

REPUBLIC OF KENYA



Paper Laid
By the Leader of Opposition Party on Wed 26/8/15

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KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
POSTAL CORPORATION OF KENYA**

**FOR THE YEAR ENDED
30 JUNE 2014**



POSTAL CORPORATION OF KENYA



Touching lives

KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.

26 MAY 2015

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ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2014**

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)



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POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

KEY PCK INFORMATION

1. Background information

Postal Corporation is a statutory body established by an Act of Parliament, PCK Act Number 3 of 1998 as a public Postal licensee, providing Postal services , Postal financial services and any other duty as many be assigned to it.

2. Principal Activities

The principal activity of the PCK is to provide Postal services and Postal financial services.

3. Directors

The Directors who served the PCK during the year/period were as follows:

Cyrus Maina	- Chairman- Appointed May 2009	- Revoked 10 Jan 2014
Eng. Sammy Tangus	- Chairman	- Appointed 10 Jan 2014
Dr. Enock Kinara	- Chief Executive	
Ms Florence Chelimo		
Ms. Pauline Muthigani		
Steven Oboso		
Abdi Adan		
John Katiku		
Principal Secretary Ministry of Information ,Communication and Technology.		
Alternate Director: Henry Mungasia		
Principal Secretary, National treasury		
Alternate Director: Mutua Kilaka		

4. Corporation Secretary

Mrs. Jane Florence Otieno
P.O. Box 34567 - 00100
Nairobi
Kenya

POSTAL CORPORATION OF KENYA

KEY PCK INFORMATION ...*Continued*

5. Registered Office

Posta House
Posta Road, Off Kenyatta Avenue
P.O. Box 34567 - 00100
Nairobi,
Kenya

6. Corporate Contacts

Telephone: (254) 3242000
E-mail: info@posta.co.ke
Website: www.posta.co.ke

7. Corporate Bankers

Kenya Commercial Bank of Kenya
Moi Avenue
P.O. Box 30081
GPO -00100
Nairobi, Kenya

Commercial bank of Africa
P.O.Box 30437
GPO- 00100
Nairobi
Kenya

Barclays Bank of Kenya
P.O Box 30120-00100
Nairobi
Kenya

Co-operative Bank
Co-operative House,
P.O. Box 48231 - 00100,
Nairobi
Kenya

8. Independent Auditors

Auditor- General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO- 00100, Nairobi, Kenya

POSTAL CORPORATION OF KENYA

KEY PCK INFORMATION ...*Continued*

9. Principal Legal Advisers

Chief Principal legal adviser

Attorney- General
Government of Kenya
P.O. Box 40112 - 00100 Nairobi

Ochieng', Onyango, Kibet & Ohaga
Advocates,
5th Floor, Block C,
ACK Garden House,
1st Ngong Avenue,
P.O.Box 43170 – 00100,
Nairobi








Ogetto, Otachi & Company
Advocates,
Ambassador Court, Block C-6
Milimani Road Opp. Middle East Bank
P. O. Box 79438 – 00200,
Nairobi.




Nyiha Mukoma & Co.
Advocates,
The Old Mutual Building.
3rd Floor, Kimathi Street,
P.O. Box 28491 - 00200
Nairobi.

MMC Africa Law
Muriu Mungai & Co Advocates
Spring Valley Crescent
Off Peponi Rd, Westlands
P. O. Box 75362 - 00200,
Nairobi.

POSTAL CORPORATION OF KENYA








BOARD OF DIRECTORS








S/N	Name	Experience
1.	 Eng. SAMMY TANGUS - CHAIRMAN BSC. CIVIL ENGINEERING -UNIVERSITY OF NAIROBI	He was born in 1966. He is a member of the Engineers Board of Kenya (EBK) and a Corporate Member of the Institute of Engineers of Kenya (IEK). Eng. Tangus has worked in government, private and international bodies; gathering experience in administration and technical matters.
2.	 DR. ENOCK KINARA – POSTMASTER GENERAL PhD, MBA, BA (Economics)	Born in 1960. He is the Postmaster General. He has worked in various capacities including GM/Financial Services, GM/Nairobi UPU, GM/Mails and other senior positions in PCK.
3.	 JOSEPH TIAMPATI – PS – MoICT Executive MBA from ESAMI/ MSM and a BSc (Hons) – Mathematics - UON	Born in 1961. He is the Principal Secretary, Ministry of Information, Communications and Technology in the government of Kenya. He has worked as GM Social Security-NSSF and various capacities in KCB and KBA.
4.	 DR. KAMAU THUGGE – PS The National Treasury. Holds PhD, Masters in Economics and BA Economics	Born in 1957. He is the Principal Secretary at the National Treasury, MoF as Head of Fiscal and Monetary Affairs Department, Economic and IMF
5.	 FLORENCE CHELIMO - DIRECTOR MBA (Strategic Management)	Born in 1972. She is a Board member at PCK and Assistant Director at TSC.
6.	 SULEIMAN ABDI ADAN - DIRECTOR B.ED (SC)	Born in 1953. He is a Board member and a private Businessman. He has previously been a chairman – KMC, Assistant to the Chairman of UPU-24 th Congress, General Manager- UPU, and GM/Operations – PCK amongst other designations.
7.	 PAULINE MUTHIGANI W. – DIRECTOR MBA	Born in 1971. She is also a Director at Savanna East Africa Ltd. Previously worked with KEMRI, Commonwealth Telecommunication Organization (CTO) London UK amongst others.

8.	 <p>JOHN KATIKU Masters in Law (LL.M) and a Bachelor of Laws (LL.B) from the University of Nairobi</p>	<p>Born in 1966. He is an Advocate of the High Court of Kenya currently a Partner at Musyoka Wambua & Katiku Advocates A member of the Board of Trustees of Centre for Advanced Studies in Environmental Law and Policy Trust and LAPTRUST. He is also a member of the Taskforce drafting the National Gaming Policy.</p>
9.	 <p>STEVEN K. OBOSO Bachelor of Laws (LL.B) - UON</p>	<p>Born in 1966. A partner with Oboso & Co. Advocates.</p>
10	 <p>J. F. OTIENO LLB, Dip Kenya school of law, CPS(K) Notary Public , Commissioner of oaths.</p>	<p>Born in 1963. She is the Director Legal services / Corporation Secretary in PCK. She has wide experience in legal affairs having worked with Nairobi City Council, Kenya Re and IRA as a CS.</p>

POSTAL CORPORATION OF KENYA

EXECUTIVE MANAGEMENT TEAM

S/N	Name	Experience
1.	 DR. Enock Kinara – Postmaster General PhD, MBA, BA (Economics)	He is the Postmaster General. He has worked in various capacities including GM/Financial Services, GM/Nairobi UPU, GM/Mails and other senior positions in PCK.
2.	 J. F. Otieno - LLB, Dip Kenya school of law, CPS(K) , Notary Public, Commissioner of oaths.	Born in 1963. She is the Director Legal services / Corporation Secretary in PCK. She has wide experience in legal affairs having worked with Nairobi City Council, Kenya Re and IRA as a CS.
3.	 S. Muriuki -Executive MBA, BCom, CPS	Director Mail services.
4.	 E.K. Lell - Bachelor of Arts	Director Business Development and Regional coordination
5.	 T. E Juma Executive MBA , Bachelor of Commerce	Director Payment Services
6.	 B. Murerwa- MBA (Entrepreneurship) Bachelor of Arts (Economics), CPA (K), CISA.	Director Finance.
7.	 E. Mwaura - MBA , BSC in FSM, Diploma Institutional Management.	Director Courier Services

