. However, future events or conditions may cause the CLUB to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Matters Prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

Yusuf J M & Co
Certified Public Accountants
Mombasa

14 February 2021



The signing partner responsible for the independent audit was **CPA Juma Mulindwa Yusuf**,
Practising Certificate No. 1216

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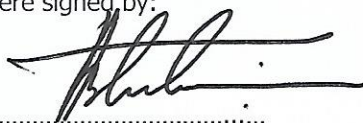
	Note	2019 KShs	2018 KShs
Income	11	138,319,155	116,466,089
Other income	12	<u>510,828</u>	<u>1,330,351</u>
Total income		138,829,983	117,796,440
Direct expenses	13	<u>(28,720,949)</u>	<u>(32,292,120)</u>
		110,109,034	85,504,320
Expenses			
Administration costs	14	(82,886,946)	(80,020,973)
Establishment costs	15	(7,898,785)	(4,322,263)
Governance costs	16	(102,515)	(42,800)
Other operating expenses	17	(2,485,752)	(2,691,363)
Operating surplus		<u>16,735,035</u>	<u>(1,573,079)</u>
Financial costs	18	(285,700)	(604,999)
Surplus / (Deficit) annual		<u><u>16,449,335</u></u>	<u><u>(2,178,078)</u></u>

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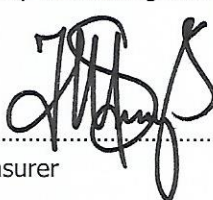
STATEMENT OF FINANCIAL POSITION

		2019	2018
		KShs	KShs
CAPITAL EMPLOYED			
Accumulated fund	4	69,650,432	53,201,096
Development fund	4	(8,969,703)	(18,829,203)
Walk event	4	1,362,941	-
Benevolent fund	4	5,024,345	4,651,965
Capital fund	4	169,340,344	169,340,344
Total funds employed		<u>236,408,359</u>	<u>208,364,203</u>
REPRESENTED BY			
Non- current assets			
Property, plant and equipment	6	214,249,528	202,475,975
Current assets			
Cash and cash equivalents	7	13,217,255	4,439,197
Trade and other receivables	8	12,968,358	8,908,574
Inventories	9	744,004	850,975
		<u>26,929,617</u>	<u>14,198,746</u>
Current liabilities			
Trade and other payables	10	4,770,787	7,230,176
Borrowings (Bus Loan)	5	-	1,080,342
		<u>4,770,787</u>	<u>8,310,518</u>
Net current assets		22,158,830	5,888,228
		<u>236,408,359</u>	<u>208,364,203</u>

The financial statements on pages 6 to 20 were approved by the management on ^{11th} February 2021 and were signed by:



 Chairman



 Treasurer

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STATEMENT OF CHANGES IN FUNDS

	Accumulated Fund KShs	Development Fund KShs	Benevolent Fund KShs	Capital Fund KShs	Total KShs
Year ended 31 December 2019					
As at 1st January 2019	53,201,096	(18,829,203)	4,651,965	169,340,344	208,364,202
Movement during the year	16,449,335	-	372,380	-	16,821,715
Membership fees	-	9,859,500	-	-	9,859,500
Walk event	-	1,362,941	-	-	1,362,941
At end of the year	69,650,431	(7,606,762)	5,024,345	169,340,344	236,408,358
Year ended 31st December 2018					
As at 1st January 2018	55,379,176	(24,935,703)	4,761,625	169,340,344	204,545,442
Movement for the year	(2,178,080)	-	(109,660)	-	(2,287,740)
Membership fees	-	6,106,500	-	-	6,106,500
At end of the year	53,201,096	(18,829,203)	4,651,965	169,340,344	208,364,202

