

*Agricultural Society of Kenya (A.S.K)*  
*Report and Financial statements*  
*For the year ended 31<sup>st</sup> December 2019*

**Ernest & Martin Associates**

**Certified Public Accountants**

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**SOCIETY INFORMATION**

**1. REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Jamhuri Park  
P.O. Box 30176-00100, G.P.O.  
NAIROBI

**2. BANKERS**

- a) Kenya Commercial Bank Limited  
P.O. Box 48400-00100  
Nairobi
- b) National Bank of Kenya Ltd  
P.O. Box 1774  
MERU
- c) Co-operative Bank of Kenya Ltd  
Dagoretti Corner Branch  
P. O Box 38665-00100  
Nairobi
- d) Kenya Women Microfinance Bank Ltd  
P.O Box 4179-00506  
Nairobi
- e) Equity Bank Ltd  
P.O Box 75104-00200  
Nairobi

**3. AUDITORS**

Ernest & Martin  
Certified Public Accountants  
Haven Court,  
Block B, Floor 2  
P.O. Box 21180-0050  
Nairobi

## STATEMENT OF CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Society supports best practices in corporate governance and social responsibility.

The society has put in place a strong base of mechanisms, processes and relations used by her organs to control and operate her activities. In doing this the society considered the following aspects -the people, purpose, process and performance. Hence the society has adopted a corporate governance plan which provides the written terms of reference of the organizations corporate governance duties .Due to the current size and nature of the council and the magnitude of the society operations, the governance plan has put a lot of focus on meeting the greater expectations of her shareholders and the corporate sector .

The following are some of the best practice governance structures and CSR engagements achieved during the period under review:

**a) Strategic Plan Implementation:**

The Society conducted an annual review of the 2018-2022 Strategic Plan to track the achievement of all the strategic objectives.

**b) Enhanced welfare for members:**

The Society fast-tracked registration of ASK Council Members Welfare Association.

**c) Enhanced stakeholder engagement:**

The Society improved engagement with her stakeholders through various channels including a Stakeholder's dinner that was held in November 2019.

**d) ASK Organizational structure:**

The Society approved a new organization structure to enhance good governance in its operational and administrative processes.

**e) Heightened linkages:**

It is envisaged that partnerships with various organizations can offer the Society the perfect platform that play a key role in achieving her mandate. Therefore, the Society has partnered with other organizations and hopes to leverage on these partnerships. Such institutions include but not limited to Kenya National chamber of commerce and industry.

**f) Mixed land use and masterplan developments:**

The Society has made considerable progress towards finalizing the development of master plans in various branches. The masterplan has considered and made provisions for social support.

**Our Strong Corporate Governance and Corporate Social Responsibility Practices are:**

- The Council assumes a primary responsibility for the long-term business of the Society.
- The Council presents an objective and understandable assessment of the Society's operating position and prospects.
- The Council has established a formal and transparent working relationship with Society's External auditors.

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**Statement of Corporate Governance and Social Responsibility (continued)**

- The Council shall define the Society's values and ethos as well as ensure procedures are put in place to safeguard Society's assets and reputation.
- Review and adoption of the most efficient systems in order to remain competitive and achieve strategic objectives.
- Development of a Stakeholder inclusive approach to manage relations with different stakeholders.
- Compliance with all relevant laws regulations and governance.
- Establishment of risk management structures.

We recognize that our social, environmental and ethical conduct has an impact on our reputation. Therefore, we commit to continual improvement in our performance, efficient use of natural resources and aspire to a Triple Bottom Line organization.

.....

**National Chairman**

**Dated 17<sup>th</sup> December 2020**

## REPORT OF THE COUNCIL

The Council submits their report and the audited financial statements for the year ended 31<sup>st</sup> December 2019, which disclose the state of affairs of the Society.

### 1) PRINCIPAL ACTIVITIES

The Society has sixteen branches countrywide and its principal activities are to encourage and assist the agricultural industry including promotion of research and extension services and to hold competitive shows and exhibitions of livestock, agricultural and horticultural products.

### 2) RESULT FOR THE YEAR

The results for the year are shown on page fourteen.

### 3) ACCUMULATED FUND

The accumulated fund accounts are shown on page sixteen.