8.	 J.K Tonui - MBA, Bachelor of Arts, Diploma in HRM	Director Human Resource Development & Administration
9.	 Kennedy M. Bosire Bachelor of Arts, Trained Police Officer.	Deputy Director Security and Compliance.
10.	 V. Shirao – BSC Computer Science, Diploma in Business Management.	Deputy Director Information Communication and Technology.
11.	 S. Wanjir MBA , BCom, CPA(K), CISA	Deputy Director Internal Audit and Risk Management.
12.	 E.K. Langat - BBA	Ag Deputy Director Logistics and Facilities Management
13.	 P.N. Gichuki Bachelor of Arts	Manager Corporate Communications & Public Affairs.
14.	 P Akedi – BA, Diploma in Supplies Mgt	Ag. Manager Supply Chain Management

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

PERFORMANCE HIGHLIGHTS

1. Introduction

The overall financial position of year 2013/2014 is a net loss of KShs 376,609,480 before tax.

2. Statutory Provision

(a) Audit

In accordance with the provisions of Section 20 Subsection 2 of Postal Corporation of Kenya Act, the Corporation is required to prepare and submit Annual Accounts to Auditor-General by 30 September each year.

3. Economic review

The Kenyan economy registered a GDP growth rate of 4.7% in 2013 compared to 4.6% in 2012. Inflation eased from 9.4% in 2012 to 5.7% in 2013 - *Kenyan economic survey 2014*

The general economic performance influences all players in the National Economy.

4. Financial performance

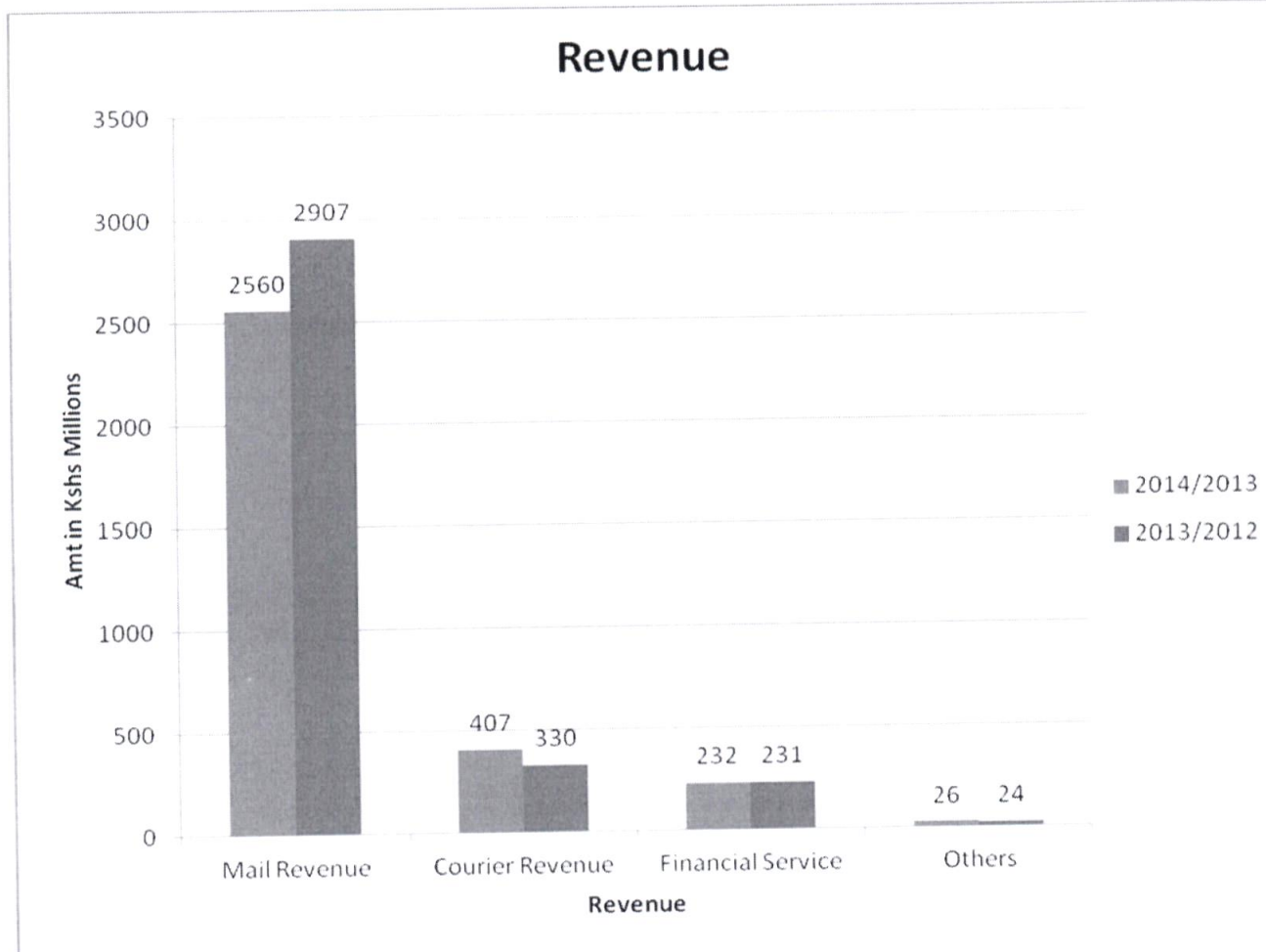
(a) Revenue

In overall Corporation Revenue registered a decline of 7.1% in 2013/2014 compared to 9.3% increase in 2012/2013. Significant revenue growth was only registered in the EMS and Money orders. Major revenue stream which experienced a decline include;

- Sale of Stamps
- Box Rentals
- Postage in Bulk
- EFT Commission
- Receipts from Foreign Administration

