

Agricultural Society of Kenya (A.S.K)
Annual Report and Financial statements
For the year ended 31st December 2021

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

STATEMENT OF CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY FOR THE YEAR ENDED 31ST DECEMBER 2021.

The Agricultural Society of Kenya just like other organizations over the world faced business operational challenges posed by the Covid-19 pandemic. The Pandemic affected the Society's activities/events which in turn challenged her business model resulting to creation of a dynamic shift in her normal operational practices. Due to the suspension of the Society activities, the Council declared both 2020 and 2021 Financial Years as non-active years.

Despite the above-mentioned challenges, the following are some of the key governance areas focused by the Society during the period under review:

Review of ICT Policy

The Society reviewed her ICT Policy in line with best practice and operational imperatives to adapt to the changing regulatory and business environment.

The updated policy aims to ensure the Society's compliance with the laws of Kenya, enhance the security, confidentiality, and fidelity of data/information in hardware and software systems, increase efficient use of ICT by employees and stakeholders, reduce operational costs and offer better returns on investment, conform to ICT best practice in accordance with international standards as well as promote awareness, professionalism and integrity among A.S.K Staff and Stakeholders.

ICT Initiatives

The Society has continued to harness Information and Communication Technology (ICT) to remain relevant and interactive in the informational era. In recent years, this has had a substantial impact on the way the Society functions. Some of the technologies implemented and being utilized include an Enterprise Resources Planning (ERP), Staff and Membership Portals and a revamped website, among others.

Formulation of Audit and Risk Management policy

The Society in line with best practice, operational imperatives and to adapt to a changing business environment has deemed it necessary to have a strong Operational Audit & Risk Management Policy that aims to improve the effectiveness of controls, performance measurements and governance processes, manage the Society's exposure to risks, improve compliance with laws and financial reporting requirements, minimize financial losses and lead to cost savings and efficiency, improve stakeholder's confidence and trust as well as encourage proactive management in the Society, among other values.

Formulation of the Credit Control Policy

Debt build-up has been identified as a perennial challenge that confounds the overall Society’s revenue collection. To avert or reduce debt portfolio build-up, risk of defaulting and the associated high cost of debt recovery, the Society developed a Credit Control Policy outlining the steps/procedures to minimize the debt portfolio.

Business Continuity Management Process

The Society has put in place a major incident management process to minimize the business impact of a major incident. The BCM process will be in three step process as follows: Incident Management, Business Continuity and Recovery.

Effective Stakeholder Relations

The Society realizes the importance of effectively valuing and proactively engaging her Stakeholders for an effective communication strategy development, change implementation and a shared vision. This continues to ensure the success of the Society’s nationwide role of addressing the changing agricultural needs of her people through provision of platforms for exhibitions and networking that spur development in agriculture, trade and allied sectors.

Corporate Social Responsibility

The Society takes cognizance of the fact that the success of the Society is strongly correlated to a good support system with the surrounding communities and gives prominence to her Social Corporate Responsibility programmers that are strongly anchored to the existing Service Charter.

Corporate Social Responsibility (continued)

The Society will therefore make deliberate efforts to enhance investment on CSR activities. A review of the CSR Strategy will be undertaken to ensure that mutually beneficial and interdependent social environmental and economic goals are achieved in tandem with our Stakeholders. The review initiatives will include specific focus areas, program design, promotion, and communication approaches.

.....

National Chairman

Dated.....2022

REPORT OF THE COUNCIL

The Council submits their report and the audited financial statements for the year ended 31st December 2021, which disclose the situation 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 Defense 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:

(Nairobi, Mombasa, Nakuru, Kisumu, Eldoret, Nyeri, Kitale, Meru, Nanyuki, Kisii, Machakos, Embu, Kakamega, Kabarnet, Garissa, Migori)

VICE PATRONS:

Mr. Maina Wanjigi,
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. Eric Baliat, HSC
Mr. Omurembe Iyadi,
Mr. Mohammed Jaffer,
Mr. Ali Islam Ali,
Mr. J. Kiangoi, OGW
Mr. Sam Gitonga
Eng. David Stower,
Mr. Timothy Omatu,

Ms. Zipporah Kittony,
Mr. G.K. Nzuva, SS, MBS
Gen. (Rtd) Augustine Cheruiyot

5) TRUSTEES

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

6) COUNCIL MEMBERS

The serving council members since the 96th Annual General Meeting are:

i) NATIONAL OFFICIALS

Society Chairman: Mrs. Annabella Kiriinya

Chief Executive: Mr. Batram M. Muthoka

Legal Advisor: Mr. Benson Millimo

Financial Advisor: CPA Jones Kimeu, FCCA

ii) Branch Officials:

**Nairobi Branch
Council Members:** 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
Council Members:** Ms. Anisa Abdalla (Chairman)
Mr. Henry Nyaga
Ms. Agnes Mwangwabi
Mr. Samuel Mweu
Mr. Jeffar Kiti
Mr. Salim Suleiman
Mr. Kauli Mwembe
Mr. Ibrahim Washenga

**Nakuru Branch
Council Members:** Dr. P. K Migwi (Ag Chairman)
Mr. Peter Muiruri
Margaret Anami

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Mr. Johnson Oguda
Mr. John Karanja
Mr. Joseph Maina Miugo
Philisters Kutwa

**Nyanza Branch
Council Members:**

Mr. George Ong'udi (Chairman)
Rose O. Omondi
Clint Caleb Oguya
Mr. Morris Roche,
Mr. Elijah Omollo
Jesca Ouko Oredo
Metabel Opiyo

**Eldoret Branch
Council Members:**

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

**Central Kenya
Council Members:**

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

**North Rift
Council Members:**

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

**Northern Kenya:
Council Members**

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

**Southern Eastern Kenya:
Council Members:**

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

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Report of the Council (continued)

**Mt. Kenya:
Council Members:**

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

**Southern-Kenya:
Council Members:**

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

**Western-Kenya:
Council Members:**

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

**Eastern Kenya:
Council Members:**

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

**Kabarnet:
Council Members:**

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

**South-Western:
Council Members:**

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

**North-Eastern:
Council Members:**

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

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Report of the Council (continued)

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 Cooperatives
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 Ass.		
The Chairman, Kenya Ploughing Organization		
The Chairman, Young Farmers Clubs of Kenya		
The Chairman, Cups and Classes		
The Chairman, Life Governors		
The Chairman, Kenya Farmer Editorial Board		

iv) CHAIRMEN OF AFFILIATE UNITS

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

Dated2022

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 situation 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..... 2022

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 31 which comprise the balance sheet as of 31st December 2021, 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 on 31st December 2021, 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 based on 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 agree 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

Ernest & Martin Associates

Certified Public Accountants,

Dated.....2022

NAIROBI

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INCOME AND EXPENDITURE ACCOUNT

		2021	2020
INCOME	NOTES	Kshs `000`	Kshs `000`
Show Activities Income	2	93,197	112,283
Head Office General Income	3	266,897	338,214
Related Units Income	4	2,321	1,082
		<u>362,415</u>	<u>451,579</u>
EXPENSES			
Show Activities Expenses	2	2,265	14,331
Related Units Expenses	4	1,879	2,044
Administrative Expenses	7	100,703	117,062
Staff Expenses	8	116,997	116,063
Promotional Expenses	9	1,575	3,445
		<u>223,420</u>	<u>252,945</u>
Operating Surplus/Deficit		<u>138,996</u>	<u>198,634</u>
Surplus from KLBA	5	<u>(733)</u>	<u>(344)</u>
Total Surplus/Deficit for the Year		<u>138,263</u>	<u>198,290</u>
Tax Income Expenses		<u>(4,136)</u>	<u>(2,479)</u>
Net Surplus/Deficit for the Year		<u>134,126</u>	<u>195,811</u>

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STATEMENT OF FINANCIAL POSITION

		2021	2020
	NOTES	Kshs `000`	Kshs `000`
NON-CURRENT ASSETS			
Property, plant, and equipment	10	27,770,190	27,809,547
Show Ground Development	11	582,593	481,088
Intangible Assets	12	8,860	8,046
Quoted Investments	13	434	410
		<u>28,362,078</u>	<u>28,299,093</u>
CURRENT ASSETS			
Inventories	14	799	1,158
Trade and Other Receivables	15	62,543	64,619
Cash and Cash Equivalents	16	327,095	253,485
Withholding Tax		1,337	295
		<u>391,773</u>	<u>319,557</u>
TOTAL ASSETS		<u>28,753,853</u>	<u>28,618,648</u>
ACCUMULATED FUNDS AND LIABILITIES			
ACCUMULATED FUNDS			
Life Governor Fund		2,369	2,369
Retained Surplus		1,021,964	679,508
Revaluation Reserves		27,708,641	27,708,641
		<u>28,732,974</u>	<u>28,390,518</u>
CURRENT LIABILITIES			
Trade and Other Payables	17	16,742	226,805
Tax Payables		4,136	1,325
		<u>20,879</u>	<u>228,130</u>
TOTAL ACCUMULATED FUNDS AND LIABILITIES		<u>28,753,853</u>	<u>28,618,648</u>