### 4) PATRONS

The honorary patrons are: -

<b>Patron:</b>	H.E. Hon. Uhuru Kenyatta CGH, The President of the Republic of Kenya and Commander in Chief of the Kenya Defence Forces	
<b>Deputy Patron:</b>	H.E Hon. William Ruto EGH, The Deputy President of the Republic of Kenya	
<b>First Vice Patron:</b>	Hon. Mwangi Kiunjuri, EGH, MGH Cabinet Secretary, Agriculture, Livestock, Fisheries & Irrigation	
<b>County Patrons:</b>	County Governors where branch offices are located (Nairobi, Mombasa, Nakuru, Kisumu, Eldoret, Nyeri, Kitale, Meru, Nanyuki, Kisii, Machakos, Embu, Kakamega, Kabarnet, Garissa and Migori)	
<b>Vice Patrons:</b>	Mr. Maina Wanjigi	Mr. Ali Islam Ali
	Mr. J.J. Mageria	Mr. J. Kiangoi,OGW
	Hon. P. G. Murithi,	Mr. Sam Gitonga
	Dr. N. K. Tum EBS	Eng. David Stower
	Mr. E. N. Kihara	Mr. Timothy Omato
	Mr. R. W. Walukano, MBS, OGW	Ms. Zipporah Kittony
	Hon. Maj. (RTD) M. H.Madoka EGH,	Mr. G.K Nzuva, SS, MBS
	Mrs. Anne Wambaa, MBS	Dr. Ken Omanga
	Mr. Duncan Mwangi	Gen.(RTD)Augustine Cheruiyot
	Ms. Shuweka Rashid	Mr. Eric Baliat,HSC
	Mr.Omurembe Iyadi	Mr. Mohammed Jaffer

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**Report of the Council (continued)**

**5) TRUSTEES**

**The trustees are:**

Mr. James R. Njenga  
Hon. Senator Justice Stewart Madzayo  
Mrs. Hellen Kombo  
Mrs. Alice C. Kalya, OGW  
Mr. Benson Kaaria  
Mr. Achiya Echakara  
Mrs. Rodha Ahonobadha  
Gen. Jeremiah Kianga

**6) COUNCIL MEMBERS**

**The serving council members since the 96<sup>th</sup> Annual General Meeting are: -**

**(i) National officials**

**National Chairman:**

Mrs. Annabella Kiriinya

**Deputy National Chairmen:**

Mr. Charles Owelle

Edith Onzere

Mr. Jackson Tuwei

**Legal Advisor:**

Dr. Ken Omanga

**Chief Executive:**

Mr. Batram M. Muthoka

**(ii) Branch officials:**

**Nairobi Branch:**

Mr. Joseph Mugo (Chairman)

Mr. Levi Mukhweso

Mr. Teurie Van Helden

Emily B.M Ouya

Mr. David Lewa

Naima Amir

Priscila Ndinda Muia

Benedict Kijuu

Florence Nasila

**Coast Branch:**

Ms. Anisa Abdalla (Chairman)

Mr. Samuel Mweu

Ms. Agnes Magwabi

Mr. Jeffar Kiti

Mr. Salim Suleiman

Mr. Kauli Mwembe

Mr. Henry Nyaga

**Central Rift:**

Ms. Margaret Anami (Chairman)

Mr. Johnson Oguda

Mr. John Karanja

Dr. P.K Migwi

Mr. Peter Muiruri

Mr. Joseph Maina Miugo

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**Report of the Council (continued)**

**Branch officials Continued:**

**Nyanza Branch:**

Mr. George Ong'undi  
Mr. Clint Caleb Oguya  
Mr. Morris Roche  
Mr. Elijah Omollo  
Mrs. Jesca Ouko Oredo  
Mrs. Rose O. Omondi  
Matabel Opiyo

**Eldoret Branch:**

Mrs. Susan Seron (Chairman)  
Mr. Ratcliffe Nangalama  
Ms. Beatrice Kiptalam  
Mr. Ben Too  
Mr. Enock Kimutai Too  
Mr. George Okeyo  
Mr. Silas K. Maiyo

**Central Kenya:**

Mr. John Kibira (Chairman)  
Mr. Job Mwangi Kanyi  
Mr. Francis N. Waithaka  
Mr. Stephen Githinji Ngunjiri  
Mr. Patrick Karinga Munuhe  
Mrs. Margaret W. Macharia  
Mr. Francis Gituanja

**North Rift Branch:**

Mr. Fredrick Kipkemboi Tarus (Chairman)  
Mrs. Tabitha Rotich  
Mr. Sammy K. Chepsiror  
Mr. Shem K. S. Amai  
Dr. Wilson Tonui

**Northern Kenya:**

Mr. Stanley Mukaria Maingi (Chairman)  
Mr. Francis Nkanata  
Mr. Mwititi Matiri  
Mr. Zachary Kimathi  
Mr. Stanley N'gentu Mwithimo

**Mt. Kenya Branch:**

Mr. Francis Gitonga (Chairman)  
Mr. Newton Kabuthia  
Mrs. Catherine Gitonga  
Mr. Justus M, Maragara