POSTAL CORPORATION OF KENYA

PERFORMANCE HIGHLIGHTS... *Continued*



POSTAL CORPORATION OF KENYA

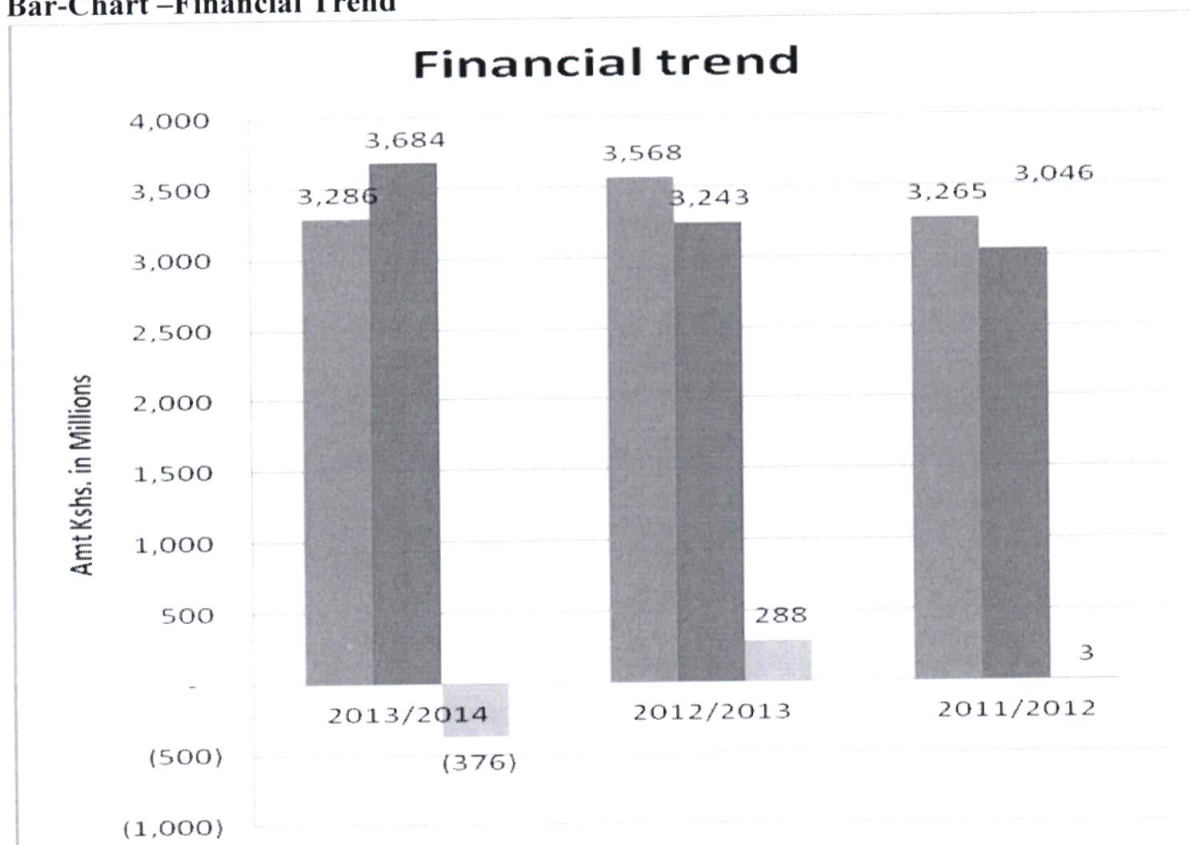
PERFORMANCE HIGHLIGHTS... *Continued*

The Table below shows financial performance trend since 2011/2012

Table 1- Financial performance Trend
Kshs. 'million'

Particulars	2011/2012	2012/2013	2013/2014	% Decline 2013/14
Revenue	3,265	3,568	3,286	(7.9)
Expenditure before exceptional Items	3,046	3,243	3,684	(13.5)
Net Surplus /(Deficit) before Tax	2.5	287.9	(376.6)	(230)
Tax Provision	30.3	114.4	-	100
Net Surplus/(Deficit) after Tax	(27.7)	173.4	(376.6)	(317)

Bar-Chart –Financial Trend



POSTAL CORPORATION OF KENYA

PERFORMANCE HIGHLIGHTS... *Continued*

(b) Operating Expenditure

Operating expenditure reflected an increase of KShs. 440,223,550 Million in 2013/2014 financial year compared to 2012/2013. This was as result of increase in staff and Pension cost which is related to basic pay.

(c) Financial Results

The financial results reflected an operating loss of KShs.397, 585,933 compared to a profit of Kshs. 294,355,290 million in 2012/2013.

(d) Ratios

	<u>2013/2014</u>	<u>2012/2013</u>	
Liquidity ratio: Current ratio =	0.98	1.08	Current Assets / Current liabilities
Gearing ratio =	0.69	0.65	Total liabilities/ Total Assets
Return on investment =	-0.042	.00033	Net Profit before tax/Total Assets

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

Corporate Governance deals with the way companies are led and managed, the role of the Board of Directors and a framework of internal controls. The Board of Postal Corporation of Kenya is committed to upholding high standards of corporate governance.

The Board of Directors

The Board is made up of 8 non-executive Directors and the Postmaster General (PMG). The Directors are provided with appropriate and timely information so that they can maintain full and effective control over the strategic financial, operational and compliance issues of the Corporation.

The day-to-day running of the business of the company's system of internal control is bestowed on the Postmaster General who is the Chief Executive Officer.

The role of the Board includes to:

- a) Exercise leadership, enterprise, integrity and sound judgment in directing PCK to achieve continued prosperity;
- b) Approve and review strategic business and operational plans and ensure that PCK has sufficient and appropriate resources to achieve its goals;
- c) Ensure that effective systems of control are in place to manage major risks faced by PCK and to safeguard its assets;
- d) Provide oversight and guidance to Senior Management so as to enhance efficiency and effectiveness of the Corporation;
- e) Ensure that the Corporation complies with all statutory and legal requirements including prescribed codes of best practice;
- f) Monitor and evaluate organization performance through quarterly reports and agreed key performance indicators.
- g) Ensure effective accountability to the Government through the Ministry of Information and Communications in proper management of the affairs of the Corporation.
- h) Adhere to the principles and virtues of good corporate governance.

POSTAL CORPORATION OF KENYA

CORPORATE GOVERNANCE STATEMENT... *Continued*

Board Committees

The Board discharges its functions through committees. Postal Corporation of Kenya has 3 committees as listed below.

i. Audit Committee

The mandate of the Committee includes:

- a) Establishment and review of internal control systems, risk management issues and internal audit procedures for the Corporation.
- b) Establish the scope, nature and priorities of internal audit. Review the internal audit programs relating to all operational aspects of the corporation.
- c) Review major findings on internal audit, investigations and recommend to the Board reasoned responses and/or contemplated actions thereto.
- d) Liaise with external auditors for audit programs, coordinating management responses to management letters thereto prior to issuance of the audit certificate.
- e) Review the external auditors' findings, issues and recommendations arising in the course of audit.
- f) Undertake such other duties or functions as may be assigned by the Board which are relevant to audit and risk management.

ii. Human Resource Committee

The duties of the Committee include:

- a) Human resource management and development – policies and their implementation.
- b) Review succession planning at senior level and make appropriate recommendations for consideration by the Board.
- c) Review the remuneration of staff for consideration by the Board.
- d) Monitor the implementation of corporate governance policies after Board approval.

iii. Finance and Technical Committee

The functions of the Committee include to:

- a) Review the Corporation's financial statements and budget before submission to the Board.
- b) Approval of procurement plans.