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CASH FLOW STATEMENT

	Note	2019 KShs	2018 KShs
Operating activities			
Operating surplus		16,735,035	(1,573,079)
Adjustments for:			
Gain on disposal		-	(780,822)
Depreciation	6	2,485,752	2,691,363
Changes in working capital			
Decrease in inventories	9	106,972	468,089
Increase in trade and other receivables	8	(4,059,784)	(1,959,977)
(Decrease) / Increase trade and other payables	10	(3,539,732)	532,279
		<u>11,728,244</u>	<u>(622,147)</u>
Operating activities			
Interest paid		<u>(285,700)</u>	<u>(604,999)</u>
Net cash from / (utilized) by operating activities		<u>11,442,543</u>	<u>(1,227,146)</u>
Investing activities			
Purchase of property and equipment	6	(14,259,306)	(7,573,060)
Disposal proceeds	6	-	800,000
Cash utilized by investing activities		<u>(14,259,306)</u>	<u>(6,773,060)</u>
Financing activities			
Loan repayments	5	-	(2,917,930)
Membership fee received	4	9,859,500	6,106,500
Walk event	4	1,362,941	-
Benevolent fund	4	372,380	(109,660)
Cash utilized by financing activities		<u>11,594,821</u>	<u>3,078,910</u>
Increase in cash and cash equivalents		<u>8,778,058</u>	<u>(4,921,296)</u>
Movement in cash and cash equivalents			
At start of year		4,439,197	9,360,493
Increase in cash and cash equivalents		<u>8,778,058</u>	<u>(4,921,296)</u>
At end of year	7	<u>13,217,255</u>	<u>4,439,197</u>

NOTES

1. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, which is also the functional currency, rounded to the nearest Shilling.

The financial statements comprise of the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below:

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

b) New and amended standards and Interpretations, effective for financial years starting after 1 January 2016

Standards and interpretations issued up to the date of issuance of company financial statements are listed below. The listing of standards and interpretations issued are those that company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. company intends to adopt these standards and interpretations when they become effective.

- **IFRS 5, Non-current assets Held for Sale and Discontinued Operations**

Annual Improvements 2012-2014 Cycle: Amendments clarifying that a change in the manner of disposal of a non-current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.

- **IFRS 7 Financial Instruments: Disclosures**

• *Annual Improvements 2012-2014 Cycle:* Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts.

1. Summary of significant accounting policies

b) New and amended standards and interpretations (Continued)

- **IFRS 7 Financial Instruments: Disclosures (Continued)**

- *Annual Improvements 2012-2014 Cycle:* Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34.

- **IFRS 9 Financial Instruments**

A final version of IFRS 9 has been issued which replaces IAS 39. Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition.

- **IFRS 13 Fair Value Measurement:** It was clarified in the Basis for Conclusions that short-term receivables and payables with no stated interest can be measured at invoice amounts when the effect of discounting is immaterial.

These improvements are not expected to have a material impact on the company's financial position and performance. The improvements become effective for financial years beginning on or after 1 February 2015.

- **Improvements to IFRSs – 2011-2013 Cycle (Issued December 2013)**

The IASB issued the 2011-2013 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. Only those amendments that the company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date are included in the summary below.

- **Amendments to IAS 1 and IAS 8 titled *Definition of Material* (issued in October 2018)**

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS.

- **Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017**

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

c) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the CLUB's activities. It is recognised when it is probable that future economic benefits will flow to the CLUB and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts. Cash discounts are included as part of finance costs.

NOTES (CONTINUED)

c) Revenue recognition (Continued)

Sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

Interest income is recognised on a time proportion basis using the effective interest method.

d) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

e) Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

f) Financial instruments

Classification

The CLUB classifies its financial instruments into the following categories:

- i)** Financial assets and financial liabilities at fair value through profit or loss, which comprise financial assets or financial liabilities designated by the CLUB at fair value through profit or loss and which are managed and their performance evaluated on a fair value basis in accordance with the CLUB's investment strategy.
- ii) Held-to-maturity investments,** which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the CLUB has a positive intention and ability to hold to maturity.
- iii) Loans and receivables,** which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.
- iv) Available-for-sale financial assets,** which comprise non-derivative financial assets that are designated as available-for-sale financial assets, and not classified under any of the other categories of financial assets.

f) Financial instruments (Continued)

- v) Financial liabilities**, which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

Financial liabilities:

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit and loss account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

g) Provisions for liabilities

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

h) Post-employment benefit obligations

The CLUB and its employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the CLUB's contributions are charged to the profit and loss account in the year to which they relate.

i) Short term employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

j) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles are subsequently carried at a revalued amount, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the CLUB over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

j) Property, plant and equipment (Continued)

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

Depreciation is calculated using the reducing method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate - %		Rate - %
Motor vehicles	25.00%	Buses	37.50%
Computers, printers	30.00%		
Office equipment & furniture	12.50%		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

k) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

l) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the CLUB, the management board make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

2. Significant judgements and key sources of estimation uncertainty (Continued)

a) Significant judgements made in applying the CLUB's accounting policies

The judgements made by the management board in the process of applying the CLUB's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- i) Whether it is probable that future taxable profits will be available against which temporary differences can be utilised; and
- ii) Whether the CLUB has the ability to hold 'held-to maturity' investments until they mature. If the CLUB were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

