

Agricultural Society of Kenya (A.S.K)
Annual Report and Financial statements
For the year ended 31st December 2020

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

STATEMENT OF CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Covid-19 pandemic has presented an unprecedented challenge for global economies forcing numerous industries and business entities to take paradigm measures in order to stay afloat in the recent past. The pandemic has exerted an overwhelming influence on the operations of the Society. During the period under review, the Society managed to stage two shows i.e. Embu and Eldoret shows. However, with the health and safety of all our stakeholders at our fore front, the Society in compliance with the Ministry of Health directives that prohibited social gatherings, ASK suspended all other the shows and trade fairs for the year 2020.

Despite the above-mentioned challenges, the following have been some of key governance areas the Society has focused on during the period under review:

a) Developed Rebound Strategies:

The Society has developed strategies that considered the following: providing customers with safety guarantees, safeguarding the health of our employees, reviving demand for our industry, rebooting operations, shifting IT and technology as well as sustaining value creation and reinvesting in recovery. These strategies have been designed to mitigate the effects of the pandemic while ensuring the Society's survival post the pandemic.

b) Formulation of rebound protocols:

The Society in consultation with the Ministry of Health has developed comprehensive resumption protocols that guide each of the show operation areas and will inform safe resumption of Society shows and trade fairs from year 2021. Some of the considerations include but not limited to crowd management strategies (such as advance and online registration as well as ticket purchase for show visitors and exhibitors), development of communication materials that indicate good respiratory hygiene in Society premises and reduced entertainment activities during the show period.

c) Adoption of ICT in the Society's operations:

The Society had expanded her use of ICT since the onset of Covid-19 on the following major fronts; establishment of remote working practices, collaboration of virtual meeting services, digitization and automation of ERP as well as customer experience and optimization based on new customer patterns (through developing or redeveloping the Society website, ASK membership portal, customer service portal, enhancement of ticketing system).

d) Business Continuity Plan (BCP):

The Society council through Business continuity initiatives (defined as "the capability of an organisation to continue the delivery of products or services at pre-defined acceptable levels in a disruptive environment) has developed and adopted a business continuity plan (or business continuity and resiliency plan) through creating systems of prevention and recovery to deal with potential threats to her business. In addition to prevention, the

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Statement of Corporate Governance and Social Responsibility (Continued)

goal of the Society's BCP is to enable ongoing operations, before and during execution of disaster recovery. The Society has further embraced a Business Continuity Management (BCM) system which integrates the disciplines of emergency response, crisis management, disaster recovery and business continuity (organizational/relocation).

The Society takes cognizance of the fact that business financial success is inseparable from the communities and environments within which it operates and aims to have a positive impact for a sustainable future.

.....

National Chairman

Dated.....2021

REPORT OF THE COUNCIL

The Council submits their report and the audited financial statements for the year ended 31st December 2020, 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 14.

3) ACCUMULATED FUND

The accumulated fund accounts are shown on page 16.

4) PATRONS

The honorary patrons are: -

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

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Report of the Council (continued)

5) TRUSTEES

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 96th Annual General Meeting are: -

(i) National officials

National Chairman:	Mrs. Annabella Kiriinya, EBS
Chief Executive Officer:	Mr. Batram M. Muthoka
Financial Advisor:	CPA Jones Kimeu, FCCA
Legal Advisor:	Mr. Benson Milimo

(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
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Coast Branch:	Ms. Anisa Abdalla (Chairman) Mr. Henry Nyaga Mr. Samuel Mweu Ms. Agnes Magwabi Mr. Jeffar Kiti Mr. Salim Suleiman Mr. Kauli Mwembe Mr. Ibrahim Washenga
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Central Rift:	Dr. P. K Migwi (Ag. Chairman) Mr. Peter Muiruri Mr. Johnson Oguda Mr. John Karanja Ms. Margaret Anami Mr. Joseph Maina Miugo Mrs. Philisters Kutwa
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Report of the Council (continued)

Branch officials Continued:

Nyanza Branch:

Mr. George Ong’udi (Chairman)
Ms. Rose O. Omondi
Mr. Clint Caleb Oguya
Mr. Morris Roche
Mr. Elijah Omollo
Ms. Jesca Ouko Oredo
Ms. Matabel Opiyo

Eldoret Branch:

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

Central Kenya:

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

North Rift Branch:

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

Northern Kenya:

Mr. Stanley Mukaria Maingi (Chairman)
Mr. Stanley N’gentu Mwithimbu
Mr. Francis Nkanata
Mrs. Judith Gichuru

Southern Eastern Kenya:

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

Mt. Kenya Branch:

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

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Branch officials Continued:

Southern Kenya:

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

Western Kenya:

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

Eastern Kenya:

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

Kabarnet:

Mr. Isaac Chemngorem (Chairman)
Mrs. Mary Chepkonga
Mr. Silverno Cheptarus

South Western Kenya:

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

Northern Eastern Kenya:

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 Association
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, SS, MBS
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 Ass.	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 Officer/ Secretary

Dated2021

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, EBS
NATIONAL CHAIRMAN

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

Dated..... 2021

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 28 which comprise the balance sheet as at 31st December 2020, 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 31st December 2020, 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.....2021

NAIROBI

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INCOME AND EXPENDITURE ACCOUNT

		2020	2019
		Total	
INCOME	Note	KSHS. '000'	KSHS. '000'
Show activities revenue	2	112,283	394,401
Head office general	3	338,214	25,424
Related units	4	1,082	12,885
		451,579	432,710
EXPENSES			
Show activities expenses	2	14,331	160,142
Staff expenses	8	116,063	118,340
Administrative expenses	7	117,062	217,909
Promotional expenses	9	3,445	12,181
Related units costs	4	2,044	17,504
		252,945	526,076
Operating Surplus/Deficit		198,634	(93,366)
Surplus from KLBA	5	(344)	637
Total surplus/Deficit for the year	6	198,290	(92,729)
Tax Income Expense		(2,479)	-
Net Surplus/Deficit for the Year		195,811	-

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STATEMENT OF FINANCIAL POSITION

ASSETS EMPLOYED	Note	2020	2019
		KSHS. '000'	KSHS. '000'
NON- CURRENT ASSETS			
Property, plant and equipment	10	27,809,547	27,847,402
Show ground redevelopment	11	481,088	429,560
Intangible assets	12	8,046	8,046
		<u>28,298,681</u>	<u>28,285,009</u>
CURRENT ASSETS			
Quoted investments	13	410	523
Inventories	14	1,158	1,547
Trade and other receivables	15	64,619	79,802
Cash and cash equivalent	16	253,485	63,619
Withholding Tax		295	-
		<u>319,967</u>	<u>145,492</u>
TOTAL ASSETS		<u>28,618,648</u>	<u>28,430,500</u>
ACCUMULATED FUND AND LIABILITIES			
ACCUMULATED FUNDS			
Life governor fund		2,369	2,369
Retained surplus		679,508	483,697
Revaluation reserve		27,708,641	27,708,641
		<u>28,390,518</u>	<u>28,194,707</u>
CURRENT LIABILITIES			
Tax Payable		1,325	-
Trade and other payables	17	226,804	235,793
		<u>228,130</u>	<u>235,793</u>
TOTAL ACCUMULATED FUND AND LIABILITIES		<u>28,618,648</u>	<u>28,430,500</u>

..... NATIONAL CHAIRMAN

.....COUNCIL MEMBER

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STATEMENT OF CHANGES IN ACCUMULATED FUNDS

	LIFE GOVERNOR KSHS. '000'	RETAINED SURPLUS KSHS. '000'	REVALUATION RESERVE KSHS. '000'	TOTAL FUND KSHS.'000'
At 1st January 2020	2,369	483,697	27,708,641	28,194,706
Surplus for the year	-	195,811	-	195,811
At 31st December 2020	2,369	679,508	27,708,641	28,390,518
At 1st January 2019	2,244	576,426	27,708,641	28,287,310
Life Governor	125	-	-	125
Surplus for the year	-	(92,729)	-	(92,729)
At 31st December 2019	2,369	483,697	27,708,641	28,194,706

STATEMENT OF CASH FLOWS

	Note	2020 KSHS. '000'	2019 KSHS. '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus for the year		198,290	(92,729)
Adjustment for:			
Depreciation		41,481	41,731
Unrealised loss on shares valuation		113	7
Loss on assets disposals		184	-
Surplus before working capital changes		240,068	(50,991)
(Increase) in trade and other receivables		15,183	59,818
(Increase)/decrease in inventories		389	215
Increase/(Decrease) in trade and other payables		(8,988)	12,098
		6,584	72,131
Withholding Tax		1,448	-
Cash generated from operations		245,203	21,140
CASH FLOW FROM INVESTING ACTIVITIES			
Life Governors contribution		-	125
Asset disposal proceeds		40	-
Intangible Assets acquisition		-	(2,189)
Show ground redevelopment		(48,058)	(179,986)
Mombasa Master Plan		(1,600)	-
Kisumu Master Plan		(1,800)	-
Embu Macademia		(70)	-
Purchase of assets		(3,849)	(16,019)
Net cash used in investing activities		(55,337)	(198,069)
MOVEMENT IN CASH & CASH EQUIVALENTS			
Net increase in cash and cash equivalent		189,866	(176,928)
Cash and cash equivalent at beginning of year		63,619	240,547
Cash and cash equivalent at end of year	16	253,485	63,619

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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Accounting Policies (Continued)

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:

(i) Assets of Head office and branches	Rate – per annum
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 KLBA

The assets of the Kenya Livestock Breeders Association 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 Tax Law Amendment Act assented to on 25th 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 1st January 2021.