POSTAL CORPORATION OF KENYA

CORPORATE GOVERNANCE STATEMENT... *Continued*

- c) Review quarterly reports on tenders that have been awarded by the Tender Committee.
- d) Monitor customer service standards and productivity of resources.
- e) Review the Corporation's corporate business strategy and market research development.
- f) Review postal operations, UPU standards and compliance with Universal Service Obligations.

Board/Committee meetings

The following is the record of the Board and Committee meetings held during the year ended 30 June 2014

	<u>2013/2014</u>	<u>2012/2013</u>
Main / Special Board	15	11
Audit	5	4
Human Resource	8	10
Finance and Technical	7	5
Task force on PCK properties	1	13
Research, Technology and Innovation	2	-

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

REPORT OF THE DIRECTORS

The directors of Postal Corporation of Kenya (PCK) wish to submit their report together with the financial statements for the financial year ended 30 June 2014.

1. Principal Activities

Postal Corporation of Kenya, a Public Corporation set up in 1998 under Postal Corporation of Kenya Act Number 3 of 1998 Laws of Kenya, is fully owned by the Government of Kenya. Its principal activities are provision of communication, distribution and financial services.

The number of staff at year end was 3642.

2. Results

Loss before Tax	<u>KShs</u> (376,609,480)
Less Corporation Tax	
Net Profit/ (Loss) after Tax for the Year	<u><u>(376,609,480)</u></u>

3. Directors

Directors who served are set out on page vi.

4. Auditors

The Auditors for the Corporation are as reported on page 2 and will continue being in office in the coming financial year 2014/ 2015

5. Corporation Secretary

The Corporation Secretary is on page iii.

6. Approval of Financial Statements

The financial statements of the Corporation were approved on 29th September 2014

By Order of the Board



Corporation Secretary

Nairobi

29th September 2014

1880. 1881. 1882. 1883. 1884. 1885. 1886. 1887. 1888. 1889. 1890. 1891. 1892. 1893. 1894. 1895. 1896. 1897. 1898. 1899. 1900.

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

PCK Act Number 3 of 1998 require that the Directors prepare financial statements in respect of the Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of Corporation for and as at the end of the financial year (period) ended on 30 June 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the PCK; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the public management Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended 30 June 2014, and of Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the Corporation, which have been relied upon in the preparation of Corporation's financial statements as well as the adequacy of the systems of internal financial control.

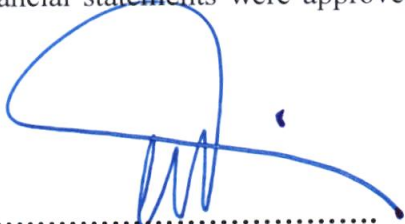
Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

PCK's financial statements were approved by the Board on 29th September 2014 and signed on its behalf by:

Director.....

Date:


22/5/2015

Dr. Enock O. Kinara
Postmaster General

Date:



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON POSTAL CORPORATION OF KENYA FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Postal Corporation of Kenya set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and fair presentation of the financial statements 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As previously reported, the property, plant and equipment balance of Kshs.2,974,966,311 as at 30 June 2014, includes forty six (46) properties which are not registered in the name of the Corporation. In addition the balance of Kshs.2,974,966,311 also excludes undetermined value of a parcel of land measuring 0.50 acres situated at Lamuria.

In the circumstances, it has not been possible to ascertain the ownership status of the forty six(46) properties valued at Kshs35,340,000 and that the balance of Kshs.2,974,966,311 as at 30 June 2014 is fairly stated.

2. Trade and Other Receivables

2.1 Telkom (K) Ltd Receivables

As similarly reported in 2012/2013 trade and other receivables balance of Kshs.3,516,601,281 includes two debts on account of Telkom Kenya Limited which comprise Kshs.403,648,938 in respect of service debts and Kshs.36,478,728 for other debtors totalling to Kshs.440,127,667 which have been owing since 1999. Further, debts in respect of money order inter-state of Kshs.65,439,782, Postapay of Kshs.177,695,268 and rent receivable of Kshs.206,410,457 all totalling Kshs.449,545,507 have remained uncollected over the years and therefore their recoverability is doubtful. However, no evidence has been provided about efforts being taken to recover the debts.

2.2 Foreign Administration and EMS Receivables

As reported in 2012/2013, trade and other receivables balance of Kshs.3,516,601,281 as at 30 June 2014 includes foreign administration and EMS receivables totalling Kshs.994,639,580; the bulk of which has been outstanding for between seven (7) and twenty four (24) years and whose provision for bad and doubtful debts is only Kshs.331,822,099 in the financial statements. Although the management has indicated that international receivables are regulated by Universal Postal Union (UPU) and are collectable or enforceable, no

evidence was provided of debts forwarded to UPU for collection or enforcement was availed for audit review.

2.3 Kenya Post Office Savings Bank Agency

As similarly reported in 2012/2013, trade and other receivables balance of Kshs.3,516,601,281 includes an amount of Kshs.1,233,945,531 being uncollected agency charges accumulated over a period of fourteen (14) years on account of Kenya Post Office Savings Bank. However, no confirmation of the balance had been received from the Bank as at 30 June 2014.

In the circumstances, it has not been possible to confirm that the trade and other receivables balance of Kshs.3,516,601,281 as at 30 June 2014 is fairly stated.

3. Trade and Other Payables

3.1 Kenya Post Office Savings Bank

As reported in 2012/2013, the trade and other payables balance of Kshs.6,291,937,879 as at 30 June 2014 includes Kshs.1,506,062,735 being outstanding debt owed to Kenya Post Office Savings Bank. However neither reconciliation nor confirmation from the Postbank was availed to confirm the accuracy of the outstanding debts.

3.2 Postapay Payables

As previously reported, trade and other payables balance of Kshs.6,291,937,878 includes an amount of Kshs.92,544,072 which has been outstanding on an account of Postapay for more than four (4) years. Further, as similarly reported in 2012/2013 management is in dispute with a firm which was offering the services and an accounting firm was appointed to carry out an investigation to determine the correct amount payable. However, no report on the investigation was availed for audit review as at the date of this report.

3.3 Deferred Projects

The trade and other payables balance of Kshs.6,291,937,879 as at 30 June 2014 includes deferred projects' bills totalling Kshs.96,819,339. Although the management has explained that the amount represents dues not paid on some projects that were started sometimes back but were later abandoned after it was established that the projects were not feasible, these bills have not been supported with the relevant records.

In the circumstances, the authenticity of the projects bills totalling Kshs.96,819,339 as at 30 June 2014 could not be confirmed.