**Southern Kenya:**

Mr. Kefa Onduso (Chairman)  
Mr. Julius Bosire  
Mr. Peter Onsomu  
Mrs. Rose N. Mbaya

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**Report of the Council (continued)**

**Branch officials Continued:**

**Western Kenya:**

Mr. Ludovicus Okitoi (Chairman)  
Mr. Owiye Makomele  
Mrs. Purity Anyanje  
Kassim K. Ndeche

**Eastern Kenya:**

Mr. John Mukundi (Chairman)  
Mr. Joseph Njeru  
Mr. Martin Mutwiri  
Mrs. Elizabeth Njoki

**Kabarnet:**

Mr. Silverno Cheptarus (Chairman)  
Mrs. Jane Chepkwony  
Mr. Isaac Chemngorem

**Southern Eastern Kenya:**

Mr. John Nzala (Chairman)  
Mrs. Lucy Muteti  
Mr. Lawrence Matolo  
Mr. Abubakar Mutunga

**South Western Kenya:**

Mr. George Omune (Chairman)  
Mr. Joseph Odera  
Mr. Daniel Kenyatta

**Northern Eastern Kenya:**

Mr. Ambassador Mohamud Ali Saleh (Chairman)  
Mr. Omar Bedhe  
Mr. Abdullahi Jellow

**(iii) Ex – Officio Members**

The Principal Secretary - State Department of Crop Development  
The Principal Secretary - State Department of Livestock  
The Principal Secretary - State Department of Agriculture Research  
The Principal Secretary - State Department of Irrigation  
The Principal Secretary - State Department of Fisheries  
The Agriculture Secretary  
The Director of Veterinary Services  
The Director of Livestock Production  
The Chairman, KENFAP  
The Managing Director, Kenya Railways  
The Lands Secretary  
The Chairman, Kenya Livestock Breeders Organisation  
The Chairman, Kenya Ploughing Organisation  
The Chairman, Young Farmers Clubs of Kenya  
The Chairman, Cups and Classes  
The Chairman, Life Governors  
The Chairman, Kenya Farmer Editorial Board

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**Report of the Council (continued)**

**(iv) Chairmen and deputy chairmen of sub-committees**

Life Governors	Mr. G.K Nzuva
D/Chairman Life Governors	Mr. Lay Canon W. N Gichuki
Kenya Ploughing Organization	Mr. Richard Aiyabei
Young Farmers Clubs of Kenya	Mr. Peter Mutuuri Maumbwa
Kenya Farmer Editorial board	Mr. Joseph Mugo
Cups and Classes	Mr. Morris Roche
Kenya Livestock Breeders Org.	Mr. Geoffrey Gicharu

**7) AUDITORS**

The Auditors Ernest & Martin, Certified Public Accountants, have expressed their willingness to continue in office.

By Order of the Council

**Batram M. Muthoka**  
**Chief Executive / Secretary**  
**Dated 17<sup>th</sup> December 2020**

**STATEMENT OF THE COUNCIL’S RESPONSIBILITIES**

The Society’s Act and the ASK Constitution and Rules requires the Council to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Society as at the end of the financial year. It also requires the Council to ensure the Society keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Society. They are also responsible for safeguarding the assets of the Society.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards for small and medium sized entities and in the manner required by the Society’s Act. The council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Society.

The Council further accepts the responsibility for maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the Society will not remain a going concern for at least the next twelve months from the date of this statement.

This statement is approved by the Council and is signed on its behalf by:

.....  
**Mrs. Annabella Kiriinya**  
**NATIONAL CHAIRMAN**  
**Dated 17<sup>th</sup> December 2020**

.....  
**Mr. Batram M. Muthoka**  
**CHIEF EXECUTIVE/ SECRETARY**

**REPORT OF THE INDEPENDENT AUDITORS**

**Report on the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of the Agricultural Society of Kenya set out on pages 14 to 27 which comprise the balance sheet as at 31<sup>st</sup> December 2019, the income and expenditure account, statement of changes in accumulated funds, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Agricultural Society of Kenya at 31<sup>st</sup> December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium Sized Entities and the requirements of the Kenyan Societies Act.

**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 society 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 have obtained all the information and explanations that, to the best of our knowledge and belief, are necessary for the purposes of the audit,

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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.

**Council's responsibility for the financial statements**

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium Sized Entities and the requirements of the Kenyan Societies Act, and for such internal control as the Council 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 statements, the Council is responsible for assessing the societies 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 council either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

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**Report of the Independent Auditors to the Members (continued)**

**Auditor's responsibility**

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 judgement 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the councils' 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 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 society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the council 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.