3. Risk management objectives and policies

a) Financial risk management

The CLUB's activities expose it to a variety of financial risks including credit, liquidity and market risks. The CLUB's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the CLUB's performance by setting acceptable levels of risk. The CLUB does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a CLUB-wide basis. The CLUB does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

ii) Liquidity risk

Liquidity risk is the risk that the CLUB will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the CLUB's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The CLUB manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

NOTES (CONTINUED)

3. Risk management objectives and policies

a) Financial risk management (Continued)

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

b) Capital management

The CLUB's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The CLUB is not subject to any external capital requirements.

The CLUB manages its capital by evaluating the working capital requirements and investment in non-current assets before borrowings and based on this requirement, setting an internal debt to equity ratio, which it monitors on a regular basis.

	2019	2018
	KShs	KShs
4. Funds		
Accumulated Fund	69,650,432	53,201,096
Development Fund	(8,969,703)	(18,829,203)
Walk event	1,362,941	-
Benevolent Fund	5,024,345	4,651,965
Capital Fund	169,340,344	169,340,344
	<u>236,408,359</u>	<u>208,364,202</u>
5. Borrowings-Bank of Africa Kenya Limited		
At 1st January		3,998,272
Loan disbursed		-
Loan repayment		(2,917,930)
At 31st December	<u>-</u>	<u>1,080,342</u>
Non-current		-
Current		1,080,342
	<u>-</u>	<u>1,080,342</u>

Assets financed are fully secured with respective asset financed. Original logbooks, comprehensive insurance and transfer forms.

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NOTES (CONTINUED)

6. Property, plant and equipment

	Buses KShs	Computers KShs	Land and Building KShs	Motor Vehicles KShs	Equipment KShs	Furniture & Fittings KShs	Club Tents KShs	Total KShs
As at 1st January 2019								
Cost	33,233,440	6,412,178	193,104,000	1,663,950	5,609,307	9,201,235	466,982	249,691,092
Accumulated depreciation	(30,828,431)	(5,767,715)	-	(1,301,993)	(3,597,087)	(5,309,357)	(410,534)	(47,215,117)
Net book value	2,405,009	644,463	193,104,000	361,957	2,012,220	3,891,878	56,448	202,475,975
As at 31st December 2019								
Opening net book value	2,405,009	644,463	193,104,000	361,957	2,012,220	3,891,878	56,448	202,475,975
Additions	-	137,000	10,011,296	-	1,010,649	3,100,361	-	14,259,306
Depreciation charge	(901,878)	(234,440)	-	(90,489)	(377,859)	(874,030)	(7,056)	(2,485,752)
Closing NBV	1,503,131	547,023	203,115,296	271,468	2,645,010	6,118,209	49,392	214,249,529
As at 1st January 2018								
Cost	37,253,440	6,355,678	186,085,710	1,663,950	5,249,667	9,062,605	466,982	246,138,032
Accumulated depreciation	(33,386,248)	(5,491,516)	-	(1,181,340)	(3,309,628)	(4,753,374)	(402,470)	(48,524,576)
Net book value	3,867,192	864,162	186,085,710	482,610	1,940,039	4,309,231	64,512	197,613,456
As at 31st December 2018								
Opening net book value	3,867,192	864,162	186,085,710	482,610	1,940,040	4,309,231	64,512	197,613,457
Additions	(4,020,000)	56,500	7,018,290	-	359,640	138,630	-	7,573,060
Disposal Cost	4,000,822	-	-	-	-	-	-	(4,020,000)
Depreciation charge	(1,443,005)	(276,199)	-	(120,553)	(287,460)	(555,983)	(8,064)	(4,000,822)
Disposal Accum depreciation	2,405,009	644,463	193,104,000	361,957	2,012,220	3,891,878	56,448	(2,691,364)
Closing NBV	-	-	-	-	-	-	-	202,475,975
At year end 31st December 2018								
Cost	33,233,440	6,412,178	193,104,000	1,663,950	5,609,307	9,201,235	466,982	249,691,092
Accumulated depreciation	(30,828,431)	(5,767,715)	-	(1,301,993)	(3,597,087)	(5,309,357)	(410,534)	(47,215,117)
Net book value	2,405,009	644,463	193,104,000	361,957	2,012,220	3,891,878	56,448	202,475,975