4. Cash and Bank Balances

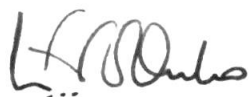
The Corporation's cash and bank balance of Kshs.2,659,881,739 as at 30 June 2014 includes the following reconciling items from various bank accounts as summarized below:-

| Item | Amount
Kshs. |
|----------------------------------|-----------------|
| Credits in bank not in cash book | 162,197.00 |
| Debits in bank not in cash book | 4,895,388.50 |
| Credits in cash book not in bank | 3,016,991.00 |
| Debits in cash book not in bank | 1,378,849.00 |

Also included in the cash and bank balance of Kshs.2,659,881,739 is an amount of Kshs.17,872,788 in respect to cash in transit that has been outstanding for a long period of time. Further the cash and bank balance includes stale cheques amounting to Kshs.2,198,207 which have not been reversed in the respective cash books. Arising from the foregoing, it has not been possible to confirm the validity and accuracy of the cash and bank balance of Kshs.2,659,881,739 as at 30 June 2014.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Postal Corporation Act, 1998 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

30 April 2015

Postal Corporation of Kenya
Statement of Comprehensive Income
For the year ended 30 June 2014

| | | 2013/2014
KSHS | 2012/2013
KSHS |
|---|--------------|----------------------|----------------------|
| | NOTES | | |
| Operating Revenue | 2 | 3,286,528,019 | 3,538,245,691 |
| Operating Expenditure | | | |
| Administration cost | 3 | 166,593,062 | 152,820,814 |
| Staff costs | 3a | 2,192,061,263 | 1,884,867,382 |
| Directors Expenses | 4 | 21,055,487 | 15,958,665 |
| Operational cost | 5 | 232,760,224 | 218,577,047 |
| Conveyance of Mail | 6 | 141,187,721 | 150,200,076 |
| International Services | 7 | 74,414,726 | 72,285,665 |
| Rental expenses | 8 | 227,576,792 | 206,121,282 |
| Maintenance expenses | 9 | 82,799,006 | 44,057,691 |
| Training | 10 | 35,471,752 | 13,113,152 |
| Telephone and Data Communication | 11 | 45,372,601 | 45,942,646 |
| Pension Expense | 12 | 142,180,630 | 130,715,391 |
| Other expenses | 13 | 161,856,950 | 150,753,372 |
| Provision for Depreciation | 17 | 160,783,738 | 158,477,219 |
| Total | | 3,684,113,951 | 3,243,890,402 |
| Operating (Deficit) /Surplus | | (397,585,933) | 294,355,290 |
| Non Operating revenue | 14 | 48,814,564 | 30,213,083 |
| Non Operating expenditure | 15 | (11,314,767) | (9,291,289) |
| Finance Charge | 16 | (16,523,344) | (27,385,388) |
| | | 20,976,453 | (6,463,594) |
| Net (Deficit)/Surplus before tax | | (376,609,480) | 287,891,695 |
| Corporation tax | | - | 114,425,537 |
| Net (Deficit)/Surplus after Tax | | (376,609,480) | 173,466,158 |

**Postal Corporation of Kenya
Statement of Financial Position
as at 30 June 2014**

| | | <u>2013/2014</u>
<u>KSHS</u> | <u>2012/2013</u>
<u>KSHS</u> |
|---------------------------------------|----|------------------------------------|------------------------------------|
| Assets | | | |
| Non- Current Assets | | | |
| Plant Property and Equipment | 17 | 2,974,966,311 | 2,922,596,043 |
| | | <u>2,974,966,311</u> | <u>2,922,596,043</u> |
| Current Assets | | | |
| Inventories | 18 | 20,565,051 | 14,767,081 |
| Trade and Other Receivables | 19 | 3,516,601,281 | 3,113,125,375 |
| Cash and Bank | 20 | 2,659,881,739 | 2,399,953,123 |
| | | <u>6,197,048,071</u> | <u>5,527,845,579</u> |
| Total Assets | | <u><u>9,172,014,382</u></u> | <u><u>8,450,441,623</u></u> |
| Reserves and Liabilities | | | |
| Current liabilities | | | |
| Trade & Other payables | 21 | 6,291,937,879 | 4,966,310,309 |
| Taxation | | - | 81,567,040 |
| | | <u>6,291,937,879</u> | <u>5,047,877,349</u> |
| Reserves | | | |
| Revaluation Reserve | | 2,279,237,947 | 2,279,237,947 |
| General reserve | | 571,671,891 | 1,026,813,044 |
| Proposed Dividends | | - | 17,346,616 |
| Total Reserves | | <u>2,850,909,838</u> | <u>3,323,397,607</u> |
| Non Current liabilities | | | |
| Long Term Bank Loan | 22 | 29,166,666 | 79,166,666 |
| Total Non Current Liabilities | | <u>29,166,666</u> | <u>79,166,666</u> |
| Total Reserves and Liabilities | | <u><u>9,172,014,382</u></u> | <u><u>8,450,441,623</u></u> |

The Financial Statements on pages 1 to 19 were approved by the Board of Directors on 29th September 2014 and were signed on its behalf by;

Director.....
Date :

22/5/2015

Dr. Enock O. Kinara
Postmaster General.....
Date:

Postal Corporation of Kenya
Statement of Changes in Reserves
For the Year Ended 30 June 2014

| | Note | General Reserve | Proposed Dividends | Revaluation Reserve | Total |
|-----------------------------------|------|----------------------|--------------------|----------------------|----------------------|
| As at 1 July 2012 (Restated) | | 425,093,502 | - | 2,279,237,947 | 2,704,331,449 |
| Pension Actuarial adjustments | | 445,600,000 | - | - | 445,600,000 |
| Net profit / Deficit for the year | | 173,466,158 | - | - | 173,466,158 |
| Proposed dividends | | (17,346,616) | 17,346,616 | - | - |
| As at 30 June 2013 | | 1,026,813,044 | 17,346,616 | 2,279,237,947 | 3,323,397,607 |
| As at 1 July 2013 (Restated) | | 1,026,813,044 | | 2,279,237,947 | 3,306,050,991 |
| Net profit / Deficit for the year | | (376,609,480) | | - | (376,609,480) |
| Prior Year adjustments | 24 | (78,531,673) | | - | (78,531,673) |
| As at 30 June 2014 | | 571,671,891 | - | 2,279,237,947 | 2,850,909,838 |



Postal Corporation of Kenya
Statement of Cashflows
For the year ended 30 June 2014

| | 2013 /2014
<u>KSHS</u> | 2012 /2013
<u>KSHS</u> |
|--|---|---|
| Cash receipts from customers | 3,190,025,365 | 3,538,076,615 |
| Cash paid to suppliers and staff | <u>(3,547,637,509)</u> | <u>(3,170,961,122)</u> |
| Total cash flow from operating activities | (357,612,144) | 367,115,493 |
| Tax paid | <u>(184,548,685)</u> | <u>(26,142,760)</u> |
| Cash generated from operations | (542,160,829) | 340,972,733 |
| CASHFLOW FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of assets | 11,272,870 | 7,027,010 |
| Purchase of Property and Equipments | (219,337,941) | (95,971,883) |
| Interest income | 41,615,603 | 21,187,792 |
| Cash advanced to staff | <u>(12,343,149)</u> | <u>(25,297,404)</u> |
| Net cashflow from Investing activities | <u>(178,792,616)</u> | <u>(93,054,485)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Loan Repayments | (50,000,000) | (50,000,000) |
| Loan interests | (16,523,344) | (27,385,388) |
| Dividends paid | <u>(17,346,616)</u> | <u>-</u> |
| Net cashflow from financing activities | <u>(83,869,960)</u> | <u>(77,385,388)</u> |
| Net Increase /Decrease in PCK Cash | (804,823,406) | 170,532,859 |
| Cash from others | 1,064,752,022 | 655,606,388 |
| Opening cash- PCK cash | 2,399,953,123 | 1,573,813,876 |
| Cash and Cash Equivalent at year end | <u><u>2,659,881,739</u></u> | <u><u>2,399,953,123</u></u> |