We also provide the council with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated the council, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**Report of the Independent Auditors to the Members (continued)**

**Report on other requirements**

We report to you, based on our audit, that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion proper books of account have been kept by the society, so far as appears from our examination of those books; and
- c) the society balance sheet and income and expenditure account are in agreement with the books of account.

The engagement auditor responsible for the audit resulting in this independent auditor's report was **CPA Ernest Muguku Muriu**, Practicing Certificate No. 1584

**Certified Public Accountants,**

**Dated.....2020**

**NAIROBI**

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**INCOME AND EXPENDITURE ACCOUNT**

<b>INCOME</b>	<b>NOTES</b>	<b>2019</b> <b>KSHS. '000'</b>	<b>2018</b> <b>KSHS. '000'</b>
Show activities revenue		394,401	428,362
Head office general	<b>10</b>	25,424	199,963
Related units	<b>11</b>	12,885	13,602
		<b>432,710</b>	<b>641,927</b>
<b>EXPENSES</b>			
Show activities expenses		160,142	138,723
Staff expenses	<b>14</b>	118,340	123,043
Administrative expenses	<b>15</b>	217,909	209,437
Promotional expenses	<b>16</b>	12,181	12,795
Related units costs	<b>11</b>	17,504	9,794
		<b>526,076</b>	<b>493,792</b>
<b>Operating Surplus</b>		<b>(93,366)</b>	<b>148,135</b>
Surplus from KLBO	<b>12</b>	637	180
<b>Total surplus for the year</b>	<b>13</b>	<b>(92,729)</b>	<b>148,315</b>

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**BALANCE SHEET**

<b>ASSETS EMPLOYED</b>	<b>NOTES</b>	<b>2019</b>	<b>2018</b>
		<b>KSHS. '000'</b>	<b>KSHS. '000'</b>
<b>NON- CURRENT ASSETS</b>			
Property, Plant and Equipment	<b>2</b>	27,847,402	27,875,923
Show ground redevelopment	<b>3</b>	426,752	246,765
Intangible assets	<b>4</b>	8,046	5,857
Nakuru Master Plan		2,231	-
Embu Macademia Project		578	-
		<b>28,285,009</b>	<b>28,128,545</b>
<b>CURRENT ASSETS</b>			
Quoted investments	<b>5</b>	523	530
Inventories	<b>6</b>	1,547	1,763
Trade and other receivables	<b>7</b>	79,802	139,620
Cash and cash equivalent	<b>8</b>	63,619	240,547
		<b>145,492</b>	<b>382,460</b>
<b>TOTAL ASSETS</b>		<b>28,430,500</b>	<b>28,511,005</b>
<b>ACCUMULATED FUND &amp; LIABILITIES</b>			
<b>ACCUMULATED FUNDS</b>			
Life governor fund		2,369	2,244
Retained surplus		483,697	576,425
Revaluation reserve		27,708,641	27,708,641
		<b>28,194,707</b>	<b>28,287,310</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<b>9</b>	235,793	223,695
<b>TOTAL ACCUMULATED FUND &amp; LIABILITIES</b>		<b>28,430,500</b>	<b>28,511,005</b>

The Council approved the financial statements on 17<sup>th</sup> December 2020 and were signed on its behalf by:

-

..... NATIONAL CHAIRMAN

.....COUNCIL MEMBER

*Agricultural Society of Kenya (A.S.K)*  
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**STATEMENT OF CHANGES IN ACCUMULATED FUNDS**

	<b>LIFE GOVERNOR KSHS. '000'</b>	<b>RETAINED SURPLUS KSHS. '000'</b>	<b>REVALUATION RESERVE KSHS. '000'</b>	<b>TOTAL FUND KSHS. '000'</b>
As at 1 <sup>st</sup> January 2019	2,244	576,426	27,708,641	28,287,311
Life Governor	125	-	-	125
Surplus for the year	-	(92,729)	-	(92,729)
<b>As at 31<sup>st</sup> December 2019</b>	<b><u>2,369</u></b>	<b><u>483,697</u></b>	<b><u>27,708,641</u></b>	<b><u>28,194,707</u></b>
As at 1 <sup>st</sup> January 2018	2,169	428,111	27,708,641	28,138,921
Life Governor	75	-	-	75
Surplus for the year	-	148,315	-	148,315
<b>As at 31<sup>st</sup> December 2018</b>	<b><u>2,244</u></b>	<b><u>576,426</u></b>	<b><u>27,708,641</u></b>	<b><u>28,287,311</u></b>