..... NATIONAL CHAIRMAN

..... COUNCIL MEMBER

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STATEMENT OF CHANGES IN ACCUMULATED FUNDS

	LIFE GOVERNOR	RETAINED EARNINGS	REVALUATION RESERVE	TOTAL FUND
	KSHS `000`	KSHS `000`	KSHS `000`	KSHS `000`
At 1st January 2021	2,369	679,508	27,708,641	28,390,518
Prior Year Adjustment	-	208,330	-	208,330
Surplus for the Year	-	134,126	-	134,126
At 31st December 2021	2,369	1,021,964	27,708,641	28,732,974
At 1st January 2020	2,369	483,697	27,708,641	28,194,707
Surplus for the Year	-	195,811	-	195,811
At 31st December 2020	2,369	679,508	27,708,641	28,390,518

Prior Year Adjustment

Includes a reversal of the provision made against VAT Payable amounting to: KShs. 203,890,000 after the tax appeal tribunal ruled in favour of A.S.K hence the reduction in the Trade and other payables (VAT Payables).

The balance of KShs. 4,440,000 relates to amounts a case where ELDOWAS claim that was ruled in favour of the ASK in the year.

The Council incorporated the valuation figures of its leasehold land in the financial statements to reflect fair presentation of its asset base and use this revaluation led to a revaluation reserve of KShs 27,708,641. The valuation was done in 2017

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STATEMENT OF CASH FLOWS

	2021	2020
	Kshs `000`	Kshs `000`
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	138,263	198,290
Adjustment for:		
Prior Year Adjustments	208,330	-
Depreciation	39,822	41,481
Unrealised Gains/Loss on shares valuation	(24)	113
Loss on assets disposal	-	184
Surplus before working capital changes	<u>386,390</u>	<u>240,068</u>
(Increase) in trade and other receivables	2,076	15,183
(Increase)/decrease in inventories	359	389
Increase/(Decrease) in trade and other payables	(211,388)	(8,988)
	<u>(208,954)</u>	<u>6,584</u>
Withholding Tax	(1,042)	1,448
Cash generated from operations	<u>176,394</u>	<u>248,100</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Assets disposal proceeds	-	40
Show ground redevelopment	(101,505)	(48,058)
Mombasa Master Plan	-	(1,600)
Kisumu Master Plan	-	(1,800)
Embu Macadamia	-	(70)
Intangible Assets Acquisition	(814)	-
Purchase of Assets	(464)	(3,849)
Net cash used in Investing Activities	<u>(102,783)</u>	<u>(55,337)</u>
Net Cash flow:	73,609	63,619
MOVEMENT IN CASH & CASH EQUIVALENTS		
Cash and Cash Equivalent at the beginning of the Year	253,485	189,866
Net Increase in Cash and Cash Equivalents	73,609	63,619
Cash and Cash Equivalent at the End of the Year	<u>327,094</u>	<u>253,485</u>

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 recognized 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 recognized initially at fair values transacted after full provision for impairment. Trade receivables are made based on 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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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 must be taken or forfeited where employees opt otherwise. Leave travel allowance is only recognized 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

Tax expense represents the aggregate amount included in profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income tax payable or refundable in respect of the taxable profit or loss for the current and prior periods, determined in accordance with the Kenyan Income Tax Act.

A deferred tax asset or liability is recognised for tax recoverable or payable as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the balance sheet and their corresponding tax bases, and the carry forward of unused tax losses. The tax bases of assets are determined by the consequences of sale of the assets.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the directors expect the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

At each reporting date, deferred tax assets are reviewed and adjusted, if necessary, by a valuation allowance, so that the net carrying amount equals the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. Any changes to the valuation allowance are recognised in 'tax expense'.

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Accounting Policies (Continued)

m) Payables

Payables are initially recognized at transaction price less transaction costs. Trade payables are obligations based on 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