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NOTES (CONTINUED)

	2019 KShs	2018 KShs
7. Cash and cash equivalents		
Bank balances	13,180,873	4,386,387
Cash balances	36,382	52,810
	<u>13,217,255</u>	<u>4,439,197</u>
For the purpose of cash flow statement, the year end cash and cash equivalents comprise the following Cash and bank balances as above		
	13,217,255	4,439,197
	<u>13,217,255</u>	<u>4,439,197</u>
8. Trade and other receivables		
Amounts falling due within one year:-		
Trade receivables	9,667,933	5,290,145
Other receivables	3,300,425	3,618,429
	<u>12,968,358</u>	<u>8,908,574</u>
9. Inventories		
As at 31 December	744,004	850,975
	<u>744,004</u>	<u>850,975</u>
Inventories consist of school consumables		
10. Trade and other payables		
Amounts falling due within one year:-		
Pre-paid school fees	4,053,180	5,397,713
Other payables and accrued charges	717,607	1,832,463
	<u>4,770,787</u>	<u>7,230,176</u>
11. Income		
School income	108,738,926	89,342,361
Transport income	16,385,560	15,313,995
Cafeteria income	13,194,669	11,809,733
	<u>138,319,155</u>	<u>116,466,089</u>
12. Other income		
Gain on disposal	-	780,822
Miscellaneous income	510,828	549,528
	<u>510,828</u>	<u>1,330,350</u>
13. Direct costs		
Educational materials and textbooks	2,843,641	2,375,530
Printing and stationeries	3,274,829	2,814,694
Prize giving	1,995,590	1,560,475
Pool chemicals	474,569	389,150
Sports, swimming and events	2,428,933	8,419,979
Social functions	431,700	148,800
Mavueni water costs	21,100	13,746
Training and workshops	32,700	42,035
Fuel and oils	4,387,941	4,982,032
MV repairs, maintenance and licences	3,877,459	2,451,430
Insurance	1,725,973	1,671,630
Hire charges	73,900	115,400
Food	6,751,344	6,878,099
Gas and charcoal	323,760	383,220
Cutlery and crockery	61,700	39,600
Events	15,810	6,300
	<u>28,720,949</u>	<u>32,292,120</u>

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NOTES (CONTINUED)

	2019 KShs	2018 KShs
14. Administration		
Employment Medical expenses		
Salaries and wages	66,721,279	64,257,336
NSSF Co. contribution	933,840	954,000
Pension expenses	2,622,554	2,571,488
Medical expenses	10,097,682	10,773,462
Staff tea	787,420	658,855
Staff uniforms	358,350	8,700
Airtime allowance	12,900	15,400
Total employment costs	81,534,024	79,239,241
Other administrative expenses		
Telephone & postages	274,745	340,892
Travelling and fares	118,765	101,610
Newspapers & periodicals	326,037	83,730
Legal fees	162,600	-
Condolences	60,000	60,000
Printing & stationery	50,775	15,500
Audit fees	360,000	180,000
Total other administrative expenses	1,352,922	781,732
Total administrative expenses	82,886,946	80,020,973
15. Establishment expenses		
Electricity	1,544,657	1,252,231
Water	69,384	48,438
Licences and rates	55,500	59,500
Insurance	278,105	278,105
Repairs and maintenance	3,354,522	1,364,326
Security charges	1,983,675	841,207
Cleaning materials	612,942	478,457
Total establishment expenses	7,898,785	4,322,264
16. Governance expenses		
General meeting expenses	71,500	8,000
Management committee meeting expenses	31,015	34,800
Total governance expenses	102,515	42,800
17. Other operating costs		
Depreciation	2,485,752	2,691,363
Total other operating expenses	2,485,752	2,691,363
18. Finance Costs		
Bank charges	270,019	228,407
Loan interest	15,681	376,592
Total finance costs	285,700	604,999
19. Contingent liabilities		
No quantified figure has been disclosed in the financial statements for the year ended 31 December 2019 since as at the date of this report, we had not received confirmations from the CLUB's legal counsel on any probable economic outflow that may arise.		
20. Reporting currency		
These financial statements are presented in Kenya Shillings (KShs)		