2017
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000

POSTAL CORPORATION OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying PCK's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of PCK.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

(b) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to PCK and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of PCK's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of PCK's activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which PCK delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iii) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- iv) **Other income** is recognised as it accrues.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

(b) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

| | |
|--|--|
| Buildings and civil works | 50 years or the unexpired lease period |
| Land | Nil |
| Motor vehicles, including motor cycles | 6-9 years |
| Computers and related equipment | 5 years |
| Office equipment, furniture and fittings | 10 years |

No depreciation is charged both in the year of asset purchase and in the year of asset disposal .

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) **Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges.

(d) **Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

(e) **Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

(f) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call, Money transfer E -Value and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(g) **Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

(h) **Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to PCK or not, less any payments made to the suppliers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) **Retirement benefit obligations**

PCK operates a defined contribution scheme for all full-time employees from January 1, 2010. The scheme is administered by an independent body and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the Retirement benefit Authority and National Social Security Act. The company's total obligation under the DCS scheme and NSSF is currently at 12.5 % of employees basic pay.

(j) **Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue. Provision is made for the estimated liability for annual leave at the reporting date.

(k) **Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which PCK operates that is Kenya Shillings (Kshs). Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(l) **Comparative figures IAS 1**

Where necessary comparative figures for the previous financial year have been amended or restated to conform to the required changes in presentation.

(m) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2013.

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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

Postal Corporation of Kenya

Notes to the Financial Statements For the year ended 30 June 2014 (Cont'd)

| Note 2
Revenue Analysis | 2013 /2014
KShs | 2012 /2013
KShs |
|---|----------------------|----------------------|
| Postal Revenue | | |
| Sale of stamps | 405,063,781 | 534,557,989 |
| Parcels | 53,733,601 | |
| postage in bulk | 1,131,596,427 | 1,272,693,909 |
| Receipts from Foreign admin | 166,239,626 | 174,914,678 |
| EMS Service | 353,529,340 | 329,778,851 |
| Money order commisson | 55,814,236 | 52,693,071 |
| Box/ bag Rentals | 857,545,185 | 925,275,274 |
| EFT commission | 4,503,782 | 6,193,228 |
| Miscellaneous | 26,478,706 | 23,911,486 |
| TOTAL | 3,054,504,684 | 3,320,018,487 |
| Post shops | | |
| Posta shops | 2,122,038 | 1,943,558 |
| Total | 2,122,038 | 1,943,558 |
| Total postage and Post shops | 3,056,626,722 | 3,321,962,045 |
| Rent receivable | 58,034,019 | 43,675,436 |
| AGENCY SERVICES | | |
| (KPOSB) Post Office Savings Bank | 2,360,214 | 6,470,779 |
| PCK and Teleposta Pension scheme | 2,327,815 | 3,486,729 |
| Kenya power Commisions | 49,417,252 | 51,554,998 |
| Customs and Clearing commisions | 4,979,523 | 6,015,736 |
| Multichoice, Mpesa and Airtel | 6,022,700 | 3,488,938 |
| Intergration fee | 2,723,364 | 6,267,559 |
| Huduma Sercices commissions | 7,135,811 | - |
| Cash Transfer Programs Commissions | 66,776,621 | 66,751,711 |
| Nairobi Water and Other Regional Agencies | 30,123,978 | 28,571,760 |
| Total Agency Revenue | 171,867,278 | 172,608,210 |
| Total Operating Revenue | 3,286,528,019 | 3,538,245,691 |
| Non Operating Revenue- Note 14 | 48,814,564 | 30,213,083 |
| Grand Total | 3,335,342,582 | 3,568,458,774 |

Notes to the financial statements
For the year ended 30 June 2014 (Cont'd)

3. Administration Expense

| | 2013/ 2014 | 2012/ 2013 |
|-----------------------|---------------------------|---------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| Consultancy Charges | 13,192,838 | 2,096,978 |
| Bank Charges | 12,687,378 | 17,086,519 |
| Office Administration | 11,498,115 | 6,638,049 |
| Contingencies | 1,736,541 | 906,400 |
| Insurance | 17,635,199 | 12,713,608 |
| Security Charges | 69,731,998 | 76,564,855 |
| General Stores | 21,202,360 | 16,018,832 |
| Vehicle Running costs | 14,649,965 | 16,654,464 |
| Others | 4,258,668 | 4,141,109 |
| Total | <u>166,593,062</u> | <u>152,820,814</u> |

3a. Staff costs

| | | |
|-------------------------------|-----------------------------|-----------------------------|
| Salaries and Allowances | 1,395,152,699 | 1,209,058,288 |
| Travel subsistence allowances | 121,610,781 | 89,393,285 |
| House Allowance | 504,999,383 | 457,118,991 |
| Medical | 174,733,664 | 123,780,397 |
| Staff leave expense | (4,435,264) | 5,516,420 |
| | <u>2,192,061,263</u> | <u>1,884,867,382</u> |

4. Directors Expenses

| | | |
|---|--------------------------|--------------------------|
| Directors Sitting Allowance | 7,131,400 | 8,160,000 |
| Directors Honorarium allow. | 960,000 | 960,000 |
| Directors Traveling Subsistence(Local) | 4,627,436 | 2,547,721 |
| Directors Traveling Subsistence(External) | 3,749,334 | 2,394,020 |
| Directors Mileage Allowance | 686,439 | 555,224 |
| Directors Incidental Expenses(<i>Training, Medical Insurance</i>) | 3,840,879 | 1,281,210 |
| Telephone and other expenses | 60,000 | 60,000 |
| Motor vehicle running expense | | 490 |
| Total | <u>21,055,487</u> | <u>15,958,665</u> |

**Notes to the financial statements
For the year ended 30 June 2014 (Cont'd)**

5. Operational Expense

| | 2013/ 2014 | 2012/ 2013 |
|---------------------------|---------------------------|---------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| Postal Agencies | 5,180,659 | 6,095,618 |
| Incidental expenses | 9,589,640 | 7,458,462 |
| General Stores | 54,166,098 | 50,435,939 |
| Supply of Stamps | 330,337 | 1,708,473 |
| Vehicles Running Expenses | 126,919,223 | 139,786,702 |
| Compensation | 1,572,389 | 1,940,663 |
| Operating License | 32,534,199 | 10,965,342 |
| Freight charges | <u>2,467,680</u> | <u>185,850</u> |
| Total | <u>232,760,224</u> | <u>218,577,047</u> |