	2021	2020
	Kshs `000`	Kshs `000`
2 Show Activities Income		
Branch Income	2,694	8,264
Foreign Exchange Gain	-	674
Rental Income	90,478	75,365
Show Income	25	27,979
	<u>93,197</u>	<u>112,282</u>
Show Activities Expenses		
Show Expenses	(2,265)	(14,331)
	<u>90,932</u>	<u>97,951</u>
3 Head Office General Income		
Membership Fees	415	2,566
Govt Grant	250,000	325,000
Sundry Income	210	379
Interest Income	16,249	10,256
Investment Income	-	126
Fair Value Loss	24	(113)
	<u>266,897</u>	<u>338,214</u>
Government grant is a final disbursement of a grant towards Jamuhuri Park Showground Improvement		
4 Related Units Income		
Kenya Farmer Journal	1,085	950
Young Farmers Clubs of Kenya	1,233	77
Kenya Ploughing Organization	3	55
	<u>2,321</u>	<u>1,082</u>
Related Units Expenses		
Kenya Farmer Journal	(139)	(1,515)
Young Farmers Clubs of Kenya	(1,512)	(148)
Kenya Ploughing Organization	(229)	(381)
	<u>(1,879)</u>	<u>(2,044)</u>
Deficit	<u>442</u>	<u>(962)</u>
5 Kenya Livestock Breeders Association (KLBA)		
Income	2,310	2,366
Expenses	(3,043)	(2,709)
	<u>(733)</u>	<u>(344)</u>

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Notes to the Financial Statements (Continued)

6 SURPLUS FOR THE YEAR	2021	2020
This is stated after charging:	Kshs `000`	Kshs `000`
Depreciation Expenses	39,822	41,481
Bad Debts Expenses	1,989	12,730
Council Expenses	4,209	6,885
Audit Fees	865	880
	46,885	61,976
And after crediting		
Interest Income	(16,249)	10,256
Unrealised loss on quoted shares	(24)	(113)
	(16,273)	10,143
7 Administrative Expenses		
Audit Fee	865	880
Bad Debts Expenses	1,989	12,730
Bank Charges	376	404
Council Expenses	4,209	6,885
Depreciation Expenses	39,822	41,481
Electricity & Water	3,199	3,346
Insurance	8,802	8,759
Local & Overseas Travel	2,387	4,736
Entertainment	1,138	1,552
Legal & Professional Fees	10,195	6,582
Land Rates	566	566
Printing & Stationery	931	1,113
Telephone & Postage	2,855	2,526
Repair & Maintenance	3,643	3,706
Vehicle Running Expenses	2,482	2,689
Office Expenses	1,806	2,063
Sundry & Security services	13,991	15,381
Subscription & Donations	330	303
Software Licences costs	1,118	1,176
Loss on Disposal	-	184
	100,704	117,062
8 Staff Expenses		
Redundancy Costs	28,957	-
Medical Expenses	5,962	4,683
Provident Fund	5,649	8,095
Salaries & Related Costs	73,560	101,440
Staff Welfare Expenses	2,870	1,845
	116,997	116,063

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Notes to the Financial Statements (Continued)

9 Promotional Expenses

Membership Badges & Recruitment	
Advertising	
Ploughing Competition	
Young Farmers Club of Kenya Activities	
Corporate Social Responsibility	
Farmers Training	

	2021	2020
	Kshs `000`	Kshs `000`
	811	2,185
	416	682
	-	96
	5	286
	343	190
	-	4
	1,576	3,445

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10 Property, plant, and equipment	Leasehold Land	Buildings & Improvements	Motor Vehicles, Tractors & Bicycles	Equipment & Machinery	Office Furniture & Fittings	Totals
	KSHS `000`	KSHS `000`	KSHS `000`	KSHS `000`	KSHS `000`	KSHS `000`
<u>COST AND VALUATION</u>						
As of 1st January 2021,	26,527,377	1,391,261	26,325	66,118	51,378	28,062,459
Additions	-	-	-	392	73	464
As of 1st December 2021,	26,527,377	1,391,261	26,325	66,510	51,451	28,062,923
<u>DEPRECIATION</u>						
As of 1st January 2021,	-	140,472	19,101	60,661	32,677	252,912
Charge for the Year	-	27,895	3,506	3,315	5,107	39,822
Total Acc Dep as at 31.12.21	-	168,367	22,607	63,976	37,784	292,733
NBV As at 31/12/2021	26,527,377	1,222,894	3,718	2,534	13,667	27,770,190
NBV As at 31/12/2020	26,527,377	1,250,789	7,224	5,458	18,701	27,809,549

The Council incorporated the valuation figures of its leasehold land in the financial statements to reflect fair presentation of its asset base and use this revaluation led to a revaluation reserve of KShs 27,708,641. The valuation was done in 2017. 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)