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Segments income statements

Income	School KShs	Transport KShs	Cafeteria KShs	Total KShs
Tuition fees	99,652,583	-	-	99,652,583
Activity fees	3,878,435	-	-	3,878,435
Library, exercise & text book fees	5,207,908	-	-	5,207,908
Transport fees	-	15,815,760	-	15,815,760
Bus hire	-	569,800	-	569,800
Cafeteria sales	-	-	13,194,669	13,194,669
	<u>108,738,926</u>	<u>16,385,560</u>	<u>13,194,669</u>	<u>138,319,155</u>
Other income				
Form sales	71,300	-	-	71,300
Miscellaneous income	327,435	-	-	327,435
Interview	99,000	-	-	99,000
Interest on current account	13,093	-	-	13,093
	<u>510,828</u>	<u>-</u>	<u>-</u>	<u>510,828</u>
Total income	<u>109,249,754</u>	<u>16,385,560</u>	<u>13,194,669</u>	<u>138,829,983</u>

Direct costs

Educational materials and textbooks	2,843,641	-	-	2,843,641
Printing and stationeries	3,274,829	-	-	3,274,829
Prize giving	1,995,590	-	-	1,995,590
Pool chemicals	474,569	-	-	474,569
Sports. Swimming and events	2,428,933	-	-	2,428,933
Social functions	431,700	-	-	431,700
Mavueni water cost	21,100	-	-	21,100
Training and workshops	32,700	-	-	32,700
Fuel and oils	-	4,387,941	-	4,387,941
MV repairs, maintenance and licences	-	3,877,459	-	3,877,459
Insurance	-	1,725,973	-	1,725,973
Hiring costs	-	73,900	-	73,900
Food	-	-	6,751,344	6,751,344
Gas and charcoal	-	-	323,760	323,760
Replacements	-	-	61,700	61,700
Events	-	-	15,810	15,810
	<u>11,503,062</u>	<u>10,065,273</u>	<u>7,152,614</u>	<u>28,720,949</u>

Administration

Employment

Salaries and wages	56,520,195	6,293,668	3,907,416	66,721,279
NSSF co. contribution	752,400	103,680	77,760	933,840
Pension expenses	2,187,878	266,884	167,792	2,622,554
Medical expenses	7,003,542	1,759,140	1,335,000	10,097,682
Staff tea	787,420	-	-	787,420
Staff uniforms	173,500	94,850	90,000	358,350
Airtime allowance	-	12,900	-	12,900
Total employment costs	<u>67,424,935</u>	<u>8,531,122</u>	<u>5,577,968</u>	<u>81,534,024</u>

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	School KShs	Transport KShs	Cafeteria KShs	Total KShs
Other administrative expenses				
Telephone & postages	274,745	-	-	274,745
Travelling and fares	118,765	-	-	118,765
Newspapers & periodicals	326,037	-	-	326,037
Legal fees	162,600	-	-	162,600
Condolences	60,000	-	-	60,000
Printing and stationery	-	-	50,775	50,775
Audit fees	360,000	-	-	360,000
Total other administrative expenses	1,302,147	-	50,775	1,352,922
Total administrative expenses	68,727,082	8,531,122	5,628,743	82,886,946
Establishment expenses				
Electricity	1,544,657	-	-	1,544,657
Water	69,384	-	-	69,384
Licences and rates	55,500	-	-	55,500
Insurance	278,105	-	-	278,105
Repairs and maintenance	3,354,522	-	-	3,354,522
Security charges	1,983,675	-	-	1,983,675
Cleaning materials	555,167	-	57,775	612,942
Total establishment expenses	7,841,010	-	57,775	7,898,785
Governance expenses				
General meeting expenses	71,500	-	-	71,500
Management committee meeting exp.	31,015	-	-	31,015
Total governance expenses	102,515	-	-	102,515
Other operating costs				
Depreciation	1,583,874	901,878	-	2,485,752
Total other operating expenses	1,583,874	901,878	-	2,485,752
Finance Costs				
Bank charges	237,747	18,684	13,588	270,019
Loan interest	-	15,681	-	15,681
Total establishment expenses	237,747	34,365	13,588	285,700
Total expenses	89,995,291	19,532,638	12,852,719	122,380,648
Surplus / (Deficit) for the year	19,254,464	(3,147,078)	341,950	16,449,335