6. Conveyance of mail

| | 2013/ 2014 | 2012/ 2013 |
|-------------------|---------------------------|---------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| Road | 9,599,775 | 9,878,789 |
| Air Internal | 3,359,909 | 2,625,642 |
| Air International | <u>128,228,037</u> | <u>137,695,645</u> |
| TOTAL | <u>141,187,721</u> | <u>150,200,076</u> |

7. International Services Expense

| | 2013/ 2014 | 2012/ 2013 |
|---------------------------------|--------------------------|--------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| International Parcel Services - | 62,782,526 | 61,303,956 |
| International Mail Services - | <u>11,632,200</u> | <u>10,981,709</u> |
| Total | <u>74,414,726</u> | <u>72,285,665</u> |

Postal Corporation of Kenya

Notes to the financial statements For the year ended 30 June 2014 (Cont'd)

8. Rental Expense

| | 2013/2014 | 2012/2013 |
|----------------|---------------------------|---------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| Site Rentals | 9,740,902 | 11,967,579 |
| Office Rentals | <u>217,835,890</u> | <u>194,153,703</u> |
| Total | <u>227,576,792</u> | <u>206,121,282</u> |

9. Maintenance

| | | |
|------------------------------------|--------------------------|--------------------------|
| Office Equipment | 4,459,271 | 5,682,740 |
| Information Technology | 643,230 | 433,346 |
| Building Repairs and Refurbishment | <u>77,696,505</u> | <u>37,941,605</u> |
| Total | <u>82,799,006</u> | <u>44,057,691</u> |

10. Training Expense

| | | |
|----------------|--------------------------|--------------------------|
| Training DIT | 6,668,503 | 3,297,091 |
| Local Training | <u>28,803,248</u> | <u>9,816,061</u> |
| Total | <u>35,471,752</u> | <u>13,113,152</u> |

11. Telephone and Data Communication

| | | |
|--------------------|--------------------------|--------------------------|
| Telephone lines | 14,267,938 | 13,415,673 |
| Data communication | <u>31,104,662</u> | <u>32,526,973</u> |
| Total | <u>45,372,601</u> | <u>45,942,646</u> |

Postal Corporation of Kenya

Notes to the financial statements For the year ended 30 June 2014 (Cont'd)

12. Pension expense

| | 2013/2014
<u>Kshs</u> | 2012/2013
<u>Kshs</u> |
|--------------|--|--|
| Pension fund | 127,567,077 | 115,135,778 |
| Gratuity | 5,889,153 | 7,360,412 |
| NSSF | 8,724,400 | 8,219,200 |
| Total | <u>142,180,630</u> | <u>130,715,391</u> |

13. Other Expenses

| | 2013/ 2014
<u>Kshs</u> | 2012/ 2013
<u>Kshs</u> |
|----------------------------------|---|---|
| Furniture and Fittings (Repairs) | 592,075 | 802,561 |
| Electricity/Water | 57,434,018 | 34,530,805 |
| Staff Awards | 1,495,580 | 1,921,487 |
| PCK Sporting Activities | 6,951,543 | 8,605,929 |
| Legal Expenses | 14,686,230 | 12,347,098 |
| Health, Safety Environment (HSE) | 13,150,059 | 13,432,432 |
| Shows and Exhibitions | 5,831,424 | 4,072,801 |
| Electronic Media Adverts | 27,841,548 | 16,273,600 |
| Print Media Adverts | 22,033,642 | 50,871,629 |
| Outdoor advertisement | 7,811,276 | 4,473,342 |
| Entertainment | 90,850 | 166,405 |
| Audit fees | 2,900,000 | 2,900,000 |
| Tax on fridge benefits | 1,038,704 | 355,282 |
| Total | <u>161,856,950</u> | <u>150,753,372</u> |

Postal Corporation of Kenya

Notes to the financial statements For the year ended 30 June 2014 (Cont'd)

| 14. Non-Operating Revenue | 2013/2014 | 2012/2013 |
|--------------------------------------|--------------------------|--------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| Bank Interest | 41,680,015 | 21,187,792 |
| Staff loans interest | 963,260 | 1,682,300 |
| Sale of Tender documents | 621,346 | 4,176,691 |
| Gain/Loss on disposal of Vehicles | 5,088,935 | 2,924,239 |
| Sale of Stores | 461,008 | 237,740 |
| Commission on Cash Salaries | | 4,320 |
| Total | <u>48,814,564</u> | <u>30,213,083</u> |
|
 | | |
| 15. Non Operating Expenditure | | |
| Interest on excess deposit (KPOSB) | <u>11,314,767</u> | <u>9,291,289</u> |
| | <u>11,314,767</u> | <u>9,291,289</u> |
|
 | | |
| 16. Finance charge | | |
| Interest on long term loan | <u>16,523,344</u> | <u>27,385,388</u> |

Postal Corporation of Kenya

17. Property, Plant and Equipment

| | LAND | BUILDINGS | MOTORS
VEHICLES | FURNITURE AND
OFFICE EQUIP. | COMPUTERS | W. I. P | GRAND
TOTAL |
|------------------------------------|--------------------|----------------------|--------------------|--------------------------------|--------------------|--------------------|----------------------|
| COST/VALUATION | 869,575,000 | 1,646,233,258 | 247,986,649 | 790,963,645 | 130,943,774 | 57,345,926 | 3,743,048,253 |
| At 1/7/2012 | | | | | | | - |
| ADDITIONS | | - | 37,428,200 | 31,829,935 | 19,845,505 | 6,868,242 | 95,971,883 |
| Revaluation | | | | | | | - |
| DISPOSALS | (800,000) | (2,280,000) | (6,050,000) | | | | (9,130,000) |
| AS AT 30/06/13 | 868,775,000 | 1,643,953,258 | 279,364,849 | 822,793,580 | 150,789,280 | 64,214,169 | 3,829,890,135 |
| DEPRECIATION AS AT 1.7.2012 | - | 170,595,405 | 145,147,702 | 358,577,722 | 79,523,274 | - | 753,844,102 |
| CHARGE FOR THE YEAR | - | 32,739,065 | 31,791,555 | 79,096,364 | 14,850,234 | - | 158,477,219 |
| DISPOSALS | - | (197,600) | (4,829,629) | | | | (5,027,229) |
| AS AT 30/06/13 | - | 203,136,871 | 172,109,628 | 437,674,086 | 94,373,507 | - | 907,294,092 |
| NET BOOK VALUE: | | | | | | | |
| AS AT 30 JUNE 2013 | 868,775,000 | 1,440,816,388 | 107,255,221 | 385,119,494 | 56,415,772 | 64,214,169 | 2,922,596,043 |
| AS AT 30 JUNE 2012 | 869,575,000 | 1,475,637,853 | 101,884,922 | 432,385,923 | 51,420,501 | 57,345,926 | 2,988,250,125 |
| COST/VALUATION | 868,775,000 | 1,643,953,258 | 279,364,849 | 822,793,580 | 150,789,280 | 64,214,169 | 3,829,890,135 |
| At 1/7/2013 | | | | | | | - |
| ADDITIONS | | - | 40,111,882 | 54,754,689 | 58,888,340 | 65,583,031 | 219,337,941 |
| Revaluation | | | | | | | - |
| DISPOSALS | (933,124) | (2,600,000) | (15,211,150) | | | | (18,744,274) |
| AS AT 30/06/14 | 867,841,876 | 1,641,353,258 | 304,265,581 | 877,548,268 | 209,677,619 | 129,797,199 | 4,030,483,802 |
| DEPRECIATION AS AT 1.7.2013 | - | 203,136,871 | 172,109,628 | 437,674,086 | 94,373,507 | - | 907,294,092 |
| CHARGE FOR THE YEAR | - | 32,739,065 | 30,193,704 | 82,279,358 | 15,571,611 | - | 160,783,738 |
| DISPOSALS | - | (225,333) | (12,335,006) | | | | (12,560,339) |
| Adjustments | | | | | | | - |
| AS AT 30/06/14 | - | 235,650,603 | 189,968,326 | 519,953,444 | 109,945,119 | - | 1,055,517,491 |
| NET BOOK VALUE: | | | | | | | |
| AS AT 30 JUNE 2014 | 867,841,876 | 1,405,702,655 | 114,297,255 | 357,594,824 | 99,732,501 | 129,797,199 | 2,974,966,311 |
| AS AT 30 JUNE 2013 | 868,775,000 | 1,440,816,388 | 107,255,221 | 385,119,494 | 56,415,772 | 64,214,169 | 2,922,596,043 |