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

	2020 Jan-April KSHS. '000'	2020 May-Dec KSHS. '000'	2020 Total KSHS. '000'	2019 KSHS. '000'
2. INCOME				
Branch income	5,050	3,215	8,264	21,706
Rental Income	25,002	50,363	75,365	70,056
Foreign Exchange Gain	-	674	674	-
Show Income	<u>27,979</u>	<u>-</u>	<u>27,979</u>	<u>302,639</u>
	58,030	54,252	112,283	394,401
Show Expenses	<u>(14,331)</u>	<u>-</u>	<u>(14,331)</u>	<u>(160,142)</u>
	<u>43,699</u>	<u>54,252</u>	<u>97,952</u>	<u>234,259</u>
Show income dropped in 2020 due to the corona virus as only two shows were held.				
3. HEAD OFFICE GENERAL INCOME				
Membership fees	1,509	1,057	2,566	16,161
Govt Grant	325,000	-	325,000	-
Sundry Income	20	359	379	888
Interest income	340	9,916	10,256	8,345
Investment income	-	125	126	35
Fair value loss	<u>-</u>	<u>(113)</u>	<u>(113)</u>	<u>(7)</u>
	<u>326,870</u>	<u>11,344</u>	<u>338,214</u>	<u>25,424</u>
Government grant is a partial disbursement of a grant towards Jamhuri Park showground improvement.				
4. RELATED UNITS				
Income:				
Kenya Farmer Journal	950	-	950	8,560
Young Farmers Clubs of Kenya	77	-	77	3,645
Kenya Ploughing Organization	<u>55</u>	<u>-</u>	<u>55</u>	<u>680</u>
	<u>1,082</u>	<u>-</u>	<u>1,082</u>	<u>12,885</u>
Expenses:				
Kenya Farmer Journal	(1,515)	-	(1,515)	(11,528)
Young Farmers Clubs of Kenya	(148)	-	(148)	(3,055)
Kenya Ploughing Organization	<u>(381)</u>	<u>-</u>	<u>(381)</u>	<u>(2,921)</u>
	<u>(2,044)</u>	<u>-</u>	<u>(2,044)</u>	<u>(17,504)</u>
Deficit	<u>(962)</u>	<u>-</u>	<u>(962)</u>	<u>(4,619)</u>
5. KENYA LIVESTOCK BREEDERS ASSOCIATION (KLBA)				
Income	-	2,366	2,366	3,520
Expenses	<u>-</u>	<u>(2,709)</u>	<u>(2,709)</u>	<u>(2,883)</u>
Surplus	<u>-</u>	<u>(344)</u>	<u>(344)</u>	<u>637</u>

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Notes to the Financial Statements (Continued)

	2020 Jan-April KSHS. '000'	2020 May-Dec KSHS. '000'	2020 Total KSHS. '000'	2019 KSHS. '000'
6. SURPLUS FOR THE YEAR				
This is stated after charging: -				
Depreciation	13,827	27,654	41,481	41,731
Bad debts expense	-	12,730	12,730	60,285
Council expenses	3,334	3,551	6,885	21,694
Audit fees	-	880	880	880
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
And after crediting:				
Interest income	340	9,916	10,256	8,345
Unrealised loss on quoted shares	-	(113)	(113)	(7)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
7. ADMINISTRATIVE EXPENSES				
Audit fees	-	880	880	880
Bad debts expense	-	12,730	12,730	60,285
Bank charges	120	284	404	707
Council expenses	3,334	3,551	6,885	21,694
Depreciation expense	13,827	27,654	41,481	41,731
Electricity & water	880	2,466	3,346	6,585
Insurance	6,410	2,349	8,759	7,335
Local & overseas travel	2,960	1,778	4,737	18,461
Entertainment	564	988	1,552	2,812
Legal & professional fees	1,575	5,007	6,582	15,332
Land rates	566	-	566	2,215
Printing & stationery	437	677	1,114	3,086
Telephone & postages	904	1,623	2,526	4,929
Repairs & maintenance	1,001	2,704	3,706	5,177
Vehicle running expenses	1,255	1,434	2,689	4,183
Office expenses	1,225	838	2,063	4,152
Training expenses	-	-	-	2,086
Sundry & Security services	4,833	10,548	15,381	14,299
Subscriptions & donations	112	191	303	924
Software Licences costs	348	828	1,176	367
Strategic plan costs	-	-	-	449
Loss on Disposal	96	88	184	-
	<u>40,448</u>	<u>76,615</u>	<u>117,062</u>	<u>217,909</u>