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Segments income statements

	School KShs	Transport KShs	Cafeteria KShs	Total KShs
Income				
Tuition fees	82,570,607	-	-	82,570,607
Activity fees	2,568,863	-	-	2,568,863
Library, exercise and text book fees	4,202,892	-	-	4,202,892
Transport fees	-	14,193,995	-	14,193,995
Bus hire	-	1,120,000	-	1,120,000
Cafeteria sales	-	-	11,809,733	11,809,733
	<u>89,342,362</u>	<u>15,313,995</u>	<u>11,809,733</u>	<u>116,466,090</u>
Other income				
Form sales	77,300	-	-	77,300
Miscellaneous income	202,675	-	-	202,675
Interview	94,000	-	-	94,000
Lost library books	1,900	-	-	1,900
Gain on disposal	-	780,822	-	780,822
Bank interest	173,653	-	-	173,653
	<u>549,528</u>	<u>780,822</u>	<u>-</u>	<u>1,330,350</u>
Total income	<u>89,891,890</u>	<u>16,094,817</u>	<u>11,809,733</u>	<u>117,796,440</u>
Direct costs				
Educational materials and textbooks	2,375,530	-	-	2,375,530
Printing and stationeries	2,814,694	-	-	2,814,694
Prize giving	1,560,475	-	-	1,560,475
Pool chemicals	389,150	-	-	389,150
Sports swimming and events	8,419,979	-	-	8,419,979
Social functions	148,800	-	-	148,800
Training and workshops	42,035	-	-	42,035
Fuel and oils	-	4,982,032	-	4,982,032
MV repairs, maintenance and licences	-	2,451,430	-	2,451,430
Insurance	-	1,671,630	-	1,671,630
Hiring costs	-	115,400	-	115,400
Food	-	-	6,878,099	6,878,099
Gas and charcoal	-	-	383,220	383,220
Replacements	-	-	39,600	39,600
Events	-	-	6,300	6,300
	<u>15,750,663</u>	<u>9,220,492</u>	<u>7,307,219</u>	<u>32,278,374</u>
Administration				
Employment				
Salaries and wages	54,743,616	5,933,320	3,580,400	64,257,336
NSSF Co. contribution	774,000	103,680	76,320	954,000
Pension expenses	2,180,096	247,872	143,520	2,571,488
Medical expenses	7,840,000	1,587,890	1,345,572	10,773,462
Staff tea	658,855	-	-	658,855
Staff uniforms	8,700	-	-	8,700
Airtime allowance	-	15,400	-	15,400
Total employment costs	<u>66,205,267</u>	<u>7,888,162</u>	<u>5,145,812</u>	<u>79,239,241</u>

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	School KShs	Transport KShs	Cafeteria KShs	Total KShs
Other administrative expenses				
Telephone & postages	340,892	-	-	340,892
Printing and stationery	-	-	15,500	15,500
Travelling and fares	101,610	-	-	101,610
Audit fees	180,000	-	-	180,000
Newspapers & periodicals	83,730	-	-	83,730
Condolences	60,000	-	-	60,000
Total other administrative exp.	<u>766,232</u>	<u>-</u>	<u>15,500</u>	<u>781,732</u>
Total administrative expenses	<u>66,971,499</u>	<u>7,888,162</u>	<u>5,161,312</u>	<u>80,020,973</u>
Establishment expenses				
Electricity	1,252,231	-	-	1,252,231
Mavueni costs	13,746	-	-	13,746
Water	48,438	-	-	48,438
Licences and rates	59,500	-	-	59,500
Insurance	278,105	-	-	278,105
Repairs and maintenance	1,364,326	-	-	1,364,326
Security charges	841,207	-	-	841,207
Cleaning materials	478,457	-	-	478,457
Total establishment expenses	<u>4,336,010</u>	<u>-</u>	<u>-</u>	<u>4,336,010</u>
Governance expenses				
General meeting expenses	8,000	-	-	8,000
Management committee meeting ex	34,800	-	-	34,800
Total governance expenses	<u>42,800</u>	<u>-</u>	<u>-</u>	<u>42,800</u>
Other operating costs				
Depreciation	1,248,358	1,443,005	-	2,691,363
Total other operating exp	<u>1,248,358</u>	<u>1,443,005</u>	<u>-</u>	<u>2,691,363</u>
Finance Costs				
Bank charges	195,055	16,452	16,901	228,408
Loan interest	-	376,592	-	376,592
Total establishment expenses	<u>195,055</u>	<u>393,044</u>	<u>16,901</u>	<u>605,000</u>
Total expenses	<u>88,544,385</u>	<u>18,944,703</u>	<u>12,485,432</u>	<u>119,974,520</u>
Surplus for the year	<u>1,347,505</u>	<u>(2,849,886)</u>	<u>(675,699)</u>	<u>(2,178,080)</u>