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**STATEMENT OF CASH FLOWS**

	<b>2019</b>	<b>2018</b>
	<b>KSHS. '000'</b>	<b>KSHS. '000'</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Surplus for the year	(92,729)	148,315
<b>Adjustment for:</b>		
Depreciation	41,731	37,156
Unrealised loss on shares valuation	7	88
Gain on assets disposals	-	(1,807)
<b>Surplus before working capital changes</b>	<b>(50,991)</b>	<b>183,752</b>
(Increase) in trade and other receivables	59,818	15,058
(Increase)/Decrease in inventories	215	(386)
Increase/(Decrease) in trade and other payables	12,098	(7,762)
	<b>72,132</b>	<b>6,909</b>
<b>Cash generated from operations</b>	<b>21,141</b>	<b>190,661</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Life Governors contribution	125	75
Asset disposal proceeds	-	1,807
Intangible Assets acquisition	(2,189)	(5,857)
Show ground redevelopment	(179,986)	(229,739)
Purchase of assets	(16,019)	(24,049)
<b>Net cash used in investing activities</b>	<b>(198,069)</b>	<b>(257,763)</b>
<b>MOVEMENT IN CASH &amp; CASH EQUIVALENTS</b>		
<b>Net increase in cash and cash equivalent</b>	<b>(176,928)</b>	<b>(67,103)</b>
Cash and cash equivalent at beginning of year	240,547	307,650
<b>Cash and cash equivalent at end of year</b>	<b>63,619</b>	<b>240,547</b>

## ACCOUNTING POLICIES

**1. The principal accounting policies adopted in the preparation of the financial statements are as follows:**

**a) Basis of Preparation and Accounting Policies**

The accounts are prepared on a going concern basis using the historical cost convention and in compliance with International Financial Reporting Standards (SME) issued by the International Accounting Standards Board.

The preparation of financial statements in conformity with IFRS (SME) requires the use of estimates and assumptions. It also requires management to exercise its judgements in the process of applying the society's accounting policies. The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant are disclosed in the financial statements.

**b) Revenue Recognition**

Revenue is recognised in the period in which it is earned. This comprises of show activities, membership subscriptions, concession fees, interest income and sundry income. Government grants and compensation funds for expenses incurred and for immediate support for lost revenues are credited to the income and expenditure account when received.

**c) Receivables**

Receivables are recognised initially at fair values transacted after full provision for impairment. Trade receivables are made on the basis of normal credit terms and do not bear interest.

Full provision is made for all known bad and doubtful debts which are not collectible. In arriving at the provision all the receivables are aged in accordance with the year in which they arose and the estimated future cash flows discounted at the effective rate of interest. Bad debts are written off when all reasonable steps to recover them have been taken without success.

**d) Inventories**

Consumable stocks are valued at the lower of cost and net realizable value. Cost comprises purchase price and incidental costs. Net realizable value is the estimated selling price in the ordinary course of business. Full write off is made for obsolete, slow moving or otherwise defective stocks.

**e) Property, Plant and Equipment and Depreciation**

Property, plant and equipment is initially recorded at cost and thereafter stated at historical cost or valuation less accumulated depreciation and impairment if any.

Land, buildings and improvements are subsequently shown at market value, based on valuations carried out by external independent valuers, less subsequent accumulated depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve in accumulated funds. Decreases that offset previous increases of the same asset are charged against the revaluation reserve.

At the end of each financial year, the Society reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the

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**e) Property, Plant and Equipment and Depreciation (continued)**

impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Society estimates the recoverable amount of the cash generating unit to which the asset belongs.

Provision for depreciation on assets of head office and branches is made after year of acquisition or valuation on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following rates:

<b>(i) Assets of Head office and branches</b>	<b>Rate – per annum</b>
Leasehold land	Nil
Buildings & Improvements	amortized over the remaining duration of lease
Tractor, motor vehicles & bicycles	25%
Plant & machinery	33 1/3%
Office furniture, fitting & equipment	12-1/2%
E-ticketing equipment's & software	33 1/3%

The cost of E-ticketing equipment and software is amortized over the estimated useful life of three years.

Amortization of buildings and improvements has been provided as follows:

Where a lease or grant exist, the cost is divided by the unexpired period of the lease.

Where no grant or lease exists, expenditure is provided in full in the year after acquisition.

Where an extension of the lease exists, the value following the date of extension plus additional costs divided by the un-expired period of the extended lease.

**(ii) Assets of KLBO**

The assets of the Kenya Livestock Breeders Organization are depreciated on the reducing balance basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives as follows: -

Buildings	21 1/2% p.a
Equipment, furniture & fittings	10% p.a
Computers	30% p.a

**(iii) Amortization of leasehold land**

The Council is of the opinion that the initial cost of acquisition of leasehold land if any included in buildings and improvements is immaterial to require separate amortization and disclosure as prepaid operating lease rentals in the financial statements.