**Notes to the financial statements
For the year ended 30 June 2014 (Cont'd)**

| | 2013/2014 | 2012/2013 |
|--|-----------------------------|-----------------------------|
| Current Assets | <u>Kshs</u> | <u>Kshs</u> |
| Note 18 | | |
| Inventories | | |
| Inventories | 20,565,051 | 14,767,081 |
| Total Inventories | <u>20,565,051</u> | <u>14,767,081</u> |
| Note 19 | | |
| Trade and Other Receivables | | |
| Service Debtors | | |
| Foreign Administration | 759,771,207 | 699,532,503 |
| E M S | 234,868,373 | 213,224,449 |
| Less: Provision for Doubtful debts | (331,822,099) | (331,822,099) |
| Bulky Postage | 251,287,395 | 161,366,114 |
| Money Orders Inter-state | 65,439,782 | 82,501,415 |
| Postapay | 177,695,268 | 177,742,768 |
| Rent Receivable | 206,410,457 | 185,286,619 |
| Rent Deposits | 687,698 | 687,698 |
| Total service Debtors | <u>1,364,338,081</u> | <u>1,188,519,466</u> |
| Agency: | | |
| Kenya Post Office Savings Bank | 1,233,945,531 | 1,231,585,317 |
| Telkom Kenya Limited | 403,648,938 | 403,648,938 |
| Telposta Pension Scheme | 40,636,853 | 41,713,742 |
| Other Agency Debtors | 133,759,781 | 119,762,425 |
| Total Agency debtors | <u>1,811,991,104</u> | <u>1,796,710,422</u> |
| Other Debtors | | |
| Customs and Excise | - | 5,020,038 |
| Tax recoverable | 193,471,360 | - |
| Staff Advances | 78,445,769 | 69,568,798 |
| Other Deposits(court attachments,Tuition fees..) | 43,446,575 | 28,398,259 |
| Telkom Kenya Limited | 36,478,729 | 36,478,729 |
| Hospitals Deposits | 1,400,000 | 1,400,000 |
| Less: Provision for Doubtful debts(Posta Pay) | (12,970,337) | (12,970,337) |
| Net Other Debtors | <u>340,272,096</u> | <u>127,895,487</u> |
| Total debtors | <u>3,516,601,281</u> | <u>3,113,125,375</u> |
| Note 20 | | |
| Cash and Bank Balance | | |
| Cash on Hand | 125,789,379 | 109,254,039 |
| Bank Balances | 2,492,168,697 | 2,222,606,335 |
| Cash in transit | 25,231,734 | 31,096,122 |
| E-Value | 16,691,929 | 36,996,628 |
| Total | <u>2,659,881,739</u> | <u>2,399,953,123</u> |



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Notes to the financial statements
For the year ended 30 June 2014 (Cont'd)

| Note 21 . Current Payables | 2013/2014 | 2012/2013 |
|--|-----------------------------|-----------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| Trade and other Payables | | |
| Service Creditors | | |
| Foreign Administration | 267,796,156 | 237,470,176 |
| Money Orders/IFS | 144,980,156 | 121,535,828 |
| Postapay(Revenue Share and Network fees) | 92,544,072 | 92,544,072 |
| New Posta pay EFT | 93,816,589 | 57,457,093 |
| Postal Orders | 4,522,546 | 5,202,989 |
| Key Letter Box Deposits | 155,808,673 | 143,508,028 |
| Rental Deposits | 2,346,579 | 1,446,579 |
| TKL- Telephone and Telegraph | 380,992,893 | 380,992,893 |
| Conveyance of Mail | 62,485,988 | 106,902,192 |
| Total Service Creditors | <u>1,205,293,652</u> | <u>1,147,059,849</u> |
| Agencies | | |
| Agency accounts | 2,905,832,302 | 1,487,854,640 |
| Kenya Post Office Savings Bank | 1,506,062,735 | 1,634,003,728 |
| | <u>4,411,895,038</u> | <u>3,121,858,368</u> |
| Other Creditors | | |
| Statutory | 36,340,523 | 23,833,855 |
| Deposits for sale of land | - | 17,202,752 |
| Bank Loan(Current portion) | 50,000,000 | 50,000,000 |
| Excise duty | 499,301 | 4,007,782 |
| Pensions and Gratuties | 37,112,707 | 30,869,578 |
| Retrenchment costs | 3,600,215 | 3,600,215 |
| Provision for staff leave | 6,915,647 | 11,350,911 |
| Institutions Insurances | 5,071,292 | 5,092,750 |
| Cooperatives | 18,668,789 | 17,264,594 |
| Bank Staff Loans | 32,588,054 | 31,952,559 |
| Telkom Kenya Limited | 90,625,530 | 5,942,828 |
| Administration | 3,394,883 | 31,587,949 |
| Operational | 25,330,438 | 8,471,012 |
| Rentals | 49,074,356 | 73,805,915 |
| Contigent liabilities | 96,357,673 | 120,357,673 |
| Training | 352,070 | 975,459 |
| Deferred Projects | 96,819,339 | 123,525,504 |
| Contract work | - | 106,435 |
| Suppliers: | | |
| Other creditors | 43,142,478 | 42,477,082 |
| Miscellaneous | 78,855,894 | 94,967,240 |
| Total others | <u>674,749,189</u> | <u>697,392,092</u> |
| Total Current Payables | <u>6,291,937,879</u> | <u>4,966,310,309</u> |

Postal Corporation of Kenya

Notes to the financial statements

For the year ended 30 June 2014 (Cont'd)

25. Currency

The Financial statements are presented in Kenya Shillings (KShs)