	2021	2020
	Kshs `000`	Kshs `000`
11 Show Ground Development		
Jamuhuri Park Show Ground Development	576,314	474,810
Nakuru Master Plan	2,231	2,231
Kisumu Master Plan	1,800	1,800
Mombasa Master Plan	1,600	1,600
Embu Macadamia Project	648	648
	582,593	481,089
12 Intangible Assets		
ERP Software	8,046	8,046
Additional	814	-
ERP Software	8,860	8,046
13 Quoted Investments		
Quoted Shares at 1/1/2021	410	523
Fair value Gain	24	(113)
Quoted Shares at 31/12/2021	434	410
14 Inventories		
Consumable Stores	783	1,142
K.L.B.A Stores	15	16
	799	1,158
15 Trade and Other Receivables		
Net Trade Debtors	172,708	182,049
Provision for Bad Debts (BS)	(141,741)	(141,327)
Staff Loans/Advances	1,139	1,294
Sundry Deposits	15,197	15,197
VAT Claimable	12,779	6,439
Interest Receivables	2,243	966
Minimum Tax	215	-
	62,542	64,618
16 Cash And Cash Equivalents		
Bank Current Accounts	45,568	50,856
Fixed Deposits Accounts	270,156	191,073
M-Pesa Account	4,087	3,923
USD Account	1,209	1,331
GBP Account	5,338	5,564
EURO Account	219	220
Cash in hand	518	518
	327,095	253,485

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Notes to the Financial Statements (Continued)

	2021	2020
	Kshs `000`	Kshs `000`
17 TRADE AND OTHER PAYABLES		
Trade Creditors	6,530	14,491
Tenants Deposits	6,494	5,299
VAT Payables	-	203,890
Advance Payments	3,719	3,124
	<u>16,742</u>	<u>226,804</u>

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.

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. However, in 2021 no show activities were carried out due to COVID implications. 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.

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.

21. CONTINGENT LIABILITIES

The legal status report updates 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.

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22. CAPITAL COMMITMENTS

Expo-Hall Construction Completion Status

Level of completion

93%

Expected completion date

30th June 2022

Value of remaining works

184,337,901

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TAX COMPUTATION

Year of Income-2021	2021	May-Dec `20
	Kshs `000`	Kshs `000`
Net Loss as per Income Statement	138,263	(88,149)
Add: Disallowable Expenses		
Government grant	(250,000)	-
Depreciation as per Books	39,822	27,654
Loss on Disposal	-	88
Council and employment expenses	2,461	-
Fair Value Loss	24	113
Bad Debts	1,989	12,730
Rental Expenditure	105,296	55,057
Less:		
Investment Income	-	(125)
Wear and Tear Allowance (Note 1)	(14,863)	(92,361)
Rental Income	(90,478)	(50,363)
Interest Income	(16,249)	(9,916)
Tax Loss for the Year	(83,735)	(145,272)
Loss brought forward	(145,272)	-
Net Loss for the Year	(229,007)	(145,272)
RENTAL INCOME		
Rental Income before tax	90,478	50,363
Rental Expenditure	105,296	(55,057)
Wear and Tear Allowance	(132,170)	(61,574)
Loss brought forward	(66,268)	-
Net Rent Deficit for the year	(213,256)	(66,268)
INTEREST INCOME		
Interest Income before Tax	16,249	9,916
Expenses	(2,461)	-
	13,788	9,916
Corporation tax @30%	4,136	2,479
Tax Payable	4,136	2,479
Minimum tax	(215)	-
Less Withholding	(1,337)	(1,153)
Tax Payable	2,584	1,325
Net Tax Payable	2,584	1,325

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<u>2021</u>	Class II	Class IV		
WEAR AND TEAR COMPUTATION	Motor Vehicles, Tractors & Bicycles	Equipment, Furniture & Machinery	Buildings & Improvements	TOTAL
	25%	10%	10%	
	Kshs `000`	Kshs `000`	Kshs `000`	Kshs `000`
W.D.V b/fwd. 01.01.2021	12,058	117,940	1,391,261	1,521,259
Additions	-	464	-	464
	12,058	118,404	1,391,261	1,521,723
Less: Wear and Tear Allowance	(3,015)	(11,840)	(139,126)	(153,981)
W.D.V c/fwd. 31.12.2021	9,044	106,564	1,252,135	1,367,742

<u>2020</u>	Class II	Class IV		
WEAR AND TEAR COMPUTATION	Motor Vehicles, Tractors & Bicycles	Equipment, Furniture & Machinery	Buildings & Improvements	TOTAL
	25%	10%	10%	
	Kshs `000`	Kshs `000`	Kshs `000`	Kshs `000`
W.D.V b/fwd. 01.01.2021	12,058	114,463	1,390,929	1,517,450
Additions	-	3,517	332	3,849
Disposal	-	(40)	-	(40)
	12,058	117,940	1,391,261	1,521,259
Less: Wear and Tear Allowance	(3,015)	(11,802)	(139,126)	(153,943)
W.D.V c/fwd 31.12.2021	9,043	106,138	1,252,135	1,367,316