**f) Investments**

Quoted investments are stated at fair values using the prevailing market prices while unquoted investments are stated at estimated open market values. The difference between the fair values and their carrying amounts is charged or credited to the income and expenditure account. Provision for impairment of unquoted investments is only made, where in the opinion of the Council there is a permanent diminution in value.

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**Accounting Policies (Continued)**

**g) Retirement Benefit Obligations**

The Society operates a defined contribution staff retirement benefit scheme for its employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the Society and the employees.

The Society's contributions to the defined contribution retirement benefit scheme are charged to the income and expenditure account in the year to which they relate. The Society also contributes to the National Social Security Fund (NSSF) as determined by the local statute.

**h) Employee Entitlements – Post Employment Obligations**

The estimated monetary liability for employees' accrued annual entitlements at the balance sheet date is recognized as an accrued expense. These comprise of gratuity payments due but outstanding at the balance sheet date and provisions for trade union employees' entitlements for completed years of service. The policy of the Society is that leave has to be taken or forfeited where employees opt otherwise. Leave travel allowance is only recognised when incurred.

**i) Cash and Cash Equivalents**

For the purposes of the cash flow statement cash and cash equivalents comprise of cash in hand, fixed or call deposits and current balances held with banks.

**j) Foreign Currencies**

Where applicable, assets and liabilities denominated in foreign currency are translated into Kenya Shillings at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling on the transaction dates. Differences on exchange are dealt with in the income and expenditure account.

**k) Comparatives**

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

**l) Taxation**

The Society is exempted from taxation under Paragraph No.7 of the First Schedule of the Income Tax Act, Cap 470.

**m) Payables**

Payables are initially recognized at transaction price less transaction costs. Trade payables are obligations on the basis of normal credit terms and do not bear any interest.

Full provision for write back of creditors no longer payable or statute barred are directly credited to the Accumulated Fund as prior year items. In arriving at the provision all the creditors are aged in accordance with the year in which they arose and specific provision for write back is made for all creditors affected. The other payables unaffected are stated at fair values.

**n) Finance Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Society as the lessee. Fixed assets acquired on hire purchase terms are capitalized in the accounts and the finance interest charges element transferred to the income and expenditure account.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. PROPERTY, PLANT & EQUIPMENT**

	<b>Leasehold land KSHS.'000'</b>	<b>Buildings&amp; improvements KSHS.'000'</b>	<b>MV, Tractors &amp;Bicycles KSHS.'000'</b>	<b>Equipment&amp; Machinery KSHS.'000'</b>	<b>Office furniture &amp;fittings KSHS.'000'</b>	<b>Totals KSHS.'000'</b>
<b>COST AND VALUATION</b>						
As at 1/1/2019	26,527,377	1,382,864	26,325	60,478	48,839	28,045,883
Additions	-	8,065	-	2,779	2,367	13,210
<b>As at 31/12/2019</b>	<b>26,527,377</b>	<b>1,390,929</b>	<b>26,325</b>	<b>63,257</b>	<b>51,206</b>	<b>28,059,093</b>
<b>DEPRECIATION</b>						
As at 1/1/2019	-	84,995	8,691	48,879	27,394	169,960
Charge for the year	-	27,657	5,575	5,818	2,681	41,731
<b>As at 31/12/2019</b>	<b>-</b>	<b>112,653</b>	<b>14,266</b>	<b>54,697</b>	<b>30,074</b>	<b>211,691</b>
<b>NET BOOK VALUE</b>						
<b>AS AT 31/12/2019</b>	<b>26,527,377</b>	<b>1,278,276</b>	<b>12,058</b>	<b>8,560</b>	<b>21,131</b>	<b>27,847,402</b>
<b>AS AT 31/12/2018</b>	<b>26,527,377</b>	<b>1,297,868</b>	<b>17,633</b>	<b>11,599</b>	<b>21,445</b>	<b>27,875,923</b>

The Council incorporated the valuation figures of its leasehold land in the financial statements to reflect fair presentation of its asset base and use. The society occupies five pieces of land in Nairobi, Nyeri, Meru, Kakamega and Kitale whose value is Kshs 2,234,400,000 for which they do not have titles and are still in the name of the Kenya Forest Service.

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**3 SHOW GROUND REDEVELOPMENT**

The amount disclosed in the balance sheet comprise of master plan redevelopment and other capital costs.