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT & EQUIPMENT

	Leasehold land KSHS. '000'	Buildings & improvements KSHS. '000'	MV, Tractors & Bicycles KSHS. '000'	Equipment & Machinery KSHS. '000'	Office furniture & fittings KSHS. '000'	Totals KSHS. '000'
COST AND VALUATION						
As at 1/1/2020	26,527,377	1,390,929	26,325	63,257	51,206	28,059,093
Additions	-	332	-	3,244	273	3,849
Disposals	-	-	-	(382)	(101)	(483)
As at 31/12/2020	26,527,377	1,391,261	26,325	66,118	51,378	28,062,459
DEPRECIATION						
As at 1/1/2020	-	112,653	14,266	54,697	30,074	211,691
Charge for the year	-	27,819	4,835	6,185	2,641	41,481
Disposal	-	-	-	(221)	(38)	(259)
As at 31/12/2020	-	140,471	19,102	60,661	32,678	252,912
NET BOOK VALUE						
AS AT 31/12/2020	26,527,377	1,250,789	7,223	5,457	18,700	27,809,547
AS AT 31/12/2019	26,527,377	1,278,276	12,058	8,560	21,131	27,847,402

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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Notes to the Financial Statements (Continued)

18. 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-20

	Fully performing	Past due	Impaired
	Kshs.'000'	Kshs.'000'	Kshs.'000'
Bank balances	253,485	-	-
Trade receivables	138,777		149,289
Other receivables	23,897	44,252	-

31-Dec-19

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

19. 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.

	2020	2019
	Kshs. '000'	Kshs. '000'
Surplus Fund	679,508	483,697
Life Governor Fund	2,369	2,369
Revaluation reserve	27,708,641	27,708,641
Total Capital	<u>28,390,518</u>	<u>28,194,707</u>

20. 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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Notes to the Financial Statements (Continued)

21. CAPITAL COMMITMENTS

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

	2020	2019
	Kshs. '000'	Kshs. '000'
Buildings	247,151	433,946
Total Capital	247,151	433,946

22. 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. The society was assessed by KRA to pay VAT which was disputed and the matter is pending in court.

23. 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.

TAX COMPUTATION

Year of income - 2020	2020
	May-Dec
	KSHS. '000'
Net loss as per income statement	(88,149)
Add: Disallowable expenses	
Depreciation as per books	27,654
Loss on Disposal	88
Fair value loss	113
Bad Debts	12,730
Rental Expenditure	55,057
Less:	
Investment income	(125)
Wear and tear Allowance (Note 1)	(92,361)
Rental Income	(50,363)
Interest income	(9,916)
Tax loss for the year	(145,615)
Net Loss for the year	(145,615)
RENTAL INCOME	
Rent Income before tax	50,363
Rent Expenditure	55,057
Wear and tear Allowance	(61,574)
Net rent deficit for the year	(4,694)
INTEREST INCOME	
Interest Income before tax	9,916
Corporation tax @25%	2,479
Tax Payable	2,479
Less Withholding	(1,153)
Tax Payable	1,325
Net Tax Payable	1,325

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**WEAR AND TEAR
COMPUTATION**

2020	Class II	Class IV	Buildings & Improvements	TOTAL
	MV, Tractors & bicycles 25%	Equipment, Furniture & Machinery 10%	10%	
	KSHS. '000'	KSHS. '000'	KSHS. '000'	KSHS. '000'
W.D.V. b/fwd 01.01.2020	12,058	114,463	1,390,929	1,517,450
Additions	-	3,517	332	3,849
Disposal	-	40		40
	<u>12,058</u>	<u>118,020</u>	<u>1,391,261</u>	<u>1,521,339</u>
Less: Wear and tear allowance	(3,015)	(11,802)	(139,126)	(153,943)
W.D.V. c/fwd 31.12.2020	<u>9,044</u>	<u>106,218</u>	<u>1,252,135</u>	<u>1,367,396</u>