	<b>2019</b>	<b>2018</b>
	<b>KSHS. '000'</b>	<b>KSHS. '000'</b>
<b>4 INTANGIBLE ASSETS</b>		
ERP Software	<b>8,046</b>	<b>5,857</b>
<b>5 QUOTED INVESTMENTS</b>		
Quoted Shares at 1.1.2019	530	618
Fair value loss	(7)	(88)
<b>Quoted Shares at 31.12.2019</b>	<b>523</b>	<b>530</b>
<b>6 INVENTORIES</b>		
Consumable stores	1,531	1,749
K.L.B.O stores	16	13
	<b>1,547</b>	<b>1,763</b>
<b>7 TRADE AND OTHER RECEIVABLES</b>		
Net trade debtors	85,644	121,643
Provision for bad Debts (BS)	(66,998)	(50,834)
Concession fees receivable	44,252	44,252
Staff loans/advances	872	1,634
Sundry deposits	6,457	4,773
VAT	9,196	17,784
Interest receivable	379	368
	<b>79,802</b>	<b>139,620</b>

*The Concession Agreement terminated on default of Farmers Trust Ltd.*

*The Council is of the opinion that the amounts defaulted are enforceable and recoverable.*

**8 CASH AND CASH EQUIVALENT**

Bank current accounts	32,092	47,461
Bank saving accounts	-	111,804
Fixed deposit accounts	23,331	73,084
Mpesa account	812	156
USD account	1,332	1,147
GBP account	5,194	6,026
Euro account	254	285
Cash in hand	604	586
	<b>63,619</b>	<b>240,547</b>

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	<b>2019</b>	<b>2018</b>
	<b>Kshs. '000'</b>	<b>Kshs. '000'</b>
<b>9 TRADE AND OTHER PAYABLES</b>		
Trade creditors	22,361	16,842
Tenants deposits	2,527	1,996
VAT payable	203,890	203,890
Advance payments	7,014	966
	<u><b>235,793</b></u>	<u><b>223,695</b></u>
<b>10 HEAD OFFICE GENERAL INCOME</b>		
Membership fees	16,161	16,549
Govt Grant	-	175,000
Sundry Income	888	2,929
Interest income	8,345	5,465
Investment income	35	106
Life Governors stickers	2	1
Fair value loss	(7)	(88)
World ploughing competition	-	-
Insurance compensation	-	-
	<u><b>25,424</b></u>	<u><b>199,963</b></u>
<b>11 RELATED UNITS</b>		
<b>Income:</b>		
Kenya Farmer Journal	8,560	10,982
Young Farmers Clubs of Kenya	3,645	2,071
Kenya Ploughing Organization	680	549
	<u>12,885</u>	<u>13,602</u>
<b>Expenses:</b>		
Kenya Farmer Journal	(11,528)	(5,942)
Young Farmers Clubs of Kenya	(3,055)	(2,010)
Kenya Ploughing Organization	(2,921)	(1,842)
	<u>(17,504)</u>	<u>(9,794)</u>
<b>Surplus</b>	<u><b>(4,619)</b></u>	<u><b>3,808</b></u>
<b>12 KENYA LIVESTOCK BREEDERS ORGANIZATION (KLBO)</b>		
Income	3,520	2,759
Expenses	(2,883)	(2,579)
<b>Surplus</b>	<u><b>637</b></u>	<u><b>180</b></u>

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	<b>2019</b>	<b>2018</b>
	<b>Kshs.'000'</b>	<b>Kshs.'000'</b>
<b>13 SURPLUS FOR THE YEAR</b>		
<b>This is stated after charging: -</b>		
Depreciation	41,731	37,156
Council expenses	21,694	27,561
Auditors fees	880	800
<b>And after crediting:</b>		
Interest income	8,345	18,666
Gain on assets disposal	-	1,907
Unrealised loss on quoted shares	(7)	(88)
<b>14 STAFF EXPENSES</b>		
Salaries and related costs	102,903	108,907
Provident fund contributions	7,366	6,850
Medical expenses	5,085	4,292
Welfare expenses	2,802	2,995
	<b>118,156</b>	<b>123,043</b>
<b>15 ADMINISTRATIVE EXPENSES</b>		
Audit fees	880	800
Bad debts expense	60,285	50,834
Bank charges	707	883
Council expenses	21,694	24,019
Depreciation expense	41,731	37,156
Electricity & water	6,585	8,612
Insurance	7,335	7,912
Local & overseas travel	18,461	20,177
Entertainment	2,812	3,209
Legal & professional fees	15,332	12,938
Land rates	2,215	569
Printing & stationery	3,086	2,959
Telephone & postages	4,929	4,786
Repairs & maintenance	5,177	4,582
Vehicle running expenses	4,183	4,141
Office expenses	4,152	4,528
Training expenses	2,086	3,430
Security services	14,299	13,301
Sundry expenses	220	135
Subscriptions & donations	924	685
Software licenses costs	367	-
Strategic plan costs	449	3,653
	<b>217,909</b>	<b>209,437</b>

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<b>16</b>	<b>PROMOTIONAL EXPENSES</b>	<b>2019</b>	<b>2018</b>
		<b>Kshs.'000'</b>	<b>Kshs.'000'</b>
	Membership badges & recruitment	2,448	3,092
	Advertising	4,136	4,549
	Awards	334	176
	Ploughing competition	2,303	2,567
	Young Farmers Clubs of Kenya activities	1,873	1,460
	Corporate social responsibility	623	951
	Farmers Training	464	-
		<b>12,181</b>	<b>12,795</b>

**17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Council monitors and manages financial risk relating to the operations of the society. These risks include foreign exchange risk, interest risk, price risk, liquidity risk, operational risk and credit risk.

**Foreign exchange risk**

The society is exposed to foreign currency risk on fluctuations on its long-term concessional commitments.

**Interest risk**

The society is exposed to interest risk on its time deposits.

**Price risk**

The society holds investment in quoted shares and is exposed to such risks associated with decline in market prices at the Nairobi Stock Exchange.

**Credit risk**

The society is exposed to credit risk which may arise from cash and cash equivalent deposits in banks as well as trade and other receivables. The society places deposits in stable financial institutions and regularly follows up delayed payments from current trade receivables and has strictly installed internal recovery measures for imprests and advances. The amount that best represents the society's maximum exposure to credit risk at year end is as follows: -

**31-Dec-19**

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs.'000'</b>	<b>Kshs.'000'</b>	<b>Kshs.'000'</b>
Bank balances	63,619	-	-
Trade receivables	85,644		66,998
Other receivables	16,904	44,252	-

**31-Dec-18**

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs.'000'</b>	<b>Kshs.'000'</b>	<b>Kshs.'000'</b>
Bank balances	240,547	-	-
Trade receivables	104,432	17,211	50,834
Other receivables	24,559	44,252	-

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**Operational risk**

The society is exposed to operational risks. However, adequate revenue measures for show activities have been instituted including implementation of E-ticketing and outsourcing of banking facilities. The society has invested in a E-ticket validation system for Kshs 25,960,000 that is used to validate tickets at the gates as the show attendants enter the show ground, however the same is not used to reconcile the income collection against total attendance This made it difficult to ascertain the completeness of the ticketing income

**Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash to meet the society’s payment obligations. To achieve this, the society has reserved sufficient cash balances and has adhered to its controlled budgetary allocations approved by Council.

**18. CAPITAL MANAGEMENT**

The society manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the society consists of the surplus fund, Life Governor fund, and Revaluation reserve as tabulated below.

	<b>2019</b>	<b>2018</b>
	<b>Kshs. '000'</b>	<b>Kshs. '000'</b>
Surplus Fund	483,697	576,426
Life Governor Fund	2,369	2,244
Revaluation reserve	27,708,641	27,708,641
<b>Total Capital</b>	<b>28,194,707</b>	<b>28,287,311</b>

**19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and based on historical experiences and assumptions and other factors including experience of future events that are believed to be reasonable and relevant under the circumstances in determining the carrying amounts of assets and liabilities of the society within the next financial year.

In the process of applying the society’s accounting policies, management has made key judgments and assumptions in determining: -

- i)** Critical estimates for depreciation and amortization rates for property, plant and equipment.
- ii)** The classification of financial assets and liabilities.
- iii)** Whether assets are impaired.
- iv)** Provision for bad and doubtful debts and contingent assets and liabilities.
- v)** The incorporation of leasehold land to reflect its asset base and use.

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**20. CAPITAL COMMITMENTS**

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows.

	<b>2019</b>	<b>2018</b>
	<b>Kshs. '000'</b>	<b>Kshs. '000'</b>
Buildings	247,151	429,946
Intangible assets	-	4,000
<b>Total Capital</b>	<b>247,151</b>	<b>433,946</b>

**21. CONTINGENT ASSETS/LIABILITIES**

The legal status report update from society lawyers indicate that though there are ex-staff and tenants and other parties' legal suits pending in the High Court, and other courts and tribunals the likelihood of the loss of assets or contingent liabilities occurring is considered remote and immaterial due to the counterclaims and defenses lodged by the Society.

**22. POST BALANCE SHEET EVENTS**

**Tax Law Changes**

The Tax Law Amendment Act asserted to 25<sup>th</sup> April 2020 removed ASK's exemption to income tax. As such 2020 profits shall be subjected to income at 25% per year. Further, the Finance Act 2020 introduced minimum tax at 1% of the organization turnover this tax comes into force on 1<sup>st</sup> January 2021.

**Covid-19 Pandemic**

The Covid-19 Pandemic impacted the society negatively in 2020, resulting in its inability to host events from the month of March 2020. This had a significant impact on the results for the financial year